

# West Australian Affordable Housing Policy

## Where to from here?

August 2019

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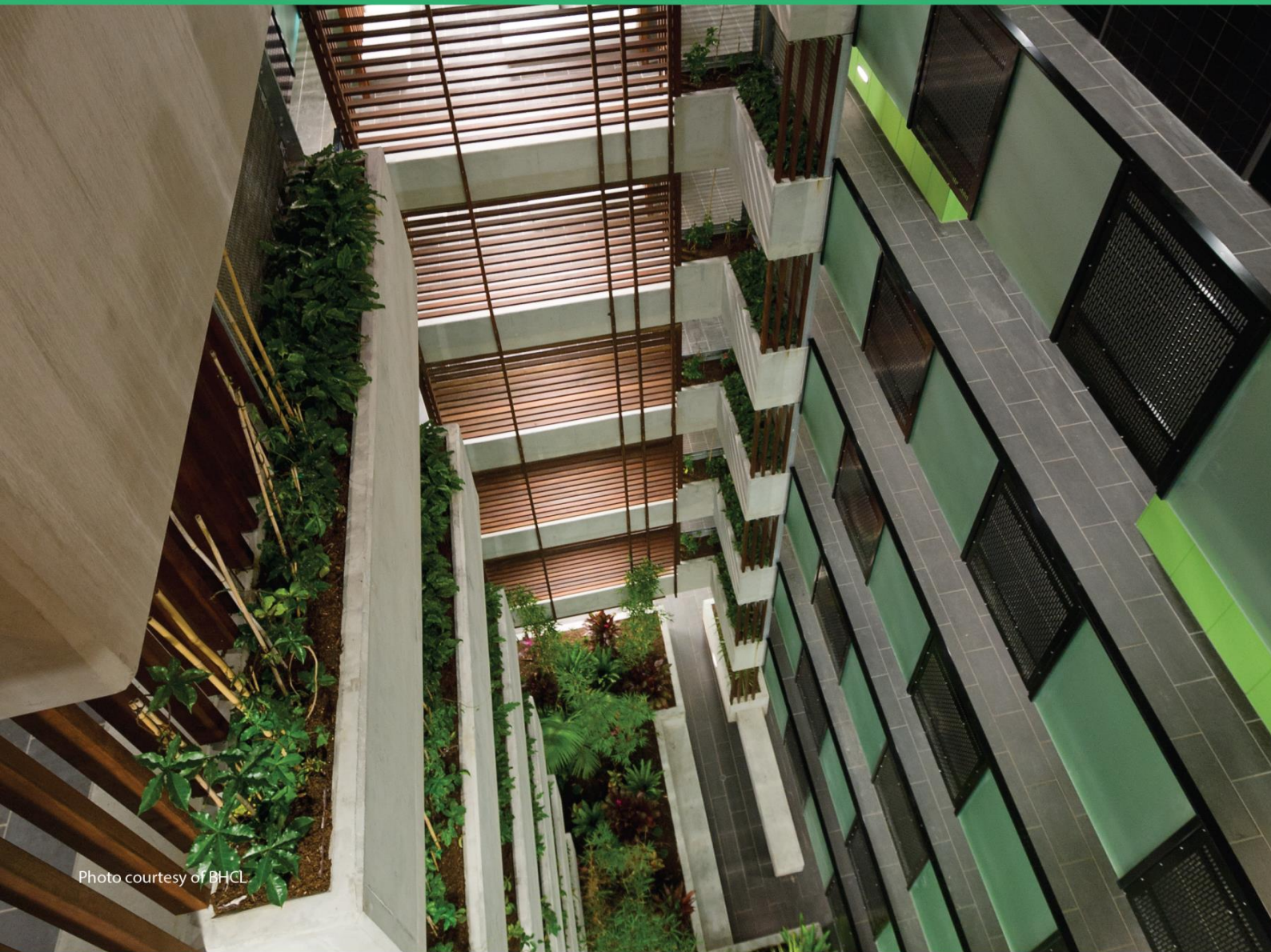


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**Community Housing**  
INDUSTRY ASSOCIATION

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## Introduction: A decade of policy bipartisanship

It has been ten years since the WA State Government published ‘More than a Roof and Four Walls’ the final report of the Social Housing Taskforce.

Setting the scene, the report’s introduction stated:

“After decades of inaction and lack of investment by successive governments, many indicators, such as the public housing waitlist and housing stress, have clearly been at unprecedented levels for far too long... The Social Housing Taskforce members were invited... to review all options for addressing these issues and to try and meet an aspirational target of 20,000 new social and affordable housing units by 2020.”<sup>1</sup>

That publication laid the foundation for the Affordable Housing Strategy 2010-2020 (Opening Doors). That strategy set out to create 20,000 ‘affordable housing opportunities’ by 2020. That target was increased to 30,000 in 2015. The current Labor Government published the Affordable Housing Action Plan which “increases the 2010-2020 target from 30,000 to 35,000 homes for people on low to moderate incomes”<sup>2</sup> largely continuing the policies of the previous administration.

This publication will examine the progress of the strategy thus far, majoring on social and affordable rental housing provision, and make suggestions as to where, as a State, we need to go from here.

## A gilded age for WA housing affordability

The State Affordable Housing Strategy and its successor have been implemented against the backdrop of the most pronounced housing downturn of any Australian housing market in at least four decades. This downturn, and other factors, has delivered a gilded age for housing affordability in much of WA.

Dwelling prices in Perth have declined almost 20% since their 2014 peak, with prices in some regional areas experiencing even steeper falls.<sup>3</sup> WA’s housing downturn has also delivered historically unprecedented deflation in rental prices. Australian Bureau of Statistics (ABS) data going back to 1972 shows that Perth rents have never deflated as much, and for as long, as they have since 2013. Perth rents have fallen by almost 22 per cent since their peak in May 2013 with the median rent, at \$350 per week in the December 2018 quarter, close to its level of a decade ago.<sup>4</sup>

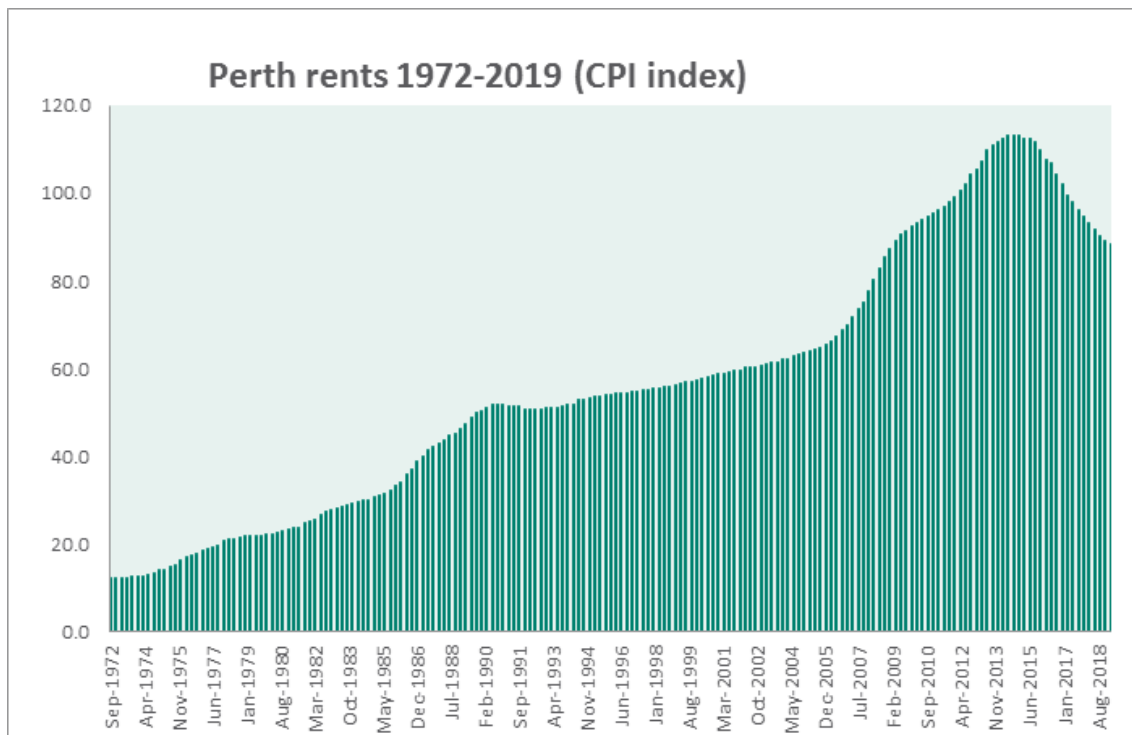
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<sup>1</sup> [http://www.housing.wa.gov.au/housingdocuments/social\\_housing\\_taskforce\\_report\\_final.pdf](http://www.housing.wa.gov.au/housingdocuments/social_housing_taskforce_report_final.pdf)

<sup>2</sup> <http://www.housing.wa.gov.au/aboutus/affordablehousingactionplan/affordablehousingstrategy/Pages/default.aspx>

<sup>3</sup> <https://www.communitynews.com.au/eastern-reporter/real-estate/no-end-in-sight-for-perths-longest-property-price-decline/>

<sup>4</sup> <https://www.abc.net.au/news/2019-02-01/perth-rental-vacancy-rate-at-six-year-low-after-housing-downturn/10768422?pfmredir=sm>



The deflationary dynamic has been overwhelmingly positive for aspiring buyers and renters who have enjoyed more choice, less competition, and lower prices in a housing market which has been oversupplied for much of the last decade. Moreover, the boon of falling prices to housing affordability has been further boosted by falling borrowing costs, with the Reserve Bank of Australia cutting rates 14 times since 2011 to bring the cash rate from 4.75% to 1.0% today, which has done much to offset the effect of stagnating wage growth on housing affordability.

2016 census results showed that WA was the only State or Territory that experienced a rise in its home ownership rate from the 2011 census (increasing from 67.3% to 68.2) with Perth enjoying the highest home ownership rate of any Australian city at 70%. Further evidence of WA's relative affordability – in often stark contrast to other states during the same period – is that fact that first time buyers have, over the decade, consistently taken out a larger percentage of total mortgages than their counterparts in any other State or territory. In sum, WA, for now at least, has bucked a national trend of falling home ownership rates and lower first-time buyer activity.

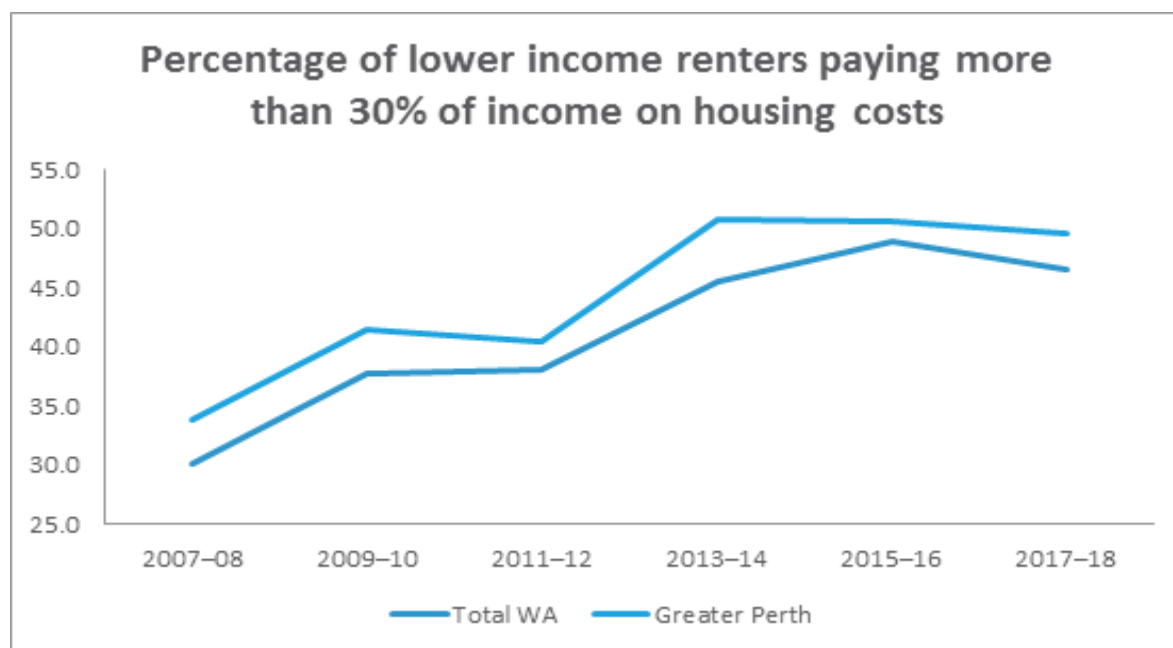
Benign affordability conditions have, arguably, resulted in housing affordability losing prominence in WA as a political issue. The Affordable Housing Strategy was launched in the wake of a decade in which median house prices in Perth quadrupled, with rental prices subject to similar inflationary pressures accompanied by sharp increases in the number of people applying for social housing. There was, during that time, a sense of urgency regarding housing affordability issues – and particularly social housing – that has waned in subsequent years.

But the fundamental problem has not gone away: a significant proportion of WA households are still struggling to find affordable, secure housing. In 2017/18 there were 48,333 lower income renter households paying more than 30% of income on housing costs<sup>5</sup> in Greater Perth and 9,583 in the rest of the State; an increase from 34,332 and 9,041 respectively since 2011/12.<sup>6</sup>

This data reveals a basic truism: even in a sustained ‘buyer’s market’ (purchase and rental) the mainstream, private housing market, will not ensure universal provision. A functioning ‘non-market’ social and affordable housing system, majoring on the provision of secure affordable rental homes, is vital if housing need in the community is to be met.

As the market recovers, and this long period of deflation gives way to one characterised by price inflation, the number of low-income renters in housing stress, and consequently demand for non-market social housing, will invariably increase.

CHIA WA notes that the social housing waitlist is no longer a credible reflection of demand for social housing in the community as the income eligibility limits have not been revised since 2006. This publication restates previous calls CHIA WA has made to index the thresholds against current income levels to better reflect and meet housing need in the community.



<sup>5</sup> Low income households are considered to be in housing stress when their housing costs exceed 30% of their income.

<sup>6</sup> ABS, July 2019, Housing Occupancy and Costs, Australia, 2007-08 to 2017-18, table 21.1

## Why some affordable housing outcomes are more important than others

WA housing policy since 2010 has consistently grouped together a range of housing products under the umbrella of affordable housing. These include everything from social rental housing, properties built under the discontinuing National Rental Affordable Scheme (NRAS), to properties sold under the Keystart programme. The Opening Doors strategy aimed to create an additional 20,000 ‘affordable housing opportunities’ by 2020 to help low to moderate income earners ‘get their foot in the door’. The Affordable Housing Action plan 2017-2020 argues that “the term affordable housing encompasses all types of tenure, not just social housing, and that there are multiple gaps along the housing continuum impacting all sections of our community.”<sup>7</sup>

In other words, the strategy has consistently manifested a view that the State Government’s responsibility in respect of housing affordability ought to be far broader than its traditional role as custodian of the social housing system along with not for profit community housing providers.

The prominence of Keystart has grown consistently both in terms of the amount of units it contributes towards the various State policy affordable housing targets and its role, and perceived value, in stimulating demand in the WA construction industry at a time of historically weak aggregate demand for new housing. Keystart now writes around 40% of all first-time buyer loans in WA.

There probably is a role for Government in helping people buy their first home, but the grouping together of social and affordable rental housing with home ownership products into one target, as described, is problematic for various reasons including:

1. It does not satisfactorily weight the value and urgency of the various interventions and supports against housing need in the community. For example, the housing need of households eligible for social housing is invariably greater than a household, typically on a higher income, struggling to save a deposit to buy a home. If the worst case scenario for anyone in terms of housing outcomes is to become homeless, households on the waitlist and other low income renters are in by far the more precarious position.
2. We know that the households experiencing the highest levels of housing stress and housing insecurity are low income renters who, in almost every case, are not in a position to take advantage of home ownership initiatives offered by the State Government nor enter into home ownership through the private market.<sup>8</sup> In reality, for many of these households the only guaranteed way of

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<sup>7</sup> [http://www.housing.wa.gov.au/HousingDocuments/Affordable\\_Housing\\_Action\\_Plan\\_2017\\_2018\\_2019\\_2020.pdf](http://www.housing.wa.gov.au/HousingDocuments/Affordable_Housing_Action_Plan_2017_2018_2019_2020.pdf)

<sup>8</sup> For example, A third of older aged households in rental accommodation face ‘standard’ 30/40 housing stress, while one in five older aged renters face the combined pressure of low incomes and having to pay at least 40 per cent in rental costs. <https://bcec.edu.au/assets/2019/05/Getting-our-house-in-order-BCEC-Housing-Affordability-Report-2019.pdf>

removing them from positions of housing stress and housing insecurity is to give them access to an affordable rented<sup>9</sup> public or community housing dwelling with security of tenure.

3. The private housing market has never delivered a model that produces affordable housing for everyone who needs it and probably never will. Even Keystart does not produce housing priced at a discount to market; it merely enables aspiring buyers to meet the market price required by vendors by giving them low deposit mortgages. State and Federal Governments, working with community housing providers, are the only entities that can ensure that households at the margins do not fall into severe housing stress and homelessness.
4. Finally, it does not adequately recognise the distinction between the social and affordable housing system and other 'affordability' initiatives. Investment in social and affordable rental housing is designed to maintain- and hopefully grow- the pool of dwellings for people in need of affordable, secure rental accommodation. People can rent them for as long as they need them before vacating them for another household in need to live in. In contrast, initiatives designed to help people into home ownership add nothing to the overall social and affordable housing system as those properties pass directly into private ownership.

All of the housing opportunities offered under the State Affordable Housing Strategy are valuable. But in terms of their impact on housing need in the community, some affordable housing initiatives are more valuable than others. The 'multiple gaps along the housing continuum', referenced by the Affordable Housing Action Plan, may well be 'impacting all sections of the community' as suggested: but the simple truth is that some gaps are graver than others in terms of their impact on the wellbeing of the people who fall foul of them. The ultimate responsibility for dealing with this reality rests with State and Federal Governments.

Language matters. CHIA WA believes that there is an onus on policy makers and other participants in the debate to recognise the material difference between investment in the social and affordable housing system and, for example, the number of loans written by Keystart when measuring our progress. Ultimately, these are initiatives that address fundamentally different policy goals and should be treated separately. The next iteration of State affordable housing policy, in particular, needs to make this distinction.

Finally, CHIA WA notes that Keystart itself has run up against the flaw in its own model. By lending at very high loan to value ratios, Keystart is exposed to administering a mortgage book containing high rates of borrowers in positions of material negative equity. Keystart does not "track specific property

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<sup>9</sup> Rents in public and community housing and NRAS properties are calculated as a percentage of income to maintain affordability.

values or negative equity for each borrower<sup>10</sup> but it is likely that a significant proportion of Keystart's loan book, given the magnitude of recent falls in property prices, is in negative equity.

As well as creating additional risk for the Government, this phenomenon also creates a problem for mortgagees. The rate at which existing Keystart loan holders have transitioned to other lenders (to avail of cheaper interest rates) has slowed significantly.<sup>11</sup> The most likely explanation for this is lenders rejecting applications to refinance against housing assets which are worth less than the outstanding mortgage debt. CHIA WA is broadly supportive of Keystart and its underlying policy intent but contends that State Government needs to mitigate as much as possible the clear risks the model poses to customers and the WA taxpayer.

## The key challenge: Growing the social housing system<sup>12</sup>

The 2011 State Affordable Housing Strategy did not set itself a specific target for social housing growth, nor have successive polices. Instead, an overall target of 20,000 'new affordable dwellings' has been revised upwards, first to 30,000 in 2015 and then to 35,000 in 2018.

With regard to social housing growth:

- Since 2011, there has been a net increase of 2,241 social housing dwellings in the overall social housing system, or 6.4% of the 2020 target.<sup>13</sup>
- There has been a 35% increase in the number of dwellings under management by the community housing sector (albeit from a very low base) and with most of that growth arising from the one-off infusion provided by the post GFC State and Federal social housing stimulus packages.
- Since 2011 there has been a net decrease of 547 public housing dwellings. Some of the reduction in public housing stock numbers, and increases in community housing stock numbers, is attributable to housing transfers made during the last decade. However, the vast majority of transfers to community housing were made from the properties delivered under the aforementioned housing stimulus package, with the rate of transfers slowing considerably

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<sup>10</sup> <http://www.parliament.wa.gov.au/parliament/pquest.nsf/viewLAPQuestByDate/4A7F53510D0B7C2A4825841900287DD4?opendocument>

<sup>11</sup> <http://www.parliament.wa.gov.au/parliament/pquest.nsf/viewLAPQuestByDate/7B57DA8C397429C6482584120029C8A1?opendocument>

<sup>12</sup> The social housing system is the sum of the community housing system and the public housing system. Of the total dwellings available in Western Australia, 80% are owned and managed by the Housing Authority and constitute the public housing system. The remaining 20% of the social housing system is managed by approximately 200 community housing providers (CHPs) throughout the State.

<sup>13</sup> This figure represents the sum of all public and community housing dwellings in WA as at June 2018 according to [ROGS data](#). CHIA WA notes that there are some compositional issues with social housing data with WA government figures not always according with the ROGS data. For example, [this](#) response from Minister Stephen Dawson to a parliamentary question asserts that there were 36,323 public housing dwellings in the system as at April 2019.



thereafter. The \$560 million Social Housing investment package, announced in the 2015/16 State budget, which was to produce 1000 new social homes<sup>14</sup> resulted in the transfer of just 56 units to six separate community housing providers. It should be noted too, that, as the transfer process intended, community housing stock numbers have grown as a result of individual community housing providers leveraging their portfolios to build additional properties.

CHIA WA also notes that growth in the public housing system is influenced by stock sales, often to garner revenue that can be reinvested by Government in the system, and demolitions where properties have reached the end of their life. Between 2010 and 2017 2,020 public housing dwellings were either sold or demolished by the Department of Communities.<sup>15</sup> During the period 2013/14 to 2017/18, 2,866 public housing units were constructed with the State Government attributing the net reduction in the public housing system as of 2019 to ‘several factors... including the sale or demolition of ageing stock that is no longer fit for purpose or required to meet demand, as well as subdued market conditions that have resulted in lower revenue for the Housing Authority to reinvest in social housing construction.’<sup>16</sup> The State Government’s ability to increase the size of the public and social housing system is also stymied by the deep operational subsidy that the existing public housing system requires. That is to say, the difference between revenue received in tenant rents and the total operating cost estimated to be \$300 million p.a.<sup>17</sup>

In the Affordable Housing Action Plan, the State Government summarises the significant constraints it faces in relation to social housing provision and the implications this has had (and will continue to have) on affordable housing policy in WA.

*“The dominance of home ownership outcomes is not a policy choice but a budget reality. People on low to moderate incomes can be assisted with home loans at essentially no cost to the taxpayer, or impact on State net debt. In contrast, social housing for people with very low incomes requires both capital expenditure and very deep operating subsidies, which the State is not in a position to, and the Commonwealth is unwilling to, expand funding for at this time.”<sup>18</sup>*

The revised strategy aims to increase the State Affordable Housing Strategy’s 2020 target to 35,000 to include 21.3% social rental properties. The 21.3% figure may account for newly built properties but is not a net figure. Given current social housing stock levels, and planned future investment, it is likely

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<sup>14</sup> <http://www.parliament.wa.gov.au/parliament/pquest.nsf/viewLAPQuestByDate/391FFEB44DC942BA48257EE4001FE4A1?opendocument>

<sup>15</sup> <http://www.parliament.wa.gov.au/parliament/pquest.nsf/viewLAPQuestByDate/7FB7CF31239E1D714825818500171537?opendocument>

<sup>16</sup> <http://www.parliament.wa.gov.au/parliament/pquest.nsf/viewLAPQuestByDate/OCF70DB7106C8B7E48258400001D3B1B?opendocument>

<sup>17</sup> The \$300 million figure is cited by Government in the Affordable Housing Action Plan.

<sup>18</sup> WA Government Affordable Housing Action Plan, p 5.

that the net increase in social housing in WA will be considerably less than 3,000 units or less than 7% of all housing built under State Government affordable housing strategies since 2011. Delivering new public housing stock will be made harder still by the State Government’s recent decision to abandon an unviable policy of value capture around new Metronet stations which, it was envisaged, would deliver 320 new social housing dwellings.<sup>19</sup>

The Australian Housing and Urban Research Institute (AHURI) estimate that the WA social housing system will need to grow to 86,500 homes by 2036 to meet total need.<sup>20</sup> To achieve that target the social housing system will have to retain the stock it already has and increase in size by over 2,500 dwellings a year to 2036. Considering it has taken seven years to deliver fewer units than that annual target, it is highly unlikely that the WA social housing system will keep pace with demand as the population grows and ages. We can, however, do better by harnessing the growth potential of the community housing sector.



<sup>19</sup> <https://www.abc.net.au/news/2019-07-06/wa-government-dumps-value-capture-to-fund-metronet/11282380>

<sup>20</sup> [https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0027/29439/PES-306-Developing-an-investment-pathway-for-social-housing.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0027/29439/PES-306-Developing-an-investment-pathway-for-social-housing.pdf)

## Harnessing the growth delivering capacity of community housing

CHIA WA acknowledges the significant challenges the Department of Communities (and previously the Housing Authority) faces in terms of growing the State's social housing system. As the Social Housing Taskforce final report highlighted out in 2009, Australia's social housing system has been subject to decades of under investment. In 1991, 7.1% of all dwellings in Australia were in the social and affordable housing system compared to 4.4% today.<sup>21</sup>

### Explainer: Why do State Governments transfer public housing properties to community housing providers?

There are several reasons but the most important are:

1. Community Housing tenants are entitled to Commonwealth Rent Assistance whereas public housing tenants are not. CHPs can therefore charge higher rents without placing customers in housing stress and generate profits (surpluses).
2. Those surpluses are used to service debt borrowed to finance housing construction, renovation, and refurbishment. The community housing sector's capacity to borrow and build has recently been enhanced by the Commonwealth Government's establishment of the National Housing Finance and Investment Corporation (NHFIC); an entity which lends to CHPs on better terms than they can achieve in mainstream lending markets.
3. Community Housing Providers can maintain profitability by blending their tenant profile between social housing eligible tenants (Band A) and tenants who have incomes above those income eligibility thresholds (Band B). This is not possible in the public housing system with stock restricted to Band A eligible households only.
4. CHPs typically carry lower overheads than State Housing Authorities and receive a range of tax concessions which enhance their ability to grow and develop.
5. By transferring public housing properties to community housing providers under management agreements, State Governments retain the housing asset on their balance sheets while reducing their exposure to the attendant maintenance costs and operational deficits.
6. Successive studies have shown that community housing tenants enjoy rates of satisfaction equal and often exceeding public housing tenants. This is partly explained by the fact that CHPs, being smaller in scale, can deliver better customer service than State Housing Authorities.

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<sup>21</sup> Australian Housing and Urban Research Institute (AHURI) analysis based on ABS census data.

There is a longstanding advocacy agenda on the part of housing advocates nationwide to persuade State and Federal Governments to increase spending on social housing so as to avoid a bad situation becoming much worse in terms of stock levels.

However, for much of the last decade, advocacy bodies in WA, including CHIA WA, have made the case<sup>22</sup> that the WA State Government is not fully realising the opportunities presented by working more closely with the community housing sector to create a larger, more sophisticated, social housing system. This paper restates that contention.

The 2011 State Affordable Housing Strategy aimed to have the number of dwellings managed by the community housing sector rise to 12,000 units by 2020. That target will not be reached. Community Housing Providers manage just over 8,000 properties as of June 2018 and no Government plans are in place to transfer the properties that would be needed to meet the target.

The failure to fully engage the community housing sector in WA stands in sharp contrast to policy in other States. In 2016, the New South Wales Government announced that it would bring the percentage of stock managed by community housing providers in that State to 32% by transferring the tenancy management of around 14,000 homes to CHPs in that State.<sup>23</sup> The Victorian Government is in the process of ‘management transferring’ 4,000 public housing dwellings to CHPs in that State. Tasmania transferred a similar number of properties to its community housing sector in 2013 and 2014. Each of those States has higher proportions of social housing stock under management by Community housing providers than is the case in WA.<sup>24</sup> In short, WA is falling behind and, in doing so, failing to maximise the number of social housing dwellings that can be added to the overall system each year.

CHIA WA understands that the Department of Communities is currently developing a housing strategy for the decade 2020 to 2030. That strategy must include a comprehensive community housing growth strategy which sets clear timeframes for the growth and development of the sector with an overarching goal of ensuring that at least 40% of all social housing stock in WA is owned or managed by the sector by 2023. The plan should also include:

1. A requirement for transfers to come with growth targets; the quantum of new units CHPs are obliged to deliver based on that investment from Government. This will mean that CHPs that are best placed to deliver growth should be favoured in terms of transfers and investment by Government.

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<sup>22</sup> For example, CHIA WA’s pre 2017 State Election [recommendations paper](#) ‘Systemic Reform for Better Outcomes’ and CHIA national’s [National Plan for Affordable Housing](#)

<sup>23</sup> <https://www.facs.nsw.gov.au/housing/living/management-transfer-program/management-transfer-program-overview>

<sup>24</sup> [https://www.nhc.edu.au/wp-content/uploads/2017/12/1130\\_0900\\_C4.08\\_NHA17\\_Vivienne-Milligan.pdf](https://www.nhc.edu.au/wp-content/uploads/2017/12/1130_0900_C4.08_NHA17_Vivienne-Milligan.pdf)

2. A commitment that any newly constructed public housing properties will automatically be transferred to a CHP. This will maximise the leveraging ability achieved by the CHP as a result of the transfer and be administratively easier than transferring established properties.
3. A commitment to provide underutilized land that is suitable for residential development at no (or minimal cost) to CHPs to enhance their ability to build new social and affordable housing stock.
4. A commitment to pursue meaningful inclusionary zoning policies in WA that would produce social and affordable housing dwellings in WA, to be managed by CHPs, from private residential development activity.
5. A commitment to develop social housing policy in partnership with the community housing sector in recognition of the sector's importance to ensuring that the best outcomes for the WA community is achieved.

CHIA WA and its members look forward to working with State Government and other stakeholders to develop an affordable housing plan which builds on the strengths and successes of the last decade of policy while recognising – and addressing – its shortcomings.

The forward projections paint a clear and urgent picture: demand for social housing is going to rise and the supply side is not keeping up. There needs to be a singular focus on this problem, above all others, in the new strategy and the community housing sector is ready to help.

## About CHIA WA

CHIA WA is the peak body for the Western Australian community housing industry, which provides one in five of WA's social housing properties, complementing public housing. CHIA WA provides training and support to its members and undertakes advocacy and policy development on their behalf.

## Our Members

CHIA WA's membership consists of a diverse range of organisations, from small refuge providers to large organisations that are involved in developing new properties across the State. Whilst their scale and interests may differ, they all share a commitment to supporting a strong state peak body committed to growing the capacity of the community housing sector and increasing the supply of quality, affordable rental homes for disadvantaged Western Australians.

## Our Advocacy

CHIA WA membership includes membership of the national peak body, the Community Housing Industry Association (CHIA), and we work together to advocate on national issues which impact on WA. As the state peak body for community housing, CHIA WA is well-placed to work with State Government, providers, and stakeholders to promote the unique benefits of the community housing model.

## Our Training and Events

We offer a range of courses and events to provide professional development for community housing staff and associated sectors and continually increase the capacity of the sector overall. See our current courses and register online.