

## *AAA Housing for Older Australians - making it Affordable, Accessible, Appropriate*

### **COTA Australia 2017 National Policy Forum**

National Press Club, Canberra, Thursday 22 June 2017

#### **Summary Remarks from MC Peter Mares**

The key understanding that underpinned the entire day's discussions is that secure housing is fundamental to wellbeing. This understanding is allied to the recognition that the great majority of older Australians want to remain living independently in their own homes for as long as possible. This does not necessarily mean that all older Australians want to live continuously in the same house, and nor does it necessarily imply that they must own their home, rather than living in rental accommodation. What it does mean, however, is that if older Australians cannot access safe, secure, affordable accommodation that is appropriate to their circumstances then their capacity to lead flourishing lives will be severely diminished. This makes the provision of affordable, accessible and appropriate housing central to COTA Australia's mission.

We divided the day into the three 'A's of affordable, accessible and appropriate housing and my summary remarks will also be framed around these topics.

#### **Affordable housing – the problems ahead.**

We began the day with a reassurance from Grattan Institute CEO John Daley there is no current crisis for the 76 per cent of older Australians (65+) who own their own homes outright (or the 8 per cent who are paying off a home). In fact, older Australian homeowners have generally experienced the generational advantage of rising property prices and have accumulated considerable wealth in their homes as a result. Other older Australians (about 5 per cent) have secure and affordable tenancies in public and social housing. Where there is cause for concern is among the relatively small group of older Australians (6 per cent) who have to seek and pay for accommodation in the private rental market, who are generally on low incomes. The rental affordability index developed by National Shelter shows that there is virtually no affordable accommodation available to this group in most Australian capital cities. The problem is not just one of inadequate supply – at least not in broad terms. As Ian Winter from AHURI showed, there has been significant new housing supply coming on stream even in the most overheated property markets of Sydney and Melbourne, but most of it is targeted at higher income brackets. In other words, it is not increasing the supply of affordable accommodation in the private rental market.

This is also where we see storm clouds on the not-so-distant horizon.

As Judy Yates from Sydney University warned, the ageing of the Australian population, combined with rising property prices, threatens to create a much larger cohort of older Australians who do not own their own home or are still carrying substantial property debt. Given that there is little government

appetite for increasing the available stock of public and social housing (which are declining as a share of all housing stock), this means that a growing number of older Australians will enter retirement having to continue to meet mortgage payments or private rental payments.

This may be less of an issue for those members of future generations who have built up substantial superannuation balances, or who will inherit significant property wealth from their parents, thus enabling them to either pay down their mortgage or afford on-going rents. But it will be a very big issue for the so-called “Low Economic Resource” (LER) households. Given that around 25 per cent of the population will be aged 65+ by mid century, and given projections that home ownership rates in this cohort could fall by around 15 per cent by then, the numbers of older Australians experiencing housing stress in future could be substantial. Judy Yates’ back-of-the-envelope calculation is that without policy interventions there could be 1 million older LER households living in housing stress by 2055 – that is, spending 40 per cent or more of their income on accommodation. Given that these households have limited financial reserves to fall back on, they will be at severe risk of homelessness if they suffer an adverse life event.

This presents a significant challenge given that aged pension levels are based the assumption that the vast majority of older Australians do not have significant housing costs (because they own their own home). If this assumption no longer holds in future then this will have significant implications for our tax and transfer and welfare systems. It also risks entrenching greater levels of inequality in society between those who own property and those who do not. Equally, if a large cohort of older Australians are spending a large proportion of their income on accommodation costs this can reduce their wellbeing by causing them to scrimp on other costs like food or heating and will reduce overall economic activity to the detriment of broader society.

The focus for policy concern should therefore be older Australians with limited economic resources in the private rental market. This is a gendered phenomenon; in other words, there are likely to be a greater number of older women than older men in this category. There are several reasons for this. Firstly, women live longer and so require greater assets to fund their older years. Secondly, women generally enter retirement with fewer assets due to the gender pay gap and the interruptions to career and asset accumulation caused by caring responsibilities. Divorce, separation or the death of a partner can also leave women with fewer economic resources.

#### **Suggested policy responses on affordability:**

The overall view was that there is no cost free way to provide more affordable housing. As someone put it, subsidised housing will always require a subsidy. Where is this subsidy to come from?

One response is re-distributive; it will require those of us who have been on the winning side of the property price boom to contribute some of our accumulated wealth to support those who have missed out. This could take the form of wealth or inheritance taxes. It might also mean including the value of

the primary residence (above a certain level) in the pension assets test (though as Judy Yates pointed out, this does not require anything of the very rich since they do not access the pension in any case). This is a politically unpalatable option and so would require the patient building of a case for change through public dialogue and discussion. While challenging, such change is not impossible; as John Daley pointed out, the nature of the public and political debate on negative gearing has shifted substantially in just a few years.

Another potential redistributive policy option is the introduction of a broad based land tax to replace stamp duty (as is being phased in in the ACT). The advantage of a broad-based land tax is that it is spread across time rather than front-loaded at the point of purchase when homebuyers can least afford it. It is difficult to evade, since land is a fixed asset and it captures windfall gains that might accrue to homeowners through changes in the property market, the economy or transport networks. It also provides a financial incentive for older Australians to downsize (or 'right size') without the punishment of current high transactional costs. The downside of a broad-based land tax is that it involves a complex transition from the current system of stamp duty upon which state governments are so reliant.

Another policy response is to increase the stock of social housing, particularly through community based housing providers. It was noted that the National Housing Finance and Investment Corporation (NHFIC) announced in the federal budget is a positive step in this direction because it reduces the cost of borrowing for the provision of affordable social housing. This could also draw institutional investors (like superannuation funds) into the market.

Other potential policy interventions mentioned were inclusionary zoning (that is, requiring developers to set aside a proportion of any new project as affordable housing) and a revival of the National Rental Affordability Scheme (NRAS) that provided incentives for developers to build affordable housing.

Given that there are likely to be larger numbers of older Australians renting in the future, reform of tenancy laws was also suggested as an important policy initiative. Many older Australians show a strong preference for remaining in their own home and/or a familiar neighbourhood, so security of tenure in rental accommodation can become more important with age. In Australia's current housing market, however, investment is primarily focussed on capital gain rather than on long-term rental returns and this is partly due to the incentives built into the tax system through negative gearing and the capital gains tax discount. Changes to tax settings (such as increasing the qualification period for a capital gains tax discount from 12 months to five or more years) could alter investor behaviour by giving private landlords a greater incentive to seek secure long-term tenants.

At the level of service provision, it was suggested that Aged Care Assessment Teams could be trained to identify indications of housing stress amongst older Australians and provide linkages to specialised housing services where appropriate. It was noted, however, that there were very currently very few specialised housing services for older Australians.

## Accessible housing

The debate in this session was largely around the introduction of universal design principles to new dwelling construction to ensure ease of access and mobility. Examples were given of flat entryways, wide hallways, reinforced bathroom walls (to allow the installation of grab rails) and rimless showers. There was general agreement that these principles should be implemented and that this made good business sense for the construction industry. The ageing of the population means that there will be increasing demand for such features in future.

Yet there was disagreement as to whether such universal design principles should be voluntary or mandatory. While the Master Builders Association and Livable Housing Australia support a voluntary approach, consumer advocates at the National Policy Forum argued strongly that this voluntary approach has been tried and found wanting because it is simply not delivering. The case was put that uniform national regulation would actually be in the best interests of industry because it would avoid the currently problem of different building codes and standards applying in different states and territories (or even local government areas). While there would be some additional costs in the short-term, mandating universal design principles would quickly lead to standardisation and economies of scale that would see these extra costs disappear or become minimal.

While universal design principles were seen as an appropriate way forward for new construction, the issue of retro-fitting existing housing stock was much more complex, particularly in the private rental market. There is no incentive for landlords to make such investments and in fact a tenant requesting such modifications may be seen as troublesome or unwelcome. A landlord might feel (often wrongly) that such modifications would diminish the value of their property by making it attractive only to older renters. It was also pointed out that the cost of retrofitting existing housing for increased accessibility is often prohibitive in regional and remote Australia.

## Appropriate housing.

“Appropriate” housing could mean many different things to many different people; it could mean culturally appropriate – for example, accommodating people from cultures who prefer to live in an extended family situation, with perhaps three generations in one household. Equally, it could mean accommodating those to prefer to live as independent singles, or in couples, including same-sex couples. It can refer to the appropriateness of housing for different phases of later life, for what might be called “young old age” and “old old age”. It can refer to the appropriateness of housing in an era of climate change, with more extreme weather events such as heatwaves, especially given rising energy costs. It also encompasses questions that go beyond the physical walls of a house or apartment to include the “age-friendly” nature of the surrounding environment such as access to shops, transport, pedestrian friendly streets and a supportive neighbourhood.

We began with a positive take on appropriate housing from Professor Greg Tegart, who argued that the rapid evolution of assistive technologies should enable many older Australians to live independently for much longer, through such things as remote monitoring of health and vital signs to track of an older person's wellbeing or the provision of some care needs via robots.

Another positive view on appropriate housing was the "Homeshare" concept, which can enable older Australians who have the space to spare to offer accommodation to younger Australians in return for companionship and assistance. This increases the capacity of older Australians to live independently leading to both individual and community benefits.

For some older Australians, retirement villages offer an attractive choice and the sector is rapidly changing to meet changing preferences including through greater provision of on-site facilities (such as gyms), increased integration with local communities and the addition of attached aged care facilities so that residents can more easily age in place. The health and social inclusion benefits of retirement living can provide individual benefits and help to reduce the budgetary costs of ageing society. It was noted, however, that retirement villages are generally only an option for city homeowners who can buy into a village using the proceeds from selling their home and still have some capital left over from the sale. The cost of building and resourcing retirement villages makes them less viable in regional and remote Australia where the cost of buying into a village is likely to be higher than the sale price of an average house.

One of the problems with providing more "appropriate" housing is the lack of appropriate stock. Many older Australians would like to "right size" from a family home with several bedrooms, a large garden or high maintenance requirements to something more appropriate to their changing needs while retaining connections to friends, family and neighbourhoods. Often, however, they cannot find appropriate alternative housing in their locality. Addressing this problem requires change to zoning and planning rules, particularly in middle ring suburbs, to enable the construction of more townhouses, units and apartments. Where new stock is available, it is generally pitched at the upper end of the market. As a result, those people least likely to find appropriate housing in their current neighbourhood are low-income older Australians in the private rental market.

Overall, the conclusive message of the session was that appropriate housing — whether it be in the form of retirement living, Homeshare arrangements or "right sizing" — has great public and private benefits because it enables independent living, social connection and active lifestyles. This not only reduces the budgetary costs of health care and aged care, but, most importantly of all, it improves the wellbeing of older Australians and enables them to lead more flourishing lives, which is the most important policy aim of all.