

Alternative approaches for the Victorian public housing renewal program

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There are five key arguments against the current public housing renewal program. They can be summarised as follows:

1. *The rationale for public housing estate redevelopments is flawed*

There is no evidence that 'deconcentrating disadvantage' and bringing private residents onto small public estates surrounded by private housing leads to better outcomes for public tenants. This and the resulting social mix is the 'rationale' for the program. We argue the main reason is to finance the necessary upgrades with minimal govt expenditure. This is a problem because:

2. *The development model is unsustainable*

The current program of raising funds for replacement public housing by selling parts of the estates for private housing is a short-term economic fix. What happens when further upgrades are required? This is a version of kicking the can down the road. It is not only not good from a governmental perspective, but the model itself creates problems:

3. *The model involves loss of public housing*

The current model involves a reduction in family units, an increase in single units and, in the two finalised developments so far (Kensington and Carlton) a decrease in public bedrooms overall. Even if a 10 percent increase in bedrooms were enabled, it would still not be enough.

4. *The sale of public land is shortsighted*

The privatisation of land to fund public housing upgrades is a bad deal for taxpayers. Once lost, that land will never be recoverable except at great cost. Well-located public land is a continuing resource, offering potential for on-going initiatives. Limiting future opportunities is not good governance.

5. *If any revenue is to be procured from developing the estates, it should be reinvested into those or other estates*

The use of private developers in the redevelopment means the significant revenues from private housing sales constitute the developers' profits instead of being invested back into social housing. A government or non-profit partner would increase the number of new public units and/or reduce the number of private units necessary to make the project feasible.

This short paper outlines four alternative approaches. They are proposed in the current context of Australia as a wealthy country, with a relatively (globally) stable economy, record high land prices, record low interest rates, and in Victoria, an annual revenue of \$6 billion to the state government in stamp duty alone.

Victoria has a public land developer, Development Victoria. Many housing associations also have development capacity, and work independently and in partnership with governments to deliver housing at lower cost than the private sector by not requiring a profit. Local evidence of successful developments exists with Port Phillip Housing Association's Ashwood-Chadstone estate; the former Yarra Community Housing's developments in Gertrude St Fitzroy; and Community Housing Ltd's developments in Craigieburn, Pakenham, Hastings, Point Cook and Ferntree Gully; among others.

Public and non-profit organisations can currently borrow at very low rates. The logic of engaging public and/or non-profit developers is clear: they can invest the returns into more social housing and associated services.

The conditions for involving such organisations in social housing developments now are ideal.

Rather than selling public land *and* foregoing potential returns, the following models should be considered:

- a) Increase public funding for public housing upgrades and new social housing construction in inner and middle-Melbourne. This funding could be derived from a fixed proportion of stamp duty revenue. This option should not be abandoned.
- b) Establish a revenue stream for public housing upgrades and new social housing by constructing build-to-rent market housing on some estates, to be managed by not-for-profit developers. Build to rent is normally owned and managed by the private developer, or in the UK, Canada, Scandinavia and most North West European countries, housing associations. There is no reason why housing associations in Victoria could not gear up for this role.
- c) Establish a revenue stream for public housing upgrades and new social housing by building private housing on-site for fixed-term lease rather than sale, the component to be determined by the development economics of the estate. Consider sale of 30-99 year leases, as is routinely practiced in the USA. These wouldn't bring in as much as freehold, but would still provide substantial revenue. Finally:
- d) Build private housing for sale, the component to be determined by the development economics, ensuring that the profits are controlled by the government and/or non-profit sector. This should be the option of last resort, but it could operate on the Ashwood-Chadstone (75 percent public: 25 percent private) model.

In Melbourne's privileged inner and middle-suburbs, the amount of social housing on existing estates should be maximised. This would make best use of the city's limited public land assets, and go some way to redressing the lack of affordable housing. Maintenance of the range of services and tenant supports around these estates will ensure that the small concentrations of poverty do not become any more 'problematic' than they are already (recognising that the only way of eliminating 'problems' of poverty is to eliminate poverty).

We are urging the government to engage any or all of these alternative approaches on the nine estates currently proposed for redevelopment. Brunswick West, North Melbourne, Heidelberg Heights, Clifton Hill, Brighton, Prahran, Hawthorn, Northcote and Ascot Vale are among the most valuable estates in Melbourne with the lowest possible risk in their redevelopment. They offer excellent testing grounds for new approaches that, if successful, can be applied to other more difficult estates.

An alliance of housing workers and researchers, public housing tenants, housing associations and peak bodies that advocated these alternatives would be difficult to ignore.

We have a labor government with a planning minister who knows housing policy well, and a housing minister who knows the community housing sector well. If we can't get a good model up now, specifically encouraging the not-for-profit sector to participate at the very least in a trial, then when?

Thank you for considering. Please contact kates@unimelb.edu.au with comments.