



11 August 2025

Affordable Housing Policy Coordination Team  
Chief Minister, Treasury and Economic Development Directorate  
220 London Circuit, ACT

By email: [AffordableHousing@act.gov.au](mailto:AffordableHousing@act.gov.au)

Dear Affordable Housing Policy Coordination Team,

## **RE: Affordable Community Housing Land Tax Exemption Scheme – Household Income Limits Review**

ACT Shelter welcomes the opportunity to provide feedback on the ACT Government's proposed changes to household income limits for the Affordable Community Housing Land Tax Exemption Scheme.

ACT Shelter is the peak housing body in the ACT. We are an independent, not-for-profit organisation that provides advocacy and strategic advice on systemic housing issues in the ACT, with a focus on factors affecting the ability of people on low, moderate or no incomes to have a home that is safe, secure, appropriate, and affordable. As an independent, member-based organisation, ACT Shelter works closely with government, the community housing sector, homelessness services, and civil society to ensure that housing policy and programs are equitable, effective, and targeted to need.

While this submission is informed by discussions with several ACT Shelter members and reflects our ongoing policy work in this area, the condensed timeframe for the current review has precluded a more comprehensive consultation with our members and other key stakeholders. Our comments therefore focus on high-level policy considerations, risks, and recommendations that we believe the ACT Government should take into account before implementing any changes to income limits.

We note that the consultation paper circulated by the ACT Government proposes to substantially increase household income limits for eligibility under the Affordable Community Housing Land Tax Exemption (LTE) Scheme (and related Affordable Housing Programs that use the income limits adopted in the LTE Scheme), replacing the current National Rental Affordability Scheme thresholds with higher limits aligned to the Housing Australia Future Fund. These proposed changes would see income limits increase by up to 60% to 70% higher than current levels.

ACT Shelter are open to reviewing and potentially revising the income limits for affordable housing, and we acknowledge the Government's intent to simplify administrative arrangements and respond to shifting patterns of rental stress. We are, however, concerned about the scale of the increases and the broader implications for equity, effectiveness and government resource allocation.

## ***Value and role of affordable housing***

ACT Shelter supports affordable housing as a valuable element in a fair and functional housing system. While social housing is the primary means of supporting households on the lowest incomes and with the greatest needs, affordable rental housing can provide stable, lower-cost rental options for households who may not qualify for social housing, but who still face significant housing stress in the private market.

Affordable housing policies and programs must be designed with clear equity objectives, informed by robust evidence, and implemented alongside – and not in place of – significant investment in social housing for those most in need. When well designed and well targeted, affordable housing can relieve housing stress, support economic participation, and reduce demand on social housing. Ultimately, any foregone revenue or public expenditure on affordable housing should contribute to better and more equitable housing outcomes and deliver a reduction in housing stress for those unable to secure affordable housing through the private market. It should not reduce investment in social housing or supports for households on the lowest incomes.

ACT Shelter supports reviewing and, where justified, adjusting income limits for affordable housing schemes, however any changes need to be grounded in evidence and consistent with the underlying purpose and objectives of affordable housing. We are concerned that the magnitude of the proposed changes does not meet these objectives and risks shifting subsidy benefits toward higher-income households, displacing lower-income renters from the Scheme, and directing forgone public revenue away from those in genuine housing need.

## ***Misallocation of public subsidies and deadweight loss***

Land tax exemptions are a form of public subsidy. Expanding eligibility so that higher-income households benefit means forgone public revenue will be effectively redirected toward households who may not be in housing need. While affordable housing is not intended to serve the very lowest-income households (this is the role of social housing), subsidies for affordable housing should *not* be directed to households with the capacity to secure housing in the unsubsidised private rental market.

Following from this, substantially increasing the income limit for access to affordable housing risks creating a form of deadweight loss, where public subsidies are used in ways that do not generate additional benefit compared to what would occur without them. By enabling high-income households – who are not in housing stress and could secure suitable housing without assistance – to access affordable housing, scarce resources will be diverted from low- and moderate-income households facing genuine affordability barriers. This would represent a leakage of public funds away from the program's core purpose, undermining equity, and diminishing the program's capacity to deliver better housing outcomes for those in genuine housing need.

At a time when lower-income renters face severe rental stress, it is not an equitable or efficient use of public funds to support higher-income households who may have other housing options. Government support should be calibrated based on need, not administrative simplicity.

We recognise that rental stress is affecting more households further up the income spectrum due to sustained cost-of-living pressures and high housing costs. We also understand that the ACT Government's affordable housing commitments require a rapid expansion of existing affordable housing programs. However, the design of affordable housing programs

must ensure that public resources are optimally allocated, and subsidies are appropriately targeted to housing need – and not just to achieve occupancy and meet targets. While high housing costs may have pushed housing affordability changes higher up the income spectrum, it is important affordable housing remained targeted to *low- to moderate-income households that would otherwise face genuine housing affordability challenges*.

### ***Risk of displacement and equity implications***

While the ACT Government does not prescribe minimum income levels for affordable housing, in reality the effective income 'entry point' for affordable housing has been increasing over a number of years as market rents have increased. This has resulted in a growing gap between the income limits for income-based social housing and the effective entry point for affordable rental housing.<sup>1</sup>

We are concerned the proposed changes risk exacerbating this issue. Although affordable housing rents are calculated as a percentage of market rent (unlinked to household income), in practice some housing providers may prefer applicants with higher, more stable incomes. This preference may arise because higher-income tenants are perceived to carry less risk as they tend to be more financially stable and less likely to fall into arrears, require intensive supports, or create additional management costs. The consultation paper provides no evidence to rebut this practical reality. Increasing income thresholds will also allow more expensive dwellings to qualify for the Scheme, which lower-income households will be unable to afford even at discounted rent. Raising income limits therefore increases the risk that the income profile of households accessing affordable rental housing will shift upwards, and that lower-income households seeking entry into the LTE Scheme will be displaced into the private rental market with no subsidised alternative.

### ***Basing income thresholds on evidence and clear policy objectives***

The consultation paper argues the cost-of-living crisis has shifted housing stress up the income spectrum and that simplifying income bands has administrative benefits. ACT Shelter accepts both propositions in principle, but the consultation provides insufficient empirical evidence that the higher income bands proposed will capture households who genuinely need subsidised affordable housing, rather than simply those with higher purchasing power. There is also no evidence presented showing that higher income eligibility will not reduce access for lower-income applicants.

When expanding eligibility to households on higher incomes, consideration needs to be given to the relevance of traditional measures of housing stress. The simplest and mostly widely used measure of housing affordability is the 30:40 indicator, which identifies households as being in housing affordability stress when the household spends more than 30 per cent of their income on housing and has an income level in the bottom 40 per cent of Australia's income distribution. Higher-income households have more discretionary income and a greater capacity to spend a high proportion of their income on housing without impacting their ability to meet other essential living costs. Traditional affordability measures, like the 30

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<sup>1</sup> AHURI, (2023), [What is the difference between social housing and affordable housing - and why do they matter?](#), (Brief), accessed 9 August 2025; Kelly C, (2025), [A two-bedroom Bondi Junction unit for \\$1,100 a week. Is 'affordable housing' really affordable?](#), *Guardian Australia (online)*, 17 June 2025.

per cent of income threshold, may not accurately reflect the financial situation of these households.<sup>2</sup>

In short, the consultation paper does not provide sufficient evidence to demonstrate that the additional higher-income households that would come into scope are genuinely experiencing housing stress and require subsidised affordable housing, nor that the changes will not reduce access or outcomes for lower-income households. Further, while administrative simplification is a reasonable objective, any simplification that materially changes who benefits must be justified by evidence: administrative efficiency should not come at the cost of equity or at the expense of those in greatest need.

### ***Funding administrative and operational costs of affordable housing programs***

Community Housing Providers (CHPs) are critical partners in delivering and expanding affordable housing in the ACT. ACT Shelter acknowledges the administrative and operational burden that CHPs may face in delivering the LTE Scheme and other affordable housing programs, and we support consideration of additional operational funding to offset those costs. These administrative and operational costs can include identifying, securing and on-boarding properties; assessing and approving eligible tenants; tenancy support and property management; and meeting compliance and reporting requirements tied to government funding. However, resourcing shortfalls should be addressed through direct funding, not by shifting the tenant base upward toward more financially stable households and more expensive rental properties.

### ***Transparency, monitoring and public reporting***

While it may be beyond the scope of the current consultation, we urge the ACT Government to strengthen monitoring and public reporting for all affordable housing programs, including the LTE Scheme. This could include publicly available, disaggregated data on the number of households accessing affordable housing; the duration, conditions and subsidy level associated with different affordable housing programs; and the rental rates charged and associated tenant household profiles. Collecting and publishing this information would provide clear evidence to track the performance of affordable housing policies and programs over time; ensure public funds and planning concessions are being used effectively and for their intended purpose; and support better forecasting and strategic planning to meet future housing needs. Such data would also provide a firmer evidence base for evaluating any future proposals to adjust the income limits for affordable housing.

### ***Conclusion***

Affordable housing occupies an important and legitimate role in the ACT housing system: it supports low and moderate-income households who are experiencing rental stress and assists households to maintain a foothold in the private rental market where social housing is inaccessible or unavailable. However, the underlying objective of affordable housing policy settings must be to use finite public resources to maximise social and economic benefit by targeting subsidies to those who would otherwise face genuine affordability challenges. On

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<sup>2</sup> Rowley S, Ong R., & Haffner M, (2014). Bridging the Gap between Housing Stress and Financial Stress: The Case of Australia, *Housing Studies*, 30(3):473-490, <https://doi.org/10.1080/02673037.2014.977851>; Australian Institute of Health and Welfare, (2025), [Housing affordability](#), accessed 9 August 2025; Australian Bureau of Statistics, (2019-20), [Housing](#), ABS Website, accessed 9 August 2025.

this basis, we hold concerns about the scale of the increases proposed to income limits. Such changes have the potential to undermine the intent and equity of affordable housing programs by directing public benefit to households who may not be experiencing housing stress, at the expense of those who are.

We would welcome further engagement with the ACT Government on this matter and look forward to contributing to policies that ensure affordable housing programs deliver maximum benefit and support better and more equitable housing outcomes across the ACT.

Yours faithfully

A handwritten signature in black ink that reads "Corinne Dobson". The signature is written in a cursive, flowing style.

Corinne Dobson

CEO, ACT Shelter