



COMMUNITY  
HOUSING COALITION WA

# *CHCWA submission on the ERA draft report on microeconomic reform*

May 2014

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## Contents

1	Introduction .....	3
1.1	What is the Social Housing System? .....	3
1.2	What is Community Housing? .....	3
2	Why is social housing social infrastructure? .....	4
3	Government ownership of assets and businesses.....	4
4	Why the social housing system and the community would be better served if more public housing is divested to the community housing sector .....	7
4.1	The failure of the public housing model .....	7
4.2	Asset transfers and savings to the State Government.....	11
4.3	Current growth targets .....	15
4.4	Policy context: asset transfers in other jurisdictions .....	16
4.4.1	Queensland.....	16
4.4.2	Tasmania .....	16
4.4.3	South Australia .....	17
4.5	Community housing provides greater tenant satisfaction.....	17
5	Department of Housing as policy maker, service provider and regulator .....	18
6	Focusing affordable housing policy on those in greater need.....	19
6.1	Case Study: of the Housing Redevelopment Strategy.....	21
7	The Department of Housing’s development activities .....	23
8	Introduce a broad based land tax to replace stamp duties on housing transactions.....	24
	About CHCWA .....	26

## 1 Introduction

The Community Housing Coalition of WA (CHCWA) is the peak body for the community housing sector and homelessness in WA.

CHCWA welcomes the opportunity to comment on the draft report on microeconomic reform in Western Australia by the Economic Regulation Authority (ERA). Much of the discussion in the report is relevant to the community housing system and its role in the development of the social and affordable housing system in WA and wish to provide comment on the report.

This submission emphasises the argument for the WA Government to divest public housing assets to the community housing sector. Specifically, CHCWA believes that the social housing system meets the definition of social infrastructure adopted by the ERA, that is, it includes the facilities and equipment used to satisfy the community's education, health and community service needs. Further, we understand the report to recognise the public housing system as being an example of public infrastructure. As such, the entire section in the paper regarding infrastructure and the Divestment of Government Assets is relevant to any discussion regarding the future of the social housing system in WA. Moreover, we believe that the arguments presented for when and why the State should divest assets to better achieve its policy objectives applies to the social housing system as well as more traditional state owned business and assets.

In addition, this paper makes comment in relation to the ERA's recommendations regarding the efficacy and desirability of the Department of Housing's development activities and in relation to State taxation reform we contend that the government should replace stamp duty with a broad based land tax. We provide this submission in recognition of the fact that the ERA has broached an important and timely debate and that CHCWA should participate in that debate.

### 1.1 What is the Social Housing System?

The social housing system is the sum of the community housing system and the public housing system. Of the total dwellings available, 80 per cent are owned and managed by the Department of Housing and constitute the public housing system. The remaining 20 per cent of the social housing system is managed by approximately 200 Community Housing Providers (CHPs) throughout the State. CHPs frequently manage properties which are owned by the State Government. The social housing system is a Government and community response to housing need among low income households who are unable to obtain safe, secure and affordable accommodation in the private housing market and who would be at risk of homelessness without Government intervention.

### 1.2 What is Community Housing?<sup>1</sup>

Community housing is secure and affordable rental accommodation available to low to moderate income earners and high needs households. It includes:

1. Social housing, or Band A, which is for low income earners. Income and assets tests are in line with those applicable to public housing.
2. Affordable housing, or Band B, which is for households who are on moderate incomes that do not fall within public housing income and asset eligibility limits.

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<sup>1</sup> For further discussion of this question please see CHCWA's publication, [What is Community Housing?](#).

Community Housing principally provides long-term housing, but many CHPs provide crisis/short-term and transitional accommodation for people who are homeless or at risk or becoming homeless.

All community housing, both Band A and Band B, is part of a broader social housing system that also includes public housing. It is distinct from public housing in that it is housing owned or managed by a non-government, not-for-profit, organisation. Local Governments and Shires are also providers of community housing in WA.

## 2 Why is social housing social infrastructure?

As stated, CHCWA believes that the report considers the social housing system to constitute part of the public infrastructure of the State. CHCWA would add (and argue) that the social housing system satisfies the definition of social infrastructure for the following reasons:

1. Decades of investment of capital and current expenditure on social housing provision by the State and Federal Governments attest to a belief on the part of successive Governments that the provision of housing is part of its role.
2. Demand for social housing, or “extra market” housing options, has been around for decades, has intensified in the last decade and is projected to increase markedly over the coming decades. This demand is a simple recognition of the fact that thousands of households do not receive sufficient income to successfully find suitable tenure in the private housing market.
3. The social housing system serves health and community service needs. Often the provision of social housing forms part of the services provided to people with complex needs. In the case of the community housing sector, many organisations are service providers first with housing provision being a function of that service e.g. organisations that specialise in providing services to severely disabled clients often provide housing as part of the acquittal of that service.
4. The State’s ability to service the “community’s education, health and community service needs” would be fatally compromised were it not for its ongoing investment and maintenance of the social housing system given the ramifications it would have for the households who depend on public and community housing and the centrality that the provision of housing occupies in terms of their wellbeing.

## 3 Government ownership of assets and businesses

CHCWA refers to the ERA’s Overview, *Microeconomic reform inquiry* (Overview Report), at Section 6.2: Reviewing government ownership of assets and businesses. The Overview Report argues that:

*Divesting government assets, where appropriate, has the potential to increase the efficiency and productivity of the asset, which in turn may benefit consumers. It may also help to address conflicting objectives that arise from Government ownership (for example, trying to maximise profits from government business enterprises while also seeking to achieve social objectives). Greater private sector involvement in infrastructure also has the potential to reduce costs given that the private sector (with appropriate regulation) is able to operate more efficiently than government.*

This position underpins the argument for greater involvement of the community housing sector in the provision of social housing in the state with the principal vehicle for the development of a more diversified system being the transfer of public housing assets to CHPs.

CHCWA also refers to the Figure 2 on page 16 of the Overview Report: Criteria for Government ownership of a business. The criteria, we understand, have been framed with Government business and assets in mind such as Western Power. However, CHCWA believes that the logic framework could equally apply to the State's role in the ownership and provision of social housing.

The last paragraph of Section 6.2 states:

*A debate is needed about Government ownership of assets and businesses, informed by periodic reviews guided by a framework. Such debate should lead to decisions that resolve conflicting objectives, provide appropriate commercial incentives to maximise net benefits to the community, and, in the case of divestment, provide funds for retiring debt and/or investment in new infrastructure.*

If the overall policy objective of the State Government is to ensure that the social housing system responds, in terms of supply, to existing and emerging demand for social housing, then divesting more public housing to the community housing (barring a commitment on the part of successive Governments to a massive capital spend on social housing provision over the next decade and more) represents the best available course of action. CHCWA has populated the flowchart based on the questions asked in relation to social and affordable housing provision (see [Figure 1](#) below).

**Figure 1: Criteria for Government ownership of a business applied to social and affordable housing provision**

Question	Answer	Why?
<p><b>1.</b> Could the good or service be provided at a level consistent with society’s interests without Government intervention?</p>	<p><b>Yes</b></p>	<p>Both nationally, and to a far larger degree in other OECD countries, social housing provision is undertaken in a manner consistent with society’s interests by CHPs and not-for profit organisations.</p>
<p><b>2.</b> Could the private sector provide the goods or services at a level consistent with society’s interests if the Government applies appropriate regulation?</p>	<p><b>Yes</b></p>	<p>This is effectively the status quo. The community housing industry is regulated by State and Territory Governments. The community housing sector is providing the service at a level consistent with society’s interest.</p>
<p><b>3.</b> (a) Is there a conflict between:</p> <ul style="list-style-type: none"> <li>(i) the Government as the owner of the asset;</li> <li>(ii) the Government as the regulator of an asset; and/or</li> <li>(iii) the Government’s policy objective?</li> </ul> <p><b>OR</b></p>	<p><b>Maybe</b></p>	<p>See <a href="#">Section 5</a> of this Submission.</p>
<p>(b) Does the private sector have a better capacity to meet the financing requirements of the business than the Government might?</p> <p><b>OR</b></p>	<p><b>Yes</b></p>	<p>CHP’s are able to utilise Government Assets that provide Growth through debt financing at the same time as protecting the provisions of the Asset by ensuring it does not affect the net position of the States Balance Sheet.</p>
<p>(c) Is the private sector likely to be better placed to manage risks than the Government?</p> <p><b>OR</b></p>	<p><b>Yes</b></p>	<p>CHPs have better capacity to meet the financing requirements of the business for various reasons.</p> <p>See <a href="#">Section 4</a> and <a href="#">Box 1</a> of this Submission.</p>
<p>(d) Are there similar classes of business, assets or markets free of Government intervention in other jurisdictions in Australia?</p>	<p><b>Yes</b></p>	<p>The divestment of housing assets to CHPs has precedent in most States and Territories. Some States are more advanced than others in their divestment strategy e.g. Queensland.</p> <p>See <a href="#">Section 4.4</a> of this Submission for more detail.</p>

The next section of this submission will seek to substantiate this contention and contribute to the debate that the ERA contends is needed regarding Government ownership of assets and businesses.

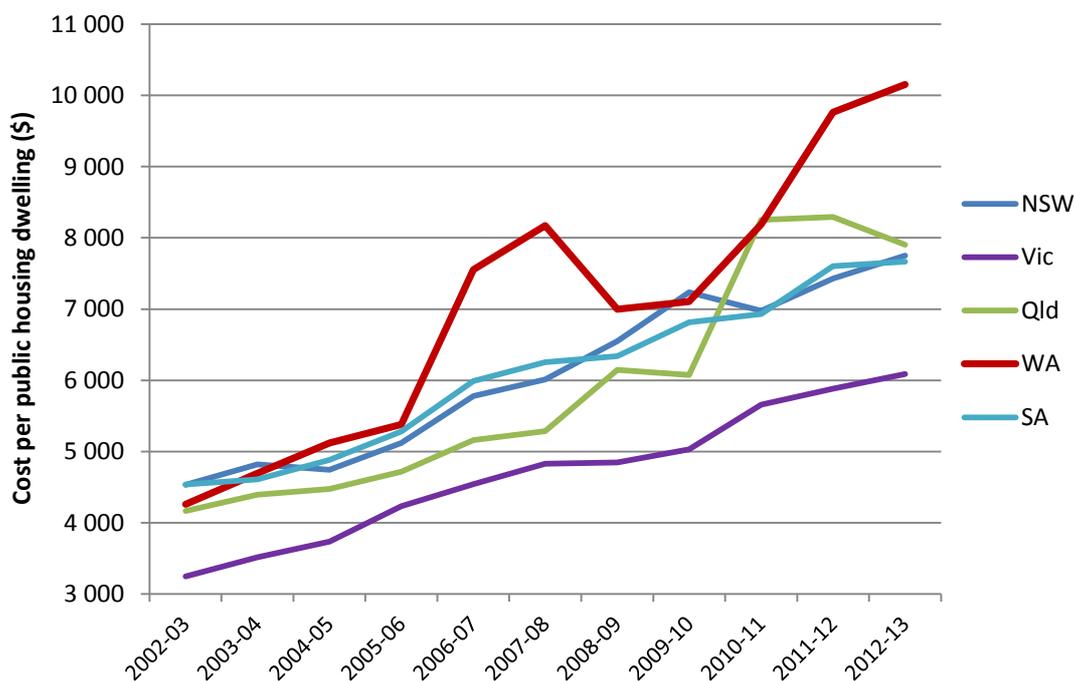
## 4 Why the social housing system and the community would be better served if more public housing is divested to the community housing sector

### 4.1 The failure of the public housing model

As noted by the ERA in its draft report, the public housing system in WA operates at a substantial loss each year. The rental subsidy for public housing tenants is one of the largest social concessions provided by the WA Government. In 2011-12 the Government provided an estimated \$215 million in subsidising the public housing system.<sup>2</sup>

WA has the highest cost per public housing dwelling of all the mainland states. The Productivity Commission's Report on Government Services 2014 indicates that 'net recurrent cost of providing public housing (excluding the cost of capital) per dwelling (including payroll tax)' reached \$10,152 in 2012-13 (see [Figure 2](#) below).

**Figure 2: Nominal government expenditure on public housing per dwelling 2002-03 to 2012-13 – mainland states (Source: Report on Government Services 2014 Table 17A.19)<sup>3</sup>**



<sup>2</sup> Economic Regulation Authority, *Inquiry into Microeconomic Reform in Western Australia - Draft Report* (Perth: Economic Regulation Authority: 2014), p.202.

<sup>3</sup> Available online. See report for caveats to data.

Figure 3: Nominal government expenditure on public housing per dwelling 2002-03 to 2012-13 - WA and Australia (Source: Report on Government Services 2014 Table 17A.19)<sup>4</sup>



Comparatively, the average across Australia was \$7,835 or 30 per cent lower (see Figure 3 above). The WA Government’s total net recurrent expenditure on public housing in 2012-13 was \$341.7 million, an increase of \$10.8 million (3.3%) on the previous year and \$117.9 million (52.7%) from four years ago.

State investment in the public housing system has done little to address the public housing waiting list and waiting times or position the state to effectively address future demand. Demand for public housing reached a high in 2009-10 with 24,163 applicants on the public housing waiting list. At the end of June 2013 the waitlist had fallen by 3,042 to 21,121 (see Figure 4 below). Most of this fall occurred due to the increase in social housing dwellings and the removal of approximately 1,700 over-income tenants from public housing.<sup>5</sup> The tightening of the income eligibility limits for public housing from January 2012, which required applicants to meet all eligibility criteria ‘on an ongoing basis’,<sup>6</sup> is also likely to have played some part in the reduction, but it is unclear to CHCWA how much of a part.

Demand for public housing in Perth has been projected to be the highest of any tenure of any jurisdiction in Australia. In 2024, relative to 2009, demand for public housing has been predicted to increase by more than 50 per cent. Demand for public housing is predicted to be considerably higher than demand for private rental accommodation or home ownership because of an overall shortage of housing and the high cost of renting or buying. This will adversely impact low income households

<sup>4</sup> Available online. See report for caveats to data.

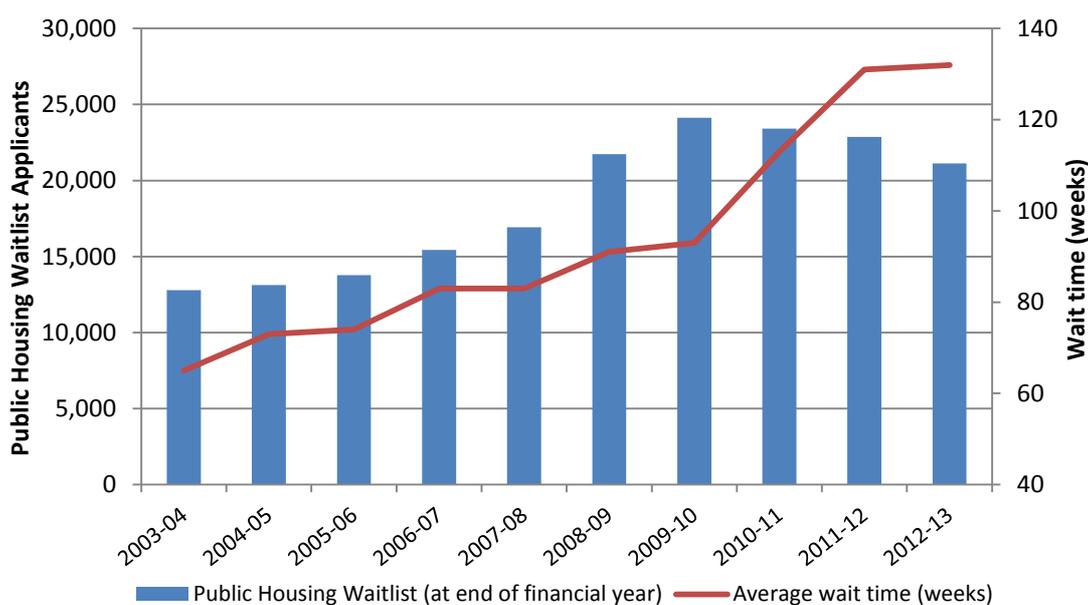
<sup>5</sup> Government of Western Australia. Department of Housing. Implementation of the Affordable Housing Strategy 2010 – 2020: Opening Doors to Affordable Housing. Key Highlights – 1 January 2010 to 31 December, p.1.

<sup>6</sup> Government of Western Australia. Department of Housing. *Changes to the housing waiting list for applicants* <http://www.housing.wa.gov.au/HousingDocuments/Housing%20Waiting%20List%20Changes%20Factsheet%20for%20Applicants.pdf>.

who have to compete for housing with those on higher incomes. Inevitably, low income earners will need to rely on the public and community housing system for affordable housing.<sup>7</sup>

A significant part of the projected demand for social housing will come from older households as Australia's population ages. Across Australia, demand for public housing among older households has been projected to increase by 75 per cent, while demand in the 85 and over age group is projected to increase by 118 per cent by 2016. Most demand will come from lone person households.<sup>8</sup>

**Figure 4: Public housing waiting list and average waiting time – 2003-04 to 2012-13**



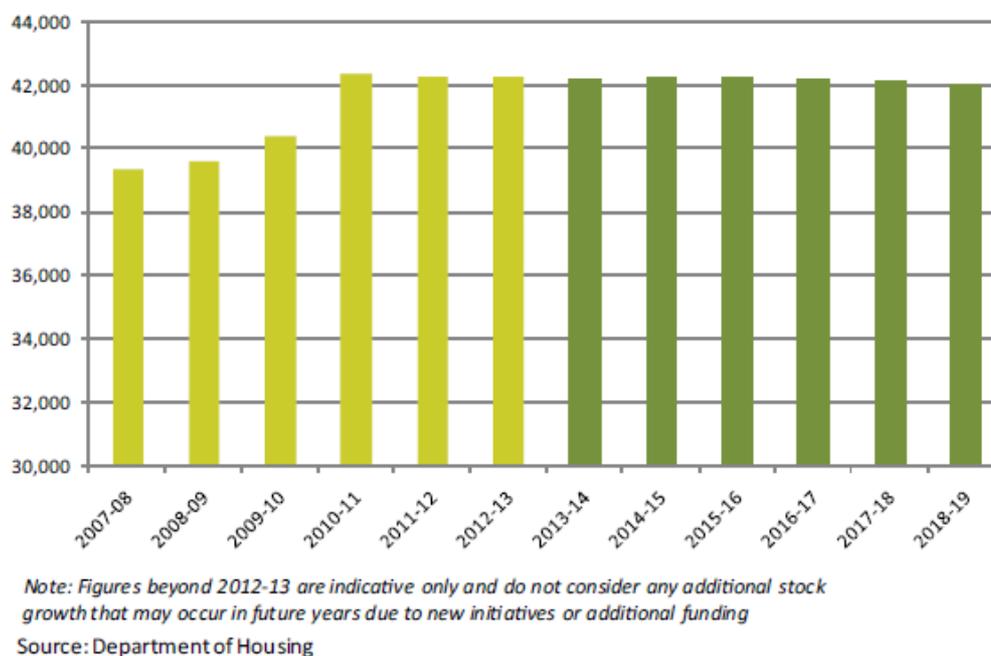
Source: Housing Authority & State Housing Commission Annual Reports

At the same time, without significant and sustained investment in the public housing system stock levels are projected to decline over the decade to 2018-19. In 2009, the Social Housing Taskforce projected a decline in public housing stock following the boost delivered by the investment in social housing from the Nation Building Economic Stimulus Plan.

<sup>7</sup> Australian Institute of Health and Welfare, *Housing Assistance in Australia 2012*, <http://www.aihw.gov.au/publication-detail/?id=60129542296>, 2012, p. 7.

<sup>8</sup> Australasian Housing and Urban Research Institute, 'Older persons in public housing: policy and management issues', *AHURI Research & Policy Bulletin*, February 2009, <http://www.ahuri.edu.au/publications/p50318/>.

Figure 5: Department of housing social housing stock levels 2008-09 to 2018-19 (Source: Social Housing Taskforce<sup>9</sup>)



The Department of Housing cross-subsidises public housing with profits made from its affordable home sales programmes and Keystart. Its Director General, Grahame Searle, when questioned in Parliament about the Housing Authority’s 2013-14 budget, described Keystart’s purpose:

*The bottom line is that Keystart is there for a couple of purposes. The first is to assist people who cannot access loans from other institutions. The people we are talking about cannot go to other institutions. Keystart works very hard at making sure it does not put people into financial difficulty. Keystart’s 30-day arrears is less than half a per cent, which is phenomenal compared to what the banks do. The profit that comes out of Keystart gets fed back into the public housing system. People who can afford to pay are paying what they can afford to pay, and are delighted that they have a mortgage because they cannot get it from other sources, and the money that is being made is going towards helping those people who are even worse off than the people in the public housing system. I think it is a really good way of helping low-income earners get into homeownership and at the same time it helps to increase funding for public housing.<sup>10</sup>*

The Department’s ‘cross-subsidisation’ of public housing, however, appears to be doing little to reduce the cost of public housing to the State.

<sup>9</sup> Social Housing Taskforce, *More Than a Roof and Four Walls, Final Report – 30 June 2009*, p. 12.

<sup>10</sup> Parliament of Western Australia. Extract from Hansard [Assembly – Thursday, 22 August 2013] p507b-521a, [http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/\\$FILE/A39+S1+20130822+p507b-521a.pdf](http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/$FILE/A39+S1+20130822+p507b-521a.pdf), p.4.

CHCWA notes the ERA's discussion of Public/Private Partnerships (PPPs) and contends that the community housing sector would more effectively and efficiently deliver social housing. As noted in the report:

*PPP social houses have been common in the UK for nearly two decades, with a Private Finance Initiative introduced in 1998 to allow local authorities to contract with private sector firms to build, improve, manage and maintain the social housing stock.<sup>11</sup>*

The international precedent for the diversification of the social housing system to include a greater role for community and not-for-profit housing providers than currently exists in Australia was also noted in the 2013 Queensland Commission of Audit. Making its recommendation to the State Government the Queensland it stated:

*"...there are few innovative financing models used in Australia that support the supply of affordable housing. However, a common element in private sector funding approaches used internationally is the presence of a mature and well-regulated not-for-profit housing sector. The Commission considers that there is a significant role for the non-government sector in the ownership and management of public housing stock, in order to improve the sustainability and supply of social housing. The Government should progressively transfer responsibility for both existing and new stock to the nongovernment sector; with transition arrangements that take into account the sector's performance and governance capability."<sup>12</sup>*

## 4.2 Asset transfers and savings to the State Government

Australian Housing Ministers agreed in May 2009 that the States and Territories and the Commonwealth develop, over time, a large scale not-for-profit sector comprising up to 35 per cent of social housing by 2014. In so doing, housing ministers recognised that increasing the net number of dwellings in the social and affordable housing system requires harnessing the growth model present within the community housing system.

The community housing sector has grown rapidly, mainly as a result of transfers of dwellings from State and Territory housing authorities. Over the last decade the number of dwellings owned/managed by CHPs has doubled. The sector has also been significantly boosted through the Commonwealth and State economic stimulus packages. The Social Housing Initiative, which comprised part of stimulus, saw some 1,291 transfers to WA providers as at September 2012.

It would be disingenuous to argue that all CHPs are capable of organic growth. However, it should be a key strategic position of Government to maximise the number of CHPs which are, thereby advancing the overall growth of the social and affordable housing system. The State Affordable Housing Strategy mentions developing a 'contestable market' of social housing providers in repositioning the social housing system. It states:

*A contestable market will allow more assistance to be made available to more people more effectively. Such a market will encourage coproduction and see governments at all levels offering future social housing opportunities and resources to those organisations best positioned to provide the required services and outcomes as*

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<sup>11</sup> ERA, Inquiry into Microeconomic reform, p.100.

<sup>12</sup> Queensland Commission of Audit, Final Report – February 2013. Volume 3 (Brisbane: Queensland Government, 2013), p.315.

*efficiently and effectively as possible. Different providers will be recognised for their core competency, operational focus and/or competitive advantage.*<sup>13</sup>

The Department of Housing has made only little progress in achieving a truly contestable social housing system. Transfers to CHPs to increase the number of at-scale providers have been slow and there has been not been a meaningful effort on the part of the State Government to assist existing Growth Providers<sup>14</sup> to scale up to the degree that is required to create a properly contestable market.

CHCWA supports a mix of the transfer of public housing title and management transfers to the sector. Title transfer is far more effective in allowing CHPs to attract development finance but management transfers are also useful given the positive effect they have on organisational cash flow which also boosts leveraging and borrowing ability.

Other State and Territory Governments have led the way in relation to title transfers, most notably Queensland, which recently announced its target of transferring management of at least 90 per cent of all social housing to CHPs by 2020.

Working meaningfully with the community housing sector to precipitate the development of a larger number of 'at scale' CHPs through asset transfers and the consolidation of existing CHPs is also necessary and desirable. There are several benefits to CHPs becoming larger (See [Box 1](#) below).

Large scale public housing stock transfers to CHPs will deliver State Housing Authorities significant savings. The initial transfer of either management or title of 5,000 public housing properties to CHPs would save the WA Government an estimated \$50.76million per year or \$203million over four years. This figure, however, does not include staffing, legal costs, vacated maintenance, asset management and tenancy management costs associated with transfers. If the WA Government transferred 35 per cent of social housing stock, amounting to an estimated 6,300 properties to CHPs it would deliver savings of around \$255million over four years.<sup>15</sup>

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<sup>13</sup> Government of Western Australia. Department of Housing. *Affordable Housing Strategy 2010-2020 Opening Doors to Affordable Housing*, (Perth: Department of Housing, 2010), p.26.

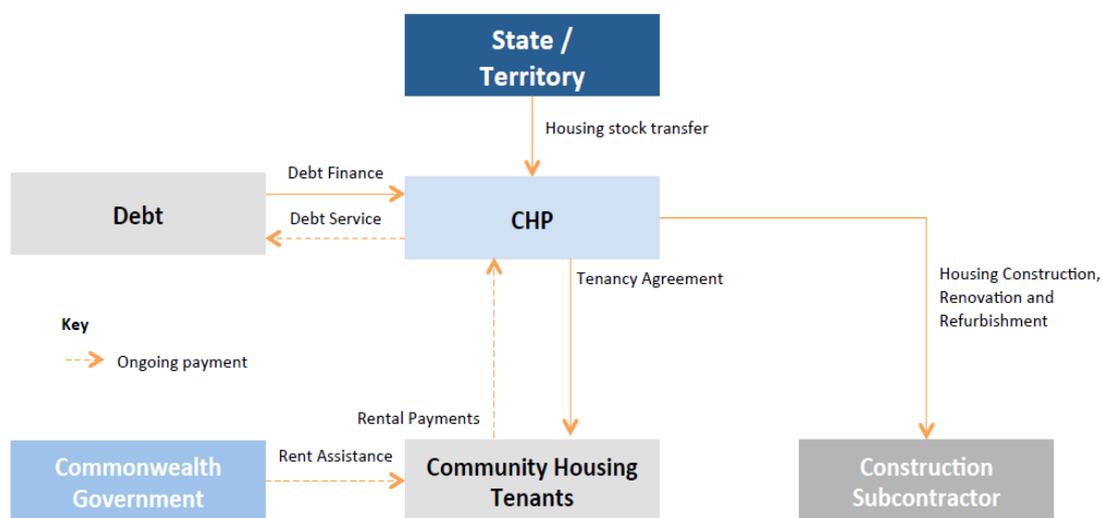
<sup>14</sup><http://www.housing.wa.gov.au/investorsandpartners/communityhousingorganisations/registeredproviders/Pages/default.aspx>

<sup>15</sup> These calculations are based on 2013 figures presented in Table 17A.3 Descriptive data – number of social housing dwellings, at 30 June, in the Report on Government Services 2014. According to this data, WA had 42,148 social housing dwellings. 33,661 were Public Housing, 6,107 were Community Housing and 2,380 were Indigenous Community Housing.

### Box 1: How growing social housing through transfers to CHPs works

Moving assets and tenancies from the public housing system to the community housing sector will enable the sector to attract private finance to invest in building more social and affordable dwellings. Through the transfer of public housing stock, the number of properties owned and/or managed by the community housing sector will increase and so too will the rental income of CHPs that receive the transferred properties. Once their rental receipts reach a sufficient scale, the CHP will be able to raise private finance for the construction or purchase of new social and affordable housing. Should the CHP own the transferred stock, they are in a position to borrow money leveraged against the value of these assets, which generally facilitates faster growth. The debt is serviced by the CHP's improved net operating position from greater rental returns (see [Figure 6](#) below). While it may take a number of years to materialise, the end result will be growth in the number of social and affordable houses.

Figure 6: Simple community housing growth model



The more properties that a provider has, the quicker they can develop or buy more housing – it has a multiplier effect. If a provider owns the title to the properties they can grow even faster as debt can be secured against the value of the assets.

For instance, financial modelling undertaken by the Department of Families, Housing, Community Services and Indigenous Affairs shows that:

1. Typical medium size CHPs with only tenancies under management will deliver approximately two per cent growth after five years, and a 15 per cent increase after 25 years.
2. Typical larger CHPs with only tenancies under management will deliver approximately four

per cent growth after five years, and nearly 30 per cent growth after 25 years.

3. Typical CHPs that own and manage tenancies will deliver growth of over 20 per cent within five years, and nearly 30 per cent after 25 years.<sup>16</sup>

The leveraging ability of CHPs, as distinct from the loss making that occurs in the public housing system, is supported by several financial advantages:

1. Tenants of community housing are eligible for Commonwealth Rental Assistance, a supplementary payment to assist Centrelink payment recipients with their housing costs. This is captured by CHPs in their rent setting practices, in addition to a minimum 25 per cent and maximum 30 per cent of income for social housing tenants. By comparison, rent in public housing is assessed solely as 25 per cent of tenant income. The result is that rental receipts in community housing are higher than they are in public housing. Take, for instance, a single person receiving the maximum basis rate for the aged pension of \$766.00 per fortnight (at April 2014). A public housing authority will receive a base rent of \$191.50, or 25 per cent of the single aged pension. By contrast, a CHP will receive \$191.50 base rent plus the maximum amount of their CRA, which was \$126.40 per fortnight at April 2014. Over the course of a year, then, a CHP will receive \$8,265.40 in rental income, and a public housing provider will receive \$4,979 in rental income. When this example is multiplied across several hundred or several thousand tenancies, it seems clear that CHPs receive a far greater rental return per tenant than state housing authorities, which assists them to run the surpluses necessary to grow the social housing system.
2. The diversity of the housing options that CHPs deliver assists with growing the level of social housing. In WA, CHPs can allocate up to 30 per cent of their tenancies to affordable housing income eligible persons. That is, housing for households whose income exceeds the income and asset eligibility limits for public housing but does not exceed the eligibility criteria for affordable housing (for a single person up to \$45,956 in income and \$332,000 in assets at April 2014). Some CHPs also participate in the National Rental Affordability Scheme (NRAS). To date, three WA CHPs have developed properties under the NRAS scheme: Access Housing, Community Housing Limited and Foundation Housing. The income eligibility limit for NRAS properties (for a single adult between \$45,956 and \$57,445 in income) is considerably higher than it is for public and community housing. Housing tenants with higher incomes provides larger rental returns to CHPs that cross-subsidise smaller rents in social housing. CHPs can then reinvest these surpluses in the delivery of more social and affordable housing.
3. Some CHPs, as a function of being classified as a Public Benevolent Institution or a Deductible Gift Recipient charity, also receive tax concessions and exemptions that ensure ongoing viability. Without access to this raft of tax concessions, the administrative and operating costs of CHPs would be significantly higher. These concessions assist CHPs to operate more efficiently, and build more housing more cheaply, than state housing authorities. This is especially the case if the CHP operates at scale.

They receive:

- (a) an exemption from company income tax, stamp duty, land tax, and capital gains tax;
- (b) goods and services tax concessions are provided on operating, maintenance and

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<sup>16</sup> Department of Families, Housing, Community Services and Indigenous Affairs, *Achieving a Viable and Sustainable Community Housing Sector*, <http://www.fahcsia.gov.au/our-responsibilities/housing-support/publications-articles/homelessness-general/achieving-a-viable-and-sustainable-community-housing-sector/>, 2009.

- construction costs on housing offered at less than 75 per cent of market rent; and
- (c) an exemption from fringe benefits tax, or receive a fringe benefits tax rebate, which helps in the attraction and retention of staff.

### The benefits of scale

The development of a larger number of 'at scale' CHPs through the transfer of management or title of public housing stock is key to gearing up the sector to increase the number of social and affordable housing dwellings that are available for low income households.

There are several benefits of organisations operating at scale, including:

1. *Scale economies*: increased efficiencies allowing better use of IT systems, financial control, administration support infrastructure.
2. *Specialisation*: the ability to employ higher calibre and experienced staff. The Chief Executive can spend more time on strategic issues.
3. *Future growth*: larger, higher capacity organisations have increased access to bid for stock transfers and other funding options.
4. *Risk minimisation*: organisations operating at scale can put in place risk management policies, internal audit committees and other controls. This will reduce risk to Government.
5. *Partnering opportunities*: large CHPs have the capacity to receive large stock transfers of public housing, and enter into complex structured partnerships with private sector organisations.

### 4.3 Current growth targets

The WA Government currently has agreements with eight housing providers to deliver an additional 512 houses over the next 10 year. As of December 2013, 82 dwellings had been completed and a further 73 were under construction.<sup>17</sup> Based on consultation with our members, CHCWA contends that the principal reason for the lower than expected growth targets has been the slow rate of transfers to the sector with the Department not delivering the quantity of properties within the indicated timeframe. CHCWA understands from engaging with the sector in WA that providers have significantly greater capacity to accept further transfers. Increasing the stock of social housing available for leverage will lead to the delivery of further additional dwellings by CHPs.

CHCWA acknowledges that the Department of Housing has made some progress in transferring stock to CHPs under the SLA300 program. The SLA300 program, since its commencement around 2009 to the end of July 2013, had seen the transfers 520 properties to providers. However, the program has been beset with difficult to explain delays which have left the CHPs party to the deal in a somewhat invidious position. The 2013-14 budget papers also indicate an increase in the value of transfers, and presumably the quantity, to be undertaken in the current financial year. However, it is important to note that the increase is due to 'delays in asset transfers in 2012-13'.<sup>18</sup> CHCWA believes that the targeted large-scale transfer of 5,000 public housing dwellings could result in at

<sup>17</sup> Government of Western Australia. Department of Housing. Implementation of the Affordable Housing Strategy 2010 - 202: Opening Doors to Affordable Housing. Key Highlights – 1 January 2010 to 31 December 2013, p.1.

<sup>18</sup> Government of Western Australia. 2013-14 budget. Budget Statements. Budget Paper No.2 volume 2, [http://www.treasury.wa.gov.au/cms/uploadedFiles/State\\_Budget/Budget\\_2013\\_14/bp2\\_chpt\\_3v2.pdf](http://www.treasury.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2013_14/bp2_chpt_3v2.pdf), p.681.

least a doubling of the number of additional social and affordable housing units delivered by the sector.<sup>19</sup>

Three years after the publication of the State Affordable Housing Strategy, the State Government has yet to publish a detailed plan to deliver year on year increases in the amount of dwellings present in the social and affordable housing system; that is to say homes that are offered to rent at an affordable rate within the confines of the social and affordable housing system. The absence of such a plan means that the community housing sector has no idea (beyond the headline strategic objectives detailed in the State Affordable Housing Strategy) as to what role the Government believes it can and should play in the overall social and affordable housing system in the years ahead. Addressing this uncertainty needs to occur in line with national and international best practice. Harnessing the ability of CHPs to provide the necessary growth in dwelling numbers is vital.

#### 4.4 Policy context: asset transfers in other jurisdictions

Three jurisdictions, Queensland, South Australia and Tasmania, have recently announced plans to undertake significant transfers of public housing assets to CHPs.

##### 4.4.1 Queensland

The Queensland Government recently released its *Housing 2020 Strategy*, which outlines the plan to transfer the management of 90 per cent of social housing dwellings to the community housing sector over the next 10 years.

The release of the strategy follows the transfer of housing to not-for-profit housing providers under the Logan Renewal Initiative. The Logan Renewal Initiative was introduced by the Queensland Government in response to the growing pressures on the supply of affordable housing in Logan City and in recognition of the opportunities that can be harnessed through new partnerships with the private and not-for-profit sectors. The proposal involves transferring around 4,870 public housing units to a CHP. This is all the properties in a single area for the Department of Housing and Works, and represents about 10 per cent of the Department's portfolio. There will also be a transfer of public sector staff and the regional office in Logan City.

The Queensland Government's decision followed the recommendation of the Queensland Commission of Audit for the "Government to progressively transition the ownership and management of existing and new public housing stock to the non-government sector, with the scope and timeframe for transition to be determined by the sector's performance and governance capability."<sup>20</sup>

##### 4.4.2 Tasmania

The Tasmanian Government's *Better Housing Futures* program is a major new step in its program of reforming the State's social housing sector to commence the transfer of management of around 4,000 Housing Tasmania properties to CHPs by June 2014. On completion, approximately one third

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<sup>19</sup> This is based on the personal communication to CHCWA from the Department of Housing that approximately 4,000 - 4,500 dwellings in the community housing system are currently in a position to be leveraged; and the Department of Families, Housing, Community Services and Indigenous Affairs, *Achieving a Viable and Sustainable Community Housing Sector*, <http://www.fahcsia.gov.au/our-responsibilities/housing-support/publications-articles/homelessness-general/achieving-a-viable-and-sustainable-community-housing-sector/>, 2009, which indicates a typical medium size community housing providers with only tenancies under management will deliver approximately two per cent growth after five years while a larger provider will deliver around four per cent growth after five years.

<sup>20</sup> Queensland Commission of Audit. Queensland Commission of Audit. Final Report – February 2013, Volume 3, p.3- 316.

of Housing Tasmania's portfolio will be under management of CHPs. The transfers will occur in two stages with 500 property transfers to occur in Stage 1. Stage 2 involves the transfer of three packages totalling around 3,500 public housing tenancies across the State to CHPs.

#### 4.4.3 South Australia

The South Australian Government recently signalled its support for growing and developing its community housing sector by transferring 5,000 public housing dwellings to the community housing not-for-profit sector. It has also announced a Stimulus community housing capital grant program which sets aside \$20 million in capital funding for CHPs with 'shovel ready' housing development plans.

The first 1,000 housing transfers of the 5,000 will be tendered under a specific program called the *Better Places, Stronger Communities Program*, which is expected to come out in August. The remaining 4,000 will be subject to an EOI process whereby the Government will seek ideas from NFPs and their partners on models that can grow the numbers of housing stock using transfers.

#### 4.5 Community housing provides greater tenant satisfaction

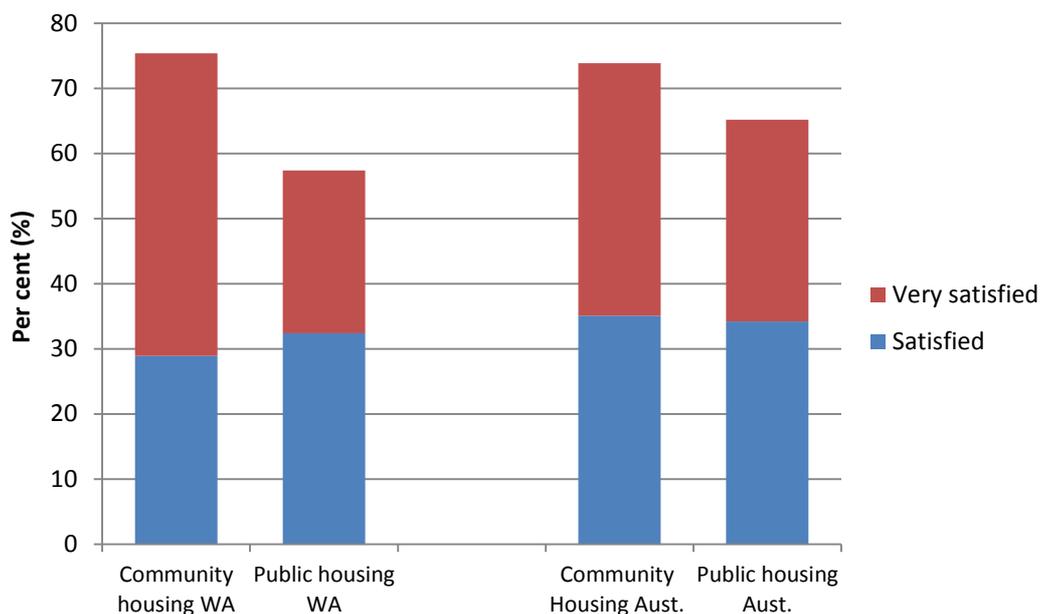
Evidence shows that the transfer of public housing to the community housing sector will improve the tenants' experience. As indicated by [Figure 7](#) below, tenants have a higher rate of satisfaction with a CHP than the state housing authority. CHPs better serve their tenants and have closer ties with their local communities. This is reflected in the results of a national survey of social housing tenants by the Australian Institute of Health and Welfare.

It found community housing tenants are more satisfied than public housing tenants:

1. to be living in social housing;
2. with the physical condition of their home;
3. with the amenities of their home;
4. with the location of their home;
5. with the landlord services provided by their housing organisation; and
6. with the maintenance services.

Community housing also provides greater opportunity for tenant engagement and participation in housing services compared to public housing.

Figure 7: Tenant satisfaction public and community housing – WA and Australia 2012 (Source: Report on Government Services 2014 Tables 17A.55 and 17A.56)<sup>21</sup>



## 5 Department of Housing as policy maker, service provider and regulator

The Department of Housing is the major provider of social housing in WA. It is also the policy maker and major funding body for the sector, as well as its regulator. CHCWA believes that to have an efficient social housing system that delivers best practice outcomes for tenants there should be a separation between these roles.

The Community Housing Registrar should be an autonomous regulatory body physically separate from the Department.<sup>22</sup> CHCWA notes that in Victoria the Housing Registrar, which regulates the community housing sector in that State, is located within the Department of Treasury and Finance.<sup>23</sup> We believe that such an arrangement has the ability to lead to greater transparency, accountability and best practice governance of social housing system.<sup>24</sup>

Research commissioned by CHCWA in 2012-13 considered the relationship between the Department of Housing and CHPs and the way the sector is regulated. The research found that the Department of Housing ‘manages the community housing sector in a traditional, hierarchical way, rather than a contemporary, networked form of governance where the social housing agency and CHPs are all ‘actors’, working collaboratively on a more level basis.’<sup>25</sup>

<sup>21</sup> Available online. See report for caveats to data and confidence intervals.

<sup>22</sup> Community Housing Coalition of WA, Response to the Regulation and Growth of the Not-For-Profit Housing Sector Discussion Paper issued by the Australian Government, June 2010 <http://community.webvault.ws/wp-content/uploads/2012/05/Response-to-National-Regulation-Discussion-Paper-20101.pdf>, p.3.

<sup>23</sup> Community Housing Federation of Victoria. Making social housing work – better homes for low-income Victorians, March 2014, p.9.

<sup>24</sup> Ibid.

<sup>25</sup> T. Gilmour. *Growing the Community Housing Sector in Western Australia* (Darlington: Housing Action Network, 2013) <http://www.communityhousing.com.au/wp-content/uploads/2012/05/Growing-the-Community-Housing-Sector-in-WA-UD140213.pdf>, p.41.

The research report went on to recommend that:

*The Department should take the lead in moving to a more collaborative set of relationships in the social housing sector. This will require changes in outlook by both the Department, and community housing providers.*<sup>26</sup>

and

*Government should review compliance with many of the broader objectives of the Opening Doors policy, particularly the move to a more level playing field between public and community housing. This should result in steering community housing organisations more at arms-length from Government, separating policy, funding and regulation tasks.*<sup>27</sup>

## 6 Focusing affordable housing policy on those in greater need

For some time now, CHCWA has voiced concern that affordable housing policy in WA has incorrectly emphasised the provision of homeownership options over the provision of affordable rental options for those in greater housing need.

This emphasis on homeownership was expressed by Minister Marmion when he stated in October 2013 that the State Government ‘wanted to make homeownership rather than public housing, the destination for all West Australians.’<sup>28</sup> A similar position was expressed by the Department of Housing’s Director General, Grahame Searle, on the release of the ‘Housing We’d Choose’ study in May 2013 which found that West Australians were prepared to make significant trade-offs to own their own homes:

*The report supports the directions outlined in the State Government’s Affordable Housing Strategy 2010-2020 and highlights the importance of government providing affordable options to assist people in buying their own home.*<sup>29</sup>

Figure 8, below, provides a breakdown of housing options delivered under the State Affordable Housing Strategy to June 2013. At 30 June 2013, almost half of the affordable housing options, 4,655 or 47 per cent, were delivered through Keystart loans. More than 4,000 or 33 per cent were social housing and 1,660 or 14 per cent were options delivered through the National Rental Affordability Scheme.

It should be noted that much of the social housing that has been delivered since 2010 resulted from the State and Federal Stimulus packages which began in 2009 with the State Affordable Housing Strategy not finalised and published until 2011. It is widely accepted that directing stimulus towards the construction of social housing in the wake of the GFC was as much to about targeting “multiplier rich” economic activity as replenishing the nation’s social housing stock.

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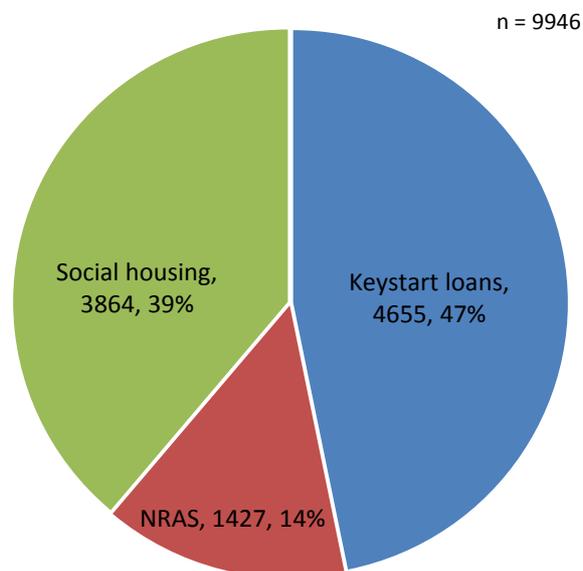
<sup>26</sup> Ibid, p.42.

<sup>27</sup> Ibid. pp.42-3.

<sup>28</sup> Hon Bill Marmion. Media Release. *1,000 affordable homes milestone*. 26 October 2013, <http://www.mediastatements.wa.gov.au/pages/StatementDetails.aspx?listName=StatementsBarnett&StatId=7886>.

<sup>29</sup> Government of Western Australia. Department of Housing. Media Release. *The Housing We’d Choose: Study casts light on the housing Perth chooses*. Friday, 31 May 2013, <http://www.housing.wa.gov.au/News/Pages/hwc.aspx>.

**Figure 8: Estimated affordable dwellings delivered under the State Affordable Housing Strategy – January 2010 to June 2013<sup>30 31</sup>**



CHCWA believes that even with all the good will in the world, it is unrealistic and unachievable to transition those on very low incomes in the social housing system, or who are social housing eligible, into homeownership. While it is true that there are people in the social housing system and on the housing waitlist who could increase their incomes there are many more, who as a function of age or disability, are very unlikely to do so and, contrary to the Government’s policy emphasis, affordable rental properties in the social housing system is the most viable destination for them.<sup>32</sup> The housing we would choose may well be a home we own ourselves but for significant sections of the community that is simply a financial impossibility.

A recent Bankwest and Curtin University study on housing affordability in WA found that people living in the private rental market were more likely to find housing unaffordable. This has serious implications for older households living in the private rental market as they face an uncertain housing future without being able to earn an income to pay their housing costs. The report noted:

*62 per cent of retired households are outright owners, 18 per cent in the private sector and 12 per cent own with a mortgage. This gives rise to a significant, and*

<sup>30</sup> Parliament of Western Australia. Extract from Hansard [ASSEMBLY — Thursday, 22 August 2013] p507b-521a. Division 57: Housing Authority, \$134,760,000, [http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/\\$FILE/A39+S1+20130822+p507b-521a.pdf](http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/$FILE/A39+S1+20130822+p507b-521a.pdf), p.5.

<sup>31</sup> The most recent data on progress under the State Affordable Housing Strategy indicates that Keystart loans are representing an increasing proportion affordable housing options delivered under the strategy. In a presentation to CHCWA’s Council Meeting on 29 April 2014 the Department of Housing’s General Manager Strategy and Policy, Tania Loosley-Smith, indicated that ‘14,200+ affordable homes had been created since 2010’. 4,000+ (33%) were social housing, 1,660 (14%) were NRAS and 6,460 (53%) were through Keystart (with approximately 1,000 of these being through the shared equity scheme). The percentages in brackets represent the proportion in relation to the estimated total number of social housing, NRAS and Keystart options delivered.

<sup>32</sup> CHCWA. Media Release. *Minister’s comments on public housing not grounded in reality*, Monday, October 28, 2013, <http://www.scribd.com/doc/220880717/Minister-s-Comments-on-Public-Housing-Not-Grounded-in-Reality>.

*rapidly growing, issue of what would traditionally be retired households still needing to work to secure an income necessary to pay rental costs or a mortgage. If a household is forced to retire but has insufficient income to pay for housing costs then such a household faces an uncertain housing future. The traditional retirement model assumes minimal housing costs in retirement but this is less and less likely as debt burdens rise and those on low incomes face the prospect of being locked out of owner occupier sector for their whole housing careers.<sup>33</sup>*

It is also worth noting that efforts to target homeownership options to existing public housing tenants have had minimal impact. The 'GoodStart'<sup>34</sup> scheme, which is designed to specifically assist public housing rental tenants and waitlist applicants to purchase their own home, 'provided 25 Authority rental tenants and applicants on the Authority's waiting list an opportunity to purchase a home with loans approved of \$4.7 million.'<sup>35</sup> CHCWA suspects that some, if not all of those purchasers, were already significantly in breach of the public housing income and asset eligibility requirements (otherwise they would not have had sufficient income to service a mortgage) and should rightly be thought of as households that were formerly eligible for public housing based on their incomes. Either way, the fact that so few tenants or waitlist applicants, even with significant assistance from the State Government through Keystart loans, took advantage of the opportunity suggests that Minister Marmion's vision, while a noble aspiration, does not reflect financial and economic reality for the households in question.

## 6.1 Case Study: of the Housing Redevelopment Strategy

CHCWA refers to the State Government's Housing Stock Redevelopment Strategy, described here in the Autumn 2013 edition of *The Insider* (CHCWA's quarterly newsletter), in terms of analysing the Affordable Housing Strategy. One of the Strategy's methods to address demand for affordable housing is through:

*[t]he establishment of the Housing Stock Redevelopment Strategy in order to provide a minimum of 500 new affordable homes within three years. The strategy allows for 50 per cent of the new properties to be sold through the Shared Equity scheme, and 50 per cent to be sold at the market rate. The affordable homes will be built on more than 200 Department of Housing owned blocks bigger than 1,000sqm that are either empty or contain just one house. Where there is an existing house, it will be demolished to build two or three new homes. Public housing that becomes empty will be targeted for development. Where there is public housing with existing tenants who need to shift, the tenants will be provided moving costs and a new home as close as possible to the existing premises. It is estimated that the delivery of the 500 properties will be cost neutral after the receipt of sales revenue.<sup>36</sup>*

Some questions and comments arise:

1. Why is the provision of 500 new affordable homes the policy priority when, those who are in greatest need, for example households on the public housing waitlist will, in the vast majority of cases, have insufficient income to buy them?

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<sup>33</sup> Bankwest Curtin Economics Centre. Housing affordability. The real cost of housing in WA. Focus on Western Australia Report Series, No.2 April 2014, p.62-3.

<sup>34</sup> [http://www.housing.wa.gov.au/HousingDocuments/Keystart\\_Goodstartbrochure.pdf](http://www.housing.wa.gov.au/HousingDocuments/Keystart_Goodstartbrochure.pdf).

<sup>35</sup> Government of Western Australia. Housing Authority. Housing Authority. Annual report 2012-13, p.53.

<sup>36</sup> [http://www.communityhousing.com.au/wp-content/uploads/2012/05/1391\\_WEB-CHCWA-Newsletter-Autumn-2013.pdf](http://www.communityhousing.com.au/wp-content/uploads/2012/05/1391_WEB-CHCWA-Newsletter-Autumn-2013.pdf)

2. CHCWA notes that the housing stock redevelopment strategy does not, as outlined, result in the delivery of any new public housing dwellings. In fact, with 50 per cent going to shared equity and 50 per cent to be sold at the market rate, the State Government, presumably, would have to ensure that there is no net loss in social housing through other spending programs. Moreover, seeing as the delivery of the 500 properties is cost neutral there will be seemingly no profit available to contribute towards the cost of replenishing the public housing stock with the requisite public housing units.<sup>37</sup> In other words, the program is a significant net cost to that part of the State Government's policy agenda which is looking to address demand for social housing where those in greatest need reside.
3. What is the opportunity cost of the program: Had the land and dwellings been transferred to a CHP or similar, might a better outcome, more focused on the production of affordable rental accommodation for households in greater need, been possible to produce in a similarly cost effective manner?

### An alternative model

CHCWA proposes that the following model represents a far better use of resources and does much more to achieve the policy objectives of the State Affordable Housing Strategy than the Housing Stock Redevelopment Strategy.

1. Transfer title of the 200 public housing units and the land they occupy to an appropriate CHP.
2. In the case of each house and land unit, allow the CHP to leverage the property to provide financing to either redevelop the property or refurbish it and build two additional dwellings on the site.
3. Populate the three dwellings with social and affordable housing tenants. In the case of social housing, tenants applicants from the joint public and community waitlist. In the case of the affordable housing tenants, NRAS eligible households and/or households identified in the public housing as being over income for social housing but within the income limits for affordable "Band B" housing and offered transfers.
4. Replicate the process over all 200 public house and land units using a "70/30" split: 70% of the dwellings to be let to social housing "Band A" tenants and 30% to affordable housing "Band B" tenants.
5. The two new properties on each site will be owned and managed by the CHP. The remaining property will be returned to the Department of Housing with the offer of management by the CHP.

Key results:

1. 200 house and land units have been developed into 600 dwellings.
2. At least two thirds of the dwellings will be new builds. The remainder will either be new or extensively refurbished.

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<sup>37</sup> CHCWA is guided by the [Liberal's Housing Affordability Policy](#) released in advance of the 2013 State Election in relation to the nature and detail of the Housing Stock Redevelopment Strategy. We note that other (seemingly contradictory) information regarding the scheme was provided by Minister Bill Marmion and Director General Graeme Searle under questions in State parliament in August 2013: [http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/\\$FILE/A39+S1+20130822+p507b-521a.pdf](http://www.parliament.wa.gov.au/Hansard/hansard.nsf/0/985c53e417e78d9f48257c2100225d9a/$FILE/A39+S1+20130822+p507b-521a.pdf)

3. There is no net loss in public housing. In fact, more social housing is delivered as 420 of the 600 dwellings will be allocated to public housing eligible tenants from the joint waitlist with the remainder going to households who are also low income.
4. The ability of the CHP to develop more housing stock is increased given the increase in housing assets on their balance sheet and cash flow from rental income.

## 7 The Department of Housing's development activities

CHCWA welcomes the ERA's discussion of whether the Department of Housing's development activities, which are largely commercial in nature, 'address the policy objectives of Government'.<sup>38</sup> The report notes that:

*Infrastructure, as with all government expenditure, is used as a means of achieving government policy objectives. However, in certain situations, it may be possible to implement government policies in ways that do not place the same stress on government finances that is associated with infrastructure expenditure. ... For example, the Department of Housing undertakes a range of development activities in response to a perceived market failure in the supply of affordable housing. This may not be an inherent market failure, but could have been caused, at least in part, by other Government policies. The correction of these policies could have the same impact on the supply of affordable housing without the cost of risk to Government that is associated with development activities.*

CHCWA agrees that, in principle, if certain Government policies are stymying the ability of the private sector to bring housing to the market at an affordable price point then it makes sense that the reform of those policies should represent the first logical step in achieving the policy objective in question.

For example, CHCWA is concerned that the cost of adhering to State and local Government regulations and various "developer contributions" contribute to a situation where developers cannot effectively mark new housing developments to market and are thus unwilling or unable to get projects off the ground.

Arguably, modelling needs to be done to ascertain what effect lessening the various State and local government inputs into the cost of production in the housing industry would have on overall supply. If it can be realistically foreseen that the removal of said costs would precipitate a greater supply of housing at more affordable price points then it is reasonable to argue that this represents a far better policy option than the Department of Housing's development activities. That notwithstanding, CHCWA contends as irrefutable the fact that the market will not and cannot supply affordable housing options to low income public housing eligible households. The requirement on the State Government, in partnership with the community housing sector, to provide housing in the social housing system will remain and, if anything, become more important as demand for social housing grows as it is projected to.

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<sup>38</sup> Economic Regulatory Authority. Overview of Microeconomic Reform Inquiry, p.13

## 8 Introduce a broad based land tax to replace stamp duties on housing transactions

In relation to the ERA's discussion of State taxes in section 6 of the draft report, CHCWA believes that removing stamp duty on conveyance and introducing of a broadened annual land tax that is levied on all land would be much more efficient tax that has the benefit of improving housing affordability in WA. A broadened land tax would prove beneficial for housing affordability by bringing down the cost of buying and renting a home. In recommending this course of action, we are adding our voice to similar proposals made by the Australian Housing and Urban Research Institute.

By removing stamp duties on housing transactions and transitioning to a broadened annual land tax that uses an increasing marginal rate schedule and that is applied on a per-square metre and per-land holding basis, the WA Government will:

1. Increase the supply of rental housing and lower rental costs, which is important as it is a tenure that services many low income households.<sup>39</sup>
2. Reduce the price of housing, thus providing easier entry to home ownership for first home buyers.<sup>40</sup>
3. Accelerate the development of new housing on vacant sites and old industrial sites.<sup>41</sup>
4. Discourage land speculation and land banking in undeveloped areas not currently affected by a land tax as the holding costs of land will be increased.<sup>42</sup>
5. Deliver larger property tax receipts into the future that are not subject to volatility in the value and number of properties being bought and sold.<sup>43</sup>
6. Offer State Governments a far less volatile source of taxation since the volume of stamp duty received depends on the volume of housing transactions in the market.
7. A more progressive taxation system: A land tax would collect more from those with higher wealth and less from households with less wealth.

Stamp duty fees are a front end, one-off, charge currently payable upon all house purchases in WA.<sup>44</sup> Stamp duties on conveyance should be abolished because they increase the cost of housing and impede people's ability to purchase a home.<sup>45</sup> They also discourage people from changing their place of residence as their personal circumstances change, leading to inefficient use of housing stock. For instance, because of the significant upfront cost of stamp duties, fewer older Australians (i.e. empty nesters) downsize their housing.<sup>46</sup> People are also less inclined to move for a job causing longer commutes to work or possible unemployment.<sup>47</sup>

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<sup>39</sup> Wood, Ong, and Winter, 'Stamp Duties, Land Taxes and Housing Affordability: the Case for Reform'.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Land Banking involves 'acquiring land well in advance of its intended development and holding that land until it is developed'. Productivity Commission, *First Home Ownership*, Report No. 28, <http://www.pc.gov.au/projects/inquiry/first-home-ownership>, 2004, p. 162.

<sup>43</sup> Wood, Ong, and Winter, 'Stamp Duties, Land Taxes and Housing Affordability: the Case for Reform', pp. 338-339.

<sup>44</sup> In WA, first home buyers whose home purchase is below \$500,000 are exempt from stamp duty. Concessional rates also apply if a principal place of residence is valued at less than \$200,000.

<sup>45</sup> S.C. Bourassa and M. Yin, 'Housing Tenure Choice in Australian and the United States: Impacts of Alternative Subsidy Policies', *Real Estate Economics*, vol. 34, 2006, pp. 303-328; also see G. Wood, R. Watson, P. Flatau, and R. Ong,

'Transaction Costs, Deposit Requirements and First-Home Ownership', *Economic Papers*, vol. 24, no. 3, 2006, pp. 252-271.

<sup>46</sup> J. Freebairn, 'State Taxes on Housing in Australia' in M. Stewart (Ed.), *Housing and Tax Policy*, Australian Tax Research Foundation, Melbourne, 2010, pp. 203-218.

<sup>47</sup> Freebairn, 'State Taxes on Housing in Australia'.

An annual land tax is currently imposed on a progressive schedule with marginal rates on an owner's total value of land that is vacant, for rent, or used as a holiday home. An individual's primary place of residence is currently exempt from land tax. CHCWA contends that this exemption should be scrapped as it creates a contraction in the supply of affordable rental housing as investors seek higher returns in other markets, and it increases rents as owners seek to offset the cost of the tax.<sup>48</sup> Furthermore, property owners should not be taxed on the total value of their land plots as it pushes owners with multiple properties into higher marginal land tax brackets and it discourages land-based investment and the development of rental housing.<sup>49</sup>

CHCWA acknowledges that replacing stamp duties on housing transactions with an annual land tax will negatively affect:

1. Home owners with high land values but limited cash flows, i.e. the elderly, as they will be unable to pay the fee.
2. Current home owners who have already paid stamp duties.

To protect home owners with limited cash flows and ensure no current home owner will pay land tax on a property for which they have already paid a stamp duty, properties could be moved from the current stamp duty regime to the new land tax regime as they were sold.

The ACT Government has affirmed this approach by committing to a five-year plan to phase out stamp duties on conveyance and to introduce a broad-based land tax over a period of 20 years.<sup>50</sup>

All told, a solid evidence base exists for the introduction of a broad-based annual land tax and removal of stamp duties on housing transactions in WA. This taxation reform would deliver more affordable housing outcomes in WA, provide a more stable revenue base for Government and represent a more progressive, equitable alternative to the status quo.

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<sup>48</sup> G. Wood, R. Ong, and I. Winter, 'Stamp Duties, Land Taxes and Housing Affordability: the Case for Reform', *Australian Tax Forum*, vol. 27, Sydney: Australian Tax Institute, 2012, p. 335.

<sup>49</sup> G. Wood, R. Ong, and M. Stewart, Housing Taxes and the Supply of Private Rental Housing, in M. Stewart, *Housing and Tax Policy*, Australian Tax Research Foundation: Melbourne, 2010, pp. 163-180.

<sup>50</sup> Australian Capital Territory Treasury, *Budget 2012-13. Budget Paper No. 1: Speech*, [http://apps.treasury.act.gov.au/\\_data/assets/pdf\\_file/0008/398717/budgetpaper1.pdf](http://apps.treasury.act.gov.au/_data/assets/pdf_file/0008/398717/budgetpaper1.pdf), 2012.

## About CHCWA

CHCWA is the industry Peak Body for community and affordable housing organisations in WA. It advocates for affordable housing and supports the industry to grow and develop in response to housing need around the State.

CHCWA's core operating principle is that all West Australians are entitled to safe, secure and affordable housing because it is fundamental to individual and community well-being. Inclusiveness, ethical practice, respect, collaboration and innovation are the core values underpinning our business activities.

### Policy and advocacy

CHCWA represents the WA Community Housing Sector at all relevant levels of State and Federal Government. In so doing, CHCWA adopts a consultative and collaborative approach with key sector and Government stakeholders to ensure that our policy reflects the views of the sector and is mindful of the requirements of Government policy makers. We are proactive and seek to identify emerging issues as well as contribute to policy debate initiated by the Government.

One of CHCWA's objectives is to raise awareness of housing affordability issues in the broader community. The community and affordable housing sector is only one part of a much larger continuum and is heavily affected by the behaviour of the broader housing market. As such our policy and advocacy strategy is not limited to community and affordable housing.

### Promotion

The growth of the Community Housing Industry is central to the State Government's Affordable Housing Strategy 2010-2020. At a national level, community and affordable housing organisations using not-for profit business models are becoming the engines for growth in terms of social and affordable housing provision. CHCWA promotes the sector to a range of stakeholders, including those in the private sector, highlighting both the sector's successes and its vast potential to address WA's chronic shortage of social and affordable housing.

### Sector development and sector efficiency

CHCWA takes a lead role in facilitating the development of the sector. We do this by offering guidance to CHPs regarding best practice management as well as offering training courses and workshops designed to improve their operating models in a variety of ways. CHCWA believes that the most important objective for our sector is to increase the number of community and affordable housing units there are in the State. To realise this, CHCWA aims to facilitate alliances and partnerships between CHPs that create efficiencies and maximise the sector's potential for growth.