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CATHOLICS IN COALITION FOR JUSTICE AND PEACE

Catholics in Coalition for Justice and Peace  
Sunday Seminar Series

# **Housing and Homelessness**

**Edited transcript of an address given by  
Adam Farrar, Senior Policy Officer, Shelter NSW  
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## Introduction

Adam Farrar is a Senior Policy Officer with Shelter NSW, the State's peak advocate for housing justice.

In May 2016, Adam spoke passionately on Housing and Homelessness at our Sunday Seminar. His address uncovered and explained the multiple layers of consideration that surround the housing market and its impact on the poor.

This is an edited transcript of Adam's address. Some of the topics covered include:

- Housing prices;
- The housing crisis;
- Negative gearing;
- Capital gains tax;
- Housing shortfalls;
- Indigenous housing;
- National Rental Affordability Scheme (NRAS);
- and Homelessness.

*"...growing poverty and growing inequality in our society, and a housing system that is less and less able to respond to the needs of low income households, then if homelessness is ultimately a problem of poverty then we're going to see more homelessness." - Adam Farrar*



## Edited Transcript on Housing and Homelessness

Shelter NSW is part of a network of shelter organisations around the country. It's been around for the past 40 years. Shelter's role is to be an organisation that advocates for housing justice - the justice of how we provide housing in this country.

For the first time in decades, housing is a genuine election issue. It's a signal that advocacy is beginning to cut through and also of the significance of the issue itself.

What do we mean by a housing crisis? I'm going to point to about four key areas where there is a fundamental failure in housing.

The most obvious thing is housing affordability, which usually refers to buying a home. That's become harder and harder.

If you think of a graph of house prices (in real terms) since the 1880s, it would be a pretty flat line for the first 70 years, actually going down a tiny bit. There was a bump in the 1890s because we had our first and our only housing bubble. Then there's a huge amount of change in the 1950s and things begin to grow. House prices do go up for the next 40-odd years - but not much. It increased by about 50% over that long period of over 100 years.

Then you get to the 1990s and the graph goes crazy. House prices increased by four times in real terms.

Now, of course, we have the crazy situation across most of Sydney where house prices have on average come close to a million dollars.

What does this mean? It means that younger people and people on lower incomes are being systematically locked out of the kind of housing situation people used to expect - the thing which allows most of us to say, no matter what's happening to superannuation or the pension, if I own my own home I'm probably going to get through okay. It's the thing that stands between poverty in old age and the extremes of poverty.

If you go into retirement as a renter, your risks of poverty grow exponentially. If you are a single person who goes into your older years without having your own



home, then your risks of poverty increase. If you're a single woman, your risks of poverty are dramatic.

I've heard it argued that the Baby Boomers worked hard and saved better, but it's also true that in their time there were massive government subsidies to the banks which made it possible for people to achieve home ownership in a way that they simply don't do now.

We're seeing a huge change in who's buying houses now. It used to be people who wanted to live in them. Now the majority of financing for housing goes to investors. That's made a huge difference.

The reason for that is pretty simple. We went from a country that financed housing growth so that people could live in it, to people who financed housing so that people could speculate on it. It is casino housing. Speculators depend on the price of housing going up simply to pay off the house they've bought.

Why did that happen?

All around the world at the end of the 80s, we had financial deregulation and Australia opened its finance systems, its tariffs and so on to the rest of the world - much of which was an important part of economic change. Financial deregulation meant that money came into Australia and was pushed out to borrowers by the banks in a way that fuelled people's appetite for it. So people with money were increasing the demand and pushing up prices.

We've had negative gearing for a long time. Negative gearing basically says that if you invest in certain kinds of assets (e.g. shares, housing) then, if you make a loss on those, you can get them off your tax.

In business, if you make a loss you aren't expected to pay tax on the loss; you can discount it. Negative gearing is different in that you take it away from your whole income, so your normal whole income tax suddenly can help pay for the losses in this area. Negative gearing provides a very generous tax concession for the losses that you make.

You might ask: why are we talking about losses on your investment in housing?

Ultimately, in economic jargon, there's not the same degree of elasticity in rents as there is in some other things because somebody's got to afford to pay. So the



more you borrow, the more likely you are to be making a loss because the rents aren't anywhere near covering it.

The second thing that happened was changes to capital gains tax which meant that you only get taxed on half of the capital gain you make. Suddenly, making capital gains becomes pretty attractive.

So you've got a tax that will pay for your losses, or at least help keep them down; you've got money coming at you so you can push out the value; and if it goes up you only get taxed on half of it. It's a great recipe, and progressively pushed housing prices beyond anyone's wildest dreams.

What does this do, not just to individuals, not just to affordability, and not just to fairness (because of course we are locking people out) but also to the economy as a whole?

One of the things which negative gearing does is it says, whoopee, here is a great place for investors to put their money. But it is an unproductive investment and they don't invest in the kinds of businesses and enterprises which we need to keep our economy growing. So it diverts investment into inefficient investments.

Negative gearing is also economically inefficient in terms of what it does to labour forces. In Sydney we've got a situation where the people who need jobs can't live where the jobs are, and people whose jobs are needed can't get to the places where that employment is needed.

If you live in the leafy North Shore, you're still going to need aged care, you're going to need respite, you're going to need home carers, and those are low paid jobs and the workers can't afford to live where they're needed. Even if you're living in the trendy inner city, you need baristas.

What we see now is people travelling huge distances from where they live to get to the jobs that are needed, and that's not only economically inefficient but it's also a huge impost in terms of the cost of travel, the time of travel, what it does to their families, and what it does to their lives. It's worth remembering that this has got economic inefficiencies.

There's one last thing. There's a big debate going on now about whether it's actually causing a housing bubble. Basically, the worrying thing about an



economic bubble is that it bursts. It leads to the scenes that we saw in Ireland and Spain, and it leads to economic disaster and the ruin of people's lives. So the risk of a crash is a big issue.

There's a huge debate about whether we've got a bubble.... It looks like it on most counts. House prices are way above any of the normal benchmarks. In Melbourne, for example, there's a whole inner city apartment market which doesn't have people living in it. That's the sort of thing that happened in Ireland when whole estates were getting built, just so they could be on sold. Nobody lived in them. There was far more housing than people needed.

We're not in quite that situation. We always have strong demand because we've got migration to help keep that demand going, but the risk is clearly there.

For me the most important housing affordability is for renters. One of the things we see with the increase in house prices is that fewer people can afford to buy their own homes. Some people certainly, young people, spend their lives living with their parents. The thought that people might have their children with them till their mid 40s might be a little horrifying, but that's one of the solutions.

The other, of course, is that people are renting. More people on quite decent incomes are renting and that squeezes out people who traditionally were the majority of the rental market - people on low and very low incomes.

We've got a shortfall in Australia of over 350,000 houses that are affordable and available to low and very low income households. That's well over \$16 billion of investment [needed].

I hope you've all seen Anglicare's housing affordability snapshot which they've done now for a number of years. They surveyed over 75,000 properties that were advertised for rent on a particular weekend and of those 75,400 properties, 21 were affordable to a single person on a Newstart Allowance. One was affordable to a single person on a Youth Allowance.

Income support for people who are unemployed, on Newstart, for young people, is moving down. House prices and rental prices are going up, incomes are going down, and the result, of course, is extreme hardship.



In NSW, 78% of very low income households live in housing stress as rental households. Of people on low incomes, almost 40% live in housing stress.

Housing stress means that because you spend more than 30% of your income on housing. You see the effects of housing stress in the reports and surveys that the Tenants Union and Anglicare have done. We live in a country where very large numbers of renters go without food to pay the rent and their bills.

If you've got kids, the fact that you're renting at all, particularly if you can't afford the rent and then have to work, means that those children are being wounded again and again. Their ability to maintain schooling is totally disrupted, so the next generation is caught up in the cycle of disadvantage and the kinds of futures they have a right to expect are being taken away from them.

For people looking for work, it's very tricky to look for work if your address keeps on changing.

Anecdotally we're seeing more and more marginal housing - people who are living in the shed out the back of someone's place; people who are renting housing that would never pass any kind of legal requirements for a habitable dwelling. We're seeing a growth in some of the boarding houses, particularly unlicensed boarding houses.

Health drove some of the changes in housing in previous centuries. Decent housing is a precondition for health, and a lot of the changes and some of the growth in public housing happened because in Sydney we had epidemics of disease, including the plague, brought on by poor quality housing.

In Indigenous communities today, housing is one of the major reasons that Aboriginal people have much lower life expectancies, Aboriginal children have much lower health.

The rental crisis is driving us in that direction, away from the decent standards and good health.

What about public housing or social housing? (My own background is in working to establish community housing, not-for-profit housing, rather than government-run housing.)



You would hope that as all these problems emerge the state would respond by filling the gap with social housing, or even just affordable housing, keeping the price down. But at exactly the time that we needed more, we stopped producing more.

The reason was that States would borrow money from the Commonwealth, but instead of using that to build housing they would use that money to pay back the loans that they'd borrowed before from the Commonwealth, and the debt would keep on revolving and not much more was being built. So the Commonwealth put a stop to that and said, we'll turn this into direct grants which States can use but then all of those budget constraints come into play, and quite simply, we weren't paying and spending enough to build more housing.

Worse still, in recent times, we've actually been losing housing. As the money was being rationed, the policy response was to say we'd better target it to those most in need. That would seem to make sense. The problem, of course, is that it's never easy to tell who is most in need. Also, and more importantly, housing has to be maintained and managed, and that's funded from rents. In order to make social housing affordable, the rent that is paid is a proportion of people's incomes. As you target those who are poorer, the proportion of that income falls, so your rental income stream falls and you can do less with it, so you target it more and then you can do less with it, and so on into a vicious spiral downwards.

Certainly in the last few years, the generally received opinion was that across the country social housing, public housing authorities were all bankrupt. So we failed absolutely.

That failure was pretty massive. The other failure was that governments always said it's got to pay for itself. This is a really odd thing. When you talk about hospitals, nobody says for a moment that patients have to pay for the new hospitals that get built. Governments pay for that kind of social infrastructure. Or schools. So why is it that we say it's public housing that somehow the tenants have to pay for the whole shebang? It makes no sense.

Under the Rudd Government we had the National Rental Affordability Scheme (NRAS). It used the tax system a bit but was basically a way of subsidising people's investment in affordable housing. That's the bottom line. You can only get affordable housing if governments are prepared somehow to subsidise it.





NRAS worked and produced substantial numbers of new housing, mainly for not-for-profit but also through some for-profits.

Sadly, when the current Coalition Government was elected, they ended NRAS at the same time as the tax subsidies that were fuelling the speculation at the top end of the market were continued.

There are 59,000 people on the waiting list for public housing in NSW, and even more in the private rental market. One of the extraordinary things that we're seeing now is a view in public policy that says the job of the public housing system is only to house those people who could never survive in the private rental market. That doesn't mean because you can't afford to pay the rent. It means because you've got a disability or you have some other reason that you couldn't manage the private rental market.

As a result, the view is that the job of a good public policy in social housing is to get people out and back into the private rental market. It's a private rental market that's not affordable and which is concentrating disadvantage.

This brings me to my second last area of where the crisis is being expressed. That's in polarising our cities. Professor Bill Randolph from our City Futures at the University of NSW has done a lot of work on this. Back in the 60s or 70s, as developers came in and wanted to redevelop our inner cities, low income communities that had lived there traditionally were displaced, often to new public housing estates that were being built on the fringes.

What we're seeing today is similar. It's not to those public housing estates, it's into the private rental market where people can still find something that they can afford. This is concentrating disadvantage in a few areas of the city.

That affects people's ability to travel. It affects kids' futures because if you've got people who are all unemployed living around you it's very hard to imagine a future.

We've seen changes recently to the strata laws. It used to be the case that if you owned an apartment that was on a strata title and somebody wanted to redevelop that whole block, then everyone had to agree, because after all it was their home. If you lived in a row of housing along a street you wouldn't be forced to sell up just because someone three doors down decided it would be a good thing to do.



But now we've just seen legislation go through – they've made it 75%. It's still a majority but it does mean developers can offer deals, and people are being forced out.

So even those areas where people could afford to rent are ripe for further development and further displacement.

The last thing is the one where the lack of justice in our housing system shows up most because at the end of this whole story we have no business.

On census night in the last census in 2011 there were 105,000 people in Australia who were homeless. It's a lot of lives. Not all of those are rough sleepers. A lot of these are because of overcrowding. One of the things people do to find solutions to the problems of not being able to get housing is sharing, staying in multiple households in the one dwelling. Overcrowding is one of the definitions of homelessness and that's what grew the most.

In NSW there were 28,000 homeless. Is this changing? We haven't got to the next census, but the City of Sydney does a count. They have volunteers who go out and count the homeless twice a year in the City of Sydney.

In 2012 the numbers had come down. 702 people were homeless in the City of Sydney. About 250 people were sleeping rough in the city and about 450 were in hostels.

By February 2016 it had risen again to about 890. In particular, the people who were sleeping rough had gone from the 250 to just under 500.

Why do we have homelessness of this kind in Australia?

Sometimes it's because of crises in people's lives - people who are homeless or in refuges because of domestic violence, or younger people who leave home because of family dysfunction or family violence.

But there are a couple of more entrenched factors. There's been a wave of de-institutionalisation of mental health institutions that is still going on.

We found that these institutions were inappropriate, but we didn't provide any alternative accommodation. As a result, more and more people found their homes



in the streets, or in temporary places that quickly collapsed into street homelessness, and a cycle of homelessness begins.

It's worth asking whether we've learned our lessons with that one. We've got this great thing called the NDIS – a huge new investment in people with disabilities. But largely housing isn't part of it and I wonder whether we're not just reproducing the sorts of problems that we have with other ways of deinstitutionalisation.

The last thing, and perhaps the most important thing, is the point that Felicity Reynolds from the Mercy Foundation makes: Homelessness first and foremost isn't about what's wrong with people; it's a problem of poverty. As we have both growing poverty and growing inequality in our society, and a housing system that is less and less able to respond to the needs of low income households, then if homelessness is ultimately a problem of poverty then we're going to see more homelessness.

[Let's talk about] policy responses around homelessness. NSW has gone through a process called 'Going Home Staying Home' which was a whole reform of the homelessness system. It was designed to find better ways to provide services that really worked, and that includes early intervention, the notion of housing first, getting people into homes quickly.

However despite all the talk about early intervention and prevention, the one thing that prevents homelessness was ignored - that you've got to have enough housing. And of course we don't in Australia today. So what's the future?

The problem with housing is more than just fixing negative gearing and capital gains tax. We still need to have policies that invest in affordable housing. We haven't heard that being said by any of the parties. It's not part of the public policy anywhere.

The election will be a start and the election will be a testing point. It's on the agenda and people are talking about it, but there's a way to go.

### ***Questions and answers:***

Getting the State to invest in more affordable housing and social housing is the number one priority. I think the second highest priority is to make sure that we've got measures which support people in the private rental market. After that, there's



so much to be done with Aboriginal housing, housing for people with disabilities and so on.

We need to change the nature of our private rental market to one that works for people by having long-term investors rather than people with a short-term investment, where rent increases can't be constantly ratcheted up.

In some of the Scandinavian countries, for example, the tenants organisations, equivalent to our Tenants Union, and the landlords organisations and the government come together every year and negotiate the rent increases for that year. I'm not expecting that tomorrow, but there's things we can do to make our rental market less of a risky place to be, particularly for low income earners.

*Q: Because people want a return on their money when they invest that much, then rents are obviously going to go up... you're chasing your tail all the time.*

I think you're right, it's that chicken and egg thing. Somehow we've got to put a break in the cycle. In terms of the state being dependent on turnover in the housing market, one of the ways of breaking that cycle is shifting from stamp duty to land tax. That can take the state's dependence out of the equation.

Once you push [real estate] values up, then the amount you're borrowing means that your actual rate of return is miniscule and then that keeps the pressure on to keep negative gearing. The only way you have out of this is to turn it around so that prices drop relatively.

We don't want the housing market to crash. The most credible commentators say that the modest kind of changes Labor's looking at, and even more radical ones, aren't going to bring about a total crash. It's 'grandfathering' existing investors so that they're not hurt. You slow it down gradually - you won't get things growing at the same rate but people will still be able to invest.

*Q: [Do you know anything about] Ecclesia Housing?*

It's the Housing Association set up by St Vincent de Paul. Brian Minane is the CEO. They're small at the moment but they plan to get bigger. They're like other community housing organisations who look at other ways of getting finance.

*Q: What's happening at Millers Point - do you think that's good or bad?*



It's interesting to see how we've made public housing seem smaller than it used to be, just by the business of not just targeting and even how we talk about people who need public housing.

After the War, people who were eligible for public housing were ordinary working families. They would see it as part of a secure way to rent initially but then they might be looking to buy the place they'd been renting. It was something that everyone on a moderate to low income could expect to do.

Now we think of public housing as just being people on the margins of society. Because we do that, we've had to invent new terms, so we now talk about social housing over here and affordable housing which is going to be for a slightly higher – basically we've invented a new category to include the people who we chopped out because there's much greater need than people look at.

It's not till people see rental housing and government involvement as a normal part of most people's lives that we're going to avoid being put to one side the way hospitals are.

I think Millers Point was an extraordinarily bad decision. I think it was wrong on a whole range of levels, but again it's one where the argument is very plausible. The argument goes: we've got these really valuable assets sitting there in Millers Point; let's sell them to millionaires, we'll use that money and we'll get more social housing.

There's two things broadly speaking - first of all: why should it be the homes of the communities of low income people who bear the price of investing in more housing rather than the whole community through our taxes?

Millers Point is a very particular community, because a lot of the people who live there were working people who, when the housing was moved across from Maritime Services, were told that they had that as part of their jobs, and they've had that often over generations. They were basically told, this is your home, managed by the Dept of Housing.

Over time, those original people became a minority. But we're talking about moving people who are in their 80s, some of whom could only manage to continue to live independently because of the community around them, because people



would always look out for them and could help them do the things they couldn't do themselves. That whole community is being pulled apart.

It's not clear that we've actually seen an increase in the total amount of housing as a result.

*Q: That great block at Eastlakes is also destined for the same ...*

The strategy for growth in social housing is all dependent on re-development of existing public housing estates.

For the first time in decades we're actually talking about growth. But it is all based on being able to pick the high value areas where you can increase the density. Waterloo is the big standout at the moment. Waterloo Towers come down and the whole area becomes towers.

The plan is to increase the total amount of housing. It does mean, though, that people will have to move. They can go back, but how often do you want to move? Move out, move back five years later? So those communities don't come back together.

There's another question about what sort of amenity is going to be there for low income families who need a community centre more than they will need a gym?

The bottom line is we're still talking about using that asset which we'll only be able to do once, rather than spending money just to invest.

[End of seminar]