

16 December 2016

Review of Rent Models for Social and
Affordable Housing
IPART
PO Box K35
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Mission Australia welcomes the opportunity to respond to the NSW Independent Pricing and Regulatory Tribunal (IPART) Issues Paper – Review of rent models for social and affordable housing, November 2016.

About Mission Australia and Mission Australia Housing

Mission Australia is a national community services organisation that works to reduce homelessness and strengthen communities across Australia. In 2015-2016, Mission Australia supported more than 131,000 Australians through a range of programs across the areas of housing and homelessness; domestic and family violence; families, children and early learning; mental health; employment and skills; disability; youth; alcohol and other drugs; and others.

Mission Australia is acutely aware that we live in one of the richest countries in the world, but 14.4 per cent of our population live below the poverty line. This is higher than the OECD countries' average of 11 per cent and means that many Australians battle disadvantage and adversity every day. On any given night, 105,000 Australians are homeless and 1 in 6 children are living below the poverty line. Further, 1 in 5 Australians experience mental illness every year; and in some areas, 20 percent of young Australians are unemployed.¹

Mission Australia Housing was established in 2009 and is part of the Mission Australia Group. It is a Tier 1 registered community housing provider. It manages a portfolio of almost 2,000 social and affordable housing properties across NSW, Victoria, Tasmania and Queensland. Safe, secure and affordable housing is crucial to Mission Australia's goal of reducing homelessness and strengthening communities.

Support for NSW Federation of Housing Associations submission

Mission Australia Housing is a member of the NSW Federation of Housing Associations and has provided input to the Federation submission to IPART. Mission Australia Housing participated in the development process and supports the submission.

As a community housing provider, we are committed to providing quality tenancy and asset management services, engaging with our tenants and the broader community, and increasing the supply of social and affordable housing to address the shortage of housing. A secure and predictable

¹ Mission Australia 2016/16 Annual Report

rental income stream is critical to ensuring our financial viability and ability to innovate and grow. In this regard, we support the approach taken in the Federation's submission to recommend further investigation and modelling of the proposed rent models, in partnership with the community housing sector. This should be done prior to the release of the draft report in March 2017, allowing for detailed and informed, in-depth discussions during the public hearing/roundtable period in March/April 2017. Modelling the rent options proposed by IPART will enable an analysis of the benefits and implications for community housing providers, current tenants and indeed future tenant cohorts.

Mission Australia Housing would welcome an opportunity to participate in the modelling and analysis of options in the coming months.

Additional feedback on the IPART Issues Paper

Given Mission Australia Housing's role as a community housing provider and Mission Australia's role over 150 years as a provider of community services, our experience has highlighted the strategic and operational policy implications for vulnerable people trying to navigate the homelessness, social housing and employment services systems. Housing is a basic human right and stable housing is the platform from which individuals and families can receive the support they need, develop goals and live independently. For many disadvantaged families, education, training and employment provide a pathway out of poverty and both government and non-government agencies have a role in helping people access opportunities. In this regard, the social housing and employment services policy settings need better connection to remove disincentives. We therefore offer the following additional points for IPART's consideration.

Policy intent

The IPART Issues Paper builds on the NSW Government's *Future Directions for Social Housing Strategy* and outlines the current state of the social and affordable housing system. The paper outlines the situation for applicants and tenants seeking secure and affordable housing and the policy and operational challenges in administering a system when demand outstrips supply. The paper also outlines the limited alternatives for people seeking assistance due to the increasingly unaffordable private rental and home ownership markets.

There is however a need for the NSW Government to build on *Future Directions* to define and expand on what is meant by 'opportunity' cohort and 'safety net' cohort. Further work is needed to give effect in policy and procedures to what this means for the social housing system beyond what is included in *Future Directions for Social Housing*. What are the implications of this future direction for eligibility, assessment, allocations and tenure policy?

Workforce participation disincentives

For any consideration of opportunities for social housing tenants to increase their participation in the workforce and transition out of social housing – we first need to consider where they would transition to and the incentives or otherwise to do so. Sydney and other parts of NSW are in the

midst of a housing affordability crisis. Housing affordability is an issue that impacts rates of home ownership and people's ability to rent sustainably in the private market. Both these factors contribute to the acute pressure on social and affordable housing and homelessness services.

For social housing tenants that are able to work, they must have an affordable and realistic pathway to transition out of social housing. Currently the private rental market in Sydney and other major regions in NSW does not provide this. In 2011, there was a national shortage of 271,000 affordable and available dwellings for households with very low incomes, mainly attributable to a lack of affordable supply.² across Australia there are more than 220,000 people on social housing waiting lists and only six percent of tenants exit social housing each year.³ In NSW, the social housing waiting list stands at almost 60,000 eligible applicants.⁴

Mission Australia and Mission Australia Housing reiterate the urgent need for more social and affordable housing and structured transition pathways from homelessness services to social housing and affordable housing. Increases in supply of social and affordable housing will also reduce the risk of people becoming homeless in the first place.

The housing continuum doesn't need to be linear as the reality of people's circumstances will vary. There does however need to be a housing continuum so people can transition from housing that has a deeper subsidy and level of support to housing that has a more modest subsidy and targeted support, when needed. In other words, more affordable housing is urgently needed so social housing tenants that are able to transition out can have a realistic pathway to alternative housing options. Without this, the risk of losing secure and affordable housing may be a considerable disincentive to workforce participation.

Further, the jump from social housing rent to affordable housing rent in metropolitan areas is significant and a barrier for sustainable transitions out of social housing. Social housing tenants are likely to be employed in part-time, casual and insecure employment, and long-term affordability is a major consideration for leaving social housing.

While combatting the housing affordability crisis will take action from all levels of government, the NSW government has clear and effective levers within its control including the introduction of inclusionary zoning provisions. We also support the recommendation from Homelessness NSW that the NSW Government commit to the development of an Affordable Housing Strategy which commits to a substantial investment in social housing and provides specific targeted measures to reduce barriers to housing that are adopted across NSW Government agencies.

² Hulse, K., Reynolds, M. and Yates, J. (2014) Changes in the supply of affordable housing in the private rental sector for lower income households, 2006–11, AHURI Final Report No.235. Melbourne: Australian Housing and Urban Research Institute. <http://www.ahuri.edu.au/publications/projects/51018>

³ Australian Institute of Health and Welfare (2013) Australia's Welfare 2013, Canberra.

⁴ <http://www.housingpathways.nsw.gov.au/how-to-apply/expected-waiting-times>

In addition, Mission Australia has called for the creation of a pipeline of mezzanine level housing at 40 to 60 percent of market rent to improve social mobility and reduce demand on social housing.⁵

Incentives for workforce participation

More research is needed to understand what incentives are needed to support workforce participation by social housing tenants and what policy reforms are required. One key example is the lack of a right of return if circumstances change for a former tenant. The long expected waiting times for social housing in NSW, and in particular metropolitan Sydney where there are strong employment markets, mean that if a former tenant loses their job or their hours of work reduce, they may find themselves in housing stress or homelessness. Thus considerations must range beyond rent to other policy settings.

Eligibility

All jurisdictions in Australia have almost identical eligibility requirements for social housing, based on income, assets, residency, urgent housing need and complex social factors. The eligibility arrangements in NSW are outlined in the IPART Issues Paper. NSW is not alone in trying to determine an equitable approach to eligibility for social housing assistance and an efficient approach to managing a system where demand far outstrips supply.

Many overseas jurisdictions that provide a form of government subsidised housing have the same basic eligibility criteria as Australian jurisdictions. With demand for government subsidised housing outstripping supply in many global cities, some governments overseas have introduced additional criteria as a means of targeting or restricting access, reducing waiting lists or pursuing other social or economic objectives. Examples of additional eligibility criteria include age where the minimum age can vary between 16 years and 35 years; affinity with local area which can vary from 3 to 5 years; a requirement to be in employment; and extending definitions of suitably housed to include the insecure private rental market. The primary purpose of these additional eligibility criteria is to further 'ration' demand for government subsidised housing and limit the growth of waiting lists. There is little evidence that additional eligibility criteria contribute to better client outcomes or improved administration of access and demand functions.

It should be noted that the more complexity associated with eligibility policies, the greater the burden on vulnerable people to provide information and on housing providers to assess applications and maintain waiting lists. The focus of government policy in relation to eligibility for social housing assistance should be on clear social objectives and outcomes in terms of individuals in need and the broader community, as well as efficiency and viability objectives for the service provider system. Given the long expected waiting times for social housing in NSW, reforms should be considered that simplify the assessment of eligibility for social housing assistance, and shift some of the burden (e.g. evidence requirements) closer to the time of an actual offer.

⁵ <https://www.missionaustralia.com.au/publications/position-statements/homelessness>

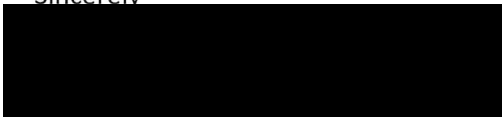
Prioritisation

Similarly to eligibility policy, prioritisation arrangements in NSW are outlined in the IPART Issues Paper. The current NSW social housing system reflects the policy objectives introduced 10 years ago through the policy called *Reshaping Public Housing* where the focus of social housing assistance shifted to 'those in greatest need'. The profile of social housing applicants and tenants described in the Issues Paper, and the challenges of targeting assistance primarily to people with urgent and complex needs has resulted in significant policy and operational challenges. Housing assistance today is not just about housing affordability, as people seeking assistance also present with experiences of mental health, disability, domestic and family violence, drug and alcohol issues and others.

Allocations are made in accordance with Housing Pathways policies and procedures and are generally made in order of priority. While this reflects current Government policy, there is little flexibility for managing competing objectives such as sustainable communities; prevention and early intervention; and supporting low income working families that could benefit from social housing for a period of time and are capable of paying higher rents. Prioritisation policies vary amongst jurisdictions in Australia and overseas and some further analysis should be undertaken of various models, applicability to NSW and the benefits and costs for applicants and service providers.

Mission Australia looks forward to engaging further in the IPART process in the coming months.

Sincerely



Chris Bratchford

Executive – Mission Australia Housing

