

VICTORIAN PUBLIC TENANTS ASSOCIATION

The voice of Victoria's 127,000 public housing tenants.

*Submission
to the
Affordable
Housing
Working
Group
March 2016*

The VPTA

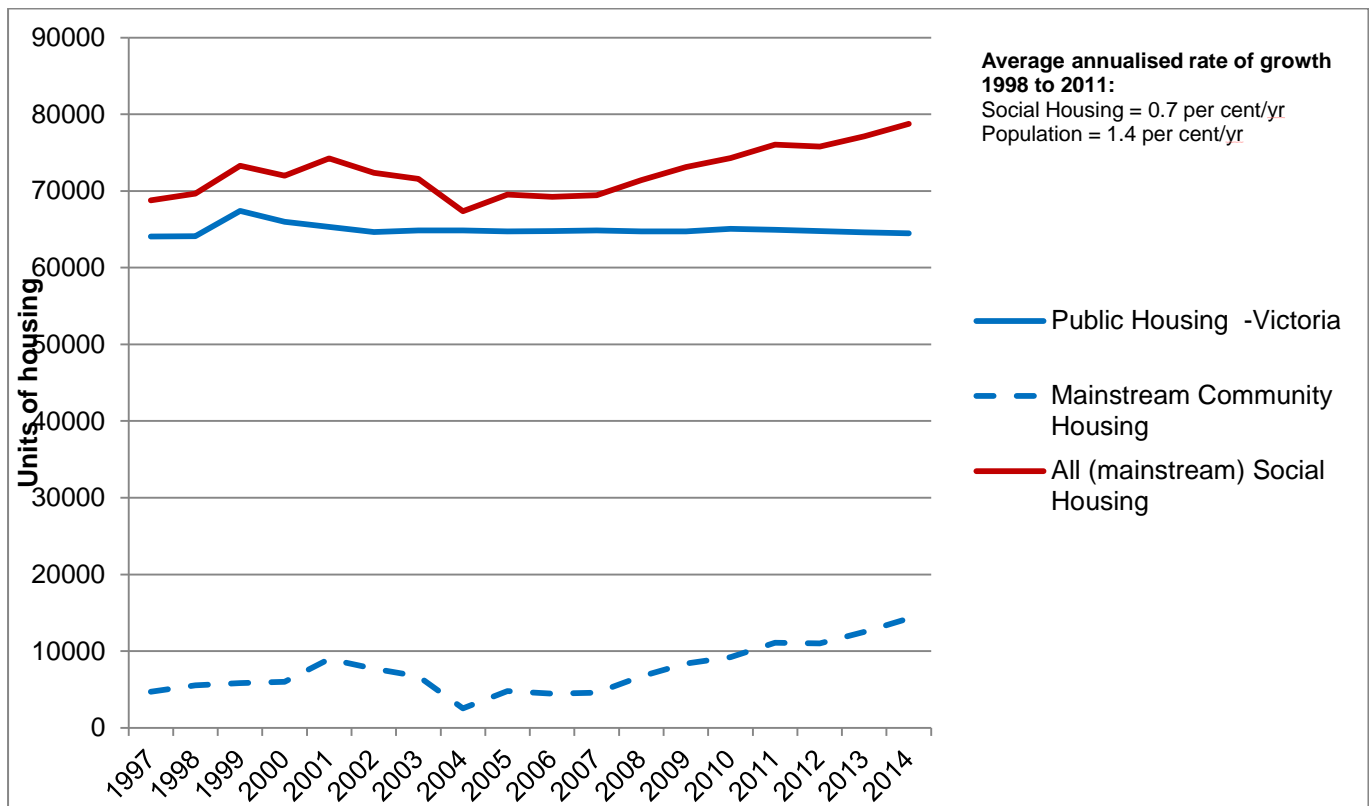
The Victorian Public Tenants Association (VPTA) is an incorporated not for profit organisation, recognised as the peak body representing 127,000 public housing tenants in Victoria.

We provide counselling, advice, referral, representation and advocacy for public housing tenants and those in need of housing. More broadly, we advocate for the provision of a sustainable and appropriate public housing system.

The housing affordability problem is immense; there are as many as 105,000 people who are homeless and 160,000 households, or over 300,000 people, on public housing waiting lists. The overall stock of public housing had fallen from 331,000 units in 2007-08 to 317,000 in 2013-14.

In Victoria, the number of public housing units has decreased since 1997, while population levels have increased by over 1.4 million.

Figure 1. Units of housing, 1997-2014.



Source: Productivity Commission Report on Government Services Housing Attachments Table 17A.3 (Latest data to 30 June 2014)

In 2012, the National Housing Supply Council reported that between 2002 and 2012 rents increased in nominal terms by 76% for houses and 92% for flats.

The Productivity Commission has estimated that households in housing stress (defined as those that pay more than 30% of their income on housing-related costs) increased from 35% in 2007-08 to 42% in 2013-14.

The VPTA agrees that there is a housing affordability crisis in Australia. The crisis is of such proportions that it cannot be solved by any one level of government, by any single reform or by any isolated sector of the housing market. Rather it will require the cooperation of all three levels of government, implementing a suite of reforms to deliver better public and community housing and improved access to home ownership.

Terms of Reference

The Working Group will report on the current state of affordable housing, focusing on both social housing and the affordable private rental market for low income households. This report will include the historical and current role that all levels of government play in its provision and the differences in approach between jurisdictions.

The Working Group will examine the feasibility of, and make recommendations for, how the states and territories and Commonwealth can progress innovative financing models to facilitate sustainable long-term private sector investment at scale to increase the supply and availability of affordable housing, including (but not limited to):

- capital provided at scale through normal market mechanisms such as bonds, for the purposes of creating an intermediate rental asset class;
- housing loan/bond aggregators, where an entity acts as an intermediary between the capital markets and the housing delivery system (primarily community housing providers);
- housing trusts, where existing housing assets are pooled together to attract private investment and improve management of the assets;
- housing co-operatives and mutuals, where residents may own a share of a dwelling alongside other community members;
- impact investing models, where investors are able to pursue opportunities that provide both social and financial returns through either direct investment in not-for-profit or social enterprises, or through alternative intermediaries; and

- social impact bonds, where the public sector issues a contract with non-government providers in which a commitment is made to pay for improved social outcomes that result in public sector savings.

In doing this, the Working Group will also consider the roles of governments, investors, the not-for-profit sector and other groups in the provision of affordable housing.

The Working Group may also consider alternative structural models that facilitate improved affordable housing outcomes, such as the role of community housing and housing associations in the provision of social housing and examine other regulatory changes, including planning and zoning changes, which would support the increased supply of affordable housing accessible to employment and services. This work would include consideration of the appropriate mix of tenant cohorts within social housing and affordable private rental, and more broadly within the wider community.

Definition of Affordable housing

The Working Group notes that there are multiple definitions of affordable housing. For the purposes of this Issues Paper, in the context of affordable rental housing, the following definition applies:

Affordable housing is that which reduces or eliminates housing stress for low-income and disadvantaged families and individuals in order to assist them with meeting other essential basic needs on a sustainable basis, whilst balancing the need for housing to be of a minimum appropriate standard and accessible to employment and services.



Broad-based discussion questions

We submit that the starting point of this process should be a shared commitment to delivering affordable housing options for low income Australians. This commitment needs to understand the housing market as it is, and needs to encompass a vision of the market as we want it to be in the coming decades.

Without this shared commitment, without consensus on targets and definitions and without participation across the political spectrum, this process is unlikely to deliver the substantive and sustainable outcomes that are so desperately required.

The VPTA supports a strong and continuing role for State Governments in owning and managing public housing. Public housing should be the bedrock of the broader provision of affordable housing. Affordable housing should not be seen as a hierarchy, with public housing at the bottom, but rather as a suite of options (including public rental, private rental and home ownership) that are available to meet the individual needs of low-income Australians.

Equally, we recognise that there are distinct advantages to be derived from expanding the role of the community housing sector and facilitating greater investment by the private sector.

We will make some specific recommendations on the key policy, funding, regulatory or legislative changes that should be considered. We will then consider in some detail the option of introducing housing trusts.



What are the key policy, funding, regulatory or legislative changes that government(s) should consider to implement new financing models for affordable housing in Australia?

Set targets and legislate

An Affordable Housing Reform Agenda¹, published in March 2015, recommended adopting clear targets to increase the supply of affordable housing and reduce homelessness:

1. Halve homelessness by 2020 (to 50,000 people experiencing homelessness on any given night and 125,000 persons requiring specialist homelessness services each year);
2. Halve the shortfall in housing supply available and affordable to the bottom 40% of household incomes by 2025; and
3. Meet the shortfall in housing supply available and affordable to the bottom 40% of households by 2035, thereby ending homelessness caused by lack of housing.

We submit that there is merit in Commonwealth and State governments adopting uniform targets that can then be reflected in uniform affordable housing legislation. Legislative targets will make it less likely that future governments will relinquish their responsibilities on this issue.

The targets above represent one possible approach, alternatives are targets linked to proportions of the overall housing stock or targets set on a per capita basis. Regardless of the method, it is important that we set long-term targets and that there is a collective, binding commitment to those targets.

A Proven Model for Privately owned housing projects – Tax Credits for Public/Low Income Housing

We submit that tax credits are demonstrated to be an effective measure to attract private investment in providing new affordable low income homes including public housing in conjunction with mainstream private sector housing projects. Tax credits directly reduce a person's tax liability on a dollar for dollar basis.

In the United States a Low Income Housing Tax Credit (LIHTC) has applied since 1986 to affordable housing investments.

The LIHTC accounts for the about 90% of all affordable rental housing created in the United States in the past 20 years. The scheme applies to both large scale urban renewal and new building projects and has delivered more than 2.4 million affordable homes since its inception.

¹ 2015, ACOSS et al.

Development capital is raised by syndicating the credit to an investor or, more commonly, a group of investors. To take advantage of the LIHTC, a developer will typically propose a project to a state agency, seek and win a competitive allocation of tax credits, complete the project and certify its cost.

In the United States the scheme is relatively low risk in that private investors bear the financial burden if properties are not successful. The reported foreclosure rate is less than 0.1%. There is a cost to Federal Government in providing these tax credits much of which is offset by the infrastructure growth and the flow on effects of increased economic activity.

In Australia the level of subsidy required to be provided by Federal Government could be further offset by savings in Commonwealth Rent Assistance payment and subsidies to State government. In addition, the requirement for large scale Government capital investment in housing infrastructure would be significantly reduced.

Other factors that would need to be considered in this model would include;

- rental and allocation models,
- how tax credits are traded,
- tax credit contractual periods
- reporting protocols
- superannuation fund investment mechanisms
- sale of properties, either initially or subsequently.

Implement a uniform approach to inclusionary zoning

The failure to develop and implement a robust and effective inclusionary zoning scheme has served to exacerbate to affordable housing problems in Australia. Each time that a developer is allowed to complete a project without delivering any affordable housing, the task of addressing the imbalance become all the more difficult.

We recommend that provisions be made for all new greenfield and brownfield development sites to include a certain percentage of public or community housing.

Government should lead the way by ensuring that the development of crown land meets inclusionary zoning principles.

Private developers argue against such schemes and argue that simply opening up more land would solve our housing affordability problems. We argue that a proper understanding of the definition adopted by the Working Group demonstrates the weakness of this argument.

Delivering more housing on the urban fringe at relatively low prices is not affordable, either for the people who would live there or for the community as a whole. We require well planned communities, with a mix of housing, and an integrated approach to transport, services and employment.

Low income Housing Purchase Models

Across Australia, schemes have been developed to facilitate affordable home ownership for low-income earners. These schemes recognise the interrelatedness of the housing market. By reducing pressure in one part of the system, for example the private rental market, the schemes can affect public housing waiting lists and transfer applications. The two schemes designed to facilitate affordable home ownership are;

- The South Australian Affordable Homes Program and Home Start Financing for first Home Buyers. Since it was established, HomeStart has helped more than 65,000 South Australians into home ownership.
- Western Australia's KeyStart - low deposit and shared equity scheme home purchase program. KeyStart was set-up to help West Australians who might not qualify for a home loan from one of the traditional lenders into a home of their own. KeyStart was established in 1989 and has produced a profit in each year of its operation. KeyStart addresses the deposit gap is arguably the greatest barrier that intending first homebuyers need to overcome. By offering loans with deposits as low as 2%, KeyStart helps reduce pressure on the private rental market by facilitating entry into home ownership for those that can afford to make loan repayments but are unable to gather the deposit required by the major lenders.

We believe schemes such as these, with proven track records, could be replicated across the country to help relieve the demand for affordable public and private rental properties by helping fast track eligible persons into home ownership.

What would governments need to do to ensure that assets targeted to low income tenants, for example social housing, are not lost to higher income earners?

Public housing tenant eligibility

We support developing communities where there is a mix of housing. However, affordable housing is in such short supply that we must put effective measures in place to ensure that it is properly utilised. With over 150,000 people on public housing waiting lists nationally, there must be a greater effort to ensure that housing is provided to those who are most in need of it.

To this end, we recommend that greater diligence be applied to the ongoing assessment of residents for eligibility for public housing. Public tenants who may be able to enter into the private rental market should be encouraged to do so.

Tenancy transfers should also be put under greater scrutiny. Eligibility of any prospective tenant or current resident should be reviewed and tested against the standard public housing criteria. The usual wait list provisions should be applied to each applicant to enable their circumstances to be compared and tested.

Currently, co-tenancy agreements can result in some people living in public housing who have never been tested for eligibility in their own right.

Retention of assets

The Working Group will consider a broad range of options to increase the supply of affordable housing. Regardless of the option that is chosen, measures should be put in place to ensure that dwellings that are designated as affordable housing should be retained as affordable housing for the life-cycle of the dwelling.

In the case of public or community housing this would mean limiting the ability of State Governments or community housing organisations to sell dwellings on the open market. In circumstances where affordable home ownership has been facilitated, reasonable controls should be placed on how those properties can be rented or sold.

What role can the community housing sector play in implementation of new financing models to increase the supply of affordable housing?

The community housing sector has the potential to be a key driver in improving the availability of affordable housing in Australia. Community Housing already has a 10% cost advantage as it does not attract GST and any profits are put back into the system for ongoing benefit. We believe that the diversity of the sector and its commitment to social justice means that it is ideally placed to deliver reform and increase the supply of affordable housing.

Importantly, we do not feel that a growing role for community housing needs to come at the cost of reducing public housing. Rather we should be seeking to grow both sectors in real terms.

A narrow focus, limited to redistributing the social housing stock we currently have, will not assist in meeting the challenge of affordable housing. Any question of stock transfer or management transfer should be seen as part of an overall growth strategy for social housing.

Stock Transfers are not sufficient of themselves to solve the affordable housing problem. Community Housing providers may argue for additional financial support and at best may

only be able to leverage 10% growth from a stock transfer regime. The business case for stock transfers must be compelling and proven. Moreover, community housing providers must take a proportionate number of priority segment one tenants to not further residualise public housing.

We also discuss below a potential role for community housing in the establishment of housing trusts.



Housing trusts

We submit that the housing trust model, where existing housing assets are pooled together to attract private investment and improve management of the assets, could be effectively utilised in the Australian context.

As a Victorian based organisation, we do not want to presume to know what may work best in other jurisdictions. For that reason, and for ease of administration, we feel that trusts are best established on a state by state basis.

We feel that the housing trust model is best suited to the strong asset base of the Victorian public housing system, and will best respond to the growing maintenance task of the existing public housing stock.

What policies, funding and regulatory settings would be required to implement the housing trust model in Australia?

We believe that the mechanisms are in place for a largely policy driven approach to establishing a housing trust in Victoria.

Just as public private partnerships in other areas of government infrastructure delivery involve consortia, with each of the members contributing a specific element, so here, a team will be required.

On 9/11/15, three consortia were shortlisted to deliver a PPP for Melbourne's new high capacity trains.

In broad terms the consortia included a builder, a funder and a service provider.

That process can be replicated in the housing sector. There are already builders who specialise in social housing, and numerous other state based and national builders would be interested in competing for new work.

In terms of funders, the main source of investment would likely come from the superannuation sector. This sector is hungry for investments that will deliver secure, regular returns on investment and they have scope within their portfolios for low-risk, lower-return investments.

This process would be consistent with the recently released Victorian Market-led Proposals Guidelines.

It will be an 'availability-based PPP', meaning that, on top of designing and building the housing, the private sector will also be responsible for financing, operating and maintaining the infrastructure.

The assets

The first step would be to define the assets that would be available to the trust. Obviously the scope of the trust will depend on the approach taken here. We recommend that the vacant land currently held by the Victorian Director of housing should form part of the trust.

The portfolio of vacant land includes some significant sites, such as the Huttonham Estate in Preston, bound by Stokes, Penola, Showers and Bell streets. This large site has been untouched since 2011, when approximately 80 public housing dwellings were demolished.

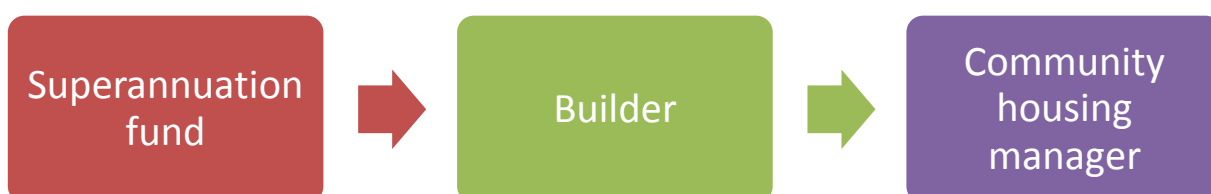
Other sites that could be considered to form part of the trust include;

- non-housing related vacant land owned by the State or Commonwealth Governments
- currently occupied public housing dwellings
- currently occupied community housing dwellings.

Where tenants are in place it is important that the trust follow strict guidelines with regard to consultation and temporary relocation.

The trust consortia

Once the assets were defined all tenanted properties would be managed by the trust. For this reason we recommend that a community housing organisation form part of the trust.



As a model for redevelopment we submit that the housing trust should follow the lead of the Olympia Housing Initiative in Heidelberg West. In that project, the existing assets of the former Olympic Village site have been pooled and redeveloped.

By June 2016 approximately 170 new public housing properties will have been built through the Olympia Housing Initiative, established in August 2012. This includes an 18 property development currently under construction at Perth St, Heidelberg West.

Beyond June, there is a pipeline of work in the planning or design phase.

Olympia is a self-funded project to utilise vacant land and replace outdated and unsuitable housing in Heidelberg West, Heidelberg Heights and Bellfield.

The project allows re-tenanting, sale or redevelopment of vacated properties, with sales being redirected towards the costs of developing new homes in the area.

More than half of the 870 tenant households contacted have chosen to take part in the project. This in large part is due to the strong level of tenant participation and the involvement of an active resident's group, 'Project 3081'. The tenant participation continues the work begun by the Neighbourhood Renewal program in 2006.



The results of this decade long commitment by the community and successive Governments are there for all to see. Tenants have been able to trade up to modern and appropriate public housing. Vacant land that had been a blight on the community has been converted in a productive community asset and job opportunities have been created.

Many of the properties being replaced are more than 60 years old, well beyond their intended life-cycle.

We point to two other projects to illustrate the types of developments which may be possible.

The Markham Estate in Ashwood;

- an aging estate of 56 public housing units, only a handful of which were able to be occupied
- the old units have been demolished, to be replaced by 170 private dwellings and 62 modern public housing units
- it is envisaged that there will be no cost to the Victorian Budget, it is hoped there will be a profit.

Hampton East;

Completed in 2010, the Hampton east project was funded under the Nation Building

program. The Australian Housing and Urban Research Institute (AHURI) prepared a profile of this project, and said;

“This redevelopment is on a double-lot site on a corner, previously occupied by a freestanding, two-storey block of walk-up apartments. The new development consists of eight dwellings (4 x two-bedroom + 4 x one-bedroom) and these are arranged as two rows of single-storey row houses.

The row housing type and arrangement gives all units north-oriented living areas, outlook and cross ventilation.”²

The parcel of land in that example was 28m x 44m. With a budget of \$1.3 million an aging concrete walk-up consisting of 4 apartments were replaced by eight modern townhouses.

² The Australian Housing and Urban Research Institute Positioning Paper No. 155, August 2013 p55