



8 May 2023

An Open Letter to the Senate

Better Housing Australia Future Fund (HAFF) legislation

Dear Senators,

We've waited over 10 years for meaningful Federal Government investment in affordable rental housing. Taking a few more weeks to negotiate some simple but significant improvements to the draft Housing Australia Future Fund (HAFF) legislation will not make life any harder for the millions of people who are homeless, living in severe rental stress, or delay the construction of new homes. It will make the future better and more secure.

To argue the legislation should be passed now simply because 'its better than nothing' and can be amended later, is a very risky strategy.

Once legislation is passed its hard to change. That's particularly true for programs that take years to be implemented and evaluated. The Government doesn't expect the first 30,000 HAFF homes to be finished until 2029. If the legislation passes we shouldn't expect amendments before 2030.

During this same period we could lose up to 15,000 homes currently held by private investors with subsidies under National Rental Affordability Scheme (NRAS).

The biggest problems with the draft legislation are the artificial imposition of a \$500m funding cap, the uncertainty of any Federal Government investment at all, and the refusal to index the Fund to keep up with inflation. These issues need to be addressed now.

As drafted, there is no guarantee that all the interest earned from the \$10B HAFF investment will be used to increase supply. Even the most well intended promises can falter so guaranteeing an annual amount in the legislation is essential.

So too is ensuring that the housing that's delivered will help the people who are most in need.

The Grattan Institute suggested the establishment of a Social Housing Future Fund, on which the HAFF is based, in 2021. Although similar, there are some major differences.

The Grattan model recommended \$20B be invested, the Government is proposing only \$10B. They also recommended that all the interest be used to increase the supply of Social Housing for people on very low-low incomes and who will never be housed by the private market. The Government's draft makes no such commitment.

Federal funding for temporary housing and homelessness services is expected to be indexed and increase with inflation when the budget is announced tomorrow. The HAFF should also be indexed.

Relying on investment returns to fund essential social infrastructure is precarious at best.

Again the Grattan Institute's original modelling forecast that investing \$20B could deliver an average return of \$900m a year in dividends over five years. The Government has not guaranteed an annual funding amount and they have capped the allocation at \$500m per annum regardless of the returns. The draft legislation is insufficient and unreliable.

The real housing crisis is the lack of social and affordable rental housing. It is not the cost of buying a home.

Home ownership in Australia peaked at 73% in 1966 and it's been steadily declining ever since. Record low interest rates may account for the slight increase between the 2016 and 2021 Census years but the rate was still down to 63%. The plethora of government incentives to help home buyers in recent years may result in another small increase in the 2025 data but it's unlikely to change the long-term trajectory.

The purchase price of a home, structural changes in the labour market, the time needed to save a deposit, and the cost of rent in the interim means home ownership rates are still expected to be below 60% within 20 years.

We must prioritise rental supply and renters.

It's hard to know if sufficient numbers of owner occupiers and investors will sell out of the market due to the potential for policy changes and cost of living pressures, and how that could affect the rental market. What is certain is that the market is already failing to meet the needs of 640,000 householdsⁱ, migration will make it worse, and the economy and essential services are suffering.

It seems likely that the State and Territory Planning Ministers will commit to reforms to fast track new building approvals when they meet later this year. But simple supply and demand economics will not solve the affordability crisis. We have never built more homes than in the last 10 years and they have never been less affordable. New supply must be targeted and secured for social and affordable rental.

The Federal Government is to be applauded for designing a suite of housing initiatives and introducing the draft legislation. Continuing the negotiations to guarantee funding and remove the cap does not need to be a time-consuming or difficult exercise. We've come this far, let's finish the job properly.

ⁱ <https://cityfutures.adfa.unsw.edu.au/documents/699/CHIA-housing-need-national-snapshot-v1.0.pdf>

About Michele Adair

Michele is a respected and regular commentator on affordable rental housing, housing policy, supply and investment. She is the CEO of the Housing Trust, one of the largest Community Housing Providers in NSW, and Chair of Homes Tasmania, a new statutory authority. She received the Urban Design Institute of Australia Women in Leadership National Award for Excellence and the Housing Trust received the 2022 Outstanding Community Organisation Award from the Illawarra Business.

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