

NATIONAL SHELTER SENIORS HOUSING PROJECT

LITERATURE REVIEW



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The Data on Housing Affordability and Older People

The recent International Housing Affordability Survey highlights that housing affordability in Australian cities is now amongst the worst in the world. The report found that seven of the eight major housing markets in Australia are rated as severely unaffordable (Demographia 2008). Although the recent global financial crisis has slowed the rate of increase in housing prices, it has not yet impacted significantly on housing affordability in Australia.

While the global economic situation continues to unfold, Real Estate Institute of Australia (REIA) market research shows the proportion of household income required to meet rent payments increased from 25.0% in the June quarter to 25.2% in the September quarter of 2008. In late 2008, REIA reported that the average vacancy rate for capital cities in Australia has been below 3.0% since March 2005 and under 2.0% since June 2006. The situation is particularly bad in Sydney and Melbourne where vacancy rates are around 1%, and in Darwin the figure is 0.3%. Investment housing is a very significant source of private rental housing in Australia and ABS data on Building Approvals and Housing Finance for November 2008 shows that the total value of loans issued for the purpose of investment housing decreased 6% in November 2008, and 27% when compared to the same month last year (REIA 2008).

Housing in Australia, both for purchase and rental, has become increasingly difficult for older people to access in both the private and public spheres. Australia historically has had high rates of home ownership amongst older retirees. However, of people currently aged over 65, 6% are public renters and 5.1% are private renters, over 13,000 older people are renting in retirement villages and over 3,500 reside in boarding houses and private hotels and hostels (AHURI 2007).

The widespread perception of high levels of home ownership amongst older people masks a situation where many older people are facing a housing crisis. NATSEM data estimated there were 112,000 households headed by a person aged over 70 in housing stress in 2008, compared with 56,000 in 2004 (Rudd 2008). NATSEM are using the now widely accepted definition of housing related stress: *where a household spends more than 30% of gross income on housing costs and their income is in the bottom 40% of household incomes.*

Australian Institute for Health and Welfare data shows that 6.5% of Commonwealth Rent Assistance (CRA) recipients older than 65 years of age, pay more than 50% of their income in housing costs after receipt of the CRA payment on rent (AIHW 2007).

The Key Drivers of Housing Affordability for Older People

The underlying causes of the housing affordability problems that are particular to older people are set to worsen over the next two decades. The key factors driving the affordability crisis for older people include:

- the dramatic increase in the number of older people in Australia
- the changes in older consumers' housing aspirations
- the generational shift in government public housing priorities to housing younger people and families
- residential aged care being targeted to higher needs older people
- the increased occurrence of older people retiring without owning a home

The size of all the age group cohorts of older people is projected to increase dramatically over the next two decades. AHURI have projected that the number of people aged 65 and over in low income rental households is expected to increase 115% from 195,000 in 2001 to 419,000 in 2026. The number of people aged 85 and over in low income rental households is projected to grow from 17,300 to 51,000 over the same time period, approximately 2/3 of whom will be sole women (AHURI 2008).

These demographic pressures will be exacerbated by the changes in consumer aspirations that have occurred over

the last few decades. The overwhelming majority of older people no longer want to move to residential care and will insist on remaining at home as they age. McNelis highlights a key change underpinning policies and programs is the emphasis on supporting older people to age in place; to continue connections with community, maintain relationships and remain in their own homes (McNelis 2007).

Over 102,000 people or 29% of all residents in public housing in Australia are over 65 years of age, 48% of whom are over 75 years of age. Demand for public housing for older people is expected to increase 76% between 2001 and 2016 with the highest increase in demand from the 85 year old plus group (McNelis 2007).

While demand for public housing is growing, in the 10 years to 2006, public housing supply has fallen by about 100,000 dwellings relative to the total number of dwellings available in Australia (Summit 2007). It is important to note that the very recent increases in funding for social housing have the potential to improve this situation and details are noted in the section *Recent Initiatives* at the end of this paper.

It has become increasingly difficult for older people to gain access to public housing. Demand for public housing is increasing and priorities have changed. The shift in public housing target groups to priority being given to single people with complex needs and younger families has created a generational shift in the makeup of new public housing residents (McNelis 2007).

Changes to aged care funding have exacerbated the housing problems older people face. The targeting of higher needs older people for places in residential care has had an unintended consequence of the displacement of low income people who would previously have had their housing needs met in government funded low care residential aged care (ACSA 2008).

A trend that underlines the problems of housing affordability for older people is the increasing number of older people retiring to fixed incomes without owning their home. The most dramatic decline in home ownership people is for the forthcoming generation of retirees, people aged 45 to 59 years. The home ownership rate amongst this group declined from 54.4% in 1995-96 to 35.8% in 2005-06. Twice as many people aged over 60 are now paying off their homes, up from 4.2% to 9.5% (NATSEM 2008). In a presentation to a Senate inquiry into housing affordability, the Federal Treasury identified that the proportion of people age 55 to 64 who fully owned their own homes has shrunk from 74% to 54% in 2008 while people still paying off mortgages jumped from 13% to 27% (Colebatch 2008).

The Impact of Housing Affordability Problems on Older People

Housing suitability substantially impacts on healthy and productive ageing. Housing provides access to a range of amenities and is the main means of accumulating wealth (Yates 2007). Low income older people are at greatest risk of losing their independence when housing is beyond their means (Bridge Catherine et al. 2006). Recent Australian research has shown that single older people are at far greater risk of housing stress causing poorer physical and mental health status (Temple 2008).

The first choice for most people is to own their own home, but for an increasing number of older Australians, ownership will never be a possibility. The impact of the housing affordability crisis is worse for renters. The AMP Wellbeing index highlights that worry about not being able to pay rent has a more damaging impact on wellbeing than worry about home ownership (Australian 2008). Canadian research has identified that older renters are one of the four groups that are at the most risk of social vulnerability as a result of housing stress (Lawson and Milligan 2007). In an analysis of older renters in Sydney, Morris found that for all interviewees that rent was their primary expense and the key determinant of their financial situation and quality of life (Morris 2007).

The 2005 National Housing Survey of public housing found over 80% of people considered three aspects of housing location important: being close to shops, family, friends and transport (McNelis 2007). Older people are not as mobile as the young and are more dependent on the locational amenity of their housing. Access to locally available services

can be a key determinant in health outcomes for older people and prevent premature admission to institutional care.

As people reach retirement and older age they usually experience a drop in income. Most live on a fixed income with very little latitude for meeting the cost of increasing housing expenses. Without a proactive social policy approach that supports diversity in the range of affordable tenure types, growing numbers of older people throughout Australia are at risk of becoming further marginalized and/or dependant on expensive state supported care.

An AHURI study of caravan parks residents found that in 2001, 23% of individuals living in caravan parks were aged over 65, nearly double the Australian average of 12%.

“ Many of them are on low, fixed incomes from superannuation or pensions and have been living in caravan parks for several years... The current rate of closure or change in caravan parks has meant an overall decline in the number of caravan sites available for permanent accommodation. This can lead to the owners of caravans who rent a site (often the elderly) facing the loss of their only investment; they also face the prospect of homelessness if an alternative site cannot be found.

This is especially the case if the cost of relocating the caravan or cabin is greater than its capital value, or if they cannot pay the necessary upfront costs to move to another park.”

Homelessness and Older People

The Federal Government’s recent White Paper: The Road Home: A National Approach to Reducing Homelessness defines homelessness to include: “people who are sleeping rough, as well as people staying in temporary, unstable or substandard accommodation”. The Federal Government’s figures show around 105,000 people in Australia are homeless on any given night.

According to the White Paper, over 18,000 people aged 55 or over were homeless on Census night in 2006, 4,000 more than in 2001. It states:

“Older people experiencing homelessness are more likely to have experienced mental illness or cognitive impairment, often as a result of alcohol and substance abuse. Many have been homeless for many years. They may have more complex health and support needs and often do not have family support” (White Paper 2008).

AHURI research highlights that older homeless people seek different housing outcomes from the general population. Independent living and security of tenure are central to their needs and public housing plays a dominant role in affordability and accessibility (Judd 2005). A lack of social and family networks and the breakdown of the extended family are also important causal factors in homelessness amongst older people. “Secure, affordable and appropriate housing needs to be matched by appropriate supports, such as help with activities of daily living, to maintain independent living. A key finding is that those older people in private rented accommodation who are dependent on income support are particularly prone to finding themselves battling to avoid homelessness. The death of a spouse, rent increases and eviction are common precipitators of an accommodation crisis” (Morris 2005).

Housing for Indigenous Older People

There is a paucity of research into the housing needs of aboriginal older people. This literature review has been unable to locate any studies that specifically address this area. This is an area of urgent need for further study. In relation to indigenous housing in general, AHURI have recently noted that the “strongest influences in the structuring of Indigenous housing careers are entrenched poverty, accessibility of social housing, and the management practices of social housing providers” (Birdsall-Jones 2008). Another issue noted was the need to reduce overcrowding in public housing for indigenous people (Fleateau 2005).

Seniors Housing Social Policy Responses

Older peoples' housing needs can differ from those of the general population. AHURI has identified five key areas that need to be addressed in housing policy for older people: autonomy, connection, amenity, adaptability, and affordability. Although there is very little data available of program efficacy, the literature has identified that planning for an adequate supply of appropriate and affordable housing for older Australians can include a diverse range of responses, including:

- incentives for private investment, either at the developer or retail investment levels
- direct support to private developers such as guaranteed occupancy levels, rent subsidies, capital grants, insurance support, tax rebates, discounted interest rates, planning bonuses, land tax rebates
- direct subsidies to renters or purchasers
- equity sharing arrangements, including with not-for-profit providers
- capital spending by government including enhanced public housing, improved support for community housing and the provision of increased funding for independent living units
- direct subsidies and support to assist existing home owners to better utilise their assets in order to provide appropriate housing for themselves; for example the subdivision of the land of their usual residence
- the exploration of shared equity schemes including support for older people with a smaller capital base
- opportunities for joint ventures between government and private developers
- leaseback mechanisms, government land supply offers, planning facilitation
- regulation such as minimum affordable housing stock levels for new developments
- enhanced support for regional infrastructure development and planning
- enhanced availability of urban fringe land supply (McNelis 2007, AHURI 2007, Summit 2007)

Independent Living Units

One of the largest areas of senior's social housing in Australia is Independent Living Units provided by non government organisations. Independent Living Units (ILU's) are self-contained dwellings managed by not-for-profit organisations, which provide housing to older persons with low incomes and low value assets, who do not own their own home. Most ILU's were developed with Federal Government support from the immediate post war period until the late 1980's.

AHURI estimates that in 2004 the non government sector held 34,700 Independent Living Units, 34% of which needed upgrading. AHURI have identified that much of the ILU housing stock is now between 40 and 50 years old and in urgent need of upgrading, reconfiguration and in some cases, replacement. Most of the units are small (one bedroom) and below community standards. Despite the fact that ILU's currently provide almost 30% of all social housing for older Australians, there is no systematic approach to funding the capital work now required (McNelis 2007).

Share Housing for Older People

Models of share housing for older people vary from those that support older people to share with each other to ones where students or other people in housing need share with an older person. To date these programs have been developing on an ad hoc basis. In 2007, in England the National Association of Adult Placement Services began trialing a project where an older person exchanges accommodation for ten hours of support each week (Coffee 2007). In New York, a Home Sharing program supports "*qualified individuals to board the house of a senior citizen at a lower rate... aimed at helping and securing aged individuals to have companions at night*" (Robledo 2006).

Other than one evaluation of a shared housing program, this literature review has been unable to locate any Australian

research undertaken into shared housing for older people in the last 20 years. The only material currently available is anecdotal or promotional material about programs such as the Wesley Mission's Homeshare program where younger people are matched in share housing arrangements in older peoples' homes.

Recent Initiatives

In February 2009, COAG announced an investment of \$6.4 billion from 2008 to 2012 for the construction of around 20,000 social housing units and repairs and maintenance to around 2,500 existing public housing dwellings. This investment is in general social housing and it is not yet clear how much will be translated into seniors social housing. Highlights of this COAG initiative include:

- better social and economic participation for social housing tenants by locating housing closer to transport, services and employment opportunities;
- implementation of support arrangements to assist social housing tenants to transition from social housing arrangements to affordable private rental and home ownership as their circumstances change;
- reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion;
- improved efficiency of social housing including through better matching of tenants with appropriate dwelling types and the introduction of rental setting policies that reflect the type of dwellings occupied by tenants;
- better use of government-owned land to provide more affordable housing opportunities for low income earners (COAG 2009).

While the COAG funding addresses traditional public housing the National Rental Affordability Scheme (NRAS) targets affordability for private renters. In mid 2008, the Federal Government announced the call for applications for NRAS and allocated \$623 million over the four years 2008 to 2012 to NRAS with the states providing over \$200 million in cash or in kind. Each NRAS dwelling will attract a government operating subsidy of \$8,000 per annum, with the payment indexed at CPI for the first ten years. After the ten years, the properties operate without further subsidy. The funding is for the development of 50,000 affordable housing dwellings by the end of 2010, with an additional 50,000 units being proposed when this first round is delivered.

NRAS operates on a similar model to USA the social housing tax credit system. The US system is the largest source of fiscal support for rental development in the USA accounting for 25% of rental construction since 1990 (Lawson and Milligan 2007). The US experience is that to adequately support organisations with tax incentive type schemes they will need a steady flow of funding, technical assistance, skilled professionals, operating support and high level of Federal and local support (Bratt 2008). NRAS is currently in early stages of implementation and it is not yet clear how much seniors housing will be developed with NRAS support.

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