

Submission to the Inquiry into the Public Housing Renewal Program

Submission by Liam Davies

TO: The Secretary
Legal and Social Issues Committee
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Thank you for the opportunity to participate in this inquiry,

I would like to submit my honours thesis, undertaken as part of an honours year in Bachelor of Urban and Regional Planning at RMIT University, to the Inquiry into the Public Housing Renewal Program. My thesis, which was conducted in 2017, undertook a financial appraisal of the public-private partnership model of public housing estate renewals, compared with a community housing sector led approach, and a public sector led approach.

My findings are that in all scenarios a total amount of social housing in excess of what is required by the Public Housing Renewal Program (the original stock plus 10%) can be provided. Meaning that the simple heuristic of 10% will return less public housing that could be provided. Further, the concept of selling public housing land to increase stock levels is unsustainable as it is predicated on such large losses of land. The approach is not repeatable and will leave future Governments with problems of an ageing stock but no land to redevelop.

The appraisal also found that the public sector is more cost effective in delivering social housing than either the private or community housing sectors. The public sector can deliver more social housing dwellings at a lower effective cost than the public-private partnership scenarios I modelled. The public-private partnership development model appears to present good value to the State of Victoria as the developer makes a reasonable profit and the State of Victoria receives social housing with a market value exceeding the market value of the land gifted. However, the public sector can deliver more social housing dwellings at a lower price than a public-private partnership. As such, the State of Victoria is financially better off if it undertakes redevelopment of public housing estates itself, rather than continuing to use public-private partnerships. The community housing model provides slightly fewer dwellings than the public-private partnership model, but community housing sector generally provides dwellings are slightly larger, and of higher quality. The public sector can deliver more dwellings at a lower effective cost than the community housing model.

The public-private partnership concept appears to be driven more by a fear of debt and ideological faith in neoliberalism than economic pragmatism. The modelling has shown that although convenient to the Victorian State Government, public-private partnership redevelopments of public housing estates do not represent the best value for money solution. They may manage some level of development risk, and avoid potential debt, but

they carry a high opportunity cost. Further, the 10% increase is a simple but blunt heuristic which fails to properly look at the context of the site. The public-private partnership system could be improved, to provide greater return to the State of Victoria, but cannot compete for cost-efficiency with a public sector model.

The modelling has also shown that even if the State of Victoria were to retain all dwellings as social housing and carry substantial debt, Victoria as a whole would be better off, with rental surpluses and wider economic benefits eclipsing the costs of servicing said debt's interest liabilities. The wider economic benefits accrued to the State of Victoria through delivering social housing, and that the provision of adequate housing could be seen as a universal good, much like Medicare or the public schooling system. Such a rethink is deeply philosophical, but could help de-stigmatise social housing as a social 'good'.

My research has three clear recommendations:

1. The State of Victoria should establish a new public housing construction and management body, similar to the Housing Commission of Victoria;
2. Ongoing per capita funding should be provided to community housing associations who house tenants from the public housing waiting list, providing an effective subsidy and sharing wider economic benefits accrued to Victoria; and
3. The State of Victoria should discontinue the strategy of utilising public-private partnerships to redevelop public housing estates as they are less cost-effective than community housing associations or the public sector.

I recommend that the Inquiry into the Public Housing Renewal Program give further considerations to the economic costs of land sales, and associated opportunity costs. Further, interrogation of alternative approaches to public-private partnerships, such as community housing or public housing sector led redevelopments of public housing estates should be investigated by this Inquiry.

I would also note that my research has only looked at the economic underpinnings of each model, not broader social implications.

Kind regards,

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