MAKING SOCIAL HOUSING WORK

Better homes for low-income Victorians

March 2014

FOREWORD

Victoria's social housing system is failing low income Victorians unable to find a secure home in the private housing market. The lack of affordable housing is at crisis point.

Victoria needs a broad **Affordable Housing Strategy** to address critical problems in the State's housing market. The Victorian Government's commitment to developing a new social housing framework will be an important step in this process. However, without urgent redress, there will be increased homelessness and housing stress, and a more divided Victoria.

This paper represents the collective views of the State's peak organisations for housing, homelessness and domestic violence. The paper outlines a new vision for social housing to ensure affordability, accessibility and the provision of better homes for all Victorians.

- Community Housing Federation of Victoria (CHFV)
- Victorian Council of Social Services (VCOSS)
- Council to Homeless Persons (CHP)
- Victorian Public Tenants Association (VPTA)
- Tenants Union of Victoria (TUV)
- Domestic Violence Victoria (DV Vic)
- Justice Connect Homeless Law

Community Housing FEDERATION OF VICTORIA

Quality, affordable rental homes for fairer and better communities

VPTA Victorian Public Tenants Association

VCOSS Victorian Council of Social Service

chp council to homeless persons

TENANTS UNION of Victoria Ltd

Domestic Violence Victoria — Peak body for domestic violence services for women & children

justice connect Homeless Law

CONTENTS

Craig ▶

"I didn't know anyone in Melbourne, I had nowhere to live, I slept on the streets for a bit and then I found St Kilda Community Housing. I was doing a lot of jobs – working – but not enough to keep me going, because you can't live on the dole. Now I am working for them (SCH), I have been working for them for over six years now. I've slept outside because I wouldn't go into one of those places (a rundown rooming house). If you're not working you can't afford housing."

▲▼ Ashwood Chadstone Gateway Project ▶

Port Phillip Housing Association's Ashwood Chadstone Gateway Project is the largest ever development by a registered housing association in Victoria, with the Victorian Government and PPHA each contributing approximately $70 million.

The project utilises an innovative mix of social housing (210 apartments) and private dwellings (72 apartments and townhouses), and also provides a multifunction space that is now home to a new social enterprise offering vocational training for local youth.

EXECUTIVE SUMMARY

The availability of affordable, sustainable and appropriate housing underpins good health and the social, educational and economic participation of individuals.

(Australian Institute of Health and Welfare 2011).

The Victorian social housing system is under severe stress, and has been deteriorating for decades (VAGO 2012). Declining government investment, increased targeting, deinstitutionalisation, strong population growth and a general housing affordability crisis have produced the perfect storm of failings in an outdated system unable to meet growing demand.

Social housing provides secure and affordable housing not available in the private market. Housing people on low incomes and those with complex needs is neither inexpensive nor easy. To achieve reform in the face of overwhelming demand and limited resources will be challenging. Stagnant social housing growth that fails to match population increases means more housing stress and more homelessness. Large-scale public housing stock transfers to community housing organisations, without funding and regulatory reform, will add to the system's shortcomings. In essence, shifting the deck chairs will not save the Titanic, but effective planning based on a well-informed and clearly articulated future vision will, at the very least, help to steer a safe course. The status quo is a recipe for continued failure.

The social housing sector is an important part of a national and statewide housing system, which includes government funding, tax and regulatory elements.

Providing enough high quality social housing is not only good social policy, it is also good economic policy. For example, the Federal Government's Social Housing Initiative provided 14,000 full time jobs across Australia, and generated an additional 30 cents of economic activity for every dollar spent (KPMG 2012). Building social housing benefits the whole community, not only those housed.

Historically, the public and community housing sectors have played different roles within social housing, each with their own strengths. To improve the lives and living conditions of all tenants, it is necessary to build on these respective strengths, including private sector funded growth in community housing.

A new vision for social housing, which incorporates growth and sustainability, can deliver:

- greater satisfaction for tenants;
- affordable long term housing that is financially sustainable;
- locally responsive housing solutions for a diversity of low income tenants; and
- improved opportunities for tenants via community partnerships.

Public Housing Tower Blocks

After the Second World War, the Housing Commission of Victoria built estates for low-income families as part of what was known as the slum reclamation projects. There are 21 high rise estates across inner Melbourne in suburbs such as Richmond, Collingwood, Fitzroy and Carlton. In total there are 45 high rise buildings still in use as Public Housing, managed by the Department of Human Services, and one estate in Kensington managed by Urban Communities.

Susie

Susie has been a Community Housing Ltd (CHL) resident at Queens Road Rooming Housing for three and a half years. It was a long road for Susie to come here and here's a snippet of Suzie's life up to now. Susie lived with her mother in St Albans until her mother moved overseas. Susie, who has mental health problems, was left homeless and a caseworker introduced Susie to McAuley House in Parkville. Susie lived at McAuley House for 5 years until she felt strong enough to regain her independence and moved to CHL's Queens Road Rooming House.

She is passionate about her soccer which resulted in her participation in the 2013 Homeless Street Soccer World Cup in Poland. Susie loves showing off her medal and the green and gold uniform she wore for the international event. She also works part time for the Big Issue and calls into McAuley House before her soccer training. The game has become her passion!

"My life is good now, really good. I am happy," says Susie.

Limited adoption of the recommendations or peripheral tinkering will not solve the problems or advance the system.

It is essential that the Government and community sector work together to deliver affordable high quality social housing for Victorians on low incomes.

To achieve this goal, we propose a six-point plan for **Making Social Housing Work**:

1. **An Affordable Housing Strategy**: Develop an Affordable Housing Strategy to expand the supply, security and quality of low-cost social and private housing in Victoria. This whole of Government strategy should incorporate the following recommendations in relation to the social housing sector.

2. **A 20-year strategy to grow and redevelop social housing**: This strategy sets the foundations for an expansion in the supply of social housing, including reforms in public housing to improve its financial sustainability. The strategy seeks to reach a target of 5% of the State's housing stock as proposed by the 2010 Victorian Parliamentary Family and Community Development Committee public housing inquiry. The strategy requires:
    a. **A new Social Housing Supply Program** with capital investment from the Victorian Government of $200 million per year (indexed) over 20 years. This investment would enable a minimum growth of 800 homes each year. We recognise this is a significant amount of public resources, but this investment would result in cost savings elsewhere in government expenditure, and demonstrates the scale of investment required to make a real impact.
    b. **Stock transfers** to community housing (comprising both title and management transfers) to better use property and land and to achieve the Council, of Australian Governments (COAG) commitment for community housing to manage 35% of social housing.
    c. **An improved *National Affordable Housing Agreement (NAHA)*** for greater transparency and more investment in social housing by Commonwealth, augmenting the State Government's funds.
    d. **Innovative financing options**: The Victorian Government to work with the private sector and COAG to develop innovative finance options for social housing. This could include bonds and guarantees, revolving loans and shared equity schemes similar to those operating in South Australia and Western Australia.
    e. **Develop best practice asset management strategies**: including systems for managing inventory and assessing property conditions plus improved skills and competency in maintenance roles.

◀ Housing Partnership Promotes Growth – of the Edible Variety

Thanks to a collaboration between Community Housing Limited and Mountain District Learning Centre, residents from a large community housing development in Ferntree Gully have created a thriving, communal veggie garden. Both organisations have contributed to a start up fund to buy tools, plants and other gardening equipment.

◀ Harmony Village Dandenong

Harmony Village Dandenong, a Common Equity Housing Ltd development, won the Affordable Living category of the Urban Development Institute of Australia awards in 2011. A partnership between CEHL, the Dandenong RSL and aged care provider Doutta Galla. It comprises both a cooperative rental model of housing managed by CEHL and units available for purchase in a retirement village model run by Doutta Galla.

▼ Bayswater Women's Housing

In 2012 the Affordable Living category for the Urban Development Institute of Australia (Vic) Awards for Excellence was won by Women's Housing Ltd for this Nation Building project in Bayswater. The building incorporates environmentally sustainable design principles and robust, low-maintenance finishes and the judges complemented Women's Housing and project builder, Buildcorp, on this outstanding achievement.

The project has 27 apartments and allows all tenants easy access to transport, shops, education and much more. The City of Knox was congratulatory of the development as it demonstrated their commitment to affordable housing and acts as a model for other medium density housing projects, in and around town centres.

◀ Armidale, NSW

Community Housing Limited has won the HIA Special Purpose Housing award for 264 Dumaresq St, Armidale in NSW. The facility is designed, built and managed by CHL for people with disabilities and the service provider, House with No Steps, employs carers for the tenants within the facility.

Gipps Street, Abbotsford ▶

Common Equity Housing Ltd (CEHL) completed an innovative mixed social and private housing development in Gipps Street, Abbotsford. Constructed on the site of an existing boot factory, the development retains the heritage facade of the factory building, while providing a modern residential format beyond this building element. Funding was provided through the Department of Human Services and NRAS incentives on the 25 social housing units. A further 34 apartments were sold into the private market, underpinning the delivery of the entire project. CEHL's strength in developing strong partnerships is highlighted by the fact that six of the units are being operated by disability housing providers including the Transport Accident Commission and the Summer Foundation. The units now provide an appropriate, high quality housing option for people with disabilities while at the same time integrating seamlessly into an otherwise conventional apartment complex. The 6 disability units amongst 59 in total eliminate any sense of an institutional model yet offer effective economies of scale for a worker located on-site 24/7 providing support.

◀ Drill Hall ▼

The original Royal Melbourne Drill Hall has undergone a complete transformation, from a grand but faded 1930s regimental marching hall to a modern, high quality social housing development. The 9 storey heritage listed building comprises 59 housing units on a triangular site near the Queen Victoria Market. Tenants with a strong connection to the city have moved into Drill Hall; including many people with disabilities. This award winning development is managed by Housing Choices Australia and was opened in December 2011 by the Victorian Minister for Housing, the Hon. Wendy Lovell and the Right Hon. Lord Mayor for Melbourne, Robert Doyle, pictured below with tenant, Mark Brown.

3. **Financial sustainability and improved access for highly disadvantaged groups**:
   A common incentive-based operating payment for all social housing providers. A higher payment would be made for housing highly disadvantaged groups to improve access and ensure sustainable housing for those with multiple needs or on the lowest incomes. The level of the payment for each social housing provider would vary to account for tax advantages, rent assistance payments, and the incomes and attributes of the tenants housed.

4. **Better housing outcomes for social housing tenants**: To ensure the outcomes are achieved for tenants of social housing we propose:

   a. a central access point for all social housing
   b. the introduction of choice-based letting including permitting tenants to elect where they live without penalty
   c. an easier process to allow tenants to transfer to more appropriate accommodation within and between social housing providers
   d. maintain affordable rent setting policies in both community and public housing:
      i. retain income-based rents for public housing tenants, including public housing tenants who transfer to community housing, at 25%
      ii. retain income-based rents for low income community housing tenants who have been allocated tenancies from the social housing register
      iii. social housing providers may apply a range of rent models for tenants on moderate incomes. These models must meet appropriate affordability benchmarks for this group
   e. higher standards and enforcement to ensure an acceptable level of repairs and maintenance of all properties
   f. security of occupancy to continue, ensuring tenants have options to remain in social housing but with flexibility concerning the particular property and manager
   g. better liaison with struggling tenants and improved support for providers to minimise the risk of eviction
   h. an enforceable independent complaints resolution process for non-tenancy law disputes
   i. more active tenancy management and better policies and procedures to effectively resolve neighbourhood disputes, including compulsory mediation

Bobby of Drill Hall

"I have had MS for 33 years. I spent 14 years in a wheelchair and 5 years blind. I was 148Kgs and now I am 83 kgs of pure eye candy for the girls…

When I was first diagnosed, the very first thing I said was that I was going to walk to the top of the world and see the blue sky and now I am going to Mt Everest…

I needed a roof over my head and Housing Choices and Melbourne City Council should be congratulated." Bobby is a tenant of Drill Hall, a Housing Choices property.

Aboriginal Housing Victoria

Aboriginal Housing Victoria (AHV) was the first Aboriginal housing agency to be registered as a housing provider in Victoria. It is also the largest Aboriginal Housing agency in Victoria. It has a portfolio of over 1,521 properties, including 69 properties it owns, under its direct tenancy management. Tenants are assured of access to an Aboriginal landlord and a personalised and culturally sensitive service for Aboriginal people.

The organisation empowers the Aboriginal and Torres Strait Islander community not only by providing safe and affordable housing but also by increasing the spiritual, political, social, educational and economic strength of individuals and communities.

5. **Streamlined housing governance & regulation**: Improved accountability and efficiency of social housing providers, and a functional separation of roles and cohesive policy can be achieved by:
    a. a change in public governance arrangements to separate the roles of housing policy, provision and regulation, to allow agencies to concentrate on specific functions and not confuse their distinct responsibilities, so that:
        i. a single department manages housing funding and policy development
        ii. public housing is delivered via a separate statutory housing authority
        iii. the Housing Registrar is the sole regulator of the social housing sector to ensure consistency, transparency, accountability and good governance
    b. regulation of public and community housing providers to the same standard, under a single regulatory system and code, to improve transparency and accountability
    c. reconfiguration of Victorian Ministerial arrangements so that responsibility for housing also includes private rental regulation, State tax concessions, affordable home ownership, as well as public and community housing

6. **Strategies to reduce demand on the social housing sector**: Broad reforms will ease the burden on the sector and better serve Victorians. The State Government can readily adopt some of these reforms, others require advocacy to the Commonwealth Government.

Proposed reforms include:

At the State level

a. changes to the planning system to incorporate inclusionary zoning, density bonuses and development offsets
b. tenancy law reform
c. taxation reform, including land tax and stamp duty
d. a review of the First Home Buyer Grant Scheme
e. implementing shared equity programs and land trust models

At the Commonwealth level

a. revise the NAHA to separate funding streams for capital and operations, include a broader range of programs within it and introduce specific performance measures
b. establish NRAS as an ongoing housing assistance program
c. improve income support payments, particularly Newstart
d. tax reform, particularly for capital gains tax concessions and negative gearing

▼ Miller properties, Geelong

There were three Miller properties in Geelong which were built or redeveloped by Wintringham Housing in recent times: Miller Highton, Miller Manifold Heights and Miller Belmont.

Alexander Miller had been a retail entrepreneur in Central Victoria during the late 19th Century and left a portfolio of housing intended for older people who had fallen on hard times. Through an innovative partnership between Wintringham Housing and the Trustees of the Alexander Miller Estate, this housing has been redeveloped and expanded in Geelong and Regional Victoria. 2014 is the centenary of Alexander Miller's death and, looking at these photos, his legacy will now survive long into the future, assisting people just as he had planned.

▶ Miller Manifold Heights

The outdated Miller Homes at Malvern Grove, Manifold Heights, have been transformed by Wintringham Housing, with funding by Government, into a magnificent set of 14 first class units for older pensioners.

▼ Highton Community Centre

On land donated by the Alexander Miller Memorial Trust, Wintringham Housing accessed Government funding to build 34 handsome new units at Cranwell Court, Highton. Importantly, a community centre was included in the development, reflecting Wintringham's commitment to providing the supports needed to ensure successful tenancies.

◀ Culbin Ave, Belmont

The Alexander Miller Memorial Housing in Culbin Ave Belmont no longer met modern standards for older tenants when Wintringham Housing undertook its extensive redevelopment sourcing funds from the Victorian Government's Office of Housing Strategy for Growth. Through excellent design, new and old have been seamlessly combined to allow for universal access.

The site retains million dollar views across the Barwon River valley.

PART 1: SOCIAL HOUSING NOW

1. What is Social Housing?

Everyone needs a home. Victoria has a responsibility to ensure that all residents can access adequate and affordable housing as the basis for social and economic participation. Social housing provides affordable homes to those individuals or families who would otherwise find themselves homeless or without decent housing in the private market.

Social housing generally refers to accommodation subsidised to maintain affordable rents and includes public, community and transitional housing.

Social housing is largely funded under the National Affordable Housing Agreement (NAHA) between the Commonwealth and State Governments, the successor to the Commonwealth State Housing Agreement. The NAHA aims to ensure that "all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation" (COAG 2009a).

Victoria's social housing comprises:

- 65,000 public housing dwellings accommodating 127,000 tenants who pay no more than 25% of their assessable household income in rent.
- approximately 18,000 properties owned or managed by community housing, including nearly 4,000 transitional housing properties, together housing around 20,000 tenants in a variety of housing types, rent setting and management arrangements. The community housing sector in Victoria has grown significantly in scale in recent years and now has assets with an estimated value of $2.3 billion.

Public and community housing form the basis of the social housing system but have developed in very different ways. Both offer different opportunities for growth. For example, community housing has access to Commonwealth Rent Assistance and private finance, while public housing has substantial existing assets. Building on the respective strengths of each sector is critical to meeting the growing housing needs of low income Victorians.

2. Why do we need social housing?

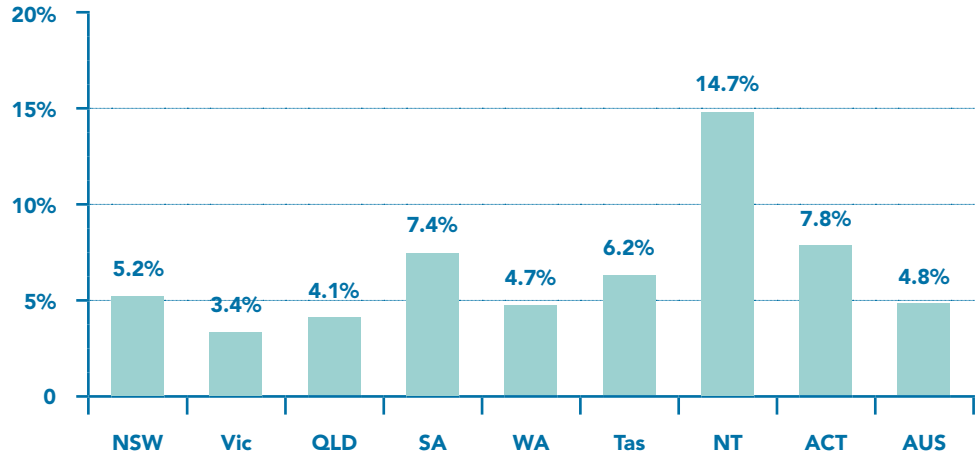
Social housing operates in the broader housing market. Unfortunately, the wider market often fails to meet the needs of low and moderate-income households without putting them under serious financial strain and at risk of homelessness.

The market's failure to meet the needs of low and moderate income Victorians is supported by overwhelming evidence, including:

- around 15 per cent of households have an affordability problem with their housing costs (Burke et al 2013)
- according to one snapshot study, only two per cent of Melbourne rental homes were affordable for working single-parent families, while none were affordable for a single person on the minimum wage or income support (DHS 2012)
- by 2006, there was an absolute shortage of low cost private rentals in the order of 42,000 homes (Wulff et al 2011). By 2013 it is likely that figure will have risen to 50,000
- security of occupancy is weak in the private rental sector by international standards, meaning tenants are at excessive risk of eviction, and face disruptions to education and work
- low cost private rental has been pushed to outer metropolitan suburbs with poor access to jobs and public transport (Burke et al, forthcoming)
- high levels of forced evictions: In 2011, there were more than 23,200 applications for evictions, mostly for rent arrears. (VCAT 2011:25)
- increased homelessness : Homelessness increased 20 percent between 2006 and 2011, with 22,000 Victorians now experiencing homelessness on any one night (ABS 2011). Excessive growth in legal and illegal boarding houses, and overcrowded caravan parks, has accompanied the increase in homelessness.

Social housing is an important alternative supply of housing for those whose needs cannot be met by the broader private housing market. Victoria trails the rest of Australia in the provision of social housing and indeed has one of the lowest rates of social housing in the western world.

Figure 1: Social housing as a percentage of all housing stock



Source: Burke et al, 2013, Forecasting social housing need

The clear failure of the private market to deliver low-cost housing highlights the need for an Affordable Housing Strategy that spans all tenures and the whole of government. The widespread problems throughout the entire housing sector impose enormous pressure on social housing; an issue that will only deteriorate the longer nothing is done.

Public housing

Victoria's public housing has been an outstanding success with hundreds of thousands of low-income families and individuals accommodated over many decades. Affordability and security are the great strengths of public housing; meaning people can afford to live, and remain, in their homes long term without anxiety about the future. These important features allow tenants the opportunity to plan for their future and spend their limited incomes on the things that matter, such as on food, education and raising their children (Lewis 2006:1-6). Other priorities such as good health, studying for a qualification, caring for others, contributing to the community are also possible if tenants do not have to worry about whether they can pay the rent, or where they will live if they can't.

Nevertheless, public housing is in crisis. Being starved of funds and neglected for so long, means it is no longer able to house people in desperate need. In December 2013 there were 33,916 Victorians waiting for public housing, with many more in need. More than 100,000 low-income renters are suffering housing stress (PC 2013). It did not have to be like this. These problems are the inevitable consequences of flawed policy decisions, poor management, sustained under-investment, and increasing market failure to provide low-cost housing. Unclear decisions and lack of oversight are also to blame, as is the failure of successive State-Federal agreements to account for the true costs and benefits of public housing.

Under successive agreements from 1995, public housing funding declined sharply, precisely at a point in time when Victoria could least afford it due to:

- new targeting conditions eroding rental revenues
- increased disadvantage in the tenant mix leading to an escalation in costs
- ageing housing not being replaced, leading to rising repairs and maintenance bills

Consequently, any residual funding has gone towards maintenance for existing housing rather than building more homes. Even the best housing managers would struggle to meet demand in these conditions. The 2008-09 Federal Government stimulus package provided a significant boost for social housing during the global financial crisis. However, the funding was short-lived and government investment has resumed its downwards trajectory, meaning fewer homes for those who need them most.

The current predicament has generated a prevalent school of thought that public housing should be self-funded. This is a furphy. No one expects public health, public education or the justice system to meet their own costs. Public housing should not be an exception. Public housing is an essential service and like all other public services, should have a proper budget. The 'residualisation' of public housing has occurred by stealth. There has been no real public discussion about the benefits of a strong social housing system – or the consequences of not having one at all.

Too often, discussion about public housing focuses on short-term 'quick fixes', anecdotes and tenant stereotypes, rather than a long-term vision. Continued 'tinkering at the edges' of the social housing system, and ignoring continued market failure, will have dire consequences. It will result in more poverty and a wider social divide in cities; entrenched unemployment; disrupted education; and increased crime and anti-social behaviour , ultimately impacting on Victoria's productivity and liveability.

The Auditor-General's 2012 report on public housing concluded "that the current operating model and asset management approach places the long-term provision of this vital public service at risk." (VAGO 2012) The report noted a new housing framework was under development. Two years later a framework has yet to emerge.

Public housing has a critical role to play in our society and the economy. It cannot continue to be neglected and without a strategy for the future.

Community Housing

Community housing evolved as non-government organisations identified that more social housing was necessary. Community housing has grown rapidly in the past three decades, from a relatively small program in the early 1980s to a significant sector in both scale and scope. Direct government investment, stock transfers and borrowings spurred the growth, as governments looked to community housing as an alternative supply of affordable rental accommodation. Community housing has a proud record of high rates of tenant satisfaction.

Community housing organisations do not receive recurrent operational funding to run or manage long-term community housing properties. Subsidies are in place for Transitional Housing operations.

In May 2009, Australia's Housing Ministers all agreed that the community housing sector could expand to comprise up to 35% of social housing by 2014. This target reflects the increasing role community housing plays in growth of social housing and suggests the upper limit of the Australian Government's willingness to continue to pay rent assistance for these properties. Despite this agreement, almost five years ago, the Victorian Government has made no moves to expand the reach of community housing.

Community Housing can expand to meet the increasing demand for affordable housing, but it cannot do it alone. To realise a stronger and larger community housing sector, the following actions are necessary:

- a clear position on balancing trade-offs between housing people on the lowest incomes, increasing the number of homes, and maintaining the financial viability of community housing organisations
- reassessment of the complicated and restrictive regulatory conditions for community housing, which limits providers' ability to be innovative and flexible, especially with asset management and redevelopment
- better ways to manage debt levels and attract private investment in community housing to maximise the potential for growth
- more support services for high needs tenants
- certainty in government policy – lack of certainty creates difficulty in long-term planning
- an end to duplication in regulation and reporting

PART 2: SOCIAL HOUSING FOR THE FUTURE

This section outlines a comprehensive six-point plan for a sustainable future for Victoria's social housing.

The basic principles underpinning the plan:

- social housing must be placed on a growth pathway to meet the needs of a growing and ageing population in a highly unaffordable and inaccessible private housing market
- social housing needs to provide security of tenure for people who will need homes for life, and for those who may wish to transition to other housing options in the medium to longer term
- collaborative design of the social housing system, involving tenants, government, community, and business
- a strong and streamlined regulatory system that balances accountability for public resources with the flexibility to maximise their use
- a plan with a long-term timeframe, which provides clarity on the respective roles and appropriate funding to support both public and community housing

1. An Affordable Housing Strategy for Victoria

Social housing is just a small part of an interconnected housing system. Problems in the private rental market, home purchase and planning all combine to create demand and place pressure on the social housing system. The following recommendations outline critical areas of social housing reform in more detail. Combined, these elements would form part of an overarching Affordable Housing Strategy to expand the supply, security and quality of low cost housing in Victoria across both the social and private sectors. A whole of government response is required to make affordable housing a priority and address the failings of the current system.

Recommendation 1:

Develop a broad Affordable Housing Strategy to expand the supply, security and quality of low-cost social and private housing in Victoria.

2. A 20 year strategy for social housing

Demand for social housing is set to increase by 38 per cent in Melbourne, and 26 per cent for the rest of the Victoria by 2024 – outstripping the demand for private rental which is estimated at 27% and 15 % respectively. (AIHW 2012:53). Therefore, to stem housing affordability problems and increased homelessness, social housing must grow at a rate faster than the private market.

Regardless of the methodology, research concludes that social housing stock must grow between 5 to 6½ per cent of total housing stock to cope with rising demand (Jacobs et al 2010:7, McDonald and Temple 2008, Burke et al 2013). The growth rate equates to about 170,000 homes in social housing or subsidised private rental in 2030. Current social housing stock in Victoria numbers approximately 83,000.

The 2009 Victorian Parliamentary Inquiry into Public Housing supports a similar target growth rate in its recommendation:

Social housing stock be increased to 5% of the total Victorian housing stock by 2030.

The challenges of such significant growth require complementary strategies.

a. Capital Investment

Governments must accept that social housing will always require some level of funding. Annual social housing returns are, at best, around 3% of capital investment. (Deloitte Access Economics 2011:21). A plethora of research into alternative financing, including government capital investment funding models, housing bonds, public private partnerships, housing allowances, and community land trusts (Berry et al 2004, Jones 2007, Lawson et al 2010, Lawson 2009, Lawson et al 2009, Lawson 2007, Milligan et al 2009, Milligan and Pinnegar 2010,), all concluded some form of government support is required. There is no silver bullet.

The Governments cannot cling to the concept that it is possible to provide social housing without funding it. Instead, they must commit to building on structures that use government investment most effectively, provide certainty, encourage home building and focus on helping people find secure and affordable places to live.

Public sector finance continues to represent a viable method for supply of new social housing. Government can borrow at much lower interest rates than the private or community sector, and can protect their investment through their regulatory role. Capital spending on housing generates saleable assets with measureable income streams – and is therefore less likely to adversely affect government credit ratings. The real cost to government of alternative financing methods should be benchmarked against traditional public debt financing, to ensure that an alternative option is generating value for money.

Recommendation 2(a)

The Victorian Government establishes a new Social Housing Supply program with funding of $200 million per year (indexed) over 20 years to enable growth of a minimum 800 homes annually.

b. Stock Transfers

Transfers of tenancy management and assets from public to community housing is often proposed to resolve some of the current financial problems in public housing. It can introduce new revenue and maintain existing stock with the current tenant profiles. Transfers can also help to grow the housing stock through borrowings and accommodating fewer very low-income tenants. However, stock transfers cannot achieve both outcomes simultaneously in the absence of other funding.

Even if all public housing were transferred, it would produce only an extra 10,000 homes, well short of what is required for the future (Burke et al 2013). Stock transfers make up part, but not the whole of a social housing strategy.

The type of transfer makes a difference. Transfers of tenancy management alone do not secure much growth (Sphere 2013:3) and there are some caveats on how transfers should be undertaken and what they can achieve:

- the transfer of poor quality and poorly maintained assets is unlikely to produce any additional homes, as debt would be required just to address the maintenance backlog. Indeed, some properties may be in such poor condition that additional funding would be required to bring them up to standard
- a suitable method of managing the transfer of tenancies, including tenant consultation and choice, needs to be determined before transfers can occur

In order to deliver benefits to tenants and achieve the overall growth of the social housing system, a clear planning process needs to be in place to facilitate any transfers, including:

- a plan for community housing to reach 35 per cent of total social housing by 2020. This could be achieved with a mix of tenancy management and asset transfers, accounting for the quality of homes and mix of tenants being considered
- certainty and transparency so that community housing organisations, tenants and financiers have confidence in the new arrangements
- community housing organisations that already manage existing tenancies should have the first option for any asset transfer, as they have the best knowledge of the tenants needs and property condition
- where appropriate, tenancy transfer should occur before asset transfer, allowing a 'settling in' period and an opportunity for the community housing organisation to understand the needs of the property and the tenant before proceeding
- in other cases, portfolio packages of both tenancy management and asset transfers should occur together, to maximise new growth
- the removal of arbitrary 'leverage' requirements, and a requirement to maximise opportunities to maintain and grow the number of homes
- information on property condition, rental income and arrears, targeting requirements and other relevant factors so providers can undertake timely due diligence assessments
- no disadvantage to tenants, who must be retained on the same terms and conditions in any transfer
- any further transfers and growth to be based on evaluating the initial transfers

Transfers must be conducted transparently with adequate preparation, consultation and tenant engagement.

The future of transitional housing should be considered as part of a transfer program. There are about 4,000 transitional housing properties currently managed by community housing organisations. Given community housing organisations are already familiar with these properties, they could make up the first stages of any stock transfer. However, they serve a specific function within the homelessness service system and this function should be retained. Changes could incorporate improved performance, including:

- clearer maintenance and leasing costs
- changing contractual arrangements to allow transitional housing to attract rent assistance
- expanding 'same house different landlord' models

In most tenancy transfers to date, the participation of tenants has been poor (Pawson et al, 2013). Tenants should be involved in any transfer process, including having the right to choose or refuse a transfer, especially if their entitlements or terms and conditions would be affected.

Tenancy transfers must include:

- respect and sensitivity reflecting that this is a highly personal decision about people's homes
- timely information and decision-making, including open and honest communication with tenants, full disclosure of changes, and the opportunity to ask questions
- inclusive ways of informing tenants, including material produced in plain English and in other languages, as well as accessible for people with disabilities

Recommendation 2(b)

Stock transfers to community housing (comprising both title and management transfers) to achieve the COAG commitment for community housing to manage 35% of social housing. Any transfers must include best practice tenant inclusion in the transfer process.

c. The National Affordable Housing Agreement (NAHA)

The Victorian Government must act to increase social housing to meet the State's growing housing need. Ultimately, action on growth funds and stock transfers will need to be reinforced at the Commonwealth Government level. Joint and concerted effort will be required to work with the Commonwealth on a long-term solution, such as an improved NAHA.

Victoria cannot afford to wait for the Commonwealth and other states to renegotiate an improved NAHA.

Recommendation 2(c)

The Victorian Government must lobby for improvements to the National Affordable Housing Agreement (NAHA) that enable investment of funds by the State Government to be augmented by additional funding from the Commonwealth Government.

d. Innovative financing of social housing

There are a range of models that can be used to deliver growth in social housing, and it is most likely that an 'appropriate combination of solutions' will be needed to deliver the type and scale of growth required (KPMG 2012:5). Financing vehicles are 'a significantly underdeveloped part of Australia's response to housing affordability' (Milligan et al 2009). Key factors in attracting greater levels of non-government investment in community housing are:

- a stable policy framework and long term funding to satisfy private finance risk management criteria and reduce risk premiums
- guarantees for higher returns than can be generated by current policy settings (Deloitte Access Economics 2011:21)
- confidence in community housing as a viable long term and financially sustainable investment vehicle

The real cost to government of alternative financing methods should be benchmarked against traditional public debt financing, to ensure that an alternative option is generating value for money.

Borrowing mechanisms

Existing laws and policies prevent public housing from trading to finance stock growth and upgrades. Reforming this red tape could unlock significant borrowing capacity and attract large scale private financing (Jacobs et al 2010).

The community housing sector already acquires and services debt, which could be extended in the right conditions. Taking on extra debt is limited by conservative offerings from private lenders, and the lack of an identified funding source to supplement rental returns. Proposals for housing supply bonds as developed by Lawson (2011), whereby the issuing of bonds by a specialised financial intermediary, with regulatory measures to ensure the funds were specifically directed at affordable rental housing provision, could provide a new source of finance for social housing but would require government support and involvement.

The 'revolving loan facility' currently used in the ACT operates as a short term loan to provide working capital for a new development, and is paid back on completion of the build (through sale of some of the units) rather than over the lifetime of the asset. This has the benefit of adding to affordable housing supply as well as creating mixed-tenure communities and improved social outcomes.

Another example is the UK-based finance model, utilised by The Housing Finance Corporation (THFC), (Deloitte Access Economics 2011:21) whereby this independent community housing provider raises longer-term bond finance for medium-sized organisations, acting as an intermediary between investors and borrowers. The specific measure includes:

- syndicated bonds – where risks are spread across a number of recipient housing associations
- bilateral bonds – larger housing associations can raise their own bond finance directly with institutional investors
- private placements – debt instruments offered directly to a small number of institutional investors

Public Private Partnerships (PPP)

This model has attracted significant interest in Victoria. However, there remains some concern about the true long-term benefits that the 'public' partner receives compared to the 'private' partner in the arrangement - in particular, where the long-term costs to government are greater than would have been achieved through simple debt mechanisms.

The Government commissioned KPMG report identifies the potential for PPPs to increase supply but 'institutional investment in affordable rental housing is constrained by the inability of private investors to achieve satisfactory risk-adjusted rates of return without some degree of subsidy' (KPMG 2012:31). A government guarantee on the rent, along with occupancy risk remaining with the government, would lower the risk model to investors.

While a full review of the benefits of the high profile Kensington PPP is yet to be released, the project identified early challenges of lower than expected rental returns, and raised issues around competitive neutrality of such ventures and the potential impact on NFPs charitable/tax status (KPMG 2012:40).

Recommendation 2(d)

Attract additional private investment in social housing by developing innovative financing options.

e. Best Practice Asset Management

Asset management involves 'the systematic process of planning, acquisition, transfer, re-organisation, improvement and management of physical assets in a cost effective way' (Kenley et al 2009:1). Improvements in asset management require greater alignment between operational strategies and business strategies, an improved knowledge base and skill set amongst those responsible for asset management, and an approach that resolves 'governance' and 'social policy' perspectives toward asset management (Kenley et al 2010).

The Housing Registrar monitors management of vacancies, rent arrears, sustaining tenancies, property maintenance and complaints, which are reported annually. Public housing has its own internal asset management strategies, reported on in different ways, but primarily internally.

There is a dearth of literature on social housing asset management practices, and little is available on the practices in Victorian public housing (Kenley et al 2009:40). The Victorian Government's strategy of the past decade to sell-off stock in the poorest condition and use the proceeds for redevelopment purposes appears to have had some short term benefits, but the maintenance backlog continues to accumulate.

Areas identified for development in asset management include:

- systems for managing inventory
- better ways of assessing the condition of properties
- improved skills and competency in maintenance roles, and more generally attracting market-based skills into social housing
- better long-term prioritisation for investment and maintenance (Kenley et al 20010:82-86)

Recommendation 2 (e)

Develop best practice asset management strategies across the whole social housing sector that would be independently monitored and reported, as is the current practice in the community housing sector.

3. Financial sustainability and flexible operating payments

Making ends meet is as much a problem for Victoria's social housing providers as it is for the people they strive to house. Rents and funding from State and Federal Governments do not pay the costs, let alone provide for growth.

In many countries, income support and housing benefits are high enough to pay for reasonable cost-recovery. In New Zealand, the Treasury funds the rent gap to ensure the system is sustainable.

Statutory incomes, in particular Newstart Allowance, are so low that income based rents cannot cover the operating costs of providing housing and tenancy management. An operational funding system must be implemented for all social housing providers to address the rent gap created by affordable rents. The level of operating payment for each social housing provider would vary to account for tax advantages, rent assistance payments and the incomes and attributes of the tenants housed. This would ensure that there is no disincentive to house particularly vulnerable groups.

A clear and transparent allocations system must be matched with an appropriate subsidy to ensure that the requirement to house people on very low incomes does not put the financial viability of the provider at risk. Similarly, access to ongoing support services for very high needs tenants is essential to sustaining tenancies.

Recommendation 3

Establish a common incentive-based operating payment for social housing so all tenants, particularly those with multiple needs and on the lowest incomes, are sustainably housed.

4. Tenancy management practices

Social housing must improve its capacity to get better results for tenants so they can live in houses that suit their needs, be secure in their homes, and be supported to participate in community and economic activities.

a. Improved access to social housing

A central or common access point for social housing applications would provide a simpler, easier system for everyone and prevent duplication by providers that run their own waiting lists. Public housing and community housing providers would jointly, and cooperatively, manage this process.

Recommendation 4(a)

Establish a central access point for all social housing.

b. Allocation choices

An improved allocation system would assist a move towards choice-based letting processes, whereby properties are advertised and tenants given some choice in finding and accepting a vacancy without forfeiting their right to stay in the housing queue (Pawson 2006). Matching vacancies would still prioritise those in need, but with a requirement for housing providers to allocate a balanced proportion of vacancies from each of the waiting list categories. The Housing Registrar would need to monitor the system. This would allow some discretion and more appropriate matching of tenant needs with available stock and local area attributes, and ensure accountability.

Recommendation 4(b)

Commence choice-based lettings, including allowing tenants to make choices about where they live without a waiting list "penalty".

c. Easier transfers

Allowing easier transfers within the social housing system could also improve the effectiveness of social housing; tenants would find homes that are more appropriate and housing assets would be used more efficiently.

Recommendation 4(c)

Make transfers easier for tenants moving to accommodation that is more appropriate within and between social housing providers.

d. Affordable rent setting

Social housing rents should not place a household under financial strain. In Victoria, social housing rents are insufficient to sustain the system.

Public housing tenants pay no more 25% of their assessable income. In community housing, tenants are generally charged 25%, with some exceptions, including tenancies in some newer stock and NRAS properties.

The fact that some decision-makers have an expectation that rents should cover operating costs creates tension between affordability for tenants and the financial viability of social housing.

Recommendation 4(d)

Maintain affordable rent setting policies in both community and public housing.

In summary;

- retain income based rents for public housing tenants, and public housing tenants who transfer to community housing, at 25%.
- retain income based rents for low income community housing tenants who have been allocated tenancies from the social housing register.
- social housing providers may apply a range of rent models that meet appropriate affordability benchmarks for tenants with moderate incomes.

e. Property Maintenance

Some 42 per cent of public housing properties are more than 30 years old and in need of repair or replacement (KPMG 2012:3), requiring an estimated $600m to redress (KPMG 2012:3).

Provision must be made for regular repairs and life-cycle replacement maintenance.

Recommendation 4(e)

Implement stronger standards and enforcement of property repairs and maintenance.

f. Security of occupancy

Current public housing eligibility and allocation policies have created a housing system in which most occupants are in need of long-term or permanent housing assistance.

Given the profile of social housing tenants, and limited social housing stock, there is little scope for limited tenure arrangements to provide an appropriate level of housing assistance for most current or prospective tenants.

The health and wellbeing benefits of housing security (and conversely the negative health and wellbeing outcomes associated with reduced housing security) are well documented.

Reduced security of occupancy, or fixed terms, is likely to increase pressures on other housing and homelessness services and do little to reduce public housing waiting lists.

Limited social housing tenure cannot be evaluated in any meaningful way without consideration of the restricted availability and affordability of alternative housing in private housing markets.

Security of tenure in public housing has been identified as likely to be of particular importance in facilitating economic participation, particularly for those tenants who have unstable and fractured family backgrounds, employment or housing histories. Fixed term tenancies may counter efforts to promote work participation by creating or reinforcing links between income based rent and work disincentives ie creating an incentive to remain below income eligibility thresholds in order to secure ongoing tenure.

Fixed term tenancies and eligibility reviews in NSW have been administratively burdensome and have arguably created a strong incentive for tenants to remain below the income eligibility threshold.

Recommendation 4(f)

Maintain security of occupancy, where tenants have options to stay in social housing, with flexibility around the particular property and manager.

g. Sustaining tenancies and preventing homelessness

Eviction from public housing should be a last resort. In these circumstances, tenants face crisis, extreme stress and homelessness, and governments will ultimately pay the costs through the homelessness, health and justice systems. Taking positive action to sustain tenancies and prevent homelessness is an ideal scenario for government and individuals alike. This could include a flexible tenant support program to help people before they face an eviction crisis including:

- changes to the *Residential Tenancies Act 1997* (RTA) and the *Victorian Civil and Administrative Tribunal Act 1998* (VCAT Act) that enforce evictions as a 'last resort'
- access to funds to repay small debts and help with financial counselling
- better customer service and rental collections to identify people with difficulty paying as quickly as possible, so positive action can be taken to stop their situation deteriorating.

Recommendation 4(g)

Better liaison with struggling tenants and improved support for providers to minimise the risk of eviction.

h. Independent dispute resolution

A Service Charter for social housing outlining the rights and responsibilities of tenants and housing providers would provide a clear and coherent set of expectations for all parties.

The existing public housing appeals process should be complemented by a similar independent appeals process in community housing to improve the recourse for tenants should they experience a poor decision. The NSW Housing Appeals Committee or a social housing ombudsman could also be investigated as possibilities. In either case, overall monitoring would remain with the Housing Registrar.

Recommendation 4(h)

Implement an enforceable independent complaints resolution process for non-tenancy law disputes.

i. Resolving neighbour conflicts

A very small percentage of social housing tenants exhibit anti-social behaviour, which in some circumstances, may be linked to neighbourhood disputes. These conflicts have grown since the introduction of targeting in social housing (Habibis et al 2007).

Conflict and disputes can result from deteriorating personal relationships between tenants with complex lives who live in close proximity, or between tenants with nearby residents. Early intervention, mediation and housing transfers can effectively assist to reduce any conflicts. Good customer service, clear expectations and responsive complaints systems also aid the resolution of disputes. Improving the system is preferable to imposing new, harsh penalties, which do little to resolve the causes of conflict, and potentially further disenfranchise tenants.

Recommendation 4(i)

Implement more active tenancy management and better policies and procedures to deal effectively with neighbourhood disputes, including compulsory mediation.

5. Housing governance and regulation

Part of the problem with Victoria's response to the housing affordability crisis is that responsibility for broad housing policy is diffused across government, while social housing has a single agency responsible for developing policy, providing housing services, and funding others to provide similar services. The Housing Registrar, located in the Department of Treasury and Finance, only regulates the community-housing sector. The Registrar does not provide oversight for public housing. Consequently, broader housing policy is often overlooked and poorly co-ordinated across agencies. Meanwhile, social housing suffers from conflict between the objectives of formulating good policy, service delivery, funding provision for housing initiatives, and the need for a strong and independent regulator.

The social housing system needs a different structure and management to make the most efficient use of funding and provide effective oversight. Good policy development would be best achieved by a department working at arm's length from service provision, and without the distraction of day-to-day management of housing services. This would also allow that department to determine the best allocation of funds, free from any concerns about its own operational needs, and ensure far greater transparency in the use and rationale for funding decisions.

Separating the provision of public housing by creating a separate statutory housing authority would also allow that agency to focus more clearly on good management of tenancies and the protection of public assets. Transferring regulatory oversight of such a statutory housing authority to the independent Housing Registrar would reduce regulatory duplication, and ensure high and consistent standards across the entire system.

Recommendation 5(a)

Change public governance arrangements to separate the roles of housing policy, provision, and regulation, to allow agencies to concentrate on specific functions and not confuse their distinct responsibilities, with:

i. a single department for housing funding and policy development;
ii. public housing delivered through a separate statutory housing authority; and
iii. the Housing Registrar being the sole regulator of the social housing sector for consistency, transparency, accountability and good governance.

Victorian community housing is regulated in line with national regulatory standards. Victorian public housing sits outside this system, creating an additional, internal process of regulation. So that tenants experience the same standard of housing, regardless of their provider, the Victorian Government should ensure that public and community housing are regulated on the same basis. This would ensure public housing is the subject of independent prudential oversight and performance measures, including asset management and maintenance, with safeguards for tenant wellbeing. It would also eliminate unnecessary duplication by Government.

Recommendation 5(b)

Regulate both public and community housing providers to the same standard under a single regulatory system to improve accountability and consistency.

One of the greatest impediments to the Victorian Government's provision of a cohesive and co-ordinated response to housing adequacy and affordability concerns is the diffuse set of responsibilities across governments for different aspects of housing. For instance, different parts of the law regulating the private rental market are split between at least four different Ministers. Similarly, the many opportunities that different agencies have to influence housing affordability – such as planning regulation, state taxation concessions, rental market regulation and housing subsidies – are not co-ordinated, so that no coherent policy making occurs.

Consistent with the need for a whole of government Affordable Housing Strategy, Ministerial responsibilities should be reconfigured so the housing portfolio has oversight for the entire housing system, and is not segmented between a patchwork of Ministers and agencies. This would allow one part of government to take a birds-eye view of the whole housing system, incorporating planning for population growth and infrastructure investment in plans for social housing.

Recommendation 5(c)

Reconfigure Victorian Ministerial arrangements so that responsibility for housing includes private rental regulation, State tax concessions and affordable home ownership, as well as public and community housing.

6. Reduce demand for social housing

In addition to strategies for increasing the supply of social housing, it is critical that an Affordable Housing Framework explores available strategies to help take pressure off the social housing system. This would include measures at both a State and COAG level, the latter requiring significant advocacy for reform in conjunction with other States and Territories. Given that many States and Territories face similar problems of declining social housing and increasingly unaffordable private homes, there are strong grounds for tackling this at a national level.

Victorian Government actions

a. Planning reform

The potential for planning reform to address housing affordability issues is widely recognised both in Australia and internationally. Evidence in the Australian context suggests that while States can undertake their own reforms, a uniform national planning framework would be required to provide the greatest benefits (Beer 2004; Gurran 2008; Milligan 2009; Productivity Commission 2011, as cited in Gronda et al 2011:19).

Planning reforms that should be considered to increase supply include:

- inclusionary zoning (where inclusion of a proportion of social housing in new multi-unit developments is legislated)
- inclusionary approvals (where local government places covenants or other conditions on developments with a minimum requirement for social housing units)
- density bonuses (where higher density developments are approved on the basis of social housing being included)

b. Tenancy law reform

The majority of low and moderate-income households live in the private rental market, and will continue to do so into the future. Making this market more efficient, affordable and secure will help to sustain tenancies and provide a viable alternative to social housing. In order to improve the private rental system a number of legislative, policy and programmatic changes are necessary. A comprehensive review of residential tenancies laws is needed to improve the accessibility, affordability, quality and security of rental housing.

In addition to changes to residential tenancies law, the practices of the Victorian Civil and Administrative Tribunal (VCAT) should be reviewed. Eviction processes are a critical 'intervention point' for people at risk of homelessness and VCAT is on the front line. However, there is extremely limited scope for VCAT to consider individual vulnerabilities or risk of homelessness in eviction proceedings under both the *Residential Tenancies Act 1997* (RTA) and the *Victorian Civil and Administrative Tribunal Act 1998* (VCAT Act).

To support the position of eviction as a 'last resort', policy settings and frameworks should be amended. A consultation process should be developed to review the RTA and VCAT Acts in order improve outcomes for tenants and landlords, as well as the rates of tenancy sustainment. Specifically this consultation should consider amendments to the RTA and VCAT Act including:

- the ability to divert tenants away from eviction processes and into support programs
- the development of brokerage funding to clear small amounts of arrears (less than $1000) and specific tribunal powers to resolve arrears through access to brokerage
- a requirement to negotiate
- the ability for VCAT to consider special circumstances including risk of homelessness when making decisions to evict
- VCAT's ability to extend timeframes for eviction proceedings, including adjourning hearings and postponing possession orders depending on client circumstances, vulnerabilities and access to services/alternative housing

c. Taxation reform

Stamp duty is levied on nearly all property sales, determined by the value of land and buildings (and applied at different rates for owner-occupiers and investors). The current Victorian

Government scheme to reduce stamp duty by 50% for eligible first homebuyers defines stamp duty as a fiscal barrier to home ownership for low-income households.

Land tax is typically applied once an investor reaches a certain value threshold. This structure is a disincentive for large-scale investment in the rental sector, and reduces housing affordability for tenants as developers inevitably build it into higher rent costs (AHURI 2013a).

One option is to abolish all stamp duty and replace it with a flat land tax that would be treated equally regardless of ownership. Modelling shows that over time this would result in reduced house prices and therefore greater housing affordability. This is a long-term measure, which would need to be phased in over a considerable period. The ACT is poised to phase out Stamp Duty and replace it with a broad based land tax over a 20 year period (AHURI 2013b).

d. First Home Buyer Grant Scheme review

Rather than improving housing affordability, first home owner grants have operated as a general economic stimulus to the property sector, counteracting other measures to improve access to home ownership (Wood et al 2006). The current Victoria First Home Owner Grant (FHOG) scheme of up to $10,000 is restricted to eligible buyers of new homes from 1 July 2013, acting as an incentive to increase supply of new housing (prior to this it was available to all eligible first home buyers). While the grant was originally intended to counteract the introduction of GST on home purchases, it is arguable that the cost of this grant has now been built into developers' costings as part of their financial modelling for sales.

Removing the FHOG would have some short-term impact on housing affordability but the longer-term impact of removing an artificial inflationary mechanism could have much wider benefits.

e. Shared Equity Schemes

Shared equity products, which allow buyers to purchase part of the value of their home, have been developed to a sophisticated level in some jurisdictions, notably WA and SA, and deserve re-examination in Victoria. These schemes allow people with lower incomes and assets, such as retirees with modest assets or low-income families struggling to compete in the over-heated private housing market, to secure a home.

Government-backed products have developed strong offerings through arm's length agencies (Pinnegar et al 2009). The Victorian government should investigate these shared equity products as part of an Affordable Housing Strategy.

Commonwealth Government actions

In addition, areas where the State Government should advocate for Commonwealth policy reform include:

a. National Affordable Housing Agreement (NAHA)

The current agreement is a positive step forward in setting up a new national approach to delivering more coordinated housing and homelessness policies (Gronda and Costello 2011). However, the failure of the NAHA to include the broader range of housing programs (such as Commonwealth Rental Assistance, National Rental Affordability Scheme, Housing Affordability Fund and the First Homeowners Scheme) weakened its ability to deliver improved housing affordability. Similarly, the funding structure, whereby a lump sum payment is made to the states inhibits the proper economic management of the housing asset base. We strongly recommended that the Victorian Government advocate for a future NAHA to provide separate funding streams for capital and operational expenditure, in addition to a funding stream for homelessness and housing support programs. This will ensure true transparency of inputs and outputs, that can be reported on, and used to secure the most efficient use of resources.

Critically, it is recommended that a future NAHA not only include a broader range of housing programs but that specific performance measures are included across all NAHA components to support true coordination and accountability.

The future NAHA should aim to create a housing system, which is 'tenure neutral' (Gronda and Costello 2011:21), whereby:

- one form of tenure is not privileged over another
- movement within and between tenures is enabled
- wealth generation can occur equally amongst tenures
- sustainable and appropriate affordable housing is available across all housing tenures

b. National Rental Affordability Scheme (NRAS)

This scheme is designed to encourage the construction of new properties for rent at below market rates. It provides either a tax credit for private investors or a subsidy for NFP providers for 10 years. NRAS also requires funding or in-kind contribution from States/Territories. Currently this program offers just 50,000 incentives in total. We recommend that NRAS be established as a permanent program with predictable, annual funding to allow certainty for investors and long term planning for housing providers.

c. Income support payment reform

Improving income support programs, specifically an increase to current payment levels of Newstart, is essential to addressing housing affordability for unemployed singles. The widely recognised inadequacy of Newstart as a basic income for singles has been the subject of intense advocacy and lobbying from the community services sector. The inadequacy of this payment is a key contributor to growing levels of evictions in the private rental sector, and therefore increases demand on homelessness services and social housing wait lists.

Given the increasing numbers of aged pensioners and people on the Disability Support Pension (and their existing high numbers within the public housing sector), it is also important to recognise that these Commonwealth payments have a significant impact on both affordability for renters in the private rental sector and in the rental revenues for future social housing projects.

d. Taxation reform

Existing tax and transfer settings significantly impact on the operations of the Australian housing system (Yates 2009) and evidence has been presented suggesting these actively undermine the objectives of the NAHA (Gronda and Costello 2011:20). The Henry Tax Review of 2010 also identified the need to change policy settings to address the impact of negative gearing on residential investment, capital gains tax exemptions on owner-occupied housing, income tax exemption of imputed rents, linking of CRA to property market fluctuations and the impact of current land tax arrangements.

The biggest beneficiaries from current housing tax policy are home owner-occupiers, particularly those on high incomes, with an estimated $45 billion in indirect taxation assistance in 2005-06 (comprising almost $30 billion in capital gains tax exemptions, and $7 billion in non-taxation of imputed rents). These tax expenditures effectively provided an $8,000 subsidy per owner-occupier household per year in 2005-06 and $4,000 per household per year to investors (AHURI 2013a).

Recommendation 6

Reduce demand on the social housing sector through the complementary reforms outlined.

REFERENCES

Australian Bureau of Statistics (2011) ***Census of population and housing: Estimating homelessness 2011***, Cat. No. 2049.0, Australian Government, Canberra.

Australian Housing and Urban Research Institute (2013a) 'Why tax policy is housing policy (Part 1 of 2)', Evidence Review 031, August 2013, Australian Housing and Urban Research Institute, accessed 6 October 2013, ***www.ahuri.edu.au/housing_information/review/evrev031***

Australian Housing and Urban Research Institute (2013b), 'Why tax policy is housing policy (Part 2 of 2)', Evidence Review 032, August 2013, Australian Housing and Urban Research Institute, accessed 6 October 2013, ***www.ahuri.edu.au/housing_information/review/evrev032***

Australian Housing and Urban Research Institute (2013c), 'Transferring public housing to the not-for-profit sector', Evidence Review 033, September 2013, Australian Housing and Urban Research Institute, accessed 1 October 2013, ***www.ahuri.edu.au/housing_information/review/evrev033***

Australian Institute of Health and Welfare (2013) ***National social housing survey 2012: a summary of national results***, AIHW bulletin 117. Cat. No. AUS172. Canberra: AIHW.

Australian Institute of Health and Welfare (2012) ***Housing assistance in Australia 2012***, Cat. no. HOU 266. Canberra: AIHW.

Australian Institute of Health and Welfare (2011) ***Australia's welfare 2011***, Cat. No. AUS142, AIHW, Canberra.

Berry M et al (2003), ***Policy options for stimulating private sector involvement in affordable housing across Australia: operationalising and implementing viable new options***, AHURI, ***http://www.ahuri.edu.au/publications/projects/p60099#sthash.fKcmXJNs.dpuf***

Burke T (forthcoming), ***Housing Tenure and Labour market Performance***, AHURI Melbourne, data extracted from ABS census 2011.

Burke, T, John Stone, J, Glackin S and J Scheurer J (forthcoming) ***Transport disadvantage and low-income rental housing***, AHURI Melbourne.

Burke T, McNelis S and Ralston L (2013) Forecasting Social Housing Demand –Development of Indicators unpublished report Swinburne University of Technology

Burke, T. Stone M and L Ralston L (2011) ***The residual income method: a new lens on housing affordability and market behaviour*** , AHURI, Melbourne

Council of Australian Governments Housing Supply and Affordability Reform Working Group (2012a) ***Housing Supply and Affordability Reform***, accessed 29 September 2013, ***http://www.coag.gov.au/node/451***

Council of Australian Governments (2012b) ***Housing Supply and Affordability Report***, ***http://www.coag.gov.au/node/451,*** accessed 8 October 2013.

Council of Australian Governments (2009) ***National Partnership Agreement on Social Housing***, Canberra.

Deloitte Corporate Finance P/L (2011) ***Increasing affordable housing through the Victorian community housing sector***, Deloitte.

Demographia International (2011), ***Housing Affordability Survey***, accessed 4 October 2013, ***http://www.demographia.com/dhi2011.pdf***

Department of Human Services (2012), ***Rental Report March 2012***, Victorian Government, Melbourne.

Department of Human Services (2007) Our regulatory framework – Housing Registrar, ***http://www.housingregistrar.vic.gov.au/Publications-and-guides/Regulatory-framework-series***, accessed 1 October 2013.

Department of Planning and Community Development (2013) ***Victoria in Future 2012; the Victorian Government's official population and household projections***, DPCD Melbourne

Ferrer E (2013) ***Maximising growth potential of housing providers through title transfer***, Sphere Company, prepared for Community Housing Council of SA Inc., Adelaide.

Gronda H and Costello L (2011) ***Beyond the current NAHA: what next for national housing policy? – conference discussion paper***, AHURI Research Synthesis Service, Australian Housing and Urban Research Institute, Melbourne.

Habibis D, Atkinson R, Dunbar T, Goss D, Easthope H and P Maginn (2007) ***A sustaining tenancies approach to managing demanding behaviours in public housing: a good practice guide***, AHURI Southern Research Centre.

Housing Registrar (2012) ***Housing Registrar Report 2011-12***, Department of Treasury and Finance, Melbourne.

Housing WA (2010) ***Affordable Housing Strategy 2010-2020: Opening Doors to Affordable Housin***g, Government of Western Australia, Perth.

Hulse K et al (2011) ***Secure occupancy in rental housing: conceptual foundations and comparative perspectives***, AHURI Final Report No. 170, AHURI, Melbourne.

Hulse K, Phillips R and T Burke (2007) ***Improving Access to Social Housing: paradigms, principles and reforms***, Australian Housing and Urban Research Institute, Melbourne

Hulse K and Burke T (2005) ***The Changing Role of Allocations Systems in Social Housing***, Final Report, Australian Housing and Urban Research Institute, Melbourne,

Jacobs K, Atkinson R, Colic-Peisker V, Berry M and T Dalton (2010) ***What Future for Public Housing: a critical analysis***, Final Research Report No.151, AHURI.

Johnson G, Kuehnle D, Parkinson S & Y Tseng (2012) ***Meeting the Challenge? Transitions out of long-term homelessness. A randomised controlled trial examining the 24 month costs, benefits and social outcomes from the Journey to Social Inclusion pilot program.***
Sacred Heart Mission, St Kilda.

Kenley R, Chiazor M, Heywood C and S McNelis (2009) ***Towards best practice for public housing asset management***, AHURI Swinburne-Monash Research Centre, Positioning paper No.118, May 2009.

KPMG & Housing Ministers' Advisory Council (2012) ***Social Housing Initiative Review***

Lawson J (2011), ***Housing Supply Bonds: a suitable instrument to channel investment towards affordable housing in Australia?***, AHURI Report, accessed 2 October 2013, ***http://www.ahuri.edu.au/publications/projects/p30652***

Lawson J, Berry M, Milligan V and J Yates (2009) ***Facilitating investments in affordable housing: towards an Australian model***, 2009 Housing Researchers Conference.

Lewis J (2006) ***How does security of tenure impact on public housing tenants?***, AHURI Research and Policy Bulletin No. 78

Milligan, V., et al. (2013) ***Understanding leadership, strategy and organisational dynamics in the not-for-profit housing sector***, AHURI Final Report No.204. Melbourne: Australian Housing and Urban Research Institute.

Lawson J (2013) ***The use of guarantees in affordable housing investment – a selective international review***, Positioning Paper No. 156, AHURI Melbourne.

Lawson J, Milligan V and T Gilmour (2010) ***International measures to channel investment towards affordable rental housing***, AHURI Report.

Milligan et al (2009) ***Innovation in the provision of affordable housing***, AHURI Report No. 134.

National Housing Supply Council (2013) ***Housing Supply and Affordability Issues 2012-13***, March 2013, Department of Treasury, Canberra.

Pawson H, Milligan V, Wiesel I and K Hulse (2013) ***Public housing transfers: past, present and prospective***, Australian Housing and Urban Research Institute, UNSW and Swinburne University of Technology, Final Report No.215.

Pawson H, Jones C, Donohoe T, Netto G, & C Fancy (2006) Monitoring the Longer Term Impacts of Choice Based Lettings; London: Department for Communities and Local Government

Pinnegar S (2009) ***Partnership working in the design and delivery of housing policy***, Australian Housing and Urban Research Institute, accessed 6 October 2013, ***http://www.ahuri.edu.au/publications/projects/p70588#sthash.i4L2zy4B.dpuf***

Pinnegar S, Easthope H, Randolph B, Williams P, and J Yates (2009) ***Innovative financing for home ownership; the potential for shared equity initiatives in Australia***, AHURI UNSW-UWS Research Centre, Report No. 137.

Povey C (2011) ***Investigating tenancy sustainment programs and approaches in relation to clients at risk of homelessness***, Churchill Fellowship Report, Homeless Persons Legal Clinic, Melbourne.

Productivity Commission (2011) ***Report on Government Services***, Australian Government, Canberra. ***www.pc.gov.au/gsp/reports/rogs/2011***

Steering Committee for the Review of Government Service Provision (SCRGSP) (2013) ***Report on Government Services 2013***, Productivity Commission, Canberra, Housing and homelessness services sector overview — attachment, Table GA.24

Stone, W., Burke, T., Hulse, K. and Ralston, L. (2013) ***Long-term private rental in a changing Australian private rental sector***, AHURI Final Report No.209. Melbourne: Australian Housing and Urban Research Institute.

Victorian Auditor-General's Office (2012) ***Access to public housing, Victorian Auditor-General's Report***, Victorian Government Printer, Melbourne.

Victorian Department of Human Services (2012) ***Pathways to a Fair and Sustainable Social Housing System: discussion paper***, Victorian Government, Melbourne.

Victorian Government (2013), ***Plan Melbourne: Metropolitan Planning Strategy***, Victorian Government, Melbourne, October 2013.

Victorian Parliament (2010), ***Inquiry into the Adequacy and Future Directions of Public Housing in Victoria***, Family and Community Development Committee.

Wiesel I et al (2013) ***'What influences the outcomes of affordable housing projects?'***, AHURI Research and Policy Bulletin Issue 158, January 2013.

Wiesel I. et al. (2012) ***Developing sustainable affordable housing: a project level analysis***, AHURI Final Report No.183. Melbourne: Australian Housing and Urban Research Institute

Wood G, Watson R and P Flatau (2006), 'Microsimulation modelling of tenure choice and grants to promote home ownership', ***Australian Economic Review***, 39(1), 14-34.

Yates J (2012) 'Structural Sustainability of Homeownership in Australia' in Jones C, White, M and N Dunse, ***Challenges of the Housing Economy: An International Perspective***, Wiley Online, Table 6.4

Wulff, M., Reynolds, M., Dharmalingam, A., Hulse, K. and Yates, J. (2011) Australia's Private Rental Market: The Supply of, and Demand for, Affordable Dwellings, Final Report no. 168, Australian Housing and Urban Research Institute, Melbourne

Yates J (2009) ***Tax Expenditures and housing***, Research Paper, AHURI and Brotherhood of St Laurence, Melbourne.