



**SACOSS**

*South Australian Council  
of Social Service*

**SACOSS' Submission to the Economics and Finance  
Committee Inquiry into South Australian Housing  
Availability**

**May 2023**

*SACOSS' Submission to Economics and Finance Committee Inquiry into South Australian Housing Availability*

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## Contents

Summary of Recommendations .....	4
Introduction .....	6
Terms of Reference.....	7
The decreasing availability of affordable housing for both purchase and rental .....	7
The community expectation that every South Australian should have reasonable access to housing that meets their needs. ....	8
The necessary policy settings – at all levels of government – required to deliver suitable housing outcomes.....	8
The economic impacts arising from lack of social and affordable housing, including barriers to economic development ... and the additional costs on other sectors .....	13
Innovations in housing that can lower costs, expedite new supply, and deliver a greater diversity of housing options to meet current and emerging trends .....	14
Leveraging of government assets ... to maximise the delivery of additional housing ....	15
Partnerships with the social housing providers and the private market to deliver additional social and affordable housing.....	15
New approaches to financing and tenure options that increase supply and security of tenure.....	15
Conclusion.....	16

## Summary of Recommendations

This submission considers and makes recommendations in relation to eight of the Committee's Terms of Reference as follows:

### **The decreasing availability of affordable housing for both purchase and rental**

*Recommendation:* That the Committee find that rental costs are unaffordable for many people, especially those on low incomes, and that South Australia is facing a rental affordability crisis.

*Recommendation:* That the Committee note the importance of energy costs and health impacts on housing affordability, and recommend that the government introduce:

- compulsory disclosure of energy efficiency ratings at time of sale or rent; and
- mandatory energy efficiency standards for all rental properties.

### **The community expectation that every South Australian should have reasonable access to housing that meets their needs**

*Recommendation:* That the Committee take account of the standard of housing and the long-term health, affordability and hidden costs of any policy it considers.

### **The necessary policy settings – at all levels of government – required to deliver suitable housing outcomes**

*Recommendation:* That the Committee find that concerns over landlords exiting the market and reducing rental supply are largely misplaced or exaggerated, and that the Committee recommend:

- measures to increase renters' rights, and in particular to end no-cause evictions;
- capping rental price increases at the rate of CPI;
- the adoption of small-scale rental affordability measures, including:
  - increasing the Cost of Living Concession for renters to the level paid to home-owners,
  - reversing the 2014 changes to the *Residential Tenancies Act* which made tenants responsible for water supply charge unless otherwise agreed with the landlord, and
  - dealing more fairly with excess water charges resulting from leaks.

*Recommendation:* That the Committee find that public housing is important to providing rental housing to those most excluded from the housing market, and to providing supply and putting downward pressure on rents across the market.

*Recommendation:* That the Committee find that over 300 net new public housing dwellings are required to be built each year to keep pace with population change, but recommend

that approximately 4,000 public housing dwellings be built over the next four years to cover population growth and reverse the recent decline of the public housing estate.

*Recommendation:* That the Committee consider and recommend an opt-in scheme of replacing stamp duty with an annual land tax, for low-income earners at the very least – and possibly more widely, as a way to remove the stamp-duty barrier to purchasing first or more suitable homes.

*Recommendation:* That the Committee give consideration to a vacant property tax as a way of encouraging more housing supply.

**The economic impacts arising from lack of social and affordable housing, including barriers to economic development ... and the additional costs on other sectors**

*Recommendation:* That the Committee recommend that that public housing investment be targeted to regions where housing shortages provide a barrier to employment and economic development.

**Innovations in housing that can lower costs, expedite new supply, and deliver a greater diversity of housing options to meet current and emerging trends**

*Recommendation:* That the Committee consider proposals for modular housing, either as part of the long-term solution if the housing is fit-for-purpose, or if not a long-term solution, then even as a short-term option if there are clear and mandated phase-outs in place.

**Leveraging of government assets ... to maximise the delivery of additional housing & Partnerships with the social housing providers and the private market to deliver additional social and affordable housing**

*Recommendation:* That the Committee recommend investigation of further build-to-rent partnerships to increase rental supply, provided that such developments also contribute to the expansion of the public housing estate.

**New approaches to financing and tenure options that increase supply and security of tenure**

*Recommendation:* That the Committee investigate, or recommend the further investigation of share equity models of home-ownership.

## Introduction

The South Australian Council of Social Service (SACOSS) is the peak non-government representative body for health and community services in South Australia, a sector which includes over 1,000 organisations with a combined revenue of \$4.7bn per annum and employing more than 50,000 South Australians.

SACOSS has a vision of *Justice, Opportunity and Shared Wealth for all South Australians*, and seeks to influence public policy in a way that promotes fair and just access to the goods and services required to live a decent life. Our membership includes charities, organisations and individuals working in a range of health and community services sectors, including community housing providers, organisations who provide support to and advocacy for tenants, as well as individual renters.

SACOSS undertakes policy and advocacy work in areas that specifically affect disadvantaged and low-income households in South Australia. The availability and affordability of housing is central to this focus, and in particular issues of rental affordability, the provision of public housing and the condition and thermal efficiency of housing. We also take a public health approach as health and housing are inextricably linked: if housing is inadequate (unaffordable, insecure, unsafe, of poor quality or poorly located) health will suffer, but equally, people experiencing health problems (including chronic health problems and disability) face additional barriers to accessing and retaining adequate housing that meets their needs.

SACOSS has made numerous submissions on government housing policies over the years, developed a range of policy proposals in our Cover the Basics campaign in the lead up to the last state election, and we currently produce two Cost of Living reports a year on rental affordability. SACOSS also made a [submission to the Issues Paper](#) for this inquiry. This submission attempts to provide further detail on the principles outlined in that document and to address the Terms of Reference which impact most directly on those on low incomes and/or marginalised in the housing market. In this context we focus particularly on renters, as renters are likely to have lower average incomes and proportionately higher housing costs, less security of tenure, and fewer housing options.

## Terms of Reference

### The decreasing availability of affordable housing for both purchase and rental

In our submission to the Issues Paper, SACOSS highlighted the problematic definition of “affordable housing” utilised in a range of government programs, and we are pleased to see that the EFC Issues Paper adopts the definition of “housing costing no more than 30% of weekly household income” for households on low to moderate income. This definition reflects the widely used “housing stress” benchmark and is a sound basis for policy.

Against this definition, SACOSS notes that the last ABS *Housing Occupancy and Costs* data ([Table 8](#)) showed that in 2019-20, 34% of mortgagees and 50.8% of private renters on low incomes in South Australia spent more than 30% of their income on housing costs. This obviously predated the substantial recent interest rate and rent hikes noted in the Issues Paper, which suggests that current levels of housing stress would be much worse.

SACOSS’ most recent [Cost of Living Report](#) showed that in the December Quarter 2022, rental properties in Adelaide were unaffordable for those on low incomes. The median rent for a new tenancy for a two-bedroom apartment in the cheaper suburbs was \$340 per week, and \$400 for a three-bedroom house. The table below from that report shows these rental costs as a proportion of particular incomes.

**Table 1: Rental Costs as a Proportion of Income, Selected Household Types**

	Total Income*	% of Income 2-bed unit	% of income 3 bed house
Single JobSeeker	\$414.40	82%	
Single Age Pensioner	\$589.50	58%	
Single Minimum Wage	\$812.60	42%	
Single Parent JobSeeker – 2 children	\$717.70	47%	56%
Single Parent Minimum Wage – 2 children	\$1,196.33	28%	33%

\* includes where appropriate Centrelink Supplements, Commonwealth Rent Assistance and Family Tax Benefits based on children aged 10 and 14.

The data shows that ***there is a rental affordability crisis in South Australia and the market is clearly not providing sufficient affordable housing for those on low incomes.***

However, as our submission on the Issues Paper highlighted, rent and mortgage costs are not the only things that make housing unaffordable. For many low-income households, there are hidden housing costs arising from the design, condition, and water and energy efficiency of housing, and from locational factors such as the extent of shade and tree canopies. These factors contribute to lack of affordability of housing through higher energy and water costs, and through health problems which lead to expenses or time off work.

While new housing has to meet some design standards, including some energy efficiency principles, for existing housing stock there is ample evidence of poor and unhealthy rental housing supply (See for instance, Better Renting’s [Sweaty and Stressed](#) report, or the Anti-Poverty Network SA’s [Broke, Cold, Stressed](#) report, or the evidence in the [Australian Rental Housing Conditions](#) dataset). Unfortunately, as a result of lack of action by successive state governments in implementing disclosure of energy efficiency standards of rental housing, we don’t know the full extent of thermal inefficiency or the cost to renters – let alone have movement towards minimum standards. ***This disclosure, and the implementation of minimum energy efficiency standards, should be a priority for government policy directed at the provision of affordable housing.***

### **The community expectation that every South Australian should have reasonable access to housing that meets their needs.**

There is obviously a justified community expectation that in a country as rich as Australia, every South Australian should have access to housing. However, we note the last words of this term of reference “that meets their needs”. As per [our submission on the Issues Paper](#), a house which is unaffordable, poorly located and serviced, is unhealthy or costs unreasonable amounts to heat and cool does not meet a tenant’s or homebuyer’s need.

Stemming from this, SACOSS is wary of proposals to deal with the housing crisis which would see sub-par housing delivered cheaply and quickly, but which may have significant costs in the longer term. Obviously sometimes short-term fixes are required – especially if the alternative is homelessness, but policies adopted or structures erected for the short-term have a habit of staying in place and becoming longer term problems. Accordingly, ***SACOSS encourages the committee to take account of the standard of housing and the long-term health, affordability and hidden costs of any policy it considers.***

### **The necessary policy settings – at all levels of government – required to deliver suitable housing outcomes**

There are a range of policy settings which need to be addressed at all levels of government to deliver suitable housing outcomes. For instance, at the federal level, reform is needed to inefficient tax settings (like negative gearing and capital gains tax discounts) which distort housing investment. However, this submission focuses on policy settings required at the state government level, and in particular on four areas, the first three relate to outcomes for renters and the fourth to home owners:

- Tenants’ rights
- Affordability
- Public Housing
- Property taxes



## **Policies to give tenants rights and suitable housing outcomes**

The government's review of the *Residential Tenancies Act* (RTA) has elicited a vast number of submissions, many of which deal with the rights of renters under the Act. In SACOSS' view, the most important right canvassed in the review is the protection against no-cause evictions. NSW and Victoria have recently changed their legislation along these lines, and the security of tenure this provides is of vital importance to tenants' economic stability and wellbeing. Further, as SACOSS noted in our [submission to the RTA review](#), fear of eviction limits tenants' ability to raise issues with landlords or assert other rights under the Act. Without security of tenure, there is little chance of renters achieving suitable housing outcomes.

Protection against no-cause evictions was not included in the first tranche of legislative amendments to the RTA, but we understand the review is ongoing and *the government should legislate against no-cause evictions as soon as possible*.

In the context of this recommendation, and in relation to renters' rights more generally, it is worth [quoting from AHURI](#), one of the leading housing research bodies in the country, who believe that the current system is currently so biased against tenants that the "overarching principle" of law reform should be "to unapologetically centre the rights of tenants" (p83).

While such an approach to renters' rights may raise concerns that this would force landlords out of the market and limit rental supply, the AHURI study's empirical research found little evidence that changes to tenants' rights impacted on investment decisions. Further, the report concluded that:

Where landlords or their representatives say it is too difficult and they will disinvest from existing private rental system dwellings, this should not be taken as a threat, but as a good thing: that is, the incapable and the unwilling exiting the sector, and thereby opening up prospects instead for new owner-occupiers or for differently oriented landlords—especially non-profit rental housing providers.

SACOSS encourages the Committee to take a similar approach to renters' rights, and to ***recommend increases to renters' rights, and in particular, an end to no cause evictions.***

## **Affordability Measures**

Policies to deliver greater rights to renters (and the availability of housing more generally) are moot if people can't afford to rent in the first place, so government needs to address rental affordability directly. Our housing advocacy has raised a number of small steps the government could take – such as:

- increasing the Cost of Living Concession for renters to the level paid to homeowners,

- reversing the 2014 changes to the *Residential Tenancies Act* which made tenants responsible for water supply charge unless otherwise agreed with the landlord, and
- dealing more fairly with excess water charges resulting from leaks. (See [SACOSS submission to the RTA review](#)).

***SACOSS encourages the Committee to support all these initiatives.***

In relation to affordability, we also note recent welcome changes by the government to limit (but not ban) rent bidding and to decrease the amount of bond required. While these initiatives are welcome, both these and the SACOSS initiatives above are nonetheless relatively small steps and only impact on the margins of affordability. The bigger issue is the amount of rent charged and the barrier that creates to people accessing suitable housing.

With rent prices increasing rapidly in the last few years, SACOSS, along with other advocacy groups such as Better Renting, Anti-Poverty Network, and Uniting Communities, have been advocating for a cap on rent price increases to ensure that those on low incomes can access rental accommodation (see [joint media release](#), 20 December 2022). This step mirrors the federal government’s energy market intervention, which reacted to a similar market failure on affordability, and the SACOSS proposal was fairly modest in arguing for rent increases to be capped at CPI.

We note that a bill to cap rent increases, the Residential Tenancies (Rent Control) Amendment Bill, was recently introduced into the Legislative Council by Greens MLC, Robert Simms. The bill was defeated, mostly because of concerns that such a cap would drive landlords out of the market and thereby reduce rental supply. While the lack of supply of rental properties is definitely the paramount issue, SACOSS rejects the argument that the proposed rent increase cap or other initiatives to increase renters’ rights would diminish supply. This is basically because the vast bulk of landlords do not add to housing supply – they buy existing properties. If they sell the property, the total housing supply is unchanged as the house is either bought by another landlord or by a home-buyer. The argument is an extension of the point made in the AHURI report quoted above, and is argued more fully in a private blog by one of our senior researchers: [The Landlord Myth and Housing Supply](#).

***SACOSS urges the Committee to acknowledge that concerns over landlords exiting the market and reducing rental supply are largely misplaced or exaggerated and to recommend that the government revisit its position.***

### **Public Housing**

Public housing is a primary policy setting through which the state government can directly provide housing to those most in need, bring supply into the market and reduce rent prices more broadly. The fact that the public and social housing estate has shrunk from around 60,000 houses at the end of the last century to 45,743 in 2022 is a scandalous loss of

affordable housing and the public wealth inherent in those properties. When population growth is factored in, the loss is even more pronounced. Public housing constituted 11.2% of all South Australian housing in 1997-98, but half that in 2019-20, according to the ABS ([Table 12.12](#)).

In February 2023, the government announced a series of new housing measures in its policy document, [A Better Housing Future](#). Along with a series of private rental reforms, there was an additional commitment to new public housing construction which, on top of funding already committed, would see 564 new public houses by 2026 – the first net increase in public housing this century.

However, while the reversal of the decline is certainly welcome, 564 new houses is still small by comparison with the public housing waiting list, which stood at 15,402 applicants at 30 June 2022. Further, SACOSS calculates that the new public housing won't even keep pace with projected population growth. Using [data from the Australian government's Centre for Population](#), SACOSS calculates that just to keep pace with population growth, South Australia would need to build 1,421 new public houses by 2025-26 to maintain current public housing rates – more than double the government's plan.

To begin to rebuild public housing assets at the rate they declined in the preceding 4 years (that is, to return to the public housing/population ratio of 2018), we would need to build around 3,600 new public houses by 2025-26 – more than six times the current investment.

More speculatively, with a [private rental vacancy rate](#) currently at 0.5%, to bring this to where some market analysts claim is the point at which it begins to become a “renter's market” (3%) would require around 4,000 extra houses. That is, hypothetically, if there were 4,000 more public houses in South Australia at present, there would begin to be downward pressure on rents across the private market.

These rough calculations show the scale of investment required to begin to rebuild the public housing estate and impact on the housing availability and affordability more broadly. ***SACOSS urges the Committee to recommend an investment in public housing sufficient to reverse the decline of the public housing estate – that is, around 4,000 houses over the next four years.***

### **State Property Taxes**

While federal government tax settings have the biggest impact on the housing market, the state government collects both stamp duty on the purchase of properties and annual land tax on houses which are not the owners' primary place of residence. Stamp duties are the major source of own-tax revenue for the South Australian government, but they are volatile and are generally regarded as economically inefficient tax in that they create a barrier for

people purchasing housing for the first time or moving to the most suitable accommodation. The Revenue SA [stamp duty calculator](#) shows stamp duty on a modest \$400,000 property adds over \$16,000 to the purchase cost, a significant burden for those on low incomes struggling to buy-in to the market.

Further, stamp duties can be unfair as they are based on transactions rather than capacity to pay. Thus, people who need to move house because of employment, family growth, relationship break-down or other reasons, pay more tax than sedentary households with potentially greater capacity to pay. Similarly, current land taxes (with an exemption for people's primary place of residence) are unfair because the tax is paid by investors, but the costs can be passed on to renters. So we have renters paying a tax that home-owners on similar incomes do not pay.

A broad-based land tax paid by all property owners, with stamp duties on home purchases abolished, would be fairer and enable people to move houses more easily as their life changes. Such a scheme would need protections for low-income earners, such as adequate concessions and provision for payments to be deferred until death or sale of property so that no one is forced out of a home by land tax bills, but it is viable.

When such a scheme was proposed in the 2015 State Tax review, there was opposition to "a tax on the family home". This ignored the fact that stamp duties are also a tax on the family home, but in any case, such concerns could be alleviated by an opt-in model where home-buyers elect either to pay stamp duty upfront and have no annual land tax (if it is their principal place of residence), or they could buy it with no stamp duty but pay an annual land tax.

NSW has adopted such an [opt-in model for first-home buyers](#), but SACOSS sees no reason why this option should not be available more widely – at least for other low-income earners, but potentially across the market. Indeed, it could possibly be used as the base for a market-wide transition to annual stamp duties in the long term (if a house, once purchased with an annual land tax option was deemed permanently to attract an annual land tax – regardless of future sales).

This latter option needs further exploration, and consideration would need to be given to arrangements for non-owner-occupiers, that is, investors who would pay land tax in any case. However, SACOSS believes that, ***for low-income earners at the very least, an opt-in scheme of replacing stamp duty with an annual land tax should be considered to remove the stamp-duty barrier to purchasing first or more suitable homes.***

The other tax change relevant to housing availability that SACOSS has long advocated for is the introduction of a "dis-used" or vacant property tax. It is an outrage that South Australia

has homeless people and unaffordable houses while there are housing properties sitting empty. Accordingly, we are proposing an increased rate of land tax and council rates on land and buildings that were not being utilised after a set period (perhaps one or two years). When we first raised this idea, it was dubbed a “le Cornu” tax after the infamous long-standing vacant site in North Adelaide, but that site is not the only example of resources being withheld from productive use.

The idea is not new or radical. In 2017 Victoria introduced a [vacant property tax \(1%\) on homes in Melbourne](#) that were vacant for more than 6 months. SACOSS believes a wider model might be more useful to get more rental houses on the market in Adelaide (it is not envisaged that the tax would apply to holiday houses or regional areas), but we acknowledge that there is devil in the detail that would need to be worked through.

A vacant property tax would not be a big revenue raiser for government, and it would not impact the vast majority of landlords or landowners. However, it would recognise that vacant properties have a wider social cost (depressing local neighbourhoods) and it would provide some incentive for landowners to either sell or convert properties to productive use.

***We encourage the Committee to give consideration to a vacant property tax as a way of encouraging more housing supply.***

### **The economic impacts arising from lack of social and affordable housing, including barriers to economic development ... and the additional costs on other sectors**

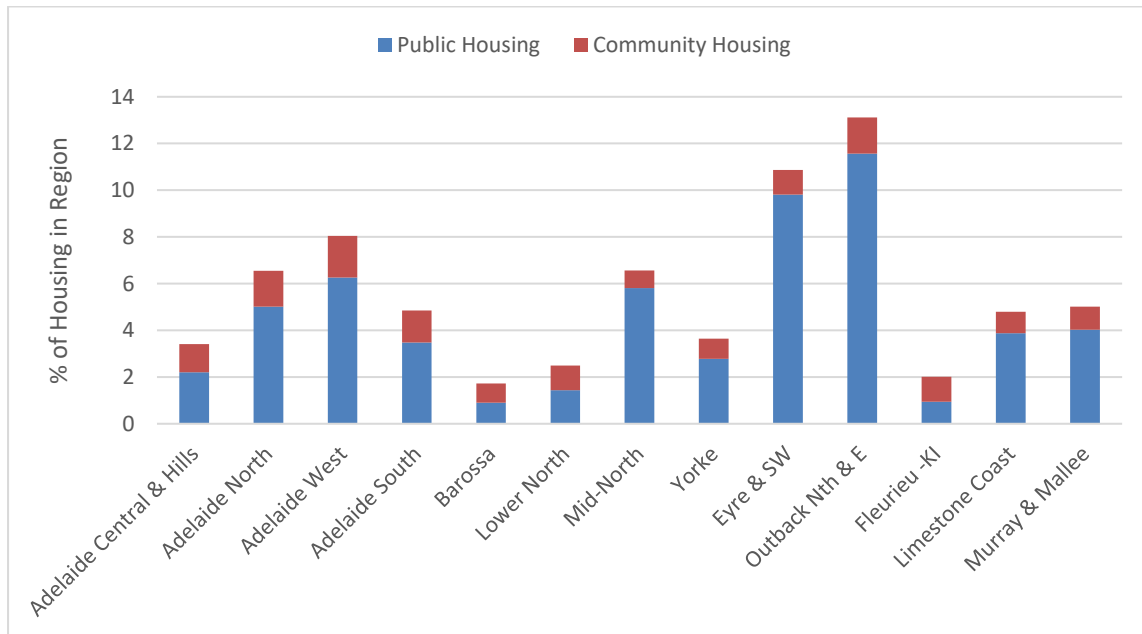
In recent years, community service providers who are based or provide services in regional areas and have highlighted to SACOSS the impact on services and the local economy of the lack of housing in regional areas. We note that this concern is shared by the LGA, whose submission on the Issues Paper gives some specific examples of the complete lack of available housing preventing people taking up jobs in regional areas.

The housing shortage is a particular barrier in relation to the health and community services sector workforce, which is often characterised by low wage or part-time work. These factors increase the relative cost of moving and make competing for very scarce housing even more difficult. This in turn impacts on the ability of local not-for-profit organisations to attract staff and to provide health and community services.

Given the failure of the private housing market to provide sufficient housing in key regional areas, public housing – either in the traditional style or in new community-run build-to-rent schemes – is needed in regional areas. Social housing in regional South Australia forms about the same proportion of the housing market as in Greater Adelaide (5.4% in regional

SA, 5.6% in Adelaide), but as the graph below shows, the distribution is not evenly spread within those areas. Regional areas closest to Adelaide have the lowest density of social housing, while the Eyre Peninsula and the far north have relatively higher percentages.

**Figure 1: Density of Social Housing, 2021 by Region**



Source: [Briefing Note: Geographic Distribution of Social Housing in SA](#)

Again, ***more and targeted investment in public housing is necessary to overcome employment and economic development barriers in regional areas.***

### **Innovations in housing that can lower costs, expedite new supply, and deliver a greater diversity of housing options to meet current and emerging trends**

We note the submission to this inquiry from Shelter SA arguing the need for housing design and innovation, in particular for the use of modular housing to fast-track new housing and provide genuinely affordable housing for those currently priced out of the market. SACOSS welcomes Shelter’s submission on this, subject to the caveat above in relation to short-term solutions that may give rise to longer term problems.

Accordingly, ***we believe that proposals to use modular housing should be seriously considered either as part of the long-term solution if the housing is fit-for-purpose, or if not a long-term solution, then perhaps even as a short-term option if there are clear and mandated phase-outs in place.***

## Leveraging of government assets ... to maximise the delivery of additional housing

and

## Partnerships with the social housing providers and the private market to deliver additional social and affordable housing

Social housing providers and their peak bodies are better placed than SACOSS to address these terms of reference, but we want to be clear that such partnerships and private market initiatives are not alternatives to the investment needed in public housing. Public housing remains the government's most powerful tool to intervene and underpin the rental market, particularly for those who are most marginalised in the rental market.

That said, partnerships to develop additional social housing – potentially in a mix with affordable and market housing – does provide some opportunity to add to housing supply. Rent to build schemes are particularly important examples of this. In this context we note the [rent-to-build scheme at Eastwood](#) as an example of a potential partnership model involving state land, federal government investment and a community housing provider to do the rental management. The first iteration of this development under the previous government was welcomed by SACOSS as a move in the right direction (the build to rent idea), but it was not perfect as it replaced rather than expanded public housing and was not particularly targeted at those on the lowest incomes (for whom even the subsidised rent would be unaffordable). It is hoped the updated scheme will improve on those areas, but overall we regard it as an innovative measure that adds to rental supply without giving away public land or removing public housing.

Again, we will leave others in our sector to highlight additional opportunities for such partnerships, but ***SACOSS welcomes build-to-rent development partnerships provided they also contribute to the expansion of the public housing estate.***

## New approaches to financing and tenure options that increase supply and security of tenure

As above, new or alternative approaches to financing and tenure options are not alternatives to the investment needed in public housing. Further, SACOSS is wary of many models of financial assistance to those in the housing market as they often increase housing prices and/or wealth inequality. For instance, first home buyer grants (while necessary to balance the huge tax advantages enjoyed by landlord investors), tend to bid up the price of entry-level housing and do little to enable entry into the home ownership for renters. Similarly, tax incentives and grants to landlords to provide incentives for housing upgrades or energy efficiency measures increase the value of the property, which therefore increases the wealth of landlords and inequality with those who do not own homes.

However, one alternative finance model which SACOSS believes is worth more examination is shared equity, where government retains a share of land or home ownership. This *may* be a useful policy in that it would enable low-income purchasers to buy into the housing market at much lower costs, enjoy benefits of capital gains and potentially buy out the remainder (when they can better afford it), while the government would have an asset and a share of the capital gains. There is much devil in the detail of any such proposal, and tenure and rights would need to be guaranteed with options to buy-out the government share, but ***SACOSS is interested in the potential of such models and would support further analysis and development of such proposals.***

## **Conclusion**

We are living in a rental affordability crisis, driven in part by a lack of renters' rights but also by the lack of availability of properties which is part of a broader housing crisis. In this context, we welcome the Committee's inquiry, and ask the Committee to consider and make recommendations in line with those highlighted in this submission.