

# Submission to the Community Development and Justice Standing Committee: An Inquiry into the adequacy and future directions of social housing in Western Australia.

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From experience, the background of people writing submissions can be of interest. For the record, I lecture in sustainability . In addition I have written an environment column for a monthly magazine, NOVA, for almost 9 years, been a regular radio presenter on *Understorey*, Perth's only environment news magazine on RTR FM 92.1. In 2003 I was the "community representative" appearing on the Channel 7 panel in the one hour program *Dialogue with the City*, about planning for Perth, and I also managed the visit of two "Smart Growth" advocates from Portland, United States, to Perth the same year, who shared with planners and engineers the message that we can build convivial cities. I am a Quaker concerned for social justice, peace-making in practical ways in the community. Notwithstanding all these various outlooks, I write solely as an individual .

The following submission touch on a number of points without trying to cover the whole field.

## **1. The role of government, and the private and the not-for-profit sector in facilitating affordable housing;**

A. The rise in cost of housing in Australia beyond levels of affordability (measured in various ways) over the last decade or two has arisen through a number of factors:

1. Insufficient regulation of bank lending, allowing subprime lending through low- or no-doc loans, leading to a portion otherwise outside the market to be able to bid for houses, thereby inflating the price
2. Distortion of the market through first home owners deposit schemes: although this gives first home owners a sense of confidence about entering the market, it usually only rewards the early entrants; subsequent groups of first home buyers apply this grant with the market already having factored in the grant .
3. Similarly, equity schemes which allow governments to buy in, and thereby give first owners a smaller capital requirement to start in, continue to support a market with over-inflated, non-affordable prices. Instead of the market being allowed to shift prices downwards, the private sector is shifting risk to the public sector.
4. A shift in perceptions towards greater debt, begun in the 1980s: over time, the market grew accustomed to greater debt, since it always seemed to accompany increasing equity over time, as house prices inflated. This led to people taking on greater risk than was prudent, because it

was so normalized. Successive governments enjoyed the community perception that we were becoming “wealthier” as seemed to be the case with valuations.

5. Churn: in contrast to renters and owners in Europe, Australians are more mobile, moving house relatively frequently. Each time an individual sells and buys, there is a transaction cost. Sellers and buyers are encouraged to factor this into pricing.
6. Role of the “middle-men” with an interest in maintaining the churn: Australians prefer to deal with agents, who have played a role in keeping properties being bought and sold, as well as “talking the market up”
7. An expectation of upwardly spiraling prices: these factors have led to a normalised culture, where prices are only expected to rise; the risk is passed on until it is transferred to the very last buyer who can no longer find a buyer to follow – the point of unaffordability has been reached
8. The running down of publicly funded housing since the 1980s has occurred during a period of prosperity where (a) the role of the public sector in providing long term alternatives to home ownership has gradually been forgotten (b) the expectation has shifted from public housing being an option for all people in the community to “housing of the last resort” – a shift from it being a middle class option for it to being a poverty option. The sale of public housing stock may have helped keep prices down and thereby enabled affordability; it may be, though, that the number of potential buyers was increased beyond what it would have been.

- B. There are some important governance and management questions about affordable housing in the public and not for profit sector. These are a few thoughts
- a. public housing stock has been chiefly run by HomesWest which has varied in its performance, with many public servants dedicated to the task, but nevertheless suffers from a perception that they work within very traditional bureaucratic lines, to ensure public accountability; probably feel vulnerable to negative media reporting, which would further encourage “small target” thinking; and with staff turnover, cannot necessarily be expected to understand or deliver new or different models of public housing ownership, regulation and self-regulation
  - b. Having been associated with a number of community housing arrangements, both within WA and interstate (but not at present), I have detected in HomesWest a difficulty in grasping how new forms of community housing may govern and manage themselves. In fact, there has been a collapse of the term “community housing”, “cooperative housing” and “social housing” to be synonymous with “poor housing, to be administered by the department.” If so, a number of creative options are likely to be ignored – or curtailed – purely through habit of management, not on evidence. There are also advantages in having housing arrangements where strong skills are shared among the residents.
  - c. Community/cooperative housing can provide new ways of raising capital for purchase, with social benefit to income-earners from all levels, and to people with different social needs, including people with disabilities. However, the potential for this has been ignored, largely because it has been misunderstood, and because of entry limits.
  - d. The beneficial effects of community housing as a means to provide affordable housing, preventative community health and support, should be documented.

- e. Equally, though, I have observed that as congenial and as supportive as affordable housing created through community housing can be, its very affordability can be problematic. Favourable terms must also deal with the potential for a “poverty trap”, disincentives to move on, especially when circumstances change and eligibility criteria for residence are no longer met in the same way. Cooperative managers need to be accountable for providing houses based on objective criteria, that is administered on merit, and addresses changing circumstances; they should be answerable to coop members, potential members (applicants or prospective applicants), and, without drawing government into the matter except in serious cases, have decisions subject to administrative appeal.
  - f. Governments should identify, implement, or facilitate mechanisms which encourage flexibility, and thereby help affordable housing properly match appropriate income. Changes in income, for example, ought not to mean that someone no longer qualifies to reside in a cooperative housing scheme. Provision should enable that person to pay more (as a percentage of income), rather than conceal the fact or be discouraged from increasing their wealth (by declining a new job). Changes in circumstance (eg empty nest, relationships) should also be provided for, eg: so that although that could mean a review of all residents’ needs and merits periodically, and with safety of tenure (if not precise location) be ensured.
  - g. However governments should not get involved in these processes, except by establishing different standards or expectations which have funding or appeal rights attached.
  - h. Training is needed in order for members of boards of cooperatives or HomesWest community housing groups fully meet requirements around, for example:
    - i. the distinction between governance and management
    - ii. How conflict of interest operates
    - iii. Evidence-, merit- and good-process approaches to decisionmaking, especially where this impacts on someone’s shelter
    - iv. Accountability, reporting responsibilities and appeal rights
- C. Each year the World Economic Forum does an “Ease of Doing Business” survey, a comparison of how easy it is for business to transact in economies across the world. In its 2010 report, the World Economic Forum observes that despite weathering the Global Financial Crisis, Australia needs to improve its global competitiveness, notably falling behind in its business sophistication (currently ranking only 29<sup>th</sup>) and its innovation (currently ranking 21<sup>st</sup>). The surprisingly low level of business sophistication and lack of enthusiasm for innovation, notwithstanding our high knowledge capital and high education attainment, suggests that notwithstanding many opportunities, business is not the first place to look for new responses to affordability. Indeed, for reasons suggested earlier, business may have even played a significant role in getting us to the place of housing unaffordability in the first place.
- D. Not entirely all business entrepreneurs lack innovation: At the height of the boom, one enlightened developer I spoke to was willing to try a community housing project but the land he was considering offering was so far from Perth CBD, it seemed unlikely to attract “early adopters”. An example of innovation being stymied has occurred near Chidlow, where an Eco-Village of professionals and entrepreneurs took the arduous process of getting planning approval for through

all the steps of government. Economic resilience, environmental sustainability, social support, and responsible transport solutions, have all been part of the mix. With approvals from state authorities, and a bank loan, everything was ready to roll out when the GFC hit, and the bank revalued the property and withdrew its loan. The group has teetered ever since, unable to move forward, with so much already invested. There is a role for governments in this unusual circumstance – unusual because of the GFC, but not so unusual when it comes to banks finding ways to be reluctant in providing mortgages where there are elements of co-ownership. (This latter issue has been dealt with in New South Wales by multiple occupancy rules)

- E. From experience, and I believe there is European and community health research to support this, community/social housing builds economic, social and individual resilience, with favourable outcomes for people at different places in the life cycle. A community that knows itself can offer support individuals in life challenges, family breakups, work issues, mental or significant physical health concerns, as well as be a place for celebration and recognition for individuals. This support comes from incidental proximity, a sense of place and identification that comes with being within a community, especially when the architecture and design supports this, and formal management and governance meetings where support arises incidentally and naturally. In my experience Australians are very good at assigning themselves private space, even within community housing arrangements, and so there are also plenty of opportunities for solitude and “time out”.
- F. A recommendation that could arise from this inquiry would be to acknowledge that Western Australia has much to learn about social housing, and that a small research unit should be established for two years to gather up the “best of” knowledge from other states (particularly Victoria) and overseas (particularly EU countries) to identify:
- a. A range of models where Governance and Management are clearly and successfully delineated, and which model is most appropriate for which kinds of situations
  - b. A range of Accountability and reporting standards
  - c. The advantages of mixed income communities compared to only low income communities
  - d. Recommended training requirements for boards
  - e. Models for governments to work at “arm’s length” from these bodies, to manage risk

## **2. The effectiveness and appropriateness of social housing allocations in the metropolitan area and regional Western Australia;**

- much depends on how “social housing” is defined. Retirement and lifestyle villages are “social” housing, so are boarding houses, long-stay caravan parks, and short-term hospices, and strata-title companies. Cooperative housing, equity housing and HomesWest housing could also be defined as “social “ housing. It may be of advantage to reflect on the changing definitions of low income housing, and the thinking behind them.
- Generating exchange between these various pictures of social housing described above could have mutual advantage to all parties, particularly to consider the range of governance-management models available, and ways to finance further building programs

## **3. The impact of public housing need on specific groups;**

- An important matter is the way that over a lifetime, or within several years, people’s circumstances can change dramatically. There should be security of tenure at a community

housing location, but some flexibility within that location. Providing architecturally diverse housing stock can give this flexibility: for example a widow to move into more suitable accommodation within the same housing site, while newly blended families can expand because the architecture allows, to greater or less extent, apartments which can be joined together.

- from a family member's experience at a low-income only housing location, community development workers can help build community resilience and save on policing and health services.
- At one community cooperative I have lived at in Perth, an independent living house was built for someone with a profound disability. Although this person might be considered to have profound limitations, the proximity of community, and the provision of a community kitchen where people could share meals or hold larger gatherings, has meant much greater inclusion

#### **4. The key factors influencing the supply of 'sub-market' affordable housing in Western Australia; include**

- Information
- Skills in working with that information
- Capital, and inflexibilities in borrowing models
- Distance from work (further out can mean travelling costs are underestimated)
- Lack of understanding and practice in governance-management models
- two-speed economy for non-mining/mining sectors
- lack of business sophistication and innovation (identified by the World Economic Forum survey for 2010, considering Australia)

#### **5. The integration of social housing asset management strategies into the larger urban and regional development process;**

- Looking at low-income housing in Western Australia, there seems to be a tendency to make some suburbs social housing suburbs and exclude poorer people from other suburbs. By contrast, most of the suburbs of Canberra are planned as mixed-income communities, which can harmonise social needs. Much middle class alarm around social housing could be allayed if improved governance-management models, and mixed income housing, were introduced

#### **6. Financing affordable and sustainable social housing;**

- As there are significant savings to be made by working together cooperatively, community housing projects can become quite asset-rich. A financing model for community housing projects would see a portion of this enrichment go into an overarching cooperative-community housing fund that could be drawn on to facilitate further community housing startups; an arrangement for skillsharing between older cooperatives and HomesWest policymakers and prospective cooperatives should be in place
- Significant savings can be made over time by building environmentally sound housing. For example,
  - northern facing passive solar design,
  - insulation (bad administration of which has, in recent times, led to a devaluing of its use, but its dramatic effect on reducing heating and cooling is well-evidenced),

- space for growing own vegetables and herbs,
- proximity to light rail/heavy rail/bus routes,
- renewable energy that can be sold to the grid.

these savings can be hypothecated in some cases.

- Perth faces an enormous problem with landfill, as its two locations, Red Hill and Mindarie, will close within five years. Community housing offers possibilities in the intelligent management of municipal waste, including reducing packaging (bulk purchases), reusing materials (easy in a cooperative), separation of waste in bulk (and reduction of volume through commonly-owned presses), and even waste-to-energy recovery, before it has to be considered for disposal in landfill
- Similarly community housing projects can be used for greywater and blackwater – a demonstration has been offered at the Denmark Centre for Sustainable Living

#### **7. Alternative models for the provision of social housing;**

- See recommendation 1F
- Community housing may sound as if it is one thing, but all cooperatives I have seen have different “personalities” and emphases. Distinctions should be encouraged. For example, there has been interest by some artists in living proximately – and artist workshop area could be built into such a co-location. Indigenous groups may want to have a significant indoor and outdoor space for sharing activities – as well as quieter spaces. A “Camphill” community housing project for people with disabilities should emphasise facilities for ease of mobility and creativity. Community housing diversity is important.
- Other suggestions: Ideally houses should be slightly smaller than Australian norms, with the difference aggregated into community halls/kitchens/outdoor spaces where the space can be used for larger celebrations, defined local neighbourhood access (depending on design) and younger people can meet, talk and play within the safety of the community. Short-term accommodation for guests should be available, and one or two small offices that can be used by either voluntary associations and groups who rent the space at moderate rates, or by entrepreneurs at market rates – thereby providing employment opportunities for residents.

#### **8. Factors facilitating the movement of people from the social housing sector to the private market and home ownership; and**

- The distinction between private and public housing overlooks a third sector – community housing which can be cooperatively owned and managed

#### **9. Particular housing initiatives needed for regions of rapid growth.**

- Given a narrow set of expectations about what housing options there are, any innovations in housing will need to be well framed and well facilitated, for example by cooperative-public sector partnerships, and in line with best practice/derived experience from outside of Western Australia

- To enhance general recognition, social housing using cooperative or community housing models could be established within say 15 minutes walking distance of each other, to encourage mutual support and give greater choice to prospective social housing residents.