

WACOSS Submission to the Department of Housing Regarding the Social Housing Taskforce Final Report

December 2009



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Council of Social Service Inc

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Executive Summary

This document is WACOSS' response to the Department of Housing's call for submissions on the recommendations contained in the Social Housing Taskforce (SHTF) Final Report.

The document is in two parts. The first, "Housing Boom: Causes and Consequences" is an analysis of the reasons why there was such a pressing need to establish the Taskforce. Specifically, the negative consequences that the housing boom has had for our housing system, particularly, but not exclusively, for people on low and fixed incomes, and the failure of successive governments to maintain an adequate supply of social housing in the state. It also discusses some other consequences of the boom such as the possibility that we are in the midst of a housing bubble in Western Australia.

The second part of the document details WACOSS reaction to each of the recommendations contained in the SHTF final report. In reacting to the recommendations we have been careful to detail why we support specific proposals, highlight areas of concern or issues that should receive a particular emphasis and, in some cases, suggest how the recommendations can be strengthened and improved. WACOSS believes that a significant increase in the social housing stock and the provision of appropriate support services for social housing tenants, are the main policy goals that we need to achieve over the next decade. As such, recommendations that relate directly to these goals have been deemed essential.

Please note that while this document is ostensibly a submission to the Department of Housing, we have endeavored to make it a document that any interested parties can read and understand. We are hopeful that members of the community sector and the public who heretofore have had limited engagement with the issue of social housing provision in the state, will find this document useful and informative.

Introduction

It's not hard to imagine how different life would be if we did not have a place to call home. Our homes are where we are nurtured as children, where we relax and reflect after a hard day's work, where we entertain friends and loved ones, where we enjoy our retirement and so much more. Having access to stable, secure and affordable housing is fundamental to a person's ability to live a long, productive and happy life.

WACOSS understands the intrinsic link between an equitable housing system and the social wellbeing of our state and all who reside here. In recent years, we have frequently highlighted the increasing difficulty which a significant section of West Australian households are experiencing accessing and maintaining secure accommodation.

The so-called "housing boom" has been for the majority of low and fixed income West Australians a source of immense financial pressure. Escalating rents and house prices have put severe pressure on people's ability meet rent and mortgage repayments. Since 2004 the number of households on the public housing waitlist has doubled. West Australians in a more fortunate financial position have also borne increased financial pressure as the cost of owning a home of your own has increased at rates never seen before in the state.

It is against this backdrop that Minister Buswell announced his intention to establish a Social Housing Taskforce (SHTF) to examine and provide direction for social housing policy in WA. WACOSS, and the Community sector more broadly, were encouraged by Minister Buswell's decision to establish the SHTF as a sign that government was going to "grasp the nettle" of declining housing affordability in the state and, in particular, the state's social housing deficit.

In anticipation that the Community and Housing sector would be invited to participate on the Taskforce, WACOSS invited representatives of ten peak organisations with a particular interest in social housing to meet on a regular basis.¹ During the course of SHTF deliberations, the Roundtable provided peaks with updates regarding the work of the SHTF, as well as to creating a place where feedback and discussion could be recorded. The work of the Peak's roundtable, which was generously supported by [Lotterywest](#), was vital in assisting WACOSS make a thorough contribution to the taskforce and continues to be of value in terms of our submission to the consultation process.

¹ These included, Shelter WA, Tenants Advice Service WA, Women's Council for Domestic and Family Violence Services, Council of the Ageing WA, WA Association for Mental Health, WA Network of Alcohol and Drug Agencies, Aged and Community Services WA, National Disability Services WA, Community Housing Coalition WA, Aged Care Association WA.

In the course of the SHTF's work, the theme of a "housing continuum" frequently came up. The housing continuum refers to the spectrum of different housing tenures that a person can transition to in their lifetime. Public and Community housing, the private rental market, and home ownership all occupy important points in the housing continuum. The notion of a housing continuum assists us to view the housing system as an interrelated whole; along which people can progress rather than one which places people in silos where movement is difficult or even impossible.

WACOSS believes that there is value in discussing in some detail how the housing boom in recent years has affected the housing continuum in Western Australia and society more broadly. Part one of this document, "*Housing Boom: Cause and Consequences.*" will attempt to do just that by providing a rudimentary explanation of the causes and consequences of our housing boom and the opportunities and challenges that we now face in creating a more equitable housing system.

The purpose of the second part of this submission is to react and comment on the recommendations found in the Social Housing Taskforce (SHTF) final report. The list of recommendations is the result of discussion and negotiation at Taskforce meetings and was sanctioned by its members accordingly.

Part two of the document contains more detailed reaction to the various recommendations from WACOSS. In some cases, we outline the reasons behind our support for a particular recommendation. In others, offer suggestions as to what issues need to be stressed in terms of the contextual background of the recommendation. In others still, we have suggested ways in which the recommendation might be enhanced and how it might best be implemented.

The recommendations cover a broad section of policy areas reflecting the fact that improving the social housing system will require a multifaceted approach that addresses a range of interrelated policy areas. While not wishing to downplay the importance of any of the recommendation in the report, WACOSS wishes to highlight a number of them which we consider of high importance. The implementation of these recommendations will, in our view and based on discussions at the Peak's roundtable, be the key determinant of future success given that they relate to two key areas: increasing the social housing stock, and ensuring that there are adequate support services to compliment that expansion.

Part 1: Housing Boom: Causes and Consequences.

1.1 Why have house prices increased so rapidly in Western Australia?

Housing in Western Australia, and the nation as a whole, has become significantly more expensive in the last decade. Why? It's an important question because it goes to the heart of why the housing system in Western Australia is failing to cater for the accommodation needs of many of our residents.

In answering this question it is important to note that Australia is not alone among developed nations in this regard; a number of developed countries have experienced similarly significant rises in house prices during the same period running from the late 1990s to roughly the time the Global Financial Crisis and subsequent recession began. (See Figure 1).

Even in the context of a global housing boom, however, Australia's property price increases have been comparatively large. "Of all the countries in the OECD, house prices have risen the furthest and fastest in Australia since 1996-apart from Ireland and Spain...Australia which has always been regarded as a country of cheap housing and easily available land has become one of the most expensive countries for housing. In Australia, since 1996, average house prices have more than doubled in nominal terms and have risen by around 80 per cent in real terms-over half of this in the last three years. House prices in Australia are well above what might be expected from rental levels or in relation to average incomes"² (See Figure 2)

Western Australia has not escaped this trend. In fact, in the last four years alone, there has been significant upward pressure on house prices. Between March 2005 and June 2009, the median price for a house in Perth rose from \$290,000 to \$450,000. During the same period, median rents for a unit rose from \$180 per week to \$350 and for a house from \$200 to \$360³. This level of increase in house prices has meant that the Perth property market, for example, has experienced inflationary pressures eclipsing other Australian capital cities. (See Figure 3)

² Flood, Joe & Baker, Emma, Housing Implications of economic, social, and spatial change-key issues, Ahuri Positioning Paper No.116, March 2009.

³ REIWA

Figure 1: Real Global House Prices 1970-2008⁴

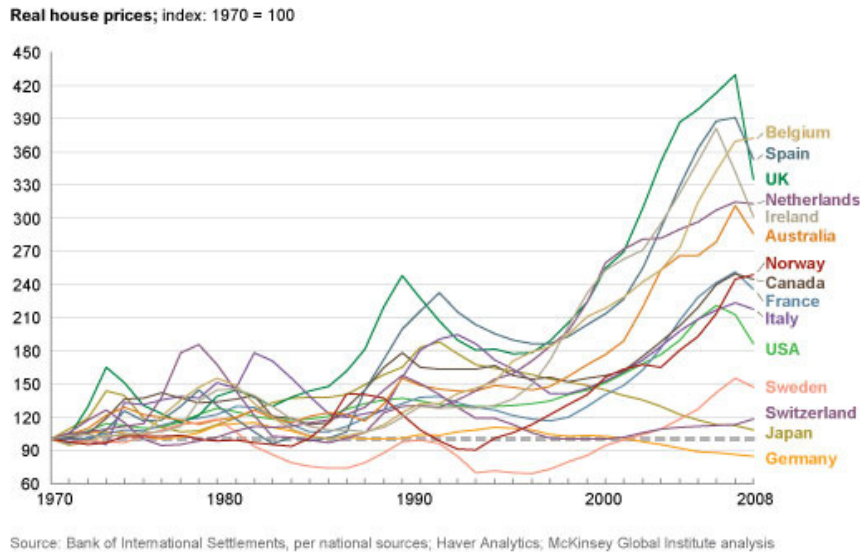
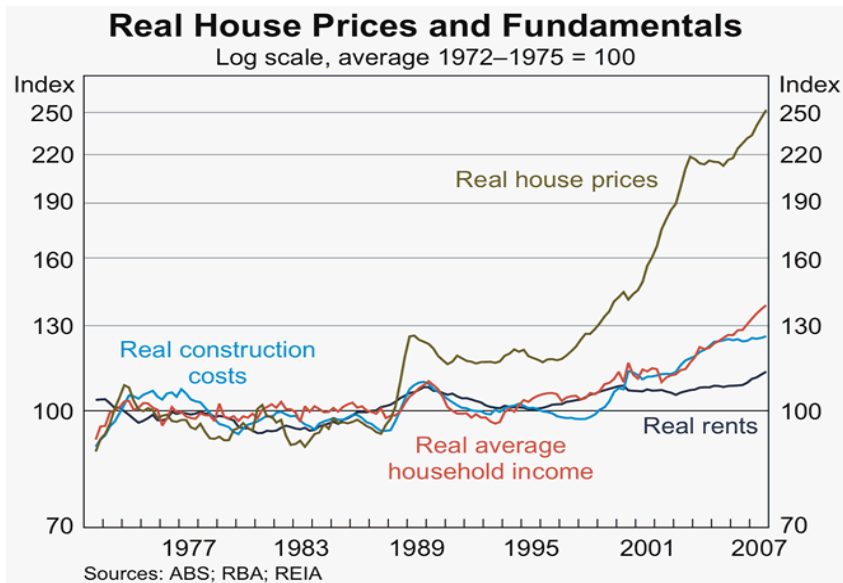


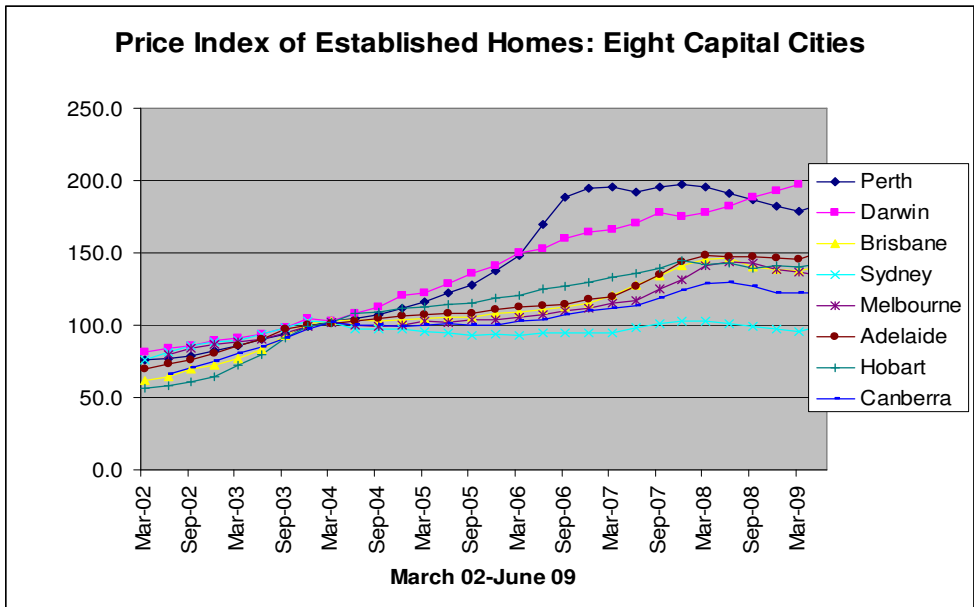
Figure 2: Real House Prices in Australia and Fundamentals.⁵



⁴ Source: http://www.mckinseyquarterly.com/newsletters/chartfocus/2009_10.htm. Nominal value refers to any price or value expressed in money of the day, as opposed to real value, which adjusts for the effect of inflation

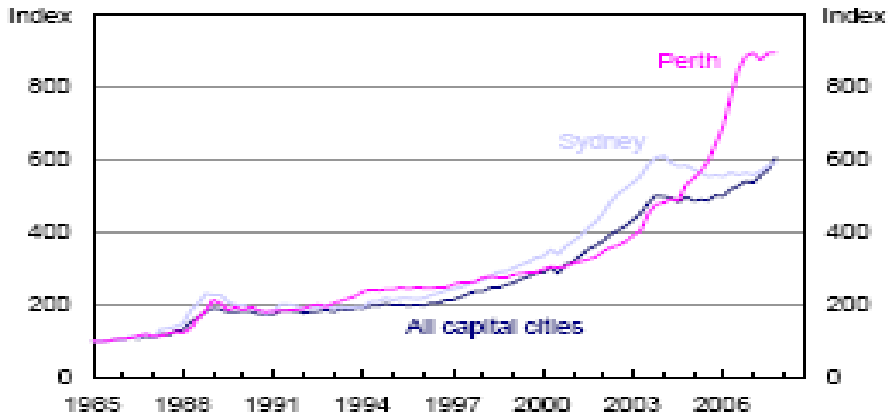
⁵ http://www.rba.gov.au/Speeches/2008/sp_so_270308.html

Figure 3: Price Index of Established Homes: Eight Capital Cities.⁶



Median House Prices: Perth Vs all other capital cities

**Graph 5
Median house prices¹**



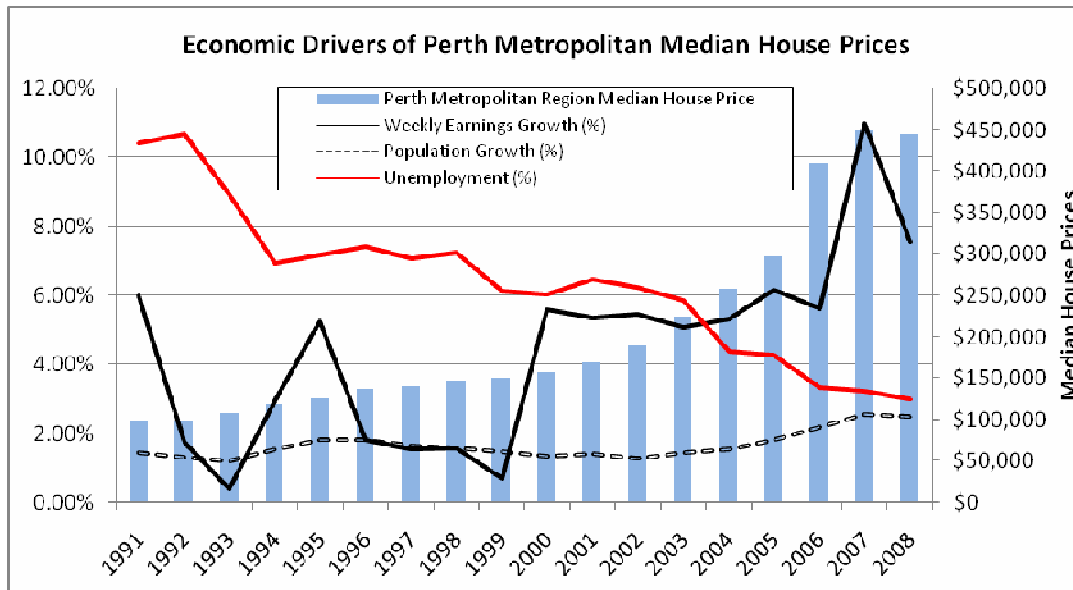
¹ Quarterly, 1985 = 100.

Sources: RBA; Real Estate Institute of Australia.

⁶ Source: ABS 6416.0 - House Price Indexes: Eight Capital Cities, Jun 2009.
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6416.0Main+Features1Jun%202009?OpenDocument>

Rising house prices can be a by product of sustained economic growth of the type that Western Australia has experienced in recent years. Rising wage levels, increased inward migration and a lack of supply, in their totality, can conspire to increase demand for housing and, in turn, house prices. This has certainly been the case in Perth. Figure 4 shows the relationship between labour force participation, wage rates and median house prices in the Perth metropolitan region.

Figure 4: Economic Drivers of House Prices



Source: REIWA, ABS Cat 6302, 3101, 6202

These factors, while significant, do not tell the whole story however. Underpinning the property booms in the United States, Ireland, Britain, Spain and other developed countries was a long and sustained period during which credit was available to a greater numbers of borrowers and in greater volumes than at any other time in recent history.

This “credit boom” was the result of economic policy at governmental level in a number of jurisdictions and significant changes in the lending behavior of banks and other lending institutions. In order to ward off recession, the United States Federal Reserve cut interest rates aggressively in the wake of the dot com bust of 2001 and the terrorist attacks in the same year. Similar policies were followed in the European Union. As of June 1999, the European Central Bank set interest rates for every euro zone member in a “one size fits all policy”. These low interest rates were more suitable for some Eurozone member nations than others. In the case of Ireland and Spain, economies that were already enjoying strong economic growth, they served to price credit at a level which lay the foundations for dramatic rises in property prices. Britain’s Central Bank, the Bank of England, held interest rates at relatively low rates for most of the decade also, which, like

Europe, made credit cheaper for banks and other lenders and in turn property purchasers.⁷

The era of cheap credit was complimented by an era of more readily available credit. From the 1990s onwards, a wave of deregulation and liberalisation of the regulatory system governing banks and other lending institutions made borrowing for the purposes of home purchase available to more people than ever before. The creation of complex financial derivatives and new practices such as “securitisation”⁸, in particular, allowed banks, with the approval of regulators, to lend larger amounts of money relative to their deposit base than at any time since the 1930s. Would be home purchasers no longer had to save hefty deposits, borrowers were lent multiples of their incomes that exceeded historical norms, 100% mortgages were on offer, as were reverse mortgages for those who wished to “release equity” in their homes, and people with low incomes and poor credit histories, especially but not exclusively in the case of the United States, got access to credit in a manner that would have been inconceivable even a decade earlier.

Australia did not escape this trend. The money supply has...risen rapidly in line with debt. From the election of the Howard government in 1996 almost to the present, the Australian government has followed an extremely inflationary economic policy, in monetarist terms. From March 1996 to April 2007, currency grew by over 100per cent, bank deposits by 224% and the M1 money supply by 200%.⁹ Equally, Australia followed suit in terms of mortgage lending. Cheaper more readily available housing finance in a booming economy...has resulted in a prolonged surge in demand...Borrowing for housing finance has increased over four-fold in real terms since the early 1990s¹⁰.

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*Sign of the Times:
Mortgage lending in the wake of deregulation.*

Left: Mortgage ads from the UK and US.

⁷ For history of Bank of England interest rate fluctuations see: <http://moneyworld.com/bank-base-rates.htm>

⁸ Securitization is the process of financing a pool of similar but unrelated financial assets (usually loans or other debt instruments) by issuing to investors security interests representing claims against the cash flow and other economic benefits generated by the pool of assets.

⁹ Flood & Baker, p9

¹⁰ www.rba.gov.au/Statistics/Bulletin/B21hist.xls

1.2 House as Home, House as Investment.

Demand pull inflation occurs when there is too much money chasing too few goods. Due to strong economic growth and, as discussed, greater availability of credit, demand for housing in Western Australia has outstripped the ability of the market to supply. This gross imbalance between demand and supply has served to rapidly inflate house prices.

Demand in a housing market is made up by owner occupiers and investors. In order to maintain an appropriate level of rental properties at any given time, a functioning market will feature a certain quotient of property investors. Obviously, owner occupiers are investors too in the sense that they are “investing” in home ownership. However, they are in the first instance, acquiring a place to live whereas a property investor who already owns a primary residence is not.

When a housing boom occurs a new incentive, the lure of capital gains, adds to the aggregate demand for housing. Investors become attracted to property not because of rental yields but because of strong capital appreciation. This type of demand is often known as speculative demand. In booming housing markets, rising house prices become something of a self-fulfilling prophecy. Investors enter the market in the belief that house prices will rise. If enough investors decide to bid on properties based on this belief, prices will go up. Subsequent waves of investors will enter the market for the same reasons as earlier entrants. They are enticed by rising house prices and the promise of more to come.

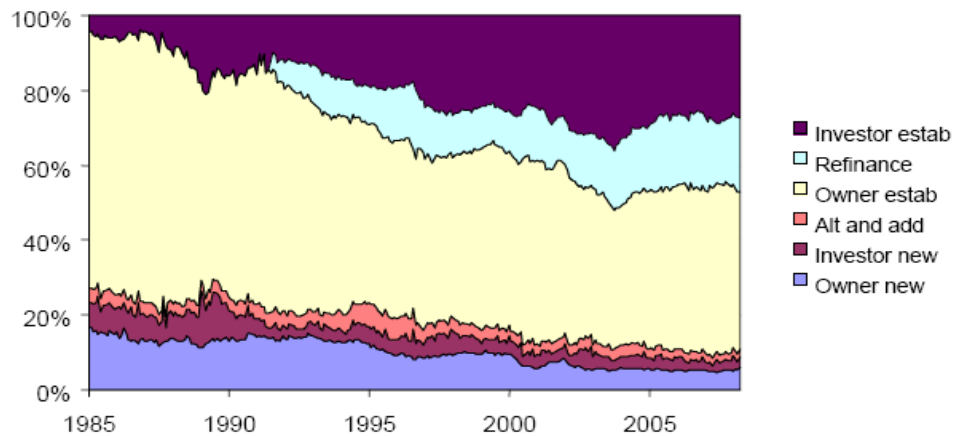
During the last decade, speculative demand has figured strongly in the Western Australian housing market, and in the nation as a whole. Arguably, it has been underpinned by a changed, and broadly accepted, ideology which views housing as much as an investment opportunity as a human necessity. Property investment is considered a legitimate way to increase personal wealth despite the fact that speculative demand in the housing market often serves to diminish affordability levels for would be owner occupiers and renters. The causal link between excessive property speculation and diminishing affordability is often overlooked.

Increased speculative demand in the housing market is evidenced by increased investment activity and a significant rise in home refinancing whereby equity is released in the value of an existing property and invested elsewhere. Figure 5 shows how the number of investors availing of mortgage lending has increased since 1985. Home refinancing has also increased significantly during the period. It is reasonable to assume that there is a strong link between the two phenomena as owner occupiers who bought before the housing boom release equity from their homes and use it to invest in other property. In 2005-06, 16.8% of households in Australia owned rental property...almost 40 per cent of households in the top income quintile were rental investors while only 7 per cent

of those in the lowest income quintile were rental investors¹¹. Given that not all investment properties find their way onto the rental market, and judging by overall investment activity in the housing market, it is likely that considerably more than 16.8% of Australian households own investment properties.

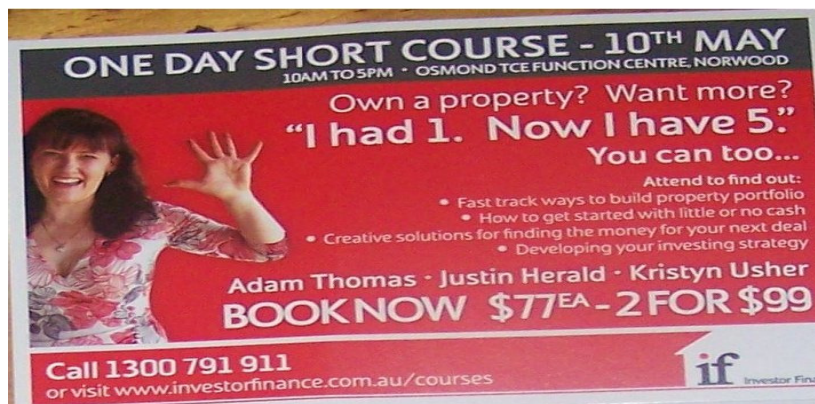
It should be noted that successive Australian governments have encouraged the use of property as an investment vehicle through tax incentives. In some cases the justification for this was to keep the rental sector buoyant but it has served to encourage speculation in the property market. These incentives include: the offsetting of property investment losses against other income (negative gearing), capital gains tax concessions, and the newest form, leveraged investing via a warrant-type arrangement within a self-managed superannuation fund (with all of the tax benefits involved). All of these concessions apply to established housing as well as newly constructed housing.

.Figure 5: Mortgage Lending, all Lenders. Per cent by purpose.



Source: RBA Bulletin Table D6. Lending commitments, all lenders.

Flyer advertising a course on property investment.



¹¹ Yates, Judith. Tax expenditures and housing, September 2009, AHURI.

1.3 Housing Boom: More a Hindrance than a Help.

As detailed, the boom in house prices in Western Australia in recent years was caused by increased demand fuelled by economic fundamentals e.g. rising wage rates and demographic factors, and speculative demand; the belief among investors that there is easy money to be made in buying property.

There is a broad point to be made about the corrosive nature of property booms. Australian financial institutions borrowed heavily since 1990 on international markets. Their borrowings rose from just under \$50 billion in 1991 to \$263 billion in 2008¹² Much of this money has been used for the purpose of housing loans to investors and owner occupiers.

High levels of investment in residential housing carries with it a significant opportunity cost for the economy at large. Wholesale speculative investment in bricks and mortar is, in essence, a misallocation of capital. By contrast, investing in established or nascent businesses is much more beneficial to the economy. A successful business will create jobs directly and indirectly, it will produce a good or service that can be sold domestically and abroad, it has the potential to grow and increase its output. Housing, on the other hand, is an investment that is largely non-productive. The design, construction, marketing and sale of a new house are labour intensive. But once complete, notwithstanding periodic need for repair and refurbishment, it will cease, as an investment, to contribute to economic activity or create new jobs.

The success of investing in a business can be measured in how its market share has increased in the previous financial year, how it has expanded its staff base, an increasing profit margin etc. In the property investment business, particularly when one considers the low rental yields, an investor's primary goal is that the market prices the house in excess of what they paid for it. However, this can only happen if there are new entrants to the market. Essentially, a situation has developed where the West Australian housing market is characterised by people buying and selling houses to each other at increasing prices with owner occupiers, who want a home, competing with investors, who want to make money, for a limited supply of properties. Finally, rising house prices often translate into rising labour costs for business as housing affordability diminishes. This invariably feeds into higher "costs of doing business" and can erode an area's competitiveness.

There are, of course, other damaging side effects of housing booms:

¹² Reserve Bank of Australia

Housing Affordability

Rising house prices in Western Australia has had extremely negative consequences for significant sections of the population. People on low incomes who tend to rely disproportionately on private rental accommodation for shelter are one group that has been adversely affected. Not only has the rapid rise in house prices made the prospect of home ownership more remote for people on low incomes, it has also put upward pressure on rents as people in other income brackets have populated the private rental sector more frequently and for longer periods than was the case when housing was more affordable. Escalating rents in the private rental sector have been the biggest single cause of the surge in demand for social and public housing in the state in the last four years and the principle reason why a Social Housing Taskforce was so urgently needed.

Low income earners are not the only group affected by deteriorating housing affordability levels. Research undertaken by Bankwest in 2009 demonstrates the stark gulf between house prices in various areas of Western Australia and the average wages of key workers. The Bankwest Research uses a sample of key workers that includes Police Officers, Teachers, Ambulance Officer and Fire Fighters. According to Bankwest, "An area is classified as unaffordable if median house prices are more than five times a key worker's annual earnings".¹³

Figure six is a map provided by Bankwest which sets out suburbs in Perth that, using its methodology, can be classified as affordable or unaffordable for key workers. The difficulty which key workers have accessing affordable housing is obviously troubling. It follows that workers in other fields on similar wages will also be experiencing similar difficulties. The average annual wage for a full time worker in Western Australia is currently \$70,000.¹⁴ The median house price in Perth in June 2009 was \$450,000.¹⁵ Notwithstanding the fact that certain locations will always be unaffordable for people on average earnings, this means that the median house price in Perth as of June 2009 is 6.4 times the average annual wage for a full time worker comfortably exceeding Bankwest's affordability threshold of 5 times annual earnings.

Demographia¹⁶ use the average income/ average house price ratio to ascertain affordability rates in different housing markets in their annual reports. Markets where the average price of a house is three times average income is considered

¹³http://www.bankwest.com.au/Media_Centre/Bankwest_Research/Bankwest_Key_Worker_Housing_Affordability_Report_2009/index.aspx

¹⁴[http://www.ausstats.abs.gov.au/ausstats/ABS@Archive.nsf/0/F64D6C172249F9F8CA2576100019FF31/\\$File/63020011e.xls](http://www.ausstats.abs.gov.au/ausstats/ABS@Archive.nsf/0/F64D6C172249F9F8CA2576100019FF31/$File/63020011e.xls)

¹⁵ <http://au.news.yahoo.com/thewest/a/-/breaking/6214916/upturn-in-perth-house-prices-tipped/>

¹⁶ Fifth Annual Demographia International Housing Affordability Survey at <http://www.demographia.com/>

affordable. The more this ratio is increased the more unaffordable a particular housing market becomes. The latest Demographia report of some of the most “unaffordable” housing markets in the world shows that of the sixty housing markets listed as being the most unaffordable in the world, over a third are in Australia. The Report states:

“Unlike the other national markets in the Survey, Australia has thus far been able to avoid material house price declines. It seems likely that, sooner or later, the inherent instability and unsustainability that characterizes bubbles will lead to house price declines in Australia. However, were it possible for Australia to retain its highly over-valued house prices, there would still be a significant cost. Future generations would pay far more for housing than in the past, and Australia’s relative standard of living would decline”¹⁷.

Figure 6: Bankwest Map of Key Worker Housing Affordability in Perth¹⁸

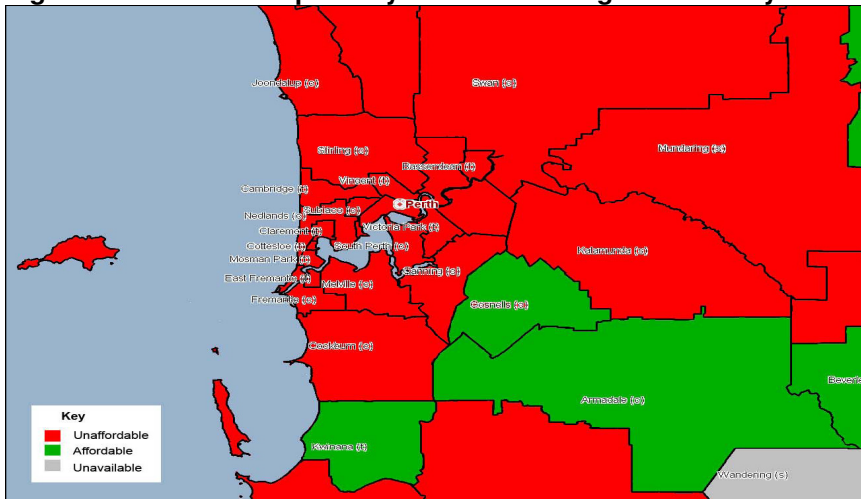
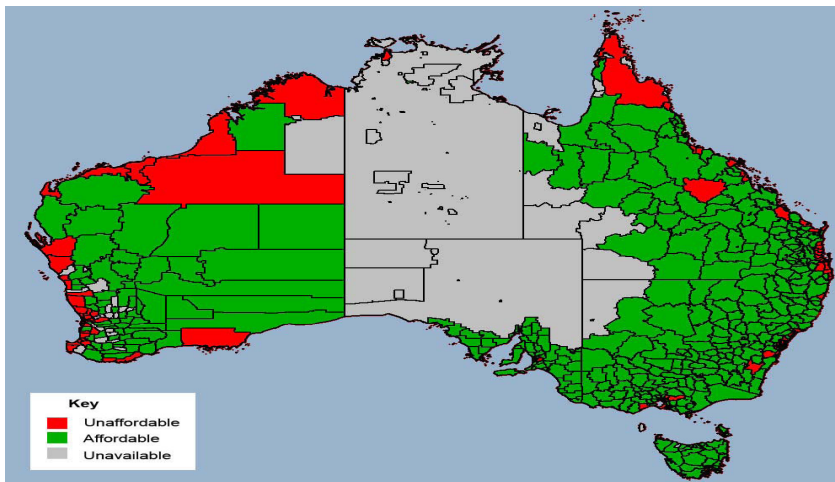


Figure 7: Bankwest Map of Key worker Affordability Australia wide.



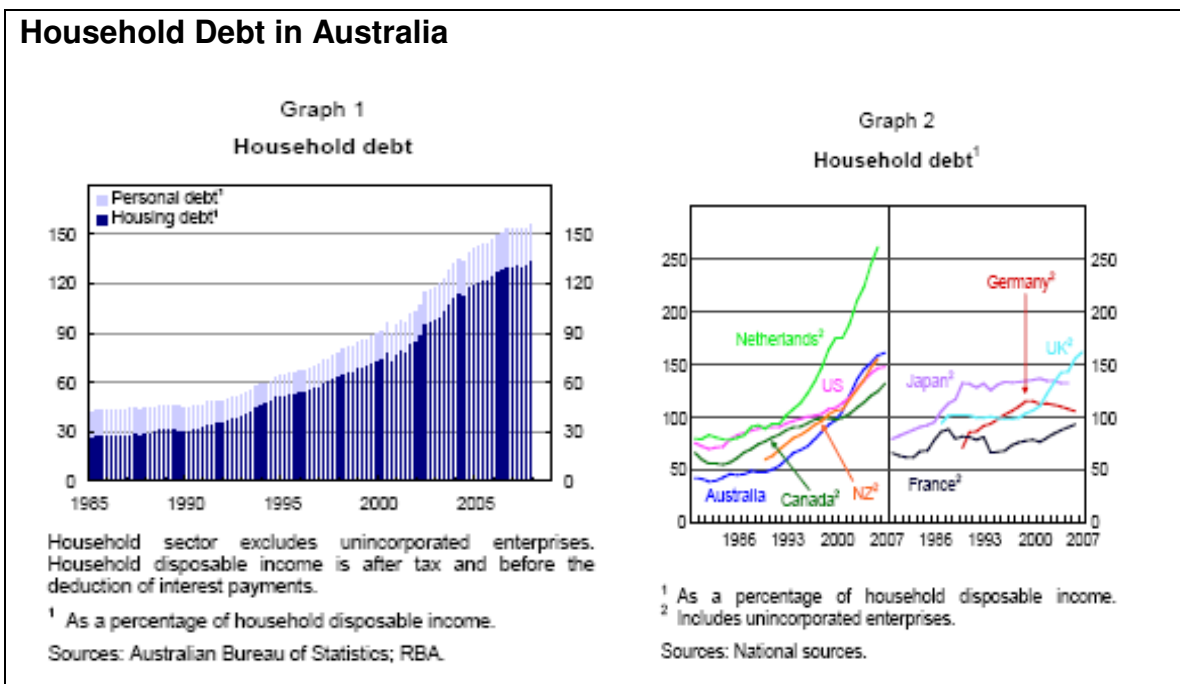
¹⁷ Fifth Annual Demographia International Housing Affordability Survey, p12

¹⁸ Ibid. Map is printed on page 3 of the report.

Household Debt: The financial cost of home ownership in Western Australia is greater than ever. Rising house prices have meant that West Australians have had to take on greater and greater levels of debt to own a home of their own.

“During the 1980s, the ratio of debt to disposable income for Australian households was fairly stable at around 45%... But since 1990, this ratio has risen rapidly, reaching 157% in December 2007. Housing debt accounts for the bulk of the increase, with the ratio of housing debt to disposable income rising from 31% to 134% over the period. By comparison, the ratio of personal debt to disposable income increased from 13% to 22% over the same period. The ratio of debt to assets has also risen sharply over the past two decades, from 8% in December 1989 to 17% in December 2007. Many advanced economies have witnessed a large rise in household indebtedness over the past two decades. However, the increase in Australia has been particularly pronounced. The ratio of household debt to income in Australia went from being one of the lowest in the advanced economies in the late 1980s to one of the highest in December 2007.”¹⁹

The *Economist* newspaper placed Household mortgage debt as a percentage of disposable income in Australia at 130 percent, higher than the U.K (120%), Spain (71%), US (101 %) Japan (64%) and Ireland (116%).²⁰



¹⁹ Davies, Michael, Household Debt in Australia, Bank for International Settlements, 2008.

<http://www.bis.org/publ/bppdf/bispap46e.pdf>

²⁰ [The Economist, Home Ownership: Shelter or Burden, April 16th 2009](#)

A rise in house prices that outpaces GDP growth does not make society richer. Instead, all that is achieved is the transfer of wealth from first-time buyers to retirees exiting the property market.²¹ In order for that wealth transfer to take place, newer (usually younger) entrants to the property market must be willing to take on greater financial risk, and financial burden, by borrowing larger sums of money which entail more expensive mortgage repayments over a longer period of time.

As a result of the increase of mortgage debt relative to disposable income the number of Australians experiencing mortgage stress has increased significantly. The Senate Select Committee on Housing Affordability in Australia heard evidence that almost one in four Australians was in Housing Stress in 2006/7. This figure rose to 55% for households headed by an unemployed person and 62% for households who bought a home in the previous 3 years.²²

The “highly geared” nature of the Australian mortgage owning population leaves it especially vulnerable to increased rates of unemployment in terms of ability to meet servicing costs as a result of job loss, or a reduction in working hours. In other words, at a time when unemployment figures remain relatively low thousands of Western Australians are already struggling to pay their mortgages with similar numbers of people in housing stress in the private rental market.

Many Western Australian home owners are also vulnerable to increases in interest rates. First time buyers who have bought in the last eighteen months for example have bought at a time when interest rates are at an almost fifty year low. As interest rates increase over time there is a danger that these mortgage holders, and others who are over stretched in terms of their repayments, maybe driven into mortgage stress and even default.

Pressure on the Social Housing System

In all developed countries the private sector is the principle supplier of residential housing. The economic and practical benefits of such a system are manifold. The private market, however, does not ensure universal provision. This, of course, is largely inconsequential when dealing with discretionary items. However, when the good or service, like housing or healthcare, is a basic need, the inability of the market to meet all cohorts of demand needs to be compensated for by the state.

Government policy, to a greater of lesser extent, in all developed countries recognises that the private sector alone cannot cater for the housing needs of all

²¹ http://www.economist.com/businessfinance/displaystory.cfm?story_id=14587262

²² Rowley and Ong, Report for the Western Australian Council of Social Services, Market Demand and Supply and the Social Housing Stock: The importance of Support Services, Curtin Business School, Curtin University of Technology, May 29th 2009.

citizens. In particular, there is recognition that the private housing market often fails people on low and fixed incomes. Consequently, social or public housing systems have been put in place to compensate for shortcomings implicit in a purely market driven housing system.

Figure 8: Social Housing Levels in developed countries.

	Share Social Housing all dwellings (%)	Estimated share of NFP (community housing) sector
Netherlands	35	99
France	17	92
United States	5	69
Canada	7	67
England	18	50
Australia	5	11
Ireland	8	13

Source: University of Birmingham Lawson and Milligan 2007.

In Australia, social housing levels, although not at European levels, compared favorably for much of the post war period. “The Commonwealth State Housing Agreement grew social and public housing organisations through the “long boom” (in some states boosting stock levels up to 12-13%)...”²³ Moreover, social housing was not purely the preserve of those with no alternative. Housing provision was used as a tool to encourage migration of key workers and community and state workers which would facilitate broader economic development. Since those high water marks, however, the number of houses that could be classified as social or public, as a percentage of the total housing stock, has declined steadily as greater faith was placed in the private market to meet housing demand.

The decline has been most pronounced since the early 1990s. “Public housing lost favour in public policy; demand side measures were in the ascendancy. Rationing systems were introduced and targeting tightened. Funding declined steadily, and the viability of public housing authorities sank. Public or social housing was for those with no other choice.”²⁴ Western Australia is no exception

²³ Lennon, Michael, Chapter 2: Australia, Visions for Social Housing: International Perspectives, The Smith Institute, November 2008.

2. Ibid

to this rule. Public housing as a percentage of overall housing stock has declined in WA from approximately 6% in the 1990s to 4% today.

This ideological shift and the failure of successive State and Federal governments to invest sufficiently in public housing has had, with the advent of the "Housing Boom", disastrous consequences for low and fixed income Australians.

To gauge the effect this has had on those in the lowest income brackets, one need look no further than the Department of Housing's social housing waitlist. As the cost of accommodation in the private market increased, the rate of increase in demand for public housing has followed a similarly dramatic trajectory. In December 2004, the waiting list was 12,779. By December 2008 this had increased to 19,296.²⁵ As of June 2009, there were over 21,000 households on the wait list with approximately 3,500 of those on the priority waiting list.

Housing Booms can disguise Housing Bubbles.

In markets, a bubble is an extended period of extreme overvaluation. Bubbles are formed when excessive speculation enters a market. Instead of viewing the intrinsic value of an asset, speculators in a bubble market instead focus on the resale value of the asset. In a bubble, it doesn't seem to matter that a price is irrationally high - it only matters that it can be sold for an even more irrational price at a later date. Bubbles often end with steep declines, where most of the speculative gains are quickly wiped out.

Housing markets have historically been prone to the formation of bubbles. In fact, there are numerous examples of housing markets which experienced significant growth in house prices only for that process to subsequently go into reverse erasing much of the gains made during the upswing.

Below is a table²⁶, detailing the extent of property price falls- from peak value to trough- in various countries that have experienced housing bubbles in the past and the duration of those falls measured in years.

²⁵ Department of Housing briefing document prepared for members of the Social Housing Taskforce, p.25

²⁶ Kelly, Morgan, Irish House Prices: Gliding into the Abyss, December 2006.

<http://www.ucd.ie/economics/staff/mkelly/papers/housing1.pdf>

	Peak Year	% Fall	Previous rise	Duration of fall
Netherlands	1978	-50	98	7
Finland	1989	-48	109	6
Switzerland	1989	-39	70	10
Norway	1987	-39	53	6
Denmark	1978	-36	22	4
New Zealand	1975	-35	57	5
Sweden	1979	-35	26	6
Spain	1977	-33	24	4
Denmark	1986	-32	52	6
Japan	1974	-31	56	4
Italy	1982	-30	84	4
Finland	1974	-30	22	5
Japan	1991	-27	78	10
Sweden	1990	-27	38	6
Italy	1992	-26	65	6
Switzerland	1973	-26	34	4
Ireland	1981	-22	53	5
Canada	1981	-20	6	4

Table 1: Magnitude and duration of falls in real house prices

House price inflation in a number of developed countries in the decade leading up to the Global Financial Crisis bore all the hallmarks of a bubble. Since then, to varying degrees, a number of European countries plus the United States are experiencing ongoing periods of deflation in house prices. Moreover, the countries which experienced the biggest house price increases during the upswing e.g. Spain and Ireland are the ones which are experiencing the greatest levels of deflation now.

Arguably, house prices in many countries had become so far divorced from economic fundamentals that some form of crash was inevitable. The Global recession triggered by the Global Financial Crisis, acted as the economic tremor that toppled the house of cards that many housing markets had become as economies contracted and unemployment increased.

Rising unemployment, in particular, accelerated the slide of house prices due to the dampening affect it has on the demand for housing and the link between job losses and rising rates of loan delinquency and foreclosure, and also its deleterious effect on consumer sentiment.

In the U.K., the unemployment rate was 7.1 per cent for the three months to March 2009, up 0.8 over the previous quarter and up 1.8 over the year. The number of unemployed people increased by 244,000 over the quarter and by 592,000 over the year, to reach 2.22 million. These are the largest quarterly increases in the unemployment level and rate since 1981.²⁷ In the U.S. the national unemployment figure has risen from 5.1% in March 2008 to 9.5% in September 2009.²⁸

²⁷ [National Statistics Online](#)

²⁸ [Bureau of Labor Statistics Data](#)

Between May 2008 and May 2009 there was a 50% increase in the number of home repossessions in the U.K.²⁹ In the U.S., the Washington-based Mortgage Bankers Association reported that 2.47 percent of all U.S. homes were in some stage of foreclosure during the first quarter of this year. That percentage rate is 252 percent higher than the 0.98 percent average for the past 30 years. It is estimated that foreclosures may account for nearly a third of national home sales this year³⁰.

There are other important factors that burst the bubble too. We must remember that positive consumer sentiment towards the housing market is crucial to the development of a housing bubble. This is particularly true for property speculators. Speculators are willing to pay irrational prices for housing only in the belief that they can sell that property at a future date for a profit. Once house prices stall, or go into decline, and confidence is lost in the market, speculators who own investment property often rush for the door to shield themselves against potential losses. Moreover, other potential investors are dissuaded from entering the market as the belief that prices will rise indefinitely evaporates. As the investors seek to exit the market supply increases, and as other investors stay away, demand decreases. Both factors conspire to put downward pressure on price. Once this occurs a classic deflation dynamic can occur; owner occupiers and investors stay out of the market in anticipation of further price drops thus creating a self fulfilling prophecy of falling house prices.

A further feature of the Global house price crash is over building. During the upswing, the construction industry built to meet increased demand for housing. The rate at which they built in parts of the U.S., U.K. and Ireland and Spain did not match the natural demand from owner occupiers. Rather, houses were being built- with significant profit margins attached- to cater for the rising numbers of speculators in the market. When the housing market went into decline these jurisdictions found themselves with significant excess supply of housing- excess because the speculators for whom they were intended had deserted the market before they could be sold. The situation has been exacerbated by the disastrous effects of recession on local economies. In Michigan, in the United States authorities took the decision to demolish unused housing rather than incur the cost of maintaining them. Similar plans are being seriously considered in other U.S. cities.³¹ In Ireland, the number of new dwellings built during its housing bubble far exceeded rational norms in relation to its population size. Between 2005 and 2007 84,000 units were built (up from 15,700 in 1988). In 2006, the U.K. realised an output of 210,000 units, just over twice the amount but for a population fourteen times larger than Ireland's. Ireland was also producing housing units at 6 times the rate of Germany.³²

²⁹ [BBC NEWS | Business | UK repossessions up 50% in a year](#)

³⁰ [Home Repossession Rates Double | theTrumpet.com](#)

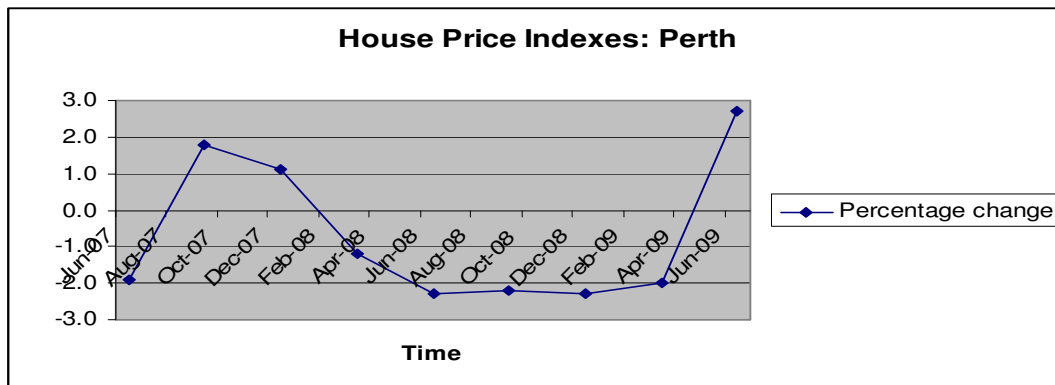
³¹ <http://www.telegraph.co.uk/finance/financetopics/financialcrisis/5516536/US-cities-may-have-to-be-bulldozed-in-order-to-survive.html>

³² http://www.agresearch.teagasc.ie/lerc/downloads/SAO_0809/Situation_Outlook_MacroIreland.pdf

Is Australia different?

Given the undoubted similarities between the development of the Australian housing market and that of other developed nations in the last decade, it is worth asking why the housing market here has not crashed in the same way in the last eighteen months.

In the immediate aftermath of the Global Financial crisis the Australian property market- and in particular the West Australian market- endured a period of deflation. For example, the median price for real estate in WA declined for four consecutive quarters in 2008 for the first time since 1982³³. Between March 2008 and March 2009 average house prices dropped in Perth by 10.1%, the highest drop in all Australian cities surveyed.³⁴



Source: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6416.0Sep%202009?OpenDocument>

However, unlike the US, UK et al, the Australian property market and the West Australian property market has arrested the decline in property prices. In fact, in 2009 there has been price growth in all metropolitan centres. See table below³⁵.

Established house prices	Jun Qtr 09 to Sep Qtr 09	Sep Qtr 08 to Sep Qtr 09
	% change	% change
Weighted average of eight capital cities	4.2	6.2
Sydney	4.3	5.9
Melbourne	4.7	8.4
Brisbane	4.4	5.6
Adelaide	1.7	3.7
Perth	4.5	4.4
Hobart	1.8	5.4
Darwin	3.4	12.3
Canberra	4.3	7.8

³³ Reiwa

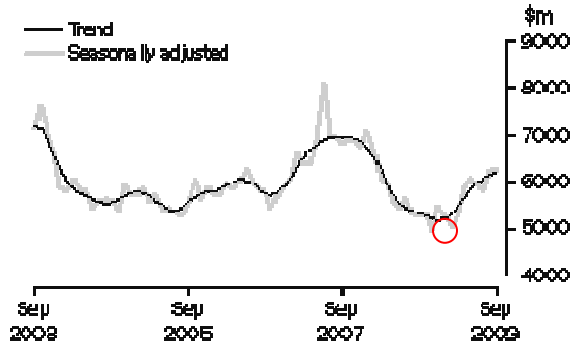
³⁴ [ABS, House Price Indexes: Eight Capital Cities, March 2009](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6416.0Sep%202009?OpenDocument)

³⁵ <http://www.abs.gov.au/Ausstats/abs@.nsf/mf/6416.0>

There are a number of factors that could explain this:

Relatively low unemployment rates: Australia's economy has suffered less than others from the Global recession as our export base, in particular, has remained robust. Our unemployment rate is 5.7 %³⁶, (5.8% in WA) compared to 9.8% in the U.S., 7.9%³⁷ in the U.K., 12.6%³⁸ in Ireland and 17.9%³⁹ in Spain. Lower rates of retrenchment in the job market means that there has been less scope for increased mortgage delinquency and foreclosure. Moreover, it is likely that consumer confidence in general, and confidence in the housing market specifically, remains relatively high as a result of the relatively low levels of job attrition in the economy. Evidence of this can be seen in the strong uptake of the First Home Owner's Grant and, following a decline in the number of loans taken out for the purposes of investment housing, an increase in investor activity towards the end of 2008. See Table Below.

INVESTMENT HOUSING – TOTAL



Source: ABS.5609.0

NB: The graph also shows how the rise in investment housing commitments correlates with the introduction of the FHOB and lower interest rates.

Interest Rates: When the Global Financial Crisis developed, Australia's interest rates were higher than in other developed countries. This gave the Reserve Bank of Australia greater scope to cut interest rates to combat recessionary pressures on the economy. In September 2008, the month in which Lehman Brothers collapsed in the US, Australian interest rates were at 7%⁴⁰. By April 2009, that rate had been cut to 3%. By contrast, the Federal Reserve in the U.S. had set interest rates at 4.75% in September 2008 and has cut aggressively since then with interest rates currently at 0.25%. Britain's interest rates have gone from

³⁶ <http://www.smh.com.au/business/jobless-rate-falls-to-57-fuelling-rate-rise-fears-20091008-go2e.html>

³⁷ <http://www.statistics.gov.uk/cci/nugget.asp?ID=12>

³⁸ <http://www.tradingeconomics.com/Economics/Unemployment-rate.aspx?symbol=IEP>

³⁹ <http://news.bbc.co.uk/2/hi/business/8322092.stm>

⁴⁰ <http://www.rba.gov.au/Statistics/Bulletin/A02hist.xls>

4.50% to 1% and the Eurozone from 3.35% to 1%.⁴¹ This interest rate advantage has meant that average mortgage repayments have decreased significantly in Australia since September 2008 boosting the spending power of consumers in the economy and, of course, making the cost of borrowings cheaper for business and property purchasers.

Fiscal Stimulus: Australia's government has led the world in terms of fiscal stimulus measures to ward off the effects of the global down turn. "...Australia is running the third-largest fiscal stimulus package in the advanced world, behind the US and Korea."⁴² The spending implicit in the various stimulus programmes has provided protection for the real economy in the wake of the Global financial crisis and current global recession.

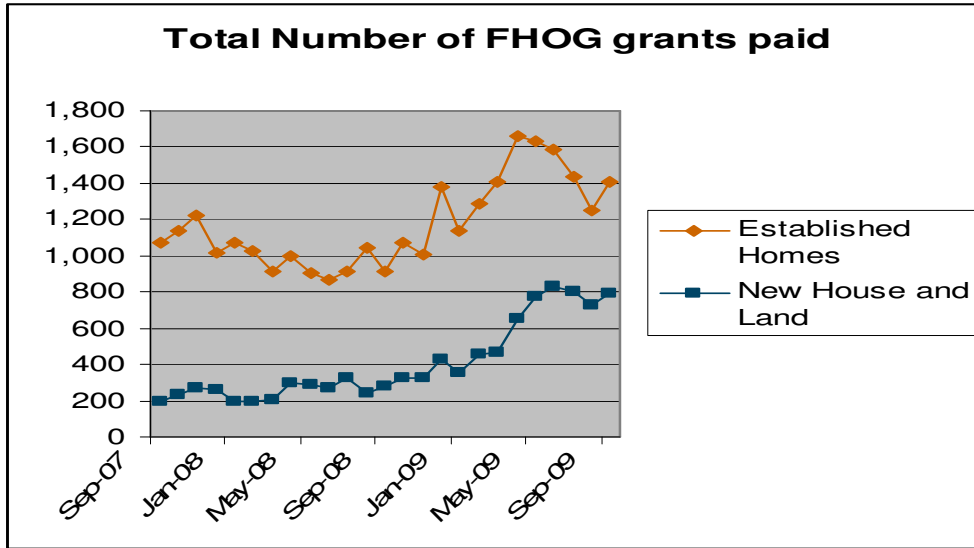
First Time Owners Boost: The First Home Owners Boost (FHOB), which was offered in its fullest form from October 14th 2008 to September 30 2009, in conjunction with low interest rates, increased demand for housing among first home buyers. Despite its name, the Boost tended to serve the interests of vendors rather than buyers given its inflationary impact on house prices. Moreover, the boost created a multiplier effect which inflated house prices in non-first home buyer sections of the market as well. Because first home buyers, through the government grant, had their collateral increased, they were able to leverage greater sums of money from lending institutions. Those who sold to first home buyers were the principal benefactors and resulted in they too having increased spending power/ leveraging potential in terms of their next home purchase. For example, "Between August and September 2009, the average loan size for first home buyers rose \$3,800 to \$274,600. The average loan size for all owner occupied housing commitments rose \$2,900 to \$269,500 for the same period"⁴³. Arguably, the boost, combined with low interest rates did more than any other factor to reverse the declines in property prices in Western Australia that had been in train through much of 2008.

⁴¹ <http://sdw.ecb.europa.eu/browse.do?node=2018801>

⁴² <http://www.theaustralian.news.com.au/story/0,25197,25710566-601,00.html>

⁴³

<http://abs.gov.au/ausstats/abs@.nsf/Latestproducts/5609.0Main%20Features2Sep%202009?opendocument&tabname=Summary&prodno=5609.0&issue=Sep%202009&num=&view>

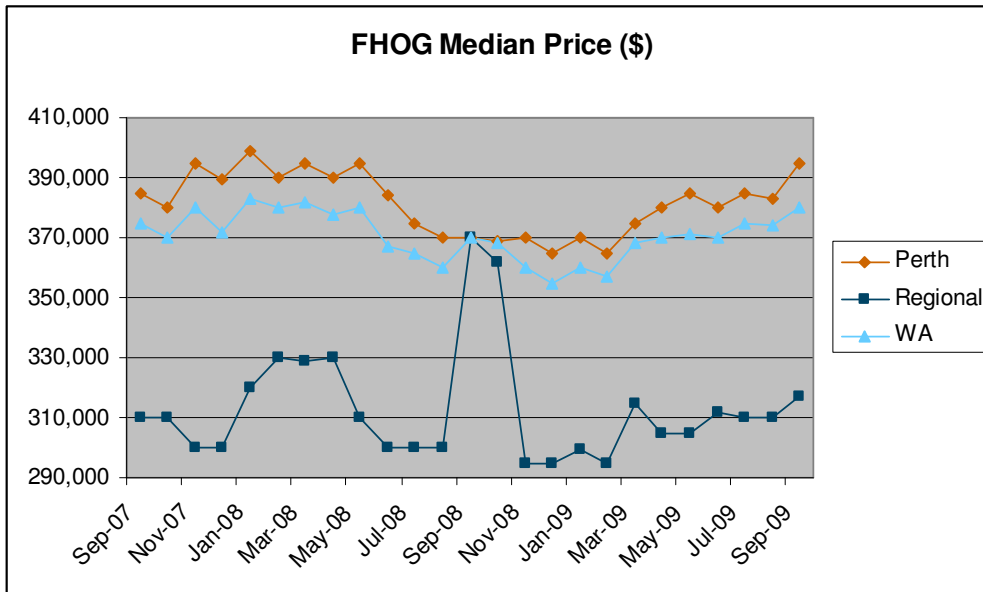


Source: <http://www.dtf.wa.gov.au/cms/content.aspx?id=641>

Table 8: Total number of grants under FHOB by state, October 08-August 09.

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Oct-08	88	18	11	0	0	0	0	4	121
Nov-08	2,076	814	1,428	297	481	115	102	72	5,385
Dec-08	3,840	2,124	2,377	1,255	949	270	201	114	11,130
Jan-09	4,434	2,921	2,616	1,248	949	377	223	85	12,853
Feb-09	3,966	2,755	2,887	1,405	972	373	177	129	12,664
Mar-09	6,084	3,564	3,881	1,686	1,187	448	278	137	17,265
Apr-09	6,697	4,128	3,881	2,083	1,192	362	262	131	18,736
May-09	6,969	4,639	3,599	2,257	1,295	436	275	137	19,607
Jun-09	6,987	4,851	3,883	2,335	1,450	427	326	130	20,389
Jul-09	6,637	4,807	3,352	2,159	1,206	376	290	112	18,939
Aug-09	5,541	4,184	2,926	1,945	1,092	310	266	96	16,360
Total	53,319	34,805	30,841	16,670	10,773	3,494	2,400	1,147	153,449

Source: http://www.tanyaplibersek.fahcsia.gov.au/internet/tanyaplibersek.nsf/print/tp_fhob_15300_0_25september2009.htm



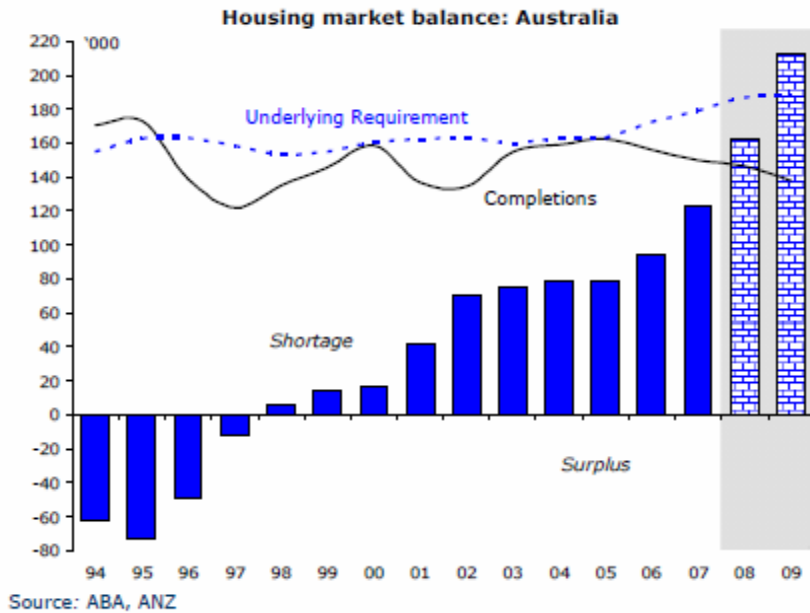
Source: <http://www.dtf.wa.gov.au/cms/content.aspx?id=641>

No Overbuilding?: As previously stated, excess supply caused by overbuilding played an important part in property market crashes in a number of other developed countries. There is a divergence of opinion as to whether overbuilding has occurred in Australia with some arguing that there is, in fact, a housing shortage and others that there is not. This paper will not take a side but will cite the arguments made in favour of each position.

ANZ Bank’s Economics & Markets Research division comes down firmly on the “housing shortage” side of the argument. An October 2008 bulletin stated that:

“...Australia does not have a physical excess of housing. America does, because unlike us, it actually built more new dwellings than it required to meet growth in underlying demand. In Australia, the reverse has happened: we haven’t built enough dwellings to meet underlying demand, which has actually been pushed up by rising levels of immigration. As a result we actually have a significant backlog of unmet underlying demand for housing....Second, Australia does not have a huge supply of existing dwellings for sale at any price hanging over the market because of the huge increase in foreclosures that has been the primary source of downward pressure on American house prices.”⁴⁴The same report carries the following table to illustrate the point.

⁴⁴ <http://www.anz.com/documents/economics/House%20prices%20SRE%20-%20Oct%2008.pdf>



The case that overbuilding does exist- or at least that there is no housing shortage per se- draws heavily from the 2006 census.⁴⁵ The 2006 census⁴⁵ tells us that between 2001 and 2006 there was an 8.17% increase in the number of total private dwellings but only a 5.92% increase in the total number of households. It also shows us that there was a 15.67% increase in the number of unoccupied dwellings with 830,376 houses found empty on census night. According to the same data, Western Australia in 2006 had unoccupied dwelling rate of 10.7% and Perth of 7.99%.⁴⁶

	2001	2006	Growth
Number of Total Private Dwellings	7,790,079	8,426,559	8.17%
Number of Unoccupied Dwellings	717,877	830,376	15.67%
Number of Households	6,744,795	7,144,097	5.92%
Population	18,769,249	19,855,288	5.78%
Number of Dwelling/Household	1.15	1.18	2.60%

⁴⁵

<http://www.censusdata.abs.gov.au/ABSNavigation/prenav/ProductSelect?newproducttype=QuickStats&btnSelectProduct=View+QuickStats+%3E&collection=census&period=2006&areacode=0&geography=&method=&productlabel=&producttype=&topic=&navmapdisplayed=true&javascript=true&breadcrumb=LP&topholder=0&leftholder=0¤taction=201&action=401&textversion=false>

⁴⁶ For easy to access tabular form of the census data see: <http://bubblepedia.net.au/tiki-index.php?page=OverbuildingByLocation>

Clearly, given the way the census data is collected allowances must be made for the fact that dwellings may have been temporarily empty, e.g. the residents were on holidays or out for the evening. In other cases, homes may have been vacant for refurbishment or act as second or holiday homes for owners that usually reside elsewhere. On the other hand, it is also possible that a proportion of the unoccupied dwellings are investment properties that have not been let out by their owners.

Accurately estimating how the population will increase is notoriously difficult. However, there is little doubt that the remarkable growth of Perth's population continues. Western Australia recorded the nation's largest population growth in the past 12 months. The state's population increased by more than 66,000 people, or more than 1250 people a week. Western Australia has 2.2 million people, but that is expected to increase by another 300,000 people by 2015.⁴⁷ Arguably, growth patterns like these weaken arguments that we have oversupply in the residential housing market.

⁴⁷ <http://www.abc.net.au/news/stories/2009/06/05/2590037.htm?site=perth>

Part 2: WACOSS response to recommendations contained in the Social Housing Taskforce Final Report.

2.1 Introduction

The purpose of this document is to react and comment on the recommendations found in the Social Housing Taskforce (SHTF) final report. The list of recommendations is the result of discussion and negotiation at Taskforce meetings and was sanctioned by its members accordingly.

However, this document contains more detailed reaction to the various recommendations from WACOSS. In some cases, we outline the reasons behind our support for a particular recommendation. In others, offer suggestions as to what issues need to be stressed in terms of the contextual background of the recommendation. In others still, we have suggested ways in which the recommendation might be enhanced and how it might best be implemented.

The recommendations cover a broad section of policy areas reflecting the fact that improving the social housing system will require a multifaceted approach that addresses a range of interrelated policy areas. While not wishing to downplay the importance of any of the recommendation in the report, WACOSS wishes to highlight a number of them which we consider of high importance. The implementation of these recommendations will, in our view, be the key determinant of future success given that they relate to two key areas: increasing the social housing stock, and ensuring that there are adequate support services to compliment that expansion.

The report clearly demonstrates that there is a chronic shortage of social housing in Western Australia and that increasing the number of social housing units in the state is central to any solution. The headline goal of the Taskforce is to facilitate the creation of 20,000 new housing units by 2020 and that should remain our primary ambition. Realistically, growth can only be realised through the expansion of the public, and particularly community housing sector. However, other responses such as helping low income households to access stable and affordable accommodation in the private rental market ought to be undertaken too. Recommendations which we believe can be directly responsible for increasing the total stock of social housing in Western Australia will therefore be marked as essential in this document.

WACOSS has been careful through our work with the SHTF to emphasise the fundamental linkage between housing and services for social housing tenants. If we are to create a social housing system modelled on best practice principles, then a range of services need to be available to cater for the needs of social housing tenants. These will include aged care service, disability services and also support services relating to drug and alcohol abuse, homelessness prevention and financial counselling. Furthermore, these services will underpin

any successful transitioning through the housing continuum as envisaged by the report. As such, this document will mark as essential recommendations that, we believe, are fundamental to achieving this goal.

There are a number of specific policy areas and associated recommendations that require special consideration. Among these are the particularly chronic housing affordability problems being experienced in certain parts of regional Western Australia and also recommendations relating to the housing needs of Aboriginal communities in the state. These recommendations too will be marked essential in this document.

Finally, some of the recommendations have a generic quality relating to a specific issue. In such cases, in the interest of brevity and to avoid repetition, one response is has been given to more than one recommendation. For example, recommendations 35-40 are taken together. In such cases, please refer to the full list of recommendations in the appendices for guidance.

2.2 Response to SHTF final report recommendations

Recommendation 1: The Minister for Housing and Works negotiates with the Commonwealth Minister for Housing to secure additional funding for the Department of Housing for the 2010/2011 financial year to develop a further 2,000 affordable housing units with a specific focus on increasing social housing numbers and stock.

ESSENTIAL

“More than a Roof and Four Walls”, the Social Housing Taskforce Final Report⁴⁸ places significant emphasis on assessing how best to meet emerging demand for social housing in the medium to long term in Western Australia.

However, the report clearly demonstrates that state and community housing providers are unable to meet current levels of demand which have surged in response to rapid price appreciation in house prices and rents over the last five years.

The increases in housing stock that will accrue as a result of fiscal stimulus will deliver approximately 2,600 extra housing units. While welcome, its effect on overall demand can be put in context when it is considered that on the Department of Housing priority waiting list alone there are over 3,300 households

⁴⁸ Henceforth referred to as “ the report”

as of June 2009, a 43% increase on the previous year. The waiting list proper contains the names of over 21,000 households- and growing.

The report acknowledges that, for various reasons, the waiting list may overestimate the number of households that are currently in need of social housing and that a comprehensive audit of the list should take place. Nevertheless, an analysis of income levels among the general population set against inflation in the cost housing and rent, point to the existence of a clear affordability gap for a significant cohort of the population.

The vulnerability of this cohort is real and needs to be addressed as a matter of urgency. As this recommendation states, Commonwealth assistance should and needs to be sought. By the same token, state government needs to begin calibrating its budget with a view to increasing it's spend on social housing commensurate with the scale of investment required.

Recommendation 2: The Ministers for Housing and Works, Planning, Local Government and Regional Development ensure that their Departments identify the synergies and opportunities between the different reform agendas to focus on increasing the social and affordable housing stock across Western Australia.

ESSENTIAL

It is clear that if serious strides are going to be made in terms of addressing demand for social housing in Western Australia, cooperation between the various stakeholders at governmental level is essential.

This will almost certainly entail a cultural shift within individual departments in relation to areas of responsibility and in terms of their respective reform agendas. Such a process should act as a harbinger of greater efficiency through greater interdepartmental consultation, the establishment of clear work flows and the minimisation of work duplication with a view to creating a fluid and lucid framework for the delivery of social housing solutions.

WACOSS believes that a standing committee should be formed for the specific purpose of interdepartmental consultation on social housing provision to realise the goals set out above. The Department of Housing is best placed to initiate and drive this process.

Recommendation 3: The Department of Housing immediately implements a strategy to increase the supply of one and two bedroom dwellings for social and affordable housing.

Taskforce members were unanimous in the belief that increasing the availability of one and two bedroom units for social and affordable housing is both necessary and desirable.

Directions 31: Draft Spatial Framework for Perth and Peel, published in June by the State Government in conjunction with Western Australian Planning Commission, identifies the problem as being one that occupies the housing system in general:

“In recent years housing affordability has become a significant community issue. Western Australians have long aspired to the goal of home ownership but now, for many, this goal may be out of reach. Directions 2031 recognises that part of the affordability challenge relates to the lack of diversity in the Perth housing market, which is dominated by single detached housing. The provision of a range of housing types, particularly housing that meets the needs of young adults and older people, will assist with providing greater housing choice at different price points in the market”⁴⁹.

WACOSS believes that identifying brown field sites which could be used for the construction of smaller, higher density homes should be the priority. Such locations are more likely to have the services and infrastructure in place that will be important to the wellbeing of social housing tenants.

Planning laws and processes often act as a significant obstacle to the construction of smaller size, higher density housing units. As such, government must identify and, where possible, override unreasonable local planning laws that have the potential to frustrate the development of the new units that are required.

Recommendation 4: The Department of Housing maintains a specialised construction program for larger homes that cater for the housing needs of larger households.

As the report states, Aboriginal and migrant families, for cultural and practical reasons, are more likely to require larger homes than other cohorts in the demand demographic.

WACOSS recommends that in order to carry out this recommendation the Department of Housing should improve its consultative links with representatives

⁴⁹ Directions 31: Draft Spatial Framework for Perth and Peel, p.10

for Aboriginal and migrant groups so that it creates policy that is responsive to the needs of both groups.

Recommendation 5: The Minister for Housing and Works approaches Commonwealth Government to seek a review of Commonwealth Rent Assistance that considers the effectiveness in addressing housing affordability, appropriate levels of indexation and allowances for specific regions with high housing costs.

As a financial aid to people on low incomes in terms of accessing and maintaining tenure in the private rental market, the effectiveness of CRA has been seriously undermined by sharp increases in rental prices since they were last reviewed.

As such, a review of CRA is overdue and welcome. It is important, however, that any increase in CRA does not serve to inflate rents; the subvention should be for the benefit of tenants not landlords. Equally, as stated in the report, some parts of Western Australia e.g. areas close to mining industry locations, are suffering from a chronic shortage of housing, massive demand and consequently much higher than average rental costs. This situation is particularly onerous for low income residents of the region but also key government and community sector workers. A case for region specific CRA rates is acceptable on that basis.

Recommendation 6: The Department of Housing immediately develops and implements a sophisticated demand model for the provision of social housing in Western Australia, which considers longer term economic, demographic and social trends affecting low income households.

ESSENTIAL

Assessing current and future demand for Social Housing is, in part at least, made more difficult by a lack of accurate data. As such, WACOSS considers the implementation of this recommendation of high importance.

Such a model should take into account the various constituencies of demand. We must be able to estimate what quotient is likely to suffer from disability, mental illness, age related illnesses and so on, so that we can accurately plan how housing and appropriate support services can be put in place to respond effectively.

Recommendation 7: The Minister for Housing and Works establishes a formal review and research process to focus on improving the supply of affordable housing in the regions, inclusive of the housing requirements of Aboriginal people.

ESSENTIAL

Housing affordability has deteriorated to intolerable levels in many parts of regional Western Australia. Regional areas which have become centres of the mining and energy industries, have seen average rents and house prices skyrocket. Port Headland and Karratha provide good examples of this. The lack of affordable housing options in towns like these, mean that key state and community sector workers struggle to find and maintain accommodation and this has a deleterious effect on the community as a whole. Addressing this problem should be a top priority for government.

Recommendation 8: The Minister for Housing and Works and Minister for Regional Development work to identify funds within the royalties for regions program to be used to facilitate the development of key worker housing in the North West of the State.

ESSENTIAL

Research done in the context of the Social Housing Taskforce by the Department of Housing, and recent homelessness data clearly demonstrate a severe shortage of key worker housing in the North West of the State.

The purpose of the Royalties for Regions scheme is to ensure that some of the wealth generated by mining and other industrial activities in the North West is used to benefit the lives of the people of the region including key workers, particularly those employed in other areas of the local economy.

Given the clear causal link between increased economic activity in the region and increased demand for limited housing options, a strong case exists to ring fence funding from the royalties for the specific purpose of key worker housing inclusive of community service workers.

Recommendation 9: The Departments of Planning, Local Government and Regional Development establish a mechanism that identifies the housing needs of each region in Western Australia, inclusive of the needs of Aboriginal people in a regional and remote context.

ESSENTIAL

Recognition is given in the report to the specific and distinctive needs of Aboriginal people, particularly in regional and remote areas.

WACOSS believes that representative bodies for Aboriginal communities must be centrally involved in any new policy initiatives in this regard if equitable and efficient outcomes are to result.

Recommendation 10: The Minister for Housing and Works negotiates with the Commonwealth Rental Assistance payments and National Rental Affordability Scheme subsidies for specific regions with high housing costs.

As detailed in our response to Recommendation 7, high housing costs in many parts of regional WA is undermining the sustainability of the affected communities. A comprehensive policy framework needs to be put in place to address the issue as a matter of urgency. WACOSS believes that altering CRA payments and NRAS subsidies for the communities in question could play an important part in ameliorating the problem.

Recommendation 11: The Department of Housing pilots a time limited rental subsidy scheme in the Pilbara for apprentices and trainees to facilitate access to affordable housing for the period of their structured education.

WACOSS strongly supports the initiation of such a scheme.

Recommendation 12: The Department of Housing develops a strategic policy framework to address the housing needs of Aboriginal people living in urban and regional areas, inclusive of how they can actively participate in managing housing and establishing housing organisations.

WACOSS strongly supports this recommendation as part of broader policy initiatives to empower Aboriginal communities to actively participate in the decision making processes that affect their communities. Again, consultation should be initiated by the Department of Housing as soon as possible to put this collaborative process in train.

Recommendation 13, 14, 15 (taken together):

ESSENTIAL

WACOSS believes that these recommendations should be initiated as soon as possible.

Aboriginal people come to rely on public and other forms of government subsidised housing with a greater frequency than other sections of the population. As such, deteriorating housing affordability problems in the regions in particular has had a particularly adverse affect on Aboriginal communities.

The provision of public housing for Aboriginal people needs to take greater account of the specific needs of this group in keeping with their culture and traditions. Over crowding, for example, is an acute problem. WACOSS believes that the proposal to create four Aboriginal visitor centres for has particular merit and should be given the appropriate political and financial backing as a matter of urgency.

Recommendation 16: The Department of Housing reviews its policies and processes to ensure that heavily subsidised public housing does not remain the primary housing option for households in the longer-term, except for those with recognised “life long” complex needs.

WACOSS is supportive of the notion of a housing continuum whereby greater rates of exit from public housing by tenants is achieved. However, we also understand that the most common reason why public housing tenants fail to exit public housing into other forms of less subsidised housing is grounded in a financial inability to do so. In other words, as is highlighted in the report, there is a distinct affordability gap in the housing system as a whole that both explains the rise in demand for public housing and why tenants are not exiting from it. Moreover, given the very high rates of seniors in public housing- with a significant hike in demand from this cohort emerging- we have to be realistic about who and how many tenants have the potential to transition out of public and community housing.

WACOSS contends that there is scope to increase the rates of exit from public housing by some tenants. However, this will involve the establishment of comprehensive support services up to and including services and specialised schemes which would help public housing tenants increase their income levels and thus make other types of housing tenure a viable option.

Recommendation 17: The Minister for Housing and Works negotiates with the Minister for Child Protection to transfer responsibility for homeless services to the Department of Housing by 30 June 2010

WACOSS supports this recommendation. It is important however, that the transitional process involved ensures that all the relevant stakeholders, including SAAP providers, are kept fully informed as to what changes will occur and how they will be implemented.

If the recommended action does not come to pass, it is of the utmost importance that there is effective collaboration between the two departments given their overlapping responsibilities in relation to housing and homelessness.

Recommendation 18: The Department of Housing develops and implements an affordable housing system by June 2011, which is underpinned by a Housing Needs Register that assesses the housing needs of all applicants and directs them to appropriate housing options.

ESSENTIAL

WACOSS supports the development of a Housing Needs Register. However, an effective model must properly take into account, where applicable, the level of type of support services that clients will require to maintain their tenure in the types of accommodation deemed suitable. These support services will in many cases will be fundamental to enabling tenant movement through the housing continuum.

Recommendation 19: The Minister for Housing and Works to recognise government subsidies will always be needed to sustain the housing and support needs of households on long-term low fixed income and/ or complex needs.

ESSENTIAL

Even in countries with the most well developed and progressive social housing systems financial investment from the state is crucial to its growth and sustainability. To a large extent, the provision of social housing occupies a place on the spectrum of social protection measures that all developed nations must take to ensure that vulnerable members of society do not fall prey to poverty and destitution.

In the context of our contribution to the Social Housing Taskforce, WACOSS was supportive of the development of new and innovative ways in which social housing can be provided in Western Australia. Such measures have the potential to produce better outcomes for those who require social housing and also the exchequer in terms of the creation of greater efficiencies and getting the best return on its expenditure. However, as we change the way we approach the

issue of social housing and the ways in which we deliver it, government, and in particular government investment, will remain central to successful outcomes.

Recommendation 20: The Department of Housing to develop and implement a strategy to successfully transition households with income above the Departments eligibility limits into affordable rental housing, the private rental market or home ownership.

WACOSS supports this recommendation as long as it can be clearly demonstrated that households identified are financially and otherwise capable of successfully transitioning.

Recommendation 21: The Department of Housing develops and implements a plan that reduces under-occupancy in current public housing stock.

WACOSS recognised that there is a problem of under utilisation of the public housing stock currently available. This is, in large part, due to a preponderance of larger properties and a lack of the one of two bedroom units that would better suit the demand profile.

Offering incentives to tenants to move into smaller more suitable housing units is mooted as a possible way of initiating stock utilisation. While incentivising clients to move is clearly part of the solution, sensitivity to tenants' non material attachment to a house, and the broader community in which they reside, must be taken into account. Such schemes should take place on a voluntary basis.

Recommendation 22: The Minister for Housing and Works approves a change to existing rent setting in public housing so that all tenants pay a minimum of 25% of their income on rent by 30 by June 30 2010

WACOSS supports this recommendation. The Department of housing has indicated that there may be a cohort of public housing tenants that are currently paying marginally less than 25% of their income in rent. Where this is the case, WACOSS would support initiatives to ensure that such tenants have their rents increased to 25% of income, providing that the extra revenue garnered is used to improve the public housing system subsequently through stock expansion or service provision.

Recommendation 23: The Department of Housing reviews its social and affordable housing rent setting methodology, with a view to introducing tiered rental payments for tenants based on capacity to pay and improving access to support services.

WACOSS accepts that changes to the rent setting mechanisms for public housing could improve its financial viability. In some cases, there will be scope to request higher rents from tenants. This might occur when a public housing tenant, through paid employment of otherwise, breaches the income eligibility limits. Instead of moving such a person into a financially stressed position in the private rental market it might be possible to allow them to remain in public housing albeit paying a higher rent.

In other cases, however, given the high number of public housing tenants on fixed incomes such as old age and disability pensions, there will be little scope to increase rent. This should be borne in mind by the Department in any rent setting review.

Recommendation 24: The Department of Housing to maintain the existing Bond Loan Assistance Scheme and regularly review bond limits to reflect changes in the private rental market.

WACOSS supports this recommendation. Bond costs continue to act as a significant obstacle to low income West Australians attempting to access the private rental market. The Bond Loan Assistance Scheme is vital to helping eligible applicants access accommodation.

Recommendation 25 & 26 (taken together): The Minister for Housing and Works commits to adequately funding support services for people in the social housing system to assist in sustaining tenancies and in moving people through the affordable housing continuum.

ESSENTIAL

During discussion at SHTF meetings, and in the context of written submissions we made to it, WACOSS was careful to stress the intimate link between housing and services in the overall context of a successful social housing system.

One of the appendices to the final report is a table compiled by WACOSS, in consultation with the Peak's roundtable, which sets out a whole range of support services that are currently funded by the commonwealth and state government, availed of by service providers and, ultimately, relied upon by a significant number of social housing tenants.

WACOSS believes that a comprehensive audit of the support services available needs to take place with a view to:

1. Identifying opportunities to harmonise or detangle funding streams to service providers from government departments
2. Identifying which services are receiving adequate levels of funding and those that are not and taking appropriate remedial action.
3. Identifying areas where service provision is inadequate or (non-existent) in areas that may be important to the goal of aiding movement through the housing continuum and proposing improvements and innovations.
4. Establishing a coherent mechanism whereby service providers and social housing tenants can provide feedback to government regarding the quality and effectiveness of governments role in overall service provision.

Recommendation 27: The Department of Housing immediately establishes a Housing innovations Team and allocates between five and ten percent of the Department's capital expenditure budget each financial year to deliver the Housing Innovations Strategic Business Plan.

ESSENTIAL

It is clear that if there is going to be a major shift in the way in which government attracts funding for the provision of social and affordable housing then a body like HIT is required. Indeed, much hinges on the ability of HIT to function in the way detailed in the report. Given the cost of HIT (5%-10%) of the Department's annual budget it is vital that its performance is closely monitored to assess its progress.

Recommendation 28: The Department of Housing develops a strategy and policy framework for the Community Housing sector that clearly articulates its expectations of stock growth.

ESSENTIAL

WACOSS believes there is an important role for Community Housing providers to play in the provision of new social housing in Western Australia.

However, policy makers must be realistic in their expectations as to the ability of community housing providers to build and manage extra housing stock into the future. As the SCHIP and PHLP programmes demonstrate, there are a number of community housing providers in Western Australia that have the ability to grow- principally through leveraging against the capital flows derived from rents and the value of capital holdings- and increasing their housing stock accordingly. However, the viability of this model in the medium to long term is not clear at this point not least because of uncertainty in the housing and land markets as a whole in terms of mid to long term valuations.

Equally, so-called growth providers and preferred providers are of a size that is not representative of the sector as a whole which is, populated, in general, by a range of smaller housing providers which would find it virtually impossible to grow their housing stock through SCHIP, PHLP or similar programmes.

In light of this reality, WACOSS believes that policy makers should clearly understand the potential that Community Housing has in terms of overall social housing provision into the future. However, an extra effort needs to be ensure that where growth can occur the proper help and support is available from state agencies to facilitate it.

Recommendation 29: The Department of Housing continues to undertake financial, legal, tax and policy analysis to evaluate whether a Not for Profit Housing Company can use financial leverage to achieve a high level of sustainable growth in social and affordable housing provision at low unit cost.

WACOSS believes that there is merit in the recommendation above. It should be noted however, that the final report details a number of clear reasons why a certain scepticism regarding the viability of a Not for Profit Housing company is warranted. A central criticism would be that creating a NFP housing company would be to duplicate the role that growth providers in the Community Housing sector already fulfil. As such, WACOSS believes that it is important that time and resources are not unduly wasted on the exploratory phase if it becomes clear that the project as a whole is not viable.

Recommendation 30: The Department of Housing continues to develop the Affordable Rental Brokerage Scheme with the aim of introducing the scheme by December 31 2009.

ESSENTIAL

Assistance by government to help people access affordable accommodation in the private rental market will be fundamental to addressing the social housing problem. Even with progressive increases in the level of public and community housing stock it is highly unlikely that stock levels will increase to match demand in the timeframes required. As such, supporting people in the private rental market must form an integral part of the social housing solution.

As conceived in the report, the department of housing would be the relevant broker between landlords and tenants on the social housing waitlist. WACOSS believes there would be value in assessing in whether the brokerage component

of this model could be done to greater effect by a community sector body and urges the department to examine this as a possibility.

Recommendation 31: The Department of Housing analyses the potential costs and benefits of a time limited rental subsidy scheme, which could meet the different housing needs of urban and regional areas.

ESSENTIAL

WACOSS supports this recommendation. See response to recommendation 30.

Recommendation 32: The Department of Housing, through a public education program, encourages home owners to rent spare bedrooms to individuals and families seeking affordable housing.

WACOSS believes that it is important that, where possible, some of the myths and prejudices suffered by people on low and fixed incomes, and who come to rely on social housing, are challenged and dispelled.

There is a significant level of underutilisation of all housing stock in Western Australia given the preponderance of larger three and four bedroom units. Any scheme that results in some of this under utilised dwelling space becoming available is to be welcomed. However, particularly in the case of people with high needs, it will form a relatively small part of the overall solution.

Recommendation 33: The Departments of Planning and Local Government recognise housing as a key outcome of their respective reforms and work together to improve the diversity and affordability of housing in Western Australia.

WACOSS views this recommendation as key to achieving the goal of 20,000 extra social and affordable housing units by 2020.

It is clear that there is a significant lack of the type of housing that is required; namely one and two bedroom units and higher density development in general. The Departments of Planning and Local government have an important role ensuring that this type of housing development can take place to the levels necessary and in a timely manner, and, where possible, unencumbered by regressive local planning policies. The Departments of Planning and Local Government has an important role in ensuring that housing supply keeps pace with demand an equation that effects accommodation costs throughout the housing continuum. Moreover, they have an important role in ensuring that where

new residential development takes place part of the overall quotient of new development is ring fenced for the development of social and affordable housing units. This should take place in conjunction with the Department of Housing and other stakeholders in the development of social housing.

Recommendation 34: The Minister for Planning oversees the introduction of state planning reforms that will allow for the blanket subdivision of all lots across Perth below 800m squared by 31 December 2010 and 700m squared by 31 December 2011

WACOSS supports this recommendation. Reforming planning laws to allow for higher density residential development will form an important part of increasing the supply of affordable housing in the state.

Recommendation 35,36,37,38, 39, 40 (taken together)

The four recommendations in question demonstrate that any successful plan to meet the rising demand for social and affordable housing in WA, will require significant inter-departmental cooperation.

It makes sense that the Minister for Housing and Works should take a leadership role in devising and implementing an Affordable Housing Strategy that is practical and achievable and that sets out in practical terms how the target of 20,000 extra housing units is going to be met by 2020. In fact, a willingness to adopt this leadership role backed by the requisite political will be crucial.

It was widely accepted at the taskforce that reforming Western Australia's social and affordable system is a project that will require considerable reform across a number of governmental areas. The need to amend local planning laws, and the complexity involved in doing so, is one such example.

It is important also that this process, where practical, is transparent and, given the important role of non-governmental stakeholder involvement in the delivery of social housing solutions, that there is a forum for consultation and feedback with the same groups.

Recommendation 41&42 (taken together)

ESSENTIAL

WACOSS supports these recommendations. State Land development agencies can and should play a key role in the delivery of new social and affordable housing developments. The report argues that these bodies should be obliged to “adopt a clear unambiguous policy on their role in the market and more specifically in the provision of affordable housing”. We agree with this sentiment but also believe that there is a case for a third party audit of all land holdings by State Land development agencies which could inform the State Affordable Housing Strategy as to what lands are already within state hands and have the potential to be developed for social and affordable housing.

Recommendation 43: State Government Land and Housing Agencies should act as market leaders by embracing innovation and demonstrating best practice in the design, development and construction of land and housing.

WACOSS supports this recommendation

Recommendation 45 & 46: The State Government undertakes regular reviews of each of agency’s landholdings to identify surplus sites that can be used for residential development, with the first review completed by December 31 2009

ESSENTIAL

This recommendation should not be limited to surplus sites. See response to Recommendation’s 41&42. As the report states in relation to the disposal of state owned land holdings, “while recognising the importance of obtaining maximum financial return for the sale of government assets, broader social dividends must also be considered...” WACOSS would argue that given the severity of the shortage in social and affordable housing options that Western Australia is experiencing, significance emphasis should be placed on State Government and Housing agencies role in promoting broader social dividends.

Recommendation 47: The Department of Planning introduces changes to the Residential Design Codes and Local Government Planning policies to allow the use of ancillary accommodation for non-family members on lots of 800m2 by 31 December 2011.

WACOSS supports this recommendation. Once again, WACOSS believes that the planning code should be reformed to provide greater potential for higher density residential development and the role that this will play in optimising land use and increasing overall supply of housing in the state.

Recommendation 48: The Department of Housing develops a whole-of-government State Affordable Housing Strategy to be presented to Cabinet by 30 June 2010

WACOSS supports this recommendation. It is important to note that time is not a luxury we have, making adherence to the deadline hugely important. See response to Recommendation 35-40 for further comment.

Recommendation 49: The Minister for Housing and Works adopts the Affordable Housing Policy Framework to guide the initial reform process within the department of Housing to encourage streamlined change processes and enhance affordable housing outcomes in the short term.

WACOSS supports this recommendation. As the recommendation states, however, the Affordable Housing policy Framework should act as a guide not a prescriptive policy document to be rigidly adhered to.

Recommendation 50 & 51: The State Government maintains adequate funding for Keystart so that it can continue to provide housing finance to people on low and moderate incomes.

WACOSS supports these recommendations.

Recommendation 52: The Department of Housing continues its important role as one of the State Government's land and development agencies and continues to retain profits from this activity to help fund social and affordable housing programmes.

WACOSS supports this recommendation

Recommendation 53: The Department of Housing continues to support the development of the Not for Profit housing sector

The COAG reform agenda regarding the future of social housing and recent state policy in relation to Community housing make clear that the Not for Profit sector will play a central role in the growth and improvement of the West Australia social housing system. The department of housing has a significant job of work to do to assist not for profit housing providers in the adoption new regulatory requirements in particular and in communicating the new strategies that will arise over the coming months and years. Obviously, stakeholder consultation with the relevant community sector representative bodies will be fundamental to this process.

Recommendation 54: The Department of Housing develops and implements a clear strategic asset management plan by 31 December 2010 to ensure best utilisation of the public housing asset base

WACOSS supports this recommendation. However, this optimisation process must ensure that public housing is located in areas that allow tenants to access services that will allow them to maintain stable and comfortable tenures.

Recommendation 55: The Department of Housing acts as a market leader in land development and housing construction by demonstrating best practice and innovative projects to the wider market.

WACOSS supports this recommendation and is encouraged by the Departments role in the development of NRAS in particular.

3. Conclusion

Part one of this submission has shown why house prices in Western Australia have increased so rapidly over the last decade. In part these increases have been the result of an economy on the up. However, government policy reflects and facilitates the belief that housing should be treated not only as a place to shelter but also as an investment vehicle for those with the means to play the market, and this too has served to put upward pressure on the price of a home.

The housing boom has, in reality, severely damaged the housing continuum in Western Australia by making housing more expensive and less accessible for whole swathes of our population. Notwithstanding, the inflation in rents and house prices that would inevitably have occurred as a result of a buoyant economy, the inequity of a housing system that favors the well off over the less well off, as ours does, goes to the heart of why the Social Housing Taskforce was needed in the first place- even if many of the policy levers that affect the housing market are controlled in Canberra not Perth. While the lack of social housing in the state is fundamental to the housing affordability crisis we are faced with, government policy, and particularly taxation policy, needs to be reformed if we are to curb the excessive property speculation so prevalent in the Australian property market.

Part one, also presented possible explanations as to why the property market in Australia has not deflated in the same way as so many others over the last eighteen months to two years. Arguably, however, the property market might still be on the cusp of a protracted deflationary period. There is ample evidence to suggest that the downward trend that was evident in 2008 was arrested by demand side stimulus in the form of historically low interest rates and the First Home Owners Boost. Interest rates have now begun to rise and if as expected the Global economy begins to recover in 2010 will probably rise further. This will increase the cost of debt servicing, including mortgage repayments, and also the cost of borrowing which may reduce demand for housing loans. Moreover, the FHOB has been scaled down as of mid October. With this incentive to enter the market gone, will demand for housing among first home buyers decrease? To what extent could house prices fall once the twin incentives of the FHOB and low interest rates are taken away? Could this create a deflationary dynamic as committed investors get spooked and others are persuaded to keep their money in their pockets and adopt a wait and see approach? And ultimately, how much more can the ratio of average house price to average income increase before people simply can't afford to service the debt necessary to buy them? Will Australian institutional lenders tighten their lending criteria, as has become commonplace in other developed countries in the wake of the financial crisis, and what effect will this have on house prices?

Unemployment rates should not be overlooked either. Some of the more pessimistic projections regarding the high point for unemployment in the country have been revised downwards in recent months in anticipation of a global

recovery. However, the rate of unemployment in Western Australia continues to edge upwards increasing the likelihood of an increase in mortgage defaults and repossessions as well as denting consumer confidence. The number of people unemployed in WA has swelled by 42,600 people in less than 12 months. The October unemployment rate increased from 5.4% to 5.8% in one month, meaning that there were 4 000 additional unemployed people in WA in September compared to August. It's the first time since January 2004 that WA's unemployment rate has been higher than the national average. Taking imminent economic recovery, both global and domestic, for granted would be foolish given the magnitude of the events that precipitated the crisis in the first place. Things could still get worse before they get better.

The prospect of a "housing crash" in Western Australia is often treated as, by definition, a bad thing by the media and other interested parties. Price rises are described as "healthy"⁵⁰ and when they rise again after a period of deflation, such as in 2008, it is described as a "recovery"⁵¹ Obviously, such descriptions make sense to existing home owners and those in the business of selling houses. The opposite is true for everyone else. Every rise in property prices makes it harder for those who do not own a home to buy one and, as has been shown, has a direct influence on increasing average rents.

Undoubtedly, if house prices were to endure a period of decline there would be victims, in particular recent buyers who might find themselves in negative equity. However, given the steep rise in house prices in a relatively short period of time, a significant proportion of homeowners would have enough equity built up in their homes to withstand even quite substantial drops in property prices without facing a loss on their investment. Between March 2005 and June 2009, the median price for a house in Perth rose from \$290,000 to \$450,000. That means that if someone bought a house at the median price as little as four years ago, it would take a 37% drop in the market value of their property before they would find themselves in negative equity- and that's disregarding the debt that would have been paid down in the interim. Clearly the loss of this equity would be damaging to the individuals concerned but not catastrophically so. The equity that is built up in a home only has value if the underlying asset is sold. Moreover, releasing this equity in ones home by borrowing against it, is a calculated gamble and presumes that the value of the underlying asset, the house, will increase or at least remain the same. Those who take this gamble should be aware that asset prices rise as well as fall before borrowing against it. Government protection of those who have chosen to take this risk does not represent good policy.

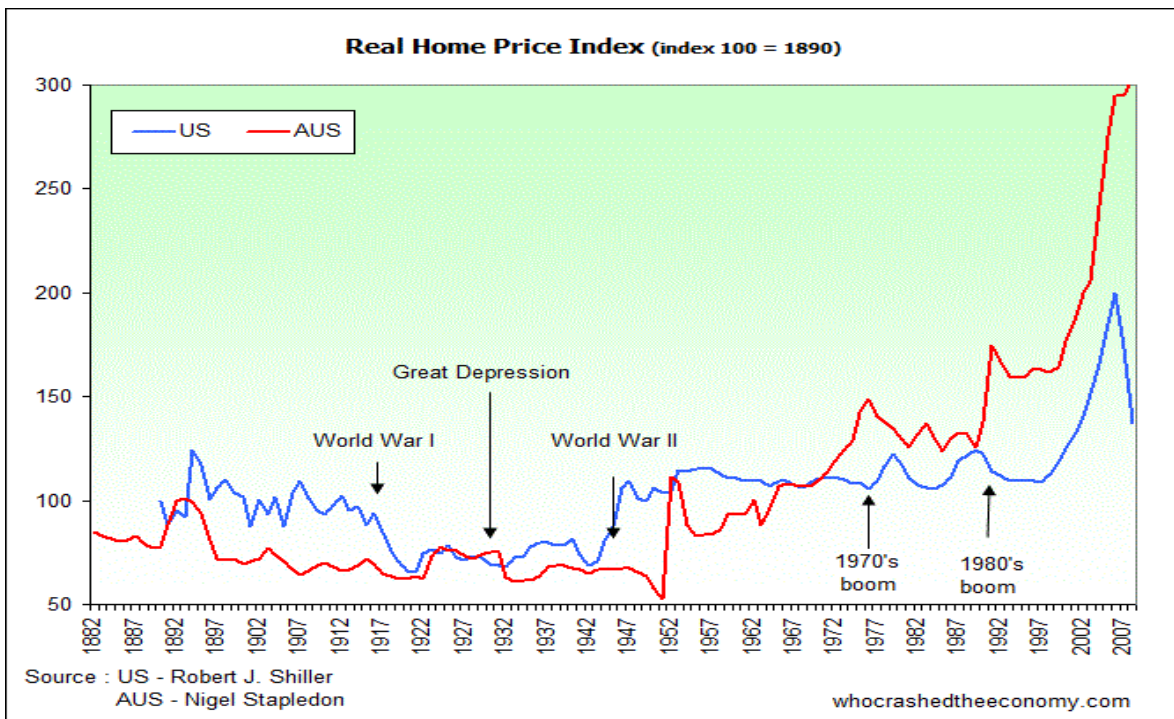
A reduction in the price of housing would have clear benefits to our economy and society. Cheaper housing would mean people would have to take on less debt to

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http://www.rpdata.com/press_releases/home_values_continue_to_recover_recording_a_healthy_2.8_increase_over_the_first_four_months_of_2009.html

⁵¹ Ibid

provide shelter for themselves and their families thus leaving them with more money to spend in other areas of the economy. Those on low incomes would benefit most because, as we have seen, during housing booms it is those at the bottom suffer the flipside of speculative activity in the market. Moreover, the misallocation of capital that is property speculation might diminish so that those with money to invest might consider doing so in productive sections of the economy. Arguably, when we look at the long run real price of housing (see table below), this scenario is healthier than the one we have now, and returning to it would represent a true return to normality.



Part two of the paper focused on the specific recommendations in the final report and how best we can address the growing inadequacy of our social housing system.

Time is of the essence. The population of Perth is growing and ageing. Inevitably, an ageing population will translate into increased demand for social housing and associated support services. A growing population forces us to consider how the state will accommodate the new arrivals. Fundamental decisions are required in relation to how we plan our towns and cities to achieve sustainable growth. For example, we have a preponderance of larger 3 and 4 bedroom detached housing units. Do we need to change our planning system to facilitate higher density development that better matches the needs of the community, provides for more efficient land use and a better housing mix?

Moreover, the nature, consequences and potential consequences of the state's housing boom, as discussed in part one, will have a significant bearing on the policy decisions that have to be made in the coming years.

The Social Housing Taskforce final report provides us with a road map for how we might realise the improvement in the social housing system that the state so desperately needs. Irrespective of what happens in the broader housing market over the coming years, it is important that the will to change things that manifested itself in this report is recognised and translated into firm and effective action. Some of the states most vulnerable people are depending on it.

Acknowledgements.

WACOSS would like to thank the following organisations and individuals for their assistance with this submission and our work with Social Housing Taskforce more broadly.

Shelter WA
Women's Council for Domestic and Family Violence Services,
Council of the Ageing WA,
WA Association for Mental Health,
WA Network of Alcohol and Drug Agencies,
Aged and Community Services WA,
National Disability Services WA,
Community Housing Coalition WA,
Aged Care Association Australia, Tenants Advisory Service

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Dr. Stephen Rowley, Curtin University.
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Finally, the engagement which WACOSS and the broader community services sector had with the Social Housing Taskforce would not have been possible without the financial support of Lotterywest. As such, we would like to give special thanks to Lotterywest for its support for this project.

Appendix A

List of Recommendations (Those marked with an asterisk are considered essential)

- 1*** The Minister for Housing and Works negotiates with the Commonwealth Minister for Housing to secure additional funding for the*
Department of Housing for the 2010/2011 financial year to develop a further 2,000 affordable housing units, with a specific focus on increasing social housing stock numbers.
- 2*** The Ministers for Housing and Works, Planning, Local Government and Regional Development ensure that their Departments identify the synergies and opportunities between the different reform agendas to focus on increasing the social and affordable housing stock across Western Australia.
- 3** The Department of Housing immediately implements a strategy to increase the supply of one and two bedroom dwellings for social and affordable housing.
- 4** The Department of Housing maintains a specialised construction program for larger homes that caters for the housing needs of larger households.
- 5** The Minister for Housing and Works approaches the Commonwealth Government to seek a review of Commonwealth Rent Assistance that considers its effectiveness in addressing housing affordability, appropriate levels of indexation and allowances for specific regions with high housing costs..
- 6*** The Department of Housing immediately develops and implements a sophisticated demand model for the provision of social housing in Western Australia, which considers longer term economic, demographic and social trends affecting low income households.
- 7*** The Minister for Housing and Works establishes a formal review and research process to focus on improving the supply of affordable housing in the regions, inclusive of the housing requirements of Aboriginal people.
- 8*** The Minister for Housing and Works Minister for Regional Development work to identify funds within the Royalties for Regions program to be used to facilitate the development of key worker housing in the North West of the State.
- 9*** The Departments of Housing, Planning, Local Government and Regional Development establish a mechanism that identifies the housing needs of each region in Western Australia, inclusive of the needs of Aboriginal people in a regional and remote context.

10 The Minister for Housing and Works negotiates with the Commonwealth Minister for Housing to obtain an increase in Commonwealth Rent Assistance payments and National Rental Affordability Scheme subsidies for specific regions with high housing costs..

11 The Department of Housing pilots a time limited rental subsidy scheme in the Pilbara for apprentices and trainees to facilitate access to affordable housing for the period of their structured education.

12 The Department of Housing develops a strategic policy framework to address the housing needs of Aboriginal people living in urban and regional areas, inclusive of how they can actively participate in managing housing and establishing viable community housing organisations.

13 The Department of Housing renews its commitment to the Private Rental Aboriginal Assistance Scheme and Private Rental Aboriginal Assistance Loan, and expands both initiatives to assist more Aboriginal households.

14* The Department of Housing reviews existing home ownership schemes to ensure they provide a complete home loan and support service to Aboriginal people.

15* The Commonwealth and State Governments allocate the necessary capital and recurrent funding for the development of four Aboriginal visitor centres in Western Australia.

16* The Department of Housing reviews its policies and processes to ensure that heavily subsidised public housing does not remain the primary housing option for households in the longer-term, except for those with recognised 'life-long' complex needs.

17 The Minister for Housing and Works negotiates with the Minister for Child Protection to transfer responsibility for homeless services to the Department of Housing by 30 June 2010.

18* The Department of Housing develops and implements an affordable housing system by 30 June 2011, which is underpinned by a Housing Needs Register that assesses the housing needs of all applicants and directs them to appropriate housing options.

19* The Minister for Housing and Works to recognise government subsidies will always be needed to sustain the housing and support needs of households on long-term low fixed incomes and/or with complex needs.

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- 22** The Minister for Housing and Works approves a change to existing rent setting in public housing so that all tenants pay a minimum of 25% of their income on rent by 30 June 2010.
- 23** The Department of Housing reviews its social and affordable housing rent setting methodology, with a view to introducing tiered rental payments for tenants based on capacity to pay and improving access to support services.
- 24** The Department of Housing to maintain the existing Bond Loan Assistance Scheme and regularly review bond loan limits to reflect changes in the private rental market.
- 25*** The Minister for Housing and Works commits to adequately funding support services for people in the social housing system to assist in sustaining tenancies and in moving people through the affordable housing continuum.
- 26*** The Department of Housing identifies the support needs of current public housing tenants to assist with the development of individual housing plans.
- 27*** The Department of Housing immediately establishes a Housing Innovations Team and allocates between five and ten percent of the Department's capital expenditure budget each financial year to deliver the Housing Innovations Team Strategic Business Plan.
- 28*** The Department of Housing develops a strategy and policy framework for the Community Housing sector that clearly articulates its expectations of stock growth from each of its programs.
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- 29** The Department of Housing continues to undertake financial, legal, tax and policy analysis to evaluate whether a Not for Profit Housing Company can use financial leverage to achieve a high level of sustainable growth in social and affordable housing provision at low unit cost.
- 30*** The Department of Housing continues to develop the Affordable Rental Brokerage Scheme with the aim of introducing the scheme by 31 December 2009.
- 31*** The Department of Housing analyses the potential costs and benefits of a time limited rental subsidy scheme, which could meet the different housing needs of urban and regional areas.
- 32** The Department of Housing, through a public education program, encourages home owners to rent spare bedrooms to individuals and families seeking affordable housing.

- 33** The Departments of Planning and Local Government recognise housing as a key outcome of their respective reforms and work together to improve the diversity and affordability of housing in Western Australia.
- 34** The Minister for Planning oversees the introduction of state planning reforms that will allow for the blanket subdivision of all lots across Perth below 800m² by 31 December 2010 and 700m² by 31 December 2011.
- 35** The Minister for Housing and Works lead the State Government in the adoption of a whole of government State Affordable Housing Strategy that clearly outlines its priorities and plan to ensure the provision of housing that will accommodate the population of WA over the next 10 years.
- 36** The Western Australian Planning Commission introduces a Statement of Planning Policy related to affordable housing that clearly outlines the objectives and measures that are to be used to facilitate its provision in Western Australia.
- 37** Metropolitan Local Governments develop Local Housing Strategies that uses agreed population projections to identify the future housing need of their community and set clear targets and objectives for the achievement of housing numbers, types and tenures.
- 38** Regional Local Governments work together with appropriate regional bodies and stakeholders to develop Regional Housing Strategies that use agreed population projections to identify the future housing need of their communities and set clear targets and objectives for the achievement of housing numbers, types and tenures.
- 39** The Western Australian Planning Commission updates the *Guidelines for the Preparation, Form and Content of Local Housing Strategies*
- 40** The Department of Housing and Department of Planning commit to working with the Western Australian Local Government Association and Regional Development Commissions to develop effective Local and Regional Housing Strategies that complement the new State Affordable Housing Strategy.
- 41*** The State Government, through its various land development and redevelopment agencies, continues its role in the development of residential land to ensure the ongoing provision of affordable housing in Western Australia.
- 42*** The State Affordable Housing Strategy must clearly outline the role and objectives of each State Government land development agency, including the capacity to use their profits to support the ongoing supply of social and affordable housing.

- 43** State Government Land and Housing Agencies should act as market leaders by embracing innovation and demonstrating best practice in the design, development and construction of land and housing.
- 44** The Department of Housing, LandCorp and the Redevelopment Authorities provide a minimum of 15% of their annual development for affordable housing and report against this benchmark annually.
- 45*** The State Government undertakes regular reviews of each agency's landholdings to identify surplus sites that can be used for residential development, with the first review completed by 31 December 2009.
- 46*** The Department of Treasury and Finance amend the Asset Disposal Policy to ensure that all surplus government land that is disposed of through the Property Asset Clearing House for residential development includes 15% affordable housing.
- 47** The Department of Planning introduces changes to the Residential Design Codes and Local Government Planning policies to allow the use of ancillary accommodation for non-family members on lots of 800m² by 31 December 2010 and 700m² by 31 December 2011.
- 48** The Department of Housing develops a whole-of-government State Affordable Housing Strategy to be presented to Cabinet by 30 June 2010.
- 49** The Minister for Housing and Works adopts the Affordable Housing Policy Framework to guide the initial reform process within the Department of Housing to encourage streamlined change processes and enhance affordable housing outcomes in the short term.
- 50** The State Government maintains adequate funding for Keystart so that it can continue to provide housing finance to people on low and moderate incomes.
- 51** The State Government continues to provide shared equity loans to households who would otherwise be unable to access home ownership.
- 52** The Department of Housing maintains its important role as one of the State Government's land development agencies and continues to retain profits from this activity to help fund social and affordable housing programs.
- 53** The Department of Housing continues to support the development of the Not for Profit housing sector.
- 54** The Department of Housing develops and implements a clear strategic asset management plan by 31 December 2010 to ensure best utilisation of the public housing asset base.

55 The Department of Housing acts as a market leader in land development and housing construction by demonstrating best practice and innovative projects to the wider market.

56 The Department of Housing develops a public education campaign that highlights the positives of affordable housing, including the achievements of current and past social housing clients.



Document Ends