

Public Housing Roundtable

This dossier contains position statements from a public housing roundtable formed in 2019.

The roundtable consists of public housing tenants and advocates, scholars, researchers, community legal service practitioners and representatives of homelessness and housing bodies.

Beyond the position statements the dossier includes:

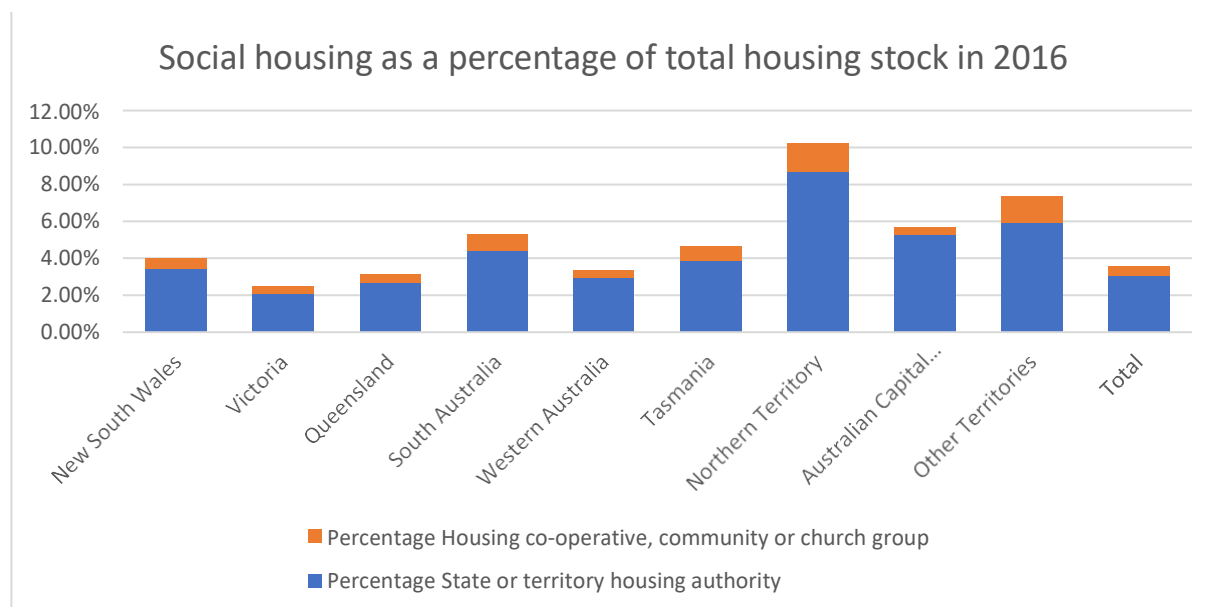
background documents to the campaign for more and better directed funding to public and community housing

and a summary of key documents produced by a wide range of bodies over the last decade that address the crisis in affordable housing in Victoria.

July-August 2019

A brief overview of public and community housing in Victoria – Liam Davies, Kate Shaw

The 2016 Census reveals that Victoria has the lowest state percentage of social housing in Australia: 2.46 percent of total state housing, with 3.57 percent the national average.



Social housing (public + non-profit sector) as a percentage of total housing stock in Australia in 2016

The 2019 Productivity Commission Report on Government Services shows that in 2018 Victoria had 78,781 social housing dwellings – 64,295 public and 14,486 community housing dwellings.

There has been moderate growth in social housing since 2009 throughout the country, due in large part to the Rudd government's economic stimulus package during the GFC. Australia had 376,234 social housing dwellings in 2009, and 404,050 dwellings in 2018. In Victoria however, the stock of public housing has decreased over the last two decades. The community housing sector has grown slightly but is not keeping pace with the rest of the country. The public housing waiting list continues to expand, with 38,185 eligible households waiting for decent housing in 2018.

Sustained investment in public housing is necessary to provide for this unmet need and to reverse the decline of the last decades. The state government has the political and economic opportunity to significantly invest and build over the next three, and quite possibly seven, years. The construction of 5,000 new public housing dwellings per year over seven years would fully house the current waiting list.

Increasing the supply and availability of public housing will likely increase demand of course.

Infrastructure Victoria observes that there is significant latent demand for social housing, with around 100,000 vulnerable, low-income households not having their housing requirements met. A further increase in supply would shore up the financial position of public housing by accommodating second- and third-income quintile households, providing much needed positive revenue streams.

Three years have passed since Infrastructure Victoria recommended increasing affordable housing levels by 30,000 in ten years. This period has seen stagnation and growing need. The Victorian state

government committed at the last election in 2018 to \$209M funding for 1,000 public housing dwellings over the next three years. This is, quite simply, grossly inadequate.

The community implications of more funding for social housing are clear. Governments and society benefit more than they spend by providing housing to homeless individuals. The benefits outweigh the costs through reduced health care costs, reduced crime and helping people to gain employment and engage in education (Witte 2017). Addressing the failing supply of public housing will generate important economic, social, and cultural benefits with qualitatively assessable flow on effects to government, administration, and the community.

International human rights law recognises that every person has the right to an adequate standard of living. This right includes the right to adequate housing (ICESCR et al 2019). Recognising that homelessness impacts on a person's ability to enjoy basic rights and freedoms has important consequences for the way that our society perceives and treats homeless people. Ending homelessness is within our means; 'in Australia homelessness should be rare, the experience brief, and it should not recur in cycles of repeated homelessness' (Victorian Homelessness Election Platform 2018).

Australia is at a critical juncture in its approach to supporting some of its most vulnerable people. How a nation chooses to provide housing and support to those in need, underpins its commitment to the safety and security of its peoples, and is a measure of its contract to care for all. The collective ownership of public housing and services are fundamental to a democratic society, 'binding citizens into the complicated affective circuitries of democratic life' (Honig 2017).

The current housing system not only fails to meet housing needs of low-income households, it also exacerbates the deprivations of poverty and housing insecurity (Toohey 2014). Declining investment by consecutive state and federal governments means construction and maintenance of public housing has not kept up with demand, or even population growth. Both state and federal governments have reduced real funding to public housing. The current housing system not only fails to meet housing needs of low-income households, it also exacerbates the deprivations of poverty and housing insecurity. Mismatch between demand and supply of public housing has profound implications for the welfare of the wider community, a negative influence on social cohesion and equality. Importantly, since human rights belong to everyone, it is in the interests of the Australian community as a whole to ensure that the rights of all people are respected and protected.

References

Witte, E. (2017) The case for investing in last resort housing, MSSl Mission Paper No. 10, Melbourne Sustainable Society Institute, The University of Melbourne.

ICESCR, article 11; CRC, article 27; CERD, article 5(e); CEDAW, article 14(2); UDHR, article 25.

Victorian Homelessness Election Platform, (2018).

Honig, B. (2017) *Public Things: Democracy in Despair*, New York: Fordham University Press, p. 7.

Toohey, S. (2014) 'The Failure of the Housing System' in *Homelessness in Australia*, Eds. Chris Chamberlain, Guy Johnson and Catherine Robinson, p. 269.

Position statements

on

displacement of public housing tenants

privatisation of public land

transfer of public housing stock and management to community housing organisations

funding for public housing

Roundtable position on displacement – Libby Porter, David Kelly

The roundtable:

- opposes the displacement of residents from existing public housing estates
- commits to close scrutiny of stigmatising language to justify displacement
- objects to the Public Housing Renewal Program in particular because it actively causes displacement

Displacement describes ‘what happens when forces outside the household make living there impossible, or hazardous, or unaffordable’ (Hartman et al 1982). It is neither natural nor accidental, but a feature of structural inequality, and increasingly driven by state-based renewal programs.

Displacement includes both direct displacement, through eviction or other forms of forced relocation, and indirect displacement, where households become so marginalised or isolated in a neighbourhood they feel they have little choice but to move, if they are able (and if not, can find themselves in the invidious position of being fixed in place while suffering a profound sense of loss of place [Shaw and Hagemans 2015]).

Scholarly and community-based work over the past 50 years has shown that the impacts of all these kinds of displacement are overwhelmingly negative. Displacement is described as grief, ‘rootshock’ and ‘domicide’. The kinds of psycho-social, health and economic impacts experienced by people suffering displacement include loss of sense of home and community, loss of access to key long-standing social networks on which they relied, loneliness, loss of identity, loss of security and ownership, loss of job and livelihood, despair, depression and anxiety, and loss of access to vital services or facilities. There are documented cases of suicide and self-harm as a direct result of displacement from urban renewal. These impacts have wider effects than on those directly displaced. Families, friends and communities are all affected as social, economic, and health effects ripple out.

Displacement is widely justified in state-based renewal programs as necessary to achieve a public good, and sometimes as a direct benefit to the displacees themselves. This justification rests on a stigmatisation of neighbourhoods and residents. Stigmatising language is deployed in political and public discourse to create a justification for socially unjust displacement.

Victoria’s PHRP is causing direct displacement, where residents are given no choice but to relocate – always off the estate and often to far-flung locations – in order for their homes to be demolished. The relocation services provided by DHHS do not change this fact of displacement. Residents do not become ‘not displaced’ because DHHS has found them a new home, or has ‘guaranteed’ the possibility of return. For example, it is not a meaningful choice when an elderly resident does not return to a redeveloped estate because they have grown frail and unable to cope with yet another house move after their initial displacement. It is not a meaningful choice when a family does not return because that would require resettling children again into new schools and social settings.

The PHRP inflicts unnecessary suffering on households. The obvious alternative of enabling long term and systematic incremental upgrades and rebuilds – by relocating residents of an estate to accumulated natural vacancies within the estate, and then back again – does not appear to even have been contemplated. The current program speaks much more to dramatic intervention, private market triumphalism and violence against tenants than it does to a compassionate regard for the disadvantaged.

References

Hartman, C., Keating, D. and LeGates, R. (1982) *Displacement: How to Fight It*, San Francisco, Berkley, *University of California Press*.

Shaw, K. and Hagemans, I. (2015) 'Gentrification without displacement' and the consequent loss of place: the effects of class transition on low-income residents of secure housing in gentrifying areas, *International Journal of Urban and Regional Research* (on-line DOI:10.1111/1468-2427.12164)

Roundtable position on privatisation – Maree Parry, Liam Davies

This roundtable:

- opposes the sale and privatisation of public land used for public housing
- supports the retention and improvement of all public housing on public land
- objects to the Public Housing Renewal Program in particular because it actively causes displacement

We oppose the sale and privatisation of public land used for public housing. Privatisation carries a significant opportunity cost to Victoria and its people. Victoria has an immediate opportunity to significantly increase public stock on existing publicly owned land. The sale of this land to private developers in return for a minimal increase in public housing dwellings is a lost opportunity to redevelop current landholdings to swiftly address the growing housing crises in Victoria.

Privatisation will have long-term impacts, as any future attempt to increase public housing stocks in these areas will require not only development costs, but the purchase of new land – a cost that will far exceed revenue gains made today. There are further difficulties that future governments will be faced with, namely, the increased costs of acquiring new land and problems of assembling tracts large enough to support development of sufficient scale. Acquiring and assembling appropriate land is a lengthy process, as the state must wait for landholders to sell at inflated prices. It is likely that new locations will be inferior to the currently ideally positioned existing land tracts.

Privatisation can take the form of land sales (where land, with or without structures, is sold on the private market for development) or dwelling sales (where existing dwellings or dwellings built as a result of redevelopment are sold into the private market). The prospect of current returns on privatisation must be weighed against the future costs of providing increased levels of public housing. While there is an understandable temptation to undertake a revenue positive or neutral rejuvenation of public housing stock, this comes at great future cost. In many cases, especially in inner and middle ring suburbs, underlying land costs comprise a significant portion of the price of development. It will be difficult to acquire (without the use of compulsory acquisition) equivalent land in the future. Future governments that wish to increase public housing levels in Melbourne will have to face the losses and costs incurred by current privatisation policies.

We support the retention of all public housing on public land. Better utilisation of this land is a cost-effective way to immediately increase the number of public housing dwellings in Victoria. The estates currently under the PHRP are large tracts with potential for significant density increases. These landholdings are well located, close to physical and community infrastructure, and ideally suited to good quality, accessible and well-located public housing.

The current Public Housing Renewal Program, due to the privatisation of land and dwellings, creates significant challenges. Privatisation reduces land available for public housing at a time when the system is in crisis and desperate need for expansion. Privatisation makes future expansions of the public housing system far more politically difficult and financially costly. In the case that public housing estates are renewed, all the land currently used for public housing should continue to be used for this purpose. In this context, all land being redeveloped through the PHRP should be retained in public ownership to enhance the quality of existing housing units and increase the level of public housing stock.

Roundtable position on housing transfers – Chris Chaplin

This roundtable:

- opposes all transfers of public housing land title
- opposes all management transfers
- supports assistance to Community Housing Organisations (CHOs) where they demonstrate advantage in providing specialist housing services to meet particular local needs, with capital grants to build additional housing

Transfer from public housing to community housing occurs either through the transfer of title (stock transfer), where the ownership of the land is transferred from government to a registered community housing organisation (CHO) or transfer of management, where ownership of the land remains with government but the landlord functions (tenancy management and usually responsive property management) are transferred to the CHO, typically through a long-term lease that permits the CHO to sub-let the property to eligible tenants under agreed terms. Title transfers have generally been restricted to Tier 1 CHOs (Registered Housing Associations or HAs) and typically involve a 'leverage' requirement, i.e. the CHO use the assets as security to obtain bank finance for further housing acquisitions. Significant title transfers and capital grant programs between 2005-2010 enabled the HAs to achieve scale and sophistication consistent with best practice internationally.

CHOs prefer transfer of title rather than transfer of management due to the ability to leverage the asset for further growth. Management transfers nonetheless provide an effective means to increase operational scale, allowing greater scope for additional programs/services. Both title and management transfers enable a degree of cost-shifting from State to Commonwealth, as CHO tenants can access Commonwealth Rent Assistance (CRA) which is then fully captured as additional rent. This is attractive to government, as the transfers reduce budget costs (fewer public housing units = lower net loss), enable some small growth in supply without capital expenditure, and provide a semblance of policy activity.

In an adequately-funded social housing system, there would be a place for management transfers that improved service delivery and tenant choice with no loss of rights. In the current environment of escalating homelessness, highly-rationed social housing and a deteriorating public housing system, further management transfers are inappropriate and cannot be supported. Public and community housing tenants have broadly equal rights under Victoria's Residential Tenancies Act. However, public housing tenants are guaranteed the additional protections of the Charter of Human Rights and stronger internal policies, guidelines and appeals processes.

There is some contention regarding whether community housing is subject to the Charter. Decisions by VCAT (*Metro West v Sudi* [2009] and *Goode v Common Equity Housing* [2016]) found that in each case the community housing organisation was a public authority because the provision of social housing was deemed to be a public function. As the Charter applies to public authorities, it's widely accepted that these VCAT decisions mean that community housing tenants are unquestionably covered by the Charter. However, the issue has never been tested in a higher court, and a recent Supreme Court decision (*Durney v Unison Housing* [2019]) casts doubt on the VCAT rulings: while the Court didn't address Charter coverage *per se*, it did find that Unison, a large community housing organisation, was not performing 'a public duty, or [exercising] a power that had a public element or public law consequences'.

Roundtable position on funding of public housing – Pamela Gray, Meredith Gorman

This roundtable:

- demands a government increase in the funding of public housing and social infrastructure

It is a government and community responsibility to provide high-quality housing accessible to low-income populations excluded from the housing market. Safe affordable housing fulfils a basic human need and constitutes a basic human right. Good public housing is an 'integrative good' linked to health, economic security, energy security, transportation, education and employment. The benefits of good public housing extend across the whole society.

Mismatch between demand and supply of public housing has a negative influence on social cohesion and equality. Inequality is a hugely damaging force with powerful psychological effects. Greater funding of public housing is necessary to provide economically, ecologically and socially sustainable housing for all low-income populations excluded from the housing market and high cost private rental. An increase in funding is crucial to strengthen public housing designed to fit Australian society's climate change objectives, reducing the role of global warming and social inequality. State government must invest more in public housing and maintain ownership of existing public housing land.

A range of social (public and community) housing investment pathways have been pursued in recent years, including contracting out services, off balance sheet debt via Community Housing Organisations (CHOs), reinvestment via densification, asset sales and internal cross-subsidisation.

These strategies have extracted value from the public estate and have not generated sufficient social housing units to address Australia's growing need.

A well-targeted public infrastructure investment in large-scale social housing growth is required. Australia has a strong tradition of public investment and continues to prioritise infrastructure for more a productive economy. For example, the Victorian government in Budget Paper 4 (2017-2018: 8) states:

Whether financed through surpluses, debt or a combination, well-targeted investment in infrastructure not only improves living standards, it expands the productive capacity of the economy. It also creates jobs now and improves our capacity to create jobs into the future.

Treasury and finance officials must allocate funds to build social housing and subsidise low-income tenants in an ongoing way to address the alarming social housing shortage. Social housing is chronically underfunded. In recent years funding for social housing has barely covered the costs of ongoing operation, let alone met the needs of the growing population. Inadequate investment over 25 years has left Australia facing a shortfall of 433,000 social housing dwellings. The current national construction rate, little more than 3,000 a year, does not keep pace with rising needs, let alone address today's back log.

The National Affordable Housing Agreement needs to be rebooted with clear targets. It needs to deliver:

- capital funding for new social housing stock, distributed according to assessment of current and projected needs in each state and territory
- recurrent funding according to the number of social housing dwellings in each state and territory and an assessment of reasonable net recurrent costs
- clear accounting by social housing providers for costs of provision and the contributions of tenants, government funding and other sources of income towards meeting the costs.

Recent research undertaken by the Australian Housing and Urban Research Institute (AHURI 2019) indicates that Australia needs to triple its small stock of social housing over the next 20 years to cover both the existing backlog and newly emerging need. It demonstrates the necessity to avoid overly complex and ultimately inefficient financing models. Modelling of household need and procurement costs shows that direct public investment, coupled with more efficient financing through a National Housing Finance Investment Corporation, is the best way to tackle this challenge.

Federal and state governments must rethink their role. They are best placed to rebuild the original commitment to social democracy by retaining ownership of public land and increasing the yield of innovative publicly-owned housing built on that land. Collective ownership of public assets and services are fundamental to an egalitarian society.

Background papers

From a public forum held in December 2017 at the Flemington Community Centre
to discuss the Public Housing Renewal Program (PHRP)

1. Discussion paper on the Victorian government's PHRP, May 2018
2. Open letter to the housing sector regarding the PHRP, April 2018
3. Alternative approaches for the Victorian PHRP, March 2018

and a summary of the key reports on housing in the last decade.

Discussion paper on the Victorian government's public housing renewal program (PHRP)

May 2018

Meredith Gorman, Homelessness Networker, Northern Metropolitan Region
Dr Kate Shaw, Future Fellow, School of Geography, University of Melbourne
Chris Chaplin, co-author, Kensington estate redevelopment evaluation report
David Kelly, PhD Candidate, Alfred Deakin Institute for Citizenship and Globalisation, Deakin University

Background

In December 2017 a forum was held at the Flemington Community Centre to discuss the PHRP. A small group was delegated to follow through with the actions called for by the forum (participants included over 150 representatives and members of public and community housing advocacy groups, tenants and residents' associations, housing activist and peak bodies).

The delegation wrote to the Victorian Premier, Treasurer and relevant ministers, calling for a halt to the program until key concerns had been addressed, and sent an email to forum participants with an outline of alternative approaches (*Alternative approaches for the Victorian public housing renewal program*, March 2018). When responses to the letter and paper came in, we sent a second email updating on our progress (*PHRP letter*, April 2018).

The feedback on these efforts has been overwhelmingly supportive. A few critical responses and questions were raised, though, and in the interests of pursuing this discussion, our consideration of them is below. First, a recap of the current program.

The current iteration of the PHRP

The premise of the PHRP is that ageing public housing be demolished and public land be sold to private developers who will build new public housing as well as private housing. The private housing is sold on the market, which pays for the costs of rebuilding the public housing and constitutes the developer's profit. At the Kensington and Carlton estates – the first two to undergo this process – the total number of public tenancies declined, the private housing was separated from the public housing (in the latter case by a wall) and the private developers made substantial profits (see Levin et al 2014, Shaw 2012a, and Jama and Shaw 2017).

In 2017 nine new estates were announced for redevelopment (with Prahran already underway): Flemington, Heidelberg West, Brunswick West, Northcote, North Melbourne, Brighton, Hawthorn, Clifton Hill and Ascot Vale. In response to concerns about the loss of public housing, the government committed to a 10 percent increase in public housing units on the estates. In response to objections to private developers walking off with the proceeds of the private sales, the government agreed to partnering in some cases with its own public land agency (Development Victoria) and non-profit housing associations with development capacity.

The current iteration of the program has not yet addressed the fact that many of the public housing units being demolished are three to four-bedrooms, for replacement by one-bedroom units. The status of the replacement public housing is ambiguous, as their management appears to under transfer to community housing associations.

The need for discussion

There are many elements to the redevelopment of public housing estates, including notions of social mix, housing mix, public-private partnerships, deteriorating public housing, funding for new stock and upgrades, sale of public land, and impacts on existing tenants, relocated tenants, and associated communities (see Pawson and Pinnegar 2018 for detailed discussions of some of these). There is a range of views on all these matters and informed public discussion is important. Our letter to the politicians requested the establishment of an interdepartmental roundtable to work through these issues – a suggestion so

far not taken up. This discussion is vital to ensuring that the livelihoods of residents and interests of the public are protected. We hope you will all continue to read and think about these issues and participate in whatever way you can, currently via this email thread.

There are three main categories of critical response so far. The first is from some of the housing and social justice peak bodies, who believe the current program is 'as good as we're going to get'. The second comes from the social research field and is concerned about stigmatisation of the estates. The third is from the development industry, interested in alternative models. We have consolidated the questions into key areas and, respond now to each in turn.

'Something is better than nothing'

The position of some housing and social justice peak bodies is that the Labor government is better for housing and social justice than the Opposition will ever be, and that all support should be provided to the current regime. Community housing associations stand to gain from public housing stock transfer as announced in the 2017 housing policy, and would not bite the hand that feeds them.

Our response: These truths should not engender acceptance of an inadequate program from the current government. The sale of valuable, well-located inner-city and middle-suburban public land for just a 10 percent increase in housing units (with the number of bedrooms almost certainly declining) is simply not a good deal. This public land is surrounded by good infrastructure and services – it will never be retrieved once sold. Our position is that the sale of this land for such minimal gain is worse than nothing.

The promised transfer of 4,000 public units to 'Registered Housing Providers' is a double-edged sword. It may allow some community housing associations to borrow against their new properties and expand themselves (for better or for worse) but the stock they're acquiring suffers from decades of under-funding, and the costs of repair will be high. Will they sell that stock and lose more well-located land to the private sector?

As we argue in the alternative approaches paper below: Victoria currently has a Labor government with possibly two more terms. If a strong, progressive model of vastly increased public and community housing provision can't be introduced now, then when? And by whom?

'Segregation' vs social mix

This line of questioning asks us to justify the case for the 'value of class and ethnic segregation', with a request for evidence on 'why segregation produces better outcomes for public housing tenants'; 'how children and teenagers flourish with segregation'; 'where segregation has produced better outcomes in the long term', and so on. It asks for the evidence for the benefits of 'keeping social classes and disadvantaged ethnic groups separated from their more advantaged neighbours'.

It takes some twisting of our argument to glean a case *for* segregation – which of course we do not make – but for clarification these questions do need a response. In essence our argument is this:

1. Melbourne's inner-city and middle-suburban public estates do not suffer significantly from 'segregation'.
2. These estates are well-resourced by public and community infrastructure, and are islands of poverty in increasingly gentrified seas of private housing.
3. Victoria has an affordable housing crisis; there are close to 40,000 households on the public housing waiting list.
4. Rather than disrupting existing communities and dispersing public housing residents to Melbourne's outskirts, well-located public land should be utilised to the greatest possible degree to build more public and community housing.
5. New private housing construction should occur on already privately-owned land, not on valuable inner and middle-suburban public land.

6. The government should explain how the disruption of existing estates benefits public housing residents – not only those who return to the estates, but those permanently relocated. Where are the demonstrated benefits to low-income households of private residents moving onto their estates, and to those permanently relocated of their dispersal?

To elaborate on each of these points:

1. The inner-city and middle-suburban public estates in Kensington, Carlton, Prahran and the nine new ones proposed for redevelopment do not suffer the ‘negative neighbourhood effects’ borne of segregation and massive concentrations of poverty (see Shaw 2012b). The very idea of ‘neighbourhood effects’ (the notion that living in a poor area compounds the effects of poverty) has been repeatedly challenged in far-reaching international research (Watt and Smets 2017, Tyler and Slater 2018, Manley et al 2012). As Kate has argued locally (Shaw 2012b) this is a concept drawn from the rust-belt cities of the US via the UK, with race as the major factor in segregation combined with poverty. The racial element of segregation in the US and UK has been discarded along the way, with the logic somehow arriving intact in a most alarming case of unreflective policy transfer.
2. In fact, Melbourne’s inner- and middle-suburban estates are small and surrounded by private housing. That is, public housing blocks already have private households right across the street – think about the actual locations of the estates in Kensington, Carlton, Prahran, and so on. They all have excellent infrastructure and local services including public transport, pools, schools, libraries, community health centres and sports centres, along with good shops where the local private residents also shop, and where the opportunities for social interaction are plentiful. Most of the estates are extraordinarily diverse in culture, religion and ethnicity (with perhaps a lower representation of white anglo-saxon protestants) such that the notion of segregated, isolated, poverty-ridden hell-holes becomes ludicrous.
3. Public housing estates are characterised by concentrations of low-income households, indeed. That is why they exist. The households on those estates are not as poverty-stricken as those still on waiting lists and trapped in the private rental market. Housing for public tenants is subsidised and contains strong support structures, and there are many case studies in the literature of lasting community bonds and social networks that develop in this context of relative adversity (Allen 2008, Tyler and Slater 2018)
4. So the disruption of these communities with the intent of ‘deconcentrating poverty’ not only breaks-up existing networks, but sends larger households to the outskirts, on the basis that ‘current housing projections’ are for more single-person dwellings. These projections do not mean that larger families and their needs disappear. Who makes up these larger households? Families with kids, obviously, many of whom are currently from the Horn of Africa. Where do they go – Tarneit? Dandenong? And the objective of the program is to break down ‘ghettos’?

On the redeveloped estates, there are already fewer kids (who are vital in encouraging greater social interactions) and more (mainly white) middle-class households blending in with all the other (mainly white) middle-class households in the surrounding neighbourhood. The new, exclusively private housing blocks are still separated from the exclusively public housing blocks – courtesy of the private developers who think their white middle-class buyers won’t want to live right next door to public housing tenants – but now they’re not just across the street from the estate, but across newly-constructed streets on the estate.

It is worth stopping to reflect here: where is this ‘stigmatisation’ coming from? Do the public housing residents internalise ‘stigma’, or is it a construct of the new white middle-class buyers? How does breaking-up existing low-income communities repair middle-class prejudice? The research written up in Jama and Shaw (2017) indicates that many public tenants don’t much care who their immediate neighbours are because, like everyone else, they choose their friends from the broader neighbourhood.

5. The question of increasing the supply of private housing to reduce prices is complex and far from resolved: this is a somewhat separate issue but to date there is no evidence in Melbourne that building more apartments reduces prices of housing across the board. In any event, why does the increase in private housing have to occur on already small and increasingly scarce public land holdings?
6. The main issue regarding the roll-out of the government's public housing renewal program is one of onus. The proponents of the PHRP should be able to explain and justify their reasons for intervening in such a way into Melbourne's public housing estates, rather than asking critics of the program why they should not. Nevertheless, we present the case here as to why they should not. The case has been made before and has yet to be countered.

Some good questions were received from the development industry (public and private).

Increase in public funding

What is the quantum and period for which this funding is being requested, what percentage of the stamp duty, and are you advocating that this tax be kept indefinitely? If so, do you have counter arguments to the reasons presented by those supporting the removal of this tax?

Our response: This question is a bit like how long is a piece of string; markets change. But the percentage of annual stamp duty would of course be linked to how much public housing the government were willing to build. Ideally, the entire annual \$7 billion from stamp duty – given that this massive amount is a direct result of growing interest in property exchange, which itself is the single largest contributor to price increases and the housing affordability crisis – would be dedicated to social housing construction for as long a period as possible. In Amsterdam and Vienna, by way of example, more than 50 percent of the housing stock is social housing – meaning that low and middle and even high-income households live in complete socio-economic mix without the anxiety that low-income people are not sufficiently provided for, in housing at least. An option would be: set a decent percentage of stamp duty revenue for social housing and build as much with that as possible. Removal of stamp duty on property transactions would be utter folly – the returns are a reflection, not the cause, of soaring housing prices.

Build-to-rent model

Is it assumed that a non-profit will provide all capital expenditure and operating expenditure without government funding? Can the financial modelling behind this proposal be provided that specifically outlines the differences between a privately operated BTR versus a non-profit one? I am aware that the private sector is struggling to make the model work, so I would be interested to see the characteristics that make this a viable option.

Our response: A non-profit cannot provide built-to-rent without some government support, but obviously this option would require less public funding than construction of new public or community housing. Some good work has been done on this question (see Palm 2017) which extends to involving other long-term institutional investors such as super funds, whose interests in long-term revenue streams over short-term capital gains make the option more viable. Government support could take the form of providing land cost-free on long-term leaseholds, which would offset the need for direct capital expenditure.

Leasehold

Is there modelling that identifies the discount to market this product has over freehold and whether this arrangement will still cover the capital cost necessary to build new product?

Our response: See above, and it depends on the cost of the lease of course. There would be less return to the state than from direct sale, and more discount to market through reduced up-front costs, though this would depend also on the period of the lease. There is not much modelling in Australia as yet – an exercise for the number-crunchers in Development Victoria?

Sale of private homes

It is our understanding that a reasonable portion of government funding was provided at Ashwood-Chadstone to achieve the public/private ratios mentioned. If this is true, then what would be the proportion of government funding to private sales profit that this point is advocating for?

Our response: Ashwood-Chadstone was a \$140m development project by Port Phillip Housing Association (a registered non-profit housing company) with 50 percent funding from the state. The project replaced 55 badly-degraded public housing dwellings with 210 social housing units and 72 private dwellings in Ashwood-Chadstone, with an expected 180 additional social housing units at other sites (Victorian government 2013, Community Housing Industry Association 2018). This gives a public: private ratio of more than 80:20, compared to the 30:70 expected by private developers.

Development Victoria and commercial return

Development Victoria is bound to deliver a commercial return to government to support other government initiatives, some of which is more housing. Therefore, the additional stock Development Victoria could supply above and beyond a private developer may only be marginal.

Our response: The legislation governing Development Victoria needs to be changed so that it is not in all cases required to make a profit. This requirement was imposed on the public land agency under the Kennett government and sustained by the Bracks government in the early 2000s when housing affordability was not such an issue. It renders the state land agency no different to commercial developers and locks it into the problem.

Inner to middle rings

Has there been consideration of reviewing the planning scheme to support increased opportunities for social housing beyond government-owned land?

Our response: Inclusionary zoning is the broadly accepted mechanism for requiring a percentage of social housing units in new multi-unit developments. It is routine practice (under other names) in the USA, Canada, UK, most of western Europe and Scandinavia, but is yet to be incorporated into the Victorian planning system.

Affordable commercial development

As affordability is in part a by-product of access to employment opportunities, is there no value in considering the economics and extended benefits of also supplying affordable commercial opportunities in close proximity to these developments?

Our response: The largest source of job opportunities remains in the inner-city. This is all-the-more reason for building more affordable housing in the inner and middle suburbs. Affordable commercial opportunities should be provided in and near all new housing developments, which sometimes requires state and local subsidies. But non-profits are certainly interested in mixed-use developments; the Nicholson in East Coburg already includes retail and commercial tenancies that offer employment opportunities. There is continuing interest in large mixed-use developments at key hubs and above railway stations, which should always include social housing and affordable commercial opportunities.

Conclusion

The issues around the redevelopment of public housing estates and new developments in general, when they involve questions of social mix, funding and ownership of land, are many and complex. The solutions however are relatively straight-forward. Melbourne is a highly-privileged city; Australia is an unambiguously wealthy nation. Melbourne and Australia contain less public/community/social housing as a proportion of overall housing than any other comparable OECD country. The figure for both city and nation stands at less than five percent.

Melbourne and Australia are in the grip of a housing affordability crisis. The causes of overall

unaffordability are also many and complex. But the provision of as much new public and community housing as possible on well-located inner-city public land is imperative. Once again, we urge the current government to review its current approach. Once again: if not now, when?

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Open letter to the housing sector regarding the PHRP, April 2018

We are practitioners, academics and advocates who wrote to the Victorian Premier, Treasurer, and Ministers for Housing and Planning, on behalf of attendees of a University of Melbourne forum titled *Maximising the Benefits of Public Housing Renewal*, in December last year. The majority of the over 150 participants in that forum called for a moratorium on the roll-out of the Public Housing Renewal Program until alternatives to the current approach could be discussed.

We have communicated this resolution to other relevant Members of Parliament, government officials overseeing the renewal program, and the staff of peak bodies representing organisations working in housing and social justice. From these efforts it has become clear that the government is too committed to the current approach, and that the key peak bodies and housing providers are too vested in small gains from community housing stock transfer and government funding to challenge the existing program. This is despite the vast majority of individuals agreeing with our critique of the current approach; there is a tragic sense of powerlessness and forced compromise from people in important positions who know Victoria could do better.

In the face of this crippling self-defeatism we call on all people within and without government to resist the sell-off of public land for such a paltry gain of a 10 percent increase in social housing. Many sound alternatives exist: from simply increasing government funding for public housing upgrades, to various leasing arrangements that would enable public, private or not-for-profit construction of build-to-rent or long-term-lease to bring in revenue and maintain government control of the underlying land. These mechanisms are outlined in the short, following document. All of them would enable continued public use of this land for future generations when the buildings produced through the current renewal program reach obsolescence.

We encourage people to organise within their communities in whatever ways they can to prevent these land sales. This is a broad-based coalition – there are no leaders.

Residents facing relocation have human and legal rights. If you are uncertain about your options or need legal advice, please contact:

- Mooney Valley Legal Service (Ascot Vale): admin@mvl.org.au
- St Kilda Legal Service (Brighton; Prahran): st_kilda_vic@clc.net.au
- Fitzroy Legal Service: enquiries@fitzroy-legal.org.au
- Darebin Community Legal Centre (Northcote): enquiries@darebinclc.org.au
- Northern Community Legal Centre (Brunswick; Clifton Hill): admin@northernclc.org.au
- Eastern Community Legal (Hawthorn): eclc@eclc.org.au
- West Heidelberg Community Legal Service (Heidelberg West): (03) 9450 2000
- Inner Melbourne Community Legal (North Melbourne): (03) 9328 1885
- Flemington and Kensington Community Legal Centre: fklegal@fkclc.org.au

Meredith Gorman, Homelessness Networker, Northern Metropolitan Region
Dr Kate Shaw, Future Fellow, School of Geography, University of Melbourne
Chris Chaplin, co-author, Kensington estate redevelopment evaluation report
David Kelly, PhD Candidate, Alfred Deakin Institute for Citizenship and Globalisation, Deakin University

Alternative approaches for the Victorian PHRP

March 2018

Meredith Gorman, Homelessness Networker, Northern Metropolitan Region
Dr Kate Shaw, Future Fellow, School of Geography, University of Melbourne
Chris Chaplin, co-author, Kensington estate redevelopment evaluation report
David Kelly, PhD Candidate, Alfred Deakin Institute for Citizenship and Globalisation, Deakin University

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.

Summary of key reports on Victorian public housing 2010 -2019

2010, Parliamentary Inquiry. Family and Community Development Committee: Inquiry into the adequacy and future directions of public housing in Victoria. 459 pp.

The *Inquiry into the adequacy and future directions of public housing in Victoria* focusses upon public housing waiting lists in Victoria and its impact on different cohorts; the adequacy, quality and standards of Victorian public housing; the safety and location of Victorian public housing and public housing estates; and, the impact of public housing need on specific groups. The Committee received 109 submissions and held 43 public hearings. The Inquiry was conducted over 10 months within the context of major Commonwealth investment in the form of the National Building: Economic Stimulus Plan. A critical assessment of the funding framework determined that investment is sporadic and at a state level there is a major shortfall in ongoing, long-term investment into social housing. In total, there were 81 recommendations made. Broadly speaking, the Committee recommended a focus on growing supply through not-for-profit, non-government organisations; increasing ongoing investment; targeting access to housing according to demography/need; increasing options for rental payment and debt recovery (with the aim to keep tenants in houses, avoiding legal action); increasing access to employment and services; implementation of a long-term asset planning strategy; and, increasing the supply of dwellings to meet the waitlist. Additionally, the Committee recommended that the Planning and Environment Act 1987 be amended to include an objective to support the development and retention of affordable housing, and that the Victoria Planning Provisions be amended to allow the use of 'inclusionary zoning'. The report made an explicit call for the Victorian Government to provide a clear statement outlining its vision for the future of public housing in Victoria.

2012, VAGO. Access to Public Housing. 48 pp.

In this report, the Auditor-General describes the situation for public housing in Victoria as 'critical' and that the 'long-term provision of this vital public service is at risk'. The report is a searing indictment on the operating model of the DHHS, citing a lack of overarching direction, and absence of a strategic, long-term and comprehensive approach to managing its portfolio. It also cites multiple instances since 2006, where Departments and Ministers were made aware of the deterioration of public housing, yet no action was taken. A focus upon momentary bursts of funding by Commonwealth bodies and partnership agreements has meant less of a focus upon state-based long-term planning strategies and the address of increasing gaps in rental income and cost. Asset management strategies have not been reviewed or updated in time, which has led to a situation where the Department mostly operates without such a strategy. The report states that there is little existing data on the condition and occupancy of stock, resulting in rising maintenance costs, and ineffective communication with regional offices and residents. It lists seven recommendations to the Department, to:

- develop and apply options to overcome the unsustainable operating model
- assess its operational efficiency and role in public housing
- develop a long-term plan for public housing with clear objectives
- develop a comprehensive asset management strategy and vigorously monitor performance
- at the regional level, capture local knowledge and communicate investment criteria
- update and strengthen property condition data across the portfolio
- apply relevant data and medium- and longer-term forecasts to asset management strategies.

2012, KPMG. Social housing: a discussion paper on the options to improve the supply of quality housing. 96 pp.

KPMG was commissioned by DHHS to explore the supply-side mechanisms for the provision of future social housing supply, in large part due to the damning findings of the 2012 Victorian Auditor General's report on public housing. Central to the recommendations was a focus upon two development pathways that capture the largest growth potential in supply – these involve public private development partnerships that require public housing stock transfer (PHRP model), and the participation of community housing providers. It explores the viability, and ultimately recommends a transfer model where public stock, legal title, rights and responsibilities are outsourced, partially or completely privatized, including redevelopment and relocation services. The financial model recommended does not include any anticipated increase in stock, but instead seeks to reduce cost for non-government entities in attaining loans, selling of government bonds, and selling stock to the private sector then to be leased back by DHHS. The report rationalises its recommendations against the 2012 Victorian Auditor General's report on public housing, citing misalignment of stock, mismanagement of stock, financial unsustainability of model, maintenance backlog and a burgeoning waitlist.

2013, University of Melbourne. Evaluation of the Kensington redevelopment and place management models. 202 pp. (released 2018)

UoM was commissioned to evaluate the Kensington estate redevelopment. The report was critical of the redevelopment program and made 39 recommendations relating to the redevelopment, place management and data collection issues. Substantive conclusions include:

- In future redevelopment programs there should be no reduction in public housing stock.
- If state governments are to continue to fund the construction of replacement public housing and/or upgrades through asset sales, the most advantageous arrangement in terms of value for money for the taxpayer is for government to retain control of the process and the profit. Retaining the substantial profits from inner-city estate redevelopments would enable an increase in public housing stock.
- Under-utilised land on public housing estates should be developed in various combinations of public, community and private housing. Allowing that the private housing provides the revenue, the proportions should be varied on different estates according to specific context and expected returns.
- Various permutations of public, private and not-for-profit partnerships should be explored. These should be structured in such a way that there is profit or revenue sharing. In the case of the public and not-for-profit partners, the profit/revenue could be invested in further public and community housing and in the case of the private partner, constitute a reasonable return.
- Public partnership with a not-for-profit housing association with development capacity would allow the state and/or the not-for-profit to reinvest the entire returns from sale of the private housing back into the estate, or into additional social housing elsewhere.
- The option of government as developer should not be neglected. Public land agencies such as Places Victoria have the capacity to contract out building and sales functions, maintaining control of the process, increasing public housing stock and enabling cost-neutral outcomes to the state.

The report was blocked from release by DHS until it was subpoenaed by the 2017 parliamentary inquiry and posted on the parliamentary website.

2017, VAGO. Managing Victoria's Public Housing. 92 pp.

This report is primarily an evaluation of the advice which underpinned the formation of the whole-of-government housing strategy responding to the affordability crisis and undersupply of social housing, the Homes for Victorians (HFV) initiative. It also assesses whether DHHS is managing its public housing portfolio effectively and if the recommendations from the last public housing performance audit in 2012 have been implemented. This report finds that issues identified as 'critical' to social housing need and provision, especially around financial sustainability, short-term strategies, and the inability to meet demand, have not been corrected. Long-term vision remains a central explanation for the failure in the Victorian Government's management of social housing, with the auditor general describing it as 'disjointed, poorly communicated and lacking in a comprehensive understanding of asset performance.'

The report remains optimistic about the future for the HFV initiative, yet, given the lack of transparency around advice and evidence, it is unclear if it will succeed. In the address of the 2012 recommendations, the AG found most actions to be incomplete or abandoned. Lack of data, transparency, and a focus upon 'affordable housing' rather than public stock has meant that there is little in the way of 'targets' and 'objectives' in the provision of future stock. Given the audit report is largely concerned with the HFC, it is highly critical of the advice that supported its development, stating that it does not sufficiently measure the likely impact of funded initiatives on current and projected demand for social housing. Additionally, there is still no asset management strategy, a continued lack of property condition assessments, and an endemic restriction on the flow of information between the Department, its regional offices and tenants. Its recommendations echo the 2012 VAGO report, albeit with more detail.

2018, Parliamentary Inquiry. Legal and Social Issues Committee: Report from the 2017 Inquiry into the Public Housing Renewal Program. 206 pp.

The *Inquiry into the Public Housing Renewal Program* provides a comprehensive overview and evaluation of the *Public Housing Redevelopment Program* (PHRP). The report details a concise analysis of public housing in Victoria and establishes key two key issues, 1) in regard to current stock configuration, as not currently meeting demand (misalignment), and 2) if a 10% increase is sufficient given the scale of the housing crisis and waitlist. Chapters include an examination of the planning process, impact on residents, and the financial and social model of the program. The Committee received 172 submissions and held three public hearings as part of this Inquiry. A total of 28 recommendations were made. Key issues identified by Committee:

- Significantly increased investment is needed to keep pace with demand.
- Misalignment between current configuration and demand
- Concern that reduction in bedrooms will reduce capacity
- Consultation process confusing for residents
- Change of Responsible Authority cause for concern (in DPO)
- Indicative design not reflective of resident need or desire
- Resident rights not communicated properly, advocacy bodies not resourced
- Implied loss of right to return for larger families
- Displacement a cause of stress, reduced access and has negative impact on wellbeing
- Right to return ambiguous and contradicted by DHHS
- Loss of public land not justified by DHHS and Minister
- No valid and verifiable evidence for social mix has been cited
- No analysis of, or rationale for, tenure mix ratios

2018, AHURI. Social housing as infrastructure: an investment pathway. 164 pp.

The Australian Housing and Urban Research Hub's *Social housing as infrastructure* research report is a thoroughly-evidenced review of investment pathways for the future provision of social housing in Australia. It articulates the scale, type and location of need for current and future provision, and accurately details the cost of procuring appropriate dwellings in the strategic locations. Five alternative pathways involving a range of debt, efficient financing and capital grant strategies have been modelled to assess their relative costs to government. The research examines five investment pathways and shows that the 'capital grant' model, supplemented by efficient financing, provides the most cost effective pathway for Australia—in preference to the 'no capital grant, commercial financing operating subsidy' model. The key findings of the research point to a number empirically- based recommendations:

- for a shift to thinking about social housing as a social infrastructure akin to schools and hospitals;
- to introduce a needs-based framework for allocating funds that demonstrates transparent costings based upon up-to-date evaluations; and
- to adequately assess the scale and spatiality of deficit and need through appropriate research that can inform the right pathway for investment – current identified need of 730,000 new social dwellings over the next 20 years.

This is the most comprehensive, empirically-informed and real-world tested analysis of applicable and viable funding pathways for the current need and future demand of public/social housing in Australia.

2019, Productivity Commission. Report on Government Services: Part G Housing and homelessness. 159 pp.

The report present data on housing programs delivered under the *National Affordable Housing Agreement* (NAHA) to 2017-18. Key findings suggest that Victoria commits the least amount of investment to public housing compared to other states.

- Since 2014-15, every state in Australia has increased their net expenditure on social housing, with the exception of Victoria and South Australia, who have reduced their net expenditure.
- Victoria has the lowest net recurrent expenditure on social housing per person in the population, well below other states, and is declining year on year. Victoria's expenditure equates to \$82.94 per person, compared with \$173.35 in NSW. The national average in 2016-17 was \$166.93.
- Victoria's per person spending on social housing has also fallen each year since 2014-15, down from \$95.92 per person.
- Since 2016-17, Victoria has transferred more stock to the community housing sector than any other state, with the exception of South Australia.
- There are less public housing dwellings in Victoria today than there were 10-years ago; community housing stock has doubled.
- Victoria spends less than half as much on social housing as New South Wales