



Shelter SA Submission

Economic & Finance Committee of the South Australian Parliament

Inquiry into South Australian Housing Availability 2023

Introduction

Shelter SA welcomes the opportunity to contribute to the Economic and Finance Committee of the South Australian Parliament's Inquiry into Housing Availability. The Inquiry is timely during a severe housing crisis that is affecting an increasing number of South Australians. Access to appropriate and adequate shelter is a basic human right and until the housing crisis is addressed, the crisis should be viewed as a failure of governments to ensure access to human rights in South Australia.

Maslow's hierarchy of needs includes housing as the fundamental basis for people to achieve self-actualisation. Without adequate housing for all citizens in need, we are holding our State back from the social and economic participation that will benefit them and our society. As a social determinant of health, housing is critical to lessen the burden on our health system and other expensive, mandatory systems that operate at the crisis end of service delivery.

Our social housing and homelessness systems, along with other systems such as child protection, corrections, mental health and domestic violence, are overwhelmed by the number of people who require assistance. Housing outcomes that are affordable and suitable cannot be achieved for or with service recipients and this situation is having an extremely negative impact on our children, our families and the agencies that aim to serve them. Not for profits and charities are forced to spend time and resources fund-raising to meet the growing needs of the community, which cannot be met by insufficient or insecure government funding.

In addition to good housing policy and adequate funding in the medium and long terms, there is also an immediate imperative to introduce urgent, short term measures, to address housing availability in South Australia today, while we wait for new housing supply to be built, in an environment of delays and skyrocketing costs, labour shortages and policy failure.

When there are natural disasters, the South Australian Government quickly responds to people who have lost their homes, through the provision of emergency relief centres, shelter, food, clothing and financial assistance. People who have lost their homes due to the housing crisis deserve and should receive an equal response to prevent them from resorting to sleeping in cars, tents and other temporary or unsafe measures.

The use of the term 'affordable housing' throughout the Inquiry's issues paper must be clarified. Affordable housing is a term defined as 80% of the market rate, whether for sale or rent, in the South Australian inclusionary zoning policy. As house prices and rents have risen significantly since the policy was introduced, the market discount is no longer affordable for low income households. Affordability for the bottom 40% of low income households should be defined at 30% of household incomes.

The lack of housing that is affordable and available for the lowest income households manifests in increased pressure on the social housing system. The gap between the lowest rent and a social housing rent is now too large for people living on low incomes to afford. A private market will not provide a home for our most vulnerable citizens, this is the role of governments. Recent State Government announcements about increasing the supply of public housing, prohibiting public housing sales and increasing maintenance are welcome, however these initiatives alone will not meet the current or future need for social housing.

Issues for Discussion

1. Access to Safe, Secure, Affordable Housing

People living on low incomes are increasingly locked out of home ownership opportunities. Of those people who have achieved mortgages, greater numbers are reaching retirement age without owning their homes outright. Transitioning to an aged pension income, without superannuation, immediately plunges these households into poverty and housing stress. The aged pension was designed for people who had paid off their homes and is not sufficient to subsidise the cost of a mortgage or rent.

Women are disproportionately affected by the increased prices for home purchase and rents with wage inequality, lower or no access to superannuation, time out of the workforce to undertake caring duties and the prevalence of domestic violence. Single income households are also adversely affected.

Rental affordability in the private market has been an issue for low income households for many years. The South Australian Residential Tenancies Act does not define what is reasonable in terms of rent increases and this should be rectified urgently, to deter large rent increases that aim to take advantage of the low availability of rental properties.

Anecdotally, some real estate agents assess applicant affordability at 30% of household income. For people living on low incomes, as outlined above, there is nothing deemed to meet this affordability threshold in the current market. Applicants living on low incomes are automatically rejected by agents if they do not meet this arbitrary affordability threshold and they will not succeed in securing rental properties. The South Australian Housing Authority private rental assistance program is critical to assist renters with affordability, however, assesses affordability at 50% of household income. There is a mismatch between the real estate industry and government affordability assessments and this issue must be addressed through legislation, associated regulations and policy.

As house prices and rents have increased significantly, a much higher number of low income South Australians are now living with housing stress, that is for the lowest 40% of household incomes, paying more than 30% of incomes on housing costs. The low vacancy rate in the

private rental market has now caused an availability issue that impacts negatively on households, not only those with low incomes. Shelter SA encourages the State Government to be bold and continue to improve the Residential Tenancies Act through its review process. No cause evictions and the non-renewal of leases, without a breach of agreement, must be abolished regardless of arguments that are not evidence-based that such changes would cause owners to sell their rental properties.

The capacity to meet the needs of people experiencing homelessness for crisis accommodation, medium and long term social housing has declined in South Australia. It is stated in the issues paper that ‘increased pressure on social housing is pushing the system towards crisis’ however, this statement should be reframed because the system has been in a financial crisis for some time and is now in a fully developed crisis as per the below data from the Australian Institute of Health and Welfare indicates.



There are several social housing policies and procedures that require review and State Government should create a mechanism that is accessible by citizens, service providers, peak bodies and other organisations to provide input into policy processes, with an associated timeline and commitment to address community concerns.

For example, the Canadian Occupancy Standards can prevent larger families from being housed, when they are rigidly applied. Families can be stuck in motel accommodation for months which is an expensive and unsuitable response to ensuring their safety. The anti-social behaviour policy does not assist tenants to feel safe in their homes and does not trigger additional support for tenants who come to the attention of the Police or other authorities. The allocations policy, weighted towards people with high and complex needs, can mean that tenants who are unsuitable to live in higher density social housing, are allocated homes in higher density sites and have an extremely detrimental effect on properties and neighbours, with frequent police visits and incidents of anti-social behaviour. Allocations of tenants without high and complex

needs should be considered for cluster sites, to ensure there is a goodness of fit with existing residents.

The Emergency Accommodation Program is currently overwhelmed by people who are eligible for motel accommodation. The cost of the Program has blown out significantly, there are not enough social housing properties available to meet demand and it is difficult, and can be impossible, for participants to achieve private rental housing outcomes. Many participants need supported accommodation and/or social housing to exit the Program as they have no private rental history, a lack of capacity to afford private rental and may experience discrimination in the rental market. Current mutual obligation policies require clients to attend ten open inspections or apply for ten properties every week. This policy is punitive, unreasonable and harsh.

Housing security is an important issue for people who rent privately, people living in temporary accommodation and experiencing homelessness. An alternative home ownership product, as outlined in Section 4 below, has the potential to create the housing security that people want and need, outside of the private rental market and social housing.

State Government is not responsible for institutional investment in private rental accommodation, but there is a role for them to play to enable and encourage institutional investment on the basis that institutions are less vulnerable to changes in market forces and more likely to be looking for long term investments that may favour longer leases and therefore increase housing security in the private rental market.

Recent State Government announcements about large land releases are a step towards achieving future residential developments but represent a missed opportunity to increase the supply of social housing. As per [Shelter SA's election platform](#), the inclusionary zoning policy must be reviewed as a matter of urgency to move away from the inclusion of "affordable housing" – sales or rentals at 80% of market prices, to include a proportion of social housing, especially where residential rezoning will result in an uplift in land value.

As discussed above, due to house price increases, affordable housing at 80% of the market price for sale is no longer relevant to or achievable for low income households who would not qualify to borrow enough money to purchase the homes. A mixture of market prices and social housing, rather than market and affordable prices, has the potential to create a larger subsidy and therefore increase the supply of social housing. Lend lease dwellings should also be encouraged, as they can significantly reduce costs.

It is not known how many development applications are awaiting approval or how long they are taking to be processed. If applications are languishing within bureaucratic structures, State Government should concentrate on how they can accelerate the approval process to ensure that housing supply will be available in a shorter time frame and address questions about infrastructure, especially when new housing will not be near existing services.

The claim raised in the issues paper that 'increased administrative and regulatory costs can make housing more expensive for those in need' must be challenged. There is a [significant correlation between developer charges and home prices](#) that the Inquiry Committee should take into account.

2. Increased Housing Need from Specific Cohorts

The housing needs of people from marginalised groups, who are more likely to be living on low incomes, are growing exponentially. As outlined above, affordability has been an issue in home purchase and renting for many years. Low vacancy rates and discrimination based on income support, family composition, age and physical appearance continue in the private rental market, in addition to affordability issues. Applicants should not be required to list their income source, family situation, age or photographic identification unless they are selected as the preferred applicant for a rental property. A process like this would not prevent discrimination at open inspections but may assist some people. Please refer to the [Shelter SA research report on racial discrimination in the private rental market](#). While the report is dated, the issues are still relevant today.

Despite State Government policies that prohibit the discharge of people from institutions into homelessness, this practice has continued for many years when people leave hospitals, prisons and other mandatory or institutional settings. Without safe, affordable and appropriate accommodation, people cannot recover or rehabilitate successfully. The Shelter SA election platform called for data to be collected and published on how many South Australians are affected by this issue to identify the true depth of housing need that remains unmet and how it may contribute to hospital re-admissions, re-offending and other adverse outcomes.

Thousands of victims of domestic violence, predominantly women, accompanied by their children, flee violent homes every year. In the current housing crisis, many are forced to return to violent homes as they cannot achieve an alternative housing outcome. This situation is essentially creating the next generation of people who will experience homelessness and suffer from trauma-filled childhoods. Social housing supply, sufficient to meet the needs of this cohort of families, is critical to address the safety and well-being of vulnerable South Australians.

Refugees and asylum seekers also face multiple barriers to achieving a home. Non-residents of South Australia are not eligible for private rental assistance from the South Australian Housing Authority, can be ineligible for Centrelink and do not always have work rights. Assisting this cohort of people and families without the provision of housing, costs taxpayers and not for profits more than the provision of social housing and should be addressed urgently.

Young people are disproportionately and negatively affected when it comes to housing affordability and availability especially if they are living on low incomes, exiting the child protection or foster care system, experiencing health and mental health issues or are from minority groups. An increase in the supply of social housing is critical to ensure our youngest citizens can live safe lives and fulfill their potential.

The for profit rooming house sector and supported residential facility sector have become two of the only options available to vulnerable people who are leaving institutional care. These settings are not appropriate for people with high and complex needs and do not create environments where people can recover. Purpose built, not for profit rooming houses should be incentivised to replace these sectors to ensure that they meet their legal requirements and are suitable settings for people to live and recover. Please refer to the [Shelter SA rooming house research report and its recommendations](#), which have still not been adequately addressed.

The Terraces provides a gold standard for supported accommodation and should be replicated. The Terraces is purpose built and provides self-contained accommodation for multiple tenancies with on-site supports in place managed by a not for profit provider.

3. Market Barriers, Construction Industry and Supply Chain

In Australia, we build expensive houses on expensive land. Supply chain, labour and cost issues occurring in tandem with the fallout of the HomeBuilder scheme, continue to cause huge delays in the completion of new dwellings. One antidote to this situation is to replicate what some of the eastern states are doing in response to natural disasters, to increase the supply of modular or prefabricated dwellings. At scale, the provision of modular dwellings could also overcome the issue of larger deposits required by financial institutions due to higher risk assessments for construction in the regions. Local governments must take on more responsibility for the supply of housing across the State. Large employers also have a role to play if they wish to expand their workforces.

4. Housing Design and Innovation

An alternative housing product is required to provide the housing that South Australians need and can afford. A dwelling sales price of no greater than \$200,000 would allow low income households, who are currently locked out of the home ownership market, to purchase their own homes. This alternative price point could be achieved through modular builds and lend lease arrangements, within existing legal structures, that do not include the sub-division or sale of land. Purchasers would only purchase the dwellings and could access either right to occupy licences, or long term leases over the dwelling sites. Where State Government land is concerned, this would retain the asset as a public asset which would grow over time and be used to achieve social and economic outcomes.

A set of principles should guide the design and delivery of an alternative housing product, which modular dwellings can achieve, including high quality design and materials, energy efficiency, accessibility, amenity and connection to services.

An alternative home ownership product, built at scale, has the potential to ease the pressure on the private rental market, create new supply, reduce the social housing waiting list and significantly reduce the demand for homelessness and other expensive crisis services. Importantly, a sales model would also be user pays. While requiring initial financing, monies could be recovered through sales and ongoing cash flow assured through lend lease arrangements.

Building companies do not currently cater to the low income segment of the market, which is growing, and therefore should not object to an alternative product that does not compete with their customer base. Mark Farmer wrote a report called 'Modernise or Die'¹ looking at a range of issues affecting the building industry in the United Kingdom including workforce shortages and increased costs. Arguments for increasing the supply of modular house are made within the report that are relevant to South Australia.

¹ <https://www.cast-consultancy.com/knowledge-hub/the-farmer-review-of-the-uk-construction-labour-model/>

An alternative housing product would overcome a range of barriers that currently face South Australians who need a home including the following:

Private Rental Market

1. Housing insecurity – legislation does not protect renters from eviction or the non renewal of leases in private rental
2. Affordability – legislation does not define what is an acceptable rent increase and renters are subject to rent increases that they cannot afford
3. Low energy efficiency leads to the high cost of utilities

Home Ownership

4. Affordability – thousands of South Australians are locked out of home ownership at current median house prices
5. Lack of access to borrowings – without superannuation, single people who are between 40 and 45 years may be assessed as ineligible to purchase a home at current median house prices, due to assessed inability to make repayments after retirement
6. High utilities cost – high energy efficiency ratings would assist with cost of living pressures
7. Wealth creation – without access to home ownership, families do not have access to opportunities to create wealth within families

Social Housing

8. Waiting list – an alternative housing product could positively impact the social housing waiting list by creating a housing opportunity that is a suitable alternative to social housing.

Homelessness

9. People living on low incomes experiencing homelessness, living in unsuitable, temporary dwellings, emergency accommodation or sleeping rough would have access to home ownership products

Whether in metropolitan or regional areas, local governments and planning systems need to become more flexible when innovation in housing is to be delivered, for example, to allow smaller minimum lot sizes (to reduce costs) and for the consideration of modular dwellings, lend lease communities, residential parks and co-housing. State Government concessions for build to rent projects are noted.

Modular dwellings should also be considered for new public housing supply. Shelter SA was pleased to see the State Government Expression of Interest process, looking at the supply of groups of ten modular dwellings at eleven locations across South Australia, however, the outcome of this process was not known at the time of writing. The inclusion of modular dwellings, where appropriate, could increase the impact and number of housing outcomes under current promised spending on public housing.

The current and future housing needs of our ageing population are for single person households. The provision of smaller modular homes (1-2 bedroom) would also address the poor fit of current social housing stock with housing needs.

The South Australian social housing sector represents a crisis response to people with high and complex needs. The provision of social housing to people and families who are in the greatest need represents an opportunity to create a more proactive approach to ensure that citizens have access to the basic human right to adequate shelter and the social determinants of health. Accommodating people in prisons, removing children from their families to live in residential and custodial “care” and people cycling through domestic violence, homelessness, mental health and health systems is an expensive ‘band aid’ approach to serious social issues and structural problems which costs taxpayers much more than adequately housing people in need.

The South Australian Housing Authority should remove the requirement for community housing providers to pay direct payments to improve their capacity to attend to maintenance.

5. Finance Options

The ‘growing need for finance models that improve access to home ownership for people on low and medium incomes’ referred to in the issues paper is irrelevant. House prices and lending criteria are at odds with any possible finance model that could better serve low income individuals. The finance models that are required include systemic responses and sustainably funding new supply.

The argument for an alternative housing product, outlined above, has the potential to solve the topics raised in the issues paper, to improve access to home ownership for people on low and medium incomes and increase the supply of low cost rental accommodation. The barriers to obtaining home purchase finance emanate from high house prices which automatically exclude low and moderate income households from the market.

When people who are aged between forty and forty-five years apply for mortgages, their retirement income affects if they can meet financing rules. As discussed above, people with only low superannuation balances or no superannuation available, are usually refused access to finances if they will be relying on the aged pension as their only form of income. A lower price point, of no greater than \$200,000 would also address this issue and remove barriers for older people to enter the home ownership market, with affordable repayments beyond retirement.

The idea that fixed housing subsidies serve as a disincentive to economic participation is not evidence based and should not be provided as a reason to address housing finance options. The social housing tenant profile is a significant issue in determining participation in the paid workforce. A higher unemployment rate among social housing tenants compared to the general population is attributed to the presence of high and complex needs among the tenant group, rather than their tenancy type. Low income private rental households face similar disincentives as public tenants due to location, transport costs, low employment opportunities near to low cost private rentals, poor health, education and length of time out of the workforce, indicating that these factors, rather than tenure, are significant in understanding workforce participation.

6. Policy Settings: Co-operation, Strategic Alignment

The South Australian Government has an important role to play in advocating for improvements to Commonwealth Government policies that affect house prices and those that determine how many citizens are living in poverty.

Capital gains tax and negative gearing subsidise investment in residential property and should be discontinued, with all resulting savings being diverted to increase the supply of social housing. While it is understood that Australia requires immigrants to meet workforce needs, there does not seem to be any consideration of where immigrants will live in the rhetoric around the issue.

Commonwealth Rent Assistance requires a review to ensure it assists people who need it the most and is better targeted. The rate of JobSeeker (for all recipients) and Youth Allowance must be urgently raised to ensure people are not living in poverty. Gender equality, wage inequality, superannuation (especially for women) inequity, domestic violence prevention and child protection as they relate to housing, must receive greater attention to ensure that families are not living in poverty and are housed properly.

The development of a national housing and homelessness strategy and the setting of supply targets by the National Housing Supply and Affordability Council are critical to ensure social housing outcomes are more closely matched to needs in South Australia. National leadership on improving conditions for renters is also critical.

The Aspire Program, a social impact bond delivered by the Hutt Street Centre was evaluated in 2022². Even though only approximately 64% of participants were housed, the program is estimated to have saved State Government \$13.38 million over four years. The savings were predominantly to the health and corrections budgets. There is a need to create a cross-portfolio well-being budget rather than look to the Housing Authority to fund this critical area of public policy and human service provision to ensure that additional funds can be accessed. Greater savings would be created if a higher number of housing outcomes could be achieved through an increase in social housing.

Public spending announcements on sporting and tourism events, submarine deals, roads and massive land releases are made in stark contrast to budget commitments to social housing.

Conclusion

State Government funds a variety of specialist not for profit peak bodies for a range of cohorts of the population including representing the needs of people who are younger, older, carers, living with disability and mental health issues, drug and alcohol use, community services, children in care, community centres, multicultural communities and domestic violence, to name but a few. Peak bodies play an important role in civil society, with a breadth of policy and legislative knowledge and the ability to assist and support government initiatives.

During a housing crisis, South Australia is the only jurisdiction in Australia that does not have funded peak bodies for housing, homelessness or renters to conduct research, systemic and policy work and community engagement. This situation should be urgently rectified by at least, returning core funding to Shelter SA. The residential tenancies bond fund holds millions of dollars of bonds and gains interest on those bonds. This interest should be used to fund tenant services and systemic advocacy.

² <https://www.treasury.sa.gov.au/Growing-South-Australia/social-impact-investment/Aspire-evaluation-report-final.pdf>

There is much work to be done to address the housing crisis in South Australia. Shelter SA looks forward to participating in this Inquiry and would be pleased to give evidence to the Committee if required.

Shelter SA encourages submissions to the Inquiry. Our members, stakeholders and the public are welcome to endorse the Shelter SA submission through writing a letter and submitting it to the Inquiry (see details below). Alternatively, if you write your own submission, you are welcome to cite our work if it is useful. Please contact Shelter SA if you require any further information.

Contact

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Inquiry Information - Submissions deadline is Friday 19 May 2023

Written submissions should be addressed to the Parliamentary Officer, GPO Box 572, Adelaide 5000, or by email to EFC.Assembly@parliament.sa.gov.au. All submissions will be made publicly available unless otherwise determined by the Committee. Further information about the Committee can be found on the Committee's website at www.parliament.sa.gov.au. Telephone enquiries (08) 8237 9442.