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## BRIEFING NOTE: STATE AFFORDABLE HOUSING STRATEGY 2010 TO 2020

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### Introduction

This paper refers questions tabled by Peter Tinley, member for Willagee, to the Minister for Housing Colin Holt on October 22<sup>nd</sup> last at my request in relation to the State Affordable Housing Strategy 2010 to 2020.

The answers to the questions were uploaded to the [Parliament website](#) on November 24<sup>th</sup> 2015 and are reproduced in this paper.

This paper will provide my analysis of the answers provided by the Minister. The analysis is based on the information provided by the Minister and other relevant information already in the public domain. This may not represent the totality of relevant information and, as such, conclusions reached are open to correction by the Housing Authority or other stakeholders using data sets and other information not available to me at time of writing.

### Question No. 4669

I refer to the Minister's statement dated July 14 2015, which states that 5,400 social housing properties have been delivered under the State's Affordable Housing Strategy and ask:

(a) does this constitute a net gain in the quantum of social rentals available to households on the joint wait list since 2010;

(b) if it does not constitute a net gain in the number of social rental properties since 2010, what is the methodology by which the number of 5,400 was arrived at;

(c) of the 5,400 social rentals how many are new public and community housing dwellings that did not exist prior to 2010; and

(d) why are wait times for public housing projected to increase in 2015/16, despite the fact that, according to Department of Housing figures, the number of households on the wait list has fallen during the last three years and there has been a significant increase (5,400 social rental properties) delivered during the last five years?

### Answer

The Housing Authority advises:



(a)-(b) Yes, as at 31 May 2015, 5 400 newly constructed or acquired social housing properties delivered have resulted in a net increase in social rental stock of 3 780, of which 3 250 are for the joint waiting list (the remaining being for people in remote Indigenous communities).

(c) 4 890 (this excludes approximately 500 properties delivered for remote Indigenous housing).

(d) Fewer public housing properties becoming available for rent result in an increase in the waiting time. The waiting times for applicants housed is higher due to the Housing Authority allocating housing to a larger percentage of applicants who had waited longer compared to the prior year.

Factors influencing the time an applicant may wait to be housed include the area in which housing is being sought, the turnover of properties in that region, the type of accommodation required, the applicant's place on the waiting list and whether the applicant has a priority housing need.

## Analysis

1. The response at (a)-(b) "5,400 new social housing dwellings since 2010" demonstrates that this is not a net figure. The net figure is 3780 (3250 when homes in remote communities are discounted). This means that since 2010, 3780 additional social housing dwellings have been delivered not 5,400 when you deduct those properties lost to the system; presumably through sale or demolition. In addition, my understanding is that separate Commonwealth funding streams are used in relation to the dwellings built in remote communities and, therefore, these properties might also be considered as distinct from SAHS initiatives. However;
2. The Minister claims that there are 4890 community and public housing properties in existence in 2015 that were not in existence in 2010. The Housing Authorities' latest annual report states that there were a total of 36,539 public housing dwellings in the system in 2010-2011 and 36,644 in 2014-15, a net increase of 105 dwellings.<sup>1</sup> If that figure is correct, it means that the community housing sector is 4,785 dwellings larger than it was in 2010. I do not know, at time of writing, how many properties have been transferred to the community housing sector since 2010 under the various programs, but a generous estimate (inclusive of additional community housing dwellings built by community housing providers in that time) would be about 2000. In other words, significantly short of the number that the annual report suggests the sector ought to have increased by. Either the figures provided by the Minister in answer to Mr. Tinley's question are incorrect or the figures in the Housing Authorities' annual report significantly understate the true number of public housing dwellings in the system.
3. No substantive answer is provided regarding what methodology is used to arrive at the 5,400 figure.

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<sup>1</sup> [Housing Authority Annual Report](#), 2014-15, p233

4. Regarding wait times, the official statistics show that waitlist numbers have trended down during the last three to four years and, according to the Minister, there has been a significant increase in the level of total social housing stock (4,890). This suggests that wait times should be falling, not rising, and the Minister's reply does not, in my opinion, provide any meaningful clarification as to why the reverse is true.

### Question No. 4636

(1) Can the Minister confirm that the Housing Authority intends to sell around \$2 billion worth of land and housing inventory in 2015/16 and over the forward estimates?

(2) How many additional social housing dwellings will be delivered as a result of these sales and will this result in a net increase in the quantum of housing stock in the public housing system?

(3) How many homes are estimated will be developed on these sites that will be sold on the open market and through Keystart?

(4) How much of the Housing Authorities' total asset holdings will this land and housing inventory sell off constitute?

(5) What is the estimated value of the Housing Authorities' remaining land and housing inventory after this round of sales is complete?

### Answer

The Housing Authority advises:

(1) Yes.

(2) Land and housing inventory sales contribute to the Authority's overall general revenue used to fund the Authority's operating activities, a portion of which may be allocated to the procurement of social housing. The Authority plans to deliver 1 222 dwellings for social housing from 2015-16 to 2018-19 from all funding sources, which includes property sales, specific grants and general revenue.

Public housing stock numbers fluctuate as the Authority regularly reviews its stock and disposes of public housing properties for a variety of reasons, including to reduce high presence concentrations, such as can occur when a property is no longer required or is at the end of its useful life, or when an eligible tenant applies to purchase the property. The social housing demolitions and sales for 2015-16 to 2018-19 are expected to be 1112. There is expected to be a net increase in the quantum of public housing stock in the system.

(3) The Authority plans to deliver and sell approximately 3 300 dwellings from 2015-16 to 2018-19 as well as sell vacant land that will yield an estimated 12 463 dwellings. This is an estimate as the Authority does not track the yield achieved on land that it sells.



(4) Approximately 11% (includes land, housing and other assets).

(5) Around \$15 billion.

## Analysis

1. On the face of it, the sale of \$ 2 billion of assets held by the Housing Authority, 11% of its total assets, is a major divestment episode. It would be interesting to know if the Housing Authority has ever divested assets to this degree before over a similar timeframe. If it were to continue divesting its assets at the same rate post 2019, the Housing Authority would likely have divested all its assets in about 40 years.
2. The Minister's reply appears to be committing to the delivery of 1222 social housing dwellings by June 2019. Presumably, this includes the 1000 social housing dwellings that the Social Housing Investment Package (SHIP) proposes to deliver. It may include the 200 dwellings that the Authority proposes to rent from private landlords for use as social housing.
3. The Minister's reply suggests that 1112 social housing dwellings will be sold or demolished to June 2019. If we assume that these properties will not be replaced in the system then the net gain in public housing, if the stated targets are met, will be 110 dwellings. The fact that the Minister only "expects" there to be a net increase in the quantum of public housing stock in the system and there are no plans for further transfers to the community housing system, suggests that this methodology (deducting sales and demolitions from new builds) is correct. In other words, the divestment of \$ 2 billion dollars' worth of assets will only yield a net increase in public housing of 110 dwellings and even then there is only an expectation of a net gain in public housing stock.
4. The Housing Authority has committed to delivering an extra 10,000 'affordable housing dwellings' by 2020. According to Shelter WA,<sup>2</sup> the Housing Authority provided them with a breakdown of what its aims to deliver in terms of the 10,000 new dwellings target. They are: 1,800 Social Rental, 1,600 Affordable Rental, 700 Shared Equity, 5,900 Low Deposit Home loans. It is difficult, based on the Minister's replies to see how these targets are going to be met. Let's got through them:
  - a) **1,800 Social Rental:** I understand this to mean dwellings rented to public and community housing eligible tenants exiting the joint waitlist. It is comprised of public housing dwellings, community housing dwellings and any properties delivered through a private rental

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<sup>2</sup> Shelter WA, Pre-budget submission consultation documentation, August 2015.

brokerage scheme.<sup>3</sup> According to my interpretation of the Minister's reply, only 110 extra public housing dwellings will be delivered by June 2019. The community housing sector has a combined growth target of 524 dwellings by 2020 with 190 already completed. This suggests that the 1,800 target –even with the addition of properties rented through the private rental brokerage scheme- is fanciful.

- b) **1,600 Affordable Rental:** Affordable rental properties, under the first phase of the State Affordable Housing Strategy, largely comprised of those properties delivered under NRAS. Although, NRAS has been scrapped there are outstanding NRAS allocations that will translate into new properties. I do not know if there are enough outstanding allocations to provide for 1,600 affordable rental properties but it seems unlikely.
- c) **700 Shared Equity and 5,900 low deposit home loans:** Based on the Minister's reply, it is likely that 3,300 properties will be sold by the Department at market value. It is also plausible that the 700 shared equity housing dwellings and many of the low deposit home loans written will underpin some of the 12,463 dwelling the Housing Authority estimates will be built on the land they intend to sell. It is worth making two points;
- d) First, we do not know if the Department will have any sales pre-commitments before the 3,300 properties are built. The level of risk it is taking (in what is a weak property market that is likely to weaken further) will, arguably, be dependent on how many properties they can sell before the capital expenditure is made to build them. However, the risk may be ameliorated if, as is likely, the builds are staggered over the next four years to June 2019.
- e) Second, the Department estimates that Keystart will write 5,900 low deposit home loans. It is likely that this is an estimate based on the number of loans that Keystart has written in the recent past inclusive of any planned changes to its lending criteria and practices. It is also likely that at least some of the 12,463 properties that the Department estimates will be built on lands its sells for the purposes of residential development will be populated by buyers using Keystart loans. Presently, major [property developers](#) operating in the WA market offer prospective buyers financing options, often through a [partner organisation](#), which offer low deposit loans rarely available to buyers except through Keystart. It is likely that this creates the critical mass of sales pre-commitment that allows the property developers to secure the capital required to undertake new developments on a large scale.

### Question No. 4637

I refer to the \$560 million Social Housing Investment Package announced in the 2015-16 State Budget and ask:

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<sup>3</sup> A private rental brokerage scheme is a program under which private landlords are offered incentives that compel them to rent their properties to households exiting the social housing waitlist.

(a) can the Minister confirm that this is not a capital spend on the part of Government but, rather, the majority of this funding relates to the value of the land (including the Department of Housing (DOH) land holdings which currently contains existing public housing) and will be realised by the strategic sale and redevelopment of that land;

(b) in relation to the estimated delivery of 1500 social homes:

(i) what is the definition of the term 'social home';

(ii) of these 1500, how many of the new dwellings will be added directly to the existing stock of public housing dwellings;

(iii) how many 'social homes' will be leased from the private market;

(iv) how many, if any, of the new properties will be transferred either as part of a management agreement or with title to community housing providers based in the State; and

(v) in the context of the entire package, how many properties does the Minister envisage will be sold as 'general housing' on the open market and what percentage of the total complement of homes built will this constitute; and

(c) can the Minister confirm that there are no plans in place to invest further in individual community housing providers either by transferring public housing stock to those providers or otherwise. If such plans do exist, can the minister provide detail as to what they consist of?

## **Answer**

The Housing Authority advises:

(a) It is estimated that the value of the Housing Authority's land that will be vended into the \$560 million package will be \$85 million.

(b)

(i) The package will deliver up to 1,500 dwellings, including 1,000 additional social homes. A social home includes public housing and housing that will house tenants off the waiting list and may be under the management of the not-for-profit sector.

(ii) 1 000.

(iii) Estimated up to 200.

(iv) A call for submissions process is being conducted through the Social Housing Investment Package for the not-for-profit sector, to gauge the sector's interest in partnering with the Housing Authority to deliver social housing in targeted locations. The process closed on 3 November 2015, and the evaluation of proposals is due to commence. At this time, it is not possible to confirm the number, if any, of the additional homes that will be delivered in partnership with the not-for-profit sector.



(v) Planning is continuing, however, at this time it is estimated that 320 dwellings will be sold into the open market as general housing; of these, the build component of the package will contribute an estimated 160 dwellings, or approximately 17% of the construction component of the package.

(c) The Housing Authority is delivering against a commitment to four community housing providers to transfer housing assets to the equivalent of three hundred dwellings each. The commitment was made by a service level agreement and the aim was to increase the capacity of the community housing sector to provide growth of social housing. The Housing Authority has no further plans for asset transfers.

Also, the Housing Authority is committed to building the capacity of community housing organisations and has invested nearly \$500 million into the sector, mainly through the transfer of housing assets.

Across the sector, seven community housing organisations have committed to a combined growth target of 524 additional dwellings by 2020. As at 30 September 2015, over 190 growth properties have been delivered by community housing organisations.

## Analysis

1. Much of this information was made available by the Housing Authority following the SHIP call for tenders.
2. The Minister has restated the Government's position that the Housing Authority has no further plans for asset transfers to the community housing sector. This does, potentially, leave the door open to management transfers whereby the Housing Authority retains ownership of the asset. However, I am not aware of any plan on the part of the Housing Authority to engage in such a process beyond what has been committed to under the SLA 300 program.
3. According to Housing Authority officials, the State Government remains committed to the development of a social housing strategy sitting under the broader State Affordable Housing Strategy. In 2015, several meetings were held at the Housing Authorities request involving key community housing stakeholders with a view to contributing to that plan. It has been intimated to me that that process will begin again in 2016 with a view to finalising a social housing strategy. However, the value of such a strategy would be highly questionable in the event that it does not make provision for further transfer of public housing dwellings to community housing providers in the State.

**This document was written and distributed by Barry Doyle, Project Director WA, Community Housing Industry Association of Australia (CHIA)**

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