

15 December 2016

Dr Peter Boxall
Chairman
Review of Rent Models for Social and Affordable Housing
Independent Pricing and Regulatory Tribunal
PO Box K35,
Haymarket Post Shop NSW 1240

Re: IPART Review—Review of Rent Models for Social and Affordable Housing Services

Dear Dr Boxall,

Thank you for the opportunity to provide input into the Independent Pricing and Regulatory Tribunal (IPART) review of rent models for social and affordable housing services. I understand that the IPART is seeking written input by 16 December 2016.

The Australian Housing and Urban Research Institute (AHURI) has undertaken a significant body of research relevant to social and affordable housing. This includes consideration of allocations policies (such as choice based lettings systems and common housing registers), international comparisons of rent setting models, and modelling of the impact of rents and allocations systems on financial sustainability. AHURI also has done research on workforce disincentives associated with social housing and private rental assistance, which included consideration of the role of rents.

A full listing of research referenced in the submission is provided including direct web-links to the AHURI reports. AHURI research is free to download from www.ahuri.edu.au.

AHURI research findings are available across all of the key themes arising in the review, and include:

- International comparisons reveal Australia's public housing system receives relatively low subsidies. Australia's social housing rent policy can be distinguished from similar nations (Canada, New Zealand, United States) for its need to provide for both housing affordability for households and financial viability for the organisations (McNelis et al, 2004)
- Spatial concentrations of low-income private renters have declined in Melbourne and Adelaide, reflecting the shift of private renters towards the outer suburbs, while in Sydney already high concentrations of low-income renters in outer western suburbs

have further consolidated in recent times (Randolph et al, 2007). Commonwealth Rent Assistance (CRA) substantially increases the proportion of households in affordable housing in the private rental market, though regional variations exist in the impact of CRA on housing affordability (Melhuish et al, 2004)

- CRA impacts on young people's decision making in relation to education with nearly a quarter of students who participated in a mail-out survey responding that they categorically would not have been able to undertake or continue studying without CRA assistance. Secondary school students and students in remote areas expressed CRA as critical to their studies. In relation to CRA impact on employment (Burke et al, 2002), there is some evidence of a negative impact of public housing tenancy on labour market activity (Whelan et al, 2004) (Dockery et al, 2008)
- Research into the capacity of National Rental Affordability Scheme (NRAS) to relieve housing affordability stress found one in four of the poorest 20 per cent of people eligible for assistance from NRAS would be lifted out of housing affordability stress under the scheme. The impact would vary in different parts of Australia with more people in regional and remote Australia being assisted by NRAS. A potential saving on CRA of \$21 million per year is estimated (Ong et al, 2008)
- Changes to allocation systems, including eligibility criteria, wait list and prioritisation policies for social housing, face obstacles including fears by not-for-profit providers that their autonomy will be eroded, and the risks involved in obtaining the right information and communication technology (Hulse et al, 2007)
- Private rental support programs are not sufficient for those facing affordability and personal problems to sustain their tenancies. Prohibitive on-going rental costs, and lack of budgeting skills in managing rent were also thought to undermine the capacity of private tenants on low-incomes to sustain a tenancy (Jacobs et al, 2005). Tenancy sustainment is more likely to occur through an integrated approach, with housing assistance linked to a range of administrative assistance points and supports used by tenants that relate to their housing circumstances and support needs (Tually et al, 2016)
- There is a need to further boost the stock of larger dwellings to reduce overcrowding for Indigenous households in mainstream public housing and to continue to improve the sustainability of tenancies (Flatau et al, 2005)
- Trends in public housing and home ownership from 1981 to 2011 suggest that public housing has declined as a tenure, and targeting of remaining stock towards singles and low-income groups has displaced other groups in need such as families (Groenhart et al, 2014). The ensuing housing stress among families in private rental is predicted to increase in future, while demand for private rental in Australia is projected to increase by 80 per cent over the next 40 years (Yates et al, 2008)
- Australia wide, increased targeting of limited public housing has resulted in annual costs of the social housing system inflating to approximately \$200 million more in 2004/05 compared with 1990 (Hall and Berry, 2007).

In addition, AHURI has recently commenced two Inquiries—one into the private rental sector and another on housing policies, labour force participation and economic growth. Each of these inquiries involves a number of forthcoming research projects which may be of interest to your review.

If there is any way we can be of further assistance, please contact me directly on [REDACTED]. We look forward to reading the review final report with interest.

Yours Sincerely,

[REDACTED]

Dr Michael Fotheringham
Deputy Executive Director

AHURI Research of relevance to IPART review of rent models for social and affordable housing services

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Limited, Melbourne, <https://www.ahuri.edu.au/research/research-in-progress/evidence-based-policy-inquiry-51120>

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