

TRANSCRIPT

FAMILY AND COMMUNITY DEVELOPMENT COMMITTEE

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

Melbourne — 16 February 2010

Members

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Mr G. Housakos, chief executive officer,

Ms G. Stevenson,

Ms P. Temby, and

Ms E. Lopez, Urban Communities Ltd.

The DEPUTY CHAIR — I welcome you and thank you for giving your time to appear before this committee. This is the inquiry into the adequacy and future directions of public housing. This is not a government inquiry, it is a bipartisan parliamentary inquiry.

All 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 the reciprocal legislation in other states and territories. Any comments you make outside this hearing will not be afforded such privilege.

We are recording the proceedings, you will be sent a copy of the transcript and you will be able to make minor adjustments to it if necessary. We have 45 minutes, we are hoping to finish by 5.30 p.m. I hand over to you to comment on the issues relating to the inquiry. We will have a number of questions to ask you, so perhaps take about 20 minutes and then we will ask the questions. Please state your name and that of your organisation.

Mr DUFFY — I am Michael John Duffy, chairman of Urban Communities.

Mr HOUSAKOS — I am George Housakos, chief executive officer of Urban Communities.

Mr DUFFY — We did not make a submission and if suitable to you, the best way for us to give you some information would be for George Housakos, as chief executive officer, to give you an outline of Urban Communities and what we are doing in relation to the matters that you are inquiring into. If there is anything that I want to add after that, I may, but I doubt it. We could move then to questions after George is finished. If that is suitable to you, that is the procedure I am more than happy to follow.

The DEPUTY CHAIR — That is fine.

Mr HOUSAKOS — We designed Urban Communities primarily because we were frustrated that there were no social housing structures that could applicably work in mixed-tenure communities. Primarily we built the company out of a project in Kensington which is an inner-Melbourne housing estate. Historically the housing estate was suffering the perils of most of our housing estates currently. We now know that gated communities effectively really only had people from public housing go on them, unless you were a service provider or a maintenance person, so effectively they are not mixed.

They sit on very expensive, inner-city Crown land. The result was that the stock was ageing and effectively needed to be demolished. The parcels of land that were left over were to be bundled out and taken into the private market.

A property developer was brought in and this was really a development agreement about bricks and mortar. This was not about any sort of social infrastructure at all. It was agreed in the very early incarnations in 2000 when the development agreement was signed that a place management system be put in place, but at the time I do not think anyone fully understood what that was. This was really more of a risk mitigation tool imposed by the private sector, not necessarily looking at the consequences of putting in place an integrated place management system on site.

Today we would do something very different on the site. This is developed now. We manage it on behalf of the director of housing. There are 383 properties under management. This is the first time in the history of public housing that this management structure exists. It was an important moment and you have to understand this because this was a way for us to begin to talk about, not necessarily having a supply issue, but whereas before, lots of housing structures would come around and tell you that the supply issue is primarily important, but what we needed to find out was what you do with existing public housing estates and what you do with people who are primarily coming off a waiting list to do multiple — in effect, that is it, but from our point of view we wanted to understand it.

We spent a lot of time working with the Victorian government and agreed that a management contract would be established and that those 383 properties would be transferred across to the management of a non-government agency. That caused a whole lot of complications but it was done, and it is possible to do. Primarily we get paid a fee to do that.

We deliver three things for the director of housing, unlike any other housing office that manages high-rise estates. Yes, we do tenancy management; yes, we do facility management, but we also do community building and we have KPIs built against that. It is very important because we think the community-building component is the critical component to make this management more sustainable. If possible I would like to park that aspect for the moment.

We were not necessarily convinced that this was the only measure that should be undertaken. Yes, you are shifting across the management, in some ways you are shifting across risk. We needed to be sure that a housing structure could in fact create additional income. In a sense now, we decided that we would explore private rental management and owners corporation management, and bring them into the core of this business. Effectively we took an unusual way. We took parts of the private sector, parts of the NGO sector and parts of the public sector, and integrated them into one place.

Today we manage 350 properties for the private sector. All evidence would suggest that they are not concerned about the fact that we are a not-for-profit organisation, in fact, they are more intrigued by this and the idea that we say to them that we are going to reinvest our profits back into the business, and that will directly go back into their property, interests them.

We are not seeing today housing prices affected by proximity of public housing. In fact private housing is escalating at the rate that you would expect in the marketplace. If anything, recent examples would indicate that a four-bedroom townhouse initially bought three years ago for \$340 000, today sold for \$600 000, so you are beginning to see the escalations.

Next door to me and on either side there is a public housing dwelling. What we have got now is an evidence-based learning model that suggests that destigmatising the design, integrating it into the community and mixing the community actually does work.

In relation to our public housing component, our tenants abide by public housing policy. They pay 25 per cent, they are no different, they have not lost their status as public housing tenants. We take off the segmented waiting list. We would actually see the segmented waiting list as an important tool because it helps us to prioritise people in need.

Our preference would be to take people from segment 1 and 2 because they are people of most need and because we now have such a large control of an estate, our ability to take higher-risk tenancies is much more sustainable and we can mitigate that risk, which is very interesting because we can now hear the rumblings within the department about the difficulty that some housing providers are having in relation to taking off the waiting list, and particularly segment 1s and 2s.

Our preference, at the moment we would say that of our 383 properties, at least 40 per cent of those fit into the high-risk category.

It is a diverse and complicated business to try to make happen. Simply, at the end of the day, it is doing a couple of very important pieces of work. Now 50 per cent of our audience wakes up every day and goes to work; 50 per cent of our audience wakes up every day and stays in that community; 88 per cent of our public housing tenants are on some form of income support, Centrelink predominantly, and interestingly enough we collect somewhere between \$1.6 million for the director of housing.

Our arrears sit below 1 per cent and our occupancy is 100 per cent. Our figures are astounding. Sometimes it is very difficult for the department to actually understand them and see them, but they do acknowledge that they are different. They are different because we are on site, because we see the public tenant as a customer, and that it is primarily a very important component. Our tenancy management is not just about the Residential Tenancies Act, it cannot be.

This is an audience that requires a lot more support and in some cases requires a whole lot of different service provision. Our allocation is much more aggressive. We prefer to see the benefit for the person coming into the place as opposed to just the need for the housing, and that fundamentally adds a different layer of complexity. It also makes the service provision — the support services around us — much more accountable.

What are some of the interesting things we can do? We control a lot of things. We control a lot of asset management and we have the ability to use those assets to get a social return. I am sorry if that sounds a bit academic, but all it means is that we can take a cleaning and gardening contract and target public tenants. It is cost effective. When you have a person who not only lives there but works there it makes the tenancy much more secure and it makes the place much more vibrant. The interaction then between the mixed tenures becomes much more fluid. For example, when a public tenant is cleaning the stairwell of a private building and an owner-occupier comes out and says, 'I really appreciate the fact you have done a great job. Where do you live?' and he says, 'I live on this estate', it is no longer just an anecdote, it is a real story. There the differentiation is no longer about public and private, there it is just about a mixture of people living in a community.

To procure these types of contracts is not that complicated, and to be honest I would recommend that this sort of strategy be implemented across all high-rise estates immediately. It is simple and it requires very little thought. It is not just about the management of the contracts, it is about the impact on the audience. If you were to do an analysis of that, the net benefit to the director of housing is that she effectively gets more rent because the rent goes up and the value for money for the money that they then provide for the maintenance is redistributed in a different way. It is not welfare, it is driven by economics but the outcomes are extraordinarily positive and important.

What that means to that estate is there is virtually no crime, there is virtually no graffiti, it presents well and it looks good, which is very important because it means that we have not differentiated. I was driving home recently on a Friday night and passed the Carlton housing estate. There were mattresses left on the corner of Nicholson Street and I thought, 'That is the brand. That is the perception that people have of public housing'. On our estate that is not tolerated. On our estate those fundamental characteristics should not be the things that we see. If we are going to invest in this audience and think about ways of making public housing more fluid and more accessible, we need to be thinking about how we strip away that particular stigmatisation.

Today we have also dabbled in asset ownership under Nation Building and made a conscious decision, based on the consultation that we had with our community, to provide social housing. To be honest, this is where it gets a bit complicated because suddenly you have 75 per cent of the capital coming out of the commonwealth and you are borrowing 25 per cent. Immediately debt enters the field of vision the tenancy with the most rental income is the one that most housing associations and housing providers will focus on. In our case, it is not really that important to us. We are prepared to cross-subsidise — we have additional income. We want to see this housing being used for priority people. In fact in some ways that is exactly what we are going to do. Single mothers with one or two children are our focus.

We want to reintegrate and use our stock in a way that makes it more accessible and more transitional. So the place then offers the house, the job and the support. That is primarily our business.

The DEPUTY CHAIR — Thank you. Did you want to add anything or would you like us to ask questions?

Mr DUFFY — I am not sure, Madam Chair, how much the committee understands of the background to this. It started back in 2001 as a joint project between the government and a developer, and that was run by an organisation called Kensington Management Company, which lasted through until 2008 when Urban Communities came into being. To emphasise what George said, supply of course is essential: if you do not have the supply, the products cannot do anything. But we say that when we have the product, we like the idea of the mixed tenancy — public and private. We like the idea, of course, of ownership of private, people living there rather than being just investors, and that is changing, and of course place management which George talked about.

There is no doubt now. I think it is reasonable to say, George, that in the early days there was some suspicion by the public tenants as to what this was all about. That is no longer the case. In fact we had a very interesting meeting with the housing department on one occasion where one of the tenants pointed out that they did not want to go back to any other form of management other than the form that they are now under.

It has worked, I think, very, very well, and it is a pretty good model for the future because it does give you supply without the government having to provide all of the money but they do not lose control. I think it has

some aspects of it which are unique, and I think it is unfortunate that that is the case. I think there should be more models of public-private partnerships on this basis, because it does work.

Mr FINN — I only have one question, and that is if this is as good as it would appear to be, why isn't it happening everywhere?

Mr DUFFY — I think one of the problems, Mr Finn, is that you have got to have a developer who is prepared to do it on the basis that it is done. Because it probably only works, or could work in regional areas, as long as the land value is pretty high. The value to the developer is that they are developing a project on land which they do not pay for. So although they only get the right to sell half of it, because of the land value they do make some money out of it, but not a great deal of money.

I do not think this project for the developer would have been quite as good a result as anticipated. I think the developer had a real interest in doing it, and I do not know whether you would find — that would be one of the problems for a government, I think — developers who were prepared to take the risk of this sort of development and see what profit they were going to get out of it at the end. That I think is a problem with that. Do you have anything to add to that, George?

Mr HOUSAKOS — I think for the Office of Housing it is a challenge because this now represents a very different way of viewing their portfolio.

Mr FINN — Do they see it as a threat? That might be the next question I will ask.

Mr DUFFY — No, I do not think so. I think the Office of Housing has the view that the place management here has worked exceptionally well, but this was a development done by Becton and they had a very strong view that this was the way to go. I do not know whether that would be the view of a lot of developers. I think that is where the core of the problem is. But that might be something that can be overcome by a government by making a slightly different financial approach. If the government, of whatever political persuasion, thought that it was the way to go, I think that problem could probably be overcome.

Mr FINN — Has there been any great enthusiasm from government for this concept to be spread to other areas?

Mr DUFFY — I am not sure about that, except that I think that they had to see how this one worked. This was a pretty big punt, and if it had not gone well, then I think the future of this sort of development would have been negligible. I would think that the government's view — but you would have to ask them — would be that this has worked well and, subject to getting developers who would be involved in it, I think that they want to proceed with other developments along these lines.

Mr NOONAN — Thank you for your submission. There are all sorts of different questions that arise from it. I am just thinking through, arising from Mr Finn's question, the arrangements for Becton — whether this was a commercial investment for them unlike Grocon and the Elizabeth Street development where they are, as I understand it, building the new Common Ground development at no cost. That is the first part of my question — the Becton involvement in the project that you are talking about. The second component is really about the community-building aspect; George touched on the KPIs, and I wonder whether you might step us through those. The backdrop here, in terms of the other submissions that we have received, is that there seems to be a difference between the attitude to an Office of Housing property, as opposed to a housing provider or a housing association, in that Office of Housing has been described as someone who allocates properties and collect rent as opposed to a housing provider or a housing association that might be viewed as someone who is trying to make successful tenants and successful circumstances for those tenants. I am sorry to pack a bit in, but if you could —

Mr HOUSAKOS — I might start with the community building. My view in the early days was that community building had become very welfare-ised in the sense that it was coming to a point where you were getting a lot of people going into disadvantaged communities, talking one-on-one with people and hoping that through inertia we were going to see change. I saw that through my experiences at the Brotherhood of St Laurence, and I worked there for a long time and spent a lot of time in housing estates across the country looking at this stuff.

When I went to the private sector, their version of community development was about sausage sizzles, hats and magnets that you put on the fridge. I went from one extreme to the other, which was very confusing. Becton said, 'No, we have got a very good community development strategy — there is a calico bag and a hat', and it is not to denigrate them, but the true sense of what community development was to us was that it was meant to be the glue that held it all together.

So we embarked on a campaign to look at what the literature was showing us, not just in Australia but all over the world — to look at what this new community development foundation was all about. We modelled a lot of neighbourhood renewal in Victoria — we looked at that. We did not necessarily see the neighbourhood renewal as a sustainable strategy; the principles of neighbourhood renewal were what we were interested in from a policy point of view.

Then we started talking to the community, because of the end of the day you talk to people and you need to talk to a mixture of people, not just private but also public and service providers. Effectively they all came up with the same sort of thing. We used the buzzwords today and it is in the literature, but effectively they said, 'We want jobs — local jobs, we want someone to strengthen our community and we want health and wellbeing'. They were the three things that came out of that consultation, and the literature supported that.

What we also wanted to do — which is coming back to your question earlier, Bernie — was to convince the bureaucracy to see that this was viable. One of the things was that they were not comparing apples to apples. We were doing something different. It is very, very hard to compare them. Instead of taking an antagonistic view, we decided to align ourselves much closer to the department. In some ways now we have better evidence to suggest that this was a good strategy — confusing and complicated, having to navigate the way through the bureaucracy, but it was an interesting process, and today I have a lot of grey hair.

The outcome was that those platforms were endorsed by the community, but that was not enough — we needed to translate those into actions and we needed the community to sign off on those actions. We went through a very strong process of consultation, and at the end of the day the community agreed with the actions that were coming out and they needed to measure it. We wanted to measure the community development. Now we were taking this somewhere that it had not been taken before. Now we were doing something that was a lot more tangible. So we measure it all.

How do we measure community strengthening? We ran a housing event last November, 450 people turned up — we measure the number of sausages we sell; we measure the demographic; we look at everything. It becomes an annual event, private and public, and that normalises it, so that is how we get the outcomes. And we go back and assess that against the criteria of our action plan. We took a much more pragmatic and sophisticated view of community development. The net result is that it is a much more fluid and dynamic process that will change year to year.

Employment was simple. Of tenants on the estate, we had half of our community that did not go to work every day. Whether they were young or old, a lot of them were unemployed for a long period of time. We are obligated, as place managers, to think about that if the strategy says, under the community agreement that has been signed off by the community, that we need to make sure that we have a way of creating those outcomes.

The DEPUTY CHAIR — You might be interested to know that we actually had evidence from a tenancy group that wanted just that — they wanted to be able to work and do the contracts of the cleaning, of the gardening, and they did not see why others had to come in and do it when there were able-bodied people there who could do it. Obviously your initiative is working really well.

Mr HOUSAKOS — I think more broadly it is about governance. We had to work out a governance structure that allowed us to interface with that audience. Once you view these tenants as customers it becomes very easy in that sense. But it was a very complex process from the departmental point of view to see them as customers. I do not think the department sees them as customers, inherently.

Regarding the relationship with Becton — your earlier question — I know some history of the Common Ground project, but this was a commercial project for the developer. Yes, at a reduced margin, so what they would have expected was a 20 per cent return, and, yes, they probably ran at about 12 per cent. In some cases they probably hit the 20, depending on when they were selling in the market. But this was not about them not

making money. In some ways, as uncomfortable as that may sound, it actually was important that we understood that that was the driver.

As a community we have to play a very strong part in the way that we manage that consultation with them, but at the end of the day they are there to make money. I feel comfortable with that. The net result is that we have just got to be very clear about what our expectations are throughout the development period. The Common Ground model: it is very different and how sustainable it is is probably the question. Good, philanthropic — I get it, it feels good, I understand that — but longer term can it be replicated? Kensington can be replicated and should be replicated.

Mr SCHEFFER — That is what I wanted to start with — whether it could be replicated. It seems from what you have described there was a confluence of very unique skill sets and what you brought to it was something that you had developed in yourself and with your team. You could not run heaps of these because you probably have to spread a certain concentration of what you do to do it properly. But how would it be replicated? I do not mean the structure; I mean the governance, the community building — all that fine-grain stuff.

Mr DUFFY — That is the crucial question. I think that given the circumstances as they change we could probably run maybe one other estate, as long as it was fairly close geographically, but there is a limit as to how many we could. Regarding the question that Mr Finn raised and that was followed up by Mr Noonan on the commerciality which George answered, I think there is a little bit of a problem because I do not think it is quite as commercial a result as probably it was thought it would be. But, as I said, that could be corrected by making some more concessions as to what the developer would take out. I mean you could make it creative enough commercially.

We have been very lucky. Going back to 2001, I could not believe we would be where we are today. We are blessed with very good staff, but they are around; it could be done again. With the greatest of respect to our CEO and the great staff we have got, those people are around. I think you could do that. That is a problem, but I think it could be done.

Mr SCHEFFER — I have not been on what was the Kensington estate since the early 1980s, so I have got the picture that you described initially very clearly in my mind. But as I understand it the different towers — —

Are they towers? Are the towers still there or has one been knocked down?

Mr DUFFY — Only one left.

Mr HOUSAKOS — Two left.

Mr DUFFY — Yes, two, sorry.

Mr SCHEFFER — Are the different private and public apartments mixed up in separate areas? Could you just talk us through that a bit — how it looks?

Mr HOUSAKOS — There are two of the originals. There was a whole series of walk-ups; they have all been knocked down. There were three towers; one tower was knocked down and two towers were left behind. The two towers are 12-storey towers, and then the rest of the development was cleared. What was then built were a series of pods of private coexisting next to pods of public, and they are scattered through the development.

Outside of the towers, one of the lessons that we learnt was that you have got to be careful about institutional design so that we cannot recognise public housing. That was the first lesson that we learnt. It is very important when you are dealing with a mixed tenure because the private market will not cope if it starts to believe it has a product next to it that has a perception of public housing. Whether that is true or not is debatable. They are scattered through a 6.5 hectare site — all the way through. They are not all designed the same way — two different architects have been used — so you do not get a monolithic-type architectural design running all the way through it.

We are three-quarters of the way through; there are 700 dwellings now and we have one more stage to go which will take us to about 900.

Mr SCHEFFER — What is the profile of the variety of the units — one bedroom, two-bedroom, three-bedroom?

Mr HOUSAKOS — In our public dwelling stock we have 383 dwellings: 9 per cent are bedsits, 46 per cent are one-bedroom, 32 per cent are two-bedroom, 11 per cent are three-bedroom and 2 per cent are four-bedroom. In our private stock we have 365 dwellings, of which 65 per cent are one-bedroom, 30 per cent are two-bedroom and 5 per cent are three-bedroom. That is the mixture

Mr SCHEFFER — And the social profile?

Mr HOUSAKOS — The social profile. I can break it up into the two if you like but just looking at the whole mixture of the development, both private and public, 46 per cent are people between the ages of 20 to 35, 30 per cent are over 55s, 13 per cent are families — single parents with a group household — and 11 per cent are singles.

Mr SCHEFFER — My last question is a little bit mean but I want to ask it. Did you ‘improve’ the social harmony by encouraging some people to leave or did you improve it by working with people and them changing themselves in the way they relate to their neighbours?

Mr HOUSAKOS — The obvious answer is the latter. From our perspective this is not about using harsh allocation policies to move people on. There was an argument in the early days that what was happening out there was a sort of decanting of difficult people. I can assure you that you are more than welcome to come out to our site and you will be challenged by some of the audience that sits out there. In the early days of thinking the department took a risk view on that issue and tried to somehow think of it from that point of view but from our perspective today, no. The allocations are important and the issues are important, otherwise why have we wasted public money in doing this? To be honest with you, my preference and the pressure that I put on the tenancy team — and I do put pressure on them — is for more segment 1s. That is to me part of the reason we did this piece of work. It also means that when we are talking in the department there is not this belief that we are the cream of the crop.

In response to your earlier comment about replication, if you do not mind me going back, part of what we have had to do is think about the type of contract that we set up with the department, the type of KPIs, the type of infrastructure, the type of operational KPIs and the type of systems that we use. Our hope would be that as part of our delivery we also influence how the sector would work so that there is a package that can be put out there.

The DEPUTY CHAIR — Mr Housakos, you mentioned earlier when you talked about rubbish or a bed or a mattress being left out the front that that would not be tolerated. You have lifted the benchmark a little bit. Do the public and private tenants know that you have lifted the benchmark and there is some responsibility on the people who live on the estate and they have a bit of self-esteem and keep the place tidy? That is a criticism of some public housing occupancies, that there is a disregard when there is either antisocial behaviour or rubbish or whatever just left around the front. Then you get the neighbours next door saying it devalues their property.

Mr HOUSAKOS — Our tolerance of this was based on a couple of things. Firstly, after working such long period of time in public housing I could understand why this was an issue. Secondly, the evidence would suggest that if you leave it unattended, it becomes a compounded issue. If it is one mattress, it will become five very quickly. From the point of view of the aesthetic of an estate, it needs to be maintained and rubbish picked up daily. That is the first part from a sort of an asset management point of view.

The other point is: how do you teach people responsibility? When you are remotely managing complex audience, particularly in the case of the Office of Housing, it is very difficult to form the types of relationships that are required and to understand what is driving people to behave in a certain way. The easy option would be to take a punitive approach and say that they have done the wrong thing and punish them. Our approach is to try to understand, firstly, why they are dropping rubbish off, and, secondly, to understand how we can teach them not to drop the rubbish off.

That is the lesson. Recently we told a tenancy to clear their balcony. It was a second-floor balcony and they thought it was okay to throw it all off the balcony onto the ground. Who failed who? I would say we failed them because we had not really informed them about where we wanted them to put the rubbish. That is a really good example of where we could have taken a breach process and gone in, but we did not because it is about rights

and responsibilities. I think we are the only organisation that would have the evidence and are up close enough to public housing to suggest of those 383 properties we have a very disconnected dialogue with this audience. That is first and foremost. We talk about it as a customer.

The other evidence was gained when we spent time in the UK. I remember walking around with a pretty fastidious asset manager on a pretty rough housing estate in London and he said there was just no tolerance for this sort of behaviour. If you remove it, you set the benchmark and it maintains itself. Today our hard rubbish pickup is becoming less and less evident, so that would indicate that change is occurring, but it is very challenging.

It is the same with our graffiti. We got tagged once; it is the same sort of process. A couple of our younger members said that they would fix the situation up for us. I think that is a good outcome. I do not know how to measure it, but the ownership is what we are looking for here and we measure that by looking at those sorts of very tangible outcomes like rubbish and graffiti. They are things that we watch very fastidiously.

The DEPUTY CHAIR — Are there any other questions? Thank you very much. It has been a really great presentation and we really appreciate your time.

Mr DUFFY — Thank you. George mentioned that the committee may wish to visit the site some day. It is only a quarter of an hour from Parliament House. I would just add that if a visit was going to be of any use to you, we would be more than happy to accommodate that.

The DEPUTY CHAIR — Thank you.

Committee adjourned.