

VCOSS

Submission to *Inquiry* *into the adequacy and* *future direction of public* *housing in Victoria*

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VCOSS response to the Inquiry into the adequacy and future directions of public housing in Victoria

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The Victorian Council of Social Service (VCOSS) is the peak body of the social and community sector in Victoria. VCOSS works to ensure that all Victorians have access to and a fair share of the community's resources and services, through advocating for the development of a sustainable, fair and equitable society. VCOSS members reflect a wide diversity, with members ranging from large charities, sector peak organisations, small community services, advocacy groups and individuals involved in social policy debates.

Introduction

VCOSS welcomes the opportunity to provide a submission to the Victorian Parliament Family and Community Development Committee's inquiry into the adequacy and future directions of public housing in Victoria. Public housing plays a vital role in both supporting low income households as well as addressing market failure in the wider housing market.

Given the interdependent nature of public housing and the broader housing market, VCOSS believes that the Terms of Reference for this committee's inquiry are unduly restrictive and do not allow for exploration of the impact of a lack of affordable housing in Victoria. In particular, waiting lists and their impact on various household types, which is a key focus of this inquiry, are a symptom of a lack of affordable housing supply, rather than the source of the problem in and of itself.

With this view VCOSS' submission will first provide a context to the committee's terms of reference by giving an overview of the current housing system in Victoria, the benefits of government investment in public housing and finally the specific questions raised in the terms of reference.

Affordable housing in Victoria

Access to secure and adequate housing underpins social and economic participation and is central to "our standard of living and way of life"¹.

Unfortunately in recent years we have seen a steep decline in housing affordability for households in both the home ownership and private rental markets. This is a consequence of an undersupply of housing in Australia² and of a tax system that encourages speculative investment in housing. For low income renters in particular, this has been exacerbated by the occupation of low rent housing stock by higher income groups.³

The shortage of rental properties is evidenced by Victoria's very low in rental vacancy rates. In November 2009 the rental vacancy rate in Melbourne was 1.5 per cent, and

0.8 per cent in regional Victoria.⁴ Rental vacancy rates have been at historic lows for several years. These extremely low vacancy rates have resulted in competitive pressure pushing up rents much faster than household incomes, particularly for households receiving income support payments.

In the September quarter of 2009 only 9.2 per cent of rental lettings in Melbourne were deemed to be affordable. The situation is particularly difficult for low income singles and small single parent households for whom the number of affordable lettings in the September quarter was 1.0 per cent and 3.2 per cent respectively⁵. Single person and single parent households represent the majority of household types on the public housing waiting lists.

The scarce availability of affordable rental properties in Melbourne is evidence of the shortage of low cost rental housing, estimated to be approximately 40,000 properties in Melbourne.⁶ The National Supply Council has suggested that this is a national problem with a current shortfall of 251,000 affordable rental housing dwellings across Australia.

This lack of affordable housing in the private market is putting often very severe pressure on both individual households and on public housing waiting lists.

Why public housing?

The shortage of affordable and available housing for low income Victorians indicates that the private market alone is failing to meet the housing needs of all Victorians. Lack of access to adequate and affordable housing can have serious consequences, particularly when it leads to homelessness or prevents households from exiting from homelessness.

A number of international studies have attempted to quantify the costs of homelessness to government services including health, justice, education and employment⁷. Overwhelmingly these studies show that overall government expenditure reduced by investment on homelessness services and housing.

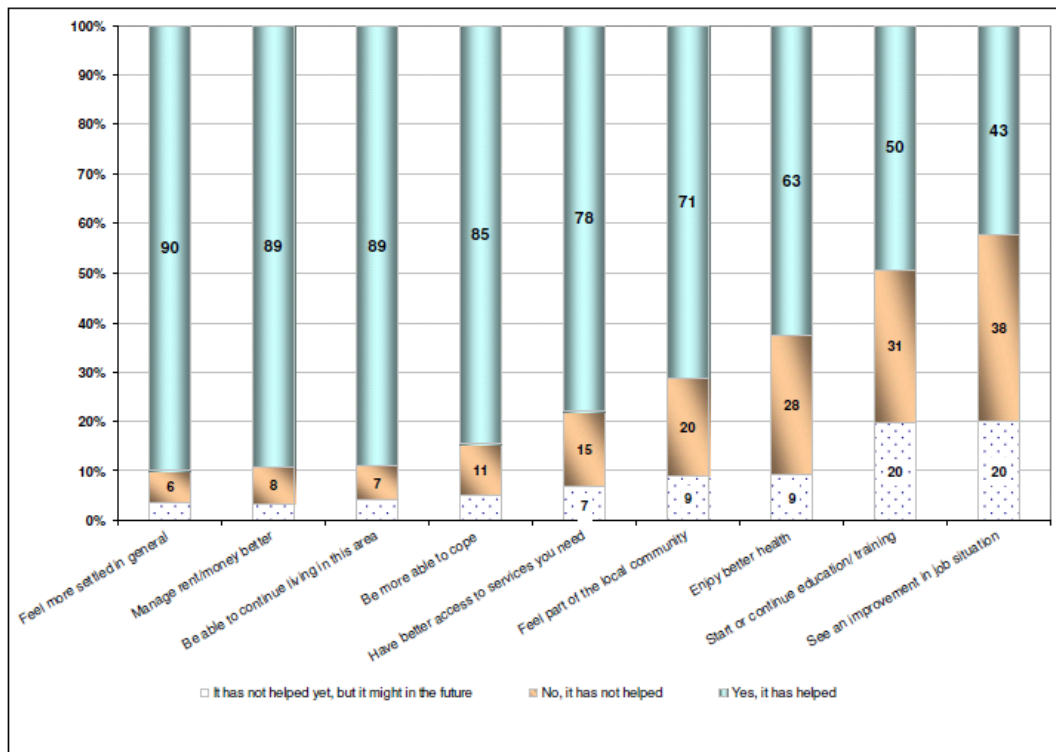
Two relevant Australian studies have suggested that the cost saving to government of homelessness programs is significant. A recent study in Western Australia found that the potential whole of government annual savings are at least twice the cost of delivering homelessness services. Over a 45 year life span the cost saving to government is estimated to be \$332,315 per person.⁸

A cost benefit evaluation of the Home Assistance Support Initiative in New South Wales found that the provision of stable long term housing coupled with support reduced the time that participants spent in hospital emergency departments of psychiatric units by 81 per cent and reduced expenditure per person on hospital admittance by 84 per cent from \$49,654 a year to \$8,065. Based on the 100 participants in the project this is a \$4 million saving in avoided hospital costs.⁹ This project also demonstrated increased educational and workforce participation and decreased imprisonment of the participants. While the cost savings and increased productivity for these other items were not quantified they add significantly to the cost effectiveness of the program.

Similarly cost effectiveness studies of the value of homelessness interventions for young people have estimated health costs for chronically homeless and long term homeless young people to total \$98 million and similar costs to the justice system of \$52 million ¹⁰.

In addition to these quantifiable savings, public housing tenants themselves have identified that public housing has assisted them in the following ways:

Figure 31: Ways in which public housing has helped



Q24: Some people have said living in public housing has helped them in the following ways. Not all, if any, may apply to you. Has living in public housing helped you or your household in any of the following ways?

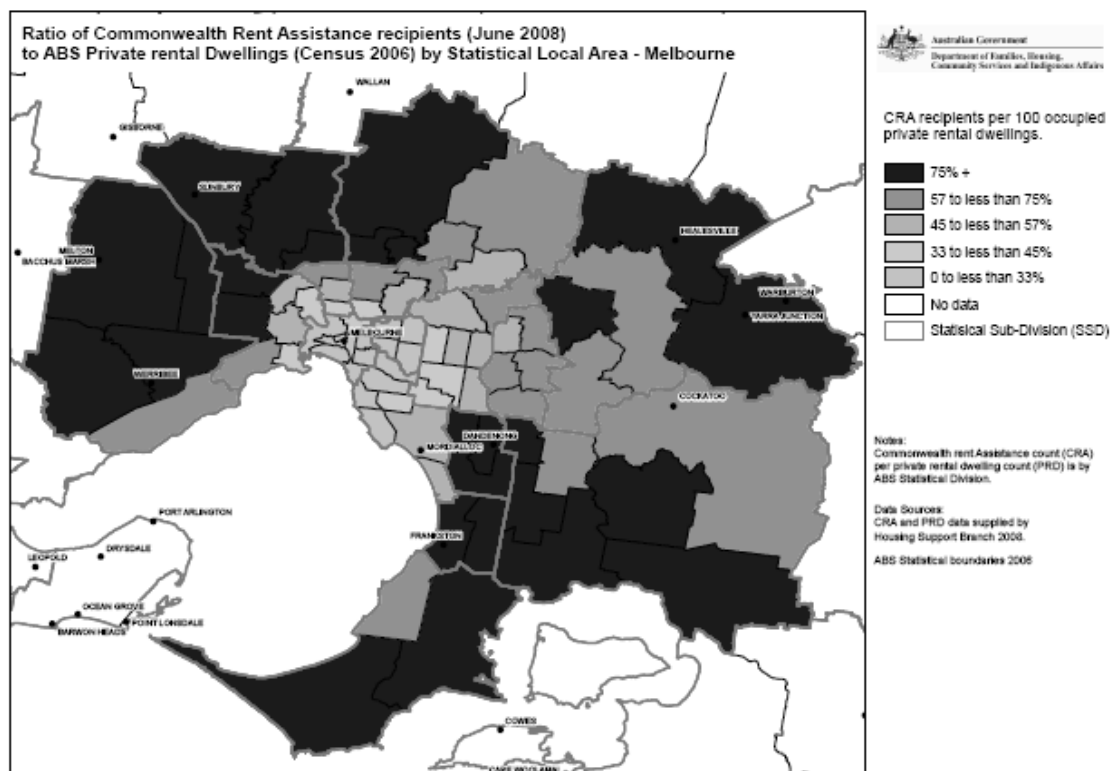
BASE: Tenants who said the benefit applied to them and had an opinion (base size varies).

NOTE: Tenants who did not answer this question or felt that this question did not apply to them/their household were removed from the analysis.

Source: 2007 National Social Housing Survey, Public Housing Report November 2007

While the costs of homelessness are the most obvious financial impacts to housing affordability, the lack of affordable housing also has implications for the labour market and broader community diversity. The concentration of more affordable housing in suburbs on Melbourne’s urban fringe and in regional areas, in areas with poor access to public transport and fewer employment options means that households on income support are moving further from employment opportunities to be able to access affordable housing. For income support recipients moving from metropolitan to non-metropolitan regions access to affordable housing is a significant factor¹¹.

This spatial manifestation of housing affordability can be demonstrated in Melbourne by the number of commonwealth rent assistance recipients living on Melbourne's outer fringes.



Source: Productivity Commission, Report on Government Services 2009

Despite the important role of public housing in securing affordability and a spatial distribution of wealth and opportunity, public housing as a proportion of the total social housing stock in Victoria has declined from about 4.1 per cent in 1996 to 3.7 per cent in 2008¹².

In recognition of the important role that housing plays in the broader social and economic wellbeing of the community, comparable countries have invested significantly in public and social housing. Internationally the proportion of public housing in the overall housing market can be seen below:

- United Kingdom - 20 % of housing stock is social housing (council and housing association), 70% owner occupied and 10 private rental
- Canada - 6% social housing, 66% owner occupied 28% private rental
- Ireland - 11% social housing 77% owner Occupied, 11% private rental
- New Zealand - 7% social housing, 67% owner occupied, 26% private rental
- France - 17% social housing, 56% owner occupation, 21% private rental
- United States - 2.5% social housing, 69% owner occupation, 28.5% private rental

- Australia - 5% social housing, 69% owner occupation, 22% private rental (2.5% other)

A strong social housing sector is essential for addressing market failure in the provision of adequate and affordable housing. To simply keep pace with the rest of Australia Victoria should set an affordable housing target of at least 5 per cent of housing stock as an interim measure while establishing quality data indicators of affordable housing need.

Public housing plays a role in the broader housing market by reducing demand for lower rental properties and dampening rents at the lower end of the property market. Through eligibility requirements public housing also ensures that affordable properties are occupied by lower income households.

Waiting lists

While processes around the administration of the public housing waiting lists can be improved, they will have limited impact without an attendant increase in the supply of public housing stock.

The changes proposed by the Office of Housing, to ensure that all households experiencing homelessness are prioritised for public housing is positive. The longer a person is homeless the more difficult breaking the cycle of homelessness and maintaining housing becomes.¹³ Given the current supply constraints on public housing, some measure of priority is required for households experiencing homelessness and domestic violence.

For the long term sustainability and viability of the social housing sector as a whole, consideration should be given to broadening the tenant base to include low income workers and those in rental stress. In the longer term a social housing sector with a more diverse tenant mix will be better equipped to assist those in highest need. However to achieve this without simply extending waiting lists expansion of supply would be necessary.

Security of tenure is an important feature of the Victorian public housing system. Applying tenure limits without a range of alternative affordable housing options will simply reinforce a cycle of housing insecurity and homelessness. Rather than time limiting tenancies, consideration should be given to broadening the housing options available to public tenants with the means and desire to move out of public housing. Improving security of tenure in the private market, by removing no reason notices to vacate, and broadening home ownership opportunities through mechanisms such as shared equity schemes would go some way to doing this.

Adequacy

The adequacy of public housing is its capacity to meet an individual household's needs.

While the current allocations system provides clearly defined guidelines for eligibility and access to public housing, these often do not take into account the 'human factors' in assessing the appropriateness of an allocation. Improving tenant participation and introducing an element of choice in property allocation can assist in taking account of

these human factors by allowing tenants to assess the appropriateness of a property for themselves.

Choice based letting is used by many social housing providers in the United Kingdom. Under this system tenants are allocated priority 'points' based on need and waiting times and they are then able to apply for an available pool of affordable properties. While this system operates in the very different social housing context of the UK, the principle of providing tenants with agency in choosing from a pool of available properties can allow tenants to assess whether a property meets their needs, encourages tenant satisfaction and reduces tenancy turnover¹⁴. In the UK it has also improved letting times indicating better overall system performance.

The introduction of a choice based letting system has also improved the tenancy outcomes of homeless households, with these households gaining greater access to housing than prior to this allocation system being introduced.

VCOSS suggests that the Inquiry investigate choice based letting as a means to improve the adequacy of public housing allocations.

In any choice based letting system, some tenants will need additional support to view and apply for properties and in some cases maintain tenancies. Given that an appropriate level of support is required under both the current waiting list system and in the changes proposed by the Office of Housing, this would not be an added burden, indeed in some cases it may improve engagement and support provided prior to and throughout the tenancy.

Quality and standards

There are currently no minimum standards for rental properties in Victoria. While the Office of Housing operates standards manuals, there is no clear legislative requirement for what tenants (public or private) can expect of their property.

Minimum rental housing standards should be included in the *Residential Tenancies Act 1997* to provide both public and private rental tenants with legislative protections to safe and adequate housing. VCOSS has proposed a range of standards to address the safety and security of rental properties as well as energy efficiency and thermal comfort. A copy of VCOSS' discussion paper on minimum housing standards is attached.

Currently 56,351 public housing properties fail to meet energy efficiency standards¹⁵. This means that public housing tenants are less able to adapt to rising energy and water prices, and contribute to climate change mitigation. Tenants, both public and private have little capacity or incentive to invest in energy or water efficiency measures for their properties.

Given the shortage in affordable housing supply mentioned earlier, it is crucial that energy efficiency upgrades to existing public housing properties be funded through a specific additional budget measure rather than from existing recurrent and capital funding.

There is also very little information publicly available on the adequacy of public housing properties and the responsiveness of the property management teams to repair and maintenance requests. VCOSS proposes that the Office of Housing should publicly report on a range of quality assurance measures for each regional office in order to benchmark and improve the Office's performance. These indicators could include:

- number of urgent, priority and non urgent repair requests not completed within the required timeframes;
- number of tenant contacts required to finalise maintenance issue;
- targets met by external contractors; and
- average time between scheduled programmed maintenance per property

The quality and standard of public housing can also relate to how well the support needs of a tenant and their neighbours are addressed. The Social Housing Advocacy and Support Program (SHASP) supports social housing tenants with the complaints process, rent payment difficulties and assisting people whose tenancy is at risk. It is important that SHASP is also able to access adequate external services, such as health, mental health and counselling services to be able to support tenants in the longer term.

In addition to external supports, internal staffing levels within the Office of Housing should be sufficient to identify and address tenancy issues, such as arrears or complaints, early and have the necessary expertise to refer tenants to the appropriate services. Referral, particularly to SHASP, should be made prior to the need to take enforcement action at VCAT. The current property management pool for housing support officers of approximately 250 properties is too large to be able to provide this kind of service to tenants.

Safety and location

The stratification of housing affordability in Victoria and particularly Melbourne threatens to entrench disadvantage in new locations, on the outskirts of the city. A focus on well located and dispersed affordable housing throughout the metropolitan and regional areas should be a key factor in locating public and affordable housing in the future.

Existing postcodes of disadvantage require concerted effort as:

“Living in a disadvantaged neighbourhood, compared to living in a less disadvantaged neighbourhood, has been found to be associated with:

- poorer outcomes for children, including learning and behavioural outcomes, and physical health (Leventhal & Brooks-Gunn, 2000);
- poorer health in adults, as indicated by rates of infectious diseases, asthma, smoking, depression, poor diet and poor self-rated health; and⁷

- reduced job and educational prospects”¹⁶

The Victorian Government’s Community and Neighbourhood Renewal program is operating in areas with high concentrations of disadvantage to improve community wellbeing. Many of these areas include locations with high concentrations of public housing.

The latest evaluation of community wellbeing in neighbourhood renewal areas have shown substantial improvements in reduced primary and secondary school absenteeism, reduced crime, improved overall health and improved employment.

While place based initiatives provide excellent outcomes in existing communities, preventing concentrations of disadvantage in the future and providing opportunities for communities to support a range of households types and incomes should be a goal of public housing in the future. Inclusionary zoning is one mechanism buy which the Government could ensure that well located affordable housing is distributed throughout the metropolitan region. Inclusionary zoning is discussed further in the concluding section of this submission.

The future – what do we need to sustain a healthy and equitable social housing sector?

Secure and affordable housing is fundamental to social and economic participation. The future of public housing in Victoria must reflect this . While recent funding investments such as the Nation Building Stimulus Package and the National Rental Affordability Scheme add to the supply of affordable rental housing, these investments are not sufficient to address ongoing housing need and are just two elements of what must be a robust sector into the future.

Different funding and management models will serve different households in different ways. For example, houses built under the National Rental Affordability Scheme may be suitable for low income workers, however they will be less affordable for single pensioners. A mixed sector, with sustained and adequate funding and incentives is essential to ensure that affordable housing is available to all those in need.

The following section focuses on what actions can be taken to improve the supply of affordable housing in Victoria and assist in reducing public housing waiting lists.

1. A plan: targets and funding

Past investments in public housing have been ad hoc and most recently, focussed on economic stimulus. While the majority of capital funding for affordable housing is provided by the Commonwealth, the Victorian Government has demonstrated in the past with its allocation of \$500 million to affordable housing in 2007, that the State Government is able to make a valuable and substantial commitment to the provision of public housing.

Unfortunately, as population increases, so does the demand for housing and the pressure on available affordable housing. Without a dedicated funding commitment and an affordable housing plan, the provision of affordable housing will not begin to address existing need or growing demand into the future.

A plan, which sets affordable housing targets and implementation mechanisms, is required to help meet our future housing challenges. Dedicated funding can be complemented by a range of planning measures to support the provision of affordable housing, through an integrated housing strategy. The long overdue *Integrated Housing Strategy for Victoria* should be finalised and provide concrete mechanisms for improving the provision of affordable housing.

2. Planning for affordable housing

The Victorian planning system could be used to much greater effect to foster the development of affordable housing. The Victorian planning strategy Melbourne 2030 and its subsequent update Melbourne @ 5 Million, do not set targets for affordable housing nor do they identify plans to secure affordable housing. In order to secure more affordable housing through the planning process the strategic and legislative instruments of government must support this.

Both the New South Wales, *Environmental Planning and Assessment Act* and the South Australian *Development Act* include the provision of affordable housing as an objective of the Act. This legislative support enables a range of planning mechanisms to be used to secure affordable housing and ensures that housing affordability is prioritised by both state and local government planning authorities. A similar objective should be included in the Victorian *Planning and Environment Act 1987* to support local councils and social housing providers to use the planning system to increase the supply of affordable housing.

In addition to high level legislative support in the *Planning and Environment Act*, the addition of inclusionary zoning mechanisms to the Victorian Planning Provisions would allow local councils or governments to require developers to provide a certain proportion of affordable housing in their developments. Models of inclusionary zoning vary in size, percentage and type of development and often provide incentives such as density bonuses or reduced parking requirements to offset added costs. If introduced over time, the added costs of inclusionary zoning can be absorbed by decreased land prices rather than increased property prices.¹⁷

Including inclusionary zoning within the Victorian Planning Provisions would allow councils in areas of high demand to implement affordable housing requirements; this may be particularly useful when rezoning land for residential development from previous uses.

The Housing Plan for South Australia introduced inclusionary zoning and now requires 10 per cent of new developments to be affordable and 5 per cent to be designated for households with high needs. In the UK Section 106 agreements are used to require a number of measures, including the provision of social housing, the percentage of which is negotiated by the council and developers. In higher demand areas such as the city of London, this can be up to as much as 50 per cent of the development.

Inclusionary zoning policies also operate in a number of other countries including Ireland and Canada. However, in most cases these mechanisms are also supported by government investments and incentives.

By implementing inclusionary zoning policies in areas of high demand (and thus low affordability) the number of affordable housing properties provided in well serviced locations close to jobs, transport and services can be higher than if simply purchased or constructed by social housing providers alone.

Recommendations

1. That the Victorian Government set an interim target for the provision of 5 per cent of total housing stock in Victoria to be public or social housing.
2. Establish adequate indicators of affordable housing need to form the basis of future housing targets.
3. Develop an integrated housing strategy with a focus on the provision of affordable housing using a range of planning, development and funding mechanisms to meet the targets set.
4. Amend the objective of the *Planning and Environment Act 1987* to include the provision of an adequate supply of affordable housing.
5. Amend the Victorian Planning Provisions to allow for the use of inclusionary zoning.
6. Ensure that all new public and social housing properties are located close to public transport, services and employment opportunities.
7. Consider the introduction of choice based letting to improve the appropriateness of housing allocations and tenant satisfaction.
8. Increase the number of Housing Support Officers within the Office of Housing to reduce the number properties managed per staff member.
9. The Office of Housing publish data on a range of quality assurance measures for each regional office to benchmark performance on maintenance.
10. Introduce minimum rental standards to the *Residential Tenancies Act 1997* to be phased in over five years. Provide a dedicated budget allocation to upgrade existing public housing properties.

Contact details

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