

12 May 2017

Dear Dr Boxall and Tribunal members,

RE: Submission from the Waterloo Public Housing Action Group on the IPART Review of rent models for social and affordable housing

The Waterloo Public Housing Action Group (WPHAG) appreciates the opportunity to provide input and comment to the IPART Review of rent models for social and affordable housing. As a group representing the interests of many of the tenants of the Waterloo public housing estate, we are keenly aware of the impact that recommendations regarding rent models, leasing arrangements and eligibility criteria could have for the tenants of public housing. It is in this light, with an emphasis on tenant experiences and needs, that we provide comment on the findings and recommendations of the review.

Further, while we support the continued growth of the affordable housing sector, we applaud IPART for making an important distinction between social and affordable housing. While crucial during a time in which the cost of housing is rising, affordable housing serves a different segment of society to that which is assisted in the social housing system. We cannot afford to allow the two sectors to become intertwined, as this will risk the diversion of funds from the sector that serves the most vulnerable—social housing—to that which plays a vital but vastly different role in supporting workers on low-to-moderate incomes.

Below we provide comments on specific findings and recommendations of the IPART Review as outlined in the Draft Report.

Rent model

We agree wholeheartedly with IPART's finding that an income-based rent model set at 25% of income is the only model that will not risk making public housing unaffordable for tenants. Social housing tenants are already among the most disadvantaged members of NSW society, and cannot afford increases in rent that would exacerbate this.

Revisions to calculations of income

Current exemptions to income calculated for the determination of rent reflect that there are particular kinds of income (specifically, particular kinds of Commonwealth Government support payments) that are not intended to be put towards housing costs. For example, the Pension Supplement is intended to provide pensioners with financial assistance towards the cost of pharmaceuticals, utilities and telephones, as well as to offset the impact of GST on pensioners. Calculating rent payable against this income at 25% would reduce pensioners'

capacity to cover these costs. Further, changing the way that the family tax benefit is calculated is likely to hit families particularly hard—especially single parent families, and removing the exemption for the carer’s allowance will reduce carer’s capacity to meet the costs of providing care for family members. Rather than aiming for horizontal equity, in which all tenants pay the same proportion of their income, the social housing system should be aiming for vertical equity, in which people pay according to their ability. Removing exemptions on income intended for particular expenses, even with caps on the annual increase, could have a significant capacity on household’s ability to cover expenses for essential items.

The Draft Report identifies that revising the types of income that are exempt from rental calculations could bring in an additional \$70 million per annum in rent for the NSW Government. We suggest, however, that the government should not look to the poorest and most vulnerable residents of this state to provide additional funding for essential government services. Instead, to meet the existing shortfall, government should look at redirecting its windfall in stamp duty (which, we note, it is enjoying thanks to a property-price trend that is making housing increasingly unaffordable, thus straining social housing resources) to helping to fund existing and new social housing. A society which looks to its poorest to meet the inflating costs of living is not a fair and equitable one.

A plan for delivery of future social housing

WPHAG agrees that a plan is needed to support the funding and delivery of new social housing in future. This social housing needs to be diverse (in terms of unit size and type) and geographically dispersed, to ensure that housing is available where people need it. In particular, this will need to require a reversal of the current trend of selling off valuable inner-city public housing.

Private rental subsidies

Private rental subsidies can help address immediate and urgent needs for housing in areas where there is no social housing available. However, subsidies for renting privately do not solve problems of tenure insecurity and instability. Research has found that low-income tenants, especially seniors, are more vulnerable than those in social housing, as they lack security of tenure and high rental costs.¹ While subsidies help address high costs, they do not address the insecurity that many low-income tenants face in the private rental sector.

In the US, where Section 8 vouchers to subsidise private rental housing have become prevalent, many voucher recipients face instability and uncertainty in the private market. Many end up in unsafe neighbourhoods with short-term tenancies.² In the UK, the use of

¹ See, for example Morris, A. (2009). Living on the Margins: Comparing Older Private Renters and Older Public Housing Tenants in Sydney, Australia. *Housing Studies*, 24(5), 693–707. <http://doi.org/10.1080/02673030903087566>

² See, for example, Galster, G., & Zobel, A. (1998). Will Dispersed Housing Programmes Reduce Social Problems in the US? *Housing Studies*, 13(5), 605–622. <http://doi.org/10.1080/02673039883128> or

private sector subsidies cost the government £9.3 billion³ in 2015. Not only does this have the effect of removing badly-needed funds from the social housing sector and diverting them to private landlord profit, it also has the potential to increase private sector rents by placing additional pressure and increased funds into the private rental market. In a highly inflated property market such as NSW, not only will private rental subsidies cost a great deal for the government, they also have the potential to worsen broader affordability.

In NSW, private rental subsidies should be seen as a fallback option for short term tenancies, and not as a medium- or long-term solution to the needs of low-income households.

Reallocating tenants based on housing needs

WPHAG recognizes that the NSW Government faces a significant challenge in matching households from the waiting list with appropriate homes in their area. This is, however, a problem of insufficient supply, rather than inequity in the system. Social housing tenants should not be required to move periodically as their 'needs' change. Such policy risks upsetting the tenure security and stability that research has identified as being critical for improving tenants' lives. Moreover, WPHAG is concerned that assessments of tenants' 'needs' will not recognize the dynamic and complex nature of these needs, particularly with regards to tenants who require, or may in the future require, room for the overnight stay of carers and family members. Instead of reallocating more tenants, the government should periodically assess needs and ensure that a supply of new, diverse social housing is delivered to meet the needs of new households entering the system.

Market rent plus 5%

The Review proposes that tenants who do not meet eligibility for a subsidy and who pay market rent should pay an additional 5% for the security of tenure afforded by public housing. We strongly object to this for a number of reasons:

1. Security of tenure is a key benefit of social housing, and requiring households to pay a premium for this benefit seems to be at odds with the objectives of public housing
2. This will affect tenants differently depending on their location, due to differences in market rents across the state
3. The notion of paying in lieu of the costs of moving will simply mean that tenants are hit most hard when they come to move—they will pay the additional 5% fortnightly, plus will have to meet the costs of moving if/when they decide to relocate from social housing. Further, the ability to save to meet the costs of moving will be compromised by the need to pay the additional 5%.

Start Work Bonus

Clampet-Lundquist, S. (2010). "Everyone had your back": Social ties, perceived safety, and public housing relocation. *City and Community*, 9(1), 87–108. <http://doi.org/10.1111/j.1540-6040.2009.01304.x>

³ http://s3-eu-west1.amazonaws.com/pub.housing.org.uk/Housing_Benefit_and_the_private_rented_sector.pdf

The Start Work Bonus is an important concession for those who have been living in social housing and are entering or re-entering the workforce. This scheme helps tenants meet the costs of a new job (such as clothes and transport) as well as save to afford the costs associated with an eventual transition out of social housing, should that be their intention. However, in recognition that contemporary work agreements often involve contract or casual arrangements that do not guarantee income over time, there should be flexibility in place for those who are employed on a casual or non-ongoing basis to have their Start Work Bonus extended for up to a year.

LAHC placed on commercial basis

Placing LAHC on a commercial basis creates a set of incentives and imperatives that are likely to run counter to the purpose of social housing as a social good. The NSW Government must recognize that maintaining an adequate supply of social housing, particularly across all areas of the state, will require ongoing investment that may involve the diversion of funds from government coffers. In particular, the government should look to using the windfall gains from increases in stamp duty to fund investment in social housing. Approaching social housing as a sector which must pay for itself—as a commercial enterprise—risks jeopardizing some of the core benefits and strengths of social housing. It sets up a range of imperatives that will likely see social housing moved from inner city areas to cheaper (and more significantly disadvantaged) areas on the fringe, where land is cheaper. Social housing is at its core a welfare service. To treat it as a commercial enterprise that needs to be financially self-sustaining risks the social benefits that it provides.

FACS retaining control of allocations

WPHAG is opposed to the transfer of public housing units to community housing providers. However, the government is continuing apace with such transfers. In this light, we agree with the findings of the IPART Review that decisions relating to allocations should remain in the hands of the government authority. Allowing community housing providers to pick and choose from the waitlist may result in the hardest-to-house (those with the lowest incomes or experiencing multiple, complex forms of disadvantage) remaining on the waitlist while others are selected. The government maintaining a single, centralised waitlist is the only way to ensure that allocations are equitable.

Choice-based letting

Choice within social housing allocations is important—tenants should have flexibility to choose the unit they are given from a range of available units. However, some research⁴ suggests that choice-based letting schemes can force the most desperate households to feel obliged to choose between housing units that are not suitable—the most disadvantaged rush in to the first units offered while those who can afford to wait for a suitable unit.

⁴ See Cowan, D., & Marsh, A. (2005). From need to choice, welfarism to social housing allocation. *Legal Studies*, 22, 22–48.

If a choice-based letting scheme is to be introduced in NSW, tenants must be given adequate information about the providers that manage each of the units that are advertised, where community housing providers are involved. Community housing providers may have different policies for managing tenancies, and it is important that tenants are made aware of these differences before accepting a tenancy. Important differences, such as the lack of access to the NSW Ombudsman for tenants of community housing, should be made clear prior to tenants selecting a property.

We thank IPART for the opportunity to have input into the review process, and anticipate that our comments will be duly considered. Security, stability and affordability of housing are crucial for all residents of NSW. As tenants of public housing we have greatly enjoyed the benefits that a strong public housing system can provide. It is our fervent hope that the system will be maintained, improved and bolstered so that existing and future tenants can enjoy the security that public housing can offer.

Regards,

The members of the Waterloo Public Housing Action Group