



**Submission to the Community Development and
Justice Standing Committee's inquiry into the issue
of Social Housing**

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Introduction

The Community Housing Coalition of Western Australia (CHCWA) is the peak body for community housing providers in Western Australia. CHCWA's primary role is to support the development of community housing in WA, working with Federal, State and Local Governments to increase the provision of community housing, assisting providers to tackle homelessness, and by providing a range of training and development opportunities designed to enhance the Community Housing Sector's ability to deliver quality outcomes.

CHCWA's membership is comprised of approximately community housing organisations operating throughout the state. The majority of our members are smaller providers who manage anything from a handful to 100 properties. However, our membership also includes larger community housing providers at least six of whom manage housing portfolios of over 500 units and growing. As well as managing properties-some of which are head leased from the Department of Housing- Community Housing providers are frequently community service providers too. In fact, in some cases, housing is provided primarily to achieve better outcomes for people who rely on the services they provide. These services include aged care, care for people with disabilities, mental health, drug and alcohol, domestic violence and crisis accommodation, and other services.

By any fair national or international comparison, Western Australia suffers from a chronic shortage of social housing with the total amount of housing that could be considered social amounting to around 4% of the total housing stock. Western Australia's housing recent "housing boom" has resulted in tens of thousands of low and fixed income West Australians struggling to access and maintain stable accommodation and thrown into sharp relief the inadequacy of the state's social housing volumes. Public housing waiting list applications have risen almost 68 per cent in the past four years, with 24,640 applications for public housing by the end of September, compared with 14,668 in October 2006.¹

It is abundantly clear that a concerted effort will be required on the part of government, not-for – profit organisations, community sector bodies and other stakeholders to ensure that the social problems caused by a lack of affordable housing do not worsen in the decades ahead. We applaud the decision of the Community Development and Justice Committee to inquire into the issue of social housing, and welcome the opportunity to respond to its call for submissions in relation to its terms of reference.

This submission will comment on each of the terms of reference in question. Having examined them, we believe that there is sufficient overlap to address some of the terms of reference in groups rather than in individual sections and will take this approach in the interests of brevity and to avoid duplication.

We are mindful that other respondents may be better placed to provide the committee with comment and analysis relating to some of the issues under inquiry. As such, our submission will focus on subject areas where we believe we can make an expert contribution.

¹ <http://au.news.yahoo.com/thewest/a/-/breaking/8325054/public-housing-queue-swells-to-55-000/>

Western Australia's "Housing Boom" and rising demand for social housing

Rising demand for social and affordable housing in Western Australia is a function of a housing market that is dysfunctional. In particular, the market is failing to cater for the housing needs of those on low and fixed incomes. As such, any assessment of the state's affordable housing system must acknowledge that it does not operate in a vacuum: affordability levels in the housing market proper are of critical importance in determining demand for social and affordable housing (housing that is priced at "sub market" levels) at any given time.

In any housing market, the price at which accommodation can be bought or rented is determined by a simple supply and demand equation. In the private market, prices have increased due to surging demand in the face of a supply profile that has failed to keep pace. Strong economic fundamentals; high growth rates, rising incomes, increased workforce participation rates, and robust inward migration underpins much of this demand. So too have changes in the last two decades in bank lending practices resulting in more credit being available to borrowers than ever before.

High levels of investor and speculative activity in the market has also had a major influence on affordability. According to the Australia Taxation Office, one in every seven taxpayers in Australia owns an investment property other than their family home.² Moreover, the existence of "negative gearing" allowances in the tax code in relation to properties in the private rental market has, arguably, boosted investor activity in the housing market to levels that would not otherwise be the case.

On the supply side, rapid house price growth alone tells us that the supply of available housing has not kept pace with demand. The underlying reason why supply has failed to keep pace with demand is that the credit markets increased the amount of money available for property and land purchase at a rate much faster than new housing could be brought to market- a phenomenon exacerbated by federal government tax policy.

*"House prices have risen because finance was deregulated in the late 1980s but planning was not. Prior to 1986 both housing finance and land were rationed through government controls, maintaining a balance, but after 1990, finance steadily expanded while land use controls continued to remain tight and taxes on new housing increased, making new housing both less profitable and less available. The lack of any real taxation on owner occupation also has led to over-consumption and to speculative activity taking the form of ever-rising prices."*³

The cost of buying a house and, consequently, average mortgage sizes in Western Australia have increased rapidly during the last decade. In November 2001 the average loan size for an owner occupied residential property was \$130,000. By November 2005, that number had reached \$190,800. As of September 2010, the latest date for which figures are available, that number stands at \$282,000.⁴ The *Economist* newspaper placed Household mortgage debt as a percentage of

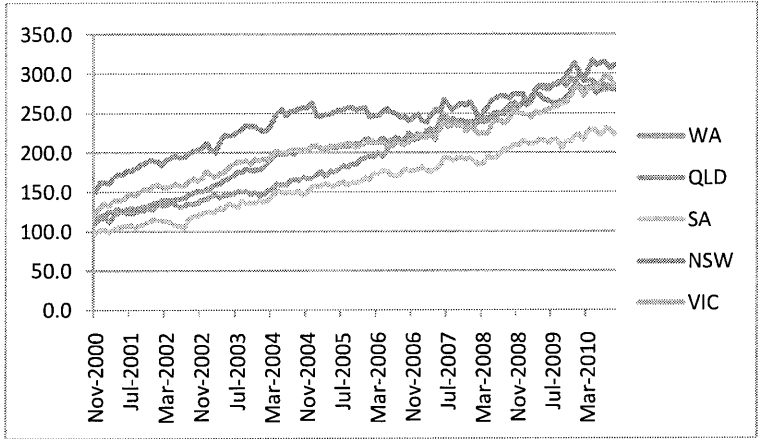
² <http://scottbanks.com.au/2010/03/29/one-in-every-7-taxpayers-are-property-investors-australian-tax-office-reports-and-claimed-33-billion-in-tax-deductions-over-the-2007-08-year/>

³ Flood, Joe and Baker, Emma: Housing implications of economic, social and spatial change, p. 9, AHURI 2010

⁴ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5609.0Sep%202010?OpenDocument>

disposable income in Australia at 130 percent, higher than the U.K (120%), Spain (71%), US (101 %) Japan (64%) and Ireland (116).⁵ Indeed, overall household debt in Australia is among the highest in the developed world.⁶

Chart 1: Housing Finance Commitments, (Average Loan Size - \$000)



Source: ABS 5609.0 - Housing Finance, Australia, Sep 2010

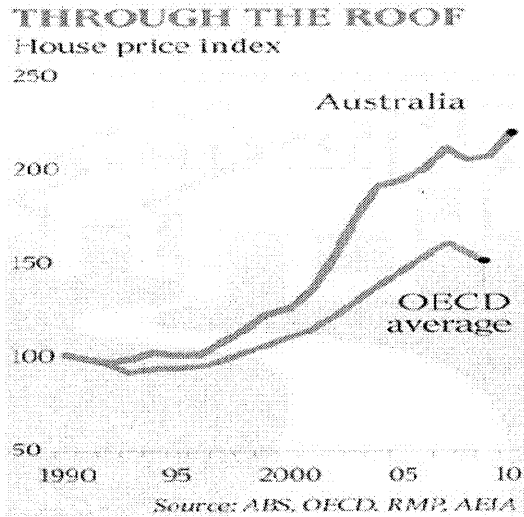


Chart illustrating house price inflation in Australia compared with other developed nations.

Source: *The Australian* (20.11.10)

In Australia, social housing levels, although not at European levels, compared favorably for much of the post war period. "The Commonwealth State Housing Agreement grew social and public housing

⁵ The Economist, Home Ownership: Shelter or Burden, April 16th 2009

⁶ Australia has the highest household debt to disposable income ratio in the world.

organisations through the —long boom(in some states boosting stock levels up to 12-13%)...⁷ Since those high water marks, however, the number of houses that could be classified as social or public, as a percentage of the total housing stock, has declined steadily as greater faith was placed in the private market to meet housing demand.

Figure 8: Social Housing Levels in developed countries.

	Share Social Housing all dwellings (%)	Estimated share of NFP (community housing) sector
Netherlands	35	99
France	17	92
United States	5	69
Canada	7	67
England	18	50
Australia	5	11
Ireland	6	13

Source: University of Birmingham Lawson and Milligan 2007.

This ideological shift and the failure of successive State and Federal governments to invest sufficiently in public housing has had, with the advent of the “Housing Boom”, disastrous consequences for low and fixed income Australians. In Western Australia, the affordability crisis has been particularly pronounced; with inflation in the cost of housing significantly outpacing wage growth. Between June 2005 and September 2010, the median price for a house in Perth rose from \$290,000⁸ to \$480,000⁹. During the same period, median rents for a unit rose from \$190 per week to \$355 and for a house from \$215 to \$380. Rising rents is particularly damaging for low income households:

“Many moderate- to median-income households live in the private rental sector while they save a deposit to purchase their own home. Low affordability reduces the amount of income that they can save for this purpose, which can delay their transition into home ownership and therefore increase their time in the private rental sector. This reduces the amount of private rental dwellings available for rent by all households. The impact on low and moderate income earners is more severe, as higher rents limit their ability to meet other living expenses such as food, utilities, health, education and transport. In some cases, this can lead to eviction and homelessness, particularly for vulnerable tenants, such as youth, people with disabilities or Aboriginal people.

⁷ Lennon, Michael, Chapter 2: Australia, Visions for Social Housing: International Perspectives, The Smith Institute, November 2008.

⁸ <http://reiwa.com.au/res/res-salesgraph-display.cfm>

⁹ <http://au.news.yahoo.com/thewest/business/a/-/wa/8222496/perth-house-prices-drop-another-1pc/>

Invariably, many low income households turn to public and community housing providers for housing.”¹⁰

Terms of reference: 1,4,6,7 (Taken together)

TOR 1: The role of government, and the private and the not-for-profit sector in facilitating affordable housing.

TOR 4: The key factors influencing the supply of “sub market” affordable housing in Western Australia.

TOR 6: Financing affordable and sustainable social housing

TOR 7: Alternative models for the provision of social housing

Market players: Private sector, government and the not-for profits.

Affordability rates in the housing market are the result of a complex interaction between the private sector, federal and state government policy and, increasingly, the not-for profit sector.

The private sector is the principle supplier of residential housing. The economic and practical benefits of this arrangement are obvious. The private market, however, does not ensure universal provision. This market failure has traditionally been compensated for by the state and not-for-profit/community sector, hence the development of the public and community housing system. That is not to say, however, that the private sector can’t or shouldn’t have a greater role in the provision of social housing in Western Australia in future.

Arguably, federal government housing policy has acted as a double edged sword for some time now. On the one hand, the replacement of the Commonwealth State Housing Agreement with the National Affordable Housing Agreement, the boost to social housing stock resulting from the 2009 economic stimulus expenditure, and the commitments made to reduce homelessness under the National Partnership Agreements on Homelessness are to be commended. On the other, a failure to reform the parts of the federal tax code which facilitate excessive speculation in the property market e.g. “negative gearing” plus the ill conceived first home owner’s boost which helped to inflate residential property prices, represent policy choices which helped solidify housing unaffordability in the overall housing system.

In terms of state housing policy, as discussed, the advent of the “housing boom” exposed the inadequacies of this state’s social and affordable housing system. It was against this backdrop that the Social Housing Taskforce was established by the state government in 2009. CHCWA’s Executive Officer, Mr. Colin McClughan, was invited to participate on the taskforce and duly accepted. CHCWA believes that the Taskforce’s final report published in October 2009 was very successful in identifying the problems our housing system faces and in suggesting possible solutions. CHCWA looks forward

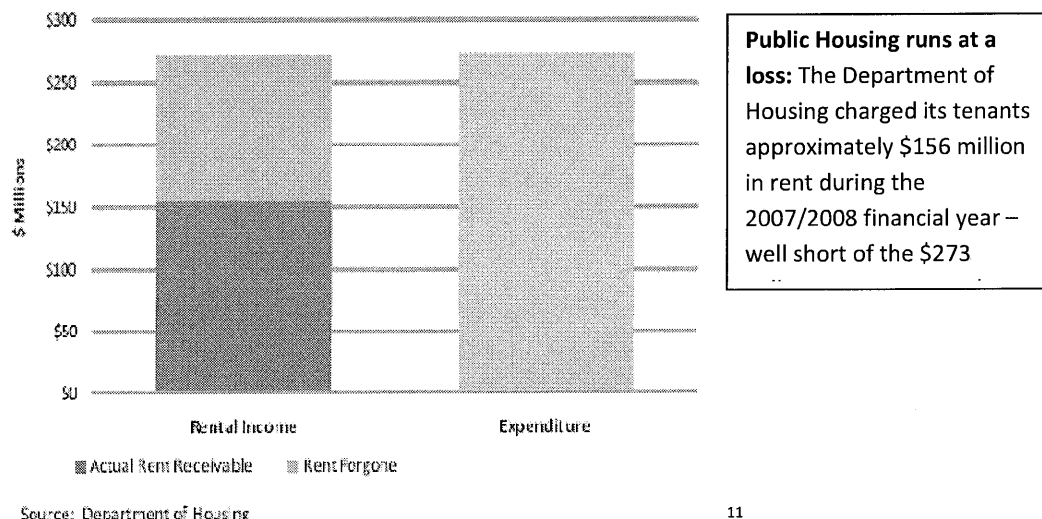
¹⁰ Social Housing Taskforce Final Report, p.9.

to the publication of the State Affordable Housing Strategy document which, we understand, will set out specific policy prescriptions informed by the Taskforce's findings and recommendations.

CHCWA believes that the empirical data set out in the Taskforce final report demonstrates four key findings:

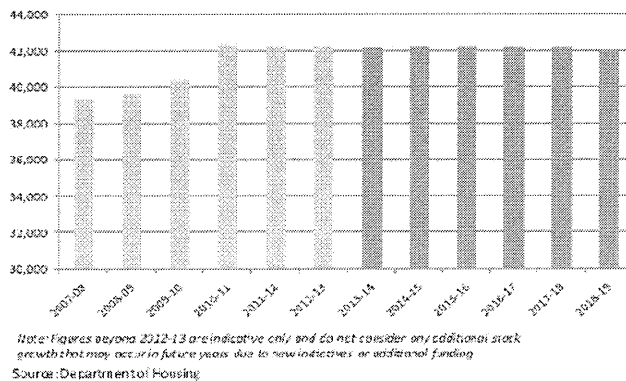
1. The public housing system is chronically undersupplied to meet existing demand levels (see waitlist figures)
2. Current and projected funding for public housing in Western Australia will not result in the required increase in the number of social housing dwellings and;
3. Even if the funding were available expanding the public housing system would represent an inefficient use of resources given the existing alternatives available-and those that could be developed- given the inherent inefficiencies of the public housing model.
4. Harnessing alternative mechanisms for reducing the state's social and affordable housing deficit represents the best way forward for policy makers. This does not mean, however, that public housing provision should be neglected completely.

Figure 1.8 Public Housing Income and Expenditure 2007/2008¹¹



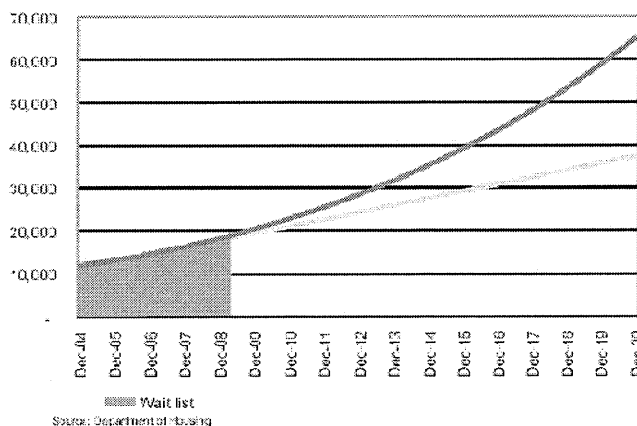
¹¹ Ibid, p12

Figure 1.7 Department of Housing Social Housing Stock Levels 2006/2007 to 2018/2019



Running to stand still: With current and projected funding-as has been the case for the last decade-the public housing system will merely maintain its housing stock; not increase it.

Figure 1.1 Social Housing Waiting List Projections (December 2004 projected to 2020)



Demand is rising: As the population increases and ages demand for social housing is projected to rise steeply.

Growing the Community Housing Sector¹²

CHCWA believes that growing the Community Housing Sector in Western Australia will be central to any significant expansion of the social housing system. Community housing in Australia is a relatively small part of the overall social housing sector at present. The sector is growing however, and has the potential to become the primary driver of an expanding social housing system in Western Australia over the next decade if given the appropriate governmental support.

Between the 2003 and 2009 the number of social housing dwellings in the country as a whole actually declined. This is largely attributable to a decline in the number of public houses; nationwide the public housing stock reduced by approximately 9000 units.¹³ Conversely, the number of community housing dwellings in the social housing system increased significantly during the same

¹² Not-for-profit social housing providers are historically described as Community Housing providers in Australia.

¹³ A Profile of Social Housing in Australia, Australian Institute of Health and Welfare, September 2010, p.5 (figures not text)

period. The sector's housing stock increased from 31,496 dwellings at 30 June 2005 to 41,718 dwellings at 30 June 2009¹⁴. In Western Australia, mainstream community housing plus indigenous community housing now makes up 19.7% of the entire social housing stock¹⁵.

Social Housing Dwellings by State as of June 30 2009¹⁶

Program type	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Public rental housing	118,907	64,741	51,131	31,638	42,448	11,585	10,789	5,125	335,464
GCMH	4,109	190	3,193	2,275	1,370	340	12,066
Mainstream community housing	16,214	7,477	7,012	5,110	4,531	603	640	121	41,718
Indigenous community housing ^(a)	4,429	1,701	6,192	3,336	1,081	135	24	3,354	20,232
Crisis Accommodation Program	1,511	3,705	1,326	543	295	127	60	122	7,637
Total	145,230	77,822	68,854	42,962	50,176	12,798	11,513	8,802	418,157

(a) Total number of dwellings includes improvised dwellings.

(b) Dwellings managed by the Australian Government but located in Victoria, Queensland and Tasmania are included in the respective state's totals.

Source: AHW 2010

In terms of providing high quality social and affordable housing outcomes, and in growing the overall stock of social and affordable housing in the state, the Community Housing Sector has a number of key strategic advantages:

- Community Housing Tenants in receipt of a Centrelink payment as their primary source of income are eligible for Commonwealth Rent Assistance (CRA). This means that they have a significantly higher income than their counterparts in the public housing system. Although, Community Housing Providers are not permitted to charge tenants more than 30% of their total income in rent (with a total rent that must not exceed 75% of market rent), the boost to incomes provided by the CRA payments means that the net rent they receive from tenants is higher than would be possible in the public housing system.
- Many Community Housing Providers qualify as Public Benevolent Institutions thus reducing their tax burden.
- Community Housing Providers, particularly larger growth providers, can cross-subsidise their social housing provision function by offering tenancies to clients whose incomes exceed the public housing income thresholds but are still caught in the "affordability gap" between the social housing and private rental market, and charge them higher rents than tenants in the former category. They can also cross subsidise by reinvesting profits made by selling select properties on the private market.
- Community Housing Providers can engage with private sector lending institutions to leverage off their asset base and rental revenue streams to grow their stock. This leveraging

¹⁴ Ibid, p5. (figures not text)

¹⁵ In some cases, however, properties while managed by Community Housing Providers will still be owned by the Department of Housing.

¹⁶ Ibid p.7

model is the fundamental driver of Community Housing Sector Growth and an option not available to state public housing authorities.

- Community Housing Providers are often also service providers for persons with special needs or have relationships with such service providers.
- Community Housing Providers smaller scale vis-à-vis the public housing system gives the sector a degree of efficiency and responsiveness to various stakeholders that, arguably, is much more difficult to realise in the public housing sector.

The scale of that growth in Western Australia will be largely dependent on individual providers in the sector's ability to reach a point of critical mass at which growth is possible. At present, the Department of Housing, in terms of its regulatory structure, sorts all community housing providers in the state in four categories: Growth, Preferred, Registered and Unregistered.¹⁷

As mentioned in the introduction to this paper, the most numerous group within the sector in Western Australia at present are unregistered providers. There are six growth providers, twelve preferred providers and nine registered providers.¹⁸

The Department of Housing and the state government has a critical role in enhancing the ability of existing growth and preferred providers (many of whom aspire to reach growth provider status) increase their stock and thus increase the overall stock of social housing in Western Australia.

The principal mechanism for this is stock transfers whereby the Department transfers housing units from the public housing system to growth and preferred providers in the community housing sector who can use that stock to increase their leveraging potential. Such transfers took place under the SCHIP and PHLP programmes. Moreover, under the "Nation Building Economic Stimulus Plan" the state government undertook to transfer up to 75% of the houses built with federal stimulus revenue to the Community Housing Sector. To date, following a competitive tendering process, 559 properties have been transferred, or earmarked for transfer, to the Community Housing sector, principally the Growth Providers¹⁹.

The transfer of these stimulus properties marks the most significant transfer of state owned housing to the community housing sector and is greatly welcomed by CHCWA. For the recipients of these properties, the transfers provide an invaluable boost to their stock holdings and will lay the foundations for growth based on the leveraging model. CHCWA understands that the Department will closely monitor the level of growth that community housing providers achieve in the coming years. However, we believe that it is important that the Department prepare the ground for further transfers over the coming decade to maximise the growth of the social housing sector in Western Australia.

For its part, the community housing sector, in order to realise its growth potential may also have to undergo a process of consolidation. This process would see, in some cases, smaller providers merging with larger ones. In other instances, creating memorandums of understanding between

¹⁷ More information on DOH Community Housing Registration Policy can be found [here](#)

¹⁸ More information on these providers can be found on this [DOH webpage](#).

¹⁹ http://www.dhw.wa.gov.au/index_2306.asp

smaller and larger providers would be desirable. Both options would be guided by the goal of growing the capacity of the larger providers and creating a greater number of providers who are of a sufficient scale to increase their stock levels through the leveraging model.

Obviously, transferring houses currently managed under the aegis of public housing to the community housing sector would lead to a diminution of the total public housing stock. CHCWA believes that the level of diminution should be minimised. Public housing will remain for the foreseeable future an important part of the overall social housing solution. Notwithstanding the fact that the public housing stock in Western Australia is already among the lowest in the country, public housing remains an important stepping stone for people with high needs including persons exiting from homelessness. In addition, for the time being at least, community housing has a limited presence in regional and remote areas of the state compared to public housing. Maintaining the integrity of the public housing system in these areas is likely to be an important policy objective for some time to come.

Extra financing

The Department of Housing has significant land holdings in Western Australia. Periodic sales of land and public housing stock in wealthy suburbs has provided the Department with an important extra funding stream as well as monies received from the State and Commonwealth government.

The Social Housing Taskforce final report acknowledges however, that the Department should look to create new and innovative ways to attract other sources of funding and specifically from private and institutional investors. Proposals in relation to this are detailed in Chapter five of the report and, as a Social Housing Taskforce member, are supported by CHCWA.

Such is the scale of the social housing deficit in Western Australia; CHCWA believes that the State government should commit to increasing its annual financial contribution to growing the social and affordable housing system.

Other factors influencing the availability of “sub market” affordable housing.

Future planning decisions will be key to facilitating a housing system which is responsive to the needs of Western Australians. State and local government need to develop growth plans which place a greater emphasis on creating a housing stock that matches the demographic demand. For example, our current housing stock is dominated by large three and four bedroom houses. This type of housing is not suitable for the increasing number of households that are comprised of two or less persons. Higher density development and specific areas of policy which create the conditions for the creation of affordable housing options within local communities need to be actively pursued by state and local government. CHCWA strongly supports recommendations 37, 38, 39 of the Social Housing Taskforce Final report which recommend fundamental change to the relationship between state, regional and local government in relation to housing development strategies.

These strategies will also be crucial in developing housing plans that cater for areas of high growth and to alleviate pressures in areas such as North West WA where the mining boom and the emergence of “two speed economies” has put severe pressure on housing affordability levels, particularly for residents not directly employed in the resources industry.

Alternative models for social housing provision

CHCWA is strongly of the view that the future of social and affordable housing in Western Australia lies in growing the community and not-for-profit housing sectors and that both national and international experience of best practice social housing systems bears this out.

We also support piloting other social and affordable housing responses to compliment the mainstream responses such as “An Affordable Rental Brokerage Scheme” and “A Time Limited Rental Subside Scheme”²⁰ as suggested in the Social Housing Taskforce Final Report. CHCWA notes and welcomes the fact that the Department of Housing has already begun work on piloting the Affordable Rental Brokerage Scheme.

Terms of reference: 2,3,5,8,9 (Taken together)

TOR 2: The effectiveness and appropriateness of social housing allocations in the metropolitan area and regional Western Australia.

TOR 3: The impact of housing need on Specific groups

TOR5: The integration of social housing asset management strategies into the larger urban and regional development process.

TOR 8: Factors facilitating the movement of people from the social housing sector to the private market and home ownership

TOR 9: Particular housing initiatives for regions of rapid growth

The effectiveness and appropriateness of social housing allocation systems in Western Australia

Traditionally, social housing in Western Australia has been allocated to people who meet eligibility requirements for, and apply to receive, public and community housing. The public housing waitlist sits independently from those compiled by most individual community housing providers. In the last year, modifications to the management of the joint wait list whereby new and existing applicants for public housing can indicate a willingness to be housed with a community housing provider, spoke to a growing recognition of the enhanced role that community housing must play in the overall social housing system.

There is also widespread acknowledgement that the current housing waitlist managed by the Department of Housing requires reform. Specifically, analysing the waitlist, and the housing needs of the applicants on it accurately, is difficult. This in turn hampers the Departments ability to administer an equitable and efficient allocations system. This is inevitably a function of the size of

²⁰ For further information on these proposals see [Social Housing Taskforce Final Report, p.57-60.](#)

the waitlist relative to the allocation rate, however, as the Social Housing Taskforce final report argues, remedial action is possible to streamline the way housing applications are collected and allocations made in Western Australia.

CHCWA is pleased to disclose that it is currently working with the Department of Housing and other stakeholders to scope the Development of a "Housing Needs Register"²¹ for the state in line with agreements made at COAG level and recommendation 18 of the Taskforce final report.

Impact of Housing need on specific groups.

The ability to access and maintain stable affordable accommodation is fundamental to a person's well being and the well being of the people who depend on them.

This submission has already highlighted the causal link between rapidly rising house price and rents in the private market and demand for social and affordable housing. Put simply, poorer sections of society are suffering financially with predictable deleterious consequences to their personal well being and that of their families.

As long as this affordability gap remains in place, and demand for social and affordable housing options remains high in the face of limited supply, thousands of West Australian households will struggle to make ends meet in the private rental market. As the primary income earners in these households move from paid work into retirement the drop of income that that transition will entail will inevitably lead to a large number of them falling into severe housing stress. We can expect, in other words, a significant rise in demand for social and affordable housing options as the proportion of older people in the state increases over the coming decades. Moreover, given the relationship between older age and disability many of these individuals will also require services to help maintain their tenancies.

Developing policy now that facilitates an expansion of the social and affordable housing system is essential if we are to avoid a situation where even more people are impacted negatively by affordable housing shortages in the coming years.

Factors facilitating the movement of people from the social housing sector to the private market and home ownership

In 2009, CHCWA sat on a monthly roundtable of Community sector peaks with an interest in social housing policy organised by fellow Social Housing Taskforce member, WACOSS. The group was formed to allow peaks to strengthen CHCWA and WACOSS' contribution to the work of the Taskforce through regular consultation with community sector representatives.

Factors facilitating the movement of people through the "Housing Continuum" were discussed at the roundtable. It was agreed that WACOSS, based on those discussions, would formulate a research proposal with a view to acquiring some academic research on the issue. Dr. Steven Rowley and Dr.

²¹ The Housing Needs Register concept is discussed in detail in Chapter 4 of the Taskforce Final Report.

Rachel Ong of Curtin Business School, Curtin University, were hired to carry out the research based on that proposal. Their full report is published in Appendix 2 of the Social Housing Taskforce final report. CHCWA endorses that report and urges the committee to consider its findings and recommendations.

Conclusion

Once again, CHCWA applauds the decision of the Community Development and Justice Committee to inquire into the issue of social housing. Ensuring that the housing system in Western Australia adequately caters for everyone who calls this state home should be of paramount importance to policy makers. The stakes are literally too high to do otherwise.

We hope that this submission will aid the members of the committee in their understanding of the problems that the housing system in Western Australia faces, how this impacts on ordinary people, and what we need to do to bring down the number of people who live in housing stress and homelessness.

As the peak body for Community housing providers in the state, CHCWA, through this submission, has sought to underline the pivotal role that community housing providers can continue to play in the overall solution. Our message is one of optimism: in partnership with government our sector stands ready to grow and provide housing for those who currently languish on the housing wait lists and those that will require affordable housing solutions in the years ahead.

We look forward to reading the findings of the committee when they are published.