

TRANSCRIPT

FAMILY AND COMMUNITY DEVELOPMENT COMMITTEE

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

Melbourne — 16 February 2010

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Prof. B. Howe, chair, Housing Choices Australia.

The CHAIR — Good afternoon. You are most welcome, and thank you for taking the time to appear before the committee. As you know, this is not a government inquiry, it is a bipartisan parliamentary inquiry. All the evidence taken at this hearing is protected by parliamentary privilege as provided in the Constitution Act 1975 and further subject to the provisions of the Parliamentary Committees Act 2003, the Defamation Act 2005 and, where applicable, the provisions of reciprocal legislation in other states and territories. Any comments you make outside the hearing will not be afforded such privilege. We are recording the proceedings, and you will be sent a copy of the transcript. You will be able to make minor adjustments to it if necessary. We have a 45-minute session, so I invite you to make a verbal submission of not more than 20 minutes, if you can manage it, and that will be followed by questions from the panel. First, please introduce yourself with your terms of reference, so it can be recorded on the Hansard transcript.

Mr LENNON — My name is Michael Lennon. I am the chief executive officer of Housing Choices Australia.

Mr HOWE — My name is Brian Howe. I am the chairman of the board of Housing Choices Australia.

Mr LENNON — Mr Chairman, we have distributed some overheads really by way of introduction to the topic. We would like to use the time most efficiently for the committee and so we might keep the introductory comments to a minimum. I think in summary terms our position would be that public, social or affordable housing however you would describe it — non-market housing — has been a seriously underfunded area of government for many years, not 3, 5 or 10, but 20 or 30. And, secondly, we think this is an opportune time to revisit the policy and funding settings for this sector of government activity, so we welcome the work of the committee and aim to support it in whatever way we can.

The CHAIR — Thank you.

Mr LENNON — Against those simple points, very quickly, we know that the population characteristics of Australia and Victoria are changing quite quickly and we know the long-term population characteristics are for a rapid increase in population growth in Melbourne and in regional centres. The long-term funding arrangements against population growth would indicate to you that in proportionate terms — whether that is described on a population basis, on a GDP basis or as a proportion of total housing stock — public, social and affordable housing has reduced significantly over the last 20-odd years.

As the resources have reduced, the targeting for an ever-increasingly scarce commodity has had its economic rationale at one level but there have been a series of unintended consequences. Most of those are reflected in the targeting of concentrations of disadvantage within communities and within profiles of stock.

Alongside the funding constraints, we now have circumstances in which all states and territories in Australia in their public housing arms report operating deficits which require ongoing resources from government. This was not always the case but it has been the case in the last three years. In all of that these organisations face very significant capital requirements going forward because of the age of the stock and because of the maintenance and replacement liabilities.

Underneath that broad problem are underlying questions about the policy aims of government which are being advanced by this intervention. There is evidence to suggest that in some cases the expectation that social mobility and intergenerational mobility will be advanced by public housing intervention is at least questionable. In some overseas examples there is considerable documented research to suggest that the platforms of opportunity that were once a driving force for this investment are no longer the case and that in some cases concentrations of disadvantage are entrapping some of those families.

It is also, as you are aware, the case that levels of economic and labour market participation amongst public housing tenants are lowering and have been declining for some time. That is not, in our view, a case of idleness or sloth or anything else. It is also reflected in the difficult circumstances of many of the tenants occupying public housing, the process of deinstitutionalisation and the like. In all of this I do not think anyone would doubt that we together want to create communities of opportunity. We want to create circumstances in which people's housing needs are assisted and allow them and their families social and economic participation in the widest sense. But this is not a simple problem and it will take some time to resolve.

The second page of the presentation that I have given you simply documents the levels of investment of the Australian government compared to its trading partners in the OECD. You can see in that table that the low levels of non-market, social or public housing in Australia are second only to the United States. I think this is dated 2007, but the trend is very clear and has been there for a very long time. If further background research is needed to document those trends, we would be happy to provide it, but I am sure that you have access to the primary data yourselves.

In terms of more recent indications of need, the third slide is an extract from the National Housing Supply Council report of last year in which there was an estimate of the affordability problem in Australia. You will see the estimate that amongst the two bottom quintiles of housing in Australia there was a housing shortage of more than 450 000 dwellings. The figures can be extrapolated and dissected further but the problem is not simply one of supply of numbers, it is also about housing affordability. We have something like 200 000-odd households paying more than 50 per cent of their household income in housing and rental costs.

It is the case that this problem has got much worse in recent years. From the same report last year there is a table indicating the decline in social housing dwellings over the preceding 12 years. The important point here is that the graph indicates that if we had kept a proportionate share of public housing in the mid-1990s and kept that up over the ensuing 12 years, we would have had an additional 90 000 dwellings during that time, again reinforcing the need for ongoing investment.

Mr NOONAN — Are these Australian figures or state?

Mr LENNON — These are Australian figures, and deliberately so; I can come back to that in a moment. The National Housing Supply Council in the next graph lays out a couple of scenarios looking forward. You will see in there that they are estimating in two different population scenarios the emerging gap in social housing supply. All of it just confirms the point that we all know: that there is not enough stock and as the population increases the need will only get greater and we will see the gap widening.

So against that background we are one of a number of organisations in Victoria which aim to assist the policy aim of providing housing opportunities for those in need. Housing Choices Australia is a small group made up of two registered housing associations: Supported Housing Ltd and Melbourne Affordable Housing. We are also responsible for Singleton Equity Housing which provides housing for people with physical disabilities. We are also trustees for three housing trusts. Our aim is very much to improve the circumstances of people who are arguably in the most difficult or disadvantaged sector of the housing market, especially people with disabilities and people with severe affordability problems. Our aim is to provide accommodation which is indiscriminate within neighbourhoods and within communities.

Total stock numbers — at the present time we have around 1100 properties and around 1300 tenancies and we have around 450 additional stock currently under construction. We are substantial beneficiaries of the federal government's Nation Building program and the growth fund in Victoria. Our funding is made up of a hybrid of rent, government funding through rent assistance, capital grants from the Victorian and federal governments and private debt, and we have raised a significant private debt through private funders. We are also beneficiaries of philanthropy through a variety of other organisations. We have a board of directors who populate each of those organisations in common and we provide a shared services model supporting all of the legal entities simultaneously.

In terms of the situation in Victoria, I have deliberately described the national picture because it is a national problem. Housing has been accepted as a commonwealth responsibility since the Second World War. It is hard to imagine state governments being totally responsible either for the assets or for the income support measures that would be required to deal with housing because they are so very substantial. There is \$70 billion accumulated in public housing assets throughout the country. Notwithstanding this, we welcome and applaud the efforts of the Victorian government, especially in the last three years, in establishing the growth fund. It was the first state in Australia to do that out of its own resources and to set \$100 million aside, and of course we now have approximately \$1.5 billion being provided to Victoria under the Nation Building economic stimulus package. In each of those I guess the ambitions are partly about expanding the supply of stock but in particular there are efforts under way to try and deal with concentrations of disadvantage and stock of poor quality in the neighbourhood renewal program. The Victorian government has also been a national leader in establishing an

alternative range of providers through the arrangements to set up a registrar of housing and to set up the housing association network in this state.

I would also quickly note that we have key relationships with other government agencies, in particular VicUrban and the planning department, and especially, and in some ways more importantly, with Disability Services and the Department of Human Services. Disability Services was responsible for the establishment and oversight of the Disability Housing Trust, which we can answer questions on. We have had considerable experience in the last two or three years in trying to integrate disability housing within broader housing stock.

Looking forward, there are a number of suggestions on the last page of our submission on where we think there are ideas for new policy development, new models and new ways of administering public housing; but perhaps at this point we can pause and either respond to topics of interest to the committee members or answer questions.

The CHAIR — Thank you very much for that detailed presentation. In the provision of community housing, when a tenant reaches a certain level of income that person has to be evicted. Some of the witnesses we heard earlier came up with a proposal that they should not be evicted because they have been living there for 5, 6 or 10 years and have established a connectedness with their surroundings and the local area. They have built relationships with the schools et cetera. Rather they should be allowed to be charged 100 per cent of the market rent. Probably, tenants would prefer that. What is your view on that?

Mr LENNON — Firstly, some primary research has been done recently by Professor Gavin Wood at RMIT on policy traps in public housing and disincentives for people to enter the labour market. We know that existing payment and subsidy regimes can act in a perverse way by actively discouraging people to enter the labour market, especially in circumstances where their employment is short term and transient. Given the growth in part-time employment, many people come in and out of the labour market quite quickly. In our submission we think it is punitive and almost self-defeating for people to be required to move when the purpose of the intervention is to stabilise their lives and to maximise their opportunities. The dilemma for government, I think, is caused by having to ration the scarce resource that it has.

I guess Brian may have his own views. The approach from our sector is that there is a great big problem that has built up over 30, 40, 50 years and we are not going to fix it overnight but we can begin to try new approaches that try different things. I guess the submission we would make is that trying to broaden the range of family and household types within particular organisations and within developments, allowing people to move through stock as their circumstances change, along with the ambition that people can also, as their circumstances change, begin to acquire some ownership in assets would accord more with the original policy ambitions of public housing. I think our view would be that the problem is caused by the strict rationing regime that we have which is caused by undersupply. If we were in a circumstance where we were not so tightly rationing and we were having a variety of housing types living together, we would be less likely to reinforce those kinds of policy traps.

Mr NOONAN — Thanks for your submission. There is a bit happening, obviously, at the moment in this space and you are probably particularly occupied as you try and essentially roll out the building program — 450 — because I understand they come with deadlines through the national stimulus package, but I wonder whether you can tell us a bit more about the types of projects that you are currently building with the assistance of the stimulus package, including location, design aspects, whether they are one or two bedrooms. We have had a lot of submissions essentially going to those very basic issues. I wonder whether you could talk those through for us.

Mr LENNON — The projects that we have so far in our pipeline through Nation Building and growth funding sources total 550. We have delivered some projects in the last few weeks so that our net number at the moment is 417 projects in our forward pipeline. They are typically projects that meet a variety of different circumstances in different locations. The most important thing from our directors' point of view is that we spent some months establishing an acquisition framework that identified household type needs and many key characteristics about accommodation in terms of proximity to public transport, services, schools, travelling times to key locations and then, overlaid within that, proportions of stock for different categories of income. Within that also is a proportion of stock for people with disabilities. So there is a complex matrix that we can give the committee but that has provided the test, the filter through which all our proposals have been judged.

Our projects are ambitious, and deliberately so. We have projects in the central city. Recently you might have read in some of the media about where we opened a project aimed at key workers in the city. This is down at Docklands — the Merchant. We have another project very close to the Queen Victoria Market which also is catering for very low-income people and some singles without income living in the inner city. Within the inner-city suburbs we have projects in the inner west, in Altona and in Seddon, and we have a scattering of projects in growth centres like Dandenong where we are looking to build up a presence along with the government's 2030 strategy. In the inner city our projects tend to be more dense; we have projects of 20 to 40 units together. That would be the upper level of our ambition, although we now have two buildings that we have acquired in the Docklands precinct simply because of their central location. We thought that was important there. The others tend to be modest, 5, 10, 20-development projects, and all indiscriminately within other urban development or redevelopment taking place in the neighbourhood.

As much as possible we aim for a universal design, and where we have a multi-unit development we aim to have disability accommodation at least on the ground floors and wherever possible with lifts. That gives you a sampling of it. I think by most measures the design standards and energy standards of the buildings are good. We have just conducted an audit of the match between our acquisition framework and standards and what we have actually acquired and we have been very pleased with the response so far.

Prof. HOWE — It is probably worth saying something about history in terms of the Disability Housing Trust because that was quite an important initiative on the part of the Victorian government, with the hope that as a result of the trust we would develop some models or ways of providing housing for people with disabilities in more open ways — rather than the CRU kind of model we would move to placing people with a disability in what we call normal communities and normal residential areas. As a result of that thrust I guess we decided to come together with Supported Housing because of their scale and the possibility of leveraging the funds that we had and the capital that we were starting to build up more successfully to increase the rate of increase in housing for people with disabilities. Then I think we recognised that in a sense we needed to recognise the link between specialised housing and the capacity to do larger scale development. By coming together with Melbourne Affordable Housing in a sense we placed the emphasis that we continue with disability within that broader kind of context. It means that we can take a number of units in developments and become part of the mix rather than developing a whole development or a whole building for people with disabilities, which would be quite undesirable. In a sense I think that the coming together of the Disability Housing Trust and Supported Housing together with Melbourne Affordable Housing has made possible being able to pursue our original objective on a larger scale, but also to provide probably more appropriate settings for people with particular disabilities.

Mr NOONAN — Can I just follow up there? A submission we have had today has indicated that through the Nation Building program only 45 new dwellings have so far been specifically earmarked for people with disability. That seems to be out of step with the sorts of developments that you are either developing or acquiring and then modifying. Are you in a position to indicate to the committee just how many of the 417 projects are dwellings that might be earmarked or at least suitable for people with disability?

Mr LENNON — I might take that on notice, but we would certainly do better than 45 as one organisation; we would be very disappointed at a lower level than that. Our aim is to have at least 10 per cent and often 20 per cent, but of course disability covers a broad spectrum. For people on the register, even in those circumstances we have modified, I can think of a couple of buildings that are more than 10 per cent modified specifically for those people and for people with mental health disabilities. Perhaps we can take that on notice and give you some more figures. It would certainly be in advance of that number.

The CHAIR — Thank you.

Mrs POWELL — Michael, you were talking about the opportunity for people to move through the system as their circumstances change. The committee has heard evidence that for some people there is no incentive for them to move out of the system because they are fearful of not getting affordable housing. They are staying where they are; they do not want their circumstances to change, such as they may not seek employment because they think that if they seek employment, their income and assets change and then they will have to find alternative housing. They believe there is not enough out there.

Mr LENNON — There is no doubt, and I think the research indicates this, that because the housing need is so great, however measured, in the private rental market vacancy rates are barely 1.5 per cent, and in the inner

city they fall much below that. So when people are in a dwelling that provides safe, secure, ongoing accommodation, whether it is in public or private rental, they tend to stick to it. The question then becomes: does that create poverty traps? Are there people who could be progressing themselves out of the system who are not?

My own experience would suggest that the numbers of families or households in that circumstance tend to be quite small, especially given the targeting over the last 15 or 20 years where essentially to be at the highest priority level on the waiting list you need to be in a very urgent and pressing circumstance. It is often extremely difficult for people in those circumstances to be in any other setting, and they tend to mostly be in emergency accommodation. The approach we are trying to develop ourselves is to recognise that people's housing circumstances over the course of their housing career do change so that what might be the case in your 20s and 30s as a family might be very different in your 40s and 50s. If we can stabilise people at one point in their life where they may be facing pressing circumstances, can we also assist them into other forms of occupation, be it part or full ownership, further?

We did a considerable piece of research last year especially looking at families with a sibling who was severely disabled to find out whether there might be a market or an appetite for people to enter into shared equity arrangements. There is a large pool of people who are approaching their 60s and 70s and are beyond caring for often significantly disabled members of their family. Our hypothesis was that as those people died could we find better accommodation for those people? The Victorian government provided us with \$6 million to pilot shared equity programs. We found that it is very challenging to work with families for a whole variety of reasons I can go into but we will have certainly met our targets for that by the end of the current financial year. The question that poses for us is: could we think of similar kinds of programs for families who may be out of the workforce at a certain point in their life — a woman with dependent children and when children go to school? Can we find ways in which we can encourage that person, that household, into equity arrangements? We are currently doing some work to see whether we might develop a shared equity product for a broader range of people. I guess our hope and ambition is that if people are presented with opportunities and are assisted along the way, they will tend to grasp them.

Mr SCHEFFER — I have got a short one and I think a slightly longer one. The short one drops out of what Wade was asking you about the variety of housing types that you are able to build. It has been brought to our attention, for example, that immigrant communities — newly arrived communities — often live with large numbers of children in the nuclear family situation or live in extended family situations and the housing stock available does not seem to be able to drive some of the varieties that might be needed. I know that is one end of the spectrum and is probably not very common compared to what you are delivering, but could you comment on that; do you have capacity to modify the types of buildings you build that could respond to a need like that?

Mr LENNON — In trying to prepare an asset strategy for public housing or for these kinds of organisations people often understate the complexity that sits behind trying to reconcile population characteristics and fixed assets. The fixed assets last for arguably 50 or 60 more years, and population characteristics can move quite quickly. What we know is, for example, that household occupancy size has been declining in Australia since the mid-1980s; hence the private market builds one and two-bedroom units, and even though we are building bigger houses we have a smaller number of people in all those houses.

That is not the case in the social, affordable or public housing demand profile. It is a characteristic, for example, that migrant families typically will be much bigger and will often need the housing for longer periods of time, especially during settlement. The challenge then becomes: with limited funding in addition to one-bedroom units can we also build four-bedroom houses at the same time? Again as a relatively small organisation we have tried to respond to that.

I think probably a third of our acquisitions are for family accommodation. We do have a reasonable amount of stock in the growth areas of Melbourne, and when we get to much larger families where you need four bedrooms plus, the funding models are quite difficult, and for those people subsidised accommodation is largely their only option.

There is no easy way to deal with that, because you often find that the demand profile will exist for a period of time and then will start to decline as people's circumstances start to improve and they enter the private market. My personal view, and it is the view of the organisation, is that as we go forward and as we have a broader

range of providers the best thing that could be done with public money is to try to get the best possible match between those demand characteristics and the stock that we have.

So if we can find a cooperative environment through which all the providers can exchange waiting lists and work, if you like, together off a common waiting list, it will be both a better use of public money and easier for the family trying to access the right accommodation.

In your discussions with public housing officials I think you will find that the Office of Housing is promoting the establishment of a common housing register, which is to do just that, to try to agree to get the best possible match between household characteristics — and not only the stock of one provider but of all the providers.

Mr SCHEFFER — I am conscious of the time, but the other question I want to ask relates to your third dot point of the overheads, under ‘Scope for policy development’, which is ‘Increase overall supply by further leveraging off the existing social housing asset base’. I will try to be brief. It has been put to us that clearly we are facing a big problem, which you have described in your presentation, and the injection of funds from the commonwealth and the state in recent times is a good start; that is the way people have described it.

The implication in what some have shared with us is that we need further injections like that to get up to a level, and some have suggested 5 per cent, the present 10 per cent or 20 per cent. This table is a very useful comparison, whichever target we decide in public policy we want to get to. My question inside that is that my understanding of the housing association strategy is that it has the capacity built into it to build and augment the supply. Is that capable of delivering a significant supply of housing that would make the huge cash injections that we have seen not necessary in the future or does it only get us some of the way and are we going to have to go back to government in the end and say, ‘Can we have more equity?’.

Mr LENNON — Brian has experience at the federal level here, but I would make two points. If you look at all the countries with whom we might compare ourselves, all are investing more on an ongoing basis than Australia has been for many years. So there is a simple policy question about what level of safety net and what level of investment as a community and a society we need, and I think there is ample evidence to suggest that the level of investment at the present time is far too low.

But it is far too low against a group of assets which are themselves problematic and all need redevelopment. The big issue to focus upon is the future capital requirement, not simply population but how do we deal with the communities and assets that we have got.

In terms of the models going forward, the attraction of diversifying the provider arrangements are threefold. Firstly, you can get access to more money, and I guess as part of that you can tap into commonwealth sources that are not available for the state. If the state is not able to access rent assistance, non-government providers can. That makes a material difference, roughly on average \$2800 a year. Secondly, we get access to a variety of tax concessions that are only there for non-providers.

I would also argue that the discipline of private lending forces these organisations into business practices which force you to learn to be custodians of long-term assets in a way that is not always possible within the public system. I think there are arguments why that is a good thing to do, and there are segments of the existing asset base where there are undercapitalised assets that can be remodelled and restructured. We have evidence from other places on how that could be done, and in Victoria we do have examples now.

Notwithstanding that, the issue is not just about trying to find a way in which we can get other providers. The underlying issue is simply the scale of public investment and at what point we decide to remedy that.

Prof. HOWE — From the commonwealth’s viewpoint the old commonwealth-state housing model is really reaching an end. The commonwealth, whether it is the present government or the alternative government, is not going to provide capital funds on the same basis that they have been provided historically, and that is essentially because the advice of Treasury in the commonwealth government is that we are not getting sufficient leverage out of capital grants to the states to enable us to achieve what is needed, which is essentially what I always call exponential growth.

We are bumping along the bottom with this 4 and 5 per cent level of public housing, and therefore we are placing excessive reliance on the private rental market. Of course governments, particularly at the

commonwealth level, respond to that by providing some level of rent assistance, but the level of rent assistance really is quite low compared to the level of assistance in other countries — for example, Britain.

Nevertheless that rent assistance really plays an important role in pointing at least to the fact that there are very much broader needs. Michael said 200 000 households are paying more than 50 per cent of their income on rent. Essentially we are relying on this private rental market far beyond what we should be.

The solution I think is probably along the lines that Michael just outlined — that is, one ought to look at where are the possibilities of building much greater leverage so that limited capital funds are pushed very much further than they are. That does mean that you have to make a link between capital and rent assistance and recognise that rent assistance does provide quite a significant income flow that banks will lend against and financial institutions will take quite seriously.

Secondly, there are existing concessions that recognise the importance of the private sector. We have provided massive subsidies to home ownership in Australia, but there are some subsidies available for people living in private rental accommodation, and those subsidies ought to be used as part of a mix to expand the total amount of money going into affordable housing. Also of course there is nothing necessarily wrong with a degree of debt. As Michael says, even from the private sector, debt does contribute by giving you more leverage in terms of better use of your capital funds but also by imposing discipline on the organisation. There is nothing like a decision to take on a bit of debt that focuses the mind of our board, because the board is averse to debt, it does not want to have a lot more debt, but at the same time it wants to do more because the need is there and the opportunity is there, and we want to take it.

It seems to me that the bottom line is that we need to, in a sense, look at housing much more holistically than we did in the past. I think there was a kind of rigid distinction between public and private. It essentially meant that we allowed the public sector to become marginalised and as we rationed more and more, then we created more and more social problems associated with housing estates which became too focused.

I have just been over to West Heidelberg and we are talking about the manifold range of need that exists in that community. If you concentrate poverty, when you look at Tony Vinson's work on postcode poverty, very often you could say: that is public housing estates. We have not created the holistic approach that builds our housing finance around opportunity flow and enable people to move forward. We know that 75 per cent of people in public housing estate ads are on the labour market and that is unconscionable. It recognises the need to redesign the way we provide housing.

These days public housing is much more salt-and-pepper, much more new estates in growth areas and that is fine, but so also does the shandy product, the private-public cooperation need to recognise that people do much better if they had are part of a community in which there are a range of opportunities available, in employment or whether it be child care, training opportunities, education or whatever it is. People need to be part of the opportunity structure that you get in a modern community. I think an enormous challenge and leverage is what it is all about.

The commonwealth will invest more if it sees the commonwealth dollar being pushed further by the states, by a strategic understanding of where the problem lies. If the states see that the commonwealth has limited money and want to push it further, what ways can we move forward so that we get maximum advantage out of every capital dollar that comes from the commonwealth — that is what the states should be thinking about.

Mr SCHEFFER — Thank you

The CHAIR — It is about time to wind up. Thank you very much for your detailed and interesting presentation.

Witnesses withdrew.