

# Housing Update



Identifying Community  
Housing Needs

The Community Housing Coalition of WA

Autumn, 2011

## Australia's first Foyer development to reduce homelessness in WA

This autumn, construction is set to start on Australia's first purpose-built Foyer at the Central Institute of Technology campus on Oxford Street in Leederville.

Foyers are integrated learning and accommodation centres providing safe and secure housing, support and training for young people aged between 16 and 25. The first Foyer was established in France in the 1950s with the goal of promoting social inclusion and induction into the labour market.

More than 1000 Foyers currently operate around the world in Germany, Ireland, the Netherlands, Romania, the United Kingdom and the United States of America. The results and achievements of Foyers globally have been extremely positive so they are regarded as international best practice when it comes to helping young people get back on their feet.

The Oxford Foyer, subject to council approval, is scheduled to open in July, 2012, and will be a landmark building in the heart of Leederville. The four-storey facility will accommodate up to 98 young people at a time and provide them with assistance to access accommodation and employment.

Residents will need to meet strict criteria to secure a place, including a commitment to the Foyer, a positive work ethic and a commitment to achieving independence. When they have been allocated housing in the Foyer, they will have access to comprehensive support services



*An artist's impression of the Oxford Foyer development.*

and will participate in a range of education and training options at the Central Institute of Technology and other educational and training institutions.

In exchange for services tailored to their needs, young people entering the Oxford Foyer are expected to actively engage in their own development and make a positive contribution to their local community. International experience suggests that the majority of young people housed in Foyers will find employment/training and a new home within two years.

The Oxford Foyer development is a partnership between three major WA organisations, Foundation Housing, Anglicare WA and the Central Institute of Technology. Foundation Housing will act as the tenancy and project manager and Anglicare WA will provide case management and support services

for vulnerable young people. The Central Institute of Technology will offer training leading to employment or further education.

The facility will be funded by the Federal and State Governments through joint initiatives on homelessness and social inclusion and will be administered by the WA Department of Housing and the WA Department for Child Protection.

The Oxford Foyer will play a vital role in stabilising the lives of young West Australians who are homeless or in housing need by providing them with a secure home and ongoing support services.

After their stay, it is anticipated that residents of the Foyer will have gained access to both accommodation and employment therefore reducing the likelihood of their transition into adult homelessness.

## 'Kinecting' for the community

Gimme Shelter, the annual fundraising concert for the homeless on the south lawn of the Fremantle Arts Centre is on again on Saturday, February 19, 2011, with another amazing line-up.

Members of the hugely popular hip-hop/R and B outfit, The Last Kinection (Newcastle, NSW), are flying over to help the cause.

The Last Kinection get regular air-play on Triple J and the trio recently hosted RAGE. Rocking it with the best of them, The Last Kinection have been blessed with sharing the stage with Paul Kelly, Missy Higgins, John Butler, Bernard Fanning and The Herd to name a few at the sell out tribute to Australian music legend Kev Carmody at the 'Cannot Buy My Soul' concert last year at the Brisbane River Festival.

They recently supported Arrested Development, Public Enemy and The Herd, won a Deadly and played just about every major festi-

val in Australia.

Dom Mariani, Perth's Godfather of pop, is performing with his new outfit, Dom Mariani and the Rippled Souls.

Dom's work is a distillation of rock'n'roll energy, sun-streaked melodies, ringing guitar work and headlock chorus hooks fine-tuned with alchemical precision over 25 years of performance.

Also performing is Brave and the Bird. And who are Brave and the Bird?

Gimme Shelter organisers are remaining tight-lipped on this one.

"We can't tell you for legal reasons," said event organiser Phoebe Corke.

"All I can say is it is a couple of big name performers. We are very excited and the crowd is going to go wild when they see who it is."

The Starlight Hotel Choir will also be singing songs from their recently released CD and Jim Fisher will be MC for the night.



*The choirs sing with great passion as this choir member demonstrates in a past performance.*

Gimme Shelter is a not-for-profit event with every cent from ticket sales going directly to feed and nurture the homeless.

Tickets are dirt-cheap at \$25 + booking fee in advance, \$35 on the door from [www.heatseeker.com.au](http://www.heatseeker.com.au), the Fremantle Arts Centre and usual outlets. Under 16s are \$10 and kids under six are free. Gates open at 5.30pm.

## Affordable Housing Strategy delayed

The State Affordable Housing Strategy was due to be published the week before Christmas but, we understand that in light of a Cabinet reshuffle which has seen Troy Buswell returned as Housing Minister, the official publication and launch of the document has been delayed to accommodate the new minister.

CHCWA welcomes the return of Mr Buswell given his instrumental role in the inception of the Social Housing Taskforce and the good work that stemmed from that.

The State Affordable Housing Strategy will be heavily influenced by the recommendations contained in the Social Housing Taskforce Final report and we are looking forward to seeing what policy prescriptions it contains in relation to the growth of the community housing sector.

No date has been set for the

publication of another important policy document, the Not-For-Profit Housing Growth Strategy. Nevertheless, CHCWA keenly awaits its publication too.

In recent weeks, CHCWA staff members have met the new Department of Housing staff brought in during 2010's restructuring process.

We look forward to developing those relationships further in the year ahead and working with the department to develop the sector.

Arising from those meetings, CHCWA and the Department of Housing have begun work on scoping the need for Housing Needs Register.

The register would effectively act as an integrated waiting list for social housing applicants complemented by some form of common assessment tool to process applications.

On December 3, 2010, the De-

partment of Housing in conjunction with CHCWA hosted a workshop and information session on the creation of a Housing Needs Register in WA. CHCWA invited representatives of all the Growth Providers and the Preferred Providers plus a small selection of registered and non-registered providers to the meeting.

At the workshop, Department of Housing staff gave presentations on existing and nascent registers in other states and territories and invited attendees to contribute observations and opinions on how best to model a register suitable for WA.

Consultation with the community housing sector was one of the first measures taken by the Department of Housing in terms of developing the project and CHCWA will continue to work closely with the relevant department officers as the project progresses.

## From the Executive Officer...

Welcome again to readers of CHCWA's quarterly publication. This newsletter goes to more than 700 agencies, including community housing organisations, educational bodies, three levels of Government and individuals who are interested in housing related issues. I hope you continue to find this newsletter informative and interesting.

### **Lord Mayor' Affordable Housing Working Group**

The working group's building project is now well advanced. CHCWA is represented on the City of Perth (CoP) Lord Mayor's Affordable Housing Working Group which meets monthly. The project is targeted at low to moderate income earners employed within the Perth central business district. The project has 22x1 bedroom units and 26x2 bedroom units.

The building is registered with the Green Building Council of Australia as a Green Star Building. The Development Application has been submitted to the CoP with an outcome likely to be early in 2011.

Following a tendering process, a community housing growth organisation called Access Housing Australia Ltd was chosen to manage the housing and the tenancies. A National Affordable Rental Scheme (NRAS) application has been lodged by Access Housing to the Commonwealth Government, the outcome of which is not yet known. If the project goes to plan, construction could start late in the 2010/11 financial year.

### **Housing Needs Register**

The Joint Wait List/Housing Needs Register workshop was held on December 3, 2010. The workshop was partnered by Department of Housing and CHCWA with several speakers from the department covering the scope and components of the housing needs register/joint wait list.

Discussion covered the approaches of other state jurisdiction specifically Queensland, New South Wales and the Australian Capital

Territory. The advantages of each jurisdiction were discussed with plenty of feedback from CHOs present.

The model which most providers warmed to was the NSW model which is tending to a more collaborative approach between state agency and Community Housing Organisations (CHOs). There was also good representation from the community housing sector with more than 20 representatives participating.

### **Letters to the editor**

During this quarter, we have been active in promoting community housing to the wider community through the Letters to the Editor column in the West Australian newspaper. Two letters were published in this quarter and can be viewed on our website, [www.communityhousing.com.au](http://www.communityhousing.com.au), and then go to media.

### **Strategic Plan 2010/2013**

Following the completion of our Draft Strategic Plan, which was tabled at our annual general meeting on October 26, 2010, we have encouraged members to obtain a copy of the strategic plan by contacting Tony Whitbread at [membership@communityhousing.com.au](mailto:membership@communityhousing.com.au) and make commentary by February 24, 2011.

When all members' comments are received and the plan reviewed by our board, we will be ratifying at our next council meeting on March 9, 2011.

### **Building renovations**

I am happy to report the renovations to the Claisebrook Lotteries House are essentially complete with only minor work outstanding. The conference room has been enlarged and can also be split into two smaller meeting rooms.

An important inclusion is a video conferencing facility which will soon be available. The inclusion of this facility will assist CHCWA and other not for profit organisations to engage with their members and



*Colin McClughan*

clients through the provision of training and video conferencing.

### **Farewell and Welcome**

I would like to take the opportunity to farewell board members Tina Merry, Chief Operations Officer of Foundation Housing, and Pauline Farrell, a representative of the Federation of Housing Collectives. Both members have provided valuable service to CHCWA's board and have been a great help to me in my role with the organisation.

I would also like to take the opportunity of welcoming Andrew Hall, General Manager, Social Inclusion, Anglicare WA, Helen Deakin, Property Operations Manager, Activ Foundation Inc and Liz Waterhouse, Business Development Manager, Access Housing Australia Ltd.

In concluding I would like to wish all our members and readers a Happy New Year and give you my assurance that CHCWA will continue to promote, represent and assist Community Housing Organisations gain recognition for the great work they do in providing appropriate affordable housing to those in the community who cannot afford mainstream housing.

**Colin McClughan**

# First year of program complete

It has been almost a year since 'Street to Home' began to reach out to rough sleepers in Perth and Fremantle.

As previously reported, Street to Home is one of 12 initiatives that form part of the WA Homelessness State Plan. It is an innovative and comprehensive initiative for people who are homeless or at risk of becoming homeless and provides intense case management, accommodation, and wrap-around, whole-of-person support.

The overall objective of Street to Home is to ensure that people who are homeless, at risk of becoming homeless, or have experienced homelessness, achieve long term, secure and stable accommodation.

Street to Home aims to effectively link clients with mental health services and other mainstream services and to address the issues that influence their homelessness.

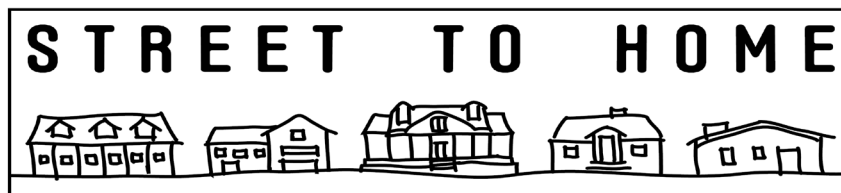
The Street to Home service delivery model has a strong focus on outreach, taking support to the person, and connecting them to accommodation, health, mental health and other mainstream services.

As the lead agency, the Department for Child Protection is working closely with eight non-Government organisations, the South Metropolitan Area Health Service - Mental Health and the Department of Housing.

The non-Government organisations are:

- Foundation Housing
- 55 Central
- St Patrick's Community Support Centre
- The Sister's Place
- Ruah Community Services (Ruah Centre)
- Saint Bartholomew's House
- The Salvation Army (Lentara, Tanderra and Graceville)
- UnitingCare West (Tranby Centre)

Collaboratively, those organisations case manage clients



to ensure their health, mental health, accommodation and social needs are met. Service delivery is based on partnership and mutual respect and communication where each agency is an equal partner demonstrating understanding and respect for the perspectives, roles and responsibilities of other partner agencies.

Clients transition from living on the street to accommodation that best suits their needs with access to support services. Accommodation options include crisis, transitional and permanent accommodation such as public housing, community housing and private rental.

Some clients may reside in crisis or transitional accommodation prior to securing long-term accommodation. The primary goal of Street to Home is to enable and support clients to secure stable long-term accommodation.

Street to Home has three components which include:

- assertive outreach teams working directly with rough sleepers
- a mobile clinical outreach team to assess and treat rough sleepers mental health and drug and alcohol issues
- supportive housing workers to assist rough sleepers access and maintain long term stable accommodation.

Service delivery is integrated, client-focused and targeted toward meeting the needs and requirements of an individual. Assertive Outreach Workers have a flexible approach and provide outreach and intense support which is reduced as issues that impact an individual's homelessness are

addressed. Contact continues throughout the support period to ensure clients are not at risk of repeated homelessness and support is increased or decreased according to the client's needs.

It is recognised that clients have different accommodation needs across all the accommodation options available and accommodation type may vary with a client's immediate to long-term needs.

For example, high need clients are more likely to require frequent and intensive case management and longer term support in transitional accommodation, medium need clients are more likely to be considered as able to manage a National Partnership Agreement on Homelessness (NPAH) housing allocation with moderate support and low need clients are more likely to be suitable for accommodation options such as private rental with minimal support.

When the support period is complete, it is expected that the majority of clients would have developed the necessary skills to live independently in a community with mainstream and other appropriate services engaged as required.

It has been my privilege to have worked as project officer on this initiative for the last 11 months. I wish to thank the Department for Child Protection for offering CHCWA the opportunity to be part of an exciting new initiative and I hope to share some of the success stories in Housing Update in the future.

**Gerhard Rousseau**  
Policy Officer

# Why increase the First Home Owners Grant?

By **BARRY DOYLE**  
Senior Policy Officer

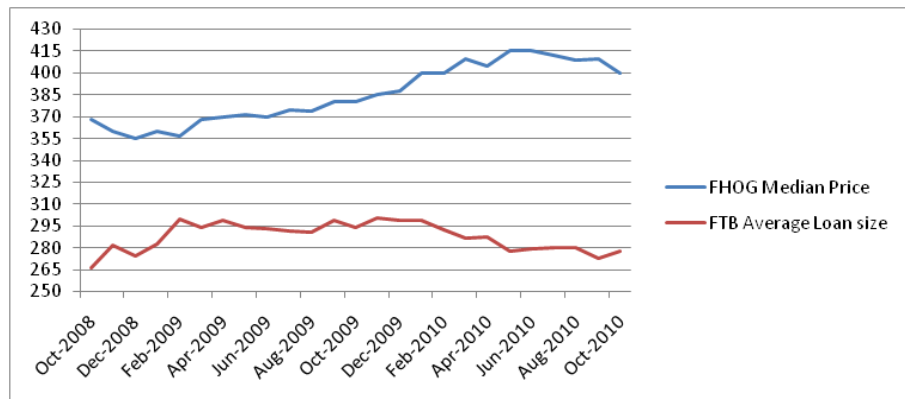
Recent media reports suggest the State Government is actively considering a proposal from Housing Minister Troy Buswell to almost treble the allowance made under the First Home Owners Grant Scheme (FHOG) from \$7,000 to \$20,000. CHCWA assumes that the content of those media reports is credible.

The First Home Owners Grant was launched on July 1, 2000, by the Commonwealth Government and has been kept in place by successive governments. Former Prime Minister John Howard introduced the grant in 2000 to boost a slumping housing market. Eligible applicants are entitled to a one-off \$7,000 grant providing they meet the scheme's eligibility criteria. All States and Territories provide the grant under broadly uniform arrangements agreed with the Federal Government.

CHCWA believes that increasing the allowance offered under the First Home Owners Grant Scheme (FHOG) would be counterproductive for several reasons. Available evidence suggests that an increased First Home Owners Grant will have an inflationary effect on house prices with the inevitable deleterious effects on housing affordability in the state and that, in truth, a boosted grant would primarily serve the financial interests of people selling houses not those who are buying them.

The Government's priority, with the finite resources available to it, should be to address the State's chronic social housing deficit and the housing needs of the tens of thousands of West Australians struggling to maintain tenancies in the private rental market and those on the public housing waitlist. The public and community housing units built under State and Federal stimulus packages in the last two years were a much needed shot in the arm for a sector that is creaking under the weight of ever increasing demand for social and affordable housing. However, projections of future funding tells us that the State Government would do well to maintain existing stock levels in the next decade let alone increase them unless new sources of funding are found.

Focusing investment on increasing social and affordable housing stock levels, as well as being a far more equitable use of scarce Government money and resources, will achieve the goal of stimulating the housing industry and related industries, if that emerges as one of the desired outcomes of the scheme, without artificially inflating prices in the private housing market.



*FHOG Median Price and First Time buyer average loan size (\$000)*

*Source: ABS & Dept of Treasury and Finance.*

## The First Home Owners Boost: Cui Bono?

In 2008, the Commonwealth Government decided to increase the value of grants given out under the FHOG for a limited time. From October 2008 to September 2009 the existing allowances for first time buyers doubled from \$7,000 to \$14,000, for those purchasing an existing dwelling, and from \$7,000 to \$21,000, for those buying a newly built home. From October 2009 to December 2009, those additional grants were reduced to \$3,500 for an established home and \$7,000 for a new build. Those increases were known as The 'First Home Owners Boost' (FHOB) and were part of the Commonwealth Government's overall economic stimulus measures in the wake of the Global Financial Crisis. Prime Minister Kevin Rudd announcing the commencement of the FHOB in parliament on October 14th 2008, said: "...The construction sector and private dwellings investment are important generators of economic activity in this country. They are also important for the wellbeing and the living standards of Australians. To strengthen this important sector of the economy, the government has resolved to introduce a new first home owners boost. This measure will cost around \$1.5 billion in 2008-09 and around \$350 million in the following financial year. This measure will benefit around 150,000 first home buyers."

The evidence demonstrates that the FHOB was successful in stimulating housing activity. Moreover, historically low interest rates in the wake of the global financial crisis in late 2008 also played a part in stimulating market activity. This was welcome news for the construction and related industries.

Welcoming the Rudd government's decision to extend the grant past its original cut off point in May, 2009, David Airey,

Deputy President of REIWA said: "This decision will benefit the property industry greatly and have tremendous flow on effects to those in the business of servicing the property industry such as solicitors, financiers, valuers, removalists and a range of trades people." The increased grants also precipitated a significant increase in the number of first home buyers entering the housing market. According to Department of Treasury and Finance figures, during the life time of the FHOB, 29,637 grants were paid. During the previous 15 months, July 2007 to September, 19,592 were paid. This equates to a 51 per cent increase in the number of first time buyers purchasing homes.

However, the FHOB was inflationary. During the period of the boost, particularly in WA, the FHOB contributed to an increase in the median price paid by first time buyers.

- In October 2008, the month the FHOB was introduced, the average loan size for a first time buyer in WA was \$266,400. By November 2009, the month before the FHOB expired the average loan size for a first time buyer had increased to \$300,800
- In October 2008, the median price paid for a home using the FHOB/ FHOG in WA was \$368,000. By November 2009, the median price has risen to \$385,000.

What the data demonstrates is that most of the grant money paid out under the boost was subsumed into higher housing prices with the principle beneficiary being house vendors, not first home purchasers. Granted, thousands of West Australians availed of the grants to enter into home ownership for the first time. Arguably, many of those purchasers would not have been able to do so without the increased subsidies offered by the FHOB. However,

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# Why increase the First Home Owners Grant?

• From Page 5

because they were buying into a market that was being inflated by the effects of the FHOB, it is quite possible that had no such grants been available they would have been able to purchase at a lower price.

The FHOB was successful in its stated goal to 'stimulate housing activity' and made it possible for some first time buyers to enter the market who may otherwise would not have been able to. It did all this, however, at considerable cost to the taxpayer, almost \$2 billion nationally, and exacerbated rather than ameliorated affordability problems in the market by playing a pivotal role in increasing house prices while it was in effect.

## Stimulus lost

Housing market data compiled after the FHOB expired (December 2009) shows that house prices and average loan sizes maintained or increased on average in the first half of 2010 but began to decline thereafter. This strongly suggests that the FHOB provided only temporary inflationary pressure on house prices. In analysing the causes of this deflationary effect, there are other factors to consider also: The FHOB stole future demand. In effect, it convinced people who were planning to buy in the near future to do so sooner with the more attractive grants on offer. Naturally, when that future point was reached, there were less first time buyers around and with the resultant drop in overall demand. We must also consider general

consumer sentiment among first home buyers towards the housing market. Interest rates have been slowly rising and are tipped to rise further in the near future. This may be adversely affecting consumer sentiment seeing as it will increase mortgage repayment levels. Equally, other factors such as rising stock levels in Perth, which is indicative of oversupply, is likely putting downward pressure on prices and adversely affecting consumer sentiment. The number of properties for sale has dropped 12 per cent in the past month but Perth's property market is still starting the year with a 27 per cent oversupply and 47 per cent more listings than this time last year.

Underpinning all of those factors, however, is the simple fact that for many prospective buyers even housing in the typical first time buyer sections of the market remains unaffordable with obvious consequences for demand levels.

## Follow Victoria?

It is against this backdrop that plans to introduce what, in effect, will be a state based First Home Owners Boost are being mooted. Some media reports suggest that the State Government's intention is to supplement the existing First Home Owners Grant using a scheme similar to the Victorian model. The Victorian government has steadily increased top ups to the existing First Home Owners Grants known as the 'First Home Bonus.'

"First home buyers who qualify for the First Home Owner Grant (the grant) may also be eligible for an additional payment known as the First Home Bonus (the

bonus). To be eligible to receive the bonus, the value of the property must not exceed \$500,000 (for contracts entered into up to June 30, 2009). For contracts entered into between July 1, 2009, and June 30, 2011, the value of the property must not exceed \$600,000...Where the purchase or construction of a new home is in a regional municipality in Victoria, an additional bonus of \$6,500 is also available in addition to the \$13,000 bonus. These payments are subject to certain requirements...."

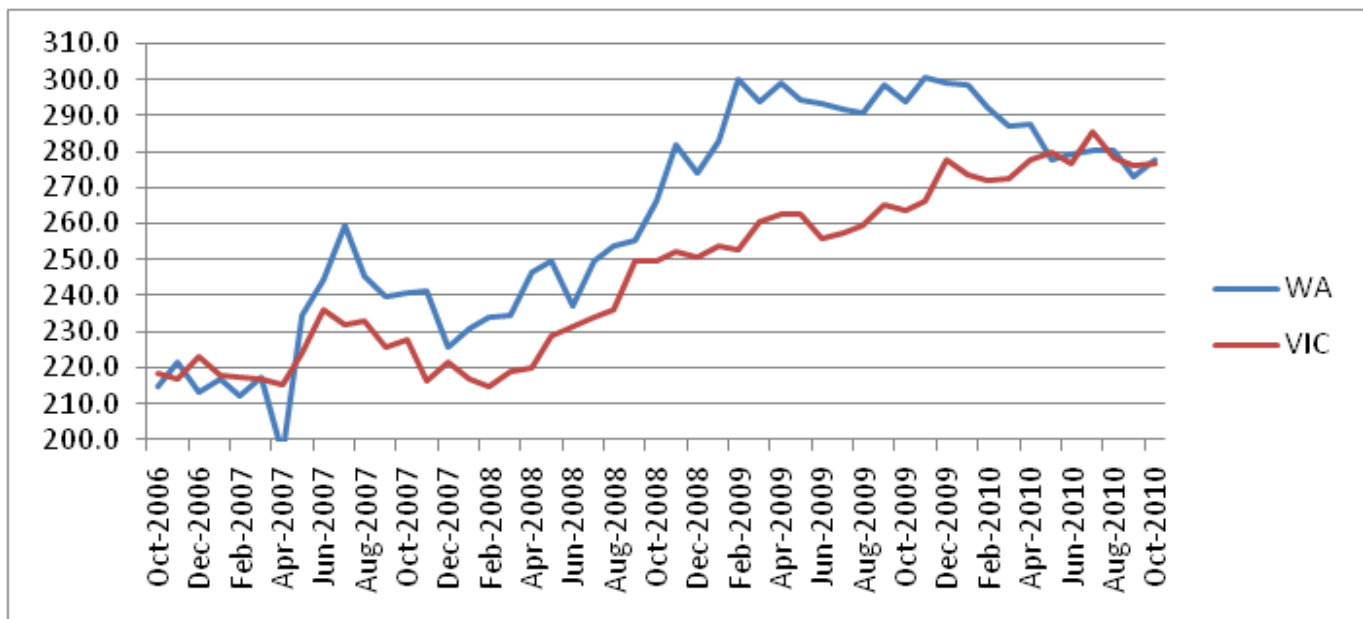
Any comparative analysis of the WA housing market and the Victorian housing market must take into account that each market has its own idiosyncrasies which continue to shape the way the respective markets behaves.

Nevertheless, a comparative analysis shows that the Victorian housing market has followed a different trajectory to the WA market in the last year and the increase in the monies available to first time buyers under the First Home Bonus scheme may have played a part in that.

The data demonstrates that the average loan size taken out by first time buyers in Victoria continued to increase in 2010 but declined in WA:

- In January 2010 the average loan size for a first time buyer in Victoria was \$273,600. By October 2010, the latest date for which figures are available, average loan size had risen to \$276,600.
- In contrast, in January 2010, the average loan size for first time buyer in WA was \$298,700. By October 2010, this figure had declined to \$276,600.

Again, it must be acknowledged that there is a wide variety of factors that can



Average Loan size (\$000) First Time Buyers: Victoria and Western Australia Oct 06- Oct 10 (\$000)

# Grant increase is 'counter-productive'

affect how the housing market behaves. Nevertheless, it is interesting to note the different fortunes of the first home buyers section of the market in Victoria, with its additional grant in the form of the bonus, and Western Australia which had no such additional grants once the FHOB expired. It is also worth noting that housing affordability in Victoria consistently declined during the period of the FHOB and the beefed up First Home Bonus. The implication that boosts to first home owners grants are inflationary remains.

## Thresholds don't work

Targeting any increased grants by excluding homes priced over a certain threshold will do little to offset the inflationary effect of an increased First Home Owners Grant. The Victorian government has set its threshold to such a high level that it falls comfortably below the median price level. But it renders the threshold largely meaningless since the majority of properties in the first home buyer section of the market are priced comfortably inside those limits.

If the thresholds were set lower in WA eg \$400,000, it is likely that vendors with properties priced just below that currently will increase their price to just under the threshold in the knowledge that prospective buyers have had their purchasing power increased by the boosted grant.

This exact scenario played out in the Republic of Ireland in 2005. Unveiling the 2005 national budget in December 2004, the Irish government announced that stamp duty for first time buyers would be reduced from 3.75 per cent of the total purchase price to 0 per cent, providing the property was owner occupied, second hand, and bought for less than €317,500.

Reductions in stamp duty rates for homes purchased above that threshold were also announced.

When the new stamp duty regime came into effect, a slew of properties came onto the market priced fractionally below the €317,500 cut off point. In addition, existing vendors who had priced properties below the cutoff point upped their prices to just under the threshold in the knowledge that the stamp duty for prospective first time buyers had been eliminated and their purchasing power, accordingly, was enhanced.

Moreover, in combination with other factors that would go on to see Ireland

become home to one of the biggest and most economically damaging property bubbles in history, the stamp duty measures proved inflationary throughout the housing market. By the end of 2005, the average cost of a house in Dublin had climbed to €438,790, a year on year increase of almost 13 per cent.

## The opportunity cost: much needed investment in Social and Affordable Housing

By any fair national or international comparison, WA suffers from a chronic shortage of social housing with the total amount of housing that could be considered social amounting to less than 4 per cent of the total housing stock. WA's recent 'housing boom' resulted in tens of thousands of low and fixed income West Australians struggling to access and maintain stable accommodation and threw into sharp relief the inadequacy of the State's social housing volumes. Public housing waiting list applications have risen almost 68 per cent in the past four years, with 24,640 applications for public housing by the end of September, compared with 14,668 in October 2006.

The Social Housing Taskforce final report acknowledges that current and projected funding levels will not be sufficient to increase the overall level of social housing in the State. The stimulus properties transferred to community housing Growth Providers under the stimulus package will engender much needed growth in the community housing sector. But after stimulus, the cupboard is bare, and although much can be achieved as a result of the extra properties built under stimulus, further investment is desperately required. Moreover, any further transfers of public housing stock to the community housing sector, although welcome and an integral part of any successful growth strategy, will see a diminution in the number of public housing units in WA.

The Social Housing Taskforce final report also acknowledges that the Department of Housing should look to create new and innovative ways to attract other sources of funding and specifically from private and institutional investors. Proposals in relation to this are detailed in Chapter five of the report and, as a Social Housing Taskforce member, are supported by CHCWA.

Undoubtedly, the State Government and other stakeholders, including the community housing sector, must look to find new and innovative ways to fund the growth of social housing in the state if we are to meet increasing demand levels. A social housing model so reliant on State and Commonwealth funding is neither efficient, desirable or necessary. However, we contend that, for some time to come, the State and Commonwealth Government will be the key actors in any attempt to meet growing demand for affordable housing solutions.

However, in the meantime, CHCWA believes that given the enormity of that demand and the pressing need to address it, the opportunity cost of launching an enhanced First Home Owners Grant - i.e. reducing the State's social housing deficit - is far too great to be ignored.

There is also an issue of fairness. The State Government, like all governments, is constantly faced with the dilemmas posed by a virtually limitless supply of deserving causes and sound policy ideas but a very limited supply of funds at their disposal. It must make choices. In choosing to fund an increased First Home Owners Grant instead of increasing funding for social housing, the State Government would, in effect, be favoring a relatively well off section of the population over some of the poorest and most disadvantaged people living in the State. This includes, families escaping domestic violence, homeless persons, people with physical and mental disabilities and the elderly.

If it emerges that part of reasoning behind any WA based boost to the existing FHOG is to stimulate activity in the housing market, then the State Government can avoid creating inflation in the private housing market by instead focusing its stimulus efforts on the construction of public and community housing. This would, in effect, amount to a State-based continuation of the stimulus spending on public housing that began in 2009 and which has been successful in generating activity in the construction sector in WA.

In light of these realities, CHCWA would argue that any monies earmarked to increase the FHOG should on the basis of fairness and the economic sustainability of the State, be channeled into bringing our social and affordable housing system up to the standard required of a modern society. CHCWA would urge the State Government to consider the argument against increasing the FHOG set out in the paper before any use it to shape its decision on this important issue.

# Submission on social housing to the

By **BARRY DOYLE**  
Senior Policy Officer

By any fair national or international comparison, WA suffers from a chronic shortage of social housing with the total amount of housing that could be considered social amounting to about 4 per cent of the total housing stock.

WA's recent 'housing boom' resulted in tens of thousands of low and fixed income West Australians struggling to access and maintain stable accommodation and thrown into sharp relief the inadequacy of the State's social housing volumes. Public housing waiting list applications have risen almost 68 per cent in the past four years with 24,640 applications for public housing by the end of September compared with 14,668 in October, 2006.

It is clear that a concerted effort is required on the part of the Government, not-for-profit organisations, community sector bodies and other stakeholders to ensure that the social problems caused by a lack of affordable housing do not worsen in the decades ahead.

CHCWA applauds the decision of the Community Development and Justice Committee to enquire into the issue of social housing and welcomes the opportunity to respond to its call for submissions in relation to its terms of reference.

This submission comments on each of the terms of reference in question. Having examined them, we believe there is sufficient overlap to address some of the terms of reference in groups rather than in individual sections and will take this approach in the interests of brevity and to avoid duplication.

We are mindful that other respondents may be better placed to provide the committee with comment and analysis relating to some of the issues under inquiry. As such, our submission focuses on subject areas where we believe we can make an expert contribution.

## WA's 'Housing Boom' and rising demand for social housing

Rising demand for social and affordable housing in WA is a function of a housing market that is dysfunctional. In particular, the market is failing to cater for the housing needs of those on low and fixed incomes.

As such, any assessment of the State's affordable housing system must acknowledge that it does not operate in a vacuum: affordability levels in the housing market proper are of critical importance in determining demand for social and affordable housing (housing that is priced at 'sub-market' levels) at any given time.

In any housing market, the price at which accommodation can be bought or rented is determined by a simple supply and demand equation. In the private market, prices have increased due to surging demand in the face of a supply profile that has failed to keep pace.

Strong economic fundamentals including high growth rates, rising incomes, increased workforce participation rates and robust inward migration underpins much of this demand. So too have changes in the last two decades in bank lending practices resulted in more credit being available to borrowers than ever before.

High levels of investor and speculative activity in the market has also had a major influence on affordability. According to the Australia Taxation Office, one in every seven taxpayers in Australia owns an investment property other than their family home.

Moreover, the existence of 'negative gearing' allowances in the tax code in relation to properties in the private rental market has, arguably, boosted investor activity in the housing market to levels that would not otherwise be the case.

On the supply side, rapid house price growth alone tells us that the supply of available housing has not kept pace with demand. The underlying reason for this is that the credit markets increased the amount of money available for property and land purchase at a rate much faster than new housing could be brought to market - a phenomenon exacerbated by Federal Government tax policy.

*"House prices have risen because finance was deregulated in the late 1980s but planning was not. Prior to 1986 both housing finance and land were rationed*

*through government controls, maintaining a balance, but after 1990, finance steadily expanded while land use controls continued to remain tight and taxes on new housing increased, making new housing both less profitable and less available. The lack of any real taxation on owner occupation also has led to over-consumption and to speculative activity taking the form of ever-rising prices."* (Flood, Joe and Baker, Emma: Housing implications of economic, social and spatial change, p. 9, AHURI 2010)

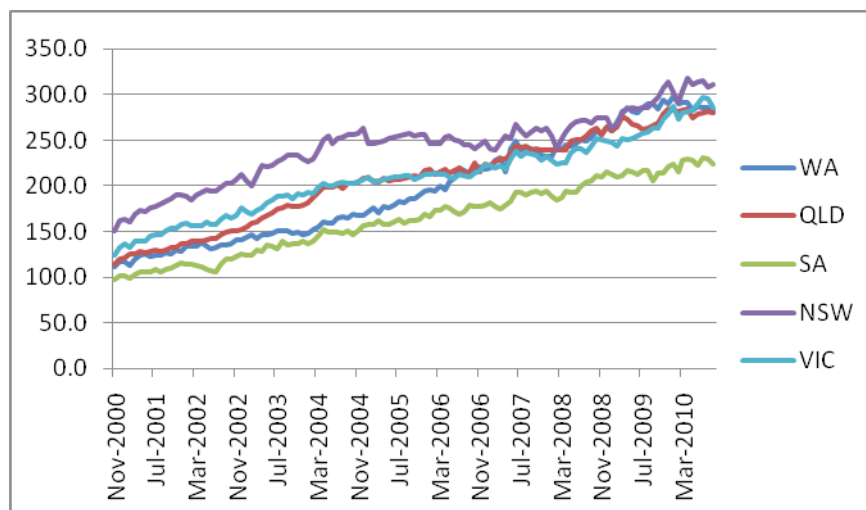
The cost of buying a house and, consequently, average mortgage sizes in WA increased rapidly during the last decade. In November 2001, the average loan size for an owner occupied residential property was \$130,000. By November 2005, that number had reached \$190,800. As of September 2010, the latest date for which figures are available, that number stands at \$282,000.

The *Economist* newspaper placed Household mortgage debt as a percentage of disposable income in Australia at 130 per cent, higher than the U.K (120), Spain (71), US (101) Japan (64) and Ireland (116). Indeed, overall household debt in Australia is among the highest in the developed world.

In Australia, social housing levels, although not at European levels, compared favorably for much of the post war period. "The Commonwealth State Housing Agreement grew social and public housing organisations through the long boom (in some states boosting stock levels up to 12 to 13 per cent)..."

Since those high water marks, however, the number of houses that could be classi-

## Housing Finance Commitments (Average Loan Size - \$000)



ABS 5609.0 - Housing Finance, Australia, Sep 2010

# Community and Justice Committee

fied as social or public, as a percentage of the total housing stock, declined steadily as greater faith was placed in the private market to meet housing demand.

This ideological shift and the failure of successive State and Federal Governments to invest sufficiently in public housing has had, with the advent of the 'Housing Boom,' disastrous consequences for low and fixed income Australians.

In WA, the affordability crisis has been particularly pronounced with inflation in the cost of housing significantly outpacing wage growth. Between June, 2005, and September, 2010, the median price for a house in Perth rose from \$290,000 to \$480,000. During the same period, median rents for a unit rose from \$190 per week to \$355 and for a house from \$215 to \$380. Rising rents is particularly damaging for low income households.

## Market players: private sector, Government and the not-for-profits.

Affordability rates in the housing market are the result of a complex interaction between the private sector, Federal and State Government policy and, increasingly, the not-for-profit sector.

The private sector is the principal supplier of residential housing. The economic and practical benefits of this arrangement are obvious. The private market, however, does not ensure universal provision.

This market failure has traditionally been compensated for by the State and not-for-profit/community sector, hence the development of the public and community housing system. That is not to say, however,

that the private sector can't or shouldn't have a greater role in the provision of social housing in WA in future.

Arguably, Federal Government housing policy has acted as a double edged sword for some time now. On the one hand, the replacement of the Commonwealth State Housing Agreement with the National Affordable Housing Agreement, the boost to social housing stock resulting from the 2009 economic stimulus expenditure and the commitments made to reduce homelessness under the National Partnership Agreements on Homelessness are to be commended.

On the other, a failure to reform the parts of the Federal Tax Code which facilitates excessive speculation in the property market eg 'negative gearing' plus the ill-conceived first home owner's boost which helped to inflate residential property prices, represent policy choices which helped solidify housing unaffordability in the overall housing system.

In terms of State housing policy, as discussed, the advent of the 'housing boom' exposed the inadequacies of this State's social and affordable housing system. It was against this backdrop that the Social Housing Taskforce was established by the State Government in 2009.

CHCWA believes that the Taskforce's final report published in October, 2009, was successful in identifying the problems our housing system faces and in suggesting possible solutions. CHCWA looks forward to the publication of the State Affordable Housing Strategy document which, we understand, will set out specific policy prescriptions informed by the Taskforce's findings and recommendations.

CHCWA believes that the empirical data set out in the Taskforce final report demonstrates four key findings:

1. the public housing system is chronically undersupplied to meet existing demand levels
2. current and projected funding for public housing in WA will not result in the required increase in the number of social housing dwellings
3. even if the funding were available, expanding the public housing system would represent an inefficient use of resources given the existing alternatives available - and those that could be developed - given the inherent inefficiencies of the public housing model
4. harnessing alternative mechanisms for reducing the State's social and affordable housing deficit represents the best way forward for policy makers. This does not mean, however, that public housing provision should be neglected completely.

## Growing the Community Housing Sector

CHCWA believes that growing the Community Housing Sector in WA will be central to any significant expansion of the social housing system. Community housing in Australia is a relatively small part of the overall social housing sector at present. The sector is growing however and has the potential to become the primary driver of an expanding social housing system in WA in the next decade if given the appropriate Governmental support.

Between 2003 and 2009, the number of social housing dwellings in the country as a whole actually declined. This was largely attributable to a decline in the number of public houses; nationwide the public housing stock reduced by about 9000 units.

Conversely, the number of community housing dwellings in the social housing system increased significantly during the same period. The sector's housing stock increased from 31,496 dwellings at June 30, 2005, to 41,718 dwellings at June 30, 2009.

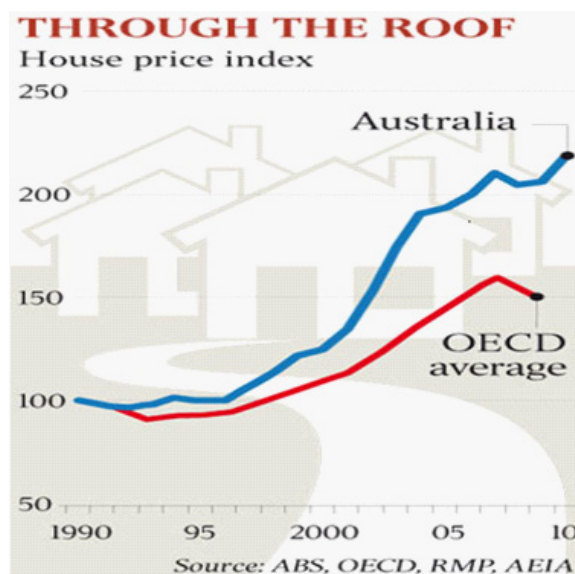
In WA, mainstream community housing plus indigenous community housing now makes up 19.7 per cent of the entire social housing stock.

In terms of providing high quality social and affordable housing and in growing the overall stock of social and affordable housing in the State, the Community Housing Sector has several key strategic advantages:

- Community Housing Tenants in receipt of a Centrelink payment as their primary source of income are eligible

• **More Page 10**

Chart illustrating house price inflation in Australia



Source: The Australian (20.11.10)

# Submission on social housing to the

## • From Page 9

for Commonwealth Rent Assistance (CRA). This means that they have a significantly higher income than their counterparts in the public housing system. Although, Community Housing Providers are not permitted to charge tenants more than 30 per cent of their total income in rent (with a total rent that must not exceed 75 per cent of market rent), the boost to incomes provided by the CRA payments means that the net rent they receive from tenants is higher than would be possible in the public housing system.

- Many Community Housing Providers qualify as Public Benevolent Institutions thus reducing their tax burden.
- Community Housing Providers, particularly larger Growth Providers, can cross-subsidise their social housing provision function by offering tenancies to clients whose incomes exceed the public housing income thresholds but are still caught in the 'affordability gap' between the social housing and private rental market and charge them higher rents than tenants in the former category. They can also cross-subsidise by reinvesting profits made by selling select properties on the private market.
- Community Housing Providers can engage with private sector lending institutions to leverage off their asset base and rental revenue streams to grow their stock. This leveraging model is the fundamental driver of Community Housing Sector Growth and an option not available to State public housing authorities.
- Community Housing Providers are often also service providers for persons with special needs or have relationships with such service providers.
- Community Housing Providers smaller scale vis-à-vis the public housing system gives the sector a degree of efficiency and responsiveness to various stakeholders that, arguably, is much more difficult to realise in the public housing sector.

The scale of that growth in WA will be largely dependent on individual providers in the sector's ability to reach a point of critical mass at which growth is possible. At present, the Department of Housing, in terms of its regulatory structure, places all Community Housing Providers in the State into four categories, Growth, Preferred, Registered and Unregistered.

As mentioned in the introduction to this

paper, the biggest group within the sector in WA is unregistered providers. There are six Growth Providers, 12 Preferred Providers and nine Registered Providers.

The Department of Housing and the State Government have a critical role in enhancing the ability of existing Growth and Preferred Providers (many of whom aspire to reach Growth Provider status) increase their stock and thus increase the overall stock of social housing in WA.

The principal mechanism for this is stock transfers whereby the department transfers housing units from the public housing system to Growth and Preferred Providers in the Community Housing Sector who can use that stock to increase their leveraging potential. Such transfers took place under the SCHIP and PHLP programs.

Moreover, under the 'Nation Building Economic Stimulus Plan' the State Government undertook to transfer up to 75 per cent of the houses built with Federal stimulus revenue to the Community Housing Sector. To date, following a competitive tendering process, 559 properties have been transferred, or earmarked for transfer, to the Community Housing sector, principally the Growth Providers.

The transfer of those stimulus properties marks the most significant transfer of State-owned housing to the Community Housing Sector and is greatly welcomed by CHCWA. For the recipients of those properties, the transfers provide an invaluable boost to their stock holdings and will lay the foundations for growth based on the leveraging model.

CHCWA understands that the department will closely monitor the level of growth that Community Housing Providers achieve in the coming years. However, we believe that it is important that the department prepares the ground for further transfers in the coming decade to maximise the growth of the social housing sector in WA.

For its part, the Community Housing Sector, in order to realise its growth potential may also have to undergo a process of consolidation. This process would see, in some cases, smaller providers merging with larger ones. In other instances, creating memorandums of understanding between smaller and larger providers would be desirable. Both options would be guided by the goal of growing the capacity of the larger providers and creating a greater number of providers who are of a sufficient scale to increase their stock levels through the leveraging model.

Obviously, transferring houses currently managed under the aegis of public housing to the Community Housing Sector would

lead to a diminution of the total public housing stock. CHCWA believes that the level of diminution should be minimised.

Public housing will remain for the foreseeable future an important part of the overall social housing solution. Notwithstanding that the public housing stock in WA is already among the lowest in the country, public housing remains an important stepping stone for people with high needs including persons exiting from homelessness.

In addition, for the time being at least, community housing has a limited presence in regional and remote areas of the State compared to public housing. Maintaining the integrity of the public housing system in those areas is likely to be an important policy objective for some time.

## Extra financing

The Department of Housing has significant land holdings in WA. Periodic sales of land and public housing stock in wealthy suburbs has provided the department with an important extra funding stream as well as monies received from the State and Commonwealth Government.

The Social Housing Taskforce final report acknowledges, however, that the department should look to create new and innovative ways to attract other sources of funding and specifically from private and institutional investors. Proposals in relation to this are detailed in Chapter Five of the report and, as a Social Housing Taskforce member, are supported by CHCWA.

Such is the scale of the social housing deficit in WA that CHCWA believes that the State Government should commit to increasing its annual financial contribution to growing the social and affordable housing system.

## Other factors influencing the availability of 'sub-market' affordable housing.

Future planning decisions will be key to facilitating a housing system which is responsive to the needs of West Australians. State and Local Government need to develop growth plans which place a greater emphasis on creating a housing stock that matches the demographic demand.

For example, our current housing stock is dominated by large three and four bedroom houses. This type of housing is not suitable for the increasing number of households that comprise two or less persons.

Higher density development and specific areas of policy which create the conditions for the creation of affordable

# Community and Justice Committee

housing options within local communities need to be actively pursued by State and Local Government. CHCWA strongly supports recommendations 37, 38, 39 of the Social Housing Taskforce Final report which recommend fundamental change to the relationship between State and Local Government in relation to housing development strategies.

The strategies will also be crucial in developing housing plans to cater for areas of high growth and to alleviate pressures in areas such as the north west of WA where the mining boom and the emergence of 'two speed economies' has put severe pressure on housing affordability levels, particularly for residents not directly employed in the resources industry.

## Alternative models for social housing provision

CHCWA is strongly of the view that the future of social and affordable housing in WA lies in growing the community and not-for-profit housing sectors and that both national and international experience of best practice social housing systems bears this out.

We also support piloting other social and affordable housing responses to compliment the mainstream responses such as 'An Affordable Rental Brokerage Scheme' and 'A Time Limited Rental Subside Scheme' as suggested in the Social Housing Taskforce Final Report. CHCWA notes and welcomes the fact that the Department of Housing has already begun work on piloting the Affordable Rental Brokerage Scheme.

## The effectiveness and appropriateness of social housing allocation systems in WA

Traditionally, social housing in WA has been allocated to people who meet eligibility requirements for, and apply to receive, public and community housing. The public housing waitlist sits independently from those compiled by most individual Community Housing Providers.

In the last year, modifications to the management of the joint wait list whereby new and existing applicants for public housing can indicate a willingness to be housed with a Community Housing Provider, pointed to a growing recognition of the enhanced role that community housing must play in the overall social housing system.

There is also widespread acknowledgement that the current housing waitlist managed by the Department of

Housing requires reform. Specifically, analysing the waitlist and the housing needs of the applicants on it accurately is difficult. This in turn hampers the department's ability to administer an equitable and efficient allocations system.

This is inevitably a function of the size of the waitlist relative to the allocation rate, however, as the Social Housing Taskforce final report argues, remedial action is possible to streamline the way housing applications are collected and allocations made in WA.

CHCWA is pleased to disclose that it is currently working with the Department of Housing and other stakeholders to scope the development of a 'Housing Needs Register' for the State in line with agreements made at COAG level and recommendation 18 of the Taskforce final report.

## Impact of housing need on specific groups.

The ability to access and maintain stable affordable accommodation is fundamental to a person's well being and the well being of the people who depend on them.

This submission has already highlighted the causal link between rapidly rising house price and rents in the private market and demand for social and affordable housing. Put simply, poorer sections of society are suffering financially with predictable deleterious consequences to their personal well being and that of their families.

As long as this affordability gap remains in place and demand for social and affordable housing options remains high in the face of limited supply, thousands of WA households will struggle to make ends meet in the private rental market.

As the primary income earners in those households move from paid work into retirement, the drop of income that the transition will entail will inevitably lead to a large number of them falling into severe housing stress. We can expect, in other words, a significant rise in demand for social and affordable housing options as the proportion of older people in the State increases in the coming decades.

Moreover, given the relationship between old age and disability many of these individuals will also require services to help maintain their tenancies.

Developing policy now that facilitates an expansion of the social and affordable housing system is essential if we are to avoid a situation where even more people are impacted negatively by affordable housing shortages in the coming years.

## Factors facilitating the movement of people from

## the social housing sector to the private market and home ownership

In 2009, CHCWA sat on a monthly roundtable of community sector peaks with an interest in social housing policy organised by fellow Social Housing Taskforce member, WACOSS. The group was formed to allow peaks to strengthen CHCWA and WACOSS' contribution to the work of the Taskforce through regular consultation with community sector representatives.

Factors facilitating the movement of people through the 'Housing Continuum' were discussed at the roundtable. It was agreed that WACOSS, based on those discussions, would formulate a research proposal with a view to acquiring some academic research on the issue.

Dr Steven Rowley and Dr Rachel Ong of the Curtin Business School at Curtin University, were engaged to carry out the research based on that proposal. Their full report is published in Appendix 2 of the Social Housing Taskforce final report. CHCWA endorses that report and urges the committee to consider its findings and recommendations.

## Conclusion

Again, CHCWA applauds the decision of the Community Development and Justice Committee to conduct an inquiry into the issue of social housing. Ensuring that the housing system in WA adequately caters for everyone who calls this State home should be of paramount importance to policy makers. The stakes are literally too high to do otherwise.

We hope that this submission will aid the members of the committee in their understanding of the problems that the housing system in WA faces, how this impacts on ordinary people and what we need to do to bring down the number of people who live in housing stress and homelessness.

As the peak body for Community housing providers in the State, CHCWA, through this submission, has sought to underline the pivotal role that Community Housing Providers can continue to play in the overall solution.

Our message is one of optimism. In partnership with Government, our sector stands ready to grow and provide housing for those who currently languish on the housing wait lists and those that will require affordable housing solutions in the years ahead.

We look forward to reading the findings of the committee when they are published.

# CHCWA



## Who we are and what we do

**The Community Housing Coalition of WA is the peak representative and service body for organisations delivering social housing in WA.**

**CHCWA's role is to**

• **Represent the interests of Government, Local Government and non-Government Community Housing Providers in WA.**

CHCWA makes representations on behalf of the Community Housing Sector to State and Federal Governments as well as through its membership of relevant State and National committees including the Council to Homeless Persons (CHP) and the Community Housing Federation of Australia (CHFA).

• **Promote Government, Local Government and non-Government community housing in WA.**

CHCWA is involved in the ongoing promotion of community housing. This includes working with National, State and Local Government bodies to increase their commitment to community housing.

• **Improve delivery of community housing.**

CHCWA works at a grassroots level to improve the delivery of community housing through advice, resourcing and training.

• **Identify unmet community housing needs.**

Since merging with the Council to Homeless Persons in 1999, CHCWA is involved in homeless issues and now works to identify unmet community housing needs.

Community Housing Providers are a diverse group of organisations but there are issues which affect the

whole sector and which require a united voice.

CHCWA ensures that individual providers can make a difference, shaping the political and social landscape in ways that best serve the needs of providers and tenants.

CHCWA speaks with a strong voice for the sector as well as providing a platform for discussing policy direction and best practice.

CHCWA offers a chance to improve the operating environment for Community Housing Providers by providing input into policies, positions and practices relating to community housing.

We take your suggestions and represent your views to politicians, Government departments, the media, special interest groups and other stakeholders, ensuring that your concerns are heard.

CHCWA also offers:

- training in Asset Management, Developing Policies, Risk Management, Rent Setting, Strategic Planning and Financial Planning
- identifies gaps in sector training developing courses to meet those needs
- regular meetings, to enable providers to offer input into CHCWA policy
- social functions which afford an opportunity to meet other providers in a social setting
- workshops and forums to discuss technical, business and political issues
- realistic training fees
- access to research and statistical information

• opportunity for free advertising on the CHCWA website and in its publications

• free publications

• assistance with policy development

• to act as a referee for grant submissions

• a helpline to assist with tenancy management issues

• access to Best Practice Unit training resources

• offers advice on conflict resolution between providers' clients.

CHCWA membership is open to:

• incorporated non-Government, not-for-profit organisations that have the provision of community housing as their main objective

• incorporated organisations that manage or sponsor community housing projects as part of their operations

• unincorporated organisations that have the provision of community housing as their main objective.

Other organisations and individuals are welcome to join as Associate Members.

### **Membership Fees:**

Membership fees are based on the number of dwellings managed by the member:

#### **Full membership:**

0 - 10	= \$80
11 - 50	= \$190
51 - 100	= \$400
101 - 250	= \$520
251 - 400	= \$750
401 - 500 +	= \$1100(GST inc)

#### **Associate Membership:**

Individual	= \$45
Organisation	= \$95