



COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

A FADING DREAM – AFFORDABLE HOUSING IN WESTERN AUSTRALIA

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***COMMUNITY DEVELOPMENT AND
JUSTICE STANDING COMMITTEE***

**A FADING DREAM – AFFORDABLE
HOUSING IN WESTERN AUSTRALIA**

Report No. 8

Presented by:

Mr A.P. O’Gorman, MLA

Laid on the Table of the Legislative Assembly
on 3 November 2011

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COMMITTEE'S FUNCTIONS AND POWERS

The functions of the Committee are to review and report to the Assembly on:

- (a) the outcomes and administration of the departments within the Committee's portfolio responsibilities;
- (b) annual reports of government departments laid on the Table of the House;
- (c) the adequacy of legislation and regulations within its jurisdiction; and
- (d) any matters referred to it by the Assembly including a bill, motion, petition, vote or expenditure, other financial matter, report or paper.

At the commencement of each Parliament, and as often thereafter as the Speaker considers necessary, the Speaker will determine and table a schedule showing the portfolio responsibilities for each Committee. Annual reports of government departments and authorities tabled in the Assembly will stand referred to the relevant Committee for any inquiry the Committee may make.

Whenever a Committee receives or determines for itself fresh or amended terms of reference, the Committee will forward them to each standing and select Committee of the Assembly and Joint Committee of the Assembly and Council. The Speaker will announce them to the Assembly at the next opportunity and arrange for them to be placed on the notice boards of the Assembly.

INQUIRY TERMS OF REFERENCE

That the Committee will examine the issue of social housing and report by 1 December 2011 on:

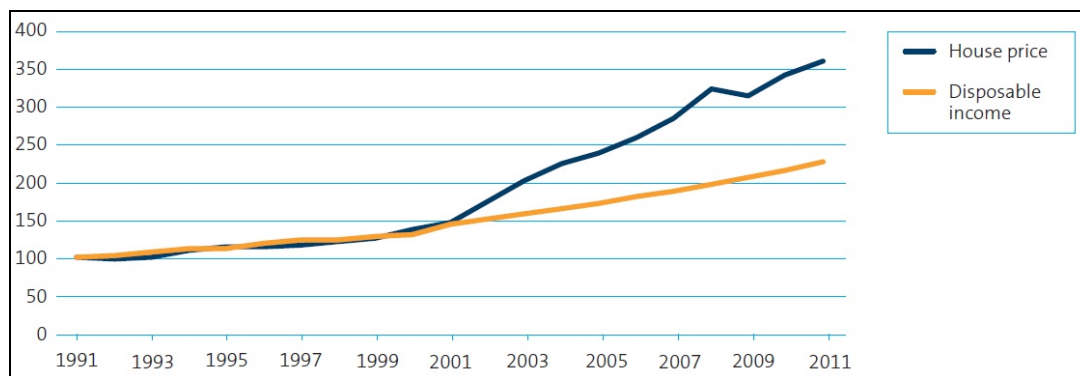
- i. the role of government, the private and the not-for-profit sector in facilitating affordable housing;
- ii. the effectiveness and appropriateness of social housing allocations in the metropolitan area and regional Western Australia;
- iii. the impact of public housing need on specific groups;
- iv. the key factors influencing the supply of 'sub-market' affordable housing in Western Australia;
- v. the integration of social housing asset management strategies into the larger urban and regional development process;
- vi. financing affordable and sustainable social housing;
- vii. alternative models for the provision of social housing;
- viii. factors facilitating the movement of people from the social housing sector to the private market and home ownership; and
- ix. particular housing initiatives needed for regions of rapid growth.

CHAIR'S FOREWORD AND EXECUTIVE SUMMARY

The fading dream

Although home ownership is an aspiration for most Australians, the 'great Australian dream' is harder to realise than ever. With house prices outstripping income growth over the past 10 years (see Figure ES1 below), owning a home for those on low to middle-incomes is less attainable. This also increases the waiting lists for public housing as higher home prices also increase the price of private rental accommodation.

Figure ES1- Australian house prices and income (\$000s) trends (1991-2011)



Across Australia public housing funding and the number of dwellings has reduced. The effects of welfare targeting mean that public housing had become 'residualised' and now mainly houses the disadvantaged who are reliant on welfare incomes and social services. Between 2003–04 and 2009–10, the proportion of new public housing allocations to those in greatest need in Australia has more than doubled, from 36% to 75%.

Social housing forms a small but important part of the broader State housing system. It assists people who are unable to find housing that is affordable. Without an adequate supply of affordable housing there are no exit points for social housing tenants to move to and free up social housing rental stock for people on the public housing waiting list.

There are many factors at play in decreasing housing affordability in Western Australia. The State's home buyers now wait longer than other Australians to have their new homes built. The median price has increased more rapidly than in other states and this is mainly due to a decade of sustained expansion and growth in the resource industry in regional Western Australia. The State has attracted tens of thousands of new residents from interstate and overseas. This demand for labour in the resources sector has also contributed to a labour loss in the housing construction sector. Supply-side determinants of affordability include the availability of land, the efficiency of the State's land development processes and infrastructure costs, including development charges.

Western Australian data

Affordability is not an inherent characteristic of housing but lies in the relationship between an individual's income and their cost of housing. The Minister for Housing, Hon Troy Buswell, said the State's rapid economic growth had created changes so that "in September 2010 a family in Perth earning a median income of \$73,300 per annum needed 6.5 times their annual income to purchase a property – as opposed to 3.9 times their annual income in 2000." In 2011 nearly 90% of Perth houses were out of reach of its 46,000 key workers, such as police, teachers and nurses.

The State Government launched its *Affordable Housing Strategy 2010-20* in May 2011 to develop "an affordable housing system that provides real opportunities for people on low-to-moderate incomes." The goal of the strategy is to generate at least 20,000 additional affordable homes by 2020. There are indications that the rise in house prices has slowed or reversed, but house prices remain far from being affordable.

The Director General of the Department of Housing told the Committee that at the end of 2010 the applications for housing represented about 55,200 individuals, or about 4,400 more than in late 2009. As at April 2011 there were 3,331 applicants on the priority waiting list and the average waiting time for them was 103 weeks. The average waiting time varied between 118 weeks in the south east metropolitan region and 70 weeks in the Wheatbelt.

The proportion of applicants waiting more than five years has risen dramatically from 2% in 2005-06 to 10.4% in 2010-11. The rapid rise since 2006 in the State's waiting list, and waiting times for public housing, occurred while State Governments recorded over \$11.6 billion in surpluses since 2001. There is now a pressing need for further direct State Government intervention, especially in regional areas.

Chapter One outlines the history of government housing assistance since the *Commonwealth Housing Act* of 1928 provided for housing loans to facilitate home ownership by low to moderate income groups. This chapter also chronicles the changing nature of that assistance. After growing each year since 1946, all Federal Governments since 1973 have reduced by 50% the number of public housing dwelling starts that they funded each year. By the time of the 2007 Federal election, the Federal government was funding about 3,000 new public housing starts a year, compared to nearly 20,000 per annum 30 years earlier.

Federal and State arrangements for social and public housing were altered in July 2008 by the introduction of the *National Rental Affordability Scheme Act 2008*. The funding boost provided by the Federal Government in 2008 to affordable housing projects was in response to the global financial crisis. It was a decision based more on stimulating the broader economy than on improving its housing policy.

The current pressures in the State's social housing program can be traced back to 2006-07. In that year the waiting list and average waiting time jumped 12% while the median waiting time increased nearly 20% and the number of housing assists provided by the Department of Housing dropped 20% compared to the previous year. The data for the previous ALP Governments and the current State Government is shown in the two tables below.

Table ES1- Changes in public housing data for Australian Labor Party Governments (2001-08)

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change (2001-08)
Waiting List (applications)	15,456	14,194	12,981	12,788	13,125	13,780	15,438	16,932	+9.5%
Average Waiting Time (weeks)	63	65	64	65	73	74	83	83	+31.7%
Median Waiting Time (weeks)	32	33	36	34	39	46	55	53	+65.6%
Housing Assists[#]	24,531	25,456	25,046	23,659	22,348	18,537	14,991	16,382	-33.2%

[#] Includes the number of public rental occasions, bond assistance loans, approved home loans and land sales.

Table ES2- Summary of public housing data for the Liberal/National Party Government (2008-11)

	2007-08	2008-09	2009-10	2010-11	Change
Waiting List (applications)[#]	16,932	21,728	24,136	24,559*	+40.9%
Average Waiting Time (weeks)	83	91	93	113	+36.1%
Median Waiting Time (weeks)	53	63	72	91	+71.7%
Housing Assists	16,382	19,431	22,378	16,555	+1.1%

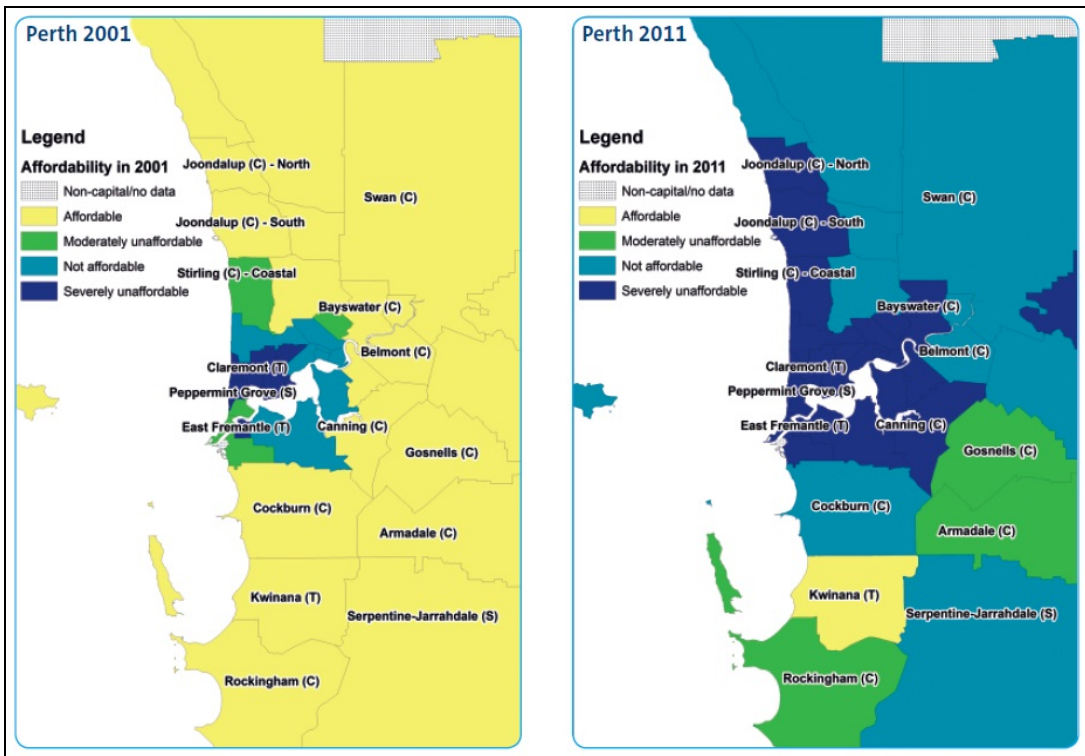
[#] As at June previous financial year.

* Target for 30 June 2010.

National research of the private rental market in 2006 showed that those who are under most stress to find affordable private rental properties are the young and households with two or more children. The number of private renters on Commonwealth Rental Assistance (CRA) in Perth who are in 'housing stress' had increased from about 30% in 2004 to 45% in 2009. In regional areas the proportion had risen from 22% to 33% in the same time. In 2010 there were about 91,000 people receiving CRA in Western Australia and paying about \$407 per fortnight in rent.

Aboriginal people make up a disproportionate number of people in public housing, and on the State's Priority Wait list. It is the unfortunate reality that Indigenous people are not readily accessing the private rental market. They accounted for 57% of public housing evictions in the three months to June 2011, despite making up only 20% of the State's residents.

Figure ES2- Changes in house purchase affordability in Perth’s suburbs (2001-11)



Chapter Two examines the social housing sector and the role the non-government sector plays in the provision of affordable housing. The concept of social housing as a continuum is considered especially as many other government social policies assume a permanent residence and not a transition between them. This is at odds with the State’s *Affordable Housing Strategy 2010-2020* which envisages ‘greater encouragement and support for low and middle-income households to move along the housing continuum’ as one of its system-changing outcomes.

The crucial role that the private rental market plays in the overall functioning of the State’s affordable housing system was recognised in previous government reports. The *Affordable Housing Strategy 2010-20* proposes actions which leverage off private sector initiatives.

Chapter Three describes the State’s growing community housing sector and the role it will play in delivering the outcomes of the State’s *Affordable Housing Strategy 2010-2020*. This sector is significantly fragmented, with some 300 community housing providers managing about 3,000 properties. This reduces the sector’s financial viability, its operational efficiency and increases its risk profile. Social housing dwellings make up just 3% of the State’s total dwellings. This rate is significantly lower than many overseas jurisdictions, such as the United Kingdom.

Community housing providers manage over 40,000 dwellings across Australia, representing about 11% of social housing. In Western Australia, the proportion is closer to 14% and will increase as the State Government transfers more titles to community housing associations. The Department of Housing will have transferred about 4,800 properties to these associations by the end of 2011. The

community housing sector has a range of advantages not available to the State Government, including:

- GST exemption;
- Fringe Benefit Tax exemption;
- exemption from local government rates; and
- access to philanthropic trusts for project funding.

Chapter Four discusses the structural factors affecting the cost of housing, such as land supply and planning, development and cost of construction as well as infrastructure and considers the effect each of these have on housing affordability.

International measures of affordability are compared and indicates that, where historically the median Australian house price had been three times median household incomes, by 2005 it had risen to more than six times that level in all capital cities in Australia. In a recent survey, Perth was rated as ‘highly unaffordable’ with a Median Multiple of 6.3.

Local responses to affordability include reducing the lot size and the size of the building envelope, but this is only one part of the solution as land release, planning delays and approval ‘red tape’ add to the cost of house construction.

Chapter Five outlines the role of local governments in Western Australia in providing affordable housing, such as the application of the R-Codes and the various other planning mechanisms at their disposal. Traditionally local governments have had little direct input into affordable housing policy or its delivery but many of their actions impact on affordability. Innovations in dwellings, both locally and in other jurisdictions, are considered here and the Committee makes proposals that would allow local governments to be more directly involved in facilitating affordable housing.

Chapter Six summarises the main constraints and challenges faced by the State’s regional local governments in addressing affordable housing and the factors that impinge on affordability in those areas. These factors include the impact of the rapid resource industry growth, higher infrastructure and building costs, and issues of native title. Governments have taken some measures to address the lack of available housing in regions of rapid growth, including the Pilbara Cities Project and the release of land in Broome North.

Chapter Seven addresses the substantial issue of affordable housing for the aged. Australian’s life expectancy continues to rise and is among the highest in the world. Changing demographics indicate that there are now about two million Australians aged 70 years and over (about 11% of the population) but by 2029 it is estimated that this number will increase to nearly five million (about 18% of the population).

Government policy at both a Federal and State level aims to support ‘ageing-in-place’ and keep older Australians in their homes by providing various support services. However, there are an increasing number of Australians facing ‘housing stress’ who have moved from their homes.

These people are likely to need housing assistance, and once on a support program they typically stay on them.

In 2006, 18% of renters aged 50 years and over had been homeowners in 2002, and 50% had been homeowners at some time. For these people, the resultant 'asset poverty', as much as income poverty, contributes to their inability to find affordable housing. The demand for public housing from older Western Australians will likely outstrip its supply by 2016.

For those older Western Australians who are home-owners, the Committee considers the pressures to downsize their homes and the barriers to doing so. These include both financial disincentives and a limited choice of options as the Federal Government diverts funding from low-care facilities to high-care units. Assessing and addressing the future health and housing needs of an ageing population requires a proactive and collaborative approach by all State Government agencies.

Chapter Eight outlines the need for the provision of various support services to those provided with housing assistance. Many tenants who are older, disabled, mentally ill and disadvantaged need a range of support services to help them remain in their own home and to lead active lives. With an increase in social housing residents being drawn from disadvantaged people with complex needs (rather than just low incomes), the need for these support services has grown.

A number of overseas studies are discussed which highlight the cost savings to government when adequate support services are provided. Although the State Government has increased funding for social housing for people with mental illness, the Committee found that there is a significant shortfall in Western Australia in the availability of accommodation and other support services for people with disabilities and for ex-offenders.

Conclusion

I thank my fellow Committee members for their dedication and goodwill over the past 16 months. On behalf of the Committee, I acknowledge and sincerely thank the Principal Research Officers, Dr Brian Gordon and Dr David Worth, and the Research Officer, Ms Jovita Hogan, for their invaluable work in support of this Inquiry.

I would also like to thank those who made submission to the Inquiry and appeared as witnesses. The Committee appreciated the assistance of those who appeared at briefings in Adelaide, Brisbane, Canberra, Darwin, Melbourne and Sydney during the Committee's interstate trips, as well as those who appeared before the Committee in Broome, Karratha, Kununurra, Port Hedland and Tammin. Your information and evidence has made this report a better one.



Mr A.P. O'Gorman, MLA
Chair

FINDINGS

Page 16

Finding 1

The Housing Authority does not undertake any work on predicting housing affordability in Western Australia, nor does it have any targets for the Budget 'out-years' for the expected size of the State's wait list, the average waiting time and the number of applicants.

Page 26

Finding 2

By 2011 about 45% of the 165 recommendations from the Equal Opportunity Commission's 2005 report *Finding a Place* were supported by the Department of Housing but had not been implemented while a third had not been addressed or were not supported.

Page 34

Finding 3

Recent strategies and frameworks prepared by State Government agencies show a lack of a whole-of-government approach to social housing needs of Western Australians.

Page 34

Finding 4

The growing disparity between income levels and house prices from about 2005 has resulted in significant housing stress for many Western Australians. Despite the injection of significant new Federal and State funds since 2008 into social and affordable housing there remains a strong demand for public housing. This has resulted in a large and growing waiting list in Western Australia which is worse than most other Australian jurisdictions.

Page 37

Finding 5

Western Australia and some other Australian jurisdictions have set policy targets for affordable housing quotas. These are supported by regulatory and market mechanisms to ensure the delivery of appropriately located and diverse affordable housing options.

Page 38

Finding 6

The Australian Capital Territory's land rent scheme obviates the need for households to finance the high initial cost of a block of land. Households only need to pay the costs associated with the transfer of the land and the construction of a home. This significantly reduces the level of mortgage repayments for participants in the scheme.

Page 41

Finding 7

The Western Australian Government has implemented successful shared equity housing schemes. As a key affordable housing strategy, these schemes will be expanded in the future.

Page 42

Finding 8

The move by developers in Western Australia of providing a proportion of their new homes on smaller blocks is a positive development that increases the number and range of affordable houses.

Page 50

Finding 9

For tenants to transition successfully to new forms of housing they need to receive a range of non-housing support services at transition points. Existing support services are inadequate for transitions to occur successfully.

Page 55

Finding 10

The Western Australian community housing sector is significantly fragmented, with some 300 community housing providers managing about 3,000 properties. This reduces the sector's financial viability, its operational efficiency and increases its risk profile. The Department of Housing is currently encouraging amalgamations of associations in this sector.

Page 59

Finding 11

Government regulation, of itself, does not ensure that the private sector finances the community housing market. However, it is seen by the State Government as an essential prerequisite to grow this sector.

Page 59

Finding 12

There is a significant amount of existing aged care regulations used by local government and aged care providers. Any new system to regulate the community housing sector in Western Australia should not overlap these existing regulations.

Page 60

Finding 13

The wide number of legal agreements required at a project and program level provides a complex background to the operations of community housing associations that inhibit their ability to respond to market conditions and are expensive to comply with.

Page 64

Finding 14

In the United Kingdom the private sector financing of community housing associations has evolved over the past 20 years without explicit government guarantees, although a robust regulatory framework provides implicit government support for their operations.

Page 66

Finding 15

The Australian community housing sector has raised funds through the private finance sector to leverage its asset base and support their capital requirements. The subsequent 'loan to value ratios' are conservative and in some cases there is an implicit government support for these borrowings.

Page 67

Finding 16

Private sector lending to community housing associations is not a simple process as financial institutions can be wary about developing new customers in this sector. Their issues of concern relate to a lender's prudent allocation of capital, their loan to value ratios and their interest coverage ratios.

Page 74

Finding 17

The State's Redevelopment Authorities have provided a model of stream-lined planning that provided strong outcomes in terms of the efficient redevelopment of land and the financial, social and environmental returns to Western Australia.

Page 79

Finding 18

Undeveloped land in Western Australia is relatively plentiful. In the metropolitan region much of the land zoned urban or urban deferred remains undeveloped. About 25,000 subdivided and undeveloped lots are being withheld from the market in the Perth region by developers.

Page 82

Finding 19

The development industry believes that over the past decade there has been a rapidly increasing cost to develop a housing lot because of greater environmental scrutiny and engineering inputs. The reduction in lots being brought to market and the impact of these additional costs has ensured that the price of land has added to the total cost of an average new home in Perth.

Page 85

Finding 20

There are significant delays in Western Australia in obtaining planning approvals for new housing subdivisions. Some sections of the State's development and construction industry attribute these delays as the main reason for the rising costs of residential development and consequent decrease in housing affordability.

Page 87

Finding 21

The ‘lead agency’ reforms to the planning processes proposed in the Department of Planning’s *Blueprint for Planning Reform* have been implemented. However, some departments retain structures and approaches used before the reforms. As a consequence, there are still impediments to State agencies working effectively in a whole of government approach.

Page 88

Finding 22

In addition to the direct costs associated with the development process, there are also significant financial costs associated with delays experienced in securing planning approval. These costs not only impact on the affordability of housing products but in some circumstances may affect the viability of a project. This leads to longer-term housing supply constraints.

Page 91

Finding 23

Western Australia’s planning processes are designed to respond to various environmental, infrastructure and community concerns. However, the basic planning processes for land development are substantial and increasingly complex. This leads to significant delays that can be at odds with a State Government policy to deliver affordable homes.

Page 92

Finding 24

While noting the broader State and national agendas for reform to reduce ‘red tape’, there has been limited progress made in achieving simplicity and consistency in the State’s planning processes. The newly established Development Assessment Panels, which became operational in July 2011, may resolve some of these issues.

Page 93

Finding 25

The Department of Planning’s proposed electronic lodgement system would significantly enhance the planning approval process by allowing approving agencies to operate in parallel rather than sequentially. This has the potential to significantly reduce the time taken for approvals and reduce the delays in delivering new lots to the housing market.

Page 100

Finding 26

In Western Australia there is a significant increase in construction costs for multi-storey developments compared to detached housing. There is also a difference between multi-storey construction costs in Western Australia compared to the Eastern States which seems to be due to a lack of expertise in building these developments in this State.

Page 101

Finding 27

The Committee is not certain of the reasons for the difference in multi-storey construction costs in Western Australia compared to the Eastern States but it seems to be a mixture of higher finance costs, lack of suitable trades and the culture of the State's development industry. This issue needs further investigation by the State Government.

Page 103

Finding 28

Additional environmental considerations added to building and development requirements over the past 20 years have added to the cost of a building a typical house and affected housing affordability. However, these requirements can lower the on-going costs of living in these houses.

Page 106

Finding 29

There are a range of alternative construction methods to produce homes in Perth but until they are more widely accepted they will not produce economies of scale that will result in a significant cost-saving in the short-term to low to medium-income families.

Page 115

Finding 30

Ancillary dwellings in the form of 'Fonzie flats' and 'granny flats' represent an opportunity to provide more flexible and diverse accommodation to meet the challenge of housing affordability for single-person households. However, some local governments apply restrictive planning practices to the development of this type of accommodation.

Page 117

Finding 31

Planning requirements by some local government authorities that exceed those required by State legislation and contribute to delays in processing applications as well as impacting on the cost to developers of a house and the final purchaser.

Page 119

Finding 32

The on-line delivery of services is a growing expectation of the Western Australian community. Paperless transactions for development applications provide administrative benefits for local government authorities as well as the applicant, and increase the efficiency of the overall development process.

Page 120

Finding 33

Comprehensive population research by the Departments of Treasury and Planning would assist local government authorities by providing authoritative data for their own planning activities.

Page 121

Finding 34

There is a limited capacity for local government authorities to collect accurate population and income data that would inform their future housing strategies.

Page 127

Finding 35

Western Australian local governments are currently restricted by section 6.21 of the *Local Government Act 1995* from borrowing against the value of their land to fund their share of an affordable housing development project.

Page 130

Finding 36

Local government authorities are in a position to both facilitate, and to advocate for, social and affordable housing developments to cater for their residents' transition through the housing continuum.

Page 135

Finding 37

Regional local government bodies have the potential to collaborate in service provision projects using the mechanisms provided by the Department of Local Government in its discussion paper *Regional Local Government Entities, Models for Regional Collaboration in Remote Areas*.

Page 136

Finding 38

Regional and rural local governments often struggle to ensure that their residents have access to a comprehensive range of social services. Councils can enhance the sustainability and affordability of their community through better planning; by partnering with and attracting service providers to come to their region.

Page 141

Finding 39

The data on actual waiting times for people on the Department of Housing's waiting list is not readily available.

Page 143

Finding 40

The waiting time for public housing in the State's regions can be longer than in the metropolitan area. The State's *Affordable Housing Strategy 2010-20* focuses primarily on the metropolitan area and this could see unmet housing needs in regional areas increase further.

Page 150

Finding 41

The shortages of water and power supplies in the Pilbara impacts on residential developments.

Page 158

Finding 42

The population of Western Australia is rapidly ageing. Research demonstrates the relationship of providing adequate housing and access to other services to the health and well being of older people. The provision of affordable housing which facilitates both independent living and the delivery of home-based care for older residents is a priority.

Page 159

Finding 43

Research shows that about 10% of older Australians who own their own homes in 2002 were forced into the rental market over a five year period. Once there, they are far more likely to need permanent housing assistance program. This has profound ramifications to the future need for housing assistance programs as Western Australia's population ages.

Page 159

Finding 44

A person's core physical activities are constrained as they age. This increases the need for accommodation support services and is one factor leading people to downsize their accommodation.

Page 162

Finding 45

There are financial disincentives facing older Australians who wish to downsize. One of these is the State Government's stamp duty.

Page 167

Finding 46

Federal funding is being diverted from low-care facilities to high-care facilities and this means that the residential care industry is forced to service only those people with high-care needs. This places pressure on community services providing low-care services to aged people in their homes. At the same time there are financial limits on the residential sector that limits their ability to meet the growing demand for residential accommodation.

Page 172

Finding 47

The future development of efficient methods of service delivery to seniors who wish to 'age in place' relies on a more effective relationship between the State's health, community services and housing departments.

Page 184

Finding 48

Integrating social, clinical, support and housing services is a widely-used intervention for homeless people with a history of mental illness, substance abuse and complex needs. This approach has demonstrated significant cost savings to service delivery agencies and has proved to be an effective means of re-integrating families and individuals into the community.

Page 186

Finding 49

There is a significant shortfall in Western Australia in the availability of accommodation and other support services for those who have moderate, severe and profound disabilities. Only a small number of disabled people gain access to supported housing services despite significant funding increases over the past 20 years.

Page 187

Finding 50

The provision of accommodation, employment and support services are key parts of a strategy to reduce recidivism in Western Australia. The current access to accommodation and support services for ex-offenders through the public or private rental market is very limited due to a broad range of psychosocial, health and financial reasons.

Page 189

Finding 51

Adequate supported housing for people with chronic mental illness remains a major gap in the State's community-based care sector. A significant number of those with mental illness do not receive this support and it is particularly important for those who are recently discharged from hospitals.

Page 189

Finding 52

There is a need in Western Australia to establish more long-term, step-up and step-down community-based accommodation for people with mental illness that are linked with clinical and psycho-social supports and rehabilitation services.

Page 190

Finding 53

The State's current needs assessment for accommodation services for those with a mental illness uses the existing services as the basis of future planning. There is a limited assessment of the actual level and nature of need for the care of people with mental illness.

Page 191

Finding 54

The 2011-12 State Budget has provided increased funding for services funded by the Mental Health Commission and 100 additional social houses for the mentally ill.

Page 192

Finding 55

The Department of Housing's *House 2 Home* pilot program in Roebourne is a repeat of successful 'in-house' support programs that have previously been operating in a small number of locations around Western Australia. There is a need to move this pilot program into an embedded continuing program of government responding to the needs of tenants who are having difficulties maintaining their tenancies.

Page 192

Finding 56

There is a deficit of affordable supported accommodation options for social housing applicants.

RECOMMENDATIONS

Page 16

Recommendation 1

The Minister for Housing ensure that by its 2011-12 Annual Report, the Housing Authority include estimates of housing affordability measures (such as an estimate of future population, housing prices, average income and mortgages) and the expected size of the State's wait list, the average waiting time and the number of applicants for the Budget 'out-years'.

Page 27

Recommendation 2

The Minister for Housing report to Parliament the impediments to the Department of Housing completing the 130 unimplemented recommendations of the Equal Opportunity Commission's *Finding a Place* report from 2005.

Page 34

Recommendation 3

The Minister for Housing report to Parliament by March 2012 on which of the 56 recommendations made by the Social Housing Taskforce in June 2009 will be supported by the State Government to ensure the completion of 20,000 new social houses by 2020.

Page 37

Recommendation 4

The Minister for Housing amend the *Affordable Housing Strategy 2010-20* to establish affordable housing quotas on green-field developments and large redevelopment sites.

Page 37

Recommendation 5

The Minister for Planning establish affordable housing quotas on all green-field developments and large redevelopment sites and include the quotas into the *Planning and Development Act 2005* by December 2012.

Page 38

Recommendation 6

The Minister for Regional Development and Lands should complete the assessment of the feasibility of a 'land rent' scheme in Western Australia.

Page 41

Recommendation 7

The Minister for Housing report to Parliament every six months as to how many affordable homes have been provided to new households via shared equity schemes under the State's *Affordable Housing Strategy 2010-20*, and how many foreclosures there have been in that period.

Page 55

Recommendation 8

The Minister for Housing in the 2012 Budget provide further incentives to encourage the consolidation of the community housing sector to help it achieve a critical mass and assist it realise economies of scale.

Page 60

Recommendation 9

The Minister for Housing, in consultation with the State's community housing providers, review and simplify the existing legal requirements for new housing projects by June 2012.

Page 68

Recommendation 10

The Treasurer and the Minister for Housing report to Parliament by June 2012 on the provision by the Department of Housing of a default guarantee to third party lenders to the State's community housing sector to assist it develop new social housing.

Page 80

Recommendation 11

The State Government investigate the feasibility of requiring developers to release developed lots within a specific timeframe, such as a differential land tax regime on long-term unimproved land.

Page 91

Recommendation 12

The Minister for Housing place statutory time frames on referral agencies by June 2012 to ensure that the necessary approvals and subdivision works are complied with in time to meet lot supply targets.

Page 93

Recommendation 13

In light of the Department of Planning's proposed electronic lodgement system's potential to assist in making land more affordable, the Treasurer report to Parliament by May 2012 on the project's funding.

Page 98

Recommendation 14

The Treasurer and Minister for Housing report to Parliament by June 2012 on the suitability of programs such as tax increment financing (TIF) in the Western Australian context to pay for infrastructure in new developments and assist bringing them to market more quickly.

Page 101

Recommendation 15

The Minister for Housing encourage the Department of Housing to underwrite future projects similar to its joint venture with Goodland Properties in Success to assist develop industry skills in Western Australia with alternative housing construction methods and give confidence to developers.

Page 106

Recommendation 16

The Department of Housing take a leading role in using a broader range of construction methods in their projects to help reduce the cost of house construction to the State's wider housing development sector.

Page 107

Recommendation 17

The Minister for Planning use the shortage of suitable sand for buildings in Perth to encourage local government authorities to allow developers to use S-class and below lots to assist in developing more affordable housing products.

Page 110

Recommendation 18

The Treasurer undertake by December 2012 a broad review of State-based property taxes and bring proposed changes to Parliament. The review should examine stamp duty and land tax revenue with an aim to have a more equitable and efficient system.

Page 115

Recommendation 19

The Minister for Planning amend the State's R-Codes by June 2012 to allow ancillary dwellings to be occupied by tenants who do not have a family connection in the main dwelling, and that such arrangements be formalised under the *Residential Tenancies Act 1987* to protect tenants.

Page 117

Recommendation 20

The Ministers for Planning and Local Government require that local councils do not impose requirements greater than that contained in the State's standard planning processes.

Page 118

Recommendation 21

The Minister for Commerce amend section 374(2b) of the *Local Government (Miscellaneous Provisions) Act 1960* by June 2012 so that development applications to local government authorities be deemed to be approved if a decision has not been provided within the scheduled time frame.

Page 119

Recommendation 22

The Minister for Planning provide funds in the 2012-13 Budget to assist local government authorities establish an online application portal for their building applications.

Page 121

Recommendation 23

The Ministers for Housing and Planning assist the planning needs of local government authorities by providing more up to date population projections to identify their communities' future housing.

Page 127

Recommendation 24

The Minister for Local Government amend section 6.21 of the *Local Government Act 1995* by June 2012 to allow Western Australian local governments to borrow against the value of their land to fund their share of an affordable housing development project.

Page 131

Recommendation 25

The Minister for Local Government require all local governments to complete a needs analysis by December 2012 to determine the appropriate level of social and affordable housing that would allow their residents to remain connected to their community.

Page 141

Recommendation 26

The Minister for Housing table in Parliament by March 2012 the raw data on the State's waiting list and waiting times, including all State regions, not just the average figures. This data should also be published on the Department of Housing's web site every six months.

Page 143

Recommendation 27

The Minister for Regional Development provide funds in the 2012-13 Budget from the Royalties for Regions program for a pilot program in Halls Creek to build 100 transportable houses to reduce the waiting list for public housing.

Page 150

Recommendation 28

The Minister for Housing amend the *Affordable Housing Strategy 2010-20* by June 2012 to include a specific target to increase the number of regional GROH houses to be constructed by 2020 based on current and future projected need, and the Minister ensure that sufficient funding is included in the Department's budget to meet this target.

Page 151

Recommendation 29

The State Government release funds for the provision of water and power to meet the needs of the Pilbara communities.

Page 162

Recommendation 30

The Treasurer in the 2012-13 State Budget provide stamp duty exemptions for retirees who are downsizing their primary residence.

Page 172

Recommendation 31

The Ministers for Health, Seniors and Volunteering, and Housing in conjunction with WALGA develop by June 2012 a joint discussion paper on how the State and local governments can meet the future health and housing demands of an ageing population in a cost-effective way.

Page 187

Recommendation 32

The Minister for Housing ensure that the Department of Housing funds specialist Registered Providers, such as Outcare Incorporated, to provide transitional housing options for ex-offenders. This would be conditional on the recipient agency's clients receiving support services as well as accommodation.

Page 191

Recommendation 33

The Ministers for Housing and Mental Health undertake a review by June 2012 and report to Parliament on the actual level and nature of accommodation and support service needs of Western Australians with mental illness.

Page 192

Recommendation 34

The Minister for Housing provide funds in the 2012-13 Budget to mainstream the *House 2 Home* program throughout the State.

Recommendation 35

The Committee recommends that the State Government increase the number of supported accommodation units to meet the needs of tenants moving into education, training and employment opportunities. These units are required for applicants moving from situations of dysfunction, people with disabilities, with mental health issues, and released from prison.

MINISTERIAL RESPONSE

In accordance with Standing Order 277(1) of the Legislative Assembly, the Community Development and Justice Standing Committee directs that the Minister for Housing, Treasurer, Minister for Local Government, Minister for Regional Development and Lands, Minister for Health, Minister for Planning, Minister representing the Minister for Mental Health, Minister representing the Minister for Seniors and Volunteering and the Minister representing the Minister for Commerce report to the Assembly as to the action, if any, proposed to be taken by the Government with respect to the recommendations of the Committee.

CHAPTER 1 THE AFFORDABLE HOUSING DREAM

1.1 Background to Public Housing in Australia

(a) Early history of government assistance

Access to housing, like the provision of food and water, is a basic human need.¹ Affordable housing is an essential component of the maintenance of a cohesive society and an integral factor in a resident's enjoyment of their economic, social and cultural rights.² All Australian governments have provided some form of assistance to their residents since the *Commonwealth Housing Act* of 1928 provided for housing loans to facilitate home ownership by low to moderate income groups.³

The 1945 Commonwealth–State Housing Agreement (CSHA) marked the beginning of social housing in Australia. It followed the establishment of a Housing Commission in 1943 to examine Australia's post-war housing issues and recommend solutions. The report set out a national target of constructing 80,000 social housing dwellings per year. The Federal Government assumed the major financial responsibility for the social housing sector on account of its superior revenue raising capacity. State governments had direct responsibility for constructing and managing public housing.⁴

The first State Housing Authorities (SHAs) were established in the 1930s. The Tasmanian Government allowed its Agricultural Bank to establish a separate housing division in 1935 and the Western Australian Government established a Housing Commission in 1946.⁵

(b) Drop in Federal funding until 2008

After growing each year since 1946, Figure 1.1 below shows that all Federal Governments since 1973 reduced by 50% the number of public housing dwelling starts that they funded each year over their period in government. By the time of the 2007 Federal election, the Federal government was funding about 3,000 new public housing starts a year, compared to nearly 20,000 per annum 30 years earlier. In contrast, private sector housing starts remained at about 140,000 to 160,000 per annum during this time.

¹ Australian Industry Commission, 'Public Housing: Volume 1- Report', 11 November 1993. Available at: www.pc.gov.au/__data/assets/pdf_file/0003/6960/34public.pdf, pxv. Accessed on 18 July 2011.

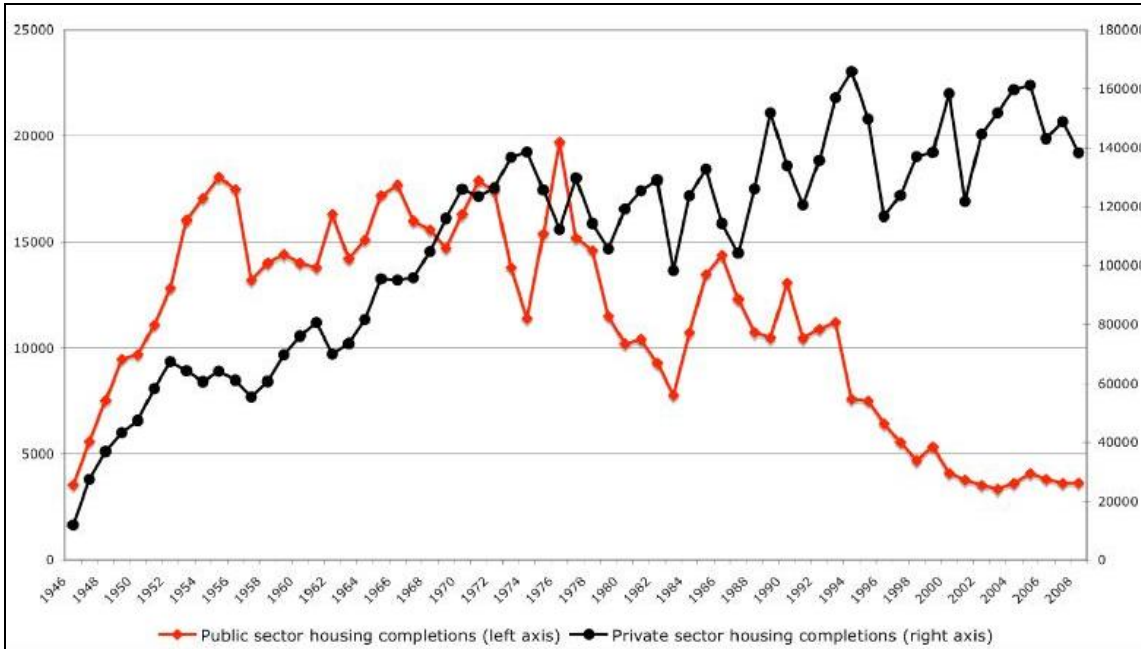
² See article 25 of the Universal Declaration on Human Rights, and article 11 of the International Covenant on Economic, Social and Cultural Rights.

³ Ms Lucy Groenhart, (2010) *Evaluating Social Housing Policy: A Wicked Problem?*, University of New South Wales, Sydney, p51.

⁴ Ibid.

⁵ Ibid, pp53-55.

Figure 1.1- Australian annual public and private sector dwelling completions (1946-2008)⁶



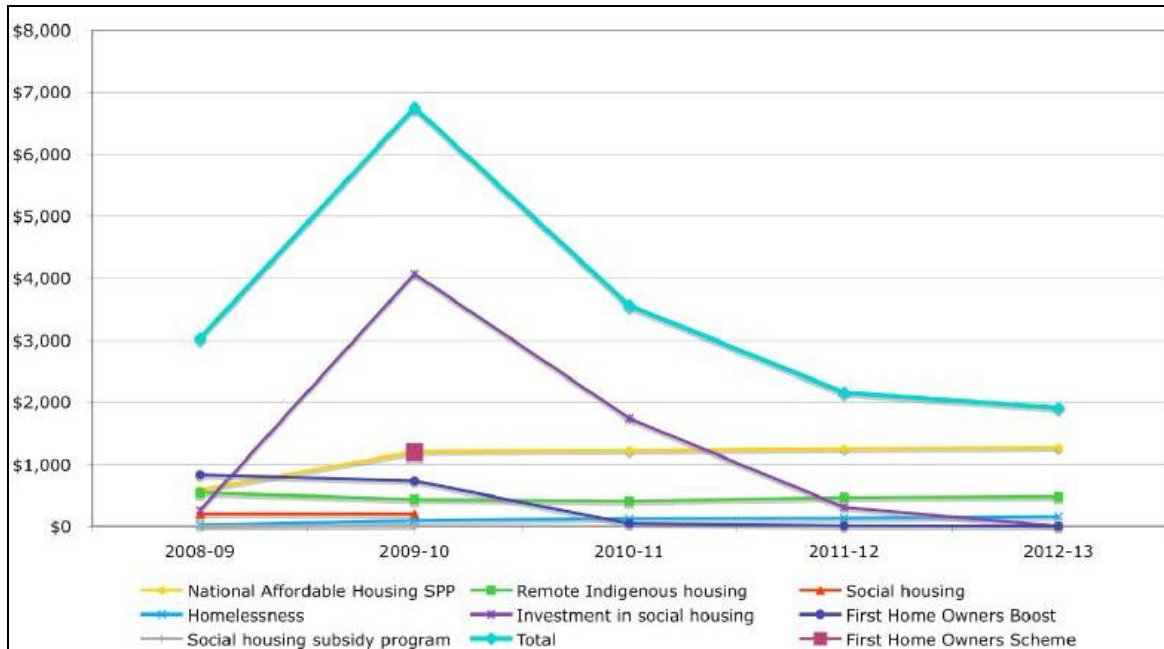
Between 1985-89, the Hawke Government funded about 65,000 new public houses and the total public stock grew from 273,000 to 338,000 dwellings. During 1984-85 the budget for CSHA public housing was over \$1 billion while less than \$235 million was provided for Commonwealth Rental Assistance (CRA). The Keating Government altered this priority and boosted CRA funding so that it was about one and half times the CSHA budget by 1994-95. CRA recipients nearly doubled to 931,500. This reliance on the private rental market to reduce housing waiting lists was continued by the Howard Government. The number of public stock dropped from 388,000 in 1995 to 335,000 in 2005. The CRA budget grew to \$1.9 billion in 2003-04 while the CSHA budget dropped by 54% to \$1.3 billion.⁷

Federal and state arrangements for social and public housing were altered in July 2008 by the introduction of the *National Rental Affordability Scheme Act 2008*. The National Affordable Housing Agreement (NAHA) replaced the CSHA in January 2009. Figure 1.2 shows the funding boost provided by the Rudd Federal Government in 2008 to affordable housing projects as one response to the global financial crisis. Its investment in social housing provided the majority of this increase.

⁶ Dr Tony Dalton, 'New Developments in Housing Policy', paper presented at the Brotherhood of St Laurence Seminar, Melbourne, 29 October 2009.

⁷ Dr Alan Morris, 'Victims of a Flawed Policy: Older Private Renters Battling to Survive in Sydney', paper presented at the 4th Australasian Housing Researchers Conference, Sydney, 5-7 August 2009.

Figure 1.2- State payments to support affordable housing projects (\$ mill) (2008-13)⁸



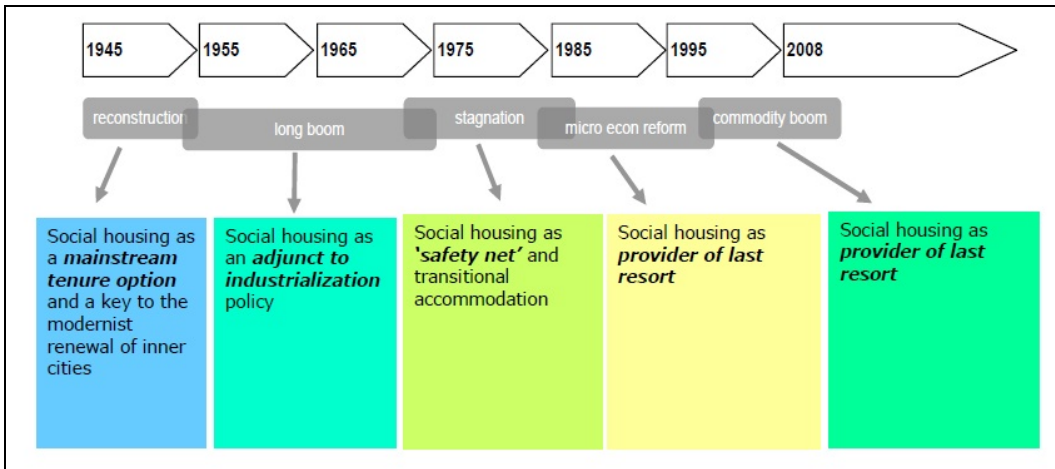
A 2011 review of the public housing sector found “that there was a narrative that public housing in Australia is an unsuccessful endeavour”, and this view was used to justify reduced funding for the sector. Efforts to lobby for additional funding have been unsuccessful and the public view of the system is of “poorly maintained dwellings and socially problematic households.” Across Australia public housing funding and the number of dwellings has reduced. The effects of welfare targeting meant that public housing had become ‘residualised’ and now mainly housed the disadvantaged who were reliant on welfare incomes and other social services.⁹

This change in role for social housing since the commencement of the Commonwealth–State Housing Agreement in 1945 is illustrated in Figure 1.3 below.

⁸ Ibid.

⁹ Australian Housing and Urban Research Institute, ‘What Future for Public Housing?’, February 2011. Available at: www.ahuri.edu.au/publications/download/rap_issue_135, pp2-3. Accessed on 18 July 2011.

Figure 1.3- Changes to role of social housing since 1945¹⁰



1.2 A Rapidly Developing Problem in Western Australia

(a) Waiting list data

Home ownership is ‘the great Australian dream’ for most Australians. In August 2001, 4.6 million (69%) Australian households owned their dwellings.¹¹ In 2008, about 67.8% of Western Australian residents owned or were buying their house, 23.7% were in private rental accommodation and just 4.3% were housed by the State Government.¹²

The reduced ability of Western Australians to purchase their own homes over the past five years is one of the chief factors behind a large increase in the public waiting list in this State. The failure of the State’s private housing market to provide options for people on low to moderate incomes required the Government to intervene to assist residents in need of affordable housing.

The current pressures in the State’s social housing program can be traced back to the experiences in 2006-07 (see Table 1.1 below). In that year the waiting list and average waiting time jumped 12% while the median waiting time increased nearly 20% and the number of housing assists provided by the Department of Housing dropped 20% compared to the previous year. Up until

¹⁰ SGS Economics & Planning, ‘A Vision and Plan for Social Housing in Australia’, July 2009. Available at: <http://inara.instanthosting.com.au/~powe2023/uploads/file/20082507-%20final%20report.pdf>, p6. Accessed on 18 July 2011.

¹¹ Australian Bureau of Statistics, ‘4102.0 - Australian Social Trends, 2003’, 3 June 2003. Available at: www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aecca25706c00834efa/3176be0eaf1bd1aca2570ec0000eadf!OpenDocument. Accessed on 18 July 2011.

¹² Australian Bureau of Statistics, ‘4102.0, Australian Social Trends, Data Cube - Housing’, 14 December 2010. Available at: [www.ausstats.abs.gov.au/ausstats/subscriber.nsf/LookupAttach/4102.0Data+Cubes-14.12.107/\\$File/41020_housing_indicators_2010.xls#Table 2.5!A1](http://www.ausstats.abs.gov.au/ausstats/subscriber.nsf/LookupAttach/4102.0Data+Cubes-14.12.107/$File/41020_housing_indicators_2010.xls#Table 2.5!A1). Accessed on 18 July 2011.

then, the waiting time had slowly increased while the waiting list was approximately the same as when the ALP came into government in 2001.

During 2006-08, the Carpenter Government reduced the number of housing assists by over 25%. This put even greater stress on those needing assistance. The waiting list data worsened further in 2007-08 despite the Department of Planning submitting to the Committee that there were then 35,000 vacant residential lots in Perth— 40% more than there had been in 2000.¹³

Table 1.1- Changes in public housing data for Australian Labor Party Governments (2001-08)¹⁴

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change (2001-08)
Waiting List (applications)	15,456	14,194	12,981	12,788	13,125	13,780	15,438	16,932	+9.5%
Average Waiting Time (weeks)	63	65	64	65	73	74	83	83	+31.7%
Median Waiting Time (weeks)	32	33	36	34	39	46	55	53	+65.6%
Housing Assists[#]	24,531	25,456	25,046	23,659	22,348	18,537	14,991	16,382	-33.2%

[#]Includes the number of public rental occasions, bond assistance loans, approved home loans and land sales.

Despite the current Liberal/National Party Government increasing the number of housing assistances by more than a third between 2008 and 2010, there has been a dramatic increase in the size of the waiting list and the average waiting times, as reported in the Department's most recent annual report (see Table 1.2 below). The number of applications on the waiting list in June 2010 was nearly twice that of the 12,879 in 1999-2000.¹⁵ The 16,555 housing assists in 2010-11 was about 33% less than the 24,308 provided by the Department in 1999-2000.

¹³ Submission No. 39 from the Department of Planning, 15 June 2011, p5.

¹⁴ For the current and past annual reports see- Department of Housing, 'Annual Reports'. Available at: www.dhw.wa.gov.au/585_420.asp. Accessed on 18 July 2011.

¹⁵ State Housing- Commission, 'Annual Report 2002-03', nd. Available at: www.dhw.wa.gov.au/Files/about_annrep03.pdf, p68. Accessed on 18 July 2011.

Table 1.2- Summary of public housing data for the Liberal/National Party Government (2008-11)¹⁶

	2007-08	2008-09	2009-10	2010-11	Change
Waiting List (applications)[#]	16,932	21,728	24,136	24,559*	+40.9%
Average Waiting Time (weeks)	83	91	93	113	+36.1%
Median Waiting Time (weeks)	53	63	72	91	+71.7%
Housing Assists	16,382	19,431	22,378	16,555	+1.1%

[#] As at June previous financial year.

* Target for 30 June 2010.

The Minister for Housing, Hon Mr Troy Buswell, told Parliament that the waiting list in August 2011 “is now down to about 22,900. It is still too high but it is almost 2,000 lower than at its peak in November 2010.”¹⁷ This figure includes 23,158 children and dependents (as at 31 July 2011). The priority waiting list had 3,166 applicants on it, including 3,629 children and dependents.¹⁸

There were 35,950 public rental properties managed by the Housing Authority in 2010. This was an increase of just 203 in the eight years of the previous Government. The public housing stock has increased by nearly 3,000 in the first three years of the Liberal/National Party Government as new Federal housing funds provided to the State Government amounted to about \$1 billion in that time.¹⁹ The total number of Housing Authority properties grew from 38,730 in 2000 to 41,562 in 2010 (see Appendix Seven).

The Real Estate Institute of Western Australia told the Committee “it seems to us that building public housing dwellings is a bit of a no-win situation; there is no capital and no-one wants to do it.”²⁰

¹⁶ Department of Housing, ‘2010-11 Annual Report’, 2011. Available at: www.housing.wa.gov.au/HousingDocuments/authority_10_11_annual_report.pdf, p148 & p150. Accessed on 5 October 2011.

¹⁷ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 30 August 2011, p6335.

¹⁸ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 8 September 2011, p7147.

¹⁹ Ibid, pp82-83.

²⁰ Mrs Anne Arnold, Chief Executive, Real Estate Institute of Western Australia, *Transcript of Evidence*, 22 June 2011, p4.

As at 30 May 2011, the following vacancies existed in public housing properties:

- 140 (0.4%) available for allocation;
- 34 (0.1%) available for community housing; and
- 276 (0.8%) unavailable due to maintenance.²¹

The Department of Housing's annual budget includes funds sourced from Federal Government programs, allocations from the State Government and their own source revenue from rent and the sale of land and properties. The Department has sold some properties recently that "have had high land values that have allowed them to build more public housing."²²

The 2011 Budget expected a further increase in the estimated average waiting time from 96 weeks in 2010-11 to 108 weeks.²³ The Minister for Housing told Parliament that as at April 2011 the average waiting time for those on the priority waiting list was 103 weeks. The average waiting time varied between 118 weeks in the south east metropolitan region and 70 weeks in the Wheatbelt. Some non-priority applicants wait six or seven years for particular housing needs.²⁴ The proportion of applicants waiting more than five years has risen dramatically from 2% in 2005-06 to 10.4% in 2010-11.²⁵

The 2011-12 Budget for the Housing Authority was reduced by about \$150 million in, mainly Federal, rental housing funds.²⁶ At the 2011 Budget estimates hearing the Director General told Parliament that the reduction of \$240 million in Federal stimulus funds was offset by an increase in State funds of:

...\$43.5 million for Disability Services Commission housing. There is \$46.5 million for Mental Health Commission housing. There is \$12.8 million for intermediate care units at Joondalup and Rockingham for the Mental Health Commission. There is \$8.5 million for

²¹ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 17 August 2011, pp69-70.

²² Mr Rodney Whithear, Executive Director, Strategic Policy and Evaluation, Department of Treasury, *Transcript of Evidence*, 22 August 2011, p2.

²³ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Estimates, 2 June 2011, p458.

²⁴ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Estimates, 2 June 2011, p460.

²⁵ Department of Housing, 'Housing Authority: 2010-11 Annual Report', 2011. Available at: www.housing.wa.gov.au/HousingDocuments/authority_10_11_annual_report.pdf, p150. Accessed on 5 October 2011.

²⁶ Department of Treasury, 'Part 13 - Minister for Transport; Housing: Division 58 Housing Authority', 19 May 2011. Available at: www.treasury.wa.gov.au/cms/uploadedFiles/State_Budget/Budget_2011_12/12_part_13_housing_authority.pdf, pp703-704. Accessed on 18 July 2011.

*the Drug and Alcohol Office, and there is \$33 million for staff accommodation at Derby for the Department of Corrective Services for the new prison.*²⁷

The State Government funds for the Department of Housing budget reached a maximum of \$601.2 million in 2008-09 but were just \$196 million in 2010-11. They are expected to fall to only \$73.3 million in 2014-15.²⁸

One area where the State Government has boosted its funding for housing is the First Home Owner Grant Scheme. The Minister representing the Treasurer in the Legislative Council told Parliament that since 2000 over \$1.6 billion had been provided in grants, with \$356 million received from the Federal Government. The information for 2000-11 for this Scheme is provided in Appendix Ten.²⁹

The rapid rise since 2006 in the State's waiting list, and waiting times for public housing, occurred while State Governments have recorded over \$11.6 billion in surpluses since 2001 (see Table 1.3 below). State Governments allocated these surpluses to debt reduction and major projects such as the Fiona Stanley Hospital, desalination plants and the southern railway, but not to new public housing projects.

Table 1.3- Western Australian Net Operating Balance (or budget surpluses) (2001-11)³⁰

	2001-02 (\$mill)	2002-03 (\$mill)	2003-04 (\$mill)	2004-05 (\$mill)	2005-06 (\$mill)	2006-07 (\$mill)	2007-08 (\$mill)	2008-09 (\$mill)	2009-10 (\$mill)	2010-11 (\$mill)	TOTAL (\$mill)
NOB	197	254	799	1,192	2,265	2,254	2,507	318	290	1,600	11,676

The Director General of the Department of Housing told the Committee that at the end of 2010 the applications for housing represented about 55,200 individuals, or about 4,400 more than in late 2009. About 16,000 of the applications could be satisfied by one or two-bedroom apartments for about 3,300 senior singles, 800 senior couples, and 7,000 other singles.³¹ Just over 11,000 of the applications are for 'family' accommodation.³²

²⁷ Mr Grahame Searle, Director General, Department of Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Estimates, 2 June 2011, p458.

²⁸ Hon Mr Christian Porter, Treasurer, Letter, 7 September 2011.

²⁹ Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Questions Without Notice, 7 September 2011, p6879.

³⁰ Department of Treasury, 'Previous Budgets', nd. Available at: www.ourstatebudget.wa.gov.au/. Accessed on 18 July 2011.

³¹ Mr Grahame Searle, Director General, Department of Housing, *Transcript of Evidence*, 28 January 2011, pp5-6.

³² Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Estimates and Financial Operations, 14 June 2011, p16.

The Director General told an industry briefing that the cost of housing all of those on the waiting list would be about \$7 billion and this was why the State Government was engaging the private sector and the community housing associations in its new strategy.³³

The demand in 2010 for public housing in Western Australia, as measured by the number of applications on the public and Indigenous waiting lists, put the State ratio per 1,000 residents higher than all Australian jurisdictions, other than South Australia and the Northern Territory (see Table 1.4 below). This is despite Western Australia having the smallest proportion of its population in the lowest socio-economically classification of any Australian jurisdiction.³⁴

Table 1.4- Public housing waiting list data for Australian jurisdictions (30 June 2010)

	Population (000s) ³⁵	Waiting List Applications ³⁶	Applications per 1,000 Population
Western Australia	2,317	26,525	11.4
NSW	7,272	62,619	8.6
Victoria	5,586	50,716	9.1
Queensland	4,549	30,593	6.7
South Australia	1,650	27,114	16.4
Tasmania	509	3,860	7.6
ACT	362	2,479	6.8
Northern Territory	230	3,163	13.8

The move over the past 20 years to building fewer new public housing has meant that governments have had to rely on the private sector to build affordable homes. This reliance on the private sector looks to continue under the current State Government. Housing Minister Troy Buswell was quoted in the media saying “We need to get away from the traditional model where

³³ Mr Grahame Searle, Director General, Department of Housing, *Industry Briefing*, 26 July 2011.

³⁴ Council of Australian Governments, ‘National Affordable Housing Agreement: Baseline Performance Report for 2008-09’, 30 April 2010. Available at: www.coagreformcouncil.gov.au/reports/docs/affordable_housing_agreement_report_2008-09_exec_summary.pdf. Accessed on 7 September 2011.

³⁵ Australian Bureau of Statistics, ‘3101.0 - Australian Demographic Statistics, Dec 2010’, 23 June 2011. Available at: www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/FBAC8C9AFBC52291CA25765100098272?opendocument. Accessed on 18 July 2011.

³⁶ Australian Institute of Health and Welfare, ‘Housing Assistance in Australia 2011’, 15 June 2011. Available at: www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=10737419156, p17. Accessed on 19 July 2011.

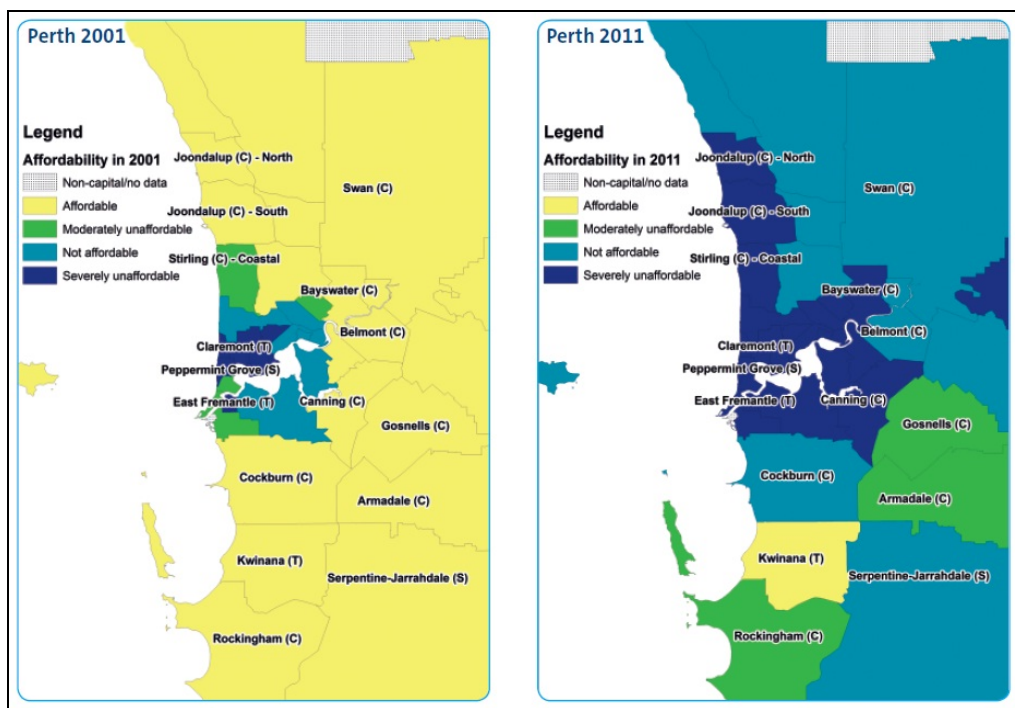
the State builds public housing, maintains public housing and looks after the tenants of public housing.”³⁷

Similarly, the Director General of the Department of Housing confirmed to an industry briefing on the State Government’s *Affordable Housing Strategy* that the ‘vast majority’ of the 20,000 new affordable homes to be built by 2020 would be sold as affordable housing, with only about 3,000 kept as new public housing.³⁸

(b) Affordable housing and ‘housing stress’

Affordability is not an inherent characteristic of housing but lies in the relationship between an individual’s income and their cost of housing. In 2011 nearly 90% of Perth houses were out of reach of its 46,000 key workers, such as police, teachers and nurses, who are on salaries of about \$60-70,000.³⁹ Figure 1.4 maps the changing affordability of Perth’s suburbs over the past decade.

Figure 1.4- Changes in house purchase affordability in Perth’s suburbs (2001-11)⁴⁰



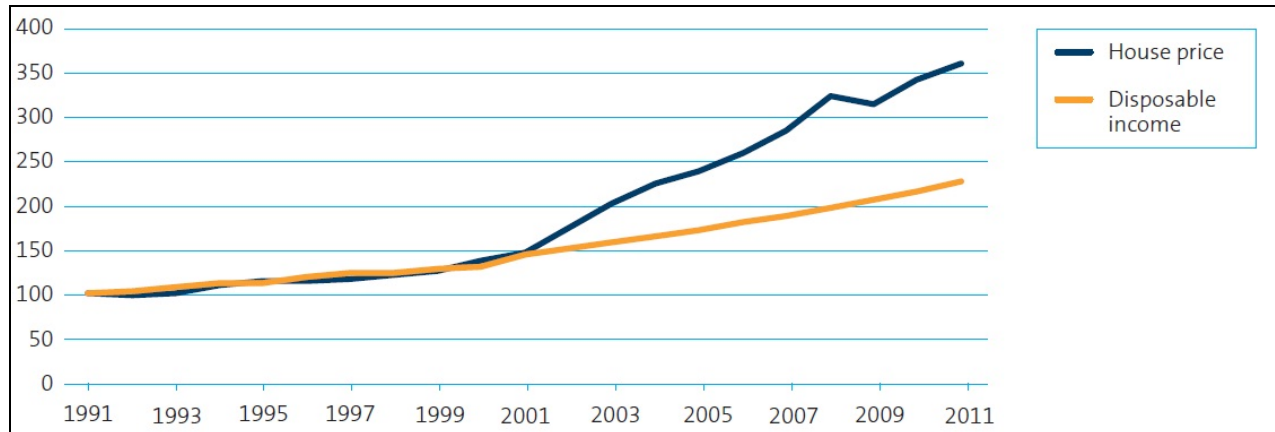
In Australia, the lack of affordability is reflected in the growing gap between income levels and house prices, as shown in Figure 1.5 below.

³⁷ Mr Peter Kerr, ‘WA Rethinks Public Housing’, *Australian Financial Review*, 31 January 2011, p6.

³⁸ Mr Grahame Searle, Director General, Department of Housing, *Industry Briefing*, 26 July 2011.

³⁹ Ms Kim McDonald, ‘Homes Out of Key Worker’s Reach’, *The West Australian*, 10 March 2011, p14.

⁴⁰ NATSEM, ‘The Great Australian Dream- Just a Dream?’, July 2011. Available at: http://media.corporate-ir.net/media_files/IROL/21/219073/AMP_NATSEM_Income_and_Wealth_Report_29_The_Great_Australia_n_Dream2.pdf, p19. Accessed on 24 August 2011.

Figure 1.5- Australian house prices and income (\$000s) trends (1991-2011)⁴¹

'Housing stress' is defined in this report as the number of households in the bottom 40% of income distribution which spend more than 30% of their income on housing.⁴² A recent media article reported that "every second home loan customer of peak working age is suffering mortgage stress, according to a study of Australia's mortgage belt."⁴³ In 2011, arrears on the home loans that back prime residential mortgage-backed securities (RMBS) climbed to their highest level since April 2009. Ratings agency Standard & Poor's said loans underlying Australian RMBS that were more than 30 days in arrears jumped to 1.59% in January 2011.⁴⁴

First Home Buyers (FHBs) have the greatest stress of any group with 60% of FHB households paying more than 30% of their after-tax income on housing and 17% spending more than 50%. FHBs have been hardest hit by the escalation in house prices. In 2001, the average FHB loan was \$131,000 but by 2011 this had more than doubled to \$280,000.⁴⁵

⁴¹ NATSEM, 'The Great Australian Dream- Just a Dream?', July 2011. Available at: http://media.corporate-ir.net/media_files/IROL/21/219073/AMP_NATSEM_Income_and_Wealth_Report_29_The_Great_Australian_Dream2.pdf, p3. Accessed on 24 August 2011.

⁴² Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf. Accessed on 9 June 2011.

⁴³ Mr Peter Taylor, 'Mortgage Stress Hits Home Loan Customers', 13 November 2010. Available at: www.heraldsun.com.au/businessold/mortgage-stress-grows/story-e6frfh4f-1225952903854. Accessed on 13 November 2010.

⁴⁴ AAP, 'Housing Shows Fresh Signs of Mortgage Stress', 5 April 2011. Available at: www.theage.com.au/business/housing-shows-fresh-signs-of-mortgage-stress-20110405-1cywz.html. Accessed on 5 April 2011.

⁴⁵ NATSEM, 'The Great Australian Dream- Just a Dream?', July 2011. Available at: http://media.corporate-ir.net/media_files/IROL/21/219073/AMP_NATSEM_Income_and_Wealth_Report_29_The_Great_Australian_Dream2.pdf, p8. Accessed on 24 August 2011.

Table 1.5- Relevant affordable housing benchmarks for Perth households (2010)⁴⁶

	Very-low Income	Low Income	Moderate Income
Income Benchmark	\$38,300 per annum	\$51,200 per annum	\$76,300 per annum
Affordable Rental Benchmark	<\$221 per week	<\$296 per week	<\$440 per week
Affordable Purchase Benchmark	<\$174,000 total price	<\$230,000 total price	<\$345,000 total price

The Household, Income and Labour Dynamics in Australia (HILDA) survey data from 2008 of about 4,000 households shows that about 25% of those in 'housing stress' are unable to pay their power bills on time and 13% went without meals (Table 1.6 below).

Table 1.6- Comparison of homeowners with 'housing stress' and without (2008)⁴⁷

Financial Stress Measure	Homeowners Not in Stress	Homeowners in Stress
<i>Prosperity</i>		
Feel prosperous/very comfortable	14.8%	6.5%
Reasonably comfortable	55.6%	33.3%
Just getting along	27.3%	45.9%
Feel poor or very poor	2.4%	14.3%
<i>Unable to pay bills</i>		
Could not pay electricity, gas or phone bills on time	10.9%	24.1%
Could not pay rent/mortgage on time	6.0%	16.0%
Went without meals	2.7%	13.2%
Unable to heat home	1.6%	7.3%

⁴⁶ Judith Stubbs & Associates, 'Achieving Affordable and Diverse Housing in Urban Regeneration Areas in Western Australia', Western Australian Planning Commission, Perth, April 2011, p5.

⁴⁷ Dr Steven Rowley *et al.*, (2011) *Do Traditional Measures of Housing Stress Accurately Reflect Household Financial Wellbeing?*, refereed proceedings of the 5th Australasian Housing Researchers Conference, University of Auckland, p8.

A recent National Centre for Social and Economic Modelling (NATSEM) report placed the proportion of Western Australian home buyers and renters in 'housing stress' in relation to other States (Table 1.7).

Table 1.7- Renters and home buyers in housing stress (2009-10) ⁴⁸

Jurisdiction	Renters in Housing Stress	First-home Buyers in Housing Stress	All Home Buyers in Housing Stress
NSW	27%	16%	12%
Victoria	24%	20%	11%
Tasmania	29%	18%	10%
Queensland	27%	15%	10%
Western Australia	23%	12%	9%
South Australia	26%	10%	9%

(c) The State's Affordable Housing Strategy 2010-2020

The State Government responded to the Social Housing Taskforce report in October 2009 with the *Housing 2020: Future Directions for Affordable Housing* report. This highlighted the proposed direction for addressing the affordable housing challenge in Western Australia over the next decade. The report proposed adopting an approach where future housing solutions are:

- Appropriate (to individual circumstances).
- Available (where and when they are needed).
- Affordable (within the means of low to moderate-income earners).⁴⁹

A more detailed outline of how the Department propose to meet the affordable housing challenge is included in Appendix Four.

The State's *Affordable Housing Strategy 2010-2020* is based on opening up the public system and establishing a "contestable environment for future resource allocation with not-for-profit (and private) housing providers".

⁴⁸ Australians for Affordable Housing, 'Housing Costs Through the Roof: Australia's Housing Stress', 25 October 2011. Available at: <http://housingstressed.org.au/wp-content/uploads/2011/10/Housing-costs-through-the-roof-Final-Report.pdf>. Accessed on 25 October 2011.

⁴⁹ Department of Housing, 'Housing 2020: Future Directions for Affordable Housing', October 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_2020.pdf, p3. Accessed on 21 July 2011.

The strategy includes what it calls four ‘system-changing outcomes’:

- (i) a stronger and larger social housing sector with better coordination between the public and community housing sectors;
- (ii) a larger, and more diverse, pool of affordable private rentals;
- (iii) an alternate housing market with new types of affordable housing; and
- (iv) greater encouragement and support for low and middle-income households to move along the housing continuum.⁵⁰

The Strategy aims to achieve its target of 20,000 additional affordable homes through:

- coordinated service delivery between public and not-for-profit systems;
- the development of mechanisms to facilitate greater private investment in the area;
- the establishment of an alternative housing product and market, based around different forms of land tenure;
- planning reforms that modify existing planning codes and zoning requirements;
- the development of a multi provider social housing system by collaborating with value adding partners;
- increasing the volume of Keystart assistance;
- maximising involvement in NRAS; and
- piloting a private rental brokerage scheme.⁵¹

The *Affordable Housing Strategy 2010-20* focuses on providing affordable entry points to the housing market through partnerships with the community and private housing sectors. A key target of this strategy are individuals and families on low to moderate incomes who can be assisted either to purchase a home or rent in the private rental market. This will free up public housing stock for those in most need.⁵²

The State’s private rental market was seen by the Social Housing Taskforce as crucial to the overall functioning of the State’s affordable housing system. The Taskforce found that the private rental market comprises about 23% of all households in Western Australia and in 2006 there were

⁵⁰ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p20. Accessed on 18 July 2011.

⁵¹ Ibid, pp6-10.

⁵² Ibid, p6.

38,200 households in the bottom income quintile (earning less than \$387 per week) who were in a private rental.⁵³ The Government also recognized the importance of the private rental market in overcoming the affordability gap in the State's housing system in its *Housing 2020* report in 2009, as shown in Figure 1.6 below.

Figure 1.6- Affordable housing challenge⁵⁴

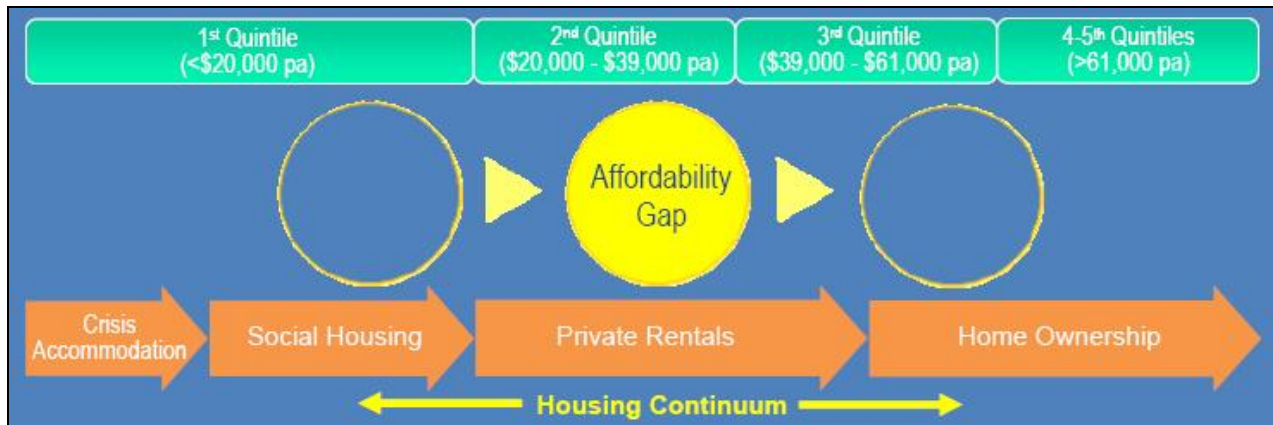


Table 1.6 above showed that in 2006 there were about 5,400 higher income households living in Perth dwellings that were affordable to those in the lowest income quintile. By providing more rental properties and low-cost new homes via the Department of Housing's Expression of Interest process, and addressing the 'affordability gap', the State Government aims to move people from public housing accommodation, so freeing it for those who can not rent in the private market or afford their own home.

Of concern to the Committee was an admission by the State Government that the Housing Authority does not undertake work on predicting housing affordability in the State. It gave no reason for this inability to estimate future housing prices, average income and mortgages and the subsequent 'affordability gap'.⁵⁵ Nor does the Department have any targets for the Budget 'out-years' for the size of the State's wait list, the average waiting time and the number of applicants.⁵⁶

⁵³ Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf, pp7-8. Accessed on 21 July 2011.

⁵⁴ Department of Housing, 'Housing 2020: Future Directions for Affordable Housing', October 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_2020.pdf, p1. Accessed on 21 July 2011.

⁵⁵ Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Estimates and Financial Operations- Additional Questions, 14 June 2011, p4, answer 27.

⁵⁶ *Ibid*, Questions on Notice, p703, answer 9.

Finding 1

The Housing Authority does not undertake any work on predicting housing affordability in Western Australia, nor does it have any targets for the Budget 'out-years' for the expected size of the State's wait list, the average waiting time and the number of applicants.

Recommendation 1

The Minister for Housing ensure that by its 2011-12 Annual Report, the Housing Authority include estimates of housing affordability measures (such as an estimate of future population, housing prices, average income and mortgages) and the expected size of the State's wait list, the average waiting time and the number of applicants for the Budget 'out-years'.

(d) Recent changes in affordability

While some 'structural' factors were outlined above that contribute to making housing in Western Australia less affordable, there is also a 'cyclical' element to the problem as well. Despite historically lower RBA cash rates, the construction of new homes in the State in 2011 has declined for the fifth consecutive quarter. In the June 2011 quarter, the number of new dwellings under construction was at the worst level in two years and had shrunk by almost one-third in just 15 months.⁵⁷ The State's new home buyers now wait longer than any others in Australia to have their houses built— on average about nine months. This is an increase of 10 weeks during the past five years.⁵⁸

Additionally, Western Australia had the biggest fall in new home sales in July 2011 of 12.7%, well above the national figure of 8%, according to the HIA JELD-WEN new home sales report.⁵⁹ This is usually a factor in increasing housing prices, but instead they have fallen dramatically in

⁵⁷ Ms Courtney Trenwith, 'Fifth Consecutive Fall in WA Housing Construction', 15 September 2011. Available at: www.watoday.com.au/business/property/fifth-consecutive-fall-in-wa-housing-construction-20110914-1k9dr.html. Accessed on 16 September 2011.

⁵⁸ Mr Shane Wright, 'New Home Wait Now Longest in the Nation', *The West Australian*, 20 October 2011, p4.

⁵⁹ AAP, 'WA New Home Sales Slump in July', 29 August 2011. Available at: <http://au.news.yahoo.com/thewest/a/-/newshome/10135277/wa-new-home-sales-slump-in-july/>. Accessed on 16 September 2011.

Perth over the past 18 months to a level that they were at in December 2007.⁶⁰ The UDIA (WA) said “Perth’s homes are more affordable now than at any time since 2007.”⁶¹

1.3 Conduct of this Inquiry

The Committee began this Inquiry on 28 July 2010 and received 40 submissions which are listed in Appendix One. A total of 26 public hearings were conducted during the course of the Inquiry in which the Committee heard evidence from 41 witnesses. The witnesses who gave evidence to the Committee are detailed in Appendix Two. In addition, the Committee held a number of visits and briefings in regional Western Australia and in the Eastern States. These are listed in Appendix Three. The Principal Research Officer attended the *International Social Housing Summit* in The Hague on 13-14 October 2010 on behalf of the Committee to obtain international information of relevance to the Inquiry.

All of the Inquiry’s submissions and hearing transcripts are available on the Committee’s website: www.parliament.wa.gov.au/cdjsc.

1.4 Defining Affordability

(a) Determinants of affordability

The concept of affordable housing is related to the levels of ‘housing stress’ felt by the households in the bottom 40% of income distribution which spend more than 30% of their income on housing.⁶² It includes “owner-occupied housing as well as rental housing that is owned by governments, non-profit organisations, corporations or individuals.”⁶³

Housing affordability in all Australian jurisdictions has deteriorated substantially over the last 20 years and remains a key political issue for governments. The demand and supply-side determinants of housing affordability are summarised below.

Demand-side determinants of affordability include:

- population growth rates;
- income growth;

⁶⁰ Ms Courtney Trenwith, ‘Perth Home Owners Clinging to their Properties Amid Sluggish Market’, 25 August 2011. Available at: www.watoday.com.au/business/property/perth-home-owners-clinging-to-their-properties-amid-sluggish-market-20110825-1jbnu.html. Accessed on 16 September 2011.

⁶¹ UDIA (WA), ‘Housing Affordability Story isn’t all Bad News’, 10 May 2011. Available at: <http://netds.net.au/udiawablog/?p=63>. Accessed on 16 September 2011.

⁶² Social Housing Taskforce, ‘More Than a Roof and Four Walls’, 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf. Accessed on 9 June 2011.

⁶³ Dr Julian Disney, (2007) ‘Affordable Housing in Australia’, paper at the National Forum on Affordable Housing, Australian Housing and Urban Research Institute, Melbourne, 19 April, p1.

- tax concessions for housing; and
- the cost and availability of finance.

Supply-side determinants of affordability include:

- the availability of land;
- the efficiency of land development processes and policies;
- infrastructure costs, including development charges;
- the cost of housing construction; and
- the level of property-related taxes.⁶⁴

(b) International measures of affordability

The international measure of affordability is the Median Multiple.⁶⁵ Historically, the Median Multiple has been similar in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States. It has generally been a value of about 3.0, where the median house price has been three times the median household income. While this affordability relationship value continues in many housing markets, it has escalated sharply in the past decade in Australia, Ireland, New Zealand, and the United Kingdom.⁶⁶ The traditional relativity changed dramatically in the decade 1995 to 2005, In Australia it has risen to more than 6.0 in all capital cities. In a recent survey, Perth was rated as ‘highly unaffordable’ with a Median Multiple of 6.3.⁶⁷

1.5 Some Factors Impacting Affordability

The Committee heard from witnesses of many factors that make it difficult for Western Australians on low to medium incomes to obtain private rental accommodation or obtain a mortgage to purchase an affordable home of their own. Professor Mike Berry says there has been a ‘perfect storm’ of both demand and supply-side factors that have made Australian houses less

⁶⁴ Ms Judith Yates *et al*, ‘Housing Affordability: A 21st Century Problem’, September 2007. Available at www.ahuri.edu.au/downloads/NRV3/AHURI_Final_Report_No105_Housing_affordability_a_21st_century_problem.pdf, p13. Accessed on 29 August 2011.

⁶⁵ This is the value of the median house price divided by gross annual median household income. The use of the Median Multiple has been recommended by the World Bank and the United Nations.

⁶⁶ Demographia, ‘7th Annual Demographia International Housing Affordability Survey 2011’, 2011. Available at: www.demographia.com/dhi.pdf, p1. Accessed on 14 June 2011.

⁶⁷ Mr Bob Day, ‘Home Truths Revisited – the Politics of Home Ownership’, 4 September 2010. Available at: <http://australianconservative.com/2010/09/home-truths-revisited-%E2%80%93-the-politics-of-home-ownership/>. Accessed on 20 June 2011.

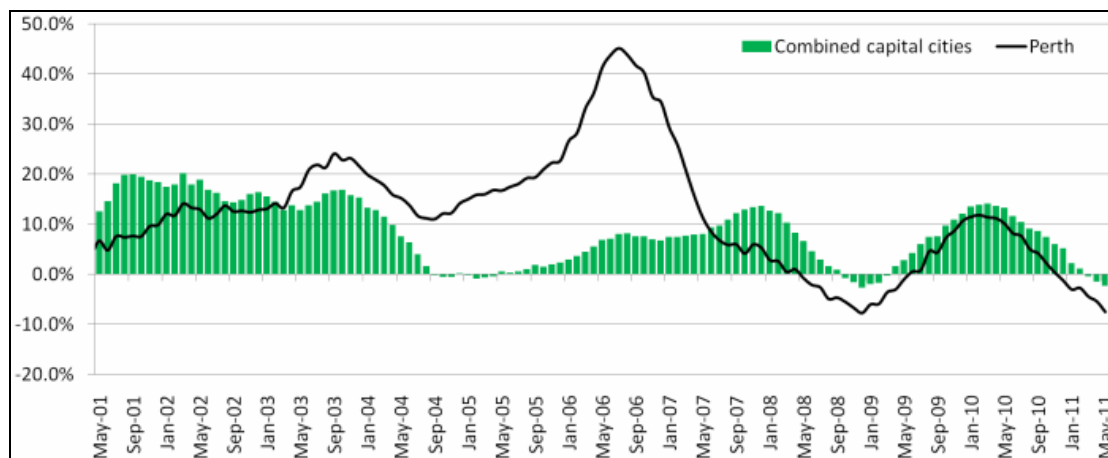
affordable over the past 10 years.⁶⁸ Later chapters of this report go into greater detail about these factors but a summary of the chief ones is included here.

(a) Median house prices

The Minister for Housing, Hon Troy Buswell, said the State's rapid economic growth had made it difficult for Western Australians to purchase affordable homes. He said the rise in the median price of houses at a faster rate than wages was an outcome of the State's growth, "in September 2010 a family in Perth earning a median income of \$73,300 per annum needed 6.5 times their annual income to purchase a property – as opposed to 3.9 times their annual income in 2000."⁶⁹ **This rapid rise in house prices was the key factor in making houses less affordable in Western Australia.**

Figure 1.7 below shows the change in the average house and apartment price in Perth over the last decade, including the large rises in the period 2005-07. Since 2010 house prices around Australia have flattened and the affordability crisis has eased slightly. Perth had nine of the 25 local government areas in Australia with the largest house price falls during the March 2011 quarter.⁷⁰

Figure 1.7- Perth house and unit prices (2001-11)⁷¹



⁶⁸ ABC Radio, 'Housing Affordability', 23 August 2011. Available at: www.abc.net.au/rn/australiatalks/stories/2011/3284691.htm. Accessed on 24 August 2011.

⁶⁹ Hon Mr Troy Buswell, MLA, Minister for Housing, *Affordable Housing Strategy Opens More Doors*, Media Statement, Perth, 11 May 2011. Available at: www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=140082&minister=Buswell&admin=Barnett. Accessed on 18 July 2011.

⁷⁰ thewest.com, 'Perth has Nine of Worst Areas for House Prices', 15 June 2011. Available at: <http://au.news.yahoo.com/thewest/a/-/newshome/9645082/perth-has-nine-of-worst-areas-for-house-prices/>. Accessed on 23 August 2011.

⁷¹ RP Data-Rismark, 'Perth House Prices and Unit Prices,' nd. Available at: www.myrp.com.au/perth_house_prices.do. Accessed on 22 June 2011.

One aspect driving higher house prices in Perth is the very large size of the average house. Australian Bureau of Statistics (ABS) data for the nine months to March 2011 show the average size of an Australian home is 5% larger than a decade ago. The average floor area for Australian houses and apartments is the largest in the world at 214 square metres- almost three times the size of those in the UK and about 10% bigger than in the US and New Zealand.⁷²

Associated with house size, the Committee was told that “the reason why housing is too expensive is because it has been treated like an asset class, where people speculate on it.”⁷³ This Inquiry did not focus on this claim, and that of others, about the role of negative gearing as a key factor in reducing the affordability of the State’s housing.

(b) Resource development and population increase

As at 30 June 2010 the population of Western Australia was estimated by the Australian Bureau of Statistics (ABS) as 2,296,400, an increase 2.2% over the previous twelve months. For that year, net overseas migration (NOM) contributed to 58% of the State’s estimated population growth. Natural increase and net interstate migration contributed 38% and 4% respectively.⁷⁴ Between 2011 and 2031 it is projected that the Perth and Peel regions will grow from the current 1.65 million people to more than 2.2 million, requiring an additional 328,000 new dwellings.⁷⁵

Figure 1.8 below confirms the impact on the State’s population growth from immigrants arriving in Western Australia worsened from about mid-2005 as they came to participate in what has been over a decade of sustained expansion and growth in the resources industry in regional areas. This coincides with the time when the waiting list numbers and waiting times for public housing (as shown in Tables 1.1 and 1.2 above) also began to rapidly increase. The Department of Housing told the Committee that 2005 was also when median house prices in Perth showed a ‘sharp uptake’.⁷⁶

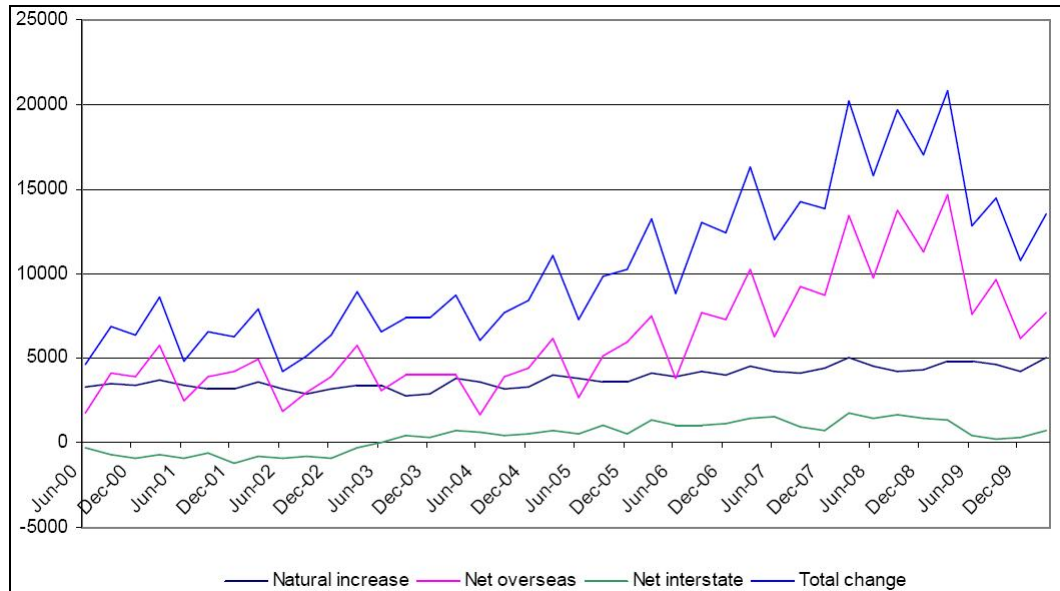
⁷² AAP, ‘Aussie Homes Still the Biggest, For Now’, 22 August 2011. Available at: <http://finance.ninensn.com.au/newsbusiness/aap/8288312/aussie-homes-still-the-biggest-for-now>. Accessed on 22 August 2011.

⁷³ Mr Barry Doyle, Senior Policy Officer, Community Housing Coalition of WA, *Transcript of Evidence*, 16 February 2011, p10.

⁷⁴ Australian Bureau of Statistics, ‘1367.5 - Western Australian Statistical Indicators, 2010’, 8 April 2010. Available at www.abs.gov.au/ausstats/abs@.nsf/mf/1367.5. Accessed on 30 May 2011.

⁷⁵ Urbanalyst, ‘New Planning Visions and Direction for Perth and Peel Released’, 1 September 2010. Available at: www.urbanalyst.com/in-the-news/western-australia/250-new-planning-visions-and-direction-for-perth-and-peel-released.html. Accessed on 30 May 2011.

⁷⁶ Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, *Transcript of Evidence*, 29 June 2011, p2.

Figure 1.8- Components of Western Australian population growth (2000-10)⁷⁷

The Real Estate Institute of Western Australia told the Committee that the rapid rise in migration created ‘imported house price inflation’ “that came from the United Kingdom and South Africa and other countries, which had relatively high house prices.” As people emigrated to Western Australia they brought high expectations about what they had to pay for housing, and “that drove the market for the rest of us.”⁷⁸

One of Perth’s largest rental agencies told the media in mid-2011 that the resources ‘boom’ had pushed up central rental values 20% in the previous three months. Fully-furnished two-bedroom apartments for mining executives and engineers were renting for \$700 per week, and there was just a 2.7% vacancy rate of available apartments in the Central Business District. Mining companies were now renting 40% of MLG Realty’s CBD portfolio.⁷⁹

(c) Lack of affordable private rental properties

The Minister for Housing said that it had become extremely difficult for low-income earners to find appropriate rental accommodation, with only 4% of Perth rentals being affordable for people earning less than \$35,000 per annum.⁸⁰ The Housing and Urban Research Institute of WA reported in 2008 to the Town of Vincent that rental vacancy rates were at record lows of less than 1% and

⁷⁷ Housing Industry Forecasting Group, ‘Forecast Dwelling Starts in Western Australia, October 2010 Report’, November 2010. Available at: www.planning.wa.gov.au/dop_pub_pdf/HIFG_October_2010_Report.pdf, p6. Accessed on 19 July 2011.

⁷⁸ Mrs Anne Arnold, Chief Executive, Real Estate Institute of Western Australia, *Transcript of Evidence*, 22 June 2011, p6.

⁷⁹ Ms Kim Macdonald, ‘Mining Fuels Rental Boom in Heart of City’, *The Weekend West*, 11-12 June 2011, p16.

⁸⁰ *Ibid.*

rent increases of 30-40% were not uncommon.⁸¹ The later Housing Industry Forecasting Group report in 2010 that the “median rent has remained flat now for 18 months at \$370 per week.”⁸²

National research showed that in 2006 about 80% of Perth’s private renter households in the lower income quintile (\$22,000 per annum or less) missed out on affordable housing, often because these houses are being rented by households with higher incomes. This is less of an issue for the second income quintile (\$22,000 to \$42,000 per annum) private renter households (see Table 1.8 below).

Table 1.8- Affordable and available private rental stock for Perth Q1 (less than \$22,000 per annum) and Q2 (\$22,000 to \$42,000 per annum) households (2006)⁸³

Household Income	No. of Perth Households	No. of Affordable Dwellings	Other Income Groups Using Stock	No. of Affordable Dwellings Available	Dwelling Shortage	Households Missing out (%)
1 st quintile	19,500	9,600	5,400	4,200	15,300	79%
2 nd quintile	25,900	77,100	54,900	22,200	3,700	14%

Table 1.9- Rental affordability for Q1 (less than \$22,000 per annum) and Q2 (\$22,000 to \$42,000 per annum) Australian private renter households (2006)⁸⁴

	First Quintile Private Renter Households	Second Quintile Private Renter Households
Paying affordable rent	21.4%	75.8%
Paying unaffordable rent	59.4%	21.3%
Paying severely unaffordable rent	19.2%	2.9%

The \$300 million National Rental Affordability Scheme (NRAS) was announced by the Federal Government in March 2008 as a supply-side response to increase the number of affordable rental properties by 50,000 by 2012. The legislative framework for NRAS is provided through the *National Rental Affordability Scheme Act 2008*. NRAS aims to build and rent dwellings to low

⁸¹ Submission No. 30 from the Town of Vincent, 6 January 2011, p7.

⁸² Housing Industry Forecasting Group, ‘Forecast Dwelling Starts in Western Australia, October 2010 Report’, November 2010. Available at: www.planning.wa.gov.au/dop_pub_pdf/HIFG_October_2010_Report.pdf. Accessed on 19 July 2011.

⁸³ Ms Maryann Wulff *et al.*, ‘Australia’s Private Rental Market: The Supply of, and Demand for, Affordable Dwellings’, May 2011. Available at: www.ahuri.edu.au/publications/download/50502_fr, p15 & p17. Accessed on 19 July 2011.

⁸⁴ *Ibid*, p19.

and moderate income households at a rate at least 20% below the prevailing market rates and is described in more detail in Appendix Eight.⁸⁵

NRAS now aims to provide 25,000 properties. As at August 2011 there had been 4,178 properties tenanted and a further 20,408 not yet delivered. There are 96 organisations involved with NRAS, 60 are nonprofit organisations. NRAS will finance 11,934 apartments, 3,911 townhouses, 3,877 studios and 4,854 houses. In Western Australia there had been 283 properties tenanted and another 2,621 reserved.⁸⁶ The success of the scheme relies on organisations being financed to build properties. However, according to mortgage brokers, the Australian 'big four' banks keep a tightly-held list of apartment projects for which they will not give money to borrowers. One of these banks bars finance for all developments funded by NRAS.⁸⁷

(d) Demographics of private renters

National research of the private renter market in 2006 showed that those who are under most stress to find affordable private rental properties are the young and households with two or more children, as shown in Tables 1.10, 1.11 and 1.12 below.

Table 1.10- Rental affordability by number of children in Australian Q1 (less than \$22,000 per annum) private renter households (2006)⁸⁸

	One Child	Two Children	Three or More Children
Paying affordable rent	10.3%	6.7%	5.4%
Paying unaffordable rent	70.7%	64.6%	61.0%
Paying severely unaffordable rent	19.0%	28.7%	33.6%

⁸⁵ Department of Sustainability, Environment, Water, Population and Communities, 'National Rental Affordability Scheme: About the Scheme', 8 July 2011. Available at: www.environment.gov.au/housing/nras/about.html. Accessed on 10 August 2011.

⁸⁶ Department of Sustainability, Environment, Water, Population and Communities, 'NRAS Monthly Performance Report', August 2011. Available at: www.environment.gov.au/about/nras-reports/pubs/nras-performance-report-august2011.pdf, pp3-4. Accessed on 27 September 2011.

⁸⁷ Mr Simon Johanson, 'Bank 'blacklist' puts Apartments at Risk', 12 September 2011. Available at: <http://theage.domain.com.au/real-estate-news/bank-blacklist-puts-apartments-at-risk-20110912-1k4s3.html>. Accessed on 16 September 2011.

⁸⁸ Ms Maryann Wulff *et al.*, 'Australia's Private Rental Market: The Supply of, and Demand for, Affordable Dwellings', May 2011. Available at: www.ahuri.edu.au/publications/download/50502_fr, p22. Accessed on 19 July 2011.

Table 1.11- Rental affordability by household type in Australian Q1 (less than \$22,000 per annum) private rental households (2006)⁸⁹

	Young Couple/ No Children	Older Couple/ No Children	Couples with Children	Single Parent families	Alone (<45 years)	Alone (>45 years)
Paying affordable rent	9.6%	16.9%	6.4%	9.0%	26.2%	35.1%
Paying unaffordable rent	57.4%	66.3%	57.7%	70.2%	56.7%	56.9%
Paying severely unaffordable rent	33.0%	16.8%	35.8%	20.9%	17.1%	8.0%

Table 1.12- Rental affordability by age in Australian Q1 (less than \$22,000 per annum) private renter households (2006)⁹⁰

	15-24 years	25-34 years	35-44 years	45-54 years	55-64 years	>65 years
Paying affordable rent	14.0%	14.2%	16.5%	23.2%	27.8%	34.0%
Paying unaffordable rent	54.3%	63.4%	61.3%	59.4%	60.2%	57.5%
Paying severely unaffordable rent	31.7%	22.4%	22.2%	17.4%	12.0%	8.5%

Shelter WA told the Committee that the number of private renters on Commonwealth Rental Assistance (CRA) in Perth who are in ‘housing stress’ had increased from about 30% in 2004 to 45% in 2009. In regional areas the proportion had risen from 22% to 33% in the same time. In 2010 there were about 91,000 people receiving CRA in Western Australia and paying about \$407 per fortnight in rent.⁹¹

⁸⁹ Ibid, p21.

⁹⁰ Ibid, p20.

⁹¹ Submission No. 33 from Shelter WA, 11 January 2011, p10 & p12.

The State's *Affordable Housing Strategy 2010-20* includes a trial of a rent brokerage scheme, in partnership with the Real Estate Institute of Western Australia (REIWA), of 500 properties from the private sector for Department of Housing (DoH) tenants who are consistently over-income and risk being evicted.⁹² REIWA told the Committee the trial will start with 120 properties from "five large agencies with large rent rolls with a variety of properties" and DoH will underwrite the first year of rent and make good any damage at the end of the tenancy. REIWA said:

*at the end of the year, if the tenancy is working out, for that to be rolled over into their own name and no longer a head lease. ... the Department of Housing is going to allocate one property manager per 70 tenancies; so, that is a very high level of support, well above the industry standard. ... The biggest criteria would be the making good of any damage and the management of any antisocial behaviour in the neighbourhood where, you know, the landlord does not want to get a bad name.*⁹³

At the end of September 2011 there had been no families from the public housing list allocated to one of these 500 properties.⁹⁴

(e) Impact on Indigenous tenants

Aboriginal people make up a disproportionate number of people in public housing, and on the State's Priority Wait list. It is the unfortunate reality that Indigenous people are not readily accessing the private rental market. Daydawn, a church-based organisation providing services to 150 Indigenous families, told the Committee:

*there is now strong evidence available to support the proposition that due to endemic racism it is very difficult, if not impossible, for Aboriginal people to obtain private rental accommodation. ... at least two private agencies have taken on large Aboriginal families, only to be unable to properly service them, resulting in evictions for the whole family, both families containing young children, including babies. Both these families ended up homeless for approximately 12 months, with devastating effects on the health and education of the children.*⁹⁵

Daydawn gave an example of one of a 42 year male Indigenous client who had been on the public waiting list since May 2007, despite having a life-threatening illness and mobility difficulties. He needs access to Royal Perth Hospital for weekly extensive treatment for HIV-related complications. After an extended period of homelessness, he is now living with his sister who has been threatened by the Department of Child Protection to have her child removed if she continues

⁹² Ms Tania Loosley-Smith, General Manager Strategy and Policy, Department of Housing, *Transcript of Evidence*, 29 June 2011, p4.

⁹³ Mrs Anne Arnold, Chief Executive, Real Estate Institute of Western Australia, *Transcript of Evidence*, 22 June 2011, p4.

⁹⁴ Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Questions Without Notice, 21 September 2011, p7407.

⁹⁵ Submission No. 19 from Daydawn Advocacy Centre, 8 December 2010, pp1-2.

to house her brother. The man has been told that, despite being on the priority wait list since May 2009, that he is unlikely to be housed until mid-2012- five years after his initial listing.⁹⁶

Equal Opportunity Commission's *Finding a Place* report

In 2005 Equal Opportunity Commission's report *Finding a Place*, an Inquiry into the Existence of Discriminatory Practices in Relation to the Provision of Public Housing and related Services to Aboriginal People in Western Australia, made 165 recommendations for the Department of Housing to implement to reduce racist practises for its Indigenous clients. In its 2011 Final Report, the Commission found that the Department had implemented only two of the recommendations, with another 31 partially-implemented. About 45% of the recommendations were supported by the Department but had not been implemented while a third had been not addressed or were not supported.⁹⁷

Aboriginal people were evicted from public housing in 2011 at more than five times the rate of non-indigenous tenants in the first few months of the State Government's new approach to antisocial tenants. Statistics released by the Housing Minister showed Indigenous people accounted for 57% of evictions in the three months to June 2011, despite making up only 20% of the State's public housing residents. There were 35 Indigenous tenants evicted compared with 26 non-indigenous tenants.⁹⁸

The difficulty that Indigenous families have in finding private rental accommodation in Western Australia increases the need for the Department of Housing to urgently implement the remaining 130 recommendations of the Equal Opportunity Commission's *Finding a Place* report.

Finding 2

By 2011 about 45% of the 165 recommendations from the Equal Opportunity Commission's 2005 report *Finding a Place* were supported by the Department of Housing but had not been implemented while a third had not been addressed or were not supported.

⁹⁶ Submission No. 19A from Daydawn Advocacy Centre, 19 August 2011, p3.

⁹⁷ Equal Opportunity Commission, 'Finding a Place: Final Report', February 2011. Available at: www.eoc.wa.gov.au/Libraries/pdfs/Finding_a_Place_-_Final_Report_-_February_2011.sflb.ashx, p55-72. Accessed on 1 September 2011.

⁹⁸ Ms Colleen Egan, 'Eviction Rate Higher for Aboriginals', *The West Australian*, 16 August 2011, p16.

Recommendation 2

The Minister for Housing report to Parliament the impediments to the Department of Housing completing the 130 unimplemented recommendations of the Equal Opportunity Commission's *Finding a Place* report from 2005.

The Residential Tenancies Amendment Bill 2011

The State Government introduced the *Residential Tenancies Amendment Bill 2011* into Parliament on 18 May 2011. The Minister for Housing, Hon Troy Buswell, said the Bill “will modernise and reform existing residential tenancy laws, and balance the rights and obligations of landlords and tenants in a regulatory environment that is fair and efficient.” The Bill contains a “broad range of amendments arising from a comprehensive statutory review of the Act, amendments to address serious and sustained antisocial behaviour in social housing, and provisions to regulate the use of residential tenancy databases.”⁹⁹

The Explanatory Memorandum says that Part 3 of the Bill “contains proposed amendments to assist the Department of Housing to respond to antisocial behaviour in social housing tenancies.” These provisions will allow the Department to apply to the Magistrates Court to terminate a tenancy where a tenant is engaging in serious and ongoing disruptive behaviour or where the tenant is using the premises for illegal purposes without first issuing the tenant with a breach notice. The amendments will also permit the Department to apply to the Court to terminate a tenancy where the tenant is no longer eligible for social housing or where the tenant refuses an offer of alternative social housing.¹⁰⁰

The Opposition said that it would support the Bill although “the provisions concerning social housing did not originate at the Department. Rather, they were a direction from [the State] Government”. The Opposition proposed to delete and amend some of those provisions that deal with social housing to ensure that there would be no discrimination between tenants living in public houses and their rights were not less than those of private tenants, especially in regard to antisocial behaviour.¹⁰¹

(f) Demand for new houses

The decrease in housing affordability throughout the State between 2006 and 2010 was driven by a demand for new houses that was greater than the supply, and is considered later in Chapter Five.

⁹⁹ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 18 May 2011, p3584.

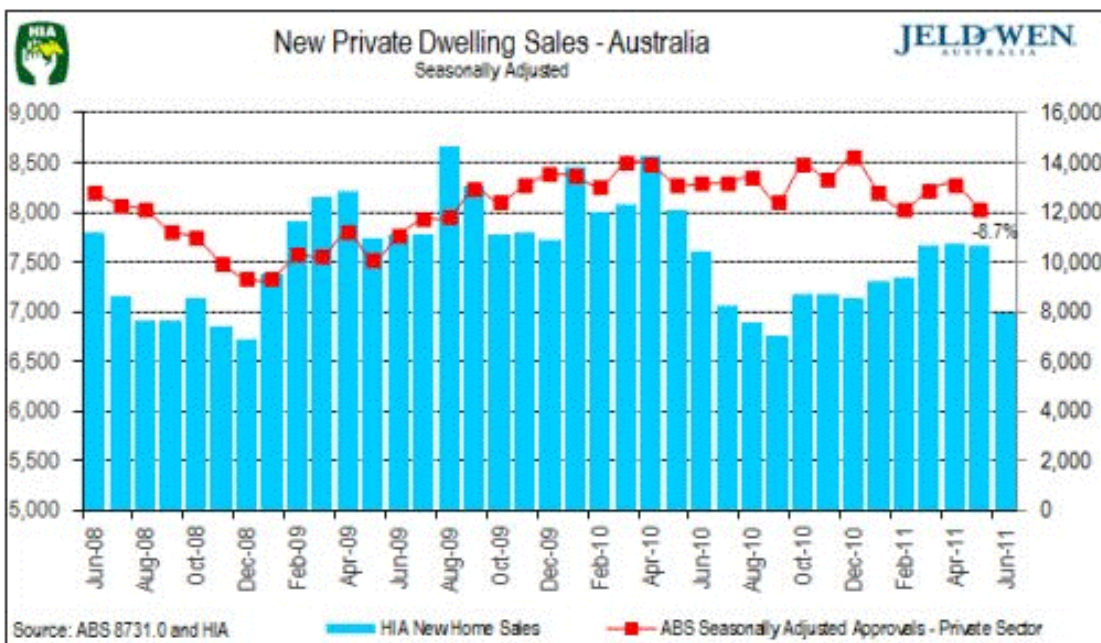
¹⁰⁰ Explanatory Memorandum, *Residential Tenancies Amendment Bill 2011* (Western Australia), p2.

¹⁰¹ Hon Mr Mark McGowan MLA, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 30 August 2011, p6379.

However, over the past year housing in Western Australia, especially Perth, has become more affordable as house prices have dropped and demand for new houses and apartments has also dropped significantly. Perth property prices have experienced the biggest slump in value of all Australian capital cities over the year to June 2011, with the median house price dropping \$33,000 or 5.8%.¹⁰²

The Housing Industry Association’s latest survey of Australia’s major residential builders shows that the number of new houses sold in June 2011 dropped by 8.7%, the sharpest monthly decline since May 2006. New house sales fell by 6.3% in Western Australia (see Figure 1.9 below).

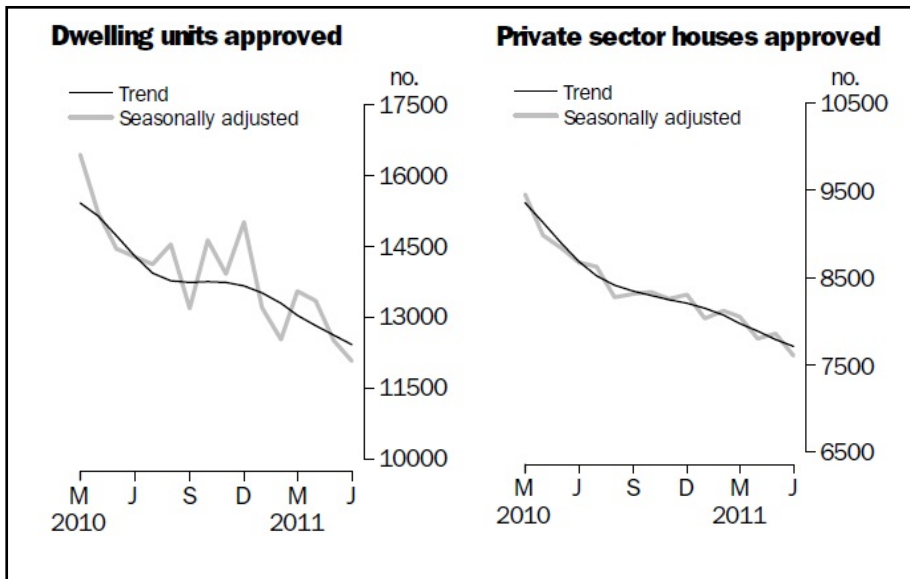
Figure 1.9- New home sales, Australia (2008-11)¹⁰³



Data released by the Australian Bureau of Statistics in August 2011 showed that the total dwelling units approved between June 2010 and June 2011 dropped by 15.5%, with private sector houses falling 12.3% in that time (see Figure 1.10 below).

¹⁰² Ms Lucy Rickard, ‘Property Price Plunge Shaves \$33,000 off Perth’s Median House Price’, 28 July 2011. Available at: www.watoday.com.au/business/property/property-price-plunge-shaves-33000-off-perths-median-house-price-20110727-1hzh6.html#ixzz1TvRJbKbk. Accessed on 3 August 2011.

¹⁰³ Housing Industry Association’s, ‘HIA - JELD-WEN New Home Sales’, nd. Available at: http://economics.hia.com.au/publications/new_home_sales.aspx. Accessed on 3 August 2011.

Figure 1.10- New building approvals, Australia (June 2010- June 2011)¹⁰⁴

(g) Profitability of the State's housing sector

It was difficult for the Committee to obtain comprehensive information on the profitability of the State's housing and development sectors during the recent spike in house prices. The Department of Housing told the Committee that as the largest land developer its "profit margins have remained fairly constant." It gave evidence that developers had not got a higher rate of return since 2005 and it was "probably an internal rate of around 22%."¹⁰⁵ This rate is about standard within the State and the Department is proposing that those companies which participate in the EOI to produce affordable houses on the Department's land will be paid on a 'cost plus 20%' basis.¹⁰⁶

The Urban Development Institute of Australia (UDIA) told the Committee that since the slow down over the past year there had been quite a few developers that have had to sell off some of their assets. The sector was mixed with "some are doing very well. Some are very well placed. It depends how highly leveraged they were in the first place." In Brisbane many developers had left the industry because they were highly leveraged smaller developers mainly in medium and high density. The UDIA said the sector's profit margins post-GFC relied on the First Home Owner Grant. This meant an emphasis on the lower end of the property market "where there is pretty

¹⁰⁴ Australian Bureau of Statistics, '8731.0 - Building Approvals, Australia, June 2011', 2 August 2011. Available at: www.abs.gov.au/ausstats/abs@.nsf/mf/8731.0?OpenDocument. Accessed on 3 August 2011.

¹⁰⁵ Mr Paul Whyte, General Manager Strategy and Policy, Department of Housing, *Transcript of Evidence*, 29 June 2011, p3.

¹⁰⁶ Mr Grahame Searle, Director General, Department of Housing, *Industry Briefing*, 26 July 2011.

limited profit. That was done for cash flow.” The UDIA reported that the State’s housing construction and development sector had another round of redundancies in mid-2011.¹⁰⁷

Many of the companies involved in the State’s housing industry are private companies and information on their profitability is not available. However, the large diversified property developer Australand reported a 17% increase in net profit of \$84.8 million to the end of June 2011. This represented a profitability of 30.4% based on its revenue of \$279.3 million.¹⁰⁸ Similarly, Dale Alcock Homes reported a 40% rise in profits to \$10.6 million for the 2009-10 financial year. It is part of the Alcock Brown-Neaves Group which had a 15% share of the State’s residential building market in 2009-10, second only to BGC.¹⁰⁹

(h) The ‘residualisation’ of public housing

Between 2003–04 and 2009–10, the proportion of new public housing allocations to those in greatest need in Australia has more than doubled, from 36% to 75%. A witness told the Committee that there had been a collapse of the terms ‘community housing’, ‘cooperative housing’ and ‘social housing’ to be synonymous with ‘poor housing’ which is administered by the Department of Housing.¹¹⁰ The Committee was told that this process, along with a reduction in new public housing construction, has had a severe impact on the tenant turnover rate in the State’s public housing:

almost half the cohort of public housing rental tenants are on a disability or an age pension, which in effect makes them tenants for life. The kind of level of turnover in decades previous has been 15, 20 and maybe even 30% annually. We are seeing only 4 or 5% turnover, and that really means that everybody on the waiting list is not really going to get a chance unless they have the most extreme, serious, immediate and critical need and multiple barriers.¹¹¹

(i) Increased energy and fuel costs

The State’s power charges have risen 46% in the past two years and consumers face more rises. Forecasts in the 2011-12 Budget predict that electricity prices will rise a further 29% over three years. More than 50 households a day need help to pay utility bills, with applications for grants under the Hardship Efficiency Grants Scheme (HUGS) to pay the bills more than doubling in the

¹⁰⁷ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p13.

¹⁰⁸ Ms Carolyn Cummins, ‘Tough Times in Housing, Warns ‘solid’ Australand’, *The West Australian*, 28 July 2011, p39.

¹⁰⁹ Mr Chalpat Sonti, ‘Profit Surge for Leading WA builder’, 27 January 2011. Available at: <http://news.domain.com.au/domain/real-estate-news/profit-surge-for-leading-wa-builder-20110127-1a664.html>. Accessed on 28 July 2011.

¹¹⁰ Submission No. 8 from Mr Adrian Glamorgan, 1 December 2010, p2.

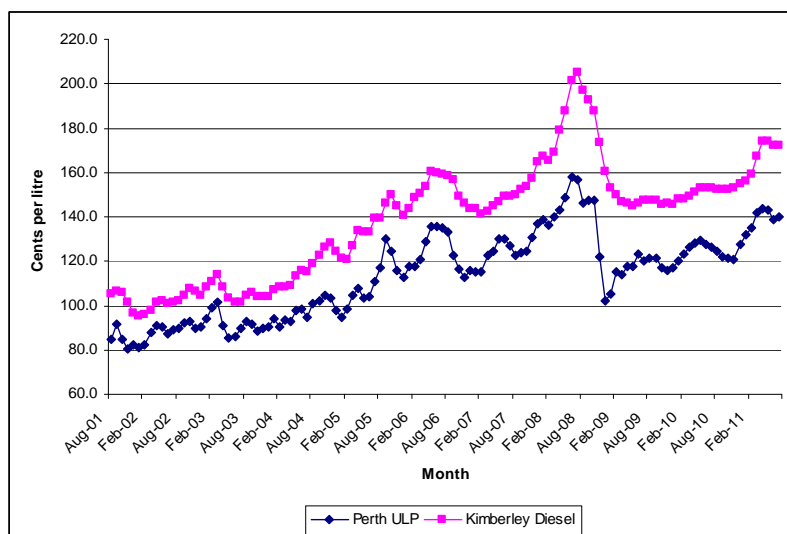
¹¹¹ Ms Bronwyn Kitching, Executive Officer, Shelter WA, *Transcript of Evidence*, 16 February 2011, p5.

past year to 1,635 in April 2011. The Department of Child Protection administers the scheme and reported that total grants reached \$622,091 in April 2011.¹¹²

The then-Minister for Housing told Parliament that the Department of Housing was developing a program to audit the energy efficiency of 10,000 public housing dwellings per year, commencing in 2011. This program was an outcome of a special Council of Australian Governments' (COAG) meeting in 2009 where all jurisdictions agreed to audit the energy efficiency of their existing public housing stocks and consider implementing a program of cost-efficient upgrades. The Department is also developing a program funded through the Office of Energy under the HUGS program for their tenants in hardship to receive efficient appliances and ceiling insulation.¹¹³

Transport is a major cost for both the 90% of urban drivers who drive to work and those who work and live in regional Western Australia. The most recent data from the Australian Bureau of Statistics shows that transport costs are about 16% of the average weekly household expenditure on goods and services, just behind housing (16%) and food (17%).¹¹⁴ Data from FuelWatch shows that both ULP and diesel costs have risen about 75% in the past decade (see Figure 1.11 below).

Figure 1.11- Perth ULP and Kimberley diesel costs (2001-11)¹¹⁵



¹¹² Ms Natasha Boddy, 'Power Bills Put Families to Wall', 23 May 2011. Available at: <http://au.news.yahoo.com/thewest/a/-/latest/9493729/power-bills-put-families-to-wall/>. Accessed on 3 August 2011.

¹¹³ Hon Mr Bill Marmion, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 10 August 2010, p5110.

¹¹⁴ Australian Bureau of Statistics, '6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2003-04 (Reissue)', 15 February 2006. Available at: [www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6530.0Main%20Features32003-04%20\(Reissue\)?opendocument&tabname=Summary&prodno=6530.0&issue=2003-04%20\(Reissue\)&num=&view=](http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/6530.0Main%20Features32003-04%20(Reissue)?opendocument&tabname=Summary&prodno=6530.0&issue=2003-04%20(Reissue)&num=&view=). Accessed on 3 August 2011.

¹¹⁵ FuelWatch, 'FuelWatch Historical Price Search', 2011. Available at: www.fuelwatch.wa.gov.au/fuelwatch/pages/public/historicalPriceSearch.jsp. Accessed on 3 August 2011.

1.6 Government Actions

(a) Federal Government changes

The Federal Housing Minister announced in March 2011 that it will “radically alter the way public housing is funded and managed.” He said that despite the Federal Government making social housing a priority and unprecedented levels of government investment over the past three years, the public housing model was financially unsustainable.

The Minister said the future demand for public housing is estimated to increase by 28%, or about 93,000 houses, by 2023 at a cost of about \$25 billion. He was pressuring the States to shift from a per capita funding basis to a per dwelling basis, as the current model does not create an incentive for State’s to increase housing stock.¹¹⁶

(b) State Government actions

While not discounting the value of private sector contributions to improving affordability, the Chief Executive Officer of LandCorp told the Committee that it is a societal issue and that will only be resolved through intervention by the State Government:

*We also have to accept that social-affordable outcomes come at a cost. They have to be subsidised. How do you subsidise it? Is it done through the Government providing cheap land or through the land developers forgoing a return on their land because a statute says they have to provide a certain percentage, or through the community housing providers and federal tax benefits? It will not work in a free market ... and we should front that, as a society, as something that is totally reasonable.*¹¹⁷

The State Government launched its *Affordable Housing Strategy 2010-20* on 11 May 2011 to develop “an affordable housing system that provides real opportunities for people on low-to-moderate incomes.” The chief goal of the strategy is to generate at least 20,000 additional affordable homes by 2020.¹¹⁸ The Minister for Housing said “part of the solution would involve new and improved partnerships with private developers and non-government organisations.”¹¹⁹

¹¹⁶ Ms Patricia Karvelas, ‘Public Housing Overhaul Planned’, 15 March 2011. Available at: www.theaustralian.com.au/national-affairs/public-housing-overhaul-planned/story-fn59niix-1226022079598. Accessed on 19 July 2011.

¹¹⁷ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p16.

¹¹⁸ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p2 & p5. Accessed on 18 July 2011.

¹¹⁹ Hon Mr Troy Buswell, MLA, (Minister for Housing), *Affordable Housing Strategy Opens More Doors*, Media Statement, Perth, 11 May 2011. Available at: www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=140082&minister=Buswell&admin=Barnett. Accessed on 18 July 2011.

Prior to its launch, the Minister had flagged several possible new initiatives, including increasing the First Home Owners Grant from \$7,000 to \$20,000, as ways to increase the number of affordable houses in Western Australia.¹²⁰ Another proposal was to allow people on the public housing waiting list to rent private homes with government assistance by giving people vouchers to put towards their rent.¹²¹ However, these proposals were not in the final version of the strategy.

The new strategy was based on work completed in 2009 by the Social Housing Taskforce on how 20,000 new affordable homes could be provided by 2020. Its final report to the State Government, *More than a Roof and Four Walls*, provided 56 recommendations on how this target could be achieved. The Minister representing the Minister for Housing in the Legislative Council said that the State Government had implemented more than half of these 56 recommendations in its new *Affordable Housing Strategy 2010-20*, and a list of these recommendations would be provided to Parliament.¹²² Subsequently, the State Government refused to release this information as it was 'Cabinet in Confidence'.¹²³

The key factor identified by the Social Housing Taskforce was that it "will take a whole of government commitment" to achieve improvements.¹²⁴ This will be a major challenge for the State Government, especially after it split in July 2009 the previous Department of Planning and Infrastructure into three new agencies- the Departments of Planning, Transport and Department of Regional Development and Lands.

The Department of Planning recently completed a "substantial study into strategies for achieving affordable and diverse housing outcomes" and the study's recommendations will be provided to the Western Australian Planning Commission (WAPC).¹²⁵ In August last year the WAPC released *Directions 2031 and Beyond*, the highest-level spatial framework and strategic plan for the metropolitan Perth and Peel region. This framework makes no mention of the State's acute social housing needs.¹²⁶ In July 2011 the Department of Transport (DoT) released the draft *Public Transport for Perth in 2031* for comment and it too made no mention of the State's social housing

¹²⁰ Mr Andrew Burrell, 'Buswell Building to Cabinet Comeback', 5 December 2010. Available at: www.theaustralian.com.au/national-affairs/state-politics/buswell-building-to-cabinet-comeback/story-e6fgrczx-1225966040094. Accessed on 19 July 2011.

¹²¹ ABC News, 'Private Homes Might Ease Public Housing Wait', 31 January 2011. Available at: www.abc-for-kids.com/news/stories/2011/01/31/3125880.htm?site=news. Accessed on 19 July 2011.

¹²² Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Estimates and Financial Operations, 14 June 2011, p2.

¹²³ Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Questions on Notice, 6 September 2011, p6738.

¹²⁴ Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf. Accessed on 9 June 2011.

¹²⁵ Submission No. 39 from the Department of Planning, 15 June 2011, p10.

¹²⁶ Department of Planning, 'Directions 2031 and Beyond: Metropolitan Planning Beyond the Horizon', August 2010. Available at: www.planning.wa.gov.au/publications/826.asp. Accessed on 19 July 2011.

needs.¹²⁷ The Department of Housing's own *Affordable Housing Strategy 2010-20* makes no mention of the earlier WAPC and DoT reports.

Finding 3

Recent strategies and frameworks prepared by State Government agencies show a lack of a whole-of-government approach to social housing needs of Western Australians.

Finding 4

The growing disparity between income levels and house prices from about 2005 has resulted in significant housing stress for many Western Australians. Despite the injection of significant new Federal and State funds since 2008 into social and affordable housing there remains a strong demand for public housing. This has resulted in a large and growing waiting list in Western Australia which is worse than most other Australian jurisdictions.

Recommendation 3

The Minister for Housing report to Parliament by March 2012 on which of the 56 recommendations made by the Social Housing Taskforce in June 2009 will be supported by the State Government to ensure the completion of 20,000 new social houses by 2020.

1.7 Some Affordable Housing Options

This section outlines some attempts in Western Australia and other Australian jurisdictions to tackle the recent decrease in the affordability of housing.

(a) Affordable housing quotas

(i) South Australia

Planning for affordable housing in South Australia occurs within the framework of the *Housing Plan for South Australia* which was launched in March 2005. Similar to the commitment in

¹²⁷ Department of Transport, 'Public Transport for Perth in 2031: Mapping Out the Future for Perth's Public Transport Network', July 2011. Available at: www.transport.wa.gov.au/mediaFiles/ABOUT_P_PT_Plan2031.pdf. Accessed on 19 July 2011.

Western Australia's *Affordable Housing Strategy 2010-20*, where there is a government land release or a re-zoning increases values, there is a mandatory requirement to include 10% affordable and 5% high need housing.¹²⁸ There is also a voluntary zoning that applies to councils. For instance, if they zone property as 'inclusionary' they may gain a density bonus, or setbacks.¹²⁹

Under the Housing Plan for South Australia, the affordable housing target can be achieved through a variety of ways. These range from design and construction innovations to achieve lower priced market housing, new financing models, or the use of restrictions to ensure that the target housing is sold or leased to a prospective home buyer. These buyers need to either meet defined eligibility criteria or are a registered affordable housing provider.¹³⁰

The South Australian Government has established the Affordable Housing and Asset Strategy Unit (AH&AS) within Housing SA. This unit is charged with implementing the State Government's 15% affordable housing target by working with developers, local government and not for profit housing providers. In particular, AH&AS:

- provides advice regarding what constitutes affordable housing;
- confirms whether affordable housing criteria have been met; and
- secures affordable housing commitments through legal agreement.¹³¹

(ii) Queensland

Responding to a decline in housing affordability, the Urban Land Development Authority (ULDA) was established in Queensland in 2007. The ULDA was a key element of the Queensland Government's *Housing Affordability Strategy*. It has a minimum target of 15% of affordable dwellings across all urban development areas.¹³² It seeks to accomplish this "by enabling land to move quickly to market and to deliver high quality urban development outcomes."¹³³

¹²⁸ Government of South Australia, 'Housing Plan for South Australia', March 2005. Available at: blogs.dfc.sa.gov.au/m/dfcweb_hsa/501/download.aspx, p3. Accessed on 26 July 2011.

¹²⁹ Mr Phil Fagan-Schmidt, Executive Director, Housing SA, *Briefing*, 30 March 2011.

¹³⁰ Housing NSW, 'Planning Incentives - Principles and Examples', 19 October 2010. Available at: www.housing.nsw.gov.au/Centre+For+Affordable+Housing/Affordable+Housing+Resources/Affordable+Housing+National+Leading+Practice+Guide+and+Tool+Kit/Planning+Incentives/Planning+Incentives++Principles+and+Examples.htm. Accessed on 13 June 2011.

¹³¹ Housing SA, 'Meeting the 15% Requirement for Affordable Housing', 3 February 2011. Available at: www.sa.gov.au/upload/franchise/Housing,%20property%20and%20land/Housing%20SA/AHP_assessment_guidelines.pdf, pp2-3. Accessed on 13 June 2011.

¹³² Urban Land Development Authority, 'Affordable Housing', nd. Available at: www.ulda.qld.gov.au/_dbase_upl/Affordable_Housing_Fact_Sheet.pdf, p2. Accessed on 13 June 2011.

¹³³ Urban Land Development Authority, 'ULDA Affordable Housing Strategy', 2008. Available at: www.ulda.qld.gov.au/01_cms/details.asp?ID=145. Accessed on 13 June 2011.

(iii) Western Australia

The State Government's *Affordable Housing Strategy 2010-20* states that land and housing development agencies will dedicate "a minimum of 15% of project yields to affordable price points, targeted to low-to-moderate income households."¹³⁴ This proportion can vary greatly. For example, in the State electorate of Perth the highest rate is over 18% in Northbridge and Highgate and the lowest is 1.5% in Mount Hawthorn.¹³⁵

In Western Australia, LandCorp has a commitment to providing a percentage of affordable housing in some of its developments. However, the proportion varies from development to development, depending on the site:

*If you look at Minim Cove in Mosman Park, there is nothing. You go for the jugular there, financially. Basically, you take from the rich, if you like, whereas at Evermore we would say that we should look at providing 20% affordable housing.*¹³⁶

LandCorp advised the Committee that they set the affordability target at the outset of every development and that informs the way the development is then planned. LandCorp believe that it meets a 15% affordable housing target over all their developments.¹³⁷ LandCorp has often found little community support for affordability targets. It had a meeting with "one of the major resource companies about Broome. They had somewhat of a negative view of Broome North because it is going to have 30% social-affordable [housing] and they were not sure whether it would be appropriate for their workforce to be in that environment."¹³⁸

On the other hand, the Department of Planning supports the introduction of affordable housing quotas on new developments **but questions whether 15% is high enough**. The Director General told the Committee such quotas should either form part of an official state planning policy or be legislated.¹³⁹ Additionally, the Director General said that rather than adopting a piecemeal approach to affordable housing developments, it would be better targeted around transport nodes and activity hubs with a variety of housing types.¹⁴⁰

¹³⁴ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p36. Accessed on 18 July 2011.

¹³⁵ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 8 September 2011, p7141.

¹³⁶ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p3.

¹³⁷ Ibid.

¹³⁸ Ibid, p15.

¹³⁹ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p15.

¹⁴⁰ Ibid, p15.

Finding 5

Western Australia and some other Australian jurisdictions have set policy targets for affordable housing quotas. These are supported by regulatory and market mechanisms to ensure the delivery of appropriately located and diverse affordable housing options.

Recommendation 4

The Minister for Housing amend the *Affordable Housing Strategy 2010-20* to establish affordable housing quotas on green-field developments and large redevelopment sites.

Recommendation 5

The Minister for Planning establish affordable housing quotas on all green-field developments and large redevelopment sites and include the quotas into the *Planning and Development Act 2005* by December 2012.

(b) Land rent scheme

The Australian Capital Territory's (ACT) Land Rent Scheme was created as part of its *Affordable Housing Action Plan*. The Scheme gives a lessee the option of renting land through a lease from the Government rather than purchasing the land. Lessees are required to pay the Government rent which is calculated on the unimproved value of the land. They are then required to construct a house on the rented land within two years of the lease being granted.¹⁴¹

This scheme allows a person to rent the block of land on an ongoing basis or convert it to a traditional Crown lease at a later date, effectively purchasing the land at the price when they entered the scheme.¹⁴² Since the commencement of the scheme in 2008, 750 land rent contracts have been entered into. The scheme has been heavily supported by the Community CPS credit society (which has 48 branches across South Australia, the ACT, New South Wales and Western Australia), which has advanced over \$15 million to lessees.¹⁴³

¹⁴¹ Department of Land and Property Services, 'ACT Land Rent Scheme', nd. Available at: www.laps.act.gov.au/__data/assets/pdf_file/0004/139873/ACT_Land_Rent_Scheme_FAQ.pdf, p1. Accessed on 13 June 2011.

¹⁴² Hon Ms Joy Burch, MLA, Minister for Housing, ACT, *Briefing*, 30 March 2011.

¹⁴³ *Ibid.*

The advantage for potential lessees in taking up this option is the reduction of the up-front costs associated with owning a house. There are also advantages to government land agencies which are able to retain some ownership in their land:

While retaining ownership (and hence a positive balance sheet), land agencies could allow the development of affordable rental housing on their sites by a privately financed NFP [not for profit], and/or they could make some lots available on a long-term lease to households wishing to build and finance their own homes ... Under contractual arrangements with the land agencies, NFP housing providers, as well as allocating and managing dwellings to be rented out, could assist in ensuring compliance with conditions of private buyers, functions the land agencies themselves are unwilling to take on.¹⁴⁴

In Western Australia, LandCorp has developed a similar proposal to rent Crown land, based on the ACT model. It is:

currently being assessed by the Department of Regional Development and Lands, because it would put a fairly heavy impost on it in an administrative sense. But that proposal does exist, and the Department of Housing has been involved in that development as well.¹⁴⁵

Finding 6

The Australian Capital Territory's land rent scheme obviates the need for households to finance the high initial cost of a block of land. Households only need to pay the costs associated with the transfer of the land and the construction of a home. This significantly reduces the level of mortgage repayments for participants in the scheme.

Recommendation 6

The Minister for Regional Development and Lands should complete the assessment of the feasibility of a 'land rent' scheme in Western Australia.

¹⁴⁴ Ms Julie Lawson *et al.*, 'International Measures to Channel Investment Towards Affordable Housing', May 2010. Available at: www.fbe.unsw.edu.au/cf/publications/ahuriprojectreports/attachments/AHURI_RP_May10.pdf, p17. Accessed on 13 June 2011.

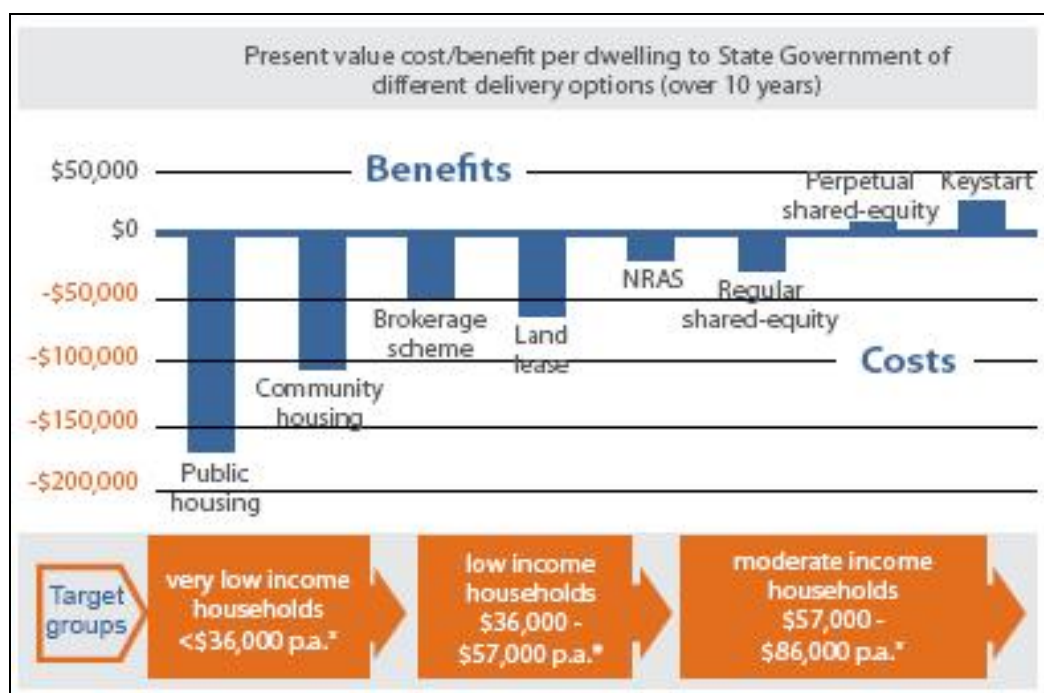
¹⁴⁵ Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p20.

(c) Shared equity schemes

Evidence presented to the Committee challenged the widely-held belief that home ownership is a reliable buffer against poverty in old age (see Chapter 7 for more information on housing for the aged). In addressing the growing issue this presents to Western Australia, the option of overseas intervention models such as ‘rent to buy’ schemes are unlikely to be attractive to asset-poor older Australians. However, shared equity programs are more promising.¹⁴⁶ As a consequence, these equity-based initiatives have a potential to play an important role in increasing the amount of affordable housing in the State.¹⁴⁷

In the *Affordable Housing Strategy 2010-20*, the Minister for Housing announced the expansion of “successful schemes such as shared equity home loans and assistance for low deposit home buyers through Keystart.”¹⁴⁸ Figure 1.12 below illustrates the benefits to the State Government of two equity schemes when compared to the costs of alternative government-funded housing interventions for low-income households.

Figure 1.12- Indicative cost of various housing options¹⁴⁹



¹⁴⁶ AHURI, ‘Asset Poverty and Older Australians’ Transitions into Housing Assistance Programs’, May 2011. Available at: www.ahuri.edu.au/publications/download/rap_issue_139, p3. Accessed on 23 June 2011.

¹⁴⁷ Ibid, p1.

¹⁴⁸ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf. Accessed on 18 July 2011.

¹⁴⁹ Ibid, p19. Regular shared-equity schemes provide funds to the home buyer from either a private bank or a government agency and both the buyer and institution share in any capital gains and losses. Perpetual shared-equity schemes often involve a community land trust holding the land.

Shared equity provides a model of affordable housing that keeps home-ownership within reach of those on moderate incomes. It allows the consumer to ‘staircase up’ to full ownership at a later stage and to choose their own house on the private market (rather than be limited to particular government stock). It also allows the householder to capture any equity gains by selling the property into the market.¹⁵⁰

The Department of Planning described to the Committee the shared equity housing model used by the East Perth and Subiaco Redevelopment Authorities. The developer funds the construction of these units (which are generally from a ‘density bonus’ arrangement) and then sells them to the State Government at cost. Owners generally borrow their mortgage from Keystart and the whole program runs at negligible cost to the Government.¹⁵¹

The Director General of the Department of Housing told an industry briefing on the *Affordable Housing Strategy 2010-20* that the vast majority of the approximately 2,000 homes to be built each year under the strategy would be sold via a shared equity model, with only about 15% provided for public housing clients.¹⁵²

Similarly, the shared equity products offered by Keystart (such as FirstStart and GoodStart¹⁵³) enjoy a high level of support:

*Another thing is Keystart. ... That is unique in Australia. It is incredibly successful and fills the gap between social housing and people who can qualify for bank finance. New South Wales had an experience with FANMAC, which was a disaster. The Keystart model in WA is much different from that and it is a roaring success.*¹⁵⁴

A new shared equity scheme offered by Keystart Home Loans and the Country Housing Authority (CHA) was launched in May 2011. Since 1989 Keystart and CHA have assisted over 70,000 Western Australian households become homeowners. This represents over \$8.3 billion in home loans.¹⁵⁵ Keystart offers housing loans across the State to moderate income earners who have limited finance options. The State’s new housing strategy suggests that Keystart loans will play a bigger role in addressing the affordable housing issue:

Keystart, going forward will explore the possibility of financing credit-worthy projects undertaken by not-for-profit housing organisations and private developers where funds for

¹⁵⁰ AHURI, ‘How Can Shared Equity Schemes Facilitate Home Ownership in Australia?’, April 2010, Available at: www.ahuri.edu.au/publications/download/rap_issue_124, p1. Accessed on 23 June 2011.

¹⁵¹ Submission No. 39 from the Department of Planning, 15 June 2011, p12.

¹⁵² Mr Grahame Searle, Director General, Department of Housing, *Industry Briefing*, 26 July 2011.

¹⁵³ Keystart, ‘Good Start Home Loans’, nd. Available at: www.keystart.com.au/downloads/Goodstartbrochure.pdf. Accessed on 26 July 2011.

¹⁵⁴ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p16.

¹⁵⁵ Keystart, ‘Welcome to Keystart Country Housing’, 2010. Available at: www.keystart.com.au/index.php. Accessed on 20 June 2011.

*social and affordable housing projects are not otherwise available through commercial sources.*¹⁵⁶

The Minister for Housing told Parliament that during the six months between December 2010 to June 2011 there were 376 applications to Keystart, 291 new loans were made and only three loans were foreclosed.¹⁵⁷ In expanding such schemes, the State Government should be mindful of not having participants over-committed due to external cost pressures, and hence leading to a greater number of foreclosures.

Finding 7

The Western Australian Government has implemented successful shared equity housing schemes. As a key affordable housing strategy, these schemes will be expanded in the future.

Recommendation 7

The Minister for Housing report to Parliament every six months as to how many affordable homes have been provided to new households via shared equity schemes under the State's *Affordable Housing Strategy 2010-20*, and how many foreclosures there have been in that period.

(d) Smaller block sizes

A new approach to addressing housing affordability is to construct dwellings on smaller lots. At Ellenbrook a developer has produced houses on a 150 square metre lot with a five-metre frontage by 30 metres deep. These two-bedroom, one-bathroom housing units sold for \$268,000 and have sold so well that the developer is building more.¹⁵⁸ Another developer offers houses on a 10-metre wide frontage lot that is 30 metres deep and 300 square metres in total, selling for \$340,000.¹⁵⁹ A number of builders (such as Dale Alcock, Stockland, and Australind) are keen to address the affordability issue through a range of smaller home products.¹⁶⁰

¹⁵⁶ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p33. Accessed on 18 July 2011.

¹⁵⁷ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 16 August 2011, p5924.

¹⁵⁸ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p2.

¹⁵⁹ Ibid.

¹⁶⁰ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p15.

Finding 8

The move by developers in Western Australia of providing a proportion of their new homes on smaller blocks is a positive development that increases the number and range of affordable houses.

CHAPTER 2 THE STATE'S SOCIAL HOUSING SECTOR

2.1 Social Housing Stakeholders

Public or social housing is sometimes seen as a 'one size fits all' commodity and is described in terms of the number of affordable units produced or the number of householders seeking accommodation. Housing is needed at all points along a continuum to meet the needs of the State's diverse population. More information about the applicants seeking assistance in this sector is contained in Appendix Five. The idea of a housing continuum, and the place of social housing was introduced in Chapter 1, and is explored further below. As such, social and affordable housing is a complex issue that engages a range of stakeholders, as shown in Figure 2.1.

Figure 2.1- Key stakeholders of social and affordable housing in Western Australia¹⁶¹

Stakeholder	Role
State Government	Funds and provides social housing. Manages social housing tenancies. Oversees land and development approval process.
Commonwealth Government	Funds State Government to provide social housing.
Local Government	Provides community services. Key player in land and development approval process.
Community Housing Organisations	Providers of social housing. Manages social housing tenancies.
Non Government Organisations	Providers of housing and other support services to people in need.
Land Development industry	Provides residential land for housing.
Construction industry	Builds social and affordable housing.
Finance sector	Funds the construction of private and community sector housing.
Real estate industry	Oversees the private rental market.
Broader community	Benefit from a sustainable housing system.

2.2 Federal Policy Changes

The Council of Australian Governments (COAG) agreed in 1995 to public housing reforms which brought "about a fundamental shift in roles and responsibilities entailing the Commonwealth accepting responsibility for income support and housing affordability and the States and

¹⁶¹ Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf, p3. Accessed on 21 July 2011.

Territories for housing services and tenancy and property management.”¹⁶² The changes were agreed to in 1996 in the new Commonwealth–State Housing Agreement (CSHA) which included the Commonwealth stopping funding to the States for public rental stock expansion.¹⁶³

These changes have led to the focus of social and affordable housing in Western Australia moving away from supplying affordable properties to low and middle income working families towards providing accommodation on a priority needs basis. This move from a universal model of public housing to a residual model was reinforced by the 1996 changes to the CSHA. The programs delivered under this agreement centre on public rental housing and other targeted housing assistance.¹⁶⁴ The 1996 changes also began a steady decline of real public housing funding levels that contributed to a decline of the amount of social housing as a proportion of the State’s housing stock, from 7.8% in 1991 to just 4.2% in 2006.¹⁶⁵

In January 2009, the Commonwealth social housing programs were broadened, combining services for the homeless with broader ‘affordable housing’ initiatives under the National Affordable Housing Agreement (NAHA). The NAHA focuses on achieving six key outcomes:

- homeless people achieve sustainable housing and social inclusion;
- people are able to rent housing that meets their needs;
- people can purchase affordable housing;
- people have access to housing through an efficient and responsive housing market;
- Indigenous people have the same housing opportunities as other Australians; and
- Indigenous people have improved housing amenity and reduced overcrowding, particularly in remote areas and discrete communities.¹⁶⁶

The NAHA included the following three new National Partnership Agreements (NPAs) that provide additional funding for Western Australia’s housing and homelessness services and commit the State to pursue reforms in their housing systems:

¹⁶² Council of Australian Governments, ‘Council of Australian Governments’ Meeting: 11 April 1995’, 24 October 2008. Available at: www.coag.gov.au/coag_meeting_outcomes/1995-04-11/index.cfm#housing. Accessed on 19 July 2011.

¹⁶³ Ms Karen Gillespie, ‘Australian Public Housing: A Brief Look at it’s History’, 28 May 2007. Available at: www.helium.com/items/358244-Australia-South-Pacific?page=3. Accessed on 9 June 2011.

¹⁶⁴ Australian Institute of Health and Welfare, ‘A Profile of Social Housing in Australia’, September 2010. Available at: www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=6442464913, p1. Accessed on 9 June 2011.

¹⁶⁵ Social Housing Taskforce, ‘More Than a Roof and Four Walls’, 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf, p2. Accessed on 21 July 2011.

¹⁶⁶ Australian Institute of Health and Welfare, ‘A Profile of Social Housing in Australia’, September 2010. Available at: www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=6442464913, p1. Accessed on 9 June 2011.

- Social Housing National Partnership Agreement;
- Homelessness National Partnership Agreement; and
- Remote Indigenous Housing National Partnership Agreement.

The funding from these NPAs, the NAHA and the Nation Building and Jobs National Partnership Agreement will provide about \$1.9 billion to Western Australia over the five years between 2008-13, as shown in Table 2.1 below.

Table 2.1- Estimated Western Australian income from NAHA and NPAs (2008-13)¹⁶⁷

	2008-09 (\$m)	2009-10 (\$m)	2010-11 (\$m)	2011-12 (\$m)	2012-13 (\$m)	Total (\$m)
NAHA	122.0	124.9	127.2	129.6	132.5	636.2
Homeless NPA	2.8	11.9	15.9	16.6	19.4	66.5
Social Housing NPA	20.3	20.4	-	-	-	40.7
Remote Indigenous NPA	81.7	105.8	81.8	98.5	128.7	496.6
Nation Building NPA	26.3	407.2	181.8	31.2	-	646.5
TOTAL	253.1	670.2	406.7	275.9	280.6	1,886.5

Table 2.2 below shows that, as the Federal funding for public housing increased in 2008-09, the State Government reduced its own appropriations.

¹⁶⁷ Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf, p19. Accessed on 21 July 2011.

Table 2.2- Department of Housing funding sources (\$million) (2002-2012)¹⁶⁸

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 [#]
Federal- public housing	89.9	79.8	81.5	82.8	83.8	85.8	122.8	423.7	386.7	
Federal (other)	30.9	44.5	61.4	61.7	53.2	67.7	73.1	185.2	88.5	240.0
State Funds*	34.7	42.4	51.6	51.5	96.6	352.2	581.3	265.8	132.5	277.2
Royalties for Regions	0	0	0	0	0	0	20.0	94.0	63.6	135.8
TOTAL EXTERNAL	155.5	166.7	194.6	196.4	233.5	505.7	797.1	968.7	671.2	653.0
Asset Sales	165.2	225.2	221.4	309.6	381.0	266.1	208.7	335.4	224.6	343.3
Keystart Dividend	0	10.0	0	22.6	24.0	16.1	0	0	25.0	39.0
Rent/other	203.0	197.8	200.3	196.6	265.6	294.1	340.5	357.2	401.8	381.4
TOTAL INTERNAL	368.2	433.0	421.7	528.7	670.6	576.3	549.2	692.6	651.4	763.7
% INTERNAL	70%	72%	68%	73%	74%	53%	41%	42%	49%	54%

[#] Estimated totals.

* Includes WA Treasury Corporation borrowings for the Housing Authority but excludes Keystart borrowings.

2.3 Social Housing as Part of a Continuum

(a) Housing continuum as a concept

The demographic characteristics of the State's residents and the provision of housing for them can be expressed as a 'housing continuum'. Key variables include housing cost (whether expressed as rent or purchase price) and a person's income and their ability to afford housing. People are envisaged as transitioning through a housing continuum consisting of three levels:

1. a continuum from crisis accommodation to private accommodation;
2. a continuum from crisis accommodation to affordable accommodation; and
3. a continuum of various forms of supported accommodation.

¹⁶⁸

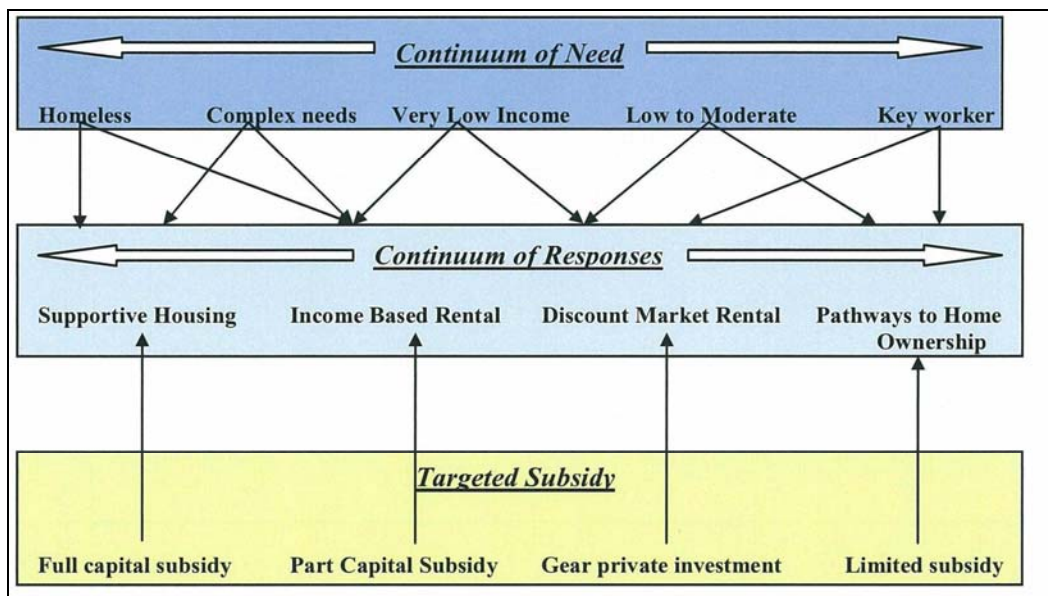
Hon Mr Christian Porter, Treasurer, Questions on Notice Letter, 7 September 2011. Funds as at 20 July 2011.

A submission explained to the Committee the concept of a housing continuum:

*Housing requirements exist along a continuum for people with mental health problems. From hospitalisation to intensive residential support to various forms of independent living, people need to be able to move along this continuum without jeopardising security.*¹⁶⁹

Figure 2.2 shows a continuum of social needs and possible government actions in terms of options for social housing.

Figure 2.2- The housing continuum of need and responses¹⁷⁰



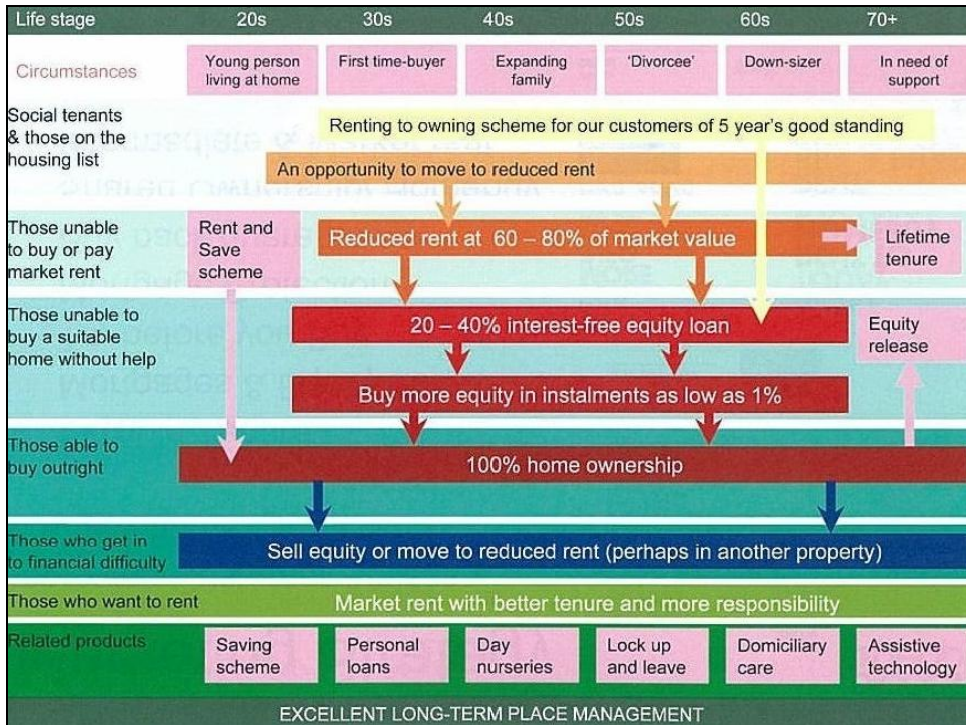
(b) A UK community housing continuum

The largest non government provider of social and affordable housing in the United Kingdom is the Places for People Group Ltd. It had assets in excess of £2.9 billion in 2010 and managed more than 62,000 homes– from Edinburgh to the Isle of Wight. Its vision is to “provide aspirational homes and inspirational places.”¹⁷¹ Places for People also provide job and training opportunities, access to affordable childcare, financial products such as mortgages and loans, and specialist care and support services that enable people to live independently in their own home.

Figure 2.3 below shows the more complex housing continuum Places for People Group have developed that link a person’s ‘lifestage’ and their housing needs.

¹⁶⁹ Submission No. 9 from Schizophrenia Fellowship Albany & Districts Inc, December 2010, p2.
¹⁷⁰ Mr Mike Myers, Executive Director Queensland Housing Coalition, Presentation to LGAQ conference 2007. Available at: www.qahc.asn.au/images2/website/affordabilitychart.pdf, p1. Accessed 29 August 2011.
¹⁷¹ Places for People, ‘About Us, 2011. Available at: www.placesforpeople.co.uk/about_us.aspx. Accessed on 29 July 2011.

Figure 2.3- Places for People (UK)¹⁷²



(c) Problems with a housing continuum

While a continuum presupposes that tenants move along it, a briefing to the Committee by the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) advised that most government social policies assume a permanence of position and not transition.¹⁷³ Another witness acknowledged that people move through different tenures depending on their life circumstances and housing need, but said the affordable housing continuum concept was confusing and overly simplistic.¹⁷⁴ Evidence to the Committee was that in Perth “there is no continuum in housing. What we have is a continuum in price, but the product is exactly the same”:

*If you are trying to make a choice and you have got a certain price point, you are really choosing between where your four-by-two house is going to be located, not “Should I live in an apartment or should I live in a terrace or should I live in a townhouse or should I live in a single detached house?” The Perth continuum is sort of skewed in many respects.*¹⁷⁵

¹⁷² Mr David Cowans, ‘Delivering Places Where People Want to Live’, Paper presented at the International Social Housing Summit, The Hague, 14 October 2010.
¹⁷³ Mr Sean Innis, Group Manager Housing and Homeless, and Ms Lisa Croke-Brancj, Manager, Department of Families, Housing, Community Services and Indigenous Affairs, *Briefing*, 30 March 2011.
¹⁷⁴ Submission No. 18 from Hon Ms Lynn Mc Laren MLC, 8 December 2010, p6.
¹⁷⁵ Mr Kieran Wong, Architect and Director, CODA, *Transcript of Evidence*, 16 February 2011, p7.

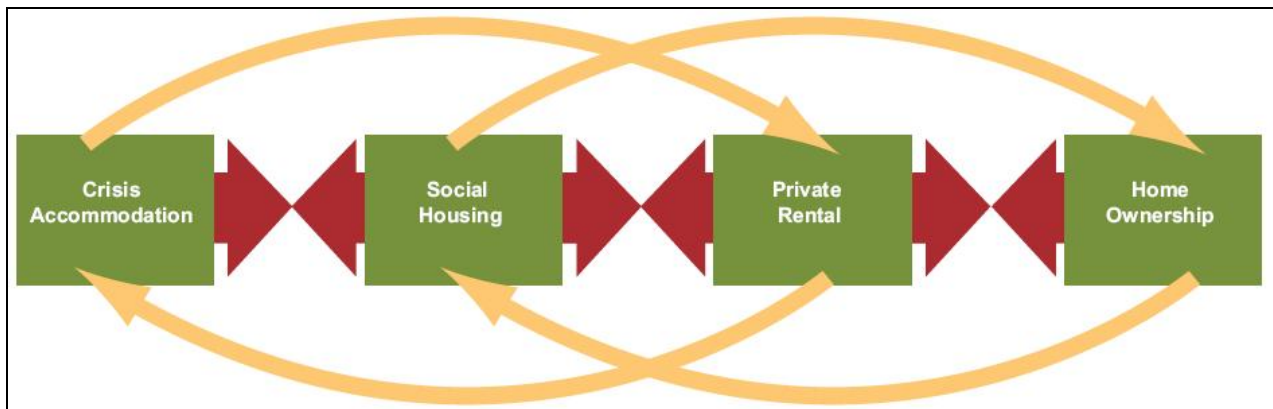
(d) The Department of Housing's affordable housing continuum

Social housing forms a small but important part of the broader State housing system. It assists people that are unable to find housing that is affordable and sustainable. Without an adequate supply of affordable housing there are no exit points for social housing tenants to move to and free up social housing rental stock for people on the public housing waiting list.

The concept of a 'housing continuum' (see Figure 2.4 below) was central to the Social Housing Taskforce's understanding of the flow of people between the State's different forms of accommodation. It was also utilised in the State Government's *Affordable Housing Strategy 2010-20*. The Director General of the Department of Housing (DoH) told the Committee that "a solution to the problem is not just more public housing; a spread of solutions across the whole of the housing continuum will solve the housing problem we have at the moment."¹⁷⁶ The Urban Development Institute of Australia helped produce the strategy and said that it supports "very strongly the underpinning concept which is that social housing is not social housing for life, it is part of the journey."¹⁷⁷

While 'crisis accommodation' is included in this continuum, the *Affordable Housing Strategy 2010-20* makes no mention of this need, or provide any target for an increase in housing in this part of the continuum. DoH told the Committee that crisis accommodation is provided for by the Department of Child Protection. The *Affordable Housing Strategy 2010-20* outlines how various State Government agencies should work together to pursue its goals. However, this new 'whole of government' process is still being discussed by DoH with the Minister for Housing.¹⁷⁸

Figure 2.4- Affordable housing continuum¹⁷⁹



¹⁷⁶ Mr Grahame Searle, Director General, Department of Housing, *Transcript of Evidence*, 28 January 2011, p1.

¹⁷⁷ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p13.

¹⁷⁸ Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, Questions on Notice, 16 August 2011, pp1-2.

¹⁷⁹ Social Housing Taskforce, 'More Than a Roof and Four Walls', 30 June 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf, p6. Accessed on 21 July 2011.

The Department's strategy of a housing continuum is supported by a Housing Needs Register. This Register will "improve information, coordination and matching of client needs with appropriate short and longer-term solutions and pathways."¹⁸⁰ It will provide a detailed assessment of an applicant's immediate and longer term housing requirements, inclusive of support service needs, and so facilitate the applicant into an appropriate housing solution along the continuum. The Department of Housing told the Committee that all government and non-government agencies "will be encouraged to ensure that eligible clients with housing needs are on the Register."¹⁸¹

FaHCSIA believes that the ability of any public housing authority to provide support services will be the key determinant of the success in moving people between different types of accommodation. This is because 80% of those in public housing also receive various types of social support. Increasing numbers of public housing tenants have greater needs for support. For this reason, FaHCSIA believes it is difficult for tenants to traverse a continuum between social and affordable housing.¹⁸²

Finding 9

For tenants to transition successfully to new forms of housing they need to receive a range of non-housing support services at transition points. Existing support services are inadequate for transitions to occur successfully.

¹⁸⁰ Department of Housing, 'Housing 2020: Future Directions for Affordable Housing', October 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_2020.pdf, p8. Accessed on 21 July 2011.

¹⁸¹ Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, Questions on Notice, 16 August 2011, p2.

¹⁸² Mr Sean Innis, Group Manager Housing and Homeless, and Ms Lisa Croke-Brancj, Manager, FaHCSIA, *Briefing*, 30 March 2011.

CHAPTER 3 THE STATE'S COMMUNITY HOUSING SECTOR

3.1 Introduction

The Department of Housing's success in delivering the outcomes of the *Affordable Housing Strategy 2010-20* is dependant on its partnership with the State's community housing sector. Providing access to about 5,500 houses, the community housing sector is managed by not-for-profit community-based organisations whose operations are partly subsidised by the State Government.¹⁸³ The Western Australian Government, like other Australian jurisdictions, is supporting the expansion of the community housing sector to increase the supply of affordable rental properties and dwellings.

The Federal Government's Community Housing Program (CHP) began in 1992-93 and built on the small community and local government housing assistance programs begun in the early 1980s. In 1996, CHP provided over \$74 million to enable local government, welfare and community organisations to purchase, lease or upgrade rental housing.¹⁸⁴

Most community housing providers in Western Australia are members of the Community Housing Coalition of Western Australia, the majority of whose members are smaller providers who manage from a handful up to 100 properties. However, its membership also includes larger community housing providers, at least six of whom manage housing portfolios of over 500 houses.

Community housing organisations often provide a range of other support services:

*In fact, in some cases, housing is provided primarily to achieve better outcomes for people who rely on the services they provide. These services include aged care, care for people with disabilities, mental health, drug and alcohol, domestic violence and crisis accommodation, and other services.*¹⁸⁵

While public housing provided by the Department of Housing makes a loss every year, social housing provided by community housing associations is only made viable by the ability of tenants to attract Commonwealth Rent Assistance (CRA) to supplement their Centrelink payment. These tenants have a significantly higher income than those in the public housing system. Community housing associations are not permitted to charge tenants more than 30% of their total income in rent (and their rent must not exceed 75% of market rent). The boost to an individual's income provided by the CRA payments means they can pay more rent to an association than to DoH.¹⁸⁶

¹⁸³ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p20. Accessed on 18 July 2011.

¹⁸⁴ Parliamentary Library, 'Reforming Public Housing', 16 June 1997. Available at: www.aph.gov.au/library/pubs/cib/1996-97/97cib31.htm. Accessed on 21 July 2011.

¹⁸⁵ Submission No. 21 from Community Housing Coalition of Western Australia, 10 December 2010, p1.

¹⁸⁶ Ibid.

3.2 The Current Status of Community Housing Providers

(a) Background

Not-for-profit community housing providers manage over 40,000 dwellings across Australia, representing about 11% of social housing.¹⁸⁷ In Western Australia, this proportion is closer to 14% and make up just 3% of the State's total dwellings. This rate is significantly lower than many other overseas jurisdictions (see Table 3.1).¹⁸⁸

In light of the reduced investment by governments in new social housing, a recent Senate report recommended that "significant new funding be invested" by both the Federal and State governments to increase the proportion of social housing in Australia to 6%.¹⁸⁹

Table 3.1- The social and non-profit housing share in Western Australia and other jurisdictions¹⁹⁰

Jurisdiction	Social Housing as Proportion of All Dwellings	Non-profit Proportion of Social Housing
Western Australia	3%	14%
Australia	5%	11%
England	18%	50%
Ireland	8%	13%
United States	5%	69%
Canada	7%	67%
Netherlands	35%	99%
France	17%	92%

Until recently the community housing sector has been highly fragmented. In Western Australia, there are nearly 300 providers. They range from providers whose core business is the provision of

¹⁸⁷ Ms Joy Birch and Mr Adrian Pisarski, 'Australian Market Focus', Paper presented at the International Social Housing Summit, The Hague, 14 October 2010, p7.

¹⁸⁸ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p16 & p24. Accessed on 18 July 2011.

¹⁸⁹ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia', June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p167. Accessed on 14 June 2011.

¹⁹⁰ Ms Joy Birch and Mr Adrian Pisarski, 'Australian Market Focus', Paper presented at the International Social Housing Summit, The Hague, 14 October 2010, p7.

housing, such as Access Housing and Foundation Housing, through to multi-purpose agencies, such as the Salvation Army and Centrecare. One local council has three pensioner units.¹⁹¹ The Director General told the Committee “by the time you take out the half a dozen that have got a couple of hundred properties each, the rest have an average of about four.”¹⁹²

Housing Ministers in all Australian jurisdictions have committed to expanding the community housing sector to comprise up to 35% of social housing by 2014. The target announced by the Federal Housing Minister was for at least 75% of new social housing units are to be managed by not-for-profit providers.¹⁹³ In Western Australia this will be achieved by two strategies:

- (i) the divestment by the Department of Housing of some of its stock through transfers of title and leasing to community housing providers, allowing them to leverage the stock to secure private finance;¹⁹⁴ and
- (ii) the creation by the Federal Government of the National Rental Affordability Scheme (NRAS) and requirements contained in the National Affordable Housing Agreement (NAHA).

The Director General told the Committee that these developments were intended to create economies of scale in the community housing sector by creating and supporting a small group of larger providers:

*You cannot support 300 organisations. You cannot support the professional development that is required to get organisations to a size where they can maximise and manage assets appropriately. ... there is a conscious decision to categorise providers into growth providers, preferred providers and community housing organisations. So what we have focused on is trying to build the capacity of those bigger organisations so that they can get to the stage where they can deal and trade in land and develop and build in their own right rather than be the holders of assets and the managers of assets ...*¹⁹⁵

The three-tiered registration categories of community housing providers described by the Director General are:

- **Growth Providers**– those that meet a set of high-level criteria and who have a strong strategic direction toward growth and the development of social housing.

¹⁹¹ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p20. Accessed on 18 July 2011.

¹⁹² Mr Grahame Searle, Director General, Department of Housing, *Transcript of Evidence*, 28 January 2011, p12.

¹⁹³ Mr Max Travers *et al.*, ‘Stakeholders Views of the Regulation of Affordable Housing Providers in Australia’, 19 January 2011. Available at: www.ahuri.edu.au/publications/download/40559_fr, p8. Accessed on 9 June 2011.

¹⁹⁴ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p24. Accessed on 18 July 2011.

¹⁹⁵ Mr Grahame Searle, Director General, Department of Housing, *Transcript of Evidence*, 28 January 2011, p12.

They must comply with the State's Community Housing Growth Provider Regulatory Code.

- **Preferred Providers**—will typically house people from a specific target group or geographical location and have a housing portfolio of approximately 100 units. They will have effective and ethical governance, a commitment to quality service delivery and continuous improvement, and must comply with the National Community Housing Standards 2003.
- **Registered Providers**— will typically be smaller organisations with housing portfolios of below 100 units and with limited capacity or demand for further growth and development of social housing.¹⁹⁶

Growth providers currently manage approximately 60% of the total community housing dwellings in Western Australia and this figure is projected to increase to 75% over the next three years as a result of State Government initiatives such as asset transfers.¹⁹⁷ They will be expected to use the increase of their asset base to 'work their balance sheet' and leverage their assets to further expand their stock of affordable housing. As such, a growth provider will take on a greater level of risk to develop social and affordable housing compared to a preferred or registered provider.¹⁹⁸

The Committee was told that by the end of 2011 the Department will have transferred 4,800 properties to community associations. Community Housing Ltd is one of the growth providers and needs about 300 properties to leverage to expand the housing stock with loans and other new capital. Of the nearly 5,000 properties managed in the State's community housing sector, they have had only 39 transferred to them. While this is less than they require, Community Housing Ltd gave a practical example of how they could leverage the titles of these properties "We have put in about \$2.4 million of our own equity. We will build about 16 houses. As a result of those 39 [transfers], we will build about 16 [new houses]."¹⁹⁹

Community Housing Ltd believes that the *Affordable Housing Strategy 2010-20's* goal of 1,000 new properties over 10 years from the community housing associations is conservative given the transfer of 8,000 properties to this sector in that period. With five growth providers this equates to each providing only 20 new properties per year. Instead, these growth providers could deliver "upwards of 5,000 dwellings over the next 10 years ... as one provider, [we] could do between 1,000 and 1,500 houses over the next 10 years"²⁰⁰

¹⁹⁶ For a full list of providers in each category see Department of Housing, 'List of Registered Providers', 2010. Available at: www.housing.wa.gov.au/400_1704.asp. Accessed on 18 July 2011.

¹⁹⁷ Submission 16 from the Growth Provider Network, 7 December 2010, p4.

¹⁹⁸ Mr Greg Cash, Director, Affordable Housing Policy, Department of Housing, *Transcript of Evidence*, 28 January 2011, p13.

¹⁹⁹ Mr Shane Hamilton, WA State Manager, Community Housing Limited, *Transcript of Evidence*, 22 August 2011, p2.

²⁰⁰ *Ibid*, pp5-6.

(b) Fragmentation of the community housing sector

The State's fragmented community housing sector limits access by many of the smaller providers to specialist financial and management expertise. By amalgamations, mergers and syndication such expertise becomes more affordable and accessible to these associations, and will improve the risk profile of the sector. In commenting on the applicability of the situation in the United Kingdom, KPMG noted the low historic default rates associated with the community housing asset class there. It said such amalgamations have allowed housing associations to become more diversified in their service and product offerings and improving the risk profile of the sector. It identified the key concern of private financing organisations:

...appears to be around enforcement of security. Financiers are hesitant to step in and take over affordable housing assets given the negative community perception associated with relocating affordable housing tenants.²⁰¹

Finding 10

The Western Australian community housing sector is significantly fragmented, with some 300 community housing providers managing about 3,000 properties. This reduces the sector's financial viability, its operational efficiency and increases its risk profile. The Department of Housing is currently encouraging amalgamations of associations in this sector.

Recommendation 8

The Minister for Housing in the 2012 Budget provide further incentives to encourage the consolidation of the community housing sector to help it achieve a critical mass and assist it realise economies of scale.

(c) Tax and other benefits accruing to the community sector

With the increasing devolution of traditional government housing roles to the community sector, there is a clear goal by the State Government to achieve a diversity of providers in the housing sector. One of the drivers for this is that the community sector has a lower cost structure as it can access a range of subsidies and tax benefits that are not available to the Department of Housing. These include:

²⁰¹ KPMG, 'Barriers to the Creation of a Long Term Affordable Housing Investment Class', 4 June 2010. Available at: www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/Barriers-to-the-creation-of-a-long-term-affordable-housing-investment-class-June-2010.pdf, p3 & Appendix B. Accessed on 28 June 2010.

- GST exemption;
- Fringe Benefit Tax exemption;
- exemption from local government rates; and
- access to philanthropic trusts for project funding.

In addition, the community sector can often act more entrepreneurially than the public sector can, with less political interference, as they are able to leverage their assets with commercial borrowings.²⁰² One association told the Committee that they could make substantial savings in developing new houses as they held a building licence and had their own in-house architects:

*We design the houses ourselves and we engage subcontractors to build those designed houses. We can make GST savings and other savings because we are not looking for a 40% margin.... our business is about housing people, not making profits out of construction.*²⁰³

However, there are a number of factors that might militate against the sector's ready access to third party funds:

- the small size of property portfolios and whether providers have the ability to grow to a size that will enable them to generate the required economies of scale in a reasonable period of time;
- the lack of government regulations to assist the sector grow securely; and
- the need to develop an operational framework that supports the interdependence of having both a business model and a social task.²⁰⁴

When comparing the Australian community housing sector to the more developed ones in the USA, the Netherlands and England, a number of studies have identified a set of interconnected reasons for the failure of earlier community housing investment models in the 1980s and early 1990s, including:

- the lack of track record for structured investment in affordable housing schemes in Australia;

²⁰² Mr Max Travers *et al.*, 'Stakeholders Views of the Regulation of Affordable Housing Providers in Australia', 19 January 2011. Available at: www.ahuri.edu.au/publications/download/40559_fr, p8. Accessed on 9 June 2011.

²⁰³ Mr Shane Hamilton, WA State Manager, Community Housing Limited, *Transcript of Evidence*, 22 August 2011, p7.

²⁰⁴ CHCWA Affordable Housing Series Forum, 'Background Paper Funding Models and Delivery Vehicles for the Provision of Affordable Housing by the Community Housing Sector', 2005. Available at: www.communityhousing.com.au/resources/Funding%20models%20and%20delivery%20vehicles%20Background%20Paper.doc. Accessed on 9 June 2011.

- the small scale nature of projects generates limited opportunities for economies of scale and higher costs for institutional investors who respond to them;
- the high risks associated with rental investment, including risks related to property and tenancy management and the possible impacts of long term changes in government policy (especially taxation); and
- the relatively poor rates of return on rental housing in Australia, especially for institutional investors who have a wide choice of alternative investment opportunities.²⁰⁵

3.3 The Need for Further Regulation

Regulation has been widely identified as one of the preconditions to grow the community housing sector in Australia.²⁰⁶ It is a necessary condition alongside strategic investment.²⁰⁷ Currently in Western Australia community housing providers are required to sign a community housing agreement when they receive support from the Department of Housing. While the Victorian Housing Registrar told the Committee that ‘serious dollars equals serious accountability’,²⁰⁸ the view of some in the Western Australian community housing sector is that the regulation is very weak and lacks an effective framework. The Committee was told “we virtually have no regulation here. It is really weak. So, in the absence of having that, a lot of that has been encapsulated within the community housing agreement to protect the State’s interest”.²⁰⁹

With the Federal and State Governments beginning to invest more heavily in the community housing sector, both have begun to move towards greater regulation. In April 2010, the Federal Minister for Housing introduced a discussion paper on regulation of the sector. It presented regulation as having clear benefits:

For not-for-profit providers to play a bigger role we need a regulatory system that gives us all confidence. Tenants need secure and stable housing. Investors need confidence that they can partner with a viable and well-managed sector. Housing providers themselves

²⁰⁵ Ms Vivienne Milligan *et al.*, ‘A Practical Framework for Expanding Affordable Housing Services in Australia: Learning from Experience’, 2003. Available at: www.ahuri.edu.au/publications/download/60191_fr, pp12-13. Accessed on 9 June 2011.

²⁰⁶ Mr Max Travers *et al.*, ‘Regulatory Frameworks and their Utility for the Not-For-Profit Housing Sector’, April 2010. Available at: www.ahuri.edu.au/publications/download/40559_pp, p4. Accessed on 20 April 2011.

²⁰⁷ Mr Max Travers *et al.*, ‘Stakeholders Views of the Regulation of Affordable Housing Providers in Australia’, 19 January 2011. Available at: www.ahuri.edu.au/publications/download/40559_fr, p4. Accessed on 9 June 2011.

²⁰⁸ Mr Ken Downie, Registrar of Housing Agencies, Housing Registrar, Department of Human Services, Victoria, Melbourne, *Briefing*, 31 March 2011.

²⁰⁹ Ms Kathleen Gregory, Chief Executive Officer, Foundation Housing, *Transcript of Evidence*, 4 November 2010, p18.

*need simple regulations which give them the opportunity to expand across state and territory borders and to enter into solid commercial relationships.*²¹⁰

At its December 2010 Housing Ministers' Conference, the Ministers agreed to the implementation of a nationally consistent regulatory system for not-for-profit housing providers, which it expects will provide more opportunities for growth within this sector.²¹¹ In Western Australia, the *Affordable Housing Strategy 2010-2020*, while stating an intent to "establish a robust regulatory framework for the community housing sector", does not define what this means.²¹²

(a) Purpose of the regulation of the community housing sector

The four main purposes for the further regulation of the community housing sector are:

- accountability;
- reducing risks through financial probity and the establishment of a registration and monitoring process;
- establishing confidence in both government and banking circles; and
- protecting tenants.²¹³

An additional impetus for regulation is the belief within government that attracting private investment into the community housing sector will only occur if regulatory safeguards are in place and that:

*not-for-profit providers will leverage investment from the private sector, as has happened in other countries. However, this will only happen if these providers can operate at scale, which requires considerable investment in new supply and/or large-scale transfers of public housing. The purpose of specialist regulation is to provide a framework to facilitate this process, and also to make providers accountable when receiving public funding and assets.*²¹⁴

However, there is a tension between the need for regulation to ensure accountability and transparency in community organisations, and the concerns of those organisations that this

²¹⁰ Mr Max Travers *et al.*, 'Stakeholders Views of the Regulation of Affordable Housing Providers in Australia', 19 January 2011. Available at: www.ahuri.edu.au/publications/download/40559_fr, p4. Accessed on 9 June 2011.

²¹¹ Housing Ministers' Conference, 'Communique', 16 December 2010. Available at: [www.hmac.gov.au/admin/documents/2010%20-%20Dec%2016%20HMC%20Communique\(1\).DOC](http://www.hmac.gov.au/admin/documents/2010%20-%20Dec%2016%20HMC%20Communique(1).DOC), p2. Accessed on 22 March 2011.

²¹² Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p29. Accessed on 18 July 2011.

²¹³ Mr Max Travers *et al.*, 'Stakeholders Views of the Regulation of Affordable Housing Providers in Australia', 19 January 2011. Available at: www.ahuri.edu.au/publications/download/40559_fr, p8. Accessed on 9 June 2011.

²¹⁴ *Ibid*, p3.

regulation will lead to over-regulation and impede their operational performance.²¹⁵ For instance, aged-care providers told the Committee that any proposal to develop a new regulatory system for community housing providers that includes aged-care providers might not take account of the existing regulatory burdens of their industry. The Committee was told that aged care is an ‘overly regulated industry’ and that in any new regulatory framework there should be no duplication of the existing requirements on this sector.²¹⁶

Additional evidence was provided that over-regulation can curtail innovation where an organisation has “to fit into some pre-set program with already pre-set rules and regulations about what you can and cannot do.”²¹⁷

Finding 11

Government regulation, of itself, does not ensure that the private sector finances the community housing market. However, it is seen by the State Government as an essential prerequisite to grow this sector.

Finding 12

There is a significant amount of existing aged care regulations used by local government and aged care providers. Any new system to regulate the community housing sector in Western Australia should not overlap these existing regulations.

(b) Complex existing regulation framework

The Growth Providers Network strongly argued to the Committee the case that they were unable to respond to commercial opportunities due to:

1. *The current emphasis on protecting [State] Government equity in affordable housing unnecessarily complicates the financing of additional growth from these assets.*
2. *The Department [of Housing’s] regulation framework is overly complex, restrictive and costly. In addition to the formal registration process, there is a plethora of legal agreements at project and program level. These include an*

²¹⁵ Submission No. 24 from the Aged & Community Services Western Australia Inc, 10 December 2010, Appendix A.

²¹⁶ Ibid, attachment.

²¹⁷ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, and Mr Raymond Glickman, Chief Executive Officer, Amana Living, *Transcript of Evidence*, 16 March 2011 pp6-7.

*overarching Community Housing Agreement, a separate Performance Agreement, Financiers Deeds and Project Agreements. The documents focus on process, and enforce adherence to procedure, rather than focussing on growth outcomes.*²¹⁸

The Growth Providers Network considered that the conditions contained in their agreements with the Department of Housing are expensive to maintain in terms of compliance and legal costs. They acknowledged that regulatory standards are currently being revised and until this issue is resolved, there is some uncertainty about their way forward.

Finding 13

The wide number of legal agreements required at a project and program level provides a complex background to the operations of community housing associations that inhibit their ability to respond to market conditions and are expensive to comply with.

Recommendation 9

The Minister for Housing, in consultation with the State's community housing providers, review and simplify the existing legal requirements for new housing projects by June 2012.

3.4 Financing a Larger Community Housing Sector

As described in Chapter One, in recent years there has been a reduction in investment in the 'bricks and mortar' for public housing in Western Australia and many other jurisdictions (the 'supply-side') and a shift towards:

- leveraging and mobilising private finance for community housing;
- targeted housing assistance for individuals (the 'demand-side'); and
- a preference for private and not for profit providers of housing.²¹⁹

²¹⁸ Submission No. 16 from the Growth Provider Network, 7 December 2010, p18.

²¹⁹ Submission No. 16 from the Growth Provider Network, 7 December 2010, p16.

There are a number of advantages to the delivery of social and affordable housing by the community housing sector with the assistance of private funding, including efficiency gains:

- from the exposure of private development finance to market tests;
- promoted by contestability in the determination of suppliers;
- as a consequence of avoiding the decision making criteria applied by social sector suppliers;
- promoted by rivalry between competing suppliers and from improved choice and enhanced substitutability for consumers; and
- and macroeconomic advantages of lower levels of public expenditure.²²⁰

This significant shift by Australian governments towards a market-based solution to increase the availability of affordable housing options include initiatives such as National Rental Assistance Scheme (see Appendix Eight) and the devolution of public housing to the community housing sector. This shift is providing a new and significant opportunity for private finance to fund the construction of social housing for the community sector. However, an academic has warned of the financial risks of a rapid move of responsibility to the community housing sector:

*However cost effective or cost efficient, housing associations cannot and should not try to make up for the government or they will go bankrupt.*²²¹

3.5 Australian and Overseas Trends

The shift towards a market-based, government-supported solution to the provision of social and affordable housing is a feature of social policy in many developed countries and features:

- targeted assistance;
- leveraged private finance;
- retraction and devolution of traditional government roles;
- interdependence between having a business model and social objectives; and
- a reduction in government investment in building public houses.²²²

²²⁰ Haffner, M. and Oxley, M., (2009) 'Private Sector Involvement in Social Rented Housing: England and Germany Compared', in (ed.), the 4th Australasian Housing Researchers Conference, Sydney, 5-7 August.

²²¹ Dr Julie Lawson, AHURI, RMIT, Delft University, 'How is Social Housing Funded World Wide', paper presented at The International Social Housing Summit, The Hague, 13 October 2010.

²²² Ibid.

In many countries there has been an increasing diversification of community housing finance mechanisms and sources. These include not only developments in terms of direct and indirect public finance, but also new ways of raising private capital through bonds and other special purpose vehicles.²²³ These developments have led to the need for community housing organisations to prove their creditworthiness to lending institutions.

Until recently, private investment has so far played little part in the provision of social housing in Australia. By contrast, in the United Kingdom there are currently around 150 lenders involved in financing not-for profit housing associations. These investors are often large banks and building societies that lend to the housing associations because of the robust financial regulatory structure put in place by the UK Government.²²⁴

In Australia, the affordable housing market has recently seen a range of new mechanisms begin to be used, as detailed in Table 3.2 below.

Table 3.2- Range of funding mechanisms available to the community housing sector²²⁵

Funding mechanism	Description
Grants	Such as provided under the Federal Government's stimulus package. Directly able to influence housing supply, but limited by availability and political commitment. Often used to secure other funds.
Discounted land price	A key vehicle to manage urban development outcomes where governments are a major land holder.
Private sector borrowings	Beginning to play a role in financing affordable housing. Vulnerable to changing financial conditions and alternative investments.
Tax privileges	Many community housing providers qualify as Public Benevolent Institutions, thus reducing their tax burden.
Tax privileged private investment (such as NRAs)	Used to channel investment towards affordable housing and to compensate investors for lower rates of return and profit restrictions.

²²³ Czische, D., 'Towards sustainable funding of social housing in the European Union', in proceedings of the CECODHAS Seminar, Brussels, 2009.

²²⁴ AHURI, 'Financing Affordable Housing: A Critical Comparative Review of the United Kingdom and Australia', 2006. Available at: www.ahuri.edu.au/publications/download/rap_issue_84. Accessed on 21 April 2011.

²²⁵ Adapted from a table by Dr Julie Lawson, 'Towards Sustainable Funding of Social Housing in the European Union', in proceedings of the CECODHAS Seminar, Brussels, 2009.

Government secured private investment	Government-backed guarantees or undertakings to reduce risks to financial institutions investing in affordable housing, passed on in a lower cost of finance.
Use of own reserves and surpluses	Mature housing organisations can leverage their reserves and surpluses to invest in additional housing.
Use of tenants' equity	Some funding models incorporate a small tenant equity contribution. Governments may assist low income tenants to make this contribution. Larger contributions may lead ultimately to tenant purchase of dwellings.

Currently, all of the mechanisms described in Table 3.2 come at some cost to the public purse. Whatever the funding mechanisms used, a Canadian community housing executive described two key factors to ensure that community organisations are successful:

- there is a need for organisations to manage their balance sheets better, especially when going to external financial markets; and
- there is a need to build an innovative culture of enterprise in organisations which may lead to a diversification of income sources.²²⁶

3.6 Borrowing and Credit Issues

(a) The United Kingdom finance market

In the United Kingdom (UK), the private finance market has a long history of investing in affordable housing. This market has evolved without government guarantees but within a robust regulatory framework.²²⁷

This regulatory framework is seen as vital to protect public (grant) and private (loans) investment in UK housing associations. Currently the regulator of the UK sector is the Tenants Services Authority. The regulator has powers to intervene with associations that are not meeting governance, management, viability and development standards. In the past, where an association has failed to meet required standards, and has failed to address any identified shortcomings, the regulator has arranged a transfer of their assets and liabilities to another association.

²²⁶ Mr Derek Ballantyne, COO of Build Toronto, the *International Social Housing Summit*, The Hague, 13 October 2010.

²²⁷ Mr Paul Stevens, Head of Housing Finance, Santander UK plc, the *International Social Housing Summit*, The Hague, 13 October 2010.

In this way, lenders have never suffered a bad debt within the £62 billion of investments made since 1989. This has been a major factor in ensuring lender confidence and the availability of low-interest, long-term loans. A general view in the UK community housing sector is that there is ‘implied’ government support, via the regulator, and it would be unlikely that an association would be allowed to fail and lenders had to take action to recover loans.

The UK community housing market has a number of features:

- lending has tended to be long-term (25-30 years);
- affordable housing is considered to be specialist lending and there are about 20 banks who understand it and lend to this sector; and
- associations who want to borrow tend to return to a previous lender.²²⁸

Finding 14

In the United Kingdom the private sector financing of community housing associations has evolved over the past 20 years without explicit government guarantees, although a robust regulatory framework provides implicit government support for their operations.

(b) The Australian finance market

In Australia, one of the first private financial companies to invest in the community housing market was a Victorian-based credit society, mecu.²²⁹ The Committee was told that mecu did not see itself as being in business to simply make a profit, but also had a social and environmental responsibility. Consequently, mecu has actively presented itself as a financial partner and supporter of affordable housing associations.

This is exemplified by mecu undertaking the professional development of management skills within housing associations with respect to the raising and managing of debt. With the skills gained, the associations it has ‘mentored’ have begun to also borrow from the ‘big four’ banks.²³⁰ Additionally, recognising that the community housing sector has often not been able to provide a clear explanation of the social outcomes of their work, mecu is now funding research to detail them. mecu has also formed a mutual banking sector comprised of like-minded credit societies, including the Police and Nurses Credit Society in Western Australia.

²²⁸ Ibid.

²²⁹ mecu, ‘about mecu’, nd. Available at: www.mecu.com.au/about-mecu.html. Accessed on 22 July 2011.

²³⁰ Mr Rowan Dowland, General Manager Development, mecu, *Briefing*, 3 March 2011.

Other Australian housing associations have forged their own linkages with banks and have raised mortgage loans and established lines of credit to leverage their assets. For example, the Brisbane Housing Company (BHC) has a \$50 million mortgage with Westpac which enables it to be opportunistic in its asset growth.²³¹ In a similar fashion, the community housing growth providers in Western Australia have leveraged their assets through bank mortgage finance. These mortgages are first mortgages, with any Department of Housing claims being subordinated to them.²³²

Similarly to the situation in the UK, banks in Western Australia feel that there is implicit government support for their loans to community housing associations:

The banks have also got the protection, through the finance deed that they will enter into with us and the Department [of Housing], that in the event that we do not meet our mortgage repayment requirements, [the State] Government will step in and will have a discussion, a debate, around how to address those issues. Ultimately, the banks do have the right to sell the assets, but there is a step-in phase and there are a series of step-in things where at least the banks have got confidence that the Government is going to look at it before the whole thing goes 'belly up'.²³³

(i) Loan to Value Ratio

Australian experience is that community housing associations can access loans from the private sector where the ratio of the loan amount to the value of the housing assets (LVR) is:

- normally about 50%;
- for a loan over \$10 million, the LVR is about 60%; and
- the LVR is similar for loans in either the city or regions.

In practice, borrowers keep their LVRs low. For example, in the case of the BHC, the Committee was told that their LVR is about 18%.²³⁴ The Victorian Yarra Community Housing has grown from an asset base of \$5 million to over \$300 million and operates with a debt of \$40 million (a LVR of about 13%).²³⁵

In Western Australia, the community housing growth providers have higher LVRs although they are still at a conservative level of about 25% due to the small operating margins in this State (even with Commonwealth Rent Assistance and cross-subsidisation). The Committee was told:

The other issue [in Western Australia] is the low level of risk for the banks. Because we have got social housing rents and affordable housing rental revenues, at the end of the

²³¹ Mr David Cant, Brisbane Housing Company, *Briefing*, 23 August 2010.

²³² Mr Garry Ellender, Chief Executive Officer, Access Housing Australia Limited, *Transcript of Evidence*, 4 November 2011, pp18-19.

²³³ Ibid.

²³⁴ Mr David Cant, Brisbane Housing Company, *Briefing*, 23 August 2010.

²³⁵ Mr Rob Leslie, CEO, Yarra Community Housing, *Briefing*, 1 April 2011.

*day, any money we borrow, we have to service a loan off that low revenue stream. Our loan value ratio—the LVR—is as low as 25, 26%, so we are only borrowing 25, 26% of the asset value.*²³⁶

Finding 15

The Australian community housing sector has raised funds through the private finance sector to leverage its asset base and support their capital requirements. The subsequent 'loan to value ratios' are conservative and in some cases there is an implicit government support for these borrowings.

3.7 Some Barriers to Private Finance

Some private and not-for-profit housing organisations now find that affordable accommodation can be a part of a new development, providing sufficient return on their investment to make it viable. This is helped by the cross-subsidisation between different types and tenures of housing. Nonetheless there remain significant barriers to increased private financial support for the community housing sector.

(a) Reduced availability of debt capital

The Committee heard from a number of sources that since the Global Financial Crisis there has been a reduction in mortgage lending by Australian banks. This is compounded by the Australian Prudential Regulation Authority (APRA) priority which ensures banks have the short-term capital necessary to weather any future financial crises. As a consequence, banks are rethinking their funding and investment strategies to implement the Basel III global banking regulations agreed to in 2010.²³⁷ This agreement, with its bias to lending to better quality borrowers, may impact on community housing providers, whose margins and retained earnings may be smaller than other borrowers.

(b) Nature of security

In a review of the private financing needs of the Australian community housing sector, KPMG reports a key concern from a financier's perspective is the enforcement of security. To mitigate the

²³⁶ Mr Garry Ellender, Chief Executive Officer, Access Housing Australia Limited, *Transcript of Evidence*, 4 November 2011, pp18-19.

²³⁷ Real Estate Navigator, '2011 Higher Mortgage Rates – APRA Hardline will Force Interest Rates Higher than RBA Policy', 6 January 2011. Available at: <http://realestatenavigator.wordpress.com/2011/01/06/2011-higher-mortgage-rates-apra-hardline-will-force-interest-rates-higher-than-rba-policy/>. Accessed on 28 April 2011.

possibility of having to enforce security “financiers have been taking measures to provide comfort that the sponsor can meet the required debt levels.”²³⁸

(c) Interest coverage ratios

One witness told the Committee that the Western Australian growth providers maintained an interest coverage ratio (ICR) of about 1.5:

*The amount of cash that we have to cover our interest on the loans—we have to have 1.5, which is \$1.50 for every dollar of loan, so we have to have sufficient surpluses to do it. So there are some good financial protections in there.*²³⁹

In this case the interest cover was on a LVR of 25%. KPMG suggested in its report that with ICRs at 1.5, the community housing sector is operating at commercial levels.²⁴⁰ This would preclude housing associations from significantly increasing their LVR if the banking sector continues to lend to them in a prudent fashion.

Finding 16

Private sector lending to community housing associations is not a simple process as financial institutions can be wary about developing new customers in this sector. Their issues of concern relate to a lender’s prudent allocation of capital, their loan to value ratios and their interest coverage ratios.

While the State Government cannot direct the allocation of funds by financial institutions, there are a number of actions that will make lending for this class of asset more attractive. The key provision is a government guarantee. This would be contingent on having effective legislation in place that provides the State Government with the ability to monitor and remediate those housing associations it had guaranteed. Given the historically low default rates experienced in the community housing associations in both Australia and the United Kingdom, the risks associated with such a government guarantee are likely to be low.

²³⁸ KPMG, ‘Barriers to the Creation of a Long Term Affordable Housing Investment Class’, 4 June 2010. Available at: www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/Barriers-to-the-creation-of-a-long-term-affordable-housing-investment-class-June-2010.pdf, p3. Accessed on 28 June 2010.

²³⁹ Mr Garry Ellender, Chief Executive Officer, Access Housing Australia Limited, *Transcript of Evidence*, 4 November 2011, p18 & p19.

²⁴⁰ KPMG, ‘Barriers to the Creation of a Long Term Affordable Housing Investment Class’, 4 June 2010. Available at: www.kpmg.com/AU/en/IssuesAndInsights/ArticlesPublications/Documents/Barriers-to-the-creation-of-a-long-term-affordable-housing-investment-class-June-2010.pdf, p3. Accessed on 28 June 2010.

Recommendation 10

The Treasurer and the Minister for Housing report to Parliament by June 2012 on the provision by the Department of Housing of a default guarantee to third party lenders to the State's community housing sector to assist it develop new social housing.

CHAPTER 4 STRUCTURAL FACTORS AFFECTING THE COST OF HOUSING

4.1 Principal State Government Land Holders

The dramatic rise in Australian median house prices and the reduction in affordability since 2005 have led some commentators to argue there is now a pressing need for direct government intervention in land markets that the State land agencies provide, as:

*housing affordability is one area where they can contribute the most. Obtaining access to well-situated land remains one of the greatest challenges of the residential development process, and the cost of land is often decisive in the level of affordability that can be achieved.*²⁴¹

(a) Department of Housing

The Department of Housing controls about 10-15% of the metropolitan land market (or about 8,000 hectares) and according to LandCorp the Department can have a significantly stronger influence on the cost and supply of land than LandCorp can with its 2-3% share of the market.²⁴² Appendix 6 shows where the Department of Housing has residential land under its control, either as part of a joint venture or on its own.

(b) LandCorp

Established by the *Western Australian Land Authority Act 1992*, LandCorp has the power to:

- acquire, hold, manage and dispose of land;
- plan, undertake, provide for, promote and coordinate the development of land;
- to identify other potential centres of population in need of urban renewal; and
- subdivide, amalgamate, improve, develop, alter and extract minerals from land.²⁴³

LandCorp has a significant inventory of land. These include the Australian Marine Complex at Henderson, featuring a deep water port and the 40 hectare Common User Facility with its

²⁴¹ Davidson, G., Milligan, V. and Lawson, J., (2010) 'Upping the Ante: The Role and Potential of Government Land Agencies in Providing Land for Affordable Housing'. Paper presented to the 5th Australasian Housing Researchers' Conference, University of Auckland, November 17-19.

²⁴² Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p2.

²⁴³ AustLII, 'Western Australian Land Authority Act 1992', nd. Available at: www.austlii.edu.au/au/legis/wa/consol_act/walaa1992379/s16.html. Accessed on 23 May 2011.

multipurpose fabrication, assembly and load-out facility. The value of LandCorp's current land under development and developed land in early 2011 was \$647.2 million, including:

- Developed land: \$272.1 million
- Work in progress: \$88.8 million
- **Total value of developed land: \$360.9 million**
- Undeveloped land cost: \$286.3 million²⁴⁴

One of the major benefits of a government-owned land developer such as LandCorp is that it is able to take on projects that private developers avoid due to a possible commercial risk. There is a perception that LandCorp uses its unique position to maximise profits for the State Government's benefit. Its slowness in reducing land in the Pilbara was criticised in the Senate inquiry into housing affordability which found that LandCorp should have done more forward planning on the housing needs created by the 'mining boom'.²⁴⁵ LandCorp disputes the claim that it withholds land, "we never take that approach of restricting supply in order to maximise or maintain prices. It is part of the mythology."²⁴⁶

LandCorp gave evidence that the median sale price of their land in the metropolitan area in 2009-10 was \$178,000 compared to the UDIA average metropolitan sale price of \$215,000.²⁴⁷ The *Western Australian Land Authority Act 1992* precludes LandCorp from undertaking any development that does not meet the minimum hurdle rate of return, as specified in their annual strategic development plan. This plan "is not a public document, but under [existing] arrangements, it is signed off by our Minister and the Treasurer."²⁴⁸

LandCorp argues that there is a significant difference between meeting the 'hurdle rate' of return and maximising its profit,²⁴⁹ and point to its balance sheet for supporting evidence:

*... we have a balance sheet in market terms around \$3 billion. On that, we generate a profit of probably around \$100 million a year on average ... which is an incredibly low rate of return. If you were a private developer, you would be out of business, which, again, causes you to question whether LandCorp is all about profit and the money.*²⁵⁰

²⁴⁴ Ms Kerry Fijac, LandCorp, Correspondence, 12 April 2011.

²⁴⁵ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia', June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, pp125-127. Accessed on 14 June 2011.

²⁴⁶ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p5.

²⁴⁷ Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p2.

²⁴⁸ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p18.

²⁴⁹ Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p5.

²⁵⁰ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p11 & p12.

In order to provide more affordable housing LandCorp has become “more creative about other ways to structure things financially.” LandCorp is not allowed to start a project if it expects it to run at a loss, “but once you go into it, inevitably some projects run at a loss.” Most of the regional LandCorp projects, other than in Karratha and Port Hedland, run at a loss.²⁵¹ It has an annual \$4,000,000 allocation of ‘community service obligation’ funds from Treasury which it can leverage and use in these township projects. It may also collaborate with the Royalties for Regions program in developments. LandCorp argues such strategies allow it to achieve affordable housing while complying with its governing act. LandCorp’s contribution to the affordable housing market in the metropolitan area each year is about 4% and the Department of Housing about 15% of total construction.²⁵²

(c) Property Asset Clearing House

Western Australian government agencies that have surplus property assets are meant to register them with the Property Asset Clearing House (PACH).²⁵³ The Committee was told that the purpose of the State Government’s asset disposal policy was to “provide a framework and a process for agencies to identify surplus assets and to dispose of them appropriately.” For crown land an agency identifies as surplus to its requirements, “the policy aims to determine whether any other agency within government has a rather useful plan before it is disposed of.”²⁵⁴

PACH began in 2006 and its operations are overseen by a steering committee comprising representatives of Treasury, the Department of Regional Development and Lands, LandCorp, the Department of Housing, the Department of the Premier and Cabinet, the Department of Planning and the Department of Finance.²⁵⁵

Assets are disposed of by selling them on the open market or transferring it to another government agency, including LandCorp or the Department of Housing.²⁵⁶ The key issue is if the land “is underutilised as opposed to surplus, how do you get agencies to think in those terms of freeing up sites so they can be put to another government purpose?”²⁵⁷

State Government agencies must register with PACH to have access to its database of surplus assets and “all the key agencies that are interested in acquiring land generally have access to the

²⁵¹ Ibid, p15.

²⁵² Ibid, p18.

²⁵³ Department for Regional Development and Lands, ‘About the Clearing House’, 2009. Available at: <http://clearinghouse.dpi.wa.gov.au/Static/About.aspx>. Accessed on 23 March 2011.

²⁵⁴ Mr Doug Tyler, Chair, Property Asset Clearing House, Department of Treasury, *Transcript of Evidence*, 10 August 2011, p2.

²⁵⁵ Ibid.

²⁵⁶ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p11 & p12.

²⁵⁷ Ibid, p10.

Property Asset Clearing House.”²⁵⁸ These agencies have 30 days to register an EOI for the surplus asset and if there is nor proposal PACH:

*will start preparing it for disposal on the open market. That is when we start the scheme amendment process, check out contamination issues and go through all those hurdles I mentioned to you. Once it is ready to go on the open market, I work very closely with a couple of people from LandCorp. LandCorp gets a budget from Treasury purely for preparing these properties for disposal: for instance, scheme amendment payments, survey work, the actual marketing, paying agents’ commissions et cetera to sell the property.*²⁵⁹

Agencies are able to list assets on PACH once they have identified that it is surplus to its needs and advance notice allows PACH to undertake all of the clearances it needs to obtain before it can be sold. PACH does not direct an agency to list assets on their system but agencies have an incentive to list surplus assets as under the Government’s strategic asset management policy “they can request reappropriation of those funds towards capital projects. If they have a capital project which has a business case and they would like to progress it, they have the capacity to apply for the reappropriation of those funds.”²⁶⁰

In 2010-11 PACH settled on 36 properties, valued at \$38.9 million, including GST.²⁶¹ Since 2006 300 properties have been registered on PACH, of which 112 have been sold. Eighteen (16%) of these PACH properties were sold to the Department of Housing and LandCorp has purchased a commercial property in Karratha.²⁶²

The main delay in making land on PACH available for sale is:

*the zoning on Government land, crown land, police stations, educational institutions and hospitals is public purpose. Before we put it into the arena, we have to go through a zoning application, the scheme amendment. That could take 12 months or 18 months to two years. During a boom it could take two and a half years. There could be native title issues. We need to get mining clearances, service authority clearances and local government authority clearances. We need to jump over a whole lot of hurdles...*²⁶³

²⁵⁸ Mr Gilbert Tyack, Manager, Property Asset Clearing House, Department of Regional Development and Lands, *Transcript of Evidence*, 10 August 2011, p2.

²⁵⁹ Ibid, p3.

²⁶⁰ Mr Anthony Kannis, Executive Director, Infrastructure and Finance, Department of Treasury, *Transcript of Evidence*, 10 August 2011, p4.

²⁶¹ Mr Gilbert Tyack, Manager, Property Asset Clearing House, Department of Regional Development and Lands, *Transcript of Evidence*, 10 August 2011, p2.

²⁶² Hon Mr Christian Porter, Treasurer, Letter, 9 September 2011.

²⁶³ Mr Gilbert Tyack, Manager, Property Asset Clearing House, Department of Regional Development and Lands, *Transcript of Evidence*, 10 August 2011, p3.

(d) Redevelopment Authorities

Redevelopment Authorities provide a model of planning and development that was argued by some witnesses as faster and more cost-effective than the normal development process.²⁶⁴ The Authorities are responsible for the planning, development control and other functions in respect of land in defined areas. They act on behalf of the State Government to facilitate redevelopment through planning, consultation and project management and are located in Armadale, East Perth, Midland and Subiaco.²⁶⁵ They have been successful in transforming areas of industrial land into housing developments containing a proportion of affordable homes.

A key benefit of using Redevelopment Authorities is that they have the powers of the State in regard to the resumption, planning and infrastructure provision of land. Their zoning powers repeal the relevant Town Planning Scheme and the Metropolitan Region Scheme. This effectively makes them the statutory zoning and approval body for all development within their prescribed area.²⁶⁶

The use of the Redevelopment Authority model by the State Government is likely to be replicated in other locations given:

- the prior success of Redevelopment Authorities in achieving positive social, environmental and financial returns;
- the State Government's commitment to urban sustainability and concerns about the long-term effects of continued urban sprawl;
- the inherent complexities of redevelopment, including dealing with fragmented land holdings in multiple ownership; and
- their powers that promote the efficient redevelopment of land.

The Redevelopment Authority model is attractive to LandCorp as:

... a developer, we look enviously, I suppose, at Redevelopment Authorities because they can sit at a meeting like this of their board and put their planning hat on and then put their developer hat on and do it all in one hit. ... We like the approach where you have to work with other people in collaboration. Yes, it might frustrate your times in terms of timeliness, but at the end of the day it seems to work. WA seems a pretty good place. We have good

²⁶⁴ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p15.

²⁶⁵ Productivity Commission, 'Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments', 16 May 2011. Available at: www.pc.gov.au/projects/study/regulationbenchmarking/planning/report. Accessed on 23 May 2011.

²⁶⁶ Legislative Assembly, Parliament of Western Australia, Public Accounts Committee, 'Inquiry into Developer Contributions for Costs Associated with Land Development', 21 October 2004. Available at: [www.parliament.wa.gov.au/parliament/commit.nsf/\(Report+Lookup+by+Com+ID\)/9DE9854FD560A75748257831003E9609/\\$file/2917-9.pdf](http://www.parliament.wa.gov.au/parliament/commit.nsf/(Report+Lookup+by+Com+ID)/9DE9854FD560A75748257831003E9609/$file/2917-9.pdf), p4. Accessed on 25 July 2011.

*development outcomes, but I do not think we would have terrible outcomes if we did things a lot speedier.*²⁶⁷

The *Metropolitan Redevelopment Authority Bill 2011* passed through Parliament on 29 September 2011 and repealed the Acts governing the four existing Redevelopment Authorities. The Minister for Planning told Parliament that the new Metropolitan Redevelopment Authority (MRA) would “retain the benefit to the State of the facilitative, flexible redevelopment authority model, which has a strong track record of attracting investment and providing a high level of investor certainty to support private development.” The MRA will commence operations on 1 January 2012. New Land Development Committees will be established by the MRA for one or more redevelopment areas. Regulations will allow the MRA to establish redevelopment areas after consultation with the Western Australian Planning Commission.²⁶⁸

Finding 17

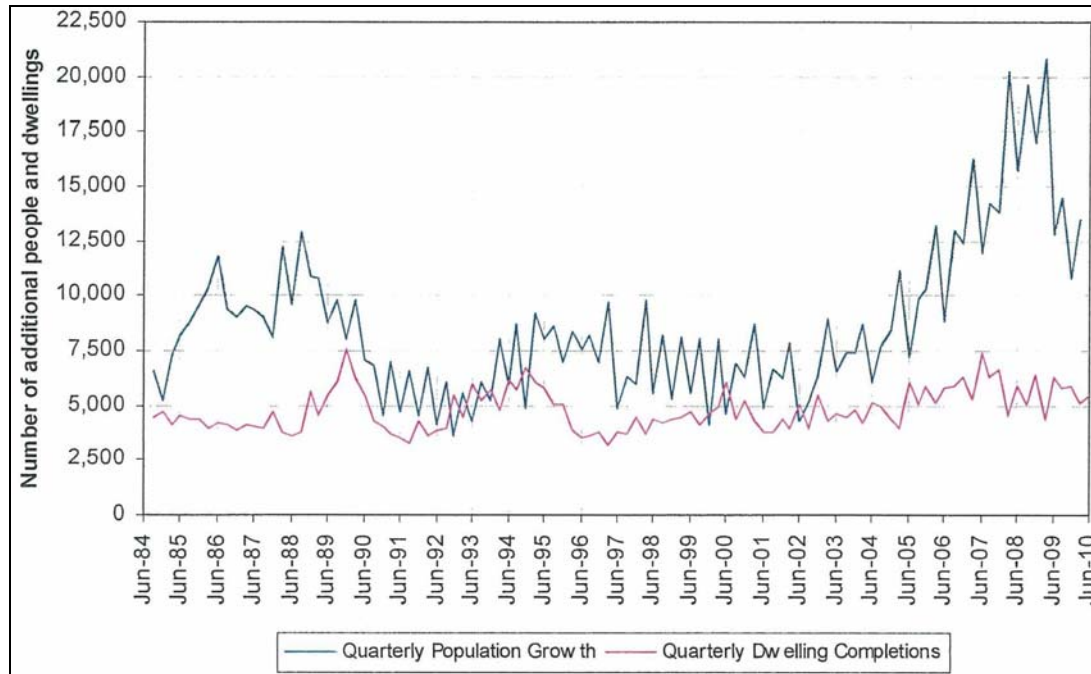
The State’s Redevelopment Authorities have provided a model of stream-lined planning that provided strong outcomes in terms of the efficient redevelopment of land and the financial, social and environmental returns to Western Australia.

4.2 Land Supply Issues

Since about 2005 Western Australia has experienced a significant growth in its population, primarily through migration from interstate and overseas. However, over this period the number of housing completions has remained relatively constant, as shown in Figure 4.1 below.

²⁶⁷ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p15.

²⁶⁸ Hon Mr John Day, Minister for Planning, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 22 June 2011, pp4623-4624.

Figure 4.1- Population growth and additional dwellings constructed (1984-2010)²⁶⁹**(a) Has there been a shortage of land in Perth?**

The Committee was provided with different evidence by witnesses as to whether there is a shortage of land in Western Australia, especially in the metropolitan area. At a national level PriceWaterhouseCoopers suggested that land that was well-served by infrastructure is not plentiful and this “increases property demand relative to supply in established, well serviced areas; and adds to the cost of development in new release areas, pushing up home prices beyond what is affordable for many potential home buyers.”²⁷⁰

The Urban Development Institute of Australia (UDIA) suggested any land shortage in Australia was because of significant delays in the planning approval and rezoning processes. Attempts to unlock land supply were being undermined by “the complexity of meeting environmental compliance requirements [which] have contributed to an artificially scant supply of land.”²⁷¹

The Senate Select Committee on Housing Affordability in Australia reported that the shortage of available land for subdivision is in itself a significant supply-side factor in affordability. The financial impact of this shortage added between \$100,000 to \$300,000 to the price of a house. A witness said “There is a massive oversupply...of rural land, which sells for

²⁶⁹ Submission No. 39 from the Department of Planning, 15 June 2011, p7.

²⁷⁰ PriceWaterhouseCoopers, ‘Tax Increment Financing to Fund Infrastructure in Australia’, 2008. Available at: www.infrastructureaustralia.gov.au/public_submissions/published/files/486_propertycouncilofaustralia_SUB2.pdf. Accessed on 14 June 2011.

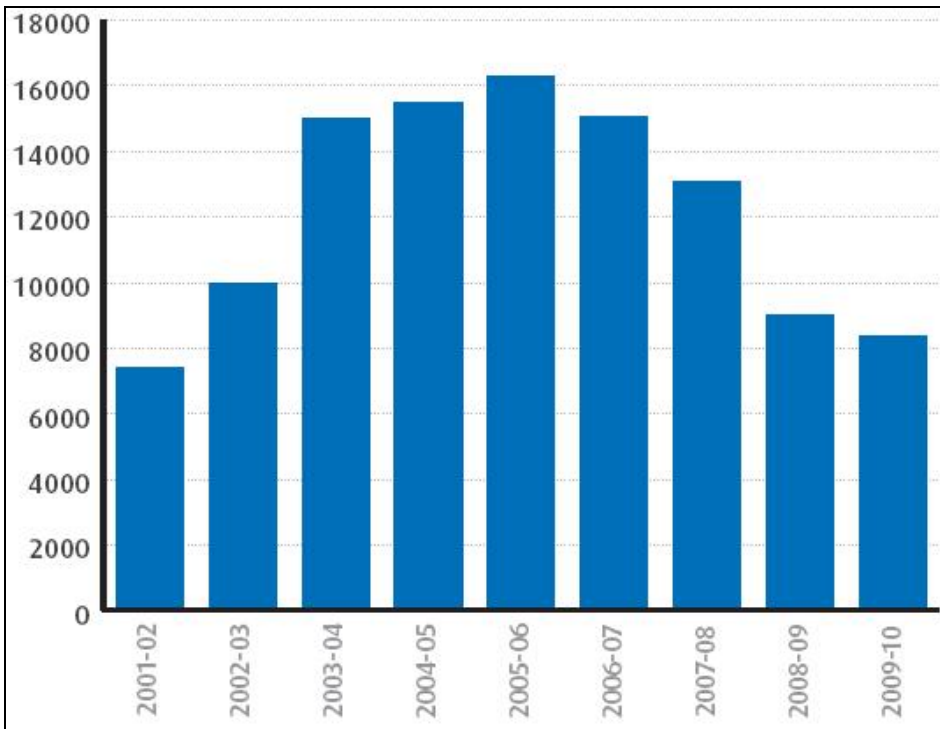
²⁷¹ Urban Development Institute of Australia, ‘The 2011 UDIA State of the Land Report’, 2011. Available at: www.udia.com.au/Uploads/File/Special_Reports/2011_State_of_the_Land.pdf, p2. Accessed on 14 June 2011.

peanuts...Governments generally have been constricting the amount of land that is available for housing.”²⁷²

The UDIA 2011 report noted that the development of residential lots in the Perth and Peel regions showed only half the number of lots reached final approval in 2009-10 (8,371) compared to 2005-06 (16,300, see Figure 4.2 below). This was attributed to:

- delays in the approvals process; and
- the difficulty the development industry has with securing lending finance to complete or bring new projects on stream.²⁷³

Figure 4.2- Residential lots with final approval in Perth and Peel (2001-2010)²⁷⁴

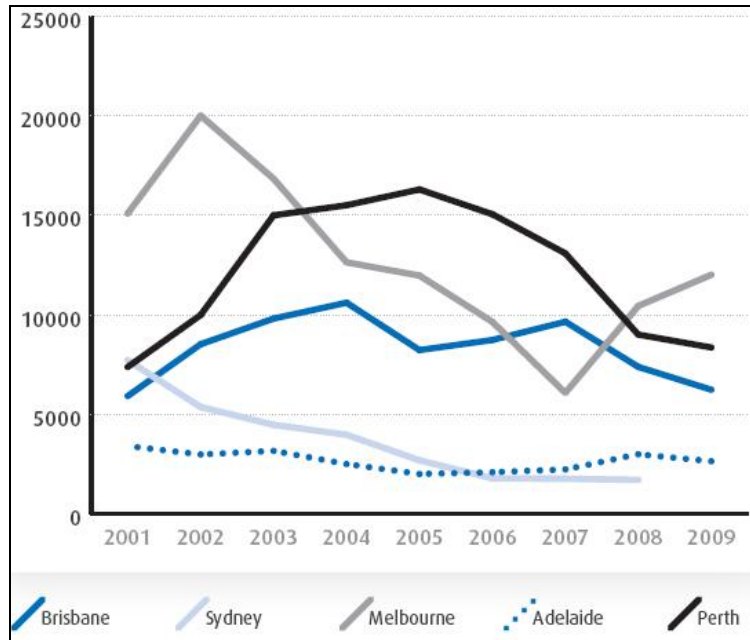


The decline since 2005-06 in lots reaching final approval in Western Australia is similar to other Australian jurisdictions except for South Australia (see Figure 4.3 below).

²⁷² The Senate, Select Committee on Housing Affordability in Australia, ‘A Good House is Hard to Find: Housing Affordability in Australia’, June 2008. Available at: www.apf.gov.au/senate/committee/hsaf_ctte/report/report.pdf, pp73-74. Accessed on 14 June 2011.

²⁷³ Urban Development Institute of Australia, ‘The 2011 UDIA State of the Land Report’, 2011. Available at: www.udia.com.au/Uploads/File/Special_Reports/2011_State_of_the_Land.pdf, p29. Accessed on 14 June 2011.

²⁷⁴ Ibid.

Figure 4.3- Lots produced in Australian capital cities (2001-09)²⁷⁵

A developer supported the UDIA report and told the Committee “I am prepared to say that the emperor is not wearing any clothes. ... We have a problem with land supply.”²⁷⁶ The Housing Industry Association told the Committee the land shortage is about:

*... developed, titled lots. You can only build on a titled lot. We have been told for years and years by successive governments that we have got 70,000 lots approved in the marketplace. That is technically correct but a lot of those lots have got trees growing on them, ... until you get the lots developed and titled you cannot build. In fact, you cannot even ask for an approval to build on that lot.*²⁷⁷

The Department of Planning submitted evidence to the Committee that strongly disputed that there had been a shortage of land ready for developing in Perth over the past five years:

*Vacant lots do not satisfy real demand - they only provide an opportunity to build a dwelling at some point in the future. Only occupiable dwellings satisfy real demand for shelter.*²⁷⁸

The Director General of the Department of Planning argued that any suggestion of a shortage of land supply in the past decade, whether it was zoned land or developed lots, was ‘a myth’. Citing published data in the Urban Growth Monitor, the Department advised that the amount of

²⁷⁵ Ibid.

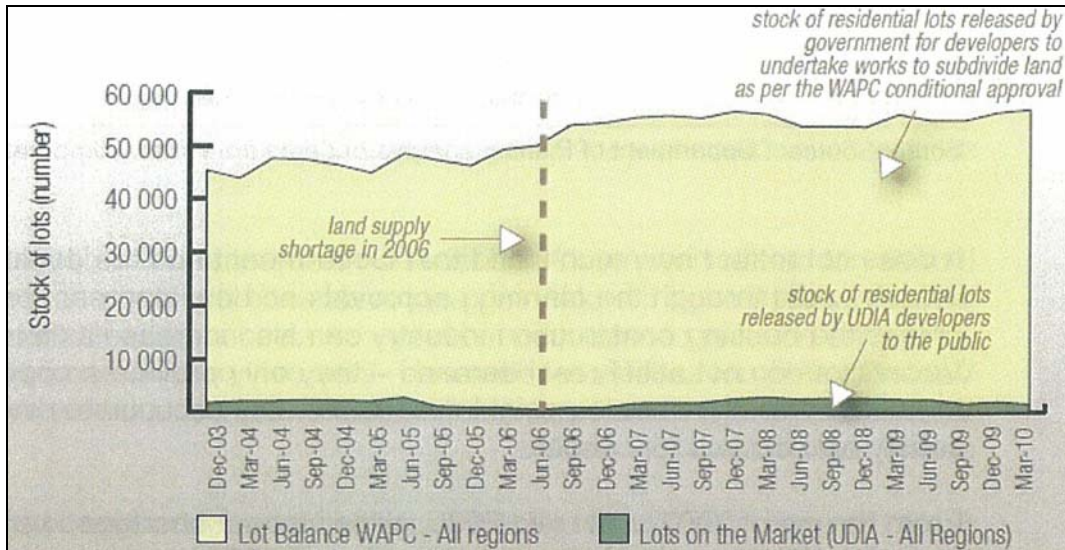
²⁷⁶ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, pp12-13.

²⁷⁷ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p3.

²⁷⁸ Submission No. 39 from the Department of Planning, 15 June 2011, p4.

undeveloped land currently zoned urban in the various regional schemes is sufficient to last another 23 years (see Figure 4.4).²⁷⁹

Figure 4.4- Developers' stock of lots with current conditional approval and UDIA developers' lots on the market for the Perth, Peel and Greater Bunbury regions (2003-10)²⁸⁰



Further, the Department of Planning said that “the only shortage was in the number of lots that developers had on their books for sale.”²⁸¹ It argued that the rate of land development is not the critical issue since land is being made available and given conditional approval to subdivide at an adequate rate. Rather the Department believes that the problem lies with developers who are not clearing the conditions placed on the subdivision and are:

*sitting on it for various reasons, not necessarily just because the services cannot be provided. It is because perhaps they have bought the land at a higher rate and apart from the availability of finance now, which is a key issue across a range of different areas, they may make a conscious decision to sit on it until they are ready to either get the funding or alternatively they see it is a better environment for them to market a certain price.*²⁸²

The Director General submitted to the Committee that, in addition to the areas zoned urban but which remain unsubdivided, there were between 35,000 and 40,000 lots that companies are ‘sitting on’ and are either not prepared to release back to the market or to build on. This was also a concern in terms of the lots with under-utilised associated infrastructure such as water (see Figure 4.5).²⁸³

²⁷⁹ Ibid, p3.

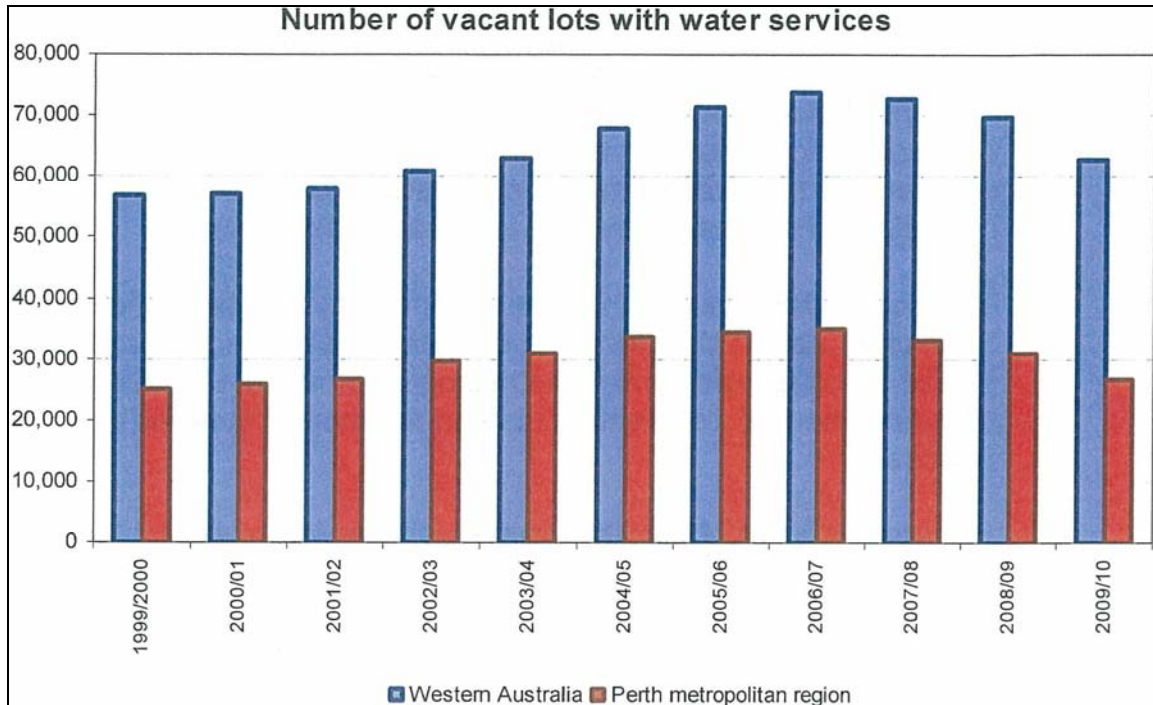
²⁸⁰ Ibid, p4.

²⁸¹ Ibid.

²⁸² Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p9.

²⁸³ Ibid.

Figure 4.5- Number of Western Australian vacant lots with water services (1999-2010)²⁸⁴



The Director General of the Department of Planning suggested to the Committee that some form of ‘use it or lose it’ approach be adopted that requires development of a lot within a given period or the developers face a penalty. This is because the supply of lots is not meeting the demand for them and “is now starting to be a very significant social as well as an economic component to this issue.”²⁸⁵

Finding 18

Undeveloped land in Western Australia is relatively plentiful. In the metropolitan region much of the land zoned urban or urban deferred remains undeveloped. About 25,000 subdivided and undeveloped lots are being withheld from the market in the Perth region by developers.

²⁸⁴ Submission No. 39 from the Department of Planning, 15 June 2011, p5.

²⁸⁵ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p10.

Recommendation 11

The State Government investigate the feasibility of requiring developers to release developed lots within a specific timeframe, such as a differential land tax regime on long-term unimproved land.

(b) The high cost of land development

A further concern to witnesses such as the Urban Development Institute of Australia is that the average cost of development of lots has risen by over 300% in eight years (as Figure 4.6 illustrates), even as the size of the standard block has fallen. In part, this is attributable to the constraints imposed in developing smaller lots, but it is also reflective of the greater environmental scrutiny and engineering inputs required today compared to ten years ago.

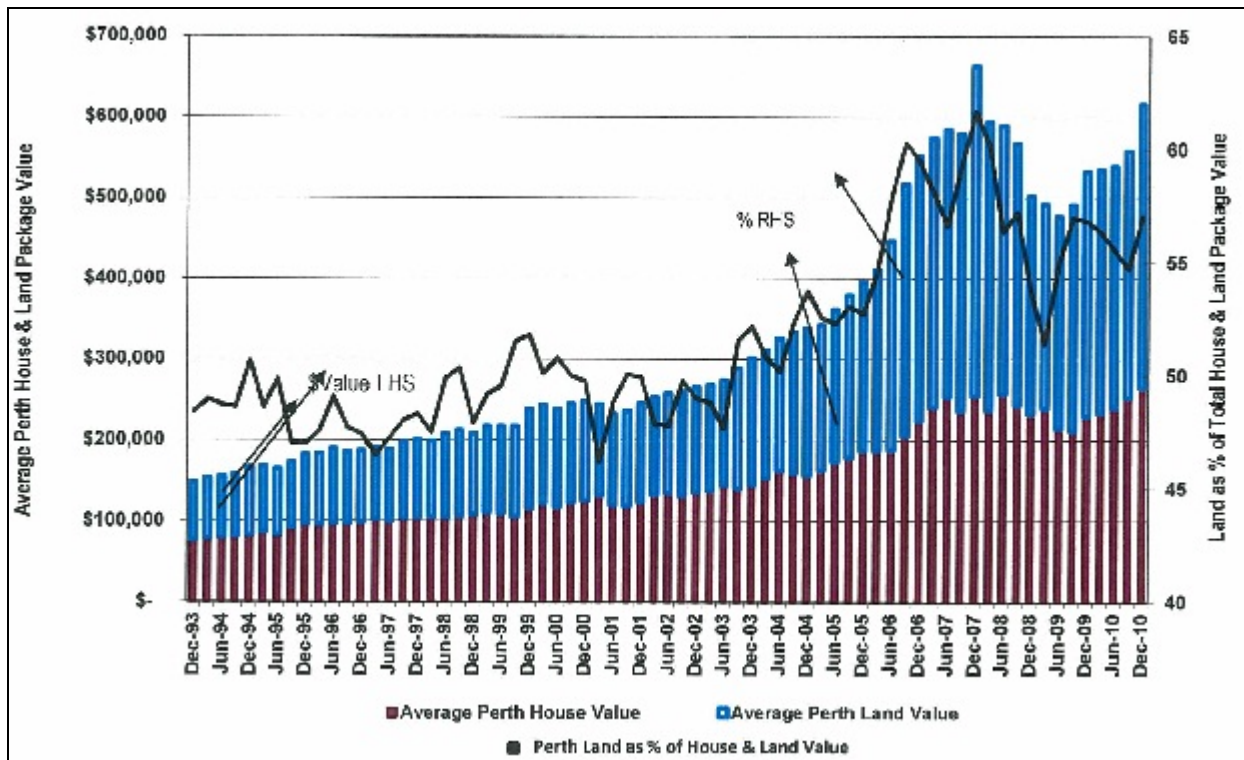
Figure 4.6- Perth and Peel lot production and median price per square metre (2001-10)²⁸⁶

Period	Lots	Median Lot Size	Median Price	Median Price per sq metre
2001/02	7391	605	\$82,500	\$136
2002/03	9998	607	\$94,200	\$155
2003/04	15001	580	\$110,000	\$190
2004/05	15507	560	\$129,500	\$231
2005/06	16299	558	\$165,000	\$296
2006/07	15055	527	\$235,000	\$446
2007/08	13092	540	\$243,000	\$450
2008/09	9015	482	\$215,000	\$446
2009/10	8371	456	\$215,000	\$471

²⁸⁶ Urban Development Institute of Australia, 'The 2011 UDIA State of the Land Report', 2011. Available at: www.udiaawa.com.au/Uploads/File/Special_Reports/2011_State_of_the_Land.pdf, p32. Accessed on 14 June 2011.

The HIA provided data that in the past decade the land value as a proportion of total house package has outstripped construction costs and represents over 55% of the total cost, as illustrated in Figure 4.7 below.

Figure 4.7- Average house and land package split (1993-2010)²⁸⁷



The HIA data is at odds with that provided to the Committee by the UDIA (WA Division) for a typical development in 2007 for 500 lots (see Table 4.1 below).

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Mr John Dastlik, Executive Director, Housing Industry Association, Tabled Document, 22 June 2011.

Table 4.1- Typical construction costs for a large subdivision of 500 lots (2007)²⁸⁸

Item	Cost	Proportion
Land purchase	\$35,000,000	26.5%
Land transaction costs	\$2,170,170	1.6%
Authority fees and contributions	\$970,766	0.7%
Land holding costs	\$6,158,041	4.7%
Construction costs	\$30,047,147	22.8%
Selling costs	\$9,046,165	6.8%
Fees and charges	\$16,409,666	12.4%
Interest	\$10,167,578	7.7%
GST paid	\$5,167,669	3.9%
Net profit	\$16,848,243	12.8%
TOTAL	\$132,373,301	

This data is also at odds with that of the National Housing Supply Council (NHSC) which shows that between 1992 and 2004 the gross land price in Perth reduced from 47% to 42% of the total development cost. The NHSC confirms the evidence of the UDIA in terms of rapidly increasing development charges. The NHSC data shows that the government fees and charges rose from 49% of the total land price in 1992 to 73% in 2004.²⁸⁹

Finding 19

The development industry believes that over the past decade there has been a rapidly increasing cost to develop a housing lot because of greater environmental scrutiny and engineering inputs. The reduction in lots being brought to market and the impact of these additional costs has ensured that the price of land has added to the total cost of an average new home in Perth.

²⁸⁸ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Div), Email, 6 September 2011. Costs based on an approval process totalling six months.

²⁸⁹ National Housing Supply Council, 'State of Supply Report 2008', 2008. Available at: www.nhsc.org.au/state_of_supply/2008_ssr_rpt/nhsc_stateofsupplyreport.pdf, p128. Accessed on 5 August 2011.

(c) Failures in the planning system

By early 2009 the State Government had identified that the planning system was not keeping pace with economic and population growth as measured by:

- delays in obtaining planning approvals;
- uncertainty as to processes and outcomes;
- lack of strategic capacity; and
- poor infrastructure coordination.²⁹⁰

A review of the approval processes began in mid-2009, but the Urban Development Institute of Australia (UDIA) thought that it was not taking effect quickly enough to alleviate land supply shortages. UDIA said that the industry is still “struggling with a system that lacks coordination and policy alignment between the various government departments and levels of government.”²⁹¹

UDIA reported the key issues that affected the timely availability of land included:

- the need for strategic planning at the regional and sub-regional level;
- the precedence of environmental approvals over all other planning matters;
- the need for a strategic approach to infrastructure provision;
- the need for coordination between utility providers and land use planning; and
- delays in approvals which result in crippling holding costs.²⁹²

These non-financial barriers are as significant to developers as their initial infrastructure costs. These approval delays (and the associated impact on holding costs) were a major concern for developer interests in all jurisdictions:

Although developer infrastructure contributions represent the largest quantifiable planning related cost in Australia, averageing between \$45,000 and \$100,000 per lot,

²⁹⁰ Department for Planning and Infrastructure, ‘Building a Better Planning System’, March 2009. Available at: www.planning.wa.gov.au/dop_pub_pdf/Building_a_Better_Planning_System_Consultation_Paper.pdf, piii. Accessed on 14 June 2011.

²⁹¹ Urban Development Institute of Australia, ‘The 2011 UDIA State of the Land Report’, 2011. Available at: www.udiawa.com.au/Uploads/File/Special_Reports/2011_State_of_the_Land.pdf, p31. Accessed on 14 June 2011.

²⁹² Ibid.

*residential developers are more concerned by non-financial barriers such as planning system complexity, uncertain time frames and unpredictable costs.*²⁹³

Delays can arise from a multiplicity of factors, such as the scope and nature of approval requirements, application quality, referrals, public consultation, appeals and the efficiency of development assessment staff.²⁹⁴ Whatever the cause, developers see the planning process as unnecessarily complex and bureaucratic.²⁹⁵

An example was provided by a witness of how the planning process can be seen by a potential investor as jeopardising significant developments. In March 2011, General Electric (GE) announced plans for an \$80 million technology and education centre at Perth's Jandakot airport, a site controlled by the Federal Government. The reason given for GE selecting Jandakot over a site at Joondalup was the planning requirements prevailing in Western Australia.²⁹⁶

The Western Australian Division of the UDIA recently highlighted the potential for delays in gaining subdivision clearance in the State's planning processes. UDIA see this as a consequence of having multiple agencies involved:

*Each of those can end up with some delays. There is what we call 'stop the clock', where there is an issue or clarification required, the statutory timeline stops and then sometimes it is difficult to get it going again.*²⁹⁷

The UDIA told the Committee that the State's approvals system meant that developers often had to deal "with about 14 different agencies, and so we need to get rid of the 'silo mentality' in the agencies and actually have a much clearer whole-of-government approach". The UDIA researched the cost of these delays and found that a year's delay cost a developer about an additional 13-14% in costs. A four-year delay would mean an increase of 68.4% on the price of a lot. It also found that Western Australia had the greatest variation in development timelines of Australian jurisdictions "from when you first view a potential site through to it coming to the market, ... What that means is that that increases the risk profile for the development because you do not know quite how long it is going to take to get through".²⁹⁸

Due to the number of years it takes to bring a subdivision proposal to fruition, land use planning requirements are often held responsible for the rising costs of residential development and

²⁹³ AHURI, 'How Do Planning Requirements Impact Housing Costs and the Development Process?', March 2010. Available at: www.ahuri.edu.au/publications/download/rap_issue_125, p1. Accessed on 14 June 2011.

²⁹⁴ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p15.

²⁹⁵ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p13.

²⁹⁶ Ibid.

²⁹⁷ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia, June 2008, Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p86. Accessed on 14 June 2011.

²⁹⁸ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p10.

consequent decrease in housing affordability. The Productivity Commission, having surveyed 20 residential developments across Australia's five major capital cities, concluded that:

*It can be 10 years after the commencement of rezoning before a subdivision of that land is completed, infrastructure is installed, and building can commence. If processes outside of planning are included, it can take up to 15 years between site assembly and building construction.*²⁹⁹

Similarly, the Committee was told that in Western Australia it takes between six and 16 years to get lots with titles to market.³⁰⁰ A witness commented that "If you talk to the planners in Western Australia, they will tell you sincerely that this is the best planning system in the country. It may be, but in my view it is still bloody awful."³⁰¹

Delays may arise from protracted reviews of sections of a development proposal. In one example given to the Committee, a developer submitted a detailed structure plan for a neighbourhood centre comprising a supermarket, specialty stores, a village square, and some mixed-use buildings, including a medical centre and childcare facility. This fairly standard proposal was approved after two years. At the end of this period, the plan was approved unaltered. To the developer the "two-year process added no value whatsoever. It was just about process, not about outcomes."³⁰²

Finding 20

There are significant delays in Western Australia in obtaining planning approvals for new housing subdivisions. Some sections of the State's development and construction industry attribute these delays as the main reason for the rising costs of residential development and consequent decrease in housing affordability.

(d) Interagency coordination

The Committee heard evidence that highlighted the need for a stronger collaborative approach between the stakeholders involved in developing new housing developments, including State Government agencies, local government, developers and builders. The Chief Executive Officer at LandCorp told the Committee "I do not think we have had strong political leadership about who does what in government, and that is a distraction for all of us."³⁰³

²⁹⁹ Productivity Commission, 'Performance Benchmarking of Australian Business Regulation: Planning, Zoning and Development Assessments', 16 May 2011. Available at:

www.pc.gov.au/projects/study/regulationbenchmarking/planning/report, p137. Accessed on 23 May 2011.

³⁰⁰ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p13.

³⁰¹ Ibid.

³⁰² Ibid, p4.

³⁰³ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p20.

The development stakeholder's common interests include:

- land supply, zoning and pricing;
- infrastructure development;
- urban renewal partnerships;
- regional economic development; and
- efficient application processes and agreements.³⁰⁴

In September 2009, the Department of Planning announced that to overcome some of the inter-agency deficiencies it was to be the lead agency in relation to land and housing supply and associated infrastructure projects.³⁰⁵ The Department would act as the coordinator of all approvals in consultation with the chief executives of the relevant agencies. In its view, this arrangement has help make significant improvements to the planning practice.³⁰⁶ In the lead agency role, the Department was trying to address the broader issue of land supply and subdivision approvals, as well as reflecting their own planning strategies and policies, such as “the need for a variety and range of housing”.³⁰⁷

However, the Committee heard that existing structures still tend towards an agency-centred perspective rather than a user perspective. UDIA highlight the need for greater coordination:

*The need for coordination between utility providers and land use planning such that the provision of major service infrastructure will service the development fronts as they are developed. Innovation is being hampered by delays in approvals which result in crippling holding costs. A whole of government approach at the highest level is needed to facilitate change but the silo approach to decision making persists.*³⁰⁸

Acknowledging this issue, the Department of Planning provided an example of the way in which other agencies do not respond to a whole of government approach, despite their lead agency role:

I have issues in the north west corridor, which has been zoned urban for ages. It goes back to Minister Lewis's time. You would think it was all planned. ... There are still areas zoned urban—they have been urban for many years—where the Water Corp cannot supply. That

³⁰⁴ Shelter SA, ‘Affordable Housing and Planning Mechanisms, 2005 State Conference’, 2005.. Available at: www.sheltersa.asn.au/Documents/June%2010%20Forum/planning%20presentation%20-%20GG_RE1.pdf, p14. Accessed on 29 August 2011.

³⁰⁵ Department of Planning, ‘Planning Makes it Happen’, September 2009, Available at: www.planning.wa.gov.au/dop_pub_pdf/Planning_Makes_it_Happen.pdf, p14. Accessed on 25 July 2011.

³⁰⁶ Ibid, p11.

³⁰⁷ Ibid.

³⁰⁸ Urban Development Institute of Australia, ‘The 2011 UDIA State of the Land Report’, 2011. Available at: www.udiawa.com.au/Uploads/File/Special_Reports/2011_State_of_the_Land.pdf, p34. Accessed on 14 June 2011.

*is not a fault of the planning system in the sense of the Department of Planning or its predecessors. Land was there; it was earmarked for urban. Everybody knows that it is going to go urban, so why, when the developer wants to bring on land, can the water not be made available? It is not the Department of Planning's job to plan the water supply.*³⁰⁹

In another example of poor interagency coordination, a developer told the Committee of a situation where his company had worked closely with the City of Wanneroo to develop a detailed structure plan. The City approved the plan, but when they submitted it to the Department of Planning:

*They looked at it and said, "No, no, we don't like this format or structure; you can't have it this way. You have to change it all." So basically we were the piggy in the middle between the local authority and the State Government, who had different views on what a structure plan would look like.*³¹⁰

Finding 21

The 'lead agency' reforms to the planning processes proposed in the Department of Planning's *Blueprint for Planning Reform* have been implemented. However, some departments retain structures and approaches used before the reforms. As a consequence, there are still impediments to State agencies working effectively in a whole of government approach.

(e) Indirect costs of planning delays

There are significant direct costs for developers associated with complying with the State's building and design controls and the fees and charges for administration, infrastructure or other public services associated with development. However, some of the more significant development costs are indirect ones. These result from complexities and the delays that developers experience in government planning processes.³¹¹

Witnesses gave evidence to this Inquiry and the 2008 Senate inquiry into housing affordability on the significant additional expense of holding costs that impact directly on the affordability of

³⁰⁹ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p18.

³¹⁰ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p5.

³¹¹ Dr Nicole Gurran *et al.*, 'Planning, Government Charges, and the Costs of Land and Housing', October 2008. Available at: www.ahuri.edu.au/publications/download/70393_pp, p6. Accessed on 14 June 2011.

housing.³¹² A study by UDIA found delays in project approvals of between 150 days to 240 days that can not only impact on the affordability of housing, but can make some projects unfeasible.³¹³

The issue of costs associated with increasing development approval times have been identified in Australia since the 1990s, and in subsequent Productivity Commission reports. However, they are seldom quantified when specific planning controls or procedural requirements are introduced.³¹⁴

Delays in planning approvals impact both a developer's cost and investor behaviour. Studies in the United States and the United Kingdom highlighted the costs associated with planning approval delays and suggested "that difficulties and delays in obtaining planning approval affect developer behaviour and reduce the amount of development activity in an area, leading to longer term supply constraints that have implications for the price of housing."³¹⁵

Finding 22

In addition to the direct costs associated with the development process, there are also significant financial costs associated with delays experienced in securing planning approval. These costs not only impact on the affordability of housing products but in some circumstances may affect the viability of a project. This leads to longer-term housing supply constraints.

(i) Planning complexity

Evidence to the Committee in relation to planning complexity was polarised between two points of view. The first was that the planning requirements are needed as "urban sprawl equals dislocation".³¹⁶ The second position noted "the planner is a potential dictator who wants to deprive all other people of the power to plan and act according to their own plans."³¹⁷

A developer told the Committee that over-regulation and planning are among the key contributors to a fall in housing affordability:

³¹² The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia, June 2008, Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p86. Accessed on 14 June 2011.

³¹³ 'There is a Whole Lot of Nothing Going On', 22 April 2010. Available at: www.smh.com.au/business/property/theres-a-whole-lot-of-nothing-going-on-20100421-t02i.html. Accessed on 23 May 2011.

³¹⁴ Dr Nicole Gurrin *et al.*, 'Planning, Government Charges, and the Costs of Land and Housing', October 2008. Available at: www.ahuri.edu.au/publications/download/70393_pp, pp11-12. Accessed on 14 June 2011.

³¹⁵ Ibid.

³¹⁶ Hon Ms Jennifer Rankine, MLA, Minister for Housing, South Australia, *Briefing*, 30 March 2011.

³¹⁷ Ludwig van Mises Institute, 'The Quotable Mises', nd. Available at: <http://mises.org/quotes.aspx?action=subject&subject=Social%20Planning>. Accessed on 14 June 2011.

*What faces us as a society now is that we try to structure an unstructured set of arrangements that are happening. I think that is where government agencies really struggle. They want a structure to control things that in my view are not controllable. I think they need to step back from control to facilitation and allow things to happen.*³¹⁸

In 2008, the Senate Select Committee inquiry on housing affordability found that, in addition to the impact of planning approval delays, planning system complexity and ambiguity is associated with significant costs for housing development in Australia.³¹⁹ It urged state and local governments to reduce planning system complexity and rationalise infrastructure funding arrangements.

The Senate Committee noted that the complexity of the Western Australian planning process could mean that a preliminary subdivision approval might attract up to 47 separate conditions that have to be met before the land is finally approved for subdivision.³²⁰ The position appears to be largely unchanged with a witness telling this current Inquiry of the continuing high number of conditions that are attached to approvals:

*I think the record number of conditions attached to a final approval for subdivision is about 59 conditions. We had one about 18 months ago that had only about 51 or 52 conditions attached.*³²¹

This developer sought to work with the Department of Planning to review and amend their conditions:

*We went through those conditions and we reworded them. We took into account that, in addition to the conditions, there were existing deeds of infrastructure and other agreements in place that achieved the system. We came back to them with a proposal for 16 conditions instead of 52 or 53—the numbers are approximate. ... They took a long time to come back to me, and their answer was in a couple of parts. One was: “We are about to review our conditions, so we don’t want to make any radical changes now that might cause a precedent. But we are prepared to reduce your 53 conditions to 52.”*³²²

In a 2007 report, the UDIA said that developers’ target returns for typical large-scale development projects depend on the perceived risk and estimated timeframe through the State’s approvals process to first income. Generally they range from about 16% per annum (low perceived risk/relatively quick estimated approvals timeframe) up to 25% per annum or more (for projects

³¹⁸ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p9.

³¹⁹ Dr Nicole Gurran *et al.*, ‘Counting the Costs: Planning Requirements, Infrastructure Contributions and Residential Development in Australia, November 2009. Available at www.ahuri.edu.au/publications/download/70393_fr, p15. Accessed on 14 June 2011.

³²⁰ The Senate, Select Committee on Housing Affordability in Australia, ‘A Good House is Hard to Find: Housing Affordability in Australia, June 2008, Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p86. Accessed on 14 June 2011.

³²¹ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, pp12-13.

³²² *Ibid.*

with high perceived risk and/or long estimated approvals timeframes). Financial modelling showed show a delay of:

- one year would mean an increase of 13.3% on the price of a lot; and
- four years would mean an increase of 68.4% on the price of a lot.³²³

According to the Department of Planning, part of the problem is that the underlying intent of the State's planning legislation has been lost in "a disconnect between the overall policy statement and what is being implemented on the ground."³²⁴ This is because:

*We get so many regulatory layers over time that people forget the broader objective of the legislation and the context needs to be brought back. That is something that I am trying to do with our planning legislation. We are trying to encourage local governments to be more, shall I call it, holistic in their approach—rather than too narrow in their focus.*³²⁵

In a submission to the State Government in 2007, the UDIA recommended that enforceable statutory time frames be placed on referral agencies to ensure that the necessary approvals and subdivision works are complied with in time to meet lot supply targets. UDIA supported the position of the Land Release Coordinator to reduce the clearance process to six months maximum. This could be achieved by government agencies giving priority to approvals/clearances for developments of over 30 lots.³²⁶

The Department of Planning supports the concept of statutory time frames, with the allowance of an extension where good reason can be demonstrated by an agency. The planning process could then become one that demanded a risk management approach "rather than a total risk avoidance approach". However, the Department acknowledged that it would not be supported by many government agencies who would believe it to be 'too generic'.³²⁷

³²³ Urban Development Institute of Australia, 'Economic Review of Land and Housing Markets in Western Australia', 2007. Available at: www.udiaawa.com.au/Uploads/File/PDF/Submissions/2007/Economic%20Review%20of%20Land%20and%20Housing_Aug%202007.pdf, p7. Accessed on 16 June 2011.

³²⁴ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p4.

³²⁵ Ibid.

³²⁶ Urban Development Institute of Australia, 'Economic Review of Land and Housing Markets in Western Australia', 2007. Available at: www.udiaawa.com.au/Uploads/File/PDF/Submissions/2007/Economic%20Review%20of%20Land%20and%20Housing_Aug%202007.pdf, pp10-11. Accessed on 16 June 2011.

³²⁷ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p4.

Finding 23

Western Australia's planning processes are designed to respond to various environmental, infrastructure and community concerns. However, the basic planning processes for land development are substantial and increasingly complex. This leads to significant delays that can be at odds with a State Government policy to deliver affordable homes.

Recommendation 12

The Minister for Housing place statutory time frames on referral agencies by June 2012 to ensure that the necessary approvals and subdivision works are complied with in time to meet lot supply targets.

(ii) Development Assessment Panels

In an effort to address the existing complexity surrounding the approval process, Development Assessment Panels (DAPs) have been established to expedite the approval of significant developments. Their introduction is one of the fundamental principles of the national Development Assessment Forum's *Leading Practice Model for Development Assessment*, which the State Government is committed to implementing.

The Minister for Planning established 15 DAPs on 2 May 2011 and they became operational on 1 July 2011. The DAP regulations state that DAP applications cannot be determined by local government councils or the Western Australian Planning Commission (WAPC). Each DAP consists of five panel members, three being specialist members and two local government councillors. As at July 2011, there were six metropolitan DAPs and nine regional Panels.³²⁸

The mandatory financial thresholds for development proposals to be submitted to the DAP approval process are:

- \$15 million, City of Perth; and
- \$7 million, rest of the State.

There are developments where the applicant may choose to have their application determined by a DAP or by the local government or the WAPC under the normal planning process. There are lower financial thresholds for 'opt in' DAPs:

- \$10-15 million, City of Perth; and

³²⁸ Department of Planning, 'Development Assessment Panels in Western Australia', 16 July 2011. Available at: <http://daps.planning.wa.gov.au/default.asp>. Accessed on 25 July 2011.

- \$3-7 million, rest of the State.³²⁹

The Housing Industry Association told the Committee of their concerns at how long development processes take, especially at local government level. The HIA said that the chief limitation of the DAPs is that they will review so few of the annual development applications:

*We fully support the DAPs process, but that might be 300 or 400 approvals during the course of the year. What about the 10,000 of them that actually currently go through a local authority that have to go through planning? That is where the big numbers are. It is the single detached residential housing that is being impacted on.*³³⁰

Finding 24

While noting the broader State and national agendas for reform to reduce 'red tape', there has been limited progress made in achieving simplicity and consistency in the State's planning processes. The newly established Development Assessment Panels, which became operational in July 2011, may resolve some of these issues.

(iii) An electronic land development program

In 2009, the Department of Planning announced the anticipated rollout of an electronic land development program after 2012 to help achieve an "efficient, flexible and outcome-focused planning system."³³¹ This was to have provided an electronic lodgement system that could later be expanded. It would link into other government agencies (in terms of referrals) and with Landgate. In this way, the private sector could simply lodge their application through a number of portals. Applications would go through to the Planning Commission, where they would be processed electronically. The Department of Planning would then issue the various approvals.

The Committee was advised that, if it had been funded, the electronic land development program would have significantly increased the speed with which approvals were secured, as all departments would have had access to applications at the same time as each other, rather than sequentially. The electronic lodgement portal concept is similar to that already in use in the City

³²⁹ Department of Planning, 'Application Types and Values', 18 July 2011. Available at: <http://daps.planning.wa.gov.au/8.asp>. Accessed on 25 July 2011.

³³⁰ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p6.

³³¹ Department of Planning, 'Planning Makes it Happen', September 2009. Available at: www.planning.wa.gov.au/dop_pub_pdf/Planning_Makes_it_Happen.pdf, p14. Accessed on 25 July 2011.

of Cockburn and the City of Swan for building license lodgements, where it was reported to be very successful.³³²

The Director General told the Committee that the electronic land development program is now not being rolled out:

*Whilst we put it up for Government funding, it was not agreed to by Treasury and then by [the Economic and Expenditure Reform Committee]. It was accepted as still a very good project to do, but because the funding was not available for me to roll it out, it is not being rolled out.*³³³

The Committee was told by Treasury officials that the proposal was rejected because of uncertainties over the final cost of the \$25-30 million project. The Committee does not have evidence of the potential savings of the implementation of this proposal. The Department of Planning “was requested to go back and revise the business case based on their current estimate of the cost. ... to firm up on the cost of the project before it was considered for funding.”³³⁴

Finding 25

The Department of Planning’s proposed electronic lodgement system would significantly enhance the planning approval process by allowing approving agencies to operate in parallel rather than sequentially. This has the potential to significantly reduce the time taken for approvals and reduce the delays in delivering new lots to the housing market.

Recommendation 13

In light of the Department of Planning’s proposed electronic lodgement system’s potential to assist in making land more affordable, the Treasurer report to Parliament by May 2012 on the project’s funding.

³³² Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p7.

³³³ Ibid.

³³⁴ Mr Anthony Kannis, Executive Director, Infrastructure and Finance, Department of Treasury, *Transcript of Evidence*, 22 August 2011, p6.

4.3 Infrastructure Costs

(a) Developer contributions

The relationship between the rate of land development and the cost of infrastructure has been reviewed often, especially since the introduction of developer contributions. These contributions were introduced in Australia during the 1950s when land subdivision authorities began requiring developers to provide land for public open space and improvements such as sealed roads and footpaths. Over time, more items of infrastructure were added to the list of conditions. Such contributions helped to limit a government's financial contribution to the land development process where public authorities responsible for providing water and sewerage services ran short of capital, leading to delays in the development of new areas.³³⁵

Until the 1980s, only basic infrastructure was provided in a development and it was later gradually upgraded. This later infrastructure was commonly provided by governments through a combination of borrowing and retained earnings and recouped over time from a homeowner's general rates and taxes.³³⁶ There is an increasing reliance by state governments on 'upfront' developer infrastructure contributions and development levies to fund infrastructure. However, there are concerns that this:

- can result in infrastructure being 'drip fed' to an area;
- fails to deliver infrastructure of a sufficient scale, on time and in a coordinated manner;
- adds significantly to the upfront cost of development, and hence acts to impede the rate of lot uptake in new residential areas.³³⁷

Developer infrastructure contributions come in three forms:

- (i) land contributions: for instance the provision of public open space or land for schools and widening roads;
- (ii) in-kind infrastructure works: including water, sewerage, drainage works together with road and traffic works; and

³³⁵ Legislative Assembly, Parliament of Western Australia, Public Accounts Committee, 'Inquiry into Developer Contributions for Costs Associated with Land Development', 21 October 2004. Available at: [www.parliament.wa.gov.au/parliament/commit.nsf/\(Report+Lookup+by+Com+ID\)/9DE9854FD560A75748257831003E9609/\\$file/2917-9.pdf](http://www.parliament.wa.gov.au/parliament/commit.nsf/(Report+Lookup+by+Com+ID)/9DE9854FD560A75748257831003E9609/$file/2917-9.pdf), p4. Accessed on 25 July 2011.

³³⁶ Ibid.

³³⁷ PriceWaterhouseCoopers, 'Tax Increment Financing to Fund Infrastructure in Australia- Draft Report', April 2008. Available at: www.infrastructureaustralia.gov.au/public_submissions/published/files/486_propertycouncilofaustralia_SUB2.pdf, p2. Accessed on 14 June 2011.

- (iii) a financial contribution: Special infrastructure payments may also be required from developers to meet an increased need for various offsite infrastructure.³³⁸

The Productivity Commission has found that developer contributions are ‘economically appropriate’ in Encouraging user-pays principles in the provision of urban infrastructure and that a charge on users helps ensure that demand is not excessive and resources are not wasted. For the Commission the “real issues relate to how to apportion the costs among users and over time.”³³⁹

Infrastructure contributions now represent a developer’s largest single cost and can affect their decisions on whether to build in particular locations, or change their product mix. Small developers often have less capacity than larger companies to absorb these costs.³⁴⁰ The Urban Development Institute of Australia (UDIA) told the Committee many of these infrastructure contributions were for large sums, with one Perth developer paying a \$50 million in bonds related to infrastructure. The UDIA gave another example of the Water Corporation requiring a bond of 150% of the value of the construction of a pump station. The developer:

*had to pay the Water Corporation 150% of the value, then build it, then you could get your 150% back again. The 150% related if you defaulted and they had to construct it. It converted from a bond into income and therefore they had to pay GST.*³⁴¹

These contributions apply to all developers, whether they are government, private companies or individuals and community organisations. The costs, whether contributions are in-kind or cash, are invariably passed onto the final purchaser of the land.³⁴² The State Government regulates contribution requirements through operational policies, conditions imposed through planning schemes and as conditions of subdivision approval. Social infrastructure is generally not funded by a developer except for land for schools.³⁴³

One of the drivers for the increase in these costs is community expectations of the level of amenities that are required in a development when homes are initially sold:

³³⁸ Legislative Assembly, Parliament of Western Australia, Public Accounts Committee, ‘Inquiry into Developer Contributions for Costs Associated with Land Development’, 21 October 2004. Available at: [www.parliament.wa.gov.au/parliament/commit.nsf/\(Report+Lookup+by+Com+ID\)/9DE9854FD560A75748257831003E9609/\\$file/2917-9.pdf](http://www.parliament.wa.gov.au/parliament/commit.nsf/(Report+Lookup+by+Com+ID)/9DE9854FD560A75748257831003E9609/$file/2917-9.pdf), p5. Accessed on 25 July 2011.

³³⁹ Ibid.

³⁴⁰ AHURI, ‘How Do Planning Requirements Impact Housing Costs and the Development Process?’, March 2010. Available at: www.ahuri.edu.au/publications/download/rap_issue_125, p2. Accessed on 14 June 2011.

³⁴¹ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p16.

³⁴² Legislative Assembly, Parliament of Western Australia, Public Accounts Committee, ‘Inquiry into Developer Contributions for Costs Associated with Land Development’, 21 October 2004. Available at: [www.parliament.wa.gov.au/parliament/commit.nsf/\(Report+Lookup+by+Com+ID\)/9DE9854FD560A75748257831003E9609/\\$file/2917-9.pdf](http://www.parliament.wa.gov.au/parliament/commit.nsf/(Report+Lookup+by+Com+ID)/9DE9854FD560A75748257831003E9609/$file/2917-9.pdf), p82. Accessed on 25 July 2011.

³⁴³ Dr Nicole Gurran *et al.*, ‘Planning, Government Charges, and the Costs of Land and Housing’, October 2008. Available at: www.ahuri.edu.au/publications/download/70393_pp, p45. Accessed on 14 June 2011.

*There seems to be a tendency that everyone wants everything day one. If you develop a new subdivision, the community infrastructure needs to be there day one. There is not really a recognition of who pays for that. Going back to when I grew up, I grew up in an area that did not have much of a road and then gradually things came. But now the expectations are far different; it should all be there day one or people feel really aggrieved.*³⁴⁴

LandCorp told the Committee of a development in Broome where the local government required an additional cost of \$11,000 per lot for amenities. If they had accepted that some amenities would not be in place on ‘day one’, the price increase would have been only about \$2,000.³⁴⁵

A Parliamentary committee in 2004 found that the retail price of land depends on the willingness of consumers to pay (market forces) and that increases in the development costs tend to **reduce** the value of undeveloped land. The report quoted the Productivity Commission and housing consultants in support of its findings that developer contributions are not automatically passed on to the end-purchaser of a developed lot. The Productivity Commission’s *Inquiry into First Home Ownership* determined that, while infrastructure charges make up a substantial proportion of the overall cost of house and land packages, “increases in those charges will be responsible at most for a small part of recent house price increases.”³⁴⁶

(b) Is there an equitable alternative to developer-funded infrastructure?

Most new residential or commercial land development needs to be supported by a substantial investment in associated infrastructure. Any alternative to the existing regime of infrastructure contributions needs to rest on principles of efficiency and equity. It could be argued that these contributions encourage efficient land development as successful developers find a way to pass on these costs, while reducing the demand on government funds.³⁴⁷ However, the Committee was told that the way such contributions were applied by the State and local councils reflected a lack of equity.³⁴⁸

Similarly, a UDIA report said that the land development process is “a grossly unfair impost on the ‘next’ user” and:

is at the mercy of governments and service providers who increasingly seek to shift the cost burden of infrastructure from a broad tax, rate or tariff base paid over years of use, to a

³⁴⁴ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p7.

³⁴⁵ Ibid.

³⁴⁶ Legislative Assembly, Parliament of Western Australia, Public Accounts Committee, ‘Inquiry into Developer Contributions for Costs Associated with Land Development’, 21 October 2004. Available at: [www.parliament.wa.gov.au/parliament/commit.nsf/\(Report+Lookup+by+Com+ID\)/9DE9854FD560A75748257831003E9609/\\$file/2917-9.pdf](http://www.parliament.wa.gov.au/parliament/commit.nsf/(Report+Lookup+by+Com+ID)/9DE9854FD560A75748257831003E9609/$file/2917-9.pdf), p83. Accessed on 25 July 2011.

³⁴⁷ Mr Peter Abelson, ‘A Review of Funding Measures for Urban Infrastructure with Special Reference to Developer Charges, Betterment (Value Uplift) Taxes and Turnover Taxes’, nd. Available at: www.appliedeconomics.com.au/my/docs/7642/funding-measures-urban-infrastructure-melbourne-20.pdf, p5. Accessed on 20 June 2011.

³⁴⁸ Mr Bob Day AO, Managing Director, Home Australia Group, *Briefing*, 28 February 2011.

*single upfront direct cost to the 'last on' user of the system. It is further exacerbated by the continuing shift of additional costs onto the development process (e.g. affordable housing contributions, external roadworks, underground stormwater detention, community facilities, private bus systems etc.).*³⁴⁹

As the home purchaser is often unable to amortise the 'up front' developer's infrastructure contributions over the life of their home, the charging of these contributions is viewed as inequitable and contributing to lower affordability. This new infrastructure could instead be funded from a government's consolidated revenue or from the surpluses of government-owned corporations. This alternative funding approach represent either taxes on the general public or levies on other users of the relevant corporation (such as the Water Board). Neither of these funding methods is equitable in that third parties are paying for the services supplied to residents of the new residential or commercial development.³⁵⁰

The question can arise not as to 'who' should pay for the infrastructure, but 'when' homeowners should pay for it. In term of equity, it has been argued that the house buyer should pay for the infrastructure when they use it, as was the situation prior to the 1980s. Further:

*First home buyers on the urban fringe are now subsidizing, through their electricity, water, sewer and council rates, the massive repair and upgrading of existing, older infrastructure in the inner suburbs in order to accommodate wealthier 'in-fill' homebuyers.*³⁵¹

Tax increment financing

One alternative option is to debt-finance infrastructure projects that have a well defined catchment area using a mechanism known as tax increment financing (TIF). Used in the United States since the 1950s, TIF takes advantage of the historical property value increase that occurs after new infrastructure is built. TIF uses the future rate of tax gains to finance current improvements.³⁵² It allows local government to issue bonds to underwrite the required infrastructure and then to apply the increased revenue that results from the infrastructure to service and repay the TIF bonds:

³⁴⁹ Urban Development Institute of Australia (SA Division), 'Infrastructure Funding for Growth Areas in Greater Adelaide', May 2010. Available at: www.udiasa.com.au/uploads/Infrastructure%20Funding%20Review%20Report%20For%20Web.pdf, p2. Accessed on 20 June 2011.

³⁵⁰ Mr Peter Abelson, 'A Review of Funding Measures for Urban Infrastructure with Special Reference to Developer Charges, Betterment (Value Uplift) Taxes and Turnover Taxes', nd. Available at: www.applieconomics.com.au/my/docs/7642/funding-measures-urban-infrastructure-melbourne-20.pdf, p1. Accessed on 20 June 2011.

³⁵¹ Mr Bob Day, 'Home Truths Revisited – the Politics of Home Ownership', 4 September 2010. Available at: <http://australianconservative.com/2010/09/home-truths-revisited-%E2%80%93-the-politics-of-home-ownership/>. Accessed on 20 June 2011.

³⁵² PriceWaterhouseCoopers, 'Tax Increment Financing to Fund Infrastructure in Australia- Draft Report', April 2008. Available at: www.infrastructureaustralia.gov.au/public_submissions/published/files/486_propertycouncilofaustralia_SUB2.pdf, pp2-3. Accessed on 20 June 2011.

*Essentially TIF works by defining a 'TIF district', issuing bonds for the infrastructure projects in the area, then using the increased tax revenue (the 'tax increment') that comes about as property prices go up as a result of, say, a rail extension or new station being built, to pay the bond back over time. ... TIF would lessen the need for governments to rely on new home buyers to fund infrastructure, would bring about big infrastructure projects in local areas sooner and would lock governments into their commitments.*³⁵³

The Committee was told by Treasury officials that they were aware of such debt-finance programs as TIF but “we have not done any formal analysis” on the possible benefits of lowering the upfront developer infrastructure contributions. They were also concerned about any additional debt appearing on the State’s balance sheet and its subsequent impact on the State’s credit rating. Similarly, Treasury were aware of the difficulties faced by developers in funding their infrastructure contributions but there had “been no normal modelling about how we can get [land] to the market cheaper.”³⁵⁴

Recommendation 14

The Treasurer and Minister for Housing report to Parliament by June 2012 on the suitability of programs such as tax increment financing (TIF) in the Western Australian context to pay for infrastructure in new developments and assist bringing them to market more quickly.

4.4 Construction Costs and Property-related Taxes

(a) Factors affecting the cost of construction

(i) Multi-storey units

The size of metropolitan Perth has rapidly expanded and most of the new residential development has been ‘green-field’, with some infill. This has led small (or ‘cottage’) builders being successful by building traditional three or four bedroom homes. About 97% of the Housing Industry Associations’ builder membership in Western Australia “would be purely in the cottage area, and/or small unit developments, four and five, and alterations and additions builders.”³⁵⁵

One consequence of this has been the lack of expertise in constructing affordable multi-storey units. In the eastern states “national companies like Stockland and Australind have built up

³⁵³ Urban Development Institute of Australia, ‘National Urban Policy Submission’, 1 March 2011. Available at: www.udia.com.au/resource/UDIA%20NATIONAL%20URBAN%20POLICY%20SUBMISSION.pdf, p11. Accessed on 14 June 2011.

³⁵⁴ Mr Anthony Kannis, Executive Director, Infrastructure and Finance, Department of Treasury, *Transcript of Evidence*, 10 August 2011, pp6-7.

³⁵⁵ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p11.

expertise in that area in which they have seen a niche.” In Western Australia construction costs for medium density developments are significantly higher due to this lack of expertise.³⁵⁶

When these higher costs are combined with the added costs from the different financing structure and labour structure (site supervisors etc) that apply to multi storey developments, it significantly impacts on their affordability. Dr Russell Perry, a property developer in Western Australia, said an analysis by Urban Development Institute of Australia (UDIA) of ‘green-fields’ building costs versus infill developments shows that \$250,000 in construction costs (not including land costs) would buy the following:

- *If you were buying a single-storey development, you would get a 313 square metre house.*
- *If you go to a double-storey development, then you would get a 208 square metre house.*
- *If you go to a three-storey walk-up you get 96 square metres for your \$250,000.*
- *If you go to 10-storey apartments, you are down to 63 square metres.*³⁵⁷

There are significant finance carrying costs for constructing multi-storey units compared to the ‘cottage’ housing sector. This is because in Australia the developer has to carry these costs to completion. In some countries such as Malaysia and Singapore, the buyer makes progressive payments for their unit. While in Western Australia it is generally cheaper to build a detached house than a multi-storey complex, this is not the case in North America and other Australian jurisdictions. In Western Australia, the costs of multi-storey developments are about twice that prevailing in other parts of Australia.³⁵⁸ Some other costs associated with multi-storey units is the requirement for a lift over a certain height and a general “anti-height mentality in Perth” that limits how high a developer can build in many suburbs as “no matter what height you start at, neighbours want several storeys taken off.”³⁵⁹

A new factor is a limitation on bank financing for developers of multi-storey units since the Global Financial Crisis. The UDIA told the Committee that banks now require a significant proportion of the units to have been pre-sold before providing credit to a developer and “you do not even get to look at building something if you do not have the pre-sales.” Additionally, the Committee heard that banks will not lend to an organisation in the housing sector unless it was “an

³⁵⁶ Mr Eric Lumsden, Director General, Department of Planning, *Transcript of Evidence*, 15 June 2011, p15.

³⁵⁷ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p12.

³⁵⁸ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p4.

³⁵⁹ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p6.

A class developer, whether it is an apartment, greenfields or whatever” as they were overweight in property loans and were looking to reduce them.³⁶⁰

The UDIA used ABS data to note that in 2010-11 just 14% of Western Australia’s building approvals had been for dwelling units over four storeys high compared with 65% in the ACT and 61% in Victoria. The ABS’ figures also reveal that Perth has the lowest percentage of non-house dwelling approvals of Australia’s cities. Only 20% of Perth’s building approvals in May 2011 were for non-house dwellings compared to 84% in Canberra and 52% of Brisbane’s approvals.³⁶¹

A possible solution to this low level of new apartments being built was put to the Committee by LandCorp. It suggested that Eastern States’ developers be encouraged to bring their teams to complete developments here in Western Australia:

*That is one of the strategies that we are looking at because, increasingly, LandCorp and the Government will be doing activity centre development around rail stations and other areas where you want much higher densities. We need to make it affordable: why would you pay two or three times as much for something that is half the size?*³⁶²

Finding 26

In Western Australia there is a significant increase in construction costs for multi-storey developments compared to detached housing. There is also a difference between multi-storey construction costs in Western Australia compared to the Eastern States which seems to be due to a lack of expertise in building these developments in this State.

There are some multi-storey projects where the construction costs are lower than that for detached houses. The Committee visited a joint venture between the Department of Housing (DoH) and Goodland Properties. DoH has invested in the construction of 78 apartments in stage two of a three-stage development in Pearson Drive, Success. Fifty-one of the apartments will be sold and DoH will retain 27 for social housing tenants. DoH’s return from selling the apartments allowed it to purchase apartments in stage 3 of the project.³⁶³

These apartments have been made from reinforced concrete and are designed to take advantage of cross breezes and have a verandah on each side to allow flow-through ventilation. DoH has not

³⁶⁰ Ibid, pp7-8.

³⁶¹ Urban Development Institute of Australia, ‘Is a Fear of Heights Holding Back WA’s Urban Development?’, 11 July 2011. Available at: www.udiawa.com.au/Uploads/File/Press_Releases/IS_A_FEAR_OF_HEIGHTS_HOLDING_BACK_WA_S_URBAN_DEVELOPMENT.pdf, p1. Accessed on 18 August 2011.

³⁶² Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p4.

³⁶³ Mr Ian McGivern, Goodland Properties, *Briefing*, 18 April 2011.

installed air-conditioning but the apartments are thermally efficient with 10mm green tint double glazed windows and internal walls constructed with gyprock, an air cell, thermal blanket and then the outer wall. The use of this 'AFS logic wall system' allowed the construction of the entire 130 residential apartments within 60 weeks. The AFS system material costs are \$220 psm compared to \$170 psm for standard brick construction, but its greater flexibility and reduced construction time halves the overall construction costs.³⁶⁴

Finding 27

The Committee is not certain of the reasons for the difference in multi-storey construction costs in Western Australia compared to the Eastern States but it seems to be a mixture of higher finance costs, lack of suitable trades and the culture of the State's development industry. This issue needs further investigation by the State Government.

Recommendation 15

The Minister for Housing encourage the Department of Housing to underwrite future projects similar to its joint venture with Goodland Properties in Success to assist develop industry skills in Western Australia with alternative housing construction methods and give confidence to developers.

(ii) Environmental considerations

Environmental concerns have also increased the cost of housing design and construction in Western Australia and reduced housing affordability. The Committee was told by the Director General, Department of Housing, of more recent environmental requirements that have impacted on the affordability of residential buildings:

- the move to 6-star energy efficiency requirements;
- changes by some local government authorities to storm water design requirements; and
- the requirement by many local government authorities for planning, as well as building, approval for single residential dwellings.³⁶⁵

³⁶⁴ Ibid.

³⁶⁵ Mr Grahame Searle, Director General, Department of Housing, Correspondence, 18 April 2011.

The Masters Builders Association claims that new laws requiring six-star energy efficient homes could add up to \$10,000 to the cost of a double-storey home but may not reduce emissions if they were owned by ‘one-star families’ who “used their green initiatives as an excuse to run their air-conditioning around the clock.”³⁶⁶

Material prices remain the most costly element of new homes. They represent about 38% of the cost of building a house (followed by labour costs at 26%).³⁶⁷ In Western Australia there is a continued bias towards using brick and tile as the building material of choice for residential houses. In an attempt to address the cost of these materials compared to others, a developer who used innovative alternatives told the Committee:

*Gee, it is bloody hard, because the building industry is not geared to build that product. They employ their bricklayers, their tilers and their roof carpenters in the existing trades, and that is their most cost-efficient model. I do not blame them for that.*³⁶⁸

Government departments have also begun to plan for climate change, especially in relation to coastal developments, and this will add some new costs to developers:

*The Planning Commission ... issued a policy last year about coastal setbacks based on climate change issues. ... they added 52 metres onto the minimum setback on the coast. In our case, that was about 5% of our land holding, which added \$10,000 [in price] onto the remaining lots.*³⁶⁹

The Housing Industry Association (HIA) claimed that the proposed Federal carbon tax will “add to the cost of an average new home, \$6,000 under a \$20 per tonne CO₂-e price, less the yet to be confirmed compensation measures”. This will add a further \$12,800 to a homeowner’s total repayments over a 25 year loan.³⁷⁰ The HIA’s media release provided no accompanying detail or modelling to support its claims.

³⁶⁶ Ms Kim Macdonald, ‘Energy Homes ‘futile’ without Green Owners’, *The West Australian*, 1 September 2011, p26.

³⁶⁷ Reed Construction Data, ‘QMBA-Cordell Benchmark Survey on Cost of New Housing’, nd. Available at: www.reedconstructiondata.com.au/news/news10.html. Accessed on 20 June 2011.

³⁶⁸ Dr Russell Perry, Chief Executive Officer, Capricorn Village Joint Venture, *Transcript of Evidence*, 18 May 2011, p14.

³⁶⁹ Ibid, p11.

³⁷⁰ Housing Industry Association, ‘Aussie Building Product Manufacturers Stand to Lose On Carbon Tax’, 21 April 2011. Available at: <http://hia.com.au/hia/news/region/National/article/MR/National/EC/Aussie%20Building%20Product%20Manufacturers%20Stand%20to%20Lose%20On%20Carbon%20Tax.aspx>. Accessed on 20 June 2011.

Finding 28

Additional environmental considerations added to building and development requirements over the past 20 years have added to the cost of a building a typical house and affected housing affordability. However, these requirements can lower the on-going costs of living in these houses.

(iii) Loss of staff to the resource sector

The recent drop in average house prices has been mediated by a loss of construction staff. UDIA told the Committee that “so many of the people in the civil construction industry are going to work on the mining contracts, leaving us short of skilled labour when the market picks up.”³⁷¹

(b) Lack of alternative construction methods**(i) Alternative construction methods**

The Committee was extensively briefed on alternate construction methods to Perth’s standard ‘double brick walls on slab’ method. It also undertook a number of site visits to see what alternatives were offered by companies such as Quickloc Building Systems. The Department of Housing has used Quickloc’s products to build 30 properties in Bertram which are \$15-30,000 cheaper than a traditional double-brick product.³⁷² Steel Homes is based in Perth and produces transportable homes costing between \$77,500 and \$215,750, with additional transport costs when the delivery distance of 200km is exceeded. It produces kit homes from \$61,000 to \$395,000.³⁷³

The University of Western Australia is working with the Shire of Perenjori to design low-cost, energy-efficient prefabricated houses that can be shipped as flat-pack and be assembled on-site. A four-bedroom 175 sqm house would cost about \$300-380,000 to build. In another development, the Shire, in partnership with Midwest Transportables, has assembled a 16-person accommodation development at the Perenjori Caravan Park. This accommodation was built in response to increasingly limited accommodation supply in centres surrounding Gindalbie Metals’ Karara Iron Ore project and Mount Gibson Iron’s Extension Hill project.³⁷⁴

In Darwin the Committee was briefed by Remote Housing Systems Pty Ltd whose Australian-designed four-bed house is imported from South Korea in kit form for \$340,000, with a further

³⁷¹ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p2.

³⁷² Mr Graham Searle, Director General, Department of Housing, *Briefing*, 18 April 2011.

³⁷³ Submission No. 7 from Steel Homes, 26 November 2010.

³⁷⁴ Shire of Perenjori, ‘Perenjori Partners to Address Accommodation Shortages’, 19 August 2010. Available at: www.perenjori.wa.gov.au/News/NewsDetails.aspx?NewsId=1. Accessed on 25 August 2011.

\$50,000 required to complete construction. It takes about a month to construct the houses.³⁷⁵ Ecoefficient Homes in Kununurra offers four-bedroom homes, the walls and ceilings of which are made from sandwich panels comprising Styrofoam bonded between Colorbond steel facing. They are shipped to Wyndham in containers and can be constructed within nine weeks for about \$465,000.³⁷⁶

Overseas, an IKEA-company, BoKlok, has provided over 3,500 two-storey apartment buildings in Scandinavia and the United Kingdom since 1997. The timber-framed prefabricated apartments cost about \$250,000 in the UK.³⁷⁷

The advantage of all of the transportable and pre-fabricated methods is that they do not require skilled labour and trades to complete. The Housing Industry Association told the Committee that in regional areas these products are as good as building a double-brick and tile house.³⁷⁸ The Department of Housing told the Education and Health Standing Committee in early 2011 that in the main towns in the Kimberley region they prefer to do in-situ construction and the average cost was in “the low \$400s.” Under the National Partnership Agreement on Remote Indigenous Housing, the average cost across the Kimberley was “in the region of \$460,000, including site costs.”³⁷⁹

The Department also undertook “a very extensive program of transportables that were trucked in from Darwin and Alice Springs, as well as Perth.” These were houses, designed for a specific purpose, and had to be completed in a short timeframe “otherwise some of Western Australia’s funding was in jeopardy, and, because it was the wet, the only possible solution was for us to build it using transportable housing.” The main issues impacting on the use of transportables in the Kimberley was the high cost of transporting the homes from where they are constructed and this method of construction also lowered the involvement of Indigenous trainees and staff. The Department was building a small ‘bank’ of transportable houses that can be placed on-site very quickly and in their experience “transportable housing commercially works well if you only need a very small number, but when the numbers get big, in-situ construction is the better option.”³⁸⁰

The problem of developing alternative construction methods is an acute one as the Committee was told that in Perth over the past 60 years the market has been based on double-brick construction:

They are a very good way of building homes in the Perth marketplace. So our workforce is structured to have certain trades and certain numbers of trades in each area. If, for

³⁷⁵ Mr John Cooper, Finance and Logistics Manager, Remote Housing Systems Pty Ltd, *Briefing*, 1 April 2011.

³⁷⁶ Mr Kent Osmotherly, Managing Director, Ecoefficient Homes, *Briefing*, 30 March 2011.

³⁷⁷ Mr Steve Rose, ‘Welcome to Ikeatown’, 2 April 2007. Available at: www.guardian.co.uk/society/2007/apr/02/communities.business. Accessed on 25 August 2011.

³⁷⁸ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p10.

³⁷⁹ Mr Graeme Jones, Acting Executive Director, Aboriginal Housing, Department of Housing, *Transcript of Evidence*, 21 February 2011, p16.

³⁸⁰ *Ibid*, pp14-15.

*example, we said tomorrow, “Well, sorry; we’re not going to have double-brick anymore—it’s only going to be single brick”, your price of housing will go through the roof because you simply have not got the number of carpenters, for example, that you would need to change. ...But we certainly cannot change it overnight because we simply have not got the mix of labour force to accommodate that sort of change.*³⁸¹

The UDIA told the Committee that most stakeholders in the housing sector are “still talking about affordability as a size issue rather than radical innovation in the way we deliver the built form”.

Innovation has occurred in other Australian jurisdictions but not in Western Australia, as:

*Affordability is a gradual process of innovation rather than a sharp jump forward. Developers and builders need the time to be able to innovate and test it in the marketplace. Once it is successful, then they expand on that.*³⁸²

The UDIA said that more homes in the South West were now being built with ‘framed construction’ than in the metropolitan area, but this was often due to cost issues, such as the rapidly rising cost of sand.³⁸³ At the moment in Western Australia the construction industry cannot get the efficiencies that are available in other Australian jurisdictions to use framed construction effectively. Additionally, those wanting to buy houses “still veer towards the double brick”. Other methods, such as rammed earth housing, are “still extremely niche in Western Australia. I doubt that in project home building they could actually deliver the product as affordably as they would a standard [double-brick] product.”³⁸⁴

The Committee was told by a number of witnesses that there were no ‘policy levers’ for the State Government to regulate or encourage the sector to move to different construction methods as “the cost of housing in WA would soar”, but the market would slowly change itself. The added costs occur as the market would probably produce fewer homes each year using a new method, particularly “because you have not got the labour mix in terms of the types of trades that you need to accommodate a turning upside down of the industry.”³⁸⁵

These observations ignore the ability of the Department of Housing to use different construction methods in their projects to help reduce their costs.

³⁸¹ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p9.

³⁸² Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p4.

³⁸³ Ibid.

³⁸⁴ Ibid, p5.

³⁸⁵ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p9.

Finding 29

There are a range of alternative construction methods to produce homes in Perth but until they are more widely accepted they will not produce economies of scale that will result in a significant cost-saving in the short-term to low to medium-income families.

Recommendation 16

The Department of Housing take a leading role in using a broader range of construction methods in their projects to help reduce the cost of house construction to the State's wider housing development sector.

(ii) Shortage of sand and block type

The UDIA told the Committee that the cost of sand may also force developers in the metropolitan area to try alternative building methods:

*We have actually used up all the easy-to-develop land. Now we are moving into highly constrained land. ... Most people think Perth has lots of sand; unfortunately in these high watertable areas we are very constrained by sand. ... an average development would have at least 1.2 metres over every inch of it, ... That can range anywhere from \$20 a [cubic] metre. During the boom we were heading up to around \$40 a cubic metre in some of the regional areas down south for sand.*³⁸⁶

The UDIA said that in Western Australia councils require developers to use 'A-class lots' while "on the east coast they go to S-class lots and below. They build on clay; we do not. We import the sand to build [on]." If developers were able to use S-class lots they will build cheaper framed housing and the footings have to be only marginally larger. UDIA said "as we continue to struggle with the cost of sand supply, there will be some very entrepreneurial builders and developers who get together and start addressing that through a different build form. But we are not actually there yet."³⁸⁷

³⁸⁶ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p3.

³⁸⁷ *Ibid*, p4.

Recommendation 17

The Minister for Planning use the shortage of suitable sand for buildings in Perth to encourage local government authorities to allow developers to use S-class and below lots to assist in developing more affordable housing products.

(c) The impact of property-related taxes on affordability

The State Government provides assistance to home buyers in a number of ways, including:

- a concessional transfer duty scale for all residential property purchases;
- a \$7,000 First Home Owner Grant for buyers purchasing a home worth up to \$750,000, or up to \$1 million if it is located north of the 26th parallel;
- a first home buyer transfer duty exemption for a home valued up to \$600,000, or vacant land valued up to \$400,000; and
- a first home buyer grant of up to \$2,000 from the Home Buyers Assistance Account for incidental expenses incurred when purchasing an established or partially built home through a licensed real estate agent for \$400,000 or less.³⁸⁸

(i) Stamp duty on purchase

Under the *Duties Act 2008*, which came into effect on 1 July 2008, land in Western Australia is dutiable. If property is purchased with improvements, then the total purchase price is assessable. If the land is vacant, it is only dutiable for its cost and the subsequent improvements are stamp duty exempt, other than the mortgage. These current costs are shown in Tables 4.1 and 4.2.

³⁸⁸ Hon Mr Christian Porter, Treasurer, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 30 August 2011, p77.

Table 4.2- Western Australian home residential duties³⁸⁹

Purchase Price	Base Rate	Additional rate over base
\$0–120,000	\$0 +	\$1.90 per \$100 or part thereof
\$120,001–150,000	\$2,280 +	\$2.85 per \$100 or part thereof above \$120,000
\$150,001–360,000	\$3,135 +	\$3.80 per \$100 or part thereof above \$150,000
\$360,001–725,000	\$11,115 +	\$4.75 per \$100 or part thereof above \$360,000
\$725,000 and up	\$28,453 +	\$5.15 per \$100 or part thereof above \$725,000

Table 4.3- Western Australian first home owner grant duties³⁹⁰

	Dutiable Value	Rate of Duty
Land with house	\$0–500,000	Nil
	\$500–600,000	\$22.51 per \$100 or part of \$100 above \$500,000
Vacant land	\$0–300,000	Nil
	\$300–400,000	\$13.01 per \$100 or part of \$100 above \$300,000

Current Perth house prices average about \$500,000.³⁹¹ On this basis, the stamp duty on the transfer of an average-price home is \$17,765, plus a transfer fee of \$225. This adds about 3.6% to the cost of a property purchase.

In early 2011, median land prices in Perth had fallen 12% to \$215,000.³⁹² Witnesses testified to the Committee that the taxation of land transfers tends to hinder transfers, including property amalgamations and boundary readjustments in rural areas which are important in facilitating better land management and sustainable land use. One suggestion was that the State Government should abolish stamp duty on all home purchases below Perth's median price. This would be deflationary and support affordability:

With increasing mobility and an ageing population combined with lower capital growth, stamp duty matters a lot more than perhaps it once did. It affects decisions relative to

³⁸⁹ Department of Finance, 'Rates of Duty Under the Duties Act 2008', nd. Available at: www.finance.wa.gov.au/cms/content.aspx?id=2079. Accessed on 26 July 2011.

³⁹⁰ Department of Finance, 'First Home Owner Rate of Duty', nd. Available at: www.finance.wa.gov.au/cms/content.aspx?id=2011. Accessed on 26 July 2011.

³⁹¹ ABC News, 'Perth House Prices Unlikely to Fall Lower', 22 July 2011. Available at: www.abc.net.au/news/2011-07-22/perth-median-house-price-stable/2806178. Accessed on 26 July 2011.

³⁹² Ms Carolyn Herbert, 'Land Prices Down to \$215,000', 28 April 2011. Available at: www.wabusinessnews.com.au/user?destination=node/88428. Accessed on 9 May 2011.

*down sizing and FIFO. It needs to be reviewed and changed with respect to more groups of the population than simply the first home buyers.*³⁹³

(ii) Land tax

The second major State tax that is a factor in adding costs is the land tax. This is an annual tax on the unimproved value of all land except for exempt land such as land forming the principal place of residence.³⁹⁴ Table 4.3 below sets out the current land tax rates.

Table 4.4- Western Australian land tax rates³⁹⁵

Taxable Land Value	Base Rate	Additional Rate Over Base
\$0–300,000	Nil	
\$300,001–1,000,000	Nil +	0.09 cents for each \$1 in excess of \$300,000
\$1,000,001–2,200,000	\$630 +	0.47 cents for each \$1 in excess of \$1,000,000
\$2,200,001–5,500,000	\$6,270 +	1.22 cents for each \$1 in excess of \$2,200,000
\$5,500,001–11,000,000	\$46,530 +	1.46 cents for each \$1 in excess of \$5,500,000
\$11,000,001 and up	\$126,830 +	2.16 cents for each \$1 in excess of \$11,000,000

Because land tax starts at a relatively high threshold for investment properties, its impact on affordability is limited for smaller investors. In addition, Community Housing Associations are exempt from paying land tax. Where it affects investors is on the larger land holdings where this tax is said to discourage land-based investment by institutional investors.³⁹⁶

The Henry Tax Review argued strongly that existing state land taxes “fall significantly short of being effective in raising revenue” and should be reformed; while stamp duty on property transactions is a highly inefficient tax and should be abolished as:

land tax could provide an alternative and more stable source of revenue for the States. When applied uniformly across a broad base, land tax is one of the most efficient means of raising revenue. This efficiency arises from the immobility of the tax base and, unlike most other taxes, levying different rates of land tax in different States has very low efficiency

³⁹³ Professor Julian Disney and Mr Adrian Pisarski, Canberra, *Briefing*, 2 March 2011.

³⁹⁴ Department of Finance, ‘Land Tax Exemptions’, nd. Available at: www.finance.wa.gov.au/cms/content.aspx?id=256. Accessed on 9 May 2011.

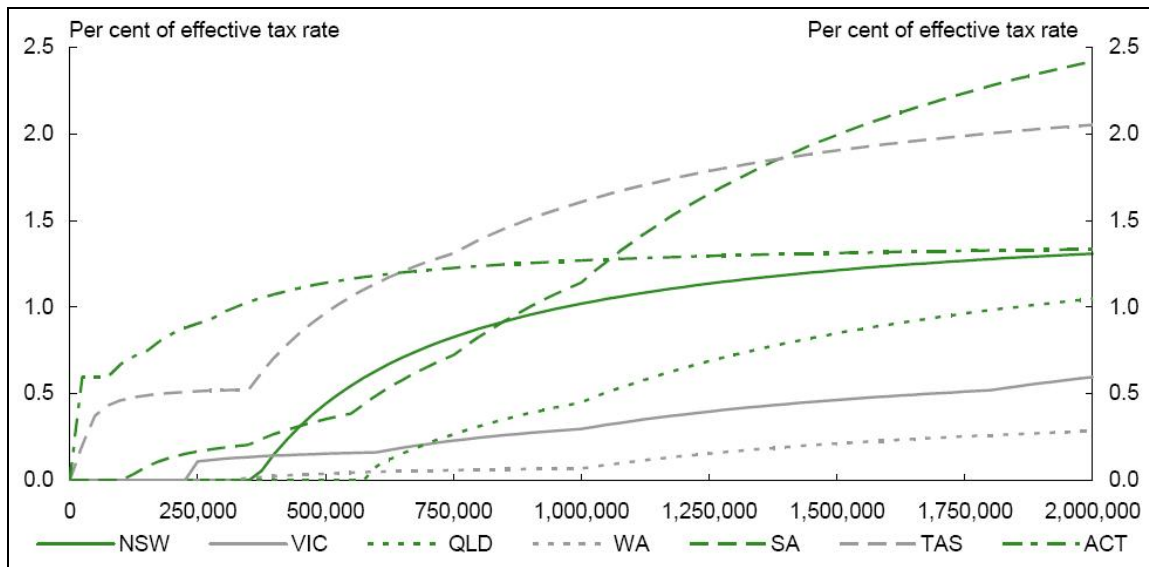
³⁹⁵ Department of Finance, ‘Land Tax Rates’, nd. Available at: www.finance.wa.gov.au/cms/content.aspx?id=239. Accessed on 9 May 2011.

³⁹⁶ Dr Ken Henry *et al.*, ‘Australia’s Future Tax System: Report to the Treasurer’, December 2009. Available at: http://taxreview.treasury.gov.au/content/downloads/final_report_part_1/09_AFTS_final_report_chapter_06.pdf, p48. Accessed on 20 June 2011.

*costs. Existing land taxes are narrow, which make them less efficient and fair than they could be.*³⁹⁷

The report from Dr Henry presents data that shows that Western Australian land taxes are the lowest of all Australian jurisdictions for almost all land values (see Figure 4.8).

Figure 4.8- Thresholds and average rates of land tax in Australian jurisdictions (2009)³⁹⁸



Recommendation 18

The Treasurer undertake by December 2012 a broad review of State-based property taxes and bring proposed changes to Parliament. The review should examine stamp duty and land tax revenue with an aim to have a more equitable and efficient system.

³⁹⁷ Ibid.

³⁹⁸ Ibid.

CHAPTER 5 THE ROLE OF LOCAL GOVERNMENT IN SOCIAL HOUSING

5.1 Introduction

Traditionally local governments in Western Australia have had little direct input into affordable housing policy or its delivery. In Western Australia the *Local Government Act 1995* makes no reference to housing, but notes in section 5.56(1) “A local government is to plan for the future of the district.”³⁹⁹ Nevertheless, many local government activities are either directly or indirectly related to housing. These activities fall into three areas:

- statutory or mandated roles required by legislation;
- economic and social welfare initiatives; and
- support services to housing activities.

Housing support services by local councils include:

- identifying the local demands for housing;
- identifying and fostering local housing initiatives;
- contributing to the development of regional housing strategies;
- aligning regional housing strategies and the local regulatory framework;
- partner with State Government to address affordable living issues; and
- assisting new residents to effectively integrate into their communities.⁴⁰⁰

5.2 Background to Local Government Planning

Planning in Western Australia is regulated at three levels of government by:

- the Ministers for Planning and Housing;
- the Western Australian Planning Commission (WAPC) and the State Administrative Tribunal (SAT); and
- local government authorities.⁴⁰¹

³⁹⁹ AustLII, ‘Local Government Act 1995 - Sect 5.56’, nd. Available at: www.austlii.edu.au/au/legis/wa/consol_act/lga1995182/s5.56.html. Accessed on 27 July 2011.

⁴⁰⁰ Submission No. 26 from WALGA, 10 December 2010, p2.

The WAPC is the statutory authority with State-wide strategic responsibilities for urban, rural and regional land use planning and land development matters. Its powers are outlined in the *Planning and Development Act 2005*.⁴⁰² It responds to the strategic direction of the State Government and operates with the support of the Department of Planning. Its role includes determining all subdivision applications; administering regional planning schemes like the Metropolitan Region Scheme (MRS); and making recommendations to the Minister for Planning on local planning schemes.⁴⁰³

The SAT reviews decisions made by State and local governments regarding matters concerning development, subdivision, rating, land valuation, land tax and soil and land conservation. It is also the primary decision-maker and hears cases regarding compensation for the compulsory acquisition of land.⁴⁰⁴

The MRS is the statutory land use planning scheme for the Perth region— from south of Rockingham to north of Yanchep, and east to Mundaring. Its principle functions are to reserve land; identify non-reserved land and classify it into zones; and control development on reserved and zoned land. The MRS uses a set of maps and a scheme text. The text provides planning rules for zones and reservations which are shown on the maps in different colours and patterns.⁴⁰⁵

The type of planning undertaken by local government authorities is by way of delegation from the WAPC. Specific requirements for the role of local governments in land use planning and development are contained within part five of the *Planning and Development Act 2005*. The WAPC has also delegated to local governments the power to determine some development applications under the MRS. Local governments are responsible for planning their local communities by ensuring appropriate planning controls exist for land use and development. This is managed by the preparation and administration of local planning schemes and strategies.

In addition to residential density issues, local planning schemes identify commercial sites, local open space, primary school sites, light and service industrial areas and can also be used to identify heritage and other places of importance to a community. To provide for consistency between local governments, the WAPC have gazetted requirements in relation to the standard clauses and basic legal and administrative requirements of local planning schemes.⁴⁰⁶

⁴⁰¹ Department of Planning, 'About the WAPC, 12 July 2011. Available at: www.planning.wa.gov.au/651.asp. Accessed on 27 July 2011.

⁴⁰² AustLII, 'Planning and Development Act 2005', nd. Available at: www.austlii.edu.au/au/legis/wa/consol_act/pada2005236/. Accessed on 27 July 2011.

⁴⁰³ Department of Planning, 'About the WAPC, 12 July 2011. Available at: www.planning.wa.gov.au/651.asp. Accessed on 27 July 2011.

⁴⁰⁴ State Administrative Tribunal, 'Development & Resources', nd. Available at: www.sat.justice.wa.gov.au/D/developmentResources.aspx. Accessed on 27 July 2011.

⁴⁰⁵ Department of Planning, 'Metropolitan Region Scheme', 12 July 2011. Available at: www.planning.wa.gov.au/1222.asp. Accessed on 27 July 2011.

⁴⁰⁶ Western Australian Government, (1999) Gazette 22 October, No 201 Special *Town Planning and Development Act*, Town Planning Amendment Regulations 1999, State Law Publisher, Western Australia.

A local government planning scheme is required to be reviewed every five years. This allows any changes in objectives at a broader State-level to be incorporated at the local level. Although not a statutory requirement, structure plans can also be prepared by local governments. These provide a framework for the provision of services, infrastructure and development and are used in the consideration of rezoning and subdivision development.⁴⁰⁷

Formerly local governments were also required to prepare local housing strategies. The WAPC now require that councils prepare local planning strategies that are broadly aligned with regional schemes as well as the State's *Affordable Housing Strategy 2010-20*.⁴⁰⁸ These local planning strategies set out the general aims and desired outcomes for long-term growth within the local government's communities:

*Of particular importance is the need to ensure there is sufficient infrastructure in a locality to accommodate managed growth. An assessment of the capacity of infrastructure such as water, sewerage, electricity and roads is usually considered in a local planning strategy.*⁴⁰⁹

(a) Residential Design Codes (R-Codes) and affordability

The State's residential design codes (R-Codes) provide the basis for controlling the location and design of all residential developments in Western Australia. The R-Codes set out various criteria including standards for land, lot sizes, setbacks open space and plot ratios. They provide a regulatory tool for planning by local governments to ensure that residential development occurs in accordance with the local planning schemes.⁴¹⁰ GHD consultants were contracted in 2010 by the Department of Planning to review the R-codes by 31 August 2012. The process is in its third stage of public submission and consultation.⁴¹¹

A submission to the Committee argued that some local governments were over zealous in the implementation of the R-Codes for ancillary accommodation (known as 'granny flats').⁴¹² The R-Codes currently require that any additional dwelling associated with a house be occupied by of the family living in the main dwelling. The Committee heard that some councils now require the

⁴⁰⁷ Western Australian Planning Commission, 'An Introduction to the Western Australian Planning System', October 2007. Available at: www.planning.wa.gov.au/dop_pub_pdf/PFP_Report_Oct_2007.pdf, p10. Accessed on 27 July 2011.

⁴⁰⁸ Submission No. 26 from WALGA, 10 December 2010, p2.

⁴⁰⁹ Western Australian Planning Commission, 'An Introduction to the Western Australian Planning System', October 2007. Available at: www.planning.wa.gov.au/dop_pub_pdf/PFP_Report_Oct_2007.pdf, p12. Accessed on 27 July 2011.

⁴¹⁰ Western Australian Planning Commission, 'Residential Design Codes of Western Australia: Explanatory Guidelines', 22 November 2010, Available at: www.planning.wa.gov.au/dop_pub_pdf/R_Codes_Guidelines.pdf, p5. Accessed on 27 July 2011.

⁴¹¹ Hon Mr John Day, Minister for Planning, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 6 September 2011, p6843.

⁴¹² Submission No. 32 from Mr Patrick Hubble, 11 January 2011, p2.

owner of a property to have its certificate of title amended to include a condition that the ancillary accommodation will always be occupied by a member of the family. The Committee was advised that this requirement was “apart from being unenforceable, the alteration is difficult to achieve, requires numerous forms and submissions between Landgate, WAPC and councils and in the process further contributes to delays in development and increased costs.”⁴¹³

The Committee was told by the Director General, Department of Housing, that the City of Fremantle is considering allowing single house lots to have an ‘as of right’ potential for an additional smaller dwelling without the occupancy being restricted to relatives.⁴¹⁴ The South West Development Commission also advocate for variations to the R-Codes to allow the use of ancillary accommodation for non-family members.⁴¹⁵ The City of Stirling recognises that greater housing diversity could be achieved by simply widening the definition of ancillary accommodation to allow for non-related single adults to live in ‘granny flats’.⁴¹⁶

The Committee was told that some of these ancillary dwellings are already likely to be occupied by people with no connection to the main house.⁴¹⁷ Regulatory changes which allowed signed tenancy agreements for ‘granny flats’ would offer greater protection to tenants. This would also bring the application of the R-Codes in respect to ancillary dwellings into line with the new subdivision and density model being implemented by the Armadale Redevelopment Authority in its Wungong Urban Water Project.⁴¹⁸ This project allows studio apartments at the rear of homes to be rented to outsiders.⁴¹⁹

New innovations, such as a ‘Fonzie flat’ (small apartments built above garages), are promoted by the Queensland Urban Land Development Authority in their affordable housing strategy.⁴²⁰ In the new Fitzgibbon Chase development (13km from the Brisbane CBD), one-bedroom ‘Fonzie flats’ are priced at under \$200,000.⁴²¹ The Urban Development Institute of Australia (Qld) has promoted

⁴¹³ Ibid.

⁴¹⁴ Mr Grahame Searle, Director General, Department of Housing, Correspondence, 18 April 2011.

⁴¹⁵ South West Development Commission, ‘South West Active Ageing Research Project’, May 2010. Available at: www.swdc.wa.gov.au/media/68943/active%20ageing_web_2.pdf, p65. Accessed on 27 July 2011.

⁴¹⁶ City of Stirling, ‘Local Housing Strategy 2010’, December 2009. Available at: www.stirling.wa.gov.au/NR/rdonlyres/AA3C66D3-B673-495C-9F9F-FE964590934D/0/LocalHousingStrategy2010.pdf, p.47. Accessed on 27 July 2011.

⁴¹⁷ Mr Julian Wright, Senior Strategic Housing Officer, Perth City Council, *Transcript of Evidence*, 25 February 2011, p5.

⁴¹⁸ Armadale Redevelopment Authority, ‘Wungong Urban Water’, 2009. Available at: <http://internet.landcorp.com.au/portal/page/portal/wungong>. Accessed on 27 July 2011.

⁴¹⁹ Ms Marissa Lague, ‘Wungong Experiment to Trial Housing Diversity’, *The West Australian*, 13 April 2011, p20.

⁴²⁰ Urban Land Development Authority, ‘Affordable Housing’, 2008. Available at: www.ulda.qld.gov.au/01_cms/details.asp?ID=121. Accessed on 27 July 2011.

⁴²¹ Urban Land Development Authority, Queensland, ‘Minister Welcomes First Residents to Fitzgibbon Chase’, 20 September 2010. Available at: www.ulda.qld.gov.au/01_cms/details_pop.asp?ID=380. Accessed on 27 July 2011.

the expansion of infill development opportunities such as ‘Fonzie flats’ in existing urban areas close to services.⁴²²

Finding 30

Ancillary dwellings in the form of ‘Fonzie flats’ and ‘granny flats’ represent an opportunity to provide more flexible and diverse accommodation to meet the challenge of housing affordability for single-person households. However, some local governments apply restrictive planning practices to the development of this type of accommodation.

Recommendation 19

The Minister for Planning amend the State’s R-Codes by June 2012 to allow ancillary dwellings to be occupied by tenants who do not have a family connection in the main dwelling, and that such arrangements be formalised under the *Residential Tenancies Act 1987* to protect tenants.

5.3 Local Government Planning Delays

The Australian Local Government Association in its 2011 *State of the Regions Report* concedes that local government is often blamed by developers for slowing the supply of new housing by imposing costly planning delays and obstructing the implementation of development proposals.⁴²³ The Committee received similar claims during this Inquiry.⁴²⁴

The problem was said to be more evident when a development had a social or affordable housing element:

*affordable housing and community housing and other kinds of social housing are not viewed typically very favourably by some residents ... We did a project, and it took something like 300 days to get through the planning process to deal with a lodging house ... In the end, the project was passed but that adds a considerable impost to the developer. Whereas if we were going to do luxury apartments we would have breezed through the planning process.*⁴²⁵

⁴²² Urban Development Institute of Australia, ‘State Reports on Housing Affordability’, nd. Available at: www.udia.com.au/resource/Part%202.pdf, p42. Accessed on 27 July 2011.

⁴²³ Australian Local Government Association, ‘State of the Regions 2010-11’, 15 June 2010. Available at: www.alga.asn.au/sor/2010, p70. Accessed on 27 July 2011.

⁴²⁴ Mr Grahame Searle, Director General, Department of Housing *Transcript of Evidence*, 28 January 2011, p24.

⁴²⁵ Mr Kieran Wong, Architect and Director, CODA, *Transcript of Evidence*, 16 February 2011, p9.

During a visit to a large-scale project, the Committee was advised by the developers that development assessments by local government can often take more than four months. This extended time frame was attributed to two factors:

- (i) local governments have to obtain the approval of government departments, whose processes are not efficient; and
- (ii) some local government planning officers had “their eyes on awards” and tried to insist on non-obligatory ‘bells and whistles’ which complicated the process.⁴²⁶

The delay in approval processes cannot be attributed solely to the complexity of multi-dwelling developments as the Committee heard that one transportable home builder was waiting on a building license to be issued some four months after they had finished building the house itself. In the meantime, the house remained in the yard of the builder unable to be transferred to its final site.⁴²⁷

The Housing Industry Association (HIA) said some local authorities require both planning and building approvals for single residential dwellings and this may add months to the processing time of getting a home built and increases a builder’s financial costs. These costs are then passed onto the homebuyer:

*when they [builders] advertise a house it is advertised at one price across the Perth metropolitan area. But if they know that it is going to take two weeks in one local authority and it could take six months in another...they have a holding cost and they had to hold their price for that client so they are going to average that cost out. So everybody who is buying that house across Perth...will now be paying in some cases more than they should be....*⁴²⁸

The HIA expressed confusion about the differing requirements of councils:

*We do not understand why a local authority such as Cockburn and Rockingham, where there are significant numbers of homes being approved and building licences being gained, just need a building licence, but the City of Stirling requires a planning licence on anything that moves on a housing site. That adds months to the building process.*⁴²⁹

The Department of Housing advised the Committee that they have recently received representations from the Housing Industry Association on this same issue and that the affordability of single dwelling residences was impacted by some local government authorities changing stormwater design requirements.⁴³⁰ These local government requirements increase the

⁴²⁶ Mr Ian McGivern, Goodland Properties, *Briefing*, 18 April 2011.

⁴²⁷ Submission No. 7 from Mr Bernard Elliott, Steel Homes, 26 November 2011, p1.

⁴²⁸ Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p5.

⁴²⁹ Ibid.

⁴³⁰ Mr Grahame Searle, Director General, Department of Housing, Correspondence, 18 April 2011.

costs to developers as well as the councils, which need extra administrative staff and time to consider the plans:

Items such as requesting onerous detail are also on the rise (such as requesting spot height levels of no further than 500mm apart) from licenced surveyors. Also, they are starting to require information such as wind loading and soil classification data from a licenced structural engineer who consider it an affront to be required to submit this information (one such engineer stated, “after giving this information what is he going to do with it? Nothing, tick the box”).⁴³¹

Other complaints to the Committee on the activities by local government authorities included planning decisions that did not assist energy efficiency, such as:

- a requirement for a house to have major openings facing the street if the street is east or west facing;
- policies restricting the slope of roofs to angles that are not optimum for solar PV panels; and
- restricting the use of construction materials to those which are often not appropriate to the State’s climate.⁴³²

Finding 31

Planning requirements by some local government authorities that exceed those required by State legislation and contribute to delays in processing applications as well as impacting on the cost to developers of a house and the final purchaser.

Recommendation 20

The Ministers for Planning and Local Government require that local councils do not impose requirements greater than that contained in the State’s standard planning processes.

(a) Speeding up the approval process

The Committee was advised that some councils cancel a submitted application after 60 days and request the same documents to be resubmitted in order to re-commence the statutory 60 day

⁴³¹ Submission No. 32 from Mr Patrick Hubble, 17 December 2010, p1.

⁴³² Ibid.

period. This may be done even where the delay has been caused by the council. In some cases, after discussion, the requirement to resubmit has been rescinded by council staff, throwing into question the whole process.⁴³³

Similar evidence was made in respect to applications for large scale projects— namely that applications were being deemed to be declined after a period of time with no decision made by a council. Section 374 2(b) of the *Local Government (Miscellaneous Provisions) Act 1960* allows this to occur if a council CEO has not responded within 14 days of a written notice requiring the local government “to notify him of the approval or otherwise of the specifications and plan.”⁴³⁴

The practice for Landgate is different. For example, during the process of creating strata title lots, an application is deemed approved if a decision to the contrary has not been made within the specified time.⁴³⁵ This process was supported by a witness as being highly effective.⁴³⁶

Recommendation 21

The Minister for Commerce amend section 374(2b) of the *Local Government (Miscellaneous Provisions) Act 1960* by June 2012 so that development applications to local government authorities be deemed to be approved if a decision has not been provided within the scheduled time frame.

BuilderNet is the Water Corporation’s dedicated site for building applications and approvals.⁴³⁷ This has made dealing with the Corporation less time-consuming.⁴³⁸ However, the Committee was advised that no council has yet established an online submission system:

*The quantities of paper involved in submitting even the most basic planning or building approval usually results in large packages of five to six copies of plans and specifications, lengthy checklists and reports, and forms. Online submissions will reduce paper and compilation costs dramatically.*⁴³⁹

⁴³³ Submission No. 32 from Mr Patrick Hubble, 17 December 2010, p1.

⁴³⁴ AustLII, ‘Local Government (Miscellaneous Provisions) Act 1960- Section 374’, nd. Available at: www.austlii.edu.au/au/legis/wa/consol_act/lgpa1960463/s374.html. Accessed on 27 July 2011.

⁴³⁵ AustLII, ‘Strata Titles Act 1985- Section 7B’, nd. Available at: www.austlii.edu.au/au/legis/wa/consol_act/sta1985173/s7b.html. Accessed on 27 July 2011.

⁴³⁶ Mr Ian McGivern, Goodland Properties, *Briefing*, 18 April 2011.

⁴³⁷ Water Corporation, ‘Builders and Plumbers’, nd. Available at: www.watercorporation.com.au/B/builders_index.cfm. Accessed on 27 July 2011.

⁴³⁸ Mr Ian McGivern, Goodland Properties, *Briefing*, 18 April 2011.

⁴³⁹ Submission No. 32 from Mr Patrick Hubble, 17 December 2010, p1.

Finding 32

The on-line delivery of services is a growing expectation of the Western Australian community. Paperless transactions for development applications provide administrative benefits for local government authorities as well as the applicant, and increase the efficiency of the overall development process.

Recommendation 22

The Minister for Planning provide funds in the 2012-13 Budget to assist local government authorities establish an online application portal for their building applications.

5.4 Data Collection and Planning

The variation in size and annual revenue of the State's 139 local governments can be seen by comparing the local government with the highest population, the City of Stirling with about 190,000 residents and revenues of \$175.5 million⁴⁴⁰, with that of the least populated local government in Australia, the Shire of Murchison, which has a population of just 110 people and an annual revenue of just \$3.8 million.⁴⁴¹

The population and resources of a local government affects its ability to plan for its future. Better resourced councils can afford to undertake their own research and are able to prepare evidence-based local planning strategies. One company undertaking this type of research has nine large Western Australian local governments as clients.⁴⁴² Examples of such local government-funded research include that done on behalf of the City of Stirling, which has forecast its population data to 2031.⁴⁴³ The Town of Vincent has commissioned research by the Housing and Urban Research

⁴⁴⁰ City of Stirling, 'Statutory Budget 2010-11', nd. Available at: www.stirling.wa.gov.au/NR/rdonlyres/83E52122-7607-4831-8FCC-658377AFC23A/0/CityofStirling201011StatutoryBudget.pdf, p6. Accessed on 6 May 2011.

⁴⁴¹ Shire of Murchison, 'Long Term Strategic Plan 2009/10 to 2018/19', nd. Available at: www.murchison.wa.gov.au/council/council_documents/strategic_financial_plan.pdf/file/at_download, p12. Accessed on 6 May 2011.

⁴⁴² .id, 'Who is making informed decisions?- WA', 2011. Available at: <http://home.id.com.au/id-community/client-list>. Accessed on 6 May 2011.

⁴⁴³ City of Stirling, 'Welcome to the City of Stirling Population Forecasts', 9 June 2010. Available at: <http://forecast2.id.com.au/Default.aspx?id=270&pg=5000>. Accessed on 6 May 2011.

Institute (WA) on an affordable housing strategy.⁴⁴⁴ The South West Development Commission has developed an Ageing Population Services Demand Model to assist with planning for the future accommodation, transport and services needs of its rapidly ageing population out to 2026.⁴⁴⁵

The City of Perth has similarly commissioned a report from an experienced consultant to inform it on current and future opportunities in affordable housing.⁴⁴⁶ The City told the Committee of the importance of this data:

*To have housing profiles and need profiles developed with the assistance of the State Government or by the State Government would give us a lot more information that we could rely on. ... That could then help those local governments say, "Yes, the State Government has identified that over the next 20 years this is how our population is going to change, these are the housing needs, we need to introduce planning policies to try to get development to accommodate the future needs of our population in our particular area."*⁴⁴⁷

Finding 33

Comprehensive population research by the Departments of Treasury and Planning would assist local government authorities by providing authoritative data for their own planning activities.

The Department of Planning recently launched a public web site with information on population, economic factors and planning issues. The *State of Land and Housing Supply* provides information for each council in the Perth metropolitan region and Peel sub-region. It is an online application that provides current and historical statistical data on demand drivers and the supply status of land and housing but some of its data (eg population) is not up to date.⁴⁴⁸

Population forecast data from the Australian Bureau of Statistics (ABS) is not sufficient for government agencies whose planning must reflect localised needs. LandCorp said "when planning

⁴⁴⁴ Town of Vincent, 'Affordable Housing Strategy Analysis and Prospects: Discussion Report', May 2008. Available at: www.vincent.wa.gov.au/files/130ebc18-18ee-42fd-9b2b-9ebe009bb4b9/Affordable_Housing_Strategy.pdf. Accessed on 6 May 2011.

⁴⁴⁵ South West Development Commission, 'South West Active Ageing Research Project', May 2010. Available at: www.swdc.wa.gov.au/media/68943/active%20ageing_web_2.pdf, pp20-21. Accessed on 27 July 2011.

⁴⁴⁶ City of Perth, 'Current Plans and Studies', 23rd April 2010. Available at: www.cityofperth.wa.gov.au/web/Council/Plans-and-Projects/Current-Plans-and-Studies/. Accessed on 6 May 2011.

⁴⁴⁷ Mr Julian Wright, Senior Strategic Housing Officer, City of Perth, *Transcript of Evidence*, 23 February 2011, p6.

⁴⁴⁸ Department of Planning, 'State of Land and Housing Supply: Perth Metropolitan Region and Peel Sub-region', July 2011. Available at: <http://online.planning.wa.gov.au/udp/solahspp5/udpterms.asp>. Accessed on 23 August 2011.

a development in a particular area, we do our own research on the demographics of that area as to what sort of development is desirable and needed by the community.⁴⁴⁹

The South Australian Government is moving to develop statistical analyses of housing demand in local government areas to assist councils with their data collection.⁴⁵⁰ The Committee was told that when the South Australian Government provided councils with information such as details of the average income per household and the number of affordable houses within that income band local governments become more outcome-orientated.

The Executive Director, Housing SA, cited the example of Port Pirie where population data showed that only 3.9% of residences were available to 60% of the population with the lowest incomes. The result is that around 46% of Port Pirie's residents either needed financial assistance to rent or needed to look elsewhere to live.⁴⁵¹

Finding 34

There is a limited capacity for local government authorities to collect accurate population and income data that would inform their future housing strategies.

Recommendation 23

The Ministers for Housing and Planning assist the planning needs of local government authorities by providing more up to date population projections to identify their communities' future housing.

5.5 Motivation for Local Government Involvement

There are a range of arguments that support local government involvement in affordable housing. These emphasise the strong role already played by local governments through their planning, development control, and service delivery functions. Secondly, the housing needs of a population, and the characteristics of their housing needs are complex, and vary markedly between local government areas. Therefore, local government is frequently in the best position to monitor and

⁴⁴⁹ Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p4.

⁴⁵⁰ Mr Phil Fagan-Schmidt, Executive Director, Housing SA, *Briefing*, 28 February 2011.

⁴⁵¹ Ibid.

respond to local needs, often through participatory processes that contribute to greater community wellbeing.⁴⁵²

A number of the State's local government associations draw on the 'adequate housing model' to inform housing policy. This model is also used in the State's *Affordable Housing Strategy 2010-20* and identifies three key components of 'adequate housing':

- Affordability;
- Appropriateness; and
- Availability.

These components in turn incorporate issues like appropriate housing design for household size, life cycle, physical ability, as well as the availability of housing supply in appropriate locations close to social networks, services and employment.⁴⁵³ These factors form the basis of tenure diversification and housing mix policies that lead to a balanced and sustainable community.⁴⁵⁴

An appropriate housing mix assists in providing a sustainable community as it allows people to move to different housing types as their income and needs change. Socially and economically vibrant communities are underpinned by diverse housing opportunities.⁴⁵⁵ The UK Government has defined a sustainable community as a one which:

*meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all.*⁴⁵⁶

Housing diversity also avoids problems of unbalanced service and infrastructure needs arising from an over-representation of particular demographic groups. For instance, communities with an overwhelming predominance of 'nuclear' families will have high peak demands and needs for schools, childcare and playground facilities. A community with a predominance of seniors will have different requirements for facilities and services. Mixed neighbourhoods bring about a more even demand for services, avoiding large changes in demand for different services over time.

⁴⁵² Dr Nicole Gurrán, 'Housing Policy and Sustainable Urban Development: Evaluating the Use of Local Housing Strategies in Queensland, New South Wales and Victoria', August 2002. Available at: www.ahuri.edu.au/publications/download/60132_pp, p8. Accessed on 3 August 2011.

⁴⁵³ Ibid.

⁴⁵⁴ Mr Bill Randolph *et al.*, 'The Benefits of Tenure Diversification', May 2004. Available at: www.ahuri.edu.au/publications/download/70110_fr, p5. Accessed on 3 August 2011.

⁴⁵⁵ Your Development, 'Housing Mix', 4 June 2008. Available at: yourdevelopment.org/factsheet/view/id/34. Accessed on 6 May 2011.

⁴⁵⁶ Department for Communities and Local Government, 'What is a Sustainable Community?', 3 June 2007. Available at: <http://webarchive.nationalarchives.gov.uk/+www.communities.gov.uk/index.asp?id=1139866>. Accessed on 6 May 2011.

Providing housing diversity also allows people to ‘age in place’ in the same community. Such diversity includes affordable housing and rental accommodation as this may be the only opportunity for older people to access an appropriate home within a community they are connected to. Local governments are often best placed to determine the need for more diverse housing.

5.6 Direct and Indirect Actions of Local Government

Local government action on affordable housing across Australia has been varied, and has led the Australian Local Government Association to develop a typology according to the level of housing provision made by a council (see Table 5.1 below). Shelter NSW has found that councils in the ‘innovative’ category tend to be larger and based in metropolitan areas and in a stronger fiscal position.⁴⁵⁷

Table 5.1- Types of council actions on housing⁴⁵⁸

Type	Actions
Reactive	Unwilling or unable to assume a more active role other than their indirect involvement through the planning and development assessment system, but will react to pressures created by external factors, such as market trends or state or Commonwealth policies or community pressures.
Facilitative	Create an appropriate facilitative climate and embracing activities such as the provision of land, supporting or Encouraging local housing initiatives, and facilitating certainty in the development assessment process.
Innovative	Readily initiate creative ideas and options for housing provision that go beyond their normal roles and statutory responsibilities.

(a) Direct actions

The direct actions that local governments can take include the provision of housing in their regions, providing employee housing, and providing community, emergency and supported accommodation.⁴⁵⁹ An Australia-wide survey conducted in 1994 by the Australian Housing and Urban Research Institute (AHURI) found that over 80% of respondents (or about 23% of Australian councils) had indicated some level of housing activity over the previous three years:

⁴⁵⁷ Shelter NSW, ‘Local Government Housing and Community Housing Associations: Project Report’, February 2007. Available at: www.sheltersnsw.org.au/docs/rpt07localgovernment-sb32.pdf, p5. Accessed on 6 May 2011.

⁴⁵⁸ Australian Local Government Association, ‘First Home Ownership’, October 2003. Available at: www.alga.asn.au/submissions/2003/20031024.php. Accessed on 6 May 2011.

⁴⁵⁹ Ms Ann Bennison, (2005) ‘Address to the National Housing Conference’, *Local Government and Housing: Challenges for the Future*, Australian Local Government Association, Perth, 28 October 2005.

*implying that around 27% of Australian councils were at this stage involved with the direct provision of housing. The report also found that 26% of councils provided land for housing, while 21% provided the buildings. In general, this housing was targeted toward specific groups – for example, older people, council employees, families or singles on low incomes, young people, or people with a disability.*⁴⁶⁰

In Australia the direct provision of affordable housing by councils is limited.⁴⁶¹ The AHURI survey reported that some local governments have traditionally identified housing as a state government responsibility.⁴⁶² In particular, Western Australian local governments have generally not taken a direct role in the funding or management of social and affordable housing.⁴⁶³

The Australian Local Government Association (ALGA) argue that the limited range of direct options available to local governments to influence local housing outcomes means that it is not possible to generalise about the role they play. For example, in NSW there is a longer history of government initiatives to encourage and support local government involvement in housing. These have resulted in demonstrable differences in the range of housing roles and activities undertaken by councils in Sydney compared to councils in Brisbane and Melbourne.⁴⁶⁴

The degree to which a local government pursues their own housing strategy is affected by a number of factors:

- community need;
- State Government requirements;
- council capacity; and
- availability of funding.

Gurran *et al*, identified a range of direct strategies available to local governments to promote affordable housing, including:

- housing supply levers;
- barrier reduction strategies;
- preserving and offsetting the loss of low cost housing;

⁴⁶⁰ Shelter NSW, 'Local Government Housing and Community Housing Associations: Project Report', February 2007. Available at: www.sheltersnsw.org.au/docs/rpt07localgovernment-sb32.pdf, p4. Accessed on 6 May 2011.

⁴⁶¹ Ibid, p3.

⁴⁶² Dr Nicole Gurran, 'Housing Policy and Sustainable Urban Development: Evaluating the Use of Local Housing Strategies in Queensland, New South Wales and Victoria', August 2002. Available at: www.ahuri.edu.au/publications/download/60132_pp, p7. Accessed on 6 May 2011.

⁴⁶³ City of Perth, 'Affordable Housing Mapping and Incentives Project', 2009. Available at: www.cityofperth.wa.gov.au/documentdb/1726, p4. Accessed on 6 May 2011.

⁴⁶⁴ Australian Local Government Association, 'First Home Ownership', October 2003. Available at: www.alga.asn.au/submissions/2003/20031024.php. Accessed on 6 May 2011.

- incentives for new affordable housing; and
- approaches to seeking dedicated affordable housing supply in new development.⁴⁶⁵

Table 5.2 below lists some of the actions that local government can take using these strategies.

Table 5.2- Planning strategies and mechanisms for affordable housing⁴⁶⁶

Strategy	Objective	Mechanism
Increase housing supply	Enable a steady release of land for new housing to stabilise the market.	Land audit; dedication/acquisition of land; development incentives/penalties.
Reduce barriers to affordable housing development	Strategies seek to remove obstructions to developing low cost and diverse housing forms. They make it easier to use available land for low cost and affordable housing.	Audit existing controls; assess impact of proposed regulations; faster approvals for preferred development; development controls support diverse housing.
Preserving and offsetting the loss of low cost housing	Strategies to preserve existing sources of accommodation that are affordable to low income earners may focus on a particular housing type under pressure e.g. boarding houses.	Social impact framework; assistance for displaced residents; preserving particular house types at risk.
Encouraging new affordable housing	Planning incentives can encourage new affordable housing by reducing the costs associated with development and encourage affordable housing development by non profit organisations.	Planning bonuses / concessions; fee discounts; fast track approvals for affordable housing.
Securing new dedicated affordable housing	Dedicated contributions for affordable housing may be made on a voluntary or mandatory basis. Voluntary negotiated agreements for affordable housing are often in return for an incentive, concession or variation of planning standards.	Voluntary negotiated agreements; inclusionary zoning - mandatory contributions for all identified development in the zone; Mixed tenure requirements – proportion of development in new release areas must be affordable.

⁴⁶⁵ Dr Nicole Gurran *et al.*, 'New Directions in Planning for Affordable Housing: Australian and International Evidence and Implications', June 2008. Available at: www.ahuri.edu.au/publications/download/60322_fr_pp27-28. Accessed on 6 May 2011.

⁴⁶⁶ Ibid, pp28-32.

(b) Indirect actions

The indirect actions that local governments can take to influence the delivery of social and affordable housing include:

- housing research and policy development for use by their planners as well as developers;
- strategic and land use planning,
- building regulations and the application of planning and development codes; and
- the political priorities determined by individual councils.⁴⁶⁷

5.7 Local Government and Affordable Housing

Housing SA has recently developed a comprehensive manual to assist South Australian local governments maximise the affordable housing opportunities in their areas.⁴⁶⁸ The kit also provides the policy background to affordable housing. However, the Committee has been advised that response to the kit varies enormously between councils.⁴⁶⁹

(a) Potential role for local governments

The involvement of local government in housing is reflective of the needs of their communities, and will reflect community attitudes to social housing.⁴⁷⁰ For example, some local governments in Western Australia provide subsidised housing as they have had problems attracting key workers (such as doctors) due to the shortage of suitable housing.⁴⁷¹ Similarly, the town of Merredin provides around six houses for trainees and apprentices moving to work in businesses in that town.⁴⁷² Council actions will range between awareness raising, through to the direct provision of affordable housing.⁴⁷³

The City of Armadale submitted to the Committee that there should be no shift of State Government responsibilities for providing affordable housing to local government. It was worried

⁴⁶⁷ Cr Ann Bennison, (2005) 'Local Government and Housing: Challenges for the Future'. Australian Local Government Association, Address to the National Housing Conference, Perth, 28 October.

⁴⁶⁸ Housing SA, 'Local Government Affordable Housing Resource Kit', January 2011. Available at: http://sa.gov.au/upload/franchise/Housing,%20property%20and%20land/Housing%20SA/Local_Government_Affordable_Housing_Kit_Complete_2011.pdf. Accessed on 6 May 2011.

⁴⁶⁹ Hon Ms Jennifer Rankine, MLA, Minister for Housing, South Australia, *Briefing*, 28 February 2011.

⁴⁷⁰ Mr Grahame Searle, Director General, Department of Housing, *Transcript of Evidence*, 28 January 2011, p24.

⁴⁷¹ Wheatbelt East Regional Organisation of Councils, Tammin, *Briefing*, 4 May 2011.

⁴⁷² Mr Ian Duncan, Economist, Western Australian Local Government Association, *Transcript of Evidence*, 16 February 2011, p2.

⁴⁷³ Submission No. 12 from the City of Perth, 1 December 2010, p2.

that the decision on locating social housing is often dominated by the price of land and housing construction, rather than the ongoing costs for tenants.⁴⁷⁴

Western Australian Local Government Association (WALGA) believe that local governments leave themselves vulnerable, both politically and legally, where there is not explicit support from the State Government for their involvement in providing social and affordable housing.⁴⁷⁵ The lack of a strategic framework leaves them adopting a piecemeal approach. WALGA told the Committee that local government could take a more proactive role in the delivery of social housing, particularly in conjunction with community housing providers, if changes were made to the *Local Government Act 1995*:

*The asset that local governments most often bring to such developments is land; however, as a developer, local governments cannot borrow against the value of this land to fund their share of the development cost. That is prohibited under the Local Government Act at the moment. Removing the current blanket prohibition on local governments' use of corporate governance structures would allow a range of partnership arrangements to be potentially developed.*⁴⁷⁶

The Committee was told that the Shire of Derby/West Kimberley had inquired of a community housing association's interest in being involved in developing new affordable houses if the council provided the land.⁴⁷⁷

Finding 35

Western Australian local governments are currently restricted by section 6.21 of the *Local Government Act 1995* from borrowing against the value of their land to fund their share of an affordable housing development project.

Recommendation 24

The Minister for Local Government amend section 6.21 of the *Local Government Act 1995* by June 2012 to allow Western Australian local governments to borrow against the value of their land to fund their share of an affordable housing development project.

⁴⁷⁴ Submission No. 11 from City of Armadale, 23 November 2010, p1.

⁴⁷⁵ Mrs Allison Hales, Executive Manager Planning and Community Development, Western Australian Local Government Association, *Transcript of Evidence*, 16 February 2011, p2.

⁴⁷⁶ Ibid, p2-3.

⁴⁷⁷ Mr Shane Hamilton, WA State Manager, Community Housing Limited, *Transcript of Evidence*, 22 August 2011, p7.

Below are four examples of Australian local governments taking action to address affordable housing issues in their communities.

(i) City of Perth, Western Australia

The City of Perth is developing affordable rental housing in the inner city suburb of East Perth. The impetus for this development came from a report which identified affordable rental housing as an important issue for the City.⁴⁷⁸ The report found evidence of the displacement of poorer longer-term residents through ongoing gentrification and redevelopment. It also found a deteriorating affordable housing market for low to moderate-income earners, including many key workers who commute to the City. It found an increase in the City's homeless population:

*These findings are contrary to the objectives of Council's Affordable Housing Policy, which seeks to promote social and economic sustainability and to ensure that City of Perth remains an equitable and inclusive community.*⁴⁷⁹

A new 48-unit development in East Perth is due for completion in the second half of 2012 and will be managed by Access Housing, a community housing association. The building has been designed to be environmentally sustainable. In recognition of the cost of utilities on low-income families, the City has incorporated environmental features such as solar panels and non-air conditioned ventilation and has applied for green star registration.⁴⁸⁰ The complex contains one and two-bedroom units and will cater for workers within the City who do not qualify for social housing but are on low to moderate-incomes:

*One of the benchmarks for being eligible for housing is that people need to have employment within the City of Perth but still be on moderate incomes. It is really targeted at trying to help people in the hospitality and tourism industries and other lower income workers in the City who maybe a decade ago could have afforded to live in the City but were driven out through increasing property prices.*⁴⁸¹

The Committee was told that the City of Perth is the only local government in Western Australia to embark on such a project and their ability to do so was due to its strong financial capacity:

*The City's cash reserves and financial situation is probably better than most other local governments in Western Australia. In terms of funding the affordable housing project that we are undertaking at the moment, we are probably a bit of a rarity in Western Australia. Specifically, our capacity is greater in that area than others.*⁴⁸²

⁴⁷⁸ Mr Julian Wright, Senior Strategic Housing Officer, Perth City Council, *Transcript of Evidence*, 25 February 2011, p10.

⁴⁷⁹ City of Perth, 'Affordable Housing Mapping and Incentives Project', 2009. Available at: www.cityofperth.wa.gov.au/documentdb/1726, p3. Accessed on 6 May 2011.

⁴⁸⁰ Mr Julian Wright, Senior Strategic Housing Officer, Perth City Council, *Transcript of Evidence*, 25 February 2011, pp8-9.

⁴⁸¹ Ibid, pp2-3.

⁴⁸² Ibid, p1.

This is a ‘one off’ project as the City of Perth does not see itself as a housing provider:

*I don't think local governments really have the capacity or the expertise to become housing providers; it is not really their core business. The State Government has a massive affordable housing provider through the Department of Housing, and other organisations are already doing it. I would not say it is the responsibility of local government to provide affordable housing.*⁴⁸³

(ii) City of Port Phillip, Victoria

The City of Port Phillip has directly engaged in the provision of community housing through a partnership with the Port Phillip Housing Association (PPHA). The purpose of the housing program was to provide affordable community rental housing for local residents with long-term links with the area and who were eligible for public housing. Under the partnership, the council develops housing policy, provides capital funding and undertakes project management. The PPHA undertakes property and tenancy management. Together they have developed 389 units in 17 projects. Accommodation ranges from older persons units, rooming houses for singles, family units, student accommodation, self-contained units for singles, and places for people with disabilities.⁴⁸⁴

(iii) Brisbane City Council, Queensland

The Brisbane Housing Company (BHC) was created in 2002 as a result of a joint initiative between the Queensland State Government and the Brisbane City Council. The Government provided \$114 million in grant funding and the Brisbane City Council has provided \$18 million. The Company has received \$54.1 million in funding from the Nation Building Social Housing Initiative.⁴⁸⁵ The BHC is an independent, not-for-profit organisation with a shareholder base of 16 organisations, including the Queensland Department of Housing, the Brisbane City Council, Bank of Queensland and a variety of community shareholders.⁴⁸⁶

The Company was formed in response to a shortfall of affordable rental housing in the inner city area as urban renewal displaced many residents of boarding houses and cheaper accommodation units. Initially the focus of the BHC was the development of single tenure projects ranging from specialised inner city accommodation to smaller suburban projects. It has since moved to mixed tenure developments, incorporating elements of commercial space, and outer suburban land

⁴⁸³ Ibid, p8.

⁴⁸⁴ Cited in Town of Vincent, ‘Affordable Housing Strategy Analysis and Prospects: Discussion Report’, May 2008. Available at: www.vincent.wa.gov.au/files/130ebc18-18ee-42fd-9b2b-9ebe009bb4b9/Affordable_Housing_Strategy.pdf, p16. Accessed on 6 May 2011.

⁴⁸⁵ Brisbane Housing Company, ‘Annual Review 2009-2010’, November 2010. Available at: www.brisbanehousingcompany.com.au/assets/Uploads/09-10-annual-reportfinaloutput.pdf, p3. Accessed on 6 May 2011.

⁴⁸⁶ Brisbane Housing Company, ‘Shareholders’, nd. Available at: www.brisbanehousingcompany.com.au/about-us/shareholders/. Accessed on 6 May 2011.

subdivisions.⁴⁸⁷ BHC's homes are "the best of contemporary design" and include aspects such as wheelchair access and cross-ventilation design instead of air conditioning. At the end of 2010 the BHC had completed over 1,000 homes and expects to complete 1,450 homes by 2012.⁴⁸⁸

(iv) City of Salisbury, South Australia

The City of Salisbury is the fastest growing local government in South Australia and has a higher rate of employment growth than Adelaide overall.⁴⁸⁹ The City's affordable housing strategy at Brahma Green was designed in response to escalating house prices that saw the median price rise beyond the reach of its average income earners. A funding model was developed with HomeStart Finance under which a client holds the title of the property and the land value payment is deferred through an 'equity' mortgage agreement. The model features a shared appreciation/deferred payment equity mortgage providing 30% of the funds needed by the customer. The balance of funds is a standard mortgage from HomeStart Finance.⁴⁹⁰

The City of Salisbury's upfront contribution is the land, meaning that the purchaser initially only has to borrow the portion of the total value of the house and land package that relates to the dwelling itself. When the property is sold, the City recoups the value of the land, plus a share in the property's appreciated value. Purchasers can 'buy out' the council's share at any time. The criteria for applicants for the pilot site of 11 homes at Brahma Green were that they must:

- live or work in the City of Salisbury;
- have an annual household income of less than \$59,000 per annum before tax; and
- be first home buyers who would occupy the home.⁴⁹¹

Finding 36

Local government authorities are in a position to both facilitate, and to advocate for, social and affordable housing developments to cater for their residents' transition through the housing continuum.

⁴⁸⁷ Brisbane Housing Company, 'Annual Review 2009-2010', November 2010. Available at: www.brisbanehousingcompany.com.au/assets/Uploads/09-10-annual-reportfinaloutput.pdf, p3. Accessed on 6 May 2011.

⁴⁸⁸ Ibid, p5.

⁴⁸⁹ City of Salisbury, 'Brahma Green: Driving Affordable Housing in the City of Salisbury', Available at: <http://cweb.salisbury.sa.gov.au/manifest/servlet/binaries?img=8677&stypen=html>, p7. Accessed on 27 July 2011.

⁴⁹⁰ Ibid.

⁴⁹¹ Ibid, p5.

Recommendation 25

The Minister for Local Government require all local governments to complete a needs analysis by December 2012 to determine the appropriate level of social and affordable housing that would allow their residents to remain connected to their community.

5.8 Accommodation-related Services

A 2008 review done by the then-Department of Housing and Works found that “matching housing with consumer needs was seen to be a critical component of ensuring long-term tenancy viability and reducing ‘at risk’ tenancies.”⁴⁹²

Residents in both city and rural councils face difficulties accessing support services. The Town of Kwinana is a growth area with significant social housing but does not have sufficient support services to meet the needs of its residents. The Town told the Committee that services need to be established as residents move into an area, not after the event as:

*The typical lag that has occurred in the past in the provision of services and infrastructure to new communities has resulted in young families moving into areas with no support. They have quickly become isolated and disconnected, thereby seriously impacting on their quality of life.*⁴⁹³

A witness criticised councils that were not proactive in planning for the provision of support services when planning new developments:

*there is a disconnect between the planning process of saying, “What do we need?” ... So they do not necessarily then drive the planning controls to the point of saying, “Okay, if we need to absorb 20,000 more people into this particular area, what does that mean on the ground in terms of this area and that area and what controls we need to have?”*⁴⁹⁴

This issue is considered in greater detail in Chapters Seven and Eight.

⁴⁹² Department of Housing & Works, ‘Strategic Directions for Housing Service Delivery in Western Australia: Review Report’, June 2008. Available at: www.dhw.wa.gov.au/Files/strategic_directions_housing0806.pdf, p33. Accessed on 27 July 2011.

⁴⁹³ Submission No. 28 from the Town of Kwinana, 13 December 2010, p1.

⁴⁹⁴ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p12.

CHAPTER 6 REGIONAL LOCAL GOVERNMENT AND AFFORDABLE HOUSING

6.1 Introduction

The *Affordable Housing Strategy 2010-20* expects that regional unmet demand for affordable homes will rise to 40% by 2015, but the strategy does not set a sub-target for new homes in the State’s regions. Instead, the Department told the Committee that “it is estimated that approximately 30% of all social and affordable homes will be delivered in the regions”.⁴⁹⁵ Figure 6.1 highlights that the State’s regional housing is among the most expensive in Australia.

Figure 6.1- Average capital city and regional house prices (,000s) (March 2011)⁴⁹⁶



The capacity of local governments to raise revenue from their own sources to fund affordable housing initiatives varies considerably. These constraints are more evident in the State’s regional local governments. The Productivity Commission found that:

*a significant number of councils, particularly in rural (87%) and remote (95%) areas would remain dependent on grants from other spheres of government to meet their current expenditure. Some councils would remain highly dependent on grants.*⁴⁹⁷

In a similar fashion, a House of Representatives Standing Committee on Economics, Finance and Public Administration report examining cost-shifting to local government concluded that “the

⁴⁹⁵ Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, Questions on Notice, 16 August 2011, p1.

⁴⁹⁶ NATSEM, ‘The Great Australian Dream- Just a Dream?’, July 2011. Available at: http://media.corporate-ir.net/media_files/IROL/21/219073/AMP_NATSEM_Income_and_Wealth_Report_29_The_Great_Australian_Dream2.pdf, p10. Accessed on 24 August 2011.

⁴⁹⁷ Productivity Commission, ‘Assessing Local Government Revenue Raising Capacity’, 17 April 2008. Available at: www.pc.gov.au/projects/study/localgovernment, pxxxviii. Accessed on 27 July 2011.

efficiencies of local government can be improved through a mixture of changes that may include partnerships, regional cooperation and/or amalgamations.”⁴⁹⁸

(a) Western Australian strategy

One option for rural and regional councils to achieve efficiencies is for them to share services by some form of amalgamation, which the State Government is currently pursuing. The Department of Local Government (DLG) has released a discussion paper on models of collaboration in regional and remote areas.⁴⁹⁹ Remote area local governments have been encouraged to form Regional Collaborative Groups (RCGs) to work together to identify those functions and services that could be better delivered through a regional approach. The models suggested by DLG recognise that regional collaboration requires councils to be flexible, and different models will suit the differing circumstances of the RCGs. Some possible models for RCGs include:

- partnership agreements;
- incorporated associations;
- regional local governments;
- local government enterprises; and
- voluntary regional organisations.⁵⁰⁰

In terms of a RCG delivering traditional social housing and community services such as aged care, three potentially models include:

- an incorporated association (which can have external membership);
- a regional local government with additional expertise ‘seconded in’; and
- partnerships amongst local governments or with private providers.

However, if a RCG was to undertake non-traditional economic activity, such as the manufacture and sale of transportable housing, suitable models could include:

- local government enterprises;

⁴⁹⁸ House of Representatives Standing Committee on Economics, Finance and Public Administration, ‘Rates and Taxes: A Fair Share for Responsible Local Government’, 24 November 2003. Available at: www.apf.gov.au/house/committee/efpa/localgovt/report/chapter5.pdf, p97. Accessed on 27 July 2011.

⁴⁹⁹ Department of Local Government, ‘Regional Local Government Entities: Models for Regional Collaboration in Remote Areas’, March 2011. Available at: <http://dlg.wa.gov.au/OpenFile.ashx?Mode=446E37686749376A356D684D2B6E6D6D4D6E555273773D3D&ContentID=77316141316636335364513D>. Accessed on 27 July 2011.

⁵⁰⁰ Ibid, pp6-14.

- a regional subsidiary;
- an incorporated association; or
- a partnership.

The local government enterprise and regional subsidiary models would require changes to the current local government legislation, as outlined in the previous chapter.⁵⁰¹

Councils in the Kimberley have come together to pursue an enterprise associated with housing. Although still in its conceptual phase, the Shires of Broome, Derby/West Kimberley, Halls Creek and Wyndham/East Kimberley have agreed to build a factory to produce low-cost housing. It will also provide local employment and training opportunities. The proposal requires seed capital of \$3.4 million from the Royalties for Regions program. Housing production could expand to also meet the demand for GROH housing in the region as well as demand from the private sector.⁵⁰²

Finding 37

Regional local government bodies have the potential to collaborate in service provision projects using the mechanisms provided by the Department of Local Government in its discussion paper *Regional Local Government Entities, Models for Regional Collaboration in Remote Areas*.

(b) Lack of accommodation services

The Committee was briefed by the Wheatbelt East Organisation of Councils that some dysfunctional social housing tenants were placed in Wheatbelt towns without adequate support services.⁵⁰³ For example, a general practitioner is available in most towns only during the week and there are few family support services and limited access to government agencies.⁵⁰⁴

The Western Australian Local Government Authority expressed its concerns to the Committee “with the suggestion that social housing tenants in metropolitan Perth could be relocated to regional areas.” They believe that adequate access to social support networks is fundamental to social housing tenants and that decisions should not be made solely on the availability of a dwelling.⁵⁰⁵

⁵⁰¹ Ibid, Attachment 1, p16.

⁵⁰² Mr Kenn Donohoe, Chief Executive Officer, Shire of Broome, *Briefing*, 30 March 2011.

⁵⁰³ The Wheatbelt East Organisation of Councils comprises Shire of Bruce Rock, Shire of Kellerberrin, Shire of Merredin, Shire of Tammin, Shire of Westonia, and Shire of Yilgarn.

⁵⁰⁴ Wheatbelt East Organisation of Councils, Tammin, *Briefing*, 4 May 2011.

⁵⁰⁵ Submission No. 26 from WA Local Government Association, 10 December 2010, p5.

The Minister for Housing told Parliament that housing support programs available to public housing tenants in Newman were not permanent or were mainly funded by the Federal Government:

There is one Public Tenancy Support position in Newman. The service provider for this position is the Pilbara Community Legal Service (PCLS). The position is National Partnership Agreement on Homelessness (NPAH) funded through Department of Child Protection (DCP) until July 2013. There is also a financial counsellor with PCLS in Newman, this position is funded through DCP and is funded to July 2012. Following a recent review, the Department of Housing now provides a housing officer in Newman three out of every four weeks. The Department will also make available a Customer Service Officer on a fortnightly basis to assist public housing tenants.⁵⁰⁶

Finding 38

Regional and rural local governments often struggle to ensure that their residents have access to a comprehensive range of social services. Councils can enhance the sustainability and affordability of their community through better planning; by partnering with and attracting service providers to come to their region.

6.2 Affordable Housing

The Committee has found that the problem of housing affordability is often more acute in regional and remote areas due to a range of conditions that are not evident in the metropolitan area. Two of these factors are rapid population growth and a lack of houses.⁵⁰⁷ These land and housing supply pressures are a result of rapid growth in the resource and other industry sectors over the past six years. In some areas of the State the impact of the resources boom has further exacerbated the shortage of affordable housing as housing is often beyond the reach of local residents not engaged in the mining industry. These regions have the greatest need for more affordable housing.

The factors affecting the supply of affordable housing in regional areas include:

- higher housing costs than in the metropolitan area;
- the difficulty in aligning housing supply with demand; and
- a lack of serviced land.

⁵⁰⁶ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Question on Notice, 22 June 2011, p4686.

⁵⁰⁷ Rowley, S. & Haslam-McKenzie, F., 'Housing Markets in Regional Western Australia: Boom and Bust?', Paper presented at the 4th Australian Housing Researchers Conference, Sydney, 5th - 7th August 2009, p5.

(a) Population increases

While Western Australia has undergone a period of significant economic growth, the development of major resource projects has led to rapid population growth in regions such as the Pilbara, with those living outside of the metropolitan area estimated at nearly 600,000 in 2010.⁵⁰⁸ Australian Bureau of Statistics data shows that the population of the Pilbara increased by 2.3% in 2009-10. Port Hedland was both the largest and fastest growing local government area in the State, increasing by 560 people or 4.0%. Kimberley was the next fastest-growing division (2.0%), with growth in Broome attributable for nearly two-thirds of the increase in the Kimberley region.⁵⁰⁹

Planned resource sector projects in the Pilbara region rely on fly-in fly-out workers, but will also lead to a projected average **annual** population growth rate of 0.8% up to 2018. The region's population is expected to increase to more than 32,000 from 2015. This is nearly 3,000 more than those living there in 2010.⁵¹⁰

The estimated population growth rate to 2018 in the Kimberley will be even higher than in the Pilbara. The average **annual** growth rate is expected to be 2.7%, or about an additional 13,000 people to 2015.⁵¹¹ The growth in Broome and will be mainly due to the rapid growth of the tourism industry and the growth of government services. Other industries impacting on this population growth include aquaculture, agriculture and resource support industries.⁵¹²

(b) Efforts of community housing associations

Community housing associations have been active in trying to provide more affordable housing in regional Western Australia, especially for sectors such as the ageing. The Department of Housing has transferred 24 properties in Geraldton and Dongara for seniors to a community association to manage. The Committee was told:

They are brand-new properties that the Department had built as part of the whole stimulus package plan. ... we are using local contractors and trades but they are brand-new houses

⁵⁰⁸ Australian Bureau of Statistics, '3218.0 - Regional Population Growth, Australia, 2009-10', 31 March 2011. Available at: www.abs.gov.au/ausstats/abs@.nsf/Products/3218.0~2009-10~Main+Features~Western+Australia?OpenDocument. Accessed on 8 August 2011.

⁵⁰⁹ Ibid.

⁵¹⁰ Western Australian Planning Commission, 'Port Hedland: Regional HotSpots Land Supply Update', November 2008. Available at: www.planning.wa.gov.au/dop_pub_pdf/RegionalHotspots_PortHedland.pdf, p3. Accessed on 8 August 2011.

⁵¹¹ Western Australian Planning Commission, 'Broome: Regional HotSpots Land Supply Update', November 2008. Available at: www.planning.wa.gov.au/dop_pub_pdf/RegionalHotspots_Broome.pdf, p2. Accessed on 8 August 2011.

⁵¹² Ibid, p1.

*and the tenants are aged over 55. We have 18 in Geraldton and six in Dongara, and they are all over 55s, so very settled tenants. We have no tenancy issues.*⁵¹³

The Freemasons outlined to the Committee their regional role in providing affordable housing in Esperance, Albany, Busselton, Kalgoorlie, Geraldton, Port Hedland and Karratha. Their largest development provides 35 one-bed units in Bunbury. The average age in their retirement homes is over 75 and they have found that apartment living is more acceptable for people over 55 years.⁵¹⁴

6.3 Regions of Rapid Growth

Resource industry led demand for accommodation has increased with house prices rising dramatically in some regions. For example, in Karratha house prices and average rents rose to levels well in excess of \$800,000 and \$1,000 per week respectively.⁵¹⁵ The Real Estate Institute of Western Australia report the following median house prices at 31 March 2011:

- Perth metropolitan area– \$490,000;
- Broome– \$544,000;
- Karratha– \$775,000; and
- Port Hedland– \$1,055,000.⁵¹⁶

A recent Senate select committee report on housing affordability in Australia found that the resources boom has had a major impact on the affordability of housing in these areas as demand has outstripped supply. It found that one-third of the fifty Australian suburbs that increased most in housing value over the year to January 2008 were located in regions dominated by nearby mining and resource projects.⁵¹⁷

(i) *The effect of the housing shortage*

A regional witness to the Senate committee said “the problem major resource companies have is the availability of accommodation; it is not affordability. For everyone else it is both availability

⁵¹³ Mr Shane Hamilton, WA State Manager, Community Housing Limited, *Transcript of Evidence*, 22 August 2011, p4.

⁵¹⁴ Submission No. 29 from Freemasons WA, 13 December 2010, p1.

⁵¹⁵ Rowley, S. & Haslam-McKenzie, F., ‘Housing Markets in Regional Western Australia: Boom and Bust?’, paper presented at the 4th Australian Housing Researchers Conference, Sydney, 5th - 7th August 2009, p15.

⁵¹⁶ Real Estate Institute of Western Australia, ‘Regional Centre Profiles’, 2011. Available at: <http://reiwa.com.au/Research/Pages/Regional-centre-profiles.aspx?profile=urban>. and ‘Perth Suburbs Price Data’, 2011. Available at: <http://reiwa.com.au/Research/Pages/Price-growth-by-suburb.aspx>. Accessed on 8 August 2011.

⁵¹⁷ The Senate, Select Committee on Housing Affordability in Australia, ‘A Good House is Hard to Find: Housing Affordability in Australia’, June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p121. Accessed on 14 June 2011.

and affordability.⁵¹⁸ Though not unique to the Pilbara, speculative demand has also contributed to higher than average house prices. Historically, 67% of housing in Port Hedland is owned by non-residents.⁵¹⁹ In Karratha it is similar with only about 32% of properties being owner-occupied and the rest owned by resource companies.⁵²⁰

The Senate Committee heard evidence that property owners were taking advantage of the high demand for housing by pushing out tenants who were not working in the resources sector:

*With prices in excess of million dollars for a four bedroom, two bathroom house and rent returns for a dwelling of this type of anything from \$2,000 to \$2,800 a week, residents not employed in the resources sector are forced to seek alternative and sometimes illegal accommodation.*⁵²¹

Housing problems in regional Western Australia are not new. However, the recent competition for housing stock has seen demand push market rents beyond the reach of those not employed in the resources sector. In 2008 the then-Department of Housing and Works estimated that private rental costs for the most basic two to three bedroom house in the Pilbara was around \$1,250 per week.⁵²² The Committee was told that rental costs are now in the vicinity of \$2,500 for a four bedroom house in Port Hedland, with an executive-style residence renting for \$3,000 per week.⁵²³

Affordable housing suitable for the unskilled and semi-skilled workers that underpin the retail and service industries in the North West is increasingly under pressure. Many people live in cars, tents or other illegal accommodation situations:

*I have a lot of young staff. One of their friends actually sleeps in the laundry of a house because that is all they can afford, and they are paying about \$350 a week for that.*⁵²⁴

In view of these high rentals costs, the Committee was told that some small business owners were renting a property in which to house a number of their employees. Hotels also set aside a number of rooms for employee accommodation, which impacts upon their profitability.⁵²⁵

⁵¹⁸ Ibid, p125.

⁵¹⁹ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵²⁰ Karratha, *Briefing*, 29 March 2011.

⁵²¹ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia', June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, pp121-123. Accessed on 14 June 2011.

⁵²² Department of Housing & Works, 'Strategic Directions for Housing Service Delivery in Western Australia: Review Report', June 2008. Available at: www.dhw.wa.gov.au/Files/strategic_directions_housing0806.pdf, pii. Accessed on 27 July 2011.

⁵²³ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵²⁴ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia', June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p123. Accessed on 14 June 2011.

The Committee was told that Port Hedland will be 3,000 to 5,000 beds short in 2011-12 and this will continue to put pressure on the housing market.⁵²⁶ The lack of availability of housing is such that the Committee heard that one of the disincentives for people to accept work there is that they may lose access to their public or social housing. Mr Bob Neville, the manager of Bloodwood Tree, confirmed the problem and explained the effects Pilbara rents are having on the Indigenous low-income workers:

*It doesn't auger well for the tenant themselves. The tenant...is trying to better themselves so they'll get a job and they might start off at around \$35,000, \$40,000 a year, they go up a bit [and] earn \$45,000 \$50,000 a year etc....They go over the limit...and they get copious amounts of letters from the Department of Housing telling them that they need to find alternative accommodation.*⁵²⁷

The manager of an Indigenous employment agency confirmed "our people might earn \$1,400, \$1,500 a week; that's how much it will cost you for rent: \$1,400, \$1,500. That's the lowest. So you're working for your rent. It's just ridiculous."⁵²⁸ BHP Billiton suggested that an affordable housing option for Pilbara towns for middle income families may free up the limited public housing for those in need.⁵²⁹

(ii) Fly-in-fly-out employees

Most resource companies in Western Australia rely on a fly-in-fly-out workforce. The Committee was told that BHP Billiton employees were spread throughout Port Hedland in about 2,500 properties. BHP Billiton said they renovate, build and maintain their own properties as well as assist staff in home ownership schemes. They are often approached by developers to establish joint ventures but have found that the proposals are essentially to 'de-risk' the developer.⁵³⁰

The reliance on a fly-in-fly-out workforce affects the financial resources of the regional local governments which are required to provide a range of resources for their community yet resource companies are largely exempt from local government rates. This leads to a smaller rate base of residents from whom to collect revenue to fund their facilities. The Committee was told that councils are then led to seek ex-gratia payments from the resource companies. As one way of recognising their community obligations, BHP Billiton has provided about 60 houses for non-profit organisations in Port Hedland.⁵³¹

⁵²⁵ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵²⁶ Ibid.

⁵²⁷ ABC Radio National, 'Claims Pilbara Rents Push People onto Dole', 18 August 2011. Available at: www.abc.net.au/pm/content/2011/s3296900.htm. Accessed on 19 August 2011.

⁵²⁸ Ibid.

⁵²⁹ Submission No. 27 from BHP Billiton, 13 December 2010, p3.

⁵³⁰ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵³¹ Ibid.

(iii) Lack of regional public housing

The median waiting time for public housing and priority public housing accommodation in regional Western Australia was significantly longer in the Kimberley. The major resource industry regions of the Pilbara and Goldfields have waiting list times shorter than the State average.⁵³² The Department of Housing is partnering in some regions with private developers to address the lack of housing in resource regions. In South Hedland it has partnered with JAXON and the Town of Port Hedland to refurbish approximately 480 homes and create about 1,000 new residential lots. This project is being carried out under the 'New Living' banner and is the largest urban renewal initiative undertaken in regional Western Australia.⁵³³ The Committee has concerns that this project is not expanding public housing stock in Port Hedland.

Finding 39

The data on actual waiting times for people on the Department of Housing's waiting list is not readily available.

Recommendation 26

The Minister for Housing table in Parliament by March 2012 the raw data on the State's waiting list and waiting times, including all State regions, not just the average figures. This data should also be published on the Department of Housing's web site every six months.

Lack of Kimberley housing

The key theme that emerged from the evidence taken by the Education and Health Standing Committee in the Kimberley in July 2010 was that the main limiting factor in dealing with health and other social problems was the severe lack of housing. The Fitzroy Valley District High School Principal told the Committee "That is the brutal, harsh reality ... but housing is probably the one thing that is stopping a lot of stuff happening in the town."⁵³⁴

⁵³² Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 9 August 2011, p5448 and Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 16 August 2011, p5918.

⁵³³ South Hedland New Living, 'Welcome', 2011. Available at: www.southhedlandnewliving.com.au/. Accessed on 23 August 2011.

⁵³⁴ Education and Health Standing Committee, (2011) *Alcohol Restrictions in the Kimberley: A 'Window of Opportunity' for Improved Health, Education, Housing and Employment*, Parliament of Western Australia, Perth, p128.

Data from August 2010 showed a waiting list for public housing of nearly 1,100 for the towns of Broome, Derby, Halls Creek and Fitzroy Crossing. The waiting time for Broome applicants is over four years and nearly three years for Derby and Fitzroy Crossing (see Table 6.3 below). Over 1,400 children and dependents were in the families on the waitlist in the Kimberley and nearly 6,000 throughout regional Western Australia.⁵³⁵

Table 6.3- Kimberley public housing waiting list data (31 August 2010)⁵³⁶

Location	Public housing stock (houses)	Priority applications	Total applications	Wait Turn (average waiting time- years)
Broome	786	136	668	4.4
Derby	285	20	214	2.6
Fitzroy Crossing	44	3	58	2.9
Halls Creek	158	20	136	0.9

In Opposition in 2007, during debate on a Matter of Public Interest, the current Minister for Regional Development, Hon Brendon Grylls, raised the matter of lack of Kimberley housing and said that there were 65 people on the wait list in Halls Creek. Table 6.3 above shows that this had doubled by 2010 to 136 applications.

One area in which the State Government has succeeded is to develop new houses and refurbish existing ones for Indigenous communities in the Kimberley with funds provided by the Federal Government via the National Partnership Agreement on Remote Indigenous Housing (NPARIH). The agreed targets for the five-year period 2009-13 are for 295 new houses and 1,025 refurbished ones at a cost of \$31.8 million. Contracts were let in 2009-10 for the refurbishment of more than 150 houses with the majority of these in 13 Kimberley communities.⁵³⁷ The State's then-Minister for Housing told Parliament that Western Australia had exceed the Federal Government's annual goal (of 75 new houses and 150 refurbishments), the only jurisdiction to do so. The Federal Government rewarded the State for bettering its target with additional funding of \$4 million.⁵³⁸

Minister Grylls also acknowledged in 2007 that the main challenge in the Kimberley was the cost of providing housing and said that "the concept of building traditional Kimberley-style housing in

⁵³⁵ Ibid, p129.

⁵³⁶ Legislative Council Tabled Paper 2728, 14 October 2010.

⁵³⁷ Department of Families, Housing, Community Services and Indigenous Affairs, 'National Partnership Agreement on Remote Indigenous Housing', 21 October 2010. Available at: www.fahcsia.gov.au/sa/indigenous/progserv/housing/Pages/RemoteIndigenousHousing.aspx. Accessed on 12 November 2010.

⁵³⁸ Hon Mr Bill Marmion, Minister for Housing, Western Australia, Legislative Assembly, Parliamentary Debates (Hansard), Parliamentary Debates (Hansard), Question Without Notice, 17 August 2010, p5600.

those communities is not going to deliver a solution to the chronic overcrowding.” Instead he suggested that the then-Labor Government use a process utilised by the Blue Ridge company in Karratha, which built 70 new dwellings for the mining industry in about six months.

Mr Grylls suggested that the process of reducing the wait list “should not be a 10-year program, but a one-year program” by using transportable houses that cost half what traditional housing cost in the Kimberley. He proposed this could be done by rethinking “the way we build housing in remote communities”, starting with a pilot program in Halls Creek to build 100 houses, and then roll this program out across the Kimberley.⁵³⁹

Such an innovative program has yet to be funded by the State Government. The State’s *Affordable Housing Strategy 2010-20* expects “a disproportionate increase in regional areas as the State develops. Over the next five years, the regional share of that increased unmet [housing] demand State-wide is tipped to rise from 27% of the total to around 40%.”⁵⁴⁰

Finding 40

The waiting time for public housing in the State’s regions can be longer than in the metropolitan area. The State’s *Affordable Housing Strategy 2010-20* focuses primarily on the metropolitan area and this could see unmet housing needs in regional areas increase further.

Recommendation 27

The Minister for Regional Development provide funds in the 2012-13 Budget from the Royalties for Regions program for a pilot program in Halls Creek to build 100 transportable houses to reduce the waiting list for public housing.

⁵³⁹ Education and Health Standing Committee, *Alcohol Restrictions in the Kimberley: A ‘Window of Opportunity’ for Improved Health, Education, Housing and Employment*, Parliament of Western Australia, Perth, 17 March 2011, p137.

⁵⁴⁰ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p14. Accessed on 18 July 2011.

6.4 Barriers to Affordability in Regions of Rapid Growth

(a) Housing cost factors

The Committee was told that the cost of building a house in Port Hedland was about double that of building one in Sydney. BHP Billiton estimates the average cost of constructing a house is \$600,000-700,000 with the cost of the land on top of that. In the Pilbara, housing construction costs are roughly \$3,000 per square meter. Across both the Pilbara and the Kimberley, there are capacity constraints in the building and construction industry with a limited number of construction workers available.⁵⁴¹

The Committee heard that there is always a fear that housing costs will lead to staff from non-resource companies being lost to the mining industry and this will result in higher than average wages being paid to retain staff. In addition, the Pilbara and the Kimberley are in designated cyclone areas and this adds complexity and cost to a house's design and construction.⁵⁴²

(b) Land supply

Not all resource-based regional towns have experienced house price rises similar to those in the Pilbara. For example, Kalgoorlie-Boulder has experienced a more modest price growth which has been attributed to the greater quantity of land released during the 1990s.⁵⁴³ In contrast, the speed of land release was cited repeatedly to the Committee as a significant impediment to the supply of land for housing in the Pilbara.

LandCorp is the primarily supplier of land for development in the Pilbara. LandCorp was criticised for its slow response for releasing land by the Senate select committee into housing affordability in Australia. That inquiry recommended the Western Australian Auditor General assess LandCorp's performance in releasing residential land in the Pilbara region.⁵⁴⁴ When giving evidence to this Committee, LandCorp maintained they release land as quickly as possible.⁵⁴⁵ This statement was supported by evidence from the local Port Hedland community.⁵⁴⁶ Other data shows

⁵⁴¹ Western Australian Planning Commission, 'Port Hedland: Regional HotSpots Land Supply Update', November 2008. Available at: www.planning.wa.gov.au/dop_pub_pdf/RegionalHotspots_PortHedland.pdf, p8. Accessed on 8 August 2011.

⁵⁴² Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵⁴³ Rowley, S. & Haslam-McKenzie, F., 'Housing Markets in Regional Western Australia: Boom and Bust?', Paper presented at the 4th Australian Housing Researchers Conference, Sydney, 5th - 7th August 2009, p10.

⁵⁴⁴ The Senate, Select Committee on Housing Affordability in Australia, 'A Good House is Hard to Find: Housing Affordability in Australia', June 2008. Available at: www.aph.gov.au/senate/committee/hsaf_ctte/report/report.pdf, p7. Accessed on 14 June 2011.

⁵⁴⁵ Mrs Kerry Fijac, General Manager Business Development and Marketing, LandCorp, *Transcript of Evidence*, 23 March 2011, p5.

⁵⁴⁶ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

that LandCorp has responded to the demand for land in towns such as Karratha and Port Hedland and has “implemented programs of land release designed to alleviate supply shortages and address housing affordability issues.”⁵⁴⁷

(c) Native title

Along with the resources boom, the demand and supply mismatch for land was attributed by LandCorp to the ‘tedious native title clearance [rate]’.⁵⁴⁸ The complexities of dealing with native title can stall a development and LandCorp told the Committee that the State Government should not “just release Crown land and leave private developers to sort out native title, Aboriginal heritage and all the environmental and planning process approvals”⁵⁴⁹ It gave an example where:

*In Port Hedland, we put some land out that required resolution of Aboriginal heritage. Through a competitive process, the Satterley–Leighton consortium picked it up and found that it could not progress it, so it handed it back.*⁵⁵⁰

The effect was the development in Port Hedland was delayed:

*The argument is that in handing it over to a private developer—maybe, with the benefit of hindsight, too early—it has stymied land development in Port Hedland. If government had got on and done it, there would now be an improved land supply in Port Hedland.*⁵⁵¹

Native title issues led to Stage 1 of the South Hedland revitalisation project being stalled.⁵⁵² The Committee was advised that native title issues can take up to three years to resolve.⁵⁵³ There are four State Government agencies involved in the native title process and their different approaches sometimes create confusion for developers. The Committee was told that a well-resourced lead government agency should take control of native title issues in the Pilbara.⁵⁵⁴

On the other hand, in Broome the Committee was told that in February 2010 the Yawuru people released 5,000 hectares of mostly prime land in and around Broome. In return the Yawuru people were given title to freehold lands for commercial and social development, as well as a

⁵⁴⁷ Rowley, S. & Haslam-McKenzie, F., ‘Housing Markets in Regional Western Australia: Boom and Bust?’, Paper presented at the 4th Australian Housing Researchers Conference, Sydney, 5th - 7th August 2009, p2.

⁵⁴⁸ Ibid.

⁵⁴⁹ Mr Ross Holt, Chief Executive Officer, LandCorp, *Transcript of Evidence*, 23 March 2011, p5.

⁵⁵⁰ Ibid.

⁵⁵¹ Ibid.

⁵⁵² Karratha, *Briefing*, 29 March 2011.

⁵⁵³ A native title land use agreement in Broome saw the release of large tracks of land for development but took 16 years of negotiations. ABC News, ‘Broome Native Title Land Use Agreement’, 25 February 2010. Available at: www.abc.net.au/local/stories/2010/02/25/2829961.htm. Accessed on 14 June 2011.

⁵⁵⁴ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

compensation package of \$56 million for economic development, cultural preservation, and conservation management plus land worth \$140 million for commercial and cultural use.⁵⁵⁵

(d) Headworks and infrastructure

The Committee was told by many witnesses that the availability of infrastructure services (such power, water and sewerage) affects the availability and cost of land to develop in regional areas.⁵⁵⁶ In Port Hedland, the Committee was told of estimates that infrastructure provision on a larger development would require about \$12 million and that the cost of connecting a block to these services was about \$150,000. These costs make it difficult for developers to deliver an affordable housing product and the Committee was told that developers cannot meet the costs alone and pass them on to the home buyer.⁵⁵⁷

The Committee was also advised that in Port Hedland there is often insufficient power for builders to operate their construction machinery.⁵⁵⁸ The Shire of Roebourne estimated that the power requirements for the Pilbara over the next 10-15 years will be greater than that of the South West.⁵⁵⁹

Karratha's water supply has also come under pressure because of rapid expansion in residential and industrial uses. Currently about one-third to a half the scheme water is used by big miners to dampen iron ore dust. Rio Tinto is in discussions with Water Corporation over the amount of water it is entitled to for its mining operations. It currently uses around 5 million cubic metres per year and is seeking its full entitlement of 15 million cubic metres. However Water Corp is seeking to limit Rio Tinto's entitlement to 5.4 million cubic metres per year, given the increasing need for water by the region's towns.⁵⁶⁰

The Minister for Water told Parliament in early 2011 that the proposed \$370 million West Pilbara desalination plant will alleviate pressure in the region for drinking water. Its construction would support residential and small commercial growth in Dampier, Karratha, Roebourne, Port Samson and Wickham.⁵⁶¹ It was anticipated that water from the plant would be available in April 2013 but the project was deferred in the 2011-12 Budget due to heavy rain. The Member for the North-

⁵⁵⁵ Mr Howard Pedersen, Nyamba Bum Yawuru Ltd, *Briefing*, 30 March 2011.

⁵⁵⁶ Wheatbelt Development Commission, 'Towards a Wheatbelt Infrastructure Plan', October 2010. Available at: www.wheatbelt.wa.gov.au/files/news_communitynews/Towards%20a%20Wheatbelt%20Infrastructure%20Plan-FINAL_3_.pdf, p7. Accessed on 8 August 2011.

⁵⁵⁷ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵⁵⁸ Ibid.

⁵⁵⁹ Shire of Roebourne, *Briefing*, 29 March 2011.

⁵⁶⁰ D&WR, 'Water Rights Row Could Delay Western Australia Desalination Plant', 29 March 2011. Available at: www.desalination.biz/news/news_story.asp?id=5835&channel=0. Accessed on 8 August 2011.

⁵⁶¹ Hon Mr Bill Marmion, Minister for Water, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), 15 February 2011, p146.

West, Mr Vince Catania said the delay allowed time for Water Corp to negotiate an alternative water source with Rio Tinto.⁵⁶² In September 2011 the State Government announced that Rio Tinto had agreed to surrender its entitlement to its Pilbara water supply at Millstream in return for a waiver on secondary iron ore processing obligations. The State Government can now defer the West Pilbara Desalination Project.⁵⁶³

The Committee was told in Port Hedland that infill sewerage would allow 400 blocks to be subdivided. The ‘deferral’ of that program in May 2009 resulted in an Inquiry by the Legislative Council’s Standing Committee on Environment and Public Affairs. The Town of Port Hedland submitted to that Inquiry that “the failure to proceed with the Program at a time when there is demand for land and housing is a critical concern and has become a fatal flaw for many proposed businesses.”⁵⁶⁴ That Committee found that “the lack of deep sewerage inhibits development in many areas in Western Australia, including Port Hedland and a number of regional areas.”⁵⁶⁵ It recommended:

*that the Minister for Water seeks Royalties for Regions funding for the Infill Sewerage Program and supports any Royalties for Regions application seeking to provide deep sewerage to regional areas.*⁵⁶⁶

The State Government responded in 2010 that the scheme fell short of the requirement of Royalties for Regions funding as this program is specifically for new projects in support of regional development. Accordingly, none of the already-identified regional Infill Sewer projects can be funded under this program.⁵⁶⁷ However, in June 2011 the State Government announced a \$100 million commitment to an expanded Infill Sewerage Program with most of the 14 regional projects commencing within six months.⁵⁶⁸

⁵⁶² ABC North West News, ‘West Pilbara Desal Plant Put on Hold’, 20 May 2011. Available at: www.abc.net.au/news/stories/2011/05/20/3222195.htm?site=northwestwa. Accessed on 8 August 2011.

⁵⁶³ AAP, ‘New Water Deal in Pilbara for Rio Tinto’, 9 September 2011. Available at: www.watoday.com.au/wa-news/new-water-deal-in-pilbara-for-rio-tinto-20110909-1k0vu.html. Accessed on 9 September 2011.

⁵⁶⁴ Legislative Council, Standing Committee on Environment and Public Affairs, (2009) *Inquiry into Deep Sewerage in the Cockburn Area*, Parliament of Western Australia, Perth, December, p56.

⁵⁶⁵ *Ibid*, p69.

⁵⁶⁶ *Ibid*, p77.

⁵⁶⁷ Legislative Council, (2010) *Standing Committee on Environment and Public Affairs - Inquiry into Deep Sewerage in the Cockburn Area (Report No. 18) Response to Report (Minister for Water)*, Parl. Paper 1823, Parliament of Western Australia, Perth, 23 March, p5.

⁵⁶⁸ Hon Mr Bill Marmion, Minister for Water, *Continuation of Infill Sewerage Program*, Media Statement, Perth, 24 June 2011. Available at: www.mediastatements.wa.gov.au/Pages/default.aspx?ItemId=141717. Accessed on 8 August 2011.

6.5 Responses to the Shortage of Housing in Regions of Rapid Growth

(a) The Department of Planning's Urban Development Program

The Department of Planning's Urban Development Program (UDP) tracks land demand and supply as well as proposed developments and infrastructure programs in the State's major metropolitan and regional centres.⁵⁶⁹ The UDP allows the Department to coordinate land supply and it has identified the 11 highest growth areas most impacted by changing economic and social conditions:

- Kimberley region - Broome, Derby, Kununurra, Fitzroy Crossing and Halls Creek;
- Pilbara region - Karratha, Newman, Onslow and Port Hedland;
- Gascoyne region - Exmouth; and
- Goldfields-Esperance region - Kalgoorlie-Boulder.⁵⁷⁰

Higher-density developments are seen as one way to alleviate the housing shortage in the North West, particularly for residents not directly employed in the resources industry.⁵⁷¹

(b) The Pilbara Cities project

The Pilbara Cities project was launched by the State Government in 2009 as part of a strategy to revitalise the towns of South Hedland, Newman, Tom Price and Dampier. It will also transform Karratha and Port Hedland into major cities with populations of more than 50,000. One Government development in Karratha since then is the Karratha Service Workers Accommodation project.⁵⁷² This was delivered through LandCorp in partnership with the private sector to ease the town's housing shortage. It will deliver 100 rental accommodation units comprising a mix of one, two and three bedroom units. Rents are expected to range between \$300 and \$500 per week.⁵⁷³

⁵⁶⁹ The Department of Planning, 'Urban Development Program', 12 July 2011. Available at: www.planning.wa.gov.au/718.asp. Accessed on 8 August 2011.

⁵⁷⁰ The Department of Planning, 'Regional Hotspots', 12 July 2011. Available at: www.planning.wa.gov.au/669.asp. Accessed on 8 August 2011.

⁵⁷¹ Submission 21 from the Community Housing Coalition of WA, 10 December 2010, p11.

⁵⁷² Shire of Roebourne, *Briefing*, 29 March 2011.

⁵⁷³ Hon Mr Brendon Grylls, Minister for Regional Development and Lands, *First Home for Karratha Service Workers on the Way*, Media Statement, Perth, 10 September 2010. Available at: www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=133981&minister=Grylls&admin=Barnett&page=2. Accessed on 8 August 2011.

The Finbar Group has gained approval for both stages of its Pelago project in Karratha. This will comprise 292 residential apartments and 22 commercial lots. It is the first project of its kind to be approved as part of the Pilbara Cities revitalisation plan for the Karratha town centre.⁵⁷⁴

The Pilbara Cities concept has its detractors due to a lack of community consultation:

*it is barely economic at the moment to air-condition houses so how do you provide environmentally liveable, sustainable houses in the Pilbara? The Government should have looked to see how Port Hedland could become the best fly-in fly-out city.*⁵⁷⁵

The need for higher density housing is also recognised in the plan for Newman in the Shire of East Pilbara. A draft plan allows up to 15,000 people to live within a 2km radius of the town. This will be achieved by the redevelopment of existing lots through:

- subdivision of existing large residential lots into smaller single lots,
- multiple dwellings and townhouses (medium density) alongside areas of high amenity,
- low rise apartments in and around the town centre including over retails shops and offices.⁵⁷⁶

The increase in population as a result of the Pilbara Cities project will lead to a greater demand for local government community services but will also provide a larger rate base for those councils.

(c) Regional Centres Development Plan (SuperTowns)

The State Government recently announced new funding for its Regional Centres Development Plan (SuperTowns) program. The Minister for Regional Development said the Government had endorsed an initial nine towns in the State's south to share in \$85.5 million in Royalties for Regions funding. Katanning, Collie, Esperance, Northam, Jurien Bay, Morawa, Boddington, Manjimup and Margaret River have been selected in the first round of the initiative. The Minister said \$5.5 million was available in 2011-12 to assist with strategic planning in these communities and \$80 million would be allocated to "kick-start transformational projects."⁵⁷⁷

⁵⁷⁴ Ms Diane Pentz, Chief Executive Officer, Regional Development Australia and Ms Collene Longmore, Chief Executive Officer, Shire of Roebourne, *Briefing*, 29 March 2011.

⁵⁷⁵ Ms Morag Lowe of First National Real Estate, Mr Bob Neville of Bloodwood Tree, Mr Patrik Mellberg, of BHP Billiton, Port Hedland, *Briefing*, 28 March 2011.

⁵⁷⁶ LandCorp, 'Normalising WA's North', December 2009. Available at: www.landcorp.com.au/_document/Pilbara-Normalisation-document.pdf, slide 31. Accessed on 21 June 2011.

⁵⁷⁷ Hon Mr Brendon Grylls, Minister for Regional Development and Lands, *Regional Centres Development Plan (SuperTowns) Announced*, Media Statement, Perth, 6 July 2011. Available at: www.mediastatements.wa.gov.au/Pages/WACabinetMinistersSearch.aspx?ItemId=142101&minister=Grylls&admin=Barnett. Accessed on 8 August 2011.

(d) Additional GROH houses

The Director General of the Department of Housing confirmed to the Education and Health Standing Committee that his department had received “\$200 million from Royalties for Regions to build GROH housing, and we are on target to finish 400-plus houses as a result of that expenditure.” About 120 of these new GROH houses are in the Kimberley region.⁵⁷⁸ This new housing stock is unlikely to be sufficient for the growing demand for new houses from some State Government agencies. The State’s *Affordable Housing Strategy 2010-20* reports that in June 2009 there were 5,164 GROH houses, or 10.6% of the State’s affordable houses. The Strategy does not include a target of growth for GROH houses but the Department of Housing told the Committee these “programs will be determined by demand, availability of funding and what the market can supply, rather than a set ratio.”⁵⁷⁹

Recommendation 28

The Minister for Housing amend the *Affordable Housing Strategy 2010-20* by June 2012 to include a specific target to increase the number of regional GROH houses to be constructed by 2020 based on current and future projected need, and the Minister ensure that sufficient funding is included in the Department’s budget to meet this target.

(e) New private investment

The large Investa Property Group recently announced plans to expand its land development portfolio into the North West. The company has over \$7 billion in real estate assets and a development pipeline of over \$3.5 billion, including more than 9,000 residential lots and 500ha of industrial land. Investa has identified the key growth corridors of Karratha, Port Hedland and Broome as areas of interest for residential development projects. This is based on their growth potential from the strengthening resources sector and the subsequent high levels of housing demand in these areas.⁵⁸⁰

Finding 41

The shortages of water and power supplies in the Pilbara impacts on residential developments.

⁵⁷⁸ Ibid, p131.

⁵⁷⁹ Ms Tania Loosley-Smith, General Manager, Strategy and Policy, Department of Housing, Questions on Notice, 16 August 2011, p2.

⁵⁸⁰ *The Sunday Times*, ‘Developer Joins Push in Pumping Pilbara’, 1 March 2011. Available at: www.perthnow.com.au/real-estate/developer-joins-push-in-pumping-pilbara/story-e6frg3o3-1226014345858. Accessed on 8 August 2011.

Recommendation 29

The State Government release funds for the provision of water and power to meet the needs of the Pilbara communities.

CHAPTER 7 THE AGED AND AFFORDABLE HOUSING

This chapter outlines the problem facing the State Government, and the broader community, in providing affordable accommodation for the State's ageing population as:

*The home has special significance for older people. ... Other studies examining older people's preferences for housing have found that the majority wish to stay in their current home, or if they had to move, at least remain within their current suburb, in a familiar social environment.*⁵⁸¹

7.1 An Ageing Australia

There are now about two million Australians aged 70 years and over, about 11% of the population. By 2029, it is estimated that this number will increase to nearly five million (or about 18% of the population).⁵⁸² The life expectancy of Australians continues to rise and is among the highest in the world. It is almost 84 years for females and 79 years for males. However, having once attained 65 years of age, an Australian male's life expectancy is a further 19 years. For females it is a further 22 years, to almost 87 years of age.⁵⁸³ Figure 7.1 below shows the changing demographics in Australia over the past 40 years.

In June 2009, 267,300 (or 11.9%) of Western Australians were aged 65 years. Of this group, 32,400 were aged 85 years and over. In the five years since June 2004, the number of Western Australians aged 65 years and over has increased by about 17%, while the number aged 85 years and over has increased by about 33%.⁵⁸⁴

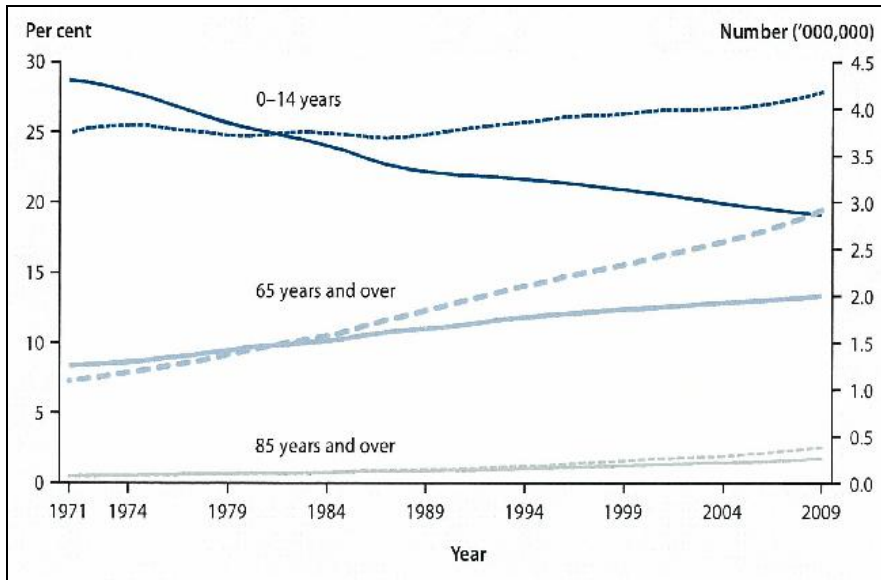
⁵⁸¹ Aged and Community Services Australia, 'Affordable Housing for Older People - A Literature Review', nd. Available at: www.agedcare.org.au/POLICIES-&-POSITION/Position-and-discussion-papers/affordable_housing_a_literature_review_final.pdf, p4. Accessed on 31 May 2011.

⁵⁸² Department of Health and Ageing, 'Evaluation of the Impact of Accreditation on the Delivery of Quality of Care and Quality of Life to Residents in Australian Government Subsidised Residential Aged Care Homes - Final Report', 5 March 2008. Available at: www.health.gov.au/internet/main/publishing.nsf/Content/ageing-iar-final-report.htm~ageing-iar-final-report-3.htm. Accessed on 5 May 2011.

⁵⁸³ Australian Institute of Health and Welfare, 'Australia's Health 2010', 23 June 2010. Available at: www.aihw.gov.au/publication-detail/?id=6442468376. Accessed on 5 May 2011.

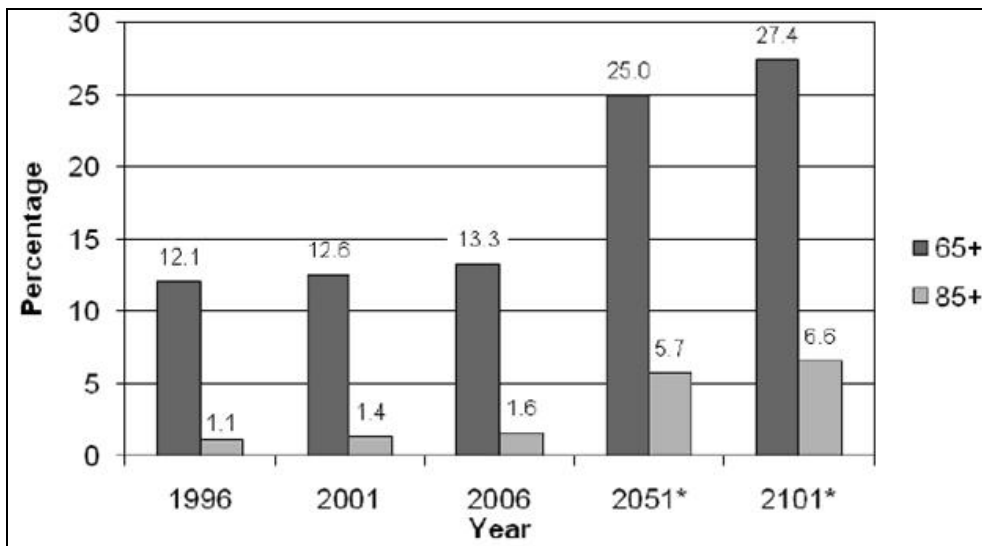
⁵⁸⁴ Australian Bureau of Statistics, '3235.0 - Population by Age and Sex, Regions of Australia, 2009', August 2010. Available at: www.abs.gov.au/ausstats/abs@.nsf. Accessed on 19 May 2011.

Figure 7.1- Australia’s changing demography (1971-2009)⁵⁸⁵



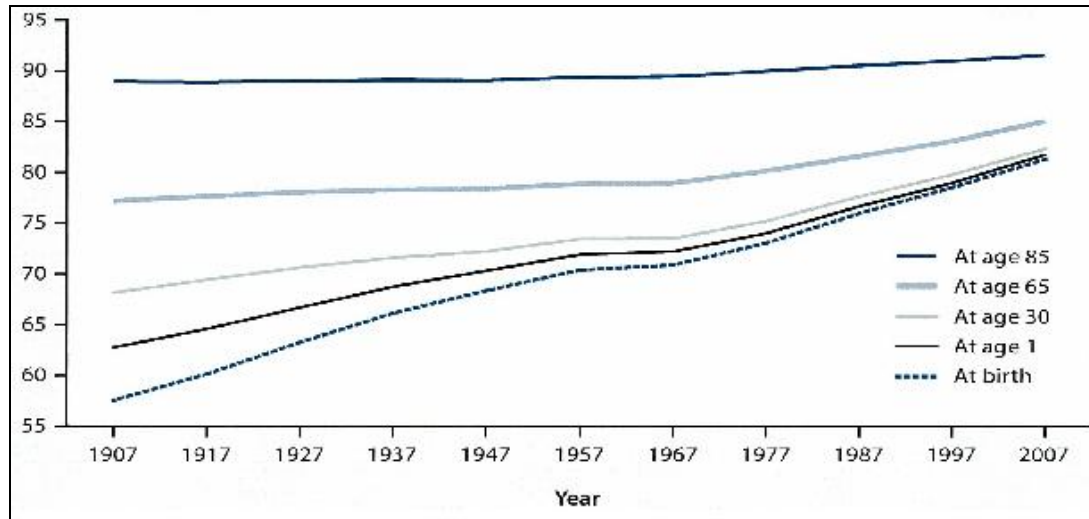
The number of Australians over the age of 65 and 85 has increased as a percentage of the total population, as life expectancy has increased by about 42% over the past century, as shown in Figures 7.2 and 7.3 below.

Figure 7.2- Australians aged 65 and 85 and over, as a proportion of the population (1996-2101)⁵⁸⁶



⁵⁸⁵ Australian Institute of Health and Welfare, 'Australia's Health 2010', 23 June 2010. Available at: www.aihw.gov.au/publication-detail/?id=6442468376, p21. Accessed on 5 May 2011.

⁵⁸⁶ AHURI, 'Local Government and Affordable Housing', nd. Available at: www.vlga.org.au/site/DefaultSite/filesystem/documents/Leading%20Edge%20Forums/2011-03-03%20AHURI.pdf, p15. Accessed on 20 May 2011.

Figure 7.3- Trends in life expectancy at various ages (1907-2007)⁵⁸⁷

7.2 Affordable Housing Needs of the Aged

In 2008 then-Prime Minister Rudd said that there were 112,000 households headed by a person aged 70 and over in ‘housing stress’. This was double the number in 2004. Australian Institute of Health and Welfare (AHURI) projections show an increase of people aged 65 and over living in low-income rental households rising from 195,000 in 2001 to about 420,000 in 2026.⁵⁸⁸ AHURI estimates that the demand for public housing from older people will outstrip its supply by 2016.⁵⁸⁹

As was noted in Chapter One, there are an increasing number of Australians facing ‘housing stress’ who have moved from their homes. These people are likely to need housing assistance, and once on a program they typically stay on them.⁵⁹⁰ In 2006, 18% of renters aged 50 years and over had been homeowners in 2002, and 50% had been homeowners at some point. For these people, the resultant ‘asset poverty’, as much as income poverty, contributes to their inability to find affordable housing. Asset poverty can leave older renting Australians “with little if any accumulated savings ... savings may be drawn on due to the need to meet emergencies, further threatening sustainable housing circumstances.”⁵⁹¹

⁵⁸⁷ Australian Institute of Health and Welfare, ‘Australia’s Health 2010’, 23 June 2010. Available at: www.aihw.gov.au/publication-detail/?id=6442468376, p28. Accessed on 5 May 2011.

⁵⁸⁸ Aged and Community Services Australia, ‘A Fair Share for Older People- The Need for a National Older Persons Housing Strategy’, March 2009. Available at: www.agedcare.org.au/POLICIES-&-POSITION/Policies/Alliance-Policy-Final.pdf, p2. Accessed on 3 May 2011.

⁵⁸⁹ AHURI, ‘Older People in Public Housing: Policy and Management Issues’, March 2009. Available at: www.ahuri.edu.au/publications/download/rap_issue_109, p1. Accessed on 23 June 2011.

⁵⁹⁰ AHURI, ‘Asset Poverty and Older Australians: Transitions into Housing Assistance Programs’, May 2011. Available at: www.ahuri.edu.au/publications/download/rap_issue_139, p3. Accessed on 23 June 2011.

⁵⁹¹ Ibid.

For disadvantaged aged renters, housing options are limited due to Western Australia's long public housing waiting lists and a shortage of affordable private rental accommodation. The Committee was told that 42% of people on the State's waiting list are older people and that percentage is expected to increase to 50% by 2012.⁵⁹²

Federal and State policy aims to support 'ageing-in-place', or keeping older Australians in their homes. The policy options afforded to older people under these policies "presuppose that the person already has a home."⁵⁹³ Like their health, housing is of primary concern for the aged. Research highlights that many older people experience their housing situation as a problem:

*Even if it was currently satisfactory, stable and technically permanent, the prospect of ageing-in-place was seen as precarious due to increasing private rental costs and unanticipated changes in circumstances.*⁵⁹⁴

In Australia, older homeowners receive favourable treatment through income support and tax policies. Public renters also benefit from income support policies that are intended to minimise their exposure to poverty. However, private renters receive comparably much less income support, placing them at risk of continual poverty and homelessness.⁵⁹⁵

Policy makers not only need to provide support for older people today, but also ensure that the right type of housing and support is available for future generations of older Western Australians. In this context, research demonstrates the relationship of adequate housing and access to services to the health and well being of older people.⁵⁹⁶ Unmet housing needs of older people lead to poor health outcomes.⁵⁹⁷ Appropriate housing not only underpins the general wellbeing of older Australians, but reduces government health and pension costs by:

- reducing demand on health services, including mental health services;
- enabling effective delivery of community aged care;
- supplementing retirement incomes and helping pay for services; and
- facilitating their social participation.⁵⁹⁸

⁵⁹² Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p7.

⁵⁹³ P. Wilson, and H. Scott, (1995) *Housing Choices for Older Australians*. Council for the Ageing (Australia) supported by the Commonwealth Department of Housing and Regional Development, Melbourne.

⁵⁹⁴ AHURI, 'Asset Poverty and Older Australians: Transitions into Housing Assistance Programs', May 2011. Available at: www.ahuri.edu.au/publications/download/rap_issue_139, p3. Accessed on 23 June 2011.

⁵⁹⁵ Aged and Community Services Australia, 'Affordable Housing for Older People - A Literature Review', nd. Available at: www.agedcare.org.au/POLICIES-&-POSITION/Position-and-discussion-papers/affordable_housing_a_literature_review_final.pdf, p7. Accessed on 31 May 2011.

⁵⁹⁶ Ibid, p4.

⁵⁹⁷ Ibid.

⁵⁹⁸ AHURI, 'Future Housing for Older Australians- Overcoming Barriers to Innovation', 25 February 2011. Available at: www.ahuri.edu.au/downloads/2011_Events/FHS_Final_report.pdf, p3. Accessed on 1 June 2011.

For these reasons, ensuring affordable and accessible housing in an ageing society is one of the great challenges for the State. As they age, many people's housing needs change. Those preferring to stay in their own homes may need support to be able to continue to live there. Alternatively they may either want, or need, to move into housing more suited to their needs. There are several groups of aged people whose changing circumstances particularly affect their housing choices:

- those that need to down size and find no suitable housing options;
- those that once owned their homes but, due to changing circumstances, now look to rent their accommodation; and
- those that can no longer afford private accommodation, whether freehold or rental and are likely to enter residential care.⁵⁹⁹

Those who find themselves in these circumstances are more likely to need housing and other services:

*Findings from modelling pathways into housing assistance programs highlight that those tumbling out of home ownership in recent years are much more likely to transition into a housing assistance program as compared to the typical renter.*⁶⁰⁰

The picture for older people renting their homes is grim. They are caught between a pensions system designed for home owners, a social housing system under stress and an expensive, under-supplied private rental market:

*Nearly one third of age pensioners renting privately spend more than 30% of their income on rent and regularly experience financial stress, related health concerns, tenure insecurity, social isolation, unsuitable conditions and personal insecurity. Increasing the supply of affordable rental housing will need to be tackled across the public, community and private sectors.*⁶⁰¹

In the metropolitan area, older people's affordable housing options are limited to public housing (where available), retirement villages, caravan parks and nursing homes. As a consequence, some may find themselves in residential care before they are ready for it when home-based care may be a better option for them.

The Department of Commerce has established in Perth a Seniors' Housing Centre which is a repository of information for those over 55 years of age considering their future housing options. The Centre also has an extensive website with a range of links, including to an information booklet on living in retirement villages and caravan parks. One of DoC's goals is to create a

⁵⁹⁹ Productivity Commission, 'Caring for Older Australians - Draft Report', 21 January 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0011/104879/aged-care-draft.pdf, p301. Accessed on 23 May 2011.

⁶⁰⁰ Ibid.

⁶⁰¹ AHURI, 'Future Housing for Older Australians- Overcoming Barriers to Innovation', 25 February 2011. Available at: www.ahuri.edu.au/downloads/2011_Events/FHS_Final_report.pdf, p2. Accessed on 1 June 2011.

database for seniors showing all park home, lifestyle village and retirement village locations throughout the State.⁶⁰²

Finding 42

The population of Western Australia is rapidly ageing. Research demonstrates the relationship of providing adequate housing and access to other services to the health and well being of older people. The provision of affordable housing which facilitates both independent living and the delivery of home-based care for older residents is a priority.

7.3 Downsizing Homes

(a) Pressures to downsize

Financial pressures

Research published this year, showed that:

- 11% of older home owners ceased owning their own homes between 2002 and 2006; and
- 36% of older renters who stopped owning a home in these five years moved onto a housing assistance program.⁶⁰³

These results reflect the inability of a person's accumulated equity in their home to safeguard them against later needing housing assistance. For many older Australians, such transitions out of home ownership are precipitated by traumatic events affecting their finances, such as divorce, bereavement and unemployment. This means that once older Australians enter housing assistance programs, their dependency is often permanent rather than simply a temporary transition.⁶⁰⁴

⁶⁰² Economics and Industry Standing Committee, *Report 10: Response to House - Matter of Park Home Residents*, Legislative Assembly, Parliament of Western Australia, Perth, October 2011, p25.

⁶⁰³ AHURI, 'Asset Poverty and Older Australians' Transitions into Housing Assistance Programs', May 2011. Available at: www.ahuri.edu.au/publications/download/rap_issue_139, p3. Accessed on 23 June 2011.

⁶⁰⁴ Ibid, p2.

Finding 43

Research shows that about 10% of older Australians who own their own homes in 2002 were forced into the rental market over a five year period. Once there, they are far more likely to need permanent housing assistance program. This has profound ramifications to the future need for housing assistance programs as Western Australia's population ages.

Physical and health pressures

Health services become increasingly important as people get older as an increased proportion of them develop aged-related disabilities. The prevalence of severe limitations on someone's core activity increases from around 2% of young adults, to 12% of people aged 65–74 years, and 58% of those aged 85 years and over.⁶⁰⁵ About two-thirds of people aged 75 years and over are affected by a disability of some kind.⁶⁰⁶

One factor that may cause older people to downsize their housing is a large block and garden that is difficult to maintain. Access difficulties may also arise in situations where an older person becomes frail and there are obstructions or inadequate access. Other challenges can include the design of the house, which may be less user-friendly and accessible for a person as they grow older.

Finding 44

A person's core physical activities are constrained as they age. This increases the need for accommodation support services and is one factor leading people to downsize their accommodation.

(b) Barriers to voluntary downsizing

Despite the real physical and financial needs for older people to down size their accommodation, there are a number of barriers to them doing so.

⁶⁰⁵ Australian Institute of Health and Welfare, 'Australia's Health 2010', 23 June 2010. Available at: www.aihw.gov.au/publication-detail/?id=6442468376, p40. Accessed on 5 May 2011.

⁶⁰⁶ Department of Health and Ageing, 'Comprehensive Scoping Study on the Use of Assistive Technology by Frail Older People Living in the Community', 2 February 2011. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/0D4884B9C73FBDD9CA25782B000030B7/\\$File/AssistiveTechnologyReport.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/0D4884B9C73FBDD9CA25782B000030B7/$File/AssistiveTechnologyReport.pdf), p6. Accessed on 5 May 2011.

Emotional pressures

Several witnesses told the Committee of the reluctance of homeowners to downsize when their accommodation was larger than they needed. This reluctance was due to their concern about social isolation if they moved out of their existing community. It was also due to doubts about the alternatives forms of accommodation available:

*Part of the problem is that we do not have a language in Perth where we can say, "This is what it is like to live in medium density", because people either live in houses or have these salmon brick flats in Maylands and they go, "I don't want to live in one of those" and there is nothing in between. The Perth continuum is sort of skewed in many respects.*⁶⁰⁷

Current nursing home accommodation does not appeal to some of the 'baby boomer' generation, with as many as 75% of the over 50's saying that they would only move into a nursing home if they had no other choice.⁶⁰⁸ This view leads to a strong desire to stay in their own home:

*We know from the work that we have been doing looking at the baby boomer generation, for instance, that they have an abhorrence of institutionalised care or residential care, as we would describe it.*⁶⁰⁹

Some people may have difficulty in travelling to look at alternatives, as well as worrying about the stress of organising the buying and selling of property, such as the concern about dealing with real estate agents and other professionals involved in property purchase. This may be exacerbated for widows and widowers who may be doing these tasks on their own for the first time.⁶¹⁰

Cost of stamp duty on transfer of title

The State's stamp duty and property transfer taxes undermine the financial rationale for older people to downsize. A person would pay about \$31,000 in State fees and real estate charges if they were to downsize from a house to a unit and sold their house for \$500,000 (about the median price for a Perth house) and subsequently purchased a unit for \$400,000.⁶¹¹ This move would cost them about a third of the financial savings they would make by downsizing.

The retirement village industry has countered this worry by offering a 'lease for life' concept rather than a strata title or freehold tenure on their accommodation. This approach eliminates the

⁶⁰⁷ Mr Kieran Wong, Architect and Director, CODA, *Transcript of Evidence*, 16 February 2011, p7.

⁶⁰⁸ The Benevolent Society, 'Looking to the future: the care and housing of older Australians', 2008. Available at: www.cotaaustralia.org.au. Accessed on 1 June 2011.

⁶⁰⁹ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p2.

⁶¹⁰ NSW Committee on Ageing, (2002) *Where to Live as we Age . Stay Put or Move? The Housing Choices of Older Home-Owners in NSW: A Scene Setting Paper*, Sydney, p4.

⁶¹¹ RP Data, 'Perth House and Unit Prices', 2011. Available at: www.myrp.com.au/perth_house_prices.do. Accessed on 9 May 2011. On the sale of their house, a vendor will pay about \$18,000 in real estate agent fees and a further \$13,220 in stamp duty and transfer fees.

requirement for someone to pay stamp duty.⁶¹² The Productivity Commission in their 2011 draft report *Caring for Older Australians* addressed this issue and said:

*For home owners, one option is to sell and move to housing better suited to the delivery of the support and care they need. ... However, major regulatory (and associated financial) disincentives face older Australians who wish to pursue this option: notably stamp duty and the age pension assets test.*⁶¹³

The Henry Review also criticised stamp duty on a number of grounds and noted that “stamp duty creates a disincentive for people to buy or sell property, which can result in people not living in the house they really want to live in or staying too long in a house that could be better used by somebody else.”⁶¹⁴

In the 2010-11 State Budget, about \$1.2 billion was projected to be collected in stamp duty. The Committee was told that the State Government would not benefit by an increase in its GST payments if it did away with this tax as:

*the Commonwealth Grants Commission also examines things like the State’s capacity to raise revenue, so even if you reduced those, you would not necessarily get the full credit in the GST sense ... the Commonwealth Grants Commission would usually take about three years to make that adjustment, so you would have to live without that revenue for a while.*⁶¹⁵

In 2010 the NSW State Government introduced a new measure to encourage retirees into selling their house and downsizing to newly built residences. Homeowners aged over 65 were offered stamp duty savings up to \$22,490 to encourage them to move in a plan also aimed at boosting the new homes industry. The discount applied to purchases of newly constructed houses and units, off-the-plan acquisitions, and house and land packages. Seniors paid no stamp duty on property purchases costing up to \$600,000. About 70% of NSW house sales are under \$600,000.⁶¹⁶

Similarly, the Victorian Government proposed during the 2010 election a new policy offering \$38 million in stamp duty cuts to eligible pensioners over four years. A re-elected Labor government would have extended the stamp duty concession for ‘empty nest’ pensioners wanting to downsize to a smaller house or unit. An estimated 9,000 people would have benefited from this

⁶¹² Mr Stephen Kobelke, Chief Executive Officer, Aged and Community Services WA, *Transcript of Evidence*, 23 February 2011, p2.

⁶¹³ Productivity Commission, ‘Caring for Older Australians - Draft Report’, 21 January 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0011/104879/aged-care-draft.pdf, p315. Accessed on 23 May 2011.

⁶¹⁴ Productivity Commission, ‘Caring for Older Australians - Draft Report’, 21 January 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0011/104879/aged-care-draft.pdf, p315. Accessed on 23 May 2011.

⁶¹⁵ Mr Rodney Whithear, Executive Director, Strategic Policy and Evaluation, Department of Treasury, *Transcript of Evidence*, 22 August 2011, p8.

⁶¹⁶ Mr Jonathan Chancellor, ‘Zero Stamp Duty Lure for Older Homeowners to Downsize’, 8 June 2010. Available at: www.smh.com.au/nsw/zero-stamp-duty-lure-for-older-homeowners-to-downsize-20100608-xs40. Accessed on 22 August 2011.

move, with pensioners who bought a median-priced home of about \$565,000 being more than \$8,000 better off. Under the plan, the existing exemption from stamp duty for pensioners who bought a house or unit up to the value of \$330,000 would remain, but the threshold home price for stamp duty concessions would be lifted from \$440,000 to \$750,000.⁶¹⁷

The Association of Independent Retirees Ltd (WA Division) proposed to the Committee a once-only waiver of stamp duty following a retiree's sale of their place of residence and purchase of alternative accommodation. The retiree must be of, or above, the pensionable age and the waiver would be limited to that value of the First Home Owners Grant.⁶¹⁸

The Committee was told by Treasury officials that they were aware of these concessions, but that it "is not something that we are doing any significant work on... It would completely depend on a whole range of assumptions, such as the level of discount of stamp duty, the expected turnover, take-up."⁶¹⁹

Finding 45

There are financial disincentives facing older Australians who wish to downsize. One of these is the State Government's stamp duty.

Recommendation 30

The Treasurer in the 2012-13 State Budget provide stamp duty exemptions for retirees who are downsizing their primary residence.

Limited choice

The Committee was told that in Western Australia the range of affordable housing options for older residents on a low fixed income are limited:

if they want to move to accommodation more suited to their needs ... appropriate housing options for older people on fixed low incomes are extremely restricted. Even in some rural

⁶¹⁷ Mr Paul Austin, 'Stamp Duty Easing for Pensioners', 12 November 2010. Available at: www.theage.com.au/victoria/state-election-2010/stamp-duty-easing-for-pensioners-20101111-17pek.html. Accessed on 22 August 2011.

⁶¹⁸ Submission No. 37 from Association of Independent Retirees Ltd (WA Division), 15 March 2011, p4.

⁶¹⁹ Mr Rodney Whithear, Executive Director, Strategic Policy and Evaluation, Department of Treasury, *Transcript of Evidence*, 22 August 2011, pp2-3.

*areas the demand for rental housing has increased faster than supply, thereby pushing up prices.*⁶²⁰

Pensioners are often unable to transition out of public housing stock that is larger than they require. The Committee was told “Many will be under-occupying family homes, causing a knock on effect for the ability of the social housing stock to provide housing for families.”⁶²¹ On the other hand, the Housing Industry Association told the Committee that a wave of baby-boomers downsizing their properties had already begun in 2011. They want to build “very similar homes to what the genuine first home buyers should be building, however up spec. ... I want a large three-bedroom home so that when the kids keep coming back home they have somewhere to stay.”⁶²²

The UDIA gave similar evidence about a “significant shift in the mindset of buyers and, importantly, investors” as they become more interested in smaller, more affordable, houses. The UDIA said “we have also had people who are downsizers increasingly looking for those smaller products which then frees up some of the existing stock for families.”⁶²³

Councils in the central Wheatbelt told the Committee that aged accommodation across the region is an issue due to falling stock of low-rental dwellings. In part this is also attributable to a lack of infrastructure to support higher density, such as water treatment. The Committee was told that metropolitan aged care models do not work in the country, “it is not feasible to have 100 aged care units located in Bruce Rock for instance.”⁶²⁴

While there is a joint venture scheme available through the Department of Housing, most regional local governments have steered away from providing aged care because the joint venture scheme does not work in the more sparsely populated areas of the State.⁶²⁵

7.4 Housing the Aged of the Future

The challenges of an ageing population have been known for some time. The Committee was told that “if nothing changes, there is going to be a significant underclass almost of older people who are at risk in the rental housing market.”⁶²⁶ In 2002 the Australian Treasurer released the first *Intergenerational Report* looking at the likely impacts of Australia’s ageing population⁶²⁷ but very

⁶²⁰ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p2.

⁶²¹ Submission No. 24A from Aged and Community Services WA, 10 December 2010, p18.

⁶²² Mr John Dastlik, Executive Director, Housing Industry Association, *Transcript of Evidence*, 22 June 2011, p4.

⁶²³ Ms Debra Goostrey, Chief Executive Officer, Urban Development Institute of Australia (WA Division), *Transcript of Evidence*, 17 August 2011, p3.

⁶²⁴ Wheatbelt East Regional Organisation of Councils, Tammin, *Briefing*, 4 May 2011.

⁶²⁵ Ibid.

⁶²⁶ Mr Raymond Glickman, Chief Executive Officer, Amana Living, *Transcript of Evidence*, 16 March 2011, p3.

⁶²⁷ The Treasury, ‘The 2010 Intergenerational Report’, nd. Available at: www.treasury.gov.au/igr/igr2010/default.asp. Accessed on 22 August 2011.

little affordable, housing has since been built for older people. In the past, land was sometimes gifted and there were grants to help aged service providers construct new affordable housing. In the 1970s the Federal Government provided two-for-one grants for housing for older people. However, once those grants finished the aged care sector stopped building accommodation.⁶²⁸

The Reid Report review of the State's hospital system noted that 72% of all public hospital bed days in Western Australia were used by just 22% of the population and that one-third of these 'frequent users' were aged 75 years and over. The cost of patients remaining in acute hospital beds rather than in residential care was estimated by the Reid Report at \$32 million per annum.⁶²⁹

Some regional councils have recognised the need to begin planning for the surge of 'baby boomers' retiring and needing aged care. The Shire of Merredin released an aged accommodation strategy in 2010. About 10% of the Shire is currently aged over 70 years with about 25% aged over 55 years. By 2031 about half of the population over 55 years will be aged over 70 years.⁶³⁰ The study found a lack of diversity of housing types in the Shire which was a major problem as 10% of the older people surveyed wanted to move to a smaller dwelling in the next 12 months, with another 11% wanting to move within five years.⁶³¹

The Committee was told that very few community organisations have been able to build anything other than what is called 'lease-for-life' retirement villages, reducing housing options for those older citizens who cannot compete in the commercial housing market.⁶³² From the not-for-profit organisation's perspective, developing "user-pays retirement village accommodation" has released funds to assist them in the development of these facilities.⁶³³

Currently, the Federal and State Governments share responsibility in three areas for housing and supporting Western Australia's older population. These include:

- Economic programs– The key Federal program is the Aged Pension, which is a key source of income for many older Australians;
- Care programs– Australia's residential aged care and community-based care services, such as Home and Community Care (HACC), is funded by both the State and Federal Governments.

⁶²⁸ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p4.

⁶²⁹ Department of Health, (2004) *A Healthy Future for Western Australian, Report of the Health Reform Committee*, Department of Health, Perth, pp30-31.

⁶³⁰ Community Perspectives, 'Shire of Merredin Aged Accommodation Strategy- Final Report', March 2010, pp13-16.

⁶³¹ Ibid, p52.

⁶³² Mr Raymond Glickman, Chief Executive Officer, Amana Living, *Transcript of Evidence*, 16 March 2011, p3.

⁶³³ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p4.

- Housing programs— Housing policy is primarily a State Government policy area centred on the provision of public housing and subsidisation of private housing.⁶³⁴

A number of the larger, not-for-profit, aged care providers have begun to work together to try and address the question of how the diverse requirements of their low and moderate-income constituency can be addressed:

*Our existing suburban structures are generally not that good in terms of ageing in place, and our institutional settings—our residential care settings—are pretty unattractive to the next cohort looking for services. ... Then, for people who cannot be properly supported readily in the mainstream, what are the additional services that we need to be providing that will meet that higher care cohort...*⁶³⁵

The Productivity Commission's final report on aged-care noted that by 2050 over 3.5 million Australians are expected to use aged-care services each year. It proposed that current arrangements be replaced by a single national regime with a co-contribution from those using the new system. The rate of the co-contribution would be based on a person's financial circumstances and would allow them to access the equity in their home, but not require them to sell their home to meet their support costs. The Commission illustrated the effect of a lifetime limit of \$60,000 for this co-contribution and examined other limits the Federal Government might implement.⁶³⁶

Housing and support for the aged are increasingly concentrated at two ends of the accommodation spectrum:

- residential aged care; and
- ageing-in-place.

(a) Residential aged care

Not everyone can age and remain in their own home and community. A proportion of the aged require high levels of support. In 2008-09 more than 50% of residents in government-subsidised aged care facilities had dementia.⁶³⁷ As a consequence, the Federal Government subsidises the construction and operating costs of residential aged care facilities which operate at two levels:

- low-level care provided in 'low care facilities' (formerly known as hostels), and

⁶³⁴ AHURI, 'Age-specific Housing for Low to Moderate-income Older People', August 2010. Available at: www.ahuri.edu.au/publications/download/70589_pp, pp3-4. Accessed on 3 June 2011.

⁶³⁵ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, pp8-9.

⁶³⁶ Productivity Commission, *Caring for Older Australians - Inquiry Report: Volume 1*, 8 August 2011. Available at: www.pc.gov.au/_data/assets/pdf_file/0004/110929/aged-care-volume1.pdf, ppxxii-xxxviii. Accessed on 11 August 2011.

⁶³⁷ Australian Institute of Health and Welfare, 'Over Half of Aged Care Residents Have Dementia', 12 May 2011. Available at: www.aihw.gov.au/media-release-detail/?id=10737419076. Accessed on 18 May 2011.

- high-level care (sometimes referred to as high dependency) provided in ‘high care facilities’ (formerly known as nursing homes).⁶³⁸

The proportion of people in low-level residential care has declined. Of the existing residential aged care population, 70% are classified as high-care and new high-care beds are being allocated at nearly twice the rate of low-care beds.⁶³⁹ The reason for this decline is a combination of:

- consumer preference for community care services; and
- government policy, which has seen a move of funding away from supporting low-care facilities.

In 2009 the Australian Government spent almost \$10 billion to provide approximately 210,000 people with subsidised permanent residential aged-care, with an average of around 160,000 people receiving care each night in one of Australia’s 2,800 aged-care homes.⁶⁴⁰ Around half this budget is provided by the Aged-care Funding Instrument (ACFI), which was introduced in March 2008 to replace the Resident Classification Scale as the means of allocating Australian Government care subsidies to residential aged-care facilities.⁶⁴¹

Some health stakeholders believe that the ACFI is ‘bleeding low-care dry.’⁶⁴² By redistributing Federal funding to higher levels of dependency, the ACFI has significantly reduced the support for those with low-care needs. The net effect for providers is a financial incentive to not expand or retain low-care facilities. This means that the provision of low-level care for an ‘ageing-in-place’ strategy is critical.⁶⁴³

The nature of high-care needs, with a requirement for around the clock assistance and accommodation, ensures these services will have a high demand as the State’s population ages. While services are getting better at meeting higher levels of care for people in their own homes “there are groups of people who have needs that we cannot safely meet in those settings. If a

⁶³⁸ Seniors Information Services Inc, ‘Residential Aged Care’, 21 March 2011. Available at: www.seniors.asn.au/centric/residential_aged_care.jsp. Accessed on 3 June 2011.

⁶³⁹ Aged Care INsite, ‘The Great Demise?’, August/September 2010. Available at: www.agedcareinsite.com.au/pages/section/article.php?s=News&idArticle=17074. Accessed on 2 June 2011.

⁶⁴⁰ Hon Ms Justine Elliot, Minister for Ageing, ‘Review of the Aged-care Funding Instrument – Release of Terms of Reference’, 6 November 2009. Available at: [www.health.gov.au/internet/main/publishing.nsf/Content/ageing-acfi-review/\\$File/ReviewACFITerms%20of%20Reference.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-acfi-review/$File/ReviewACFITerms%20of%20Reference.pdf). Accessed on 22 August 2011.

⁶⁴¹ Department of Health and Ageing, ‘New Funding Model for Residential Aged Care’, 17 January 2011. Available at: www.health.gov.au/acfi. Accessed on 2 June 2011.

⁶⁴² Aged Care INsite, ‘The Great Demise?’, August/September 2010. Available at: www.agedcareinsite.com.au/pages/section/article.php?s=News&idArticle=17074. Accessed on 2 June 2011.

⁶⁴³ Ibid.

person has advanced dementia of some kind and is a wanderer, it is very hard to respond to that, as it is to people who have very unstable medical conditions”.⁶⁴⁴

The capital and operational costs of residential care have outstripped the combination of government subsidies and the providers’ revenue streams, making further expansion less viable:

*Essentially, it comes down to the economics of residential aged care. On a very generous basis, the cost of supporting a resident in an aged-care facility is \$42 a day. The current Commonwealth subsidy is \$28 a day. So that clearly identifies a problem. Western Australia has huge building costs. The Commonwealth assumption is around \$125,000 per residential bed placement. The Western Australian construction cost is at least \$250,000, and that does not include land.*⁶⁴⁵

The Australian Greens have claimed that Western Australia faces a crisis in residential aged-care because centre operators cannot afford the cost of providing services. Evidence was given to the Senate Inquiry into Residential and Community Aged-care that in 2008-09, aged-care providers only applied for 538 of the 1,208 beds allocated by the Federal Government to Western Australia. In 2007-08 providers failed to apply for 362 of the beds allocated by the Government.⁶⁴⁶ Aged-care operators have complained that the level of subsidy attached to the residential places made it unviable to build new beds, with some boycotting the process.⁶⁴⁷

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Federal funding is being diverted from low-care facilities to high-care facilities and this means that the residential care industry is forced to service only those people with high-care needs. This places pressure on community services providing low-care services to aged people in their homes. At the same time there are financial limits on the residential sector that limits their ability to meet the growing demand for residential accommodation.

(b) Ageing-in-place

Issues relating to the provision of suitable housing options for seniors are similar to those with disabilities:

⁶⁴⁴ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, pp8-9.

⁶⁴⁵ Mr Glenn Muskett, Chief Executive Officer, Braemar Presbyterian Care, *Transcript of Evidence*, 16 March 2011 p13.

⁶⁴⁶ Australian Greens, ‘Western Australia Leads Looming Aged-care Crisis’, 30 January 2009. Available at: <http://rachel-siewert.greensmps.org.au/content/media-release/western-australia-leads-looming-aged-carecrisis>. Accessed on 22 August 2011.

⁶⁴⁷ Ms Siobhain Ryan, ‘Aged Shun Nursing Homes and Stay Put’, *The Australian*, 30 January 2009. Available at: www.theaustralian.news.com.au/story/0,25197,24981623-5006790,00.html. Accessed on 22 August 2011.

- the importance of recognising the quality of the built environment;
- the need for social connectivity and the desire for independence; and
- the provision of effective support systems for successful independent living.⁶⁴⁸

Remaining in their existing home, or ‘ageing-in-place’, is the most desirable and often the most cost-efficient option for accommodating older Western Australians. However, the successful implementation of an ageing-in-place strategy is dependent on the effective supply of support services:

*Rather than a rigid service-delivery system, ageing-in-place strategies create both health care and housing options that provide support at the margin of need as defined by an individual’s personal desire and efforts to live independently. Ageing-in-place works best as part of a comprehensive and holistic approach to the support needs of an ageing individual and an ageing community.*⁶⁴⁹

The Productivity Commission found there are significant savings in health and aged care costs when older people are able to remain in their own homes and communities, and defer entering residential care.⁶⁵⁰ Historically, the provision and coordination of support to facilitate a family member ageing at home would be provided by their family. Now an increasing number of an elderly person’s children are unable to provide the same level of care and support:

*There are serious supply constraints to the provision of informal (family) care, due to smaller family size, more single person households, and less willingness of younger generations to care for the frail aged relative to their parents and grandparents.*⁶⁵¹

With the number of households with older people increasing at a faster rate than the growth of the general population, the Departments of Housing, Health and Community Services will increasingly need to work together to provide these services in an ‘whole of government’ fashion. About 70% of seniors currently spend their remaining life in the place where they celebrated their 65th birthday.⁶⁵² When a living environment is affordable and appropriate, an ageing individual is

⁶⁴⁸ Shire of Mundaring, ‘Housing Options: Seniors and People with Disabilities’, March 2006. Available at: www.mundaring.wa.gov.au/YourCommunity/AccessAndInclusion/Documents/HOUSING%20OPTIONS%20for%20Seniors%20and%20People%20with%20Disabilities.pdf, p7. Accessed on 1 June 2011.

⁶⁴⁹ Ms Kathryn Lawler, ‘Ageing in Place: Coordinating Housing and Health Care Provision for America’s Growing Elderly Population’, October 2001. Available at: www.jchs.harvard.edu/publications/seniors/lawler_w01-13.pdf, p1. Accessed on 18 May 2011.

⁶⁵⁰ Productivity Commission, *Caring for Older Australians - Draft Report*, 21 January 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0011/104879/aged-care-draft.pdf, p301. Accessed on 23 May 2011.

⁶⁵¹ National Seniors Australia, ‘The Future of Aged Care in Australia’, September 2010. Available at: www.nationalseniors.com.au/icms_docs/Future_of_Aged_Care_Report.pdf, p7. Accessed on 23 May 2011.

⁶⁵² Senior Resource.com, ‘Ageing-in-Place Topics’, 2011. Available at: www.seniorresource.com/ageinpl.htm. Accessed on 7 June 2011.

more likely to remain healthy and independent. Physical frailty makes living in ageing housing stock impractical for many people and exacerbates their health issues.⁶⁵³

There is a need for the Department of Housing or community housing associations to assess an elderly tenant's home to ensure that it is suitable for their health status:

*Resident assessments can provide detailed information about individual tenants' health needs, cognitive functioning, family relationships, language and cultural needs, major risk factors and frailty, and literacy levels. The quality of the elder's home environment ... is an important predictor of functional limitations, social isolation, substance abuse, and physical and mental disabilities.*⁶⁵⁴

Such assessments are increasingly being undertaken by the aged care sector. For instance, Uniting Church Homes told the Committee they provide in-home services to about 3,500 people:

*One of the first visits they receive is from an occupational therapist, who looks at their home to see what modifications are required to meet their changing needs. The organisation is very aware about what the minimum requirements are, and we will bring that to our planning and thinking ...*⁶⁵⁵

(i) Implications for public housing

Public housing is critical for many elderly Western Australians as it “offers a form of security every bit as indispensable as their retirement income. It can be their only bulwark against fear of homelessness, institutionalization, and isolation.”⁶⁵⁶

The need for affordable and accessible housing in our ageing society is reflected in the growing proportion of seniors on the State's waiting lists for housing. Seniors currently occupy more than 30% of the public housing stock, with the Department of Housing expecting demand to dramatically increase over the next decade.⁶⁵⁷ The situation is worsened as “older people are one of the groups least likely ever to transition out of social/affordable housing.”⁶⁵⁸

⁶⁵³ Ms Kathryn Lawler, ‘Ageing in Place: Coordinating Housing and Health Care Provision for America's Growing Elderly Population’, October 2001. Available at: www.jchs.harvard.edu/publications/seniors/lawler_w01-13.pdf, p1. Accessed on 18 May 2011.

⁶⁵⁴ The Council of Large Public Housing Authorities, ‘Public Housing and Supportive Services for the Frail Elderly: A Guide for Housing Authorities and Their Collaborators’, September 2006. Available at: www.milbank.org/reports/0609publichousing/0609publichousing.pdf, p8. Accessed on 3 May 2011.

⁶⁵⁵ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, p17.

⁶⁵⁶ The Council of Large Public Housing Authorities, ‘Public Housing and Supportive Services for the Frail Elderly: A Guide for Housing Authorities and Their Collaborators’, September 2006. Available at: www.milbank.org/reports/0609publichousing/0609publichousing.pdf, p1. Accessed on 3 May 2011.

⁶⁵⁷ Department of Housing, ‘Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing’, December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p27. Accessed on 18 July 2011.

⁶⁵⁸ Submission No. 24A from Aged and Community Services WA, 10 December 2010, p7.

Many older people are now living in public housing that is larger than they need. However, the Department of Housing (DoH) is unable to move them due to a lack of alternate one and two-bed accommodation options. DoH is now pursuing a strategy of working more closely with aged care providers and retirement village operators.⁶⁵⁹ They are also Encouraging aged care providers to form partnerships with community housing associations with the aim of freeing up larger housing stock.⁶⁶⁰

The DoH strategy is supported by Aged and Community Services WA (ACSWA). However, the strategy shouldn't see residential care as the alternative to public housing as in their view "residential care is essentially a care option, not a housing option."⁶⁶¹

(ii) Age-specific housing

An increasing number of resort or 'lifestyle' retirement villages that target upper socio-economic markets have been developed in Western Australia. Such developments represent age-specific housing that has been specifically constructed for older people with facilities and services targeted towards their care needs.⁶⁶² Age-specific housing is provided in different ways: for-profit and not-for-profit retirement villages, community housing, mobile home retirement communities, age-specific boarding houses, and assisted living villages.

The Committee was told by several aged services providers who had recently returned from a fact finding trip to the United States and Europe that they were surprised by how successful aged communities were that housed 3,000-4,000 people. The size of these communities meant that cost effective medical services could be put into place, and ensured it operated effectively as a community.⁶⁶³ The venture's size also lowered its construction costs and an individual's housing costs.⁶⁶⁴

The Western Australian providers went to the aged community in Baltimore USA prepared not to support its size or "the fact that it was not a mixed community of younger people and older people". The operators told them:

"What is so great about an old person living alone and being lonely?" ... when I challenged them on the old person ghetto situation... The point they unashamedly make is

⁶⁵⁹ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p27. Accessed on 18 July 2011.

⁶⁶⁰ Ibid.

⁶⁶¹ National Seniors Australia, 'The Future of Aged Care in Australia', September 2010. Available at: www.nationalseniors.com.au/icms_docs/Future_of_Aged_Care_Report.pdf, p7. Accessed on 23 May 2011.

⁶⁶² AHURI, 'Age-specific Housing for Low to Moderate-income Older People', August 2010. Available at: www.ahuri.edu.au/publications/download/70589_pp, p3. Accessed on 3 June 2011.

⁶⁶³ Mr Vaughan Harding, Chief Executive, Uniting Church Homes, *Transcript of Evidence*, 16 March 2011, pp8-9.

⁶⁶⁴ Mr Raymond Glickman, Chief Executive Officer, Amana Living, *Transcript of Evidence*, 16 March 2011, p10.

*that older people want to spend time mixing with older people and having fun together, just as we did not sit around at college and wish there were older people there with us. They are just challenging the basic way in which we are thinking about things.*⁶⁶⁵

(c) Support services for ageing-in-place

There are three broad strategies in Australian ageing policy: fiscal sustainability, positive ageing and ageing in place.⁶⁶⁶ In Western Australia, these strategies are expressed through the provision of a range of community-based support services which target an individual's health and well being. These strategies aim to support 'ageing in place'. The growing numbers of seniors in Western Australia and the increasing numbers of paid and informal carers needed mean that the sector needs to expand at a faster rate to keep pace with demand.⁶⁶⁷

In this State the main funding source for services supporting an ageing-in-place strategy is Home and Community Care (HACC). HACC was developed in 1985 with funding from the Federal Government matched by the State Government.

HACC-funded services that are prioritized to recipients in their own home include:

- community nursing (dispensing medication, changing dressings);
- meals (Meals on Wheels or in community centres);
- allied health services (counseling, occupational therapy, physiotherapy);
- personal care (bathing, dressing, feeding);
- home maintenance (putting in ramps and handrails, repairs, changing light bulbs);
- home help (cleaning, cooking); and
- respite care.⁶⁶⁸

With the decline in support for low-care residential services, outlined above, there is an increasing demand for support services provided through HACC to maintain an effective ageing-in-place strategy. The Committee was told that:

⁶⁶⁵ Ibid.

⁶⁶⁶ Mr Andrew Jones *et al.*, 'The Impact of Home Maintenance and Modification Services on Health, Community Care and Housing Outcomes in Later Life', February 2008. Available at: www.ahuri.edu.au/publications/download/20335_pp, p48. Accessed on 7 June 2011.

⁶⁶⁷ Aged and Community Services Australia, 'Caring for Older Australians: ACSA's Response', March 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0017/108512/subdr730b.pdf, p2. Accessed on 3 May 2011.

⁶⁶⁸ Department of Health, 'What is HACC?', nd. Available at: www.health.wa.gov.au/hacc/home/whatis.cfm. Accessed on 29 July 2011.

*a significant proportion of people who, in former years, would have been low-care residential care are now continuing to reside in our villages. This will only increase as the population ages and, because of funding issues, residential care becomes increasingly reserved for those with high care needs. It is imperative that the necessary support, and innovative service models, be developed if these people are to be housed outside residential care.*⁶⁶⁹

Such support services increasingly use technology, including remote monitoring, to support their programs, “people increasingly want to stay in their place of choice for as long as possible. The more that technology can be applied, the easier it is for them to do what they prefer to do.”⁶⁷⁰

However, the provision of support services to allow people to ‘age in place’ is not meeting the growing demands for them and the Council of the Ageing (COTA) believes “that the area of aged support and care that needs most urgent attention is the provision of community care.”⁶⁷¹

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The future development of efficient methods of service delivery to seniors who wish to ‘age in place’ relies on a more effective relationship between the State’s health, community services and housing departments.

Recommendation 31

The Ministers for Health, Seniors and Volunteering, and Housing in conjunction with WALGA develop by June 2012 a joint discussion paper on how the State and local governments can meet the future health and housing demands of an ageing population in a cost-effective way.

⁶⁶⁹ Submission No. 24A from Aged and Community Services WA, 16 December 2010, p5.

⁶⁷⁰ Mr Raymond Glickman, Chief Executive Officer, Amana Living, *Transcript of Evidence*, 16 March 2011, p3.

⁶⁷¹ COTA, ‘Federal Budget Submission 2011-12’, January 2011. Available at: www.cotaaustralia.org.au/e107_files/COTA_documents/publications/submissions/submission_federal_budget_2011.pdf, p7. Accessed on 3 May 2011.

CHAPTER 8 NEEDS FOR ACCOMMODATION SUPPORT

8.1 Introduction

Accommodation support is the provision of various support services to people receiving housing assistance. Many tenants who are older, disabled and disadvantaged need housing support to help them remain in their own home and to lead active lives. With an increase in social housing residents being drawn from disadvantage people with complex needs (rather than just low incomes)⁶⁷², the need for these support services has grown. The Department of Housing has noted a change in profile of their clients, “it has changed from a lot of working families to singles and people on very low incomes and who have other support needs. That has put pressure on the system as well.”⁶⁷³

Homelessness makes existing mental and physical illnesses worse. This results in increased pressure on the health and justice systems, as well as housing agencies. Some tenants need this support permanently. Although the provision of such services is costly, they improve tenants’ physical and mental health, and reduce the need for other, more costly services, such as inpatient mental health care and hospitalization.⁶⁷⁴

The Human Rights and Equal Opportunity Commission found that:

*One of the biggest obstacles in the lives of people with a mental illness is the absence of adequate, affordable and secure accommodation. Living with a mental illness – or recovering from it – is difficult even in the best circumstances. Without a decent place to live it is virtually impossible.*⁶⁷⁵

Support services need to be tailored according to an individual’s requirements. The Committee gathered evidence on a number of successful models from Australia and overseas. These include the Common Ground Model, the Foyer Model and the People with Complex Needs Project, but they are outside the scope of this Report.

⁶⁷² AHURI, ‘A Sustaining Tenancies Approach to Managing Demanding Behaviour in Public Housing: A Good Practice Guide’, July 2007. Available at: www.ahuri.edu.au/publications/download/40327_fr, pvii. Accessed on 2 May 2011.

⁶⁷³ Ms Tania Loosley-Smith, General Manager Strategy and Policy, Department of Housing, *Transcript of Evidence*, 28 January 2011, p3.

⁶⁷⁴ (2008) ‘Public Housing Authorities: Helping to End Homelessness Through Permanent Supportive Housing’, *Journal of Housing & Community Development*, March/April, p18.

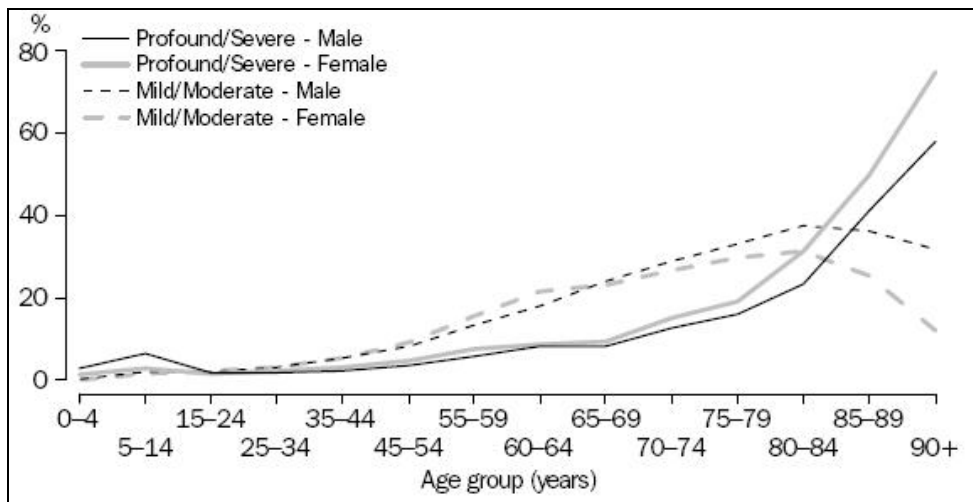
⁶⁷⁵ Human Rights and Equal Opportunity Commission, ‘Human Rights and Mental Illness: Report of the National Inquiry into the Human Rights of People with Mental Illness- Vol.1’, 1993. Available at: [www.hreoc.gov.au/disability_rights/inquiries/mental/Volume%201%20\(Text%20and%20pics\).pdf](http://www.hreoc.gov.au/disability_rights/inquiries/mental/Volume%201%20(Text%20and%20pics).pdf), p337. Accessed on 27 May 2011.

8.2 Who Needs Accommodation Support?

(a) Aged tenants

As people age, not only is housing affordability an issue but so is the need for support services, especially for the frail aged. Consideration needs to be given to the appropriateness of their housing, the availability and proximity of support services, and access to amenities and community networks. The rising proportion of people with disabilities once they reach 60-65 years of age is shown in Figure 8.1 below. The specific support needs of aged Western Australians were dealt with in the previous Chapter.

Figure 8.1- Age specific disability status rates, by sex⁶⁷⁶



(b) People who are homeless

In 2009-10, about 220,000 people (or 1% of Australians) used government-funded specialist homelessness services. Of these, 135,700 (62%) were clients and 84,100 (38%) were children accompanying their parents.⁶⁷⁷

The 2006 census showed there were about 13,400 homeless people in Western Australia. This is a rate of 69 per 10,000 residents and about 33% higher than the national average.⁶⁷⁸ Of these, about

⁶⁷⁶ Australian Bureau of Statistics, '4446.0-Disability, Australia, 2009', 2 May 2011. Available at: [www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/C2CB52449D58E51ACA25788100166FBC/\\$File/44460_2009.pdf](http://www.ausstats.abs.gov.au/Ausstats/subscriber.nsf/0/C2CB52449D58E51ACA25788100166FBC/$File/44460_2009.pdf), p7. Accessed on 29 July 2011.

⁶⁷⁷ Australian Policy Online, 'Government-funded Specialist Homelessness Services', 2011. Available at: www.apo.org.au/research/government-funded-specialist-homelessness-services. Accessed on 9 June 2011.

⁶⁷⁸ Australian Bureau of Statistics, '2050.0 - Australian Census Analytic Program: Counting the Homeless, 2006', 4 September 2008. Available at: www.abs.gov.au/AUSSTATS/subscriber.nsf/log?openagent&20500-2008Reissue.pdf&2050.0&Publication&57393A13387C425DCA2574B900162DF0&&2006&18.09.2008&Latest,px. Accessed on 3 May 2011.

2,400 were sleeping rough; 62% were aged 34 years or younger; 32% were aged 12-18, and 9% were children under 12 years who were with either one or both parents. Eleven per cent of the State's homeless population were Indigenous.⁶⁷⁹

In 2011, families were estimated to make up between a quarter and a third of Australia's homeless.⁶⁸⁰ Homelessness disrupts their children's education and development. Homeless families are less visible as they often stay with other family members or their friends.⁶⁸¹ Data shows that specialist agencies are:

*operating to capacity and are unable to completely meet the demand for their accommodation. Some groups, such as families, experience more difficulty than others in obtaining accommodation. When new requests for accommodation are considered on any given day, 58% of all people who sought immediate accommodation were turned away.*⁶⁸²

The key factors that lead to homelessness were identified in the Federal Government's *The Road Home* white paper launched in December 2008:

- the shortage of stable and affordable housing;
- family breakdown and domestic violence;
- long-term unemployment;
- mental health issues;
- alcohol and substance abuse; and
- people leaving healthcare services, child protection and correctional facilities.⁶⁸³

A Brisbane survey of 231 homeless people in 2010 showed their urgent need for both accommodation and support services. It showed that 49% had been victims of a violent attack and:

⁶⁷⁹ Department of Families, Housing, Community Services and Indigenous Affairs, 'Australian and Western Australian Governments Working Together to Reduce Homelessness', 20 June 2011. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/national_partnership_agreement/Pages/homelessness_wa.aspx. Accessed on 1 August 2011.

⁶⁸⁰ Australian Broadcasting Commission, 'Number of Homeless Families on the Rise', 3 May 2011. Available at: www.abc.net.au/news/stories/2011/05/03/3206136.htm. Accessed on 3 May 2011.

⁶⁸¹ Swinburne University of Technology, 'Homeless Families Living on the Edge', 5 August 2010. Available at: www.swinburne.edu.au/chancellery/mediacentre/alumni/news/2010/08/homeless-families-living-on-the-edge-. Accessed on 31 May 2011.

⁶⁸² AIHW. 'People Turned Away From Government-Funded Specialist Homelessness Accommodation 2009-10', June 2011. Available at: www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=10737419232&libID=10737419231, pv. Accessed on 16 June 2011.

⁶⁸³ Australian Government, 'The Road Home: A National Approach to Reducing Homelessness', 21 December 2008. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Documents/default.htm, pp6-9. Accessed on 16 June 2011.

- 87% reported at least one behavioural health issue;
- 47% had been to prison;
- 45% reported intravenous drug use;
- 26% had a history of foster care;
- 20% reported drinking everyday for the last 30 days; and
- 20% were Indigenous.⁶⁸⁴

The goals of *The Road Home* are by 2020 to:

- halve overall homelessness; and
- offer supported accommodation to all rough sleepers who need it.

About half of the new Federal funds will go towards preventing homelessness. Interim goals for 2013 aim to reduce overall homelessness by 20% and the number of people seeking repeat assistance is reduced by 25%.⁶⁸⁵ Under the National Partnership Agreement on Homelessness, the Federal and Western Australian Governments have contributed \$135.2 million over 2008-13 to reduce homelessness. Western Australia has developed an Implementation Plan setting out new housing initiatives and additional services such as:

- 33 new social housing dwellings for people on the social housing waiting list;
- secure housing and on-site support services for around 100 young people, including 35 young people who are at risk of, or experiencing, homelessness;
- housing support workers will support outreach teams to assist rough sleepers to access and maintain long-term stable accommodation;
- support for private and public tenants to help sustain their tenancies; and

⁶⁸⁴ Mr Dan Nancarrow, 'Who are Our Homeless', 11 June 2010. Available at: www.brisbanetimes.com.au/queensland/who-are-our-homeless-survey-reveals-answers-20100611-y2qo.html. Accessed on 31 May 2011.

⁶⁸⁵ Australian Government, 'The Road Home: A National Approach to Reducing Homelessness', 21 December 2008. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Documents/default.htm, p18. Accessed on 16 June 2011.

- support for women and children experiencing domestic and family violence to stay in their present housing where it is safe to do so.⁶⁸⁶

The State Government recently began construction of an innovative project for young people at risk of homelessness in Perth aged 15- 25 years. The Child Protection Minister, Hon Robyn McSweeney, said the Foyer Oxford would cater for up to 98 young people with about 10 of the residents having recently exited the child protection system. Foyer Oxford is a partnership between Anglicare, Foundation Housing and the Central Institute of Technology. It would cost \$23 million to build and fit out with funding from the Department for Housing, the Federal Government and Lotterywest. A further \$1.47million over two-years would be allocated to the Department for Child Protection to provide support services.⁶⁸⁷

In 2006 Western Australia had the highest rate of ‘rough sleepers’ after the Northern Territory. About 60% (or 1,400) of these were in regional and remote areas of the State. This means that the NPA funds to reduce rough sleeping need to focus on community organisations in these regions.⁶⁸⁸

(c) Those with complex needs

The management and support of individuals with complex needs presents the health, welfare, housing and criminal justice systems with significant challenges. The definition of complex needs includes:

- people with physical or sensory disability;
- people with cognitive impairment, either as a result of an intellectual disability or an acquired or organic brain injury; and
- people with a mental illness.⁶⁸⁹

In many instances, the health and housing needs of people with complex needs are compounded by a substance abuse or a dependency on alcohol. As private rental and purchased housing options are less accessible and affordable for people with complex needs, there is an increased pressure on

⁶⁸⁶ Department of Families, Housing, Community Services and Indigenous Affairs, ‘Australian and Western Australian Governments Working Together to Reduce Homelessness’, 20 June 2011. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/national_partnership_agreement/Pages/homelessness_wa.aspx. Accessed on 1 August 2011.

⁶⁸⁷ Hon Ms Robyn McSweeney, ‘First Sod Turned for Building of Australia’s First Foyer Model’, 15 August 2011. Available at: www.mediastatements.wa.gov.au/Pages/default.aspx?ItemId=143131&. Accessed on 23 August 2011.

⁶⁸⁸ Australian Government, ‘The Road Home: A National Approach to Reducing Homelessness’, 21 December 2008. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Documents/default.htm, p4. Accessed on 16 June 2011.

⁶⁸⁹ Mr Michael Bleasdale, ‘Supporting the Housing of People with Complex Needs’, September 2007. Available at: www.ahuri.edu.au/publications/download/70311_fr, p12. Accessed on 27 May 2011.

the public and community housing sectors.⁶⁹⁰ People with complex needs experience barriers to accessing housing as they require a range of individualised specialist supports as “no one model fits everyone.”⁶⁹¹

(i) Tenants who are mentally ill

The Committee was told that about 44% of the general population will experience a mental illness. This is about the same proportion as in the homeless population.⁶⁹² These people are housed in unstable accommodation such as hostels, boarding houses, emergency accommodation, shelters, or have no fixed address. People in such ‘secondary homelessness’ options often alternate with ‘sleeping rough’. Research shows that two-thirds of people experiencing secondary homelessness identify housing and housing support as their most important issues. There is also a strong association between secure housing and their clinical improvement. Stable housing has been shown to be a better predictor of reduced hospital admissions for homeless people than clinical interventions.⁶⁹³

(ii) Disabled tenants

In 2003 in Western Australia there were 405,500 people with a disability (or about 20% of the State’s population). About 115,800 people had a severe or profound disability. Of these, 44,300 were over 65 years of age and were not eligible for assistance from the Disability Services Commission (DSC). People with a profound disability need help with core activity tasks. A severe limitation refers to when a person sometimes needs help with a core activity task, has difficulty being understood by family or friends, or can communicate more easily using non-spoken forms of communication.⁶⁹⁴

The range of supports provided through the DSC or other agencies is tailored to an individual’s need. In respect to housing, it is about the location of the accommodation and the ability to provide relevant support to enable the person to live a normal life.⁶⁹⁵ The type of support a person may require includes:

personal care, development of skills and support with aspects of daily living. The extent of support required by people with disabilities is highly variable. For example, it can range

⁶⁹⁰ Ibid, p1.

⁶⁹¹ Mr Stephen Hall, Executive Director, WAAMH, *Transcript of Evidence*, 25 May 2011, p4.

⁶⁹² Hon Mr Keith Wilson, Advocate, *Transcript of Evidence*, 25 May 2011, p4 & p8.

⁶⁹³ Psychiatric Disability Services of Victoria, ‘Housing and Support: A Platform to Recovery’, August 2008. Available at: www.vicserv.org.au/uploads/documents/pathways/paper4.pdf, p3. Accessed on 27 May 2011.

⁶⁹⁴ Disability Services Commission, ‘Disability in Western Australia’, nd. Available at: [www.disability.wa.gov.au/dscwr/_assets/main/guidelines/documents/doc/disabilitywafactsheet05_-_english_\(id_2778_ver_1.0.0\).doc](http://www.disability.wa.gov.au/dscwr/_assets/main/guidelines/documents/doc/disabilitywafactsheet05_-_english_(id_2778_ver_1.0.0).doc). Accessed on 27 May 2011.

⁶⁹⁵ Dr Ron Chalmers, Director General, Disability Services Commission, *Transcript of Evidence*, 6 April 2011, p6.

*from minimal support, such as someone to drop in on a weekly basis, to extensive support 24 hours a day.*⁶⁹⁶

(d) Prisoners released back into the community

It is difficult to determine what proportion of ex-prisoners experience homelessness as there is an absence of adequate data. However, research shows that ex-prisoners are over-represented in all forms of homelessness, and homeless people are more likely to be imprisoned than those with housing.⁶⁹⁷ There is also a correlation between homelessness and re-offending rates.⁶⁹⁸ Research examining mental illness and criminal justice highlights the need to seek housing and support as an alternative to imprisonment, and as a cost effective strategy to prevent recidivism.⁶⁹⁹

Interstate research of prisoners serving terms of one year or less showed that “Indigenous participants, especially women, fared the worst in finding suitable accommodation and staying out of prison... followed by young attached men and sole parents (mainly female)”. The problem for housing and other services in assisting prisoners was exacerbated by the ex-prisoners concentrating into disadvantaged suburbs on their release.⁷⁰⁰

The release phase is a point of great vulnerability for ex-prisoners. This time is one of intense demands for prisoners when they come into contact with old acquaintances and the temptations of old habits. The Committee heard that having their housing needs addressed in isolation is not an adequate response for ex-prisoners. It requires the provision of support services and other measures to ensure an ex-prisoner’s successful re-entry into society.⁷⁰¹ The Committee was told:

Appropriately supported longer-term accommodation needs for ex-offenders post release be prioritized. Clients need to be case managed in a more holistic sense with a longer-term effective multidisciplinary throughcare model (including transitional accommodation with

⁶⁹⁶ Prof. Daniela Stehlik, ‘Think Tank on Accommodation Support- Final Report, October 2006. Available at: www.family-advocacy.com/help/THink%20Tank%20Final%20Report%20to%20Minister%20_2_.pdf, p6. Accessed on 5 May 2011.

⁶⁹⁷ Dr Eileen Baldry, ‘Recidivism and the Role of Social Factors Post-release’, 2007. Available at: www.sydneyshove.org/Social_Factors_Post_Release.pdf, p4. Accessed on 5 May 2011.

⁶⁹⁸ Department of Families, Housing, Community Services and Indigenous Affairs, ‘Ex-Prisoners, SAAP, Housing and Homelessness in Australia’, 13 April 2010. Available at: www.facsia.gov.au/sa/housing/pubs/homelessness/saap_er_publications/exprisoners/Documents/sec_exc_su m.htm. Accessed on 7 October 2010.

⁶⁹⁹ Ms Robyn Edwards *et al.*, ‘Housing and Associated Support for People with Mental Illness or Psychiatric Disability’, May 2009. Available at: www.sprc.unsw.edu.au/media/File/Report4_09_Housing_Associated_Support.pdf, pv. Accessed on 2 May 2011.

⁷⁰⁰ Dr Eileen Baldry *et al.*, ‘Ex-Prisoners and Accommodation: What Bearing do Different Forms of Housing Have on Social Reintegration?’, August 2003. Available at: www.ahuri.edu.au/publications/download/70068_fr, p2. Accessed on 3 August 2011.

⁷⁰¹ Community Development and Justice Standing Committee, (2010) *Making our Prisons Work - Final Report*, Parliament of Western Australia, Perth, p33-55.

*intersectoral support) that acknowledges many will have very complex needs that may hinder their successful re-integration into the community...*⁷⁰²

8.3 Why Provide Housing Support Services?

There are several advantages to providing support services to tenants along with accommodation. Firstly, these services help sustain public housing tenancies and avoid the revolving door of homelessness, with its associated costs to government and community organisations. In terms of disturbance from anti social behaviour, there are only a small number of public housing tenants that exhibit this behaviour. These often include:

- young people;
- people with mental illness and addiction;
- people with physical disabilities or ill health;
- single parents;
- people with large families; and
- Indigenous people.⁷⁰³

Recent media reports have highlighted that the State Government's new 'three-strikes' policy towards public housing tenants has had a major impact on Indigenous tenants. While the Minister for Housing, Hon Troy Buswell, rejected claims that his 'big stick approach' to social housing tenants was racially discriminatory, the Equal Opportunity Commission "has been flooded with complaints from Indigenous tenants of State-owned housing who have been evicted under the 'three strikes and you're out' policy." Sister Dolores Coffey, who runs the Daydawn centre, said 28 Aboriginal clients, many with children, had been evicted in July 2011.⁷⁰⁴

Secondly, studies confirm that socially supported accommodation can provide a springboard to recovery and are an essential adjunct to housing for people whose homelessness is compounded by their mental health problems.⁷⁰⁵ With a government focus on 'deinstitutionalisation' many public housing residents have complex needs. If they are to successfully reside in a community

⁷⁰² Submission No. 23 from Outcare Incorporated, 10 December 2010, p3.

⁷⁰³ AHURI, 'A Sustaining Tenancies Approach to Managing Demanding Behaviour in Public Housing: A Good Practice Guide', July 2007. Available at: www.ahuri.edu.au/publications/download/40327_fr. Accessed on 2 May 2011.

⁷⁰⁴ Ms Colleen Egan, 'Aboriginals 'hit hard' by Three-strikes Eviction Rule', *The West Australian*, 2 August 2011, p17.

⁷⁰⁵ Dr Graham Bowpitt & Mr Marcus Jepson, 'Stability Versus Progress: Finding an Effective Model of Supported Housing for Formerly Homeless People with Mental Health Needs', 2007. Available at: www.uppress.co.uk/socialpolicy_pdf/Bowpitt.pdf, p2. Accessed on 2 May 2011.

setting they need adequate support otherwise they become iteratively homeless.⁷⁰⁶ Often their support needs are greater than when they were housed in large institutions.⁷⁰⁷

A community housing association told the Committee it had greater links to support services than government agencies as:

*We partner with the support services providers. Their core business is providing support to individuals. Our core business is housing Collectively, we are able to manage it better because we can identify issues early and deal with them rather than let them fester too long when they become a major problem. By the time you have to get police or evict somebody, there are lots of things that could have been done beforehand. It is that early intervention and partnering up with support services and other community support organisations that can really make a difference.*⁷⁰⁸

8.4 The Costs and Benefits of Providing Supported Accommodation

In assessing the costs and benefits of providing support services, the costs to the community of homelessness include:

- the immediate costs of providing of crisis and transitional accommodation within the Supported Accommodation Assistance Program (SAAP);
- increased demand for government services such as health, mental health, drug and alcohol, child and family services;
- a larger number of people caught up in the criminal justice;
- lost productivity;
- costs of a person's exclusion from education, employment and training; and
- long-term costs associated with inter-generational disadvantage.⁷⁰⁹

In light of the above, supported accommodation is both financially beneficial to the State Government as well as socially responsible, as it:

ends homelessness for people with chronic barriers to health and housing stability, who are cycling through the systems meant to assist them. We know that supportive housing has

⁷⁰⁶ Ms Tania Loosley-Smith, General Manager Strategy and Policy, Department of Housing, *Transcript of Evidence*, 28 January 2011, p3.

⁷⁰⁷ Department of Housing and Works, 'Strategic Directions for Housing Service Delivery in Western Australia: Review Report', June 2008, Available at: www.dhw.wa.gov.au/Files/strategic_directions_housing0806.pdf, piii. Accessed on 30 May 2011.

⁷⁰⁸ Mr Shane Hamilton, WA State Manager, Community Housing Limited, *Transcript of Evidence*, 22 August 2011, p3.

⁷⁰⁹ AHURI, 'A Sustaining Tenancies Approach to Managing Demanding Behaviour in Public Housing', 2007. Available at: www.ahuri.edu.au/publications/download/40327_fr. Accessed on 2 May 2011.

*a positive impact on people's health, employment and stability, and is a cost effective use of our scarce public resources.*⁷¹⁰

A number of overseas studies have highlighted the cost savings to government of providing adequate support to individuals with mental illness and addictions. In the United Kingdom (UK) a group of councils in North East England undertook a short study to determine the cost and benefits of providing housing support services. They found that taking money out of the 'Supporting People Program'⁷¹¹ would have resulted in increased expenditure elsewhere. Cost savings were largest in reduced criminal justice and health costs.⁷¹²

For aged tenants, the UK research demonstrated that services that prevent or delay admission to registered care provide significant financial savings. The study concluded that there were significant cost benefits for socially excluded client groups, including the aged. The greatest savings were for the single homeless (£5 million in savings for £4 million in expenditure) and those dependent on alcohol (£2.3 million in savings for £1.4 million in expenditure).⁷¹³

The savings found in the UK study on the Supporting People Program were replicated in a 2006 study undertaken by the Welsh Assembly Government. The results of this study are summarised in Figure 8.2 and show an overall cost-benefit ratio of about 1.8.

⁷¹⁰ Center for Urban Community Services, 'Developing the "Support" in Supportive Housing', 2003. Available at: www.knowledgeplex.org/showdoc.html?id=132548. Accessed on 2 May 2011.

⁷¹¹ The Supporting People Program began in 2003 and bought together seven UK Government housing-related funding streams. It is a decentralised programme administered through 152 authorities who have discretion over where to direct their funds to best meet local needs- see Department for Communities and Local Government, 'Housing for Older and Disadvantaged People', nd. Available at: www.communities.gov.uk/housing/housingolderpeople/. Accessed on 22 August 2011.

⁷¹² Ms Kathy Bee and Ms Helen Woods, 'North East Region Cost Benefit Analysis and Lessons Learnt From Supporting People', September 2010. Available at: www.northeastiep.gov.uk/North%20East%20Councils/NE%20REIP%20cost%20benefit%20and%20lessons%20learnt%20from%20SP%20fi.pdf, p2. Accessed on 29 April 2011.

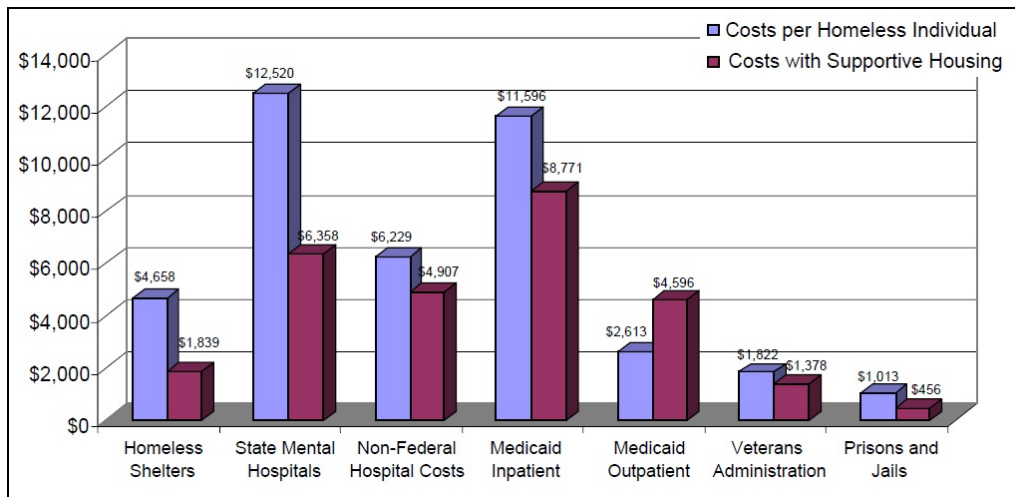
⁷¹³ Ibid, p12.

Figure 8.2- Overall savings by Welsh client group⁷¹⁴

	Client group	Spend	Quantifiable savings	Net benefit
e1	Women seeking refuge from domestic violence	£8,240,763	£56,187,110	£47,946,346
e2	People with learning disabilities	£37,227,399	£40,569,794	£3,342,394
e3	People with mental health problems	£14,813,351	£10,874,989	-£3,938,362
e4	People with alcohol dependency	£3,624,740	£1,414,946	-£2,209,794
e5	Problem drug users	£3,740,525	£1,427,886	-£2,312,639
e8	Young single homeless and young people leaving care	£7,364,103	£4,965,955	-£2,398,148
e9	Ex-offenders	£3,688,027	£3,568,315	-£119,712
e10	Homeless or potentially homeless people	£13,928,379	£31,024,855	£17,096,475
e14	Older People	£14,464,553	£30,030,539	£15,565,985
	Totals	£107,091,845	£180,064,389	£72,972,545

In New York City, a 2007 study found that each unit of housing provided with permanent support services saved US\$16,282 per year in public costs. Figure 8.3 below shows the savings in costs by sector upon provision of supportive housing programs.

Figure 8.3- Savings per unit of supportive housing⁷¹⁵



⁷¹⁴ Welsh Assembly Government, ‘Costs and Benefits of the Supporting People Program- Executive Summary’, September 2006. Available at: <http://wales.gov.uk/desh/publications/housing/benefitsupportingpeople/summary.pdf>, p5. Accessed on 29 April 2011.

⁷¹⁵ National Alliance to End Homelessness, ‘Supportive Housing is Cost Effective’, January 2007. Available at: www.endhomelessness.org/files/1200_file_Supportivehousingaves.pdf, p1. Accessed on 2 May 2011.

Other research from a range of cities in the United States provides further evidence for supportive housing programs, especially in terms of savings achieved in the use of high-cost public services such as hospital emergency rooms (ER):

- **Chicago**– 29% fewer hospital days, 24% fewer ER visits;
- **San Francisco**– 56% fewer ER visits, 44% fewer inpatient hospital admissions. One year prior to supportive housing program– \$33,686/person in healthcare costs. One year in to supportive housing program– \$9,786/person in healthcare costs;
- **Denver**– 34% fewer ER visits, 40% fewer inpatient hospital days, 82% fewer detox visits, 76% fewer days in jail, 50% improved health status, 43% improved mental health, 15% reduced substance use. Savings of \$31,545 per person over 2 years;
- **Maine**– 38% fewer psychiatric hospitalizations, 62% fewer days in jail, 68% fewer police contacts; and
- **Seattle**– 41% lower Medicaid charges, 19% fewer EMS paramedic interventions, 87% fewer sobering centre admissions, 42% fewer days in jail. Over one year, \$372,000 spent on housing and services program saved \$1.5 million in other costs.⁷¹⁶

Finding 48

Integrating social, clinical, support and housing services is a widely-used intervention for homeless people with a history of mental illness, substance abuse and complex needs. This approach has demonstrated significant cost savings to service delivery agencies and has proved to be an effective means of re-integrating families and individuals into the community.

8.5 Is Adequate Support Available?

Under the *Affordable Housing Strategy 2010-20*, the Department of Housing is seeking to achieve improved coordination between housing providers and support agencies. These include agencies that provide services for clients with specific needs (i.e. the Departments for Child Protection, Communities, Indigenous Affairs and Corrective Services, and the Mental Health and Disability Services Commissions).⁷¹⁷ However the Committee was told:

⁷¹⁶ Reaching Home, 'New Data Confirms Cost-Effectiveness of Supportive Housing', April 2011. Available at: www.ctreachinghome.org. Accessed on 2 May 2011.

⁷¹⁷ Department of Housing, 'Affordable Housing Strategy 2010-20: Opening Doors to Affordable Housing', December 2010. Available at: www.openingdoorswa.com.au/Files/AHS_Report_final.pdf, p23. Accessed on 18 July 2011.

*We are not provided with a lot of money for tenancy support programs. Having said that, we run tenancy support programs, and we try and get money from other places to run tenancy support programs. I think that everybody recognises that those tenancy support programs are really important...*⁷¹⁸

(a) Adequacy of accommodation and support for people with disabilities

The Disability Services Commission support people who have moderate, severe and profound disabilities and the approach to service delivery in accommodation is one of individual preference. Resources are provided to those who need support by means of funding packages granted to approved service providers. This approach relies heavily on a network of Local Area Coordinators, who work with people with disability and their families to negotiate available supports.⁷¹⁹

In 2011, the Productivity Commission found that across Australia “The current disability support system is under-funded, unfair, fragmented, and inefficient, and gives people with a disability little choice and no certainty of access to appropriate supports.”⁷²⁰

The Director General of the Disability Services Commission told the Committee that there is unmet demand for services in Western Australia.⁷²¹ There are about 160,000 people in the State who have moderate, severe and profound disabilities but only 22,000 gain access to specialist services. Many of these require public housing.⁷²² However, the Director General said that “we are looking at fewer than 5,000 people in supported accommodation.”⁷²³

The Director General emphasised that “there is general acknowledgement across the nation that disability services are under-funded. Having said that, there has been significant growth—from successive [State] Governments I have to say—over the past two decades.”⁷²⁴

⁷¹⁸ Ms Helen Harvey, Acting General Manager, Service Delivery, Department of Housing, *Transcript of Evidence*, 28 January 2011, p20.

⁷¹⁹ Mr Michael Bleasdale, ‘Supporting the Housing of People with Complex Needs’, September 2007. Available at: www.ahuri.edu.au/publications/download/70311_fr, p14. Accessed on 27 May 2011.

⁷²⁰ Productivity Commission, ‘Disability Care and Support- Draft Report Vol. 1’, 28 February 2011, Available at: www.pc.gov.au/__data/assets/pdf_file/0018/106353/draft-disability-vol-1.pdf, p2. Accessed on 27 May 2011.

⁷²¹ Dr Ron Chalmers, Director General, Disability services Commission, *Transcript of Evidence*, 6 April 2011, p5.

⁷²² Ibid, p3.

⁷²³ Ibid, p5.

⁷²⁴ Ibid, p11.

Finding 49

There is a significant shortfall in Western Australia in the availability of accommodation and other support services for those who have moderate, severe and profound disabilities. Only a small number of disabled people gain access to supported housing services despite significant funding increases over the past 20 years.

(b) Adequacy of accommodation and support for ex-offenders

The Committee found in a previous inquiry, *Making our Prisons Work*, that a large proportion of prisoners return to the community without arranged accommodation, or a clear idea as to how they will find accommodation. This makes the problem of post-release accommodation a serious one and a cause of high rates of recidivism.⁷²⁵

Outcare Incorporated is the principle non-government provider of rehabilitative and supportive services for offenders, ex-offenders and their families and it “helps ex-offenders access crisis, medium and long term accommodation upon release from prison depending on their individual need.” Both accommodation and the provision of support services are major issues for Outcare. It can only satisfy 160 of the 1,800 referrals for accommodation it receives each year.⁷²⁶

Poverty, social disadvantage, exclusion and isolation is the post-release reality for many ex-offenders (especially when family and friends networks are limited or no longer available). Accommodation is a significant issue as ex-prisoners face the following problems in accessing suitable housing:

- those imprisoned for six months or more who were housed in a single occupant dwelling lose their Homeswest accommodation;
- imprisonment may have resulted in the loss of the family home and bankruptcy (especially when the main income earner is in prison);
- they are a high-risk group for becoming homelessness;
- private accommodation and Supported Accommodation Assistance Program (SAAP) providers are reluctant to house ex-offenders;
- real estate agents have ‘black lists’ for many ex-prisoners;
- employment prospects are adversely affected without stable accommodation;

⁷²⁵ Community Development and Justice Standing Committee, (2010) *Making our Prisons Work - Final Report*, Parliament of Western Australia, Perth.

⁷²⁶ Submission No. 23 from Outcare Incorporated, 10 December 2010, p4.

- lack of a current credit rating and stable rental history make it difficult to get references for accommodation; and
- limited income to pay for security bond or rent in advance.⁷²⁷

In Outcare's experience, some of Perth's generic accommodation and support services do not understand the issues of ex-offenders, even if they have beds available. Outcare have accommodation totalling 30 units with 50 beds to try to address the need of ex-offenders, but this only meets 10% of the demand. For those clients that can access Outcare's accommodation, the agency works to address their needs and stabilise their lives in a manner they believe other agencies cannot.⁷²⁸

Finding 50

The provision of accommodation, employment and support services are key parts of a strategy to reduce recidivism in Western Australia. The current access to accommodation and support services for ex-offenders through the public or private rental market is very limited due to a broad range of psychosocial, health and financial reasons.

Recommendation 32

The Minister for Housing ensure that the Department of Housing funds specialist Registered Providers, such as Outcare Incorporated, to provide transitional housing options for ex-offenders. This would be conditional on the recipient agency's clients receiving support services as well as accommodation.

(c) Adequacy of accommodation and support for the mentally ill

The Western Australian Auditor General found that the "the consequences of not providing care for people suffering from mental illness are likely to be significant for them and the community."⁷²⁹ One of these consequences is the established link between mental illness and homelessness. It is urgent that the State Government address the issue of mental health accommodation supports as a Victorian study found that at least 42% of people with severe mental

⁷²⁷ Submission No. 23 from Outcare Incorporated, 10 December 2010, pp8-9.

⁷²⁸ Mr Peter Sirr, Chief Executive Officer, Outcare Incorporated, *Transcript of Evidence*, 13 April 2011, p3.

⁷²⁹ Western Australian Auditor General, 'Adult Community Mental Health Teams: Availability, Accessibility and Effectiveness of Services', October 2009. Available at: www.audit.wa.gov.au/reports/pdfreports/report2009_10.pdf, p5. Accessed on 27 May 2011.

illness are currently housed in unstable forms of accommodation.⁷³⁰ The Committee was told that the figures are similar in Western Australia.⁷³¹

The Western Australian Association for Mental Health estimates there are currently between 1,500 and 2,000 people with a mental health disorder waiting for accommodation.⁷³² A particular problem is the 70% of people with mental illness and a drug or alcohol addiction as they are often not treated by health and other support services.⁷³³

For people with a mental illness, housing means affordable and appropriate accommodation plus access to the support services necessary for them to maintain tenure. This support needs to be scalable, flexible and tailored to meet individual needs.⁷³⁴ There has been a significant increase in the funding provided for community-based support for people with psychosocial disabilities under COAG's National Mental Health Plan 2006-2011.⁷³⁵ However, the Senate Standing Committee on Community Affairs in 2008 acknowledged that "such community-based support services have been so under-funded that substantial further investment is urgently needed to meet community need."⁷³⁶ About 12% of Supported Accommodation Assistance Program (SAAP) clients report a mental health problem and about a third require ongoing assistance with mental health issues. The majority of these clients are men aged between 25 and 44 years of age.⁷³⁷

(i) Support on discharge from hospital

It is common for mentally ill people in Western Australia to be discharged from hospitals into homelessness, or temporary accommodation with inadequate support resulting in their homelessness. About 26% of those discharged from hospitals had no contact with public community-based mental health services within 14 days. The ARAFMI Mental Health Carers and Friends Association said that "often people are released and nobody follows up to see if they

⁷³⁰ Psychiatric Disability Services of Victoria, 'Housing and Support: A Platform to Recovery', August 2008. Available at: www.vicserv.org.au/uploads/documents/pathways/paper4.pdf, p1. Accessed on 27 May 2011.

⁷³¹ Hon Mr Keith Wilson, Advocate, *Transcript of Evidence*, 25 May 2011, p4 & p8.

⁷³² Mr Stephen Hall, Executive Director, Western Australian Association for Mental Health, *Transcript of Evidence*, 25 May 2011, p2.

⁷³³ Ms Angela Powell, 'Help Denied Mentally Ill WA Addicts', *The Western Australian*, 1 December 2010, p24.

⁷³⁴ Psychiatric Disability Services of Victoria, 'Housing and Support: A Platform to Recovery', August 2008, Available at: www.vicserv.org.au/uploads/documents/pathways/paper4.pdf, p3. Accessed on 27 May 2011.

⁷³⁵ Mental Health Council of Australia, 'Submission to: The Productivity Commission Inquiry into Disability Long Term Care and Support', April 2011. Available at: www.pc.gov.au/__data/assets/pdf_file/0010/110170/subdr0961.pdf p8. Accessed on 27 May 2011.

⁷³⁶ Senate Standing Committee for Community Affairs, 'Towards Recovery, Mental Health Services in Australia', 25 September 2008. Available at: www.aph.gov.au/Senate/committee/clac_ctte/mental_health/report/report.pdf, p43. Accessed on 27 May 2011.

⁷³⁷ Australian Government, 'The Road Home: A National Approach to Reducing Homelessness', 21 December 2008. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Documents/default.htm, p8. Accessed on 16 June 2011.

received whatever planned treatment they were supposed to get... because services are under pressure.”⁷³⁸

The breakdown in the care of mentally ill people reporting to the State’s hospital emergency departments without any follow up on their discharge was reported by the Auditor General in 2001 and 2005.⁷³⁹ The situation continues, although the State Government has provided some additional assistance in the recent 2011-12 Budget:

*the kind of accommodation that is recommended, which in the old terms was called ‘step-down accommodation’, is accommodation where there is a lesser level of support than in hospital but still strong clinical and psychological social support. Those facilities do not exist to any great extent, although the Government has ... announced that two such facilities will be built at Joondalup and Rockingham.*⁷⁴⁰

Finding 51

Adequate supported housing for people with chronic mental illness remains a major gap in the State’s community-based care sector. A significant number of those with mental illness do not receive this support and it is particularly important for those who are recently discharged from hospitals.

Finding 52

There is a need in Western Australia to establish more long-term, step-up and step-down community-based accommodation for people with mental illness that are linked with clinical and psycho-social supports and rehabilitation services.

(ii) Assessment of future accommodation needs

A 2008 Department of Housing and Works report said that “there is a requirement for the effective assessment of need and an identification of support services in place and required.”⁷⁴¹ There has been an increasing awareness of the importance for such an assessment of future mental health accommodation needs. This has been driven by reform linking needs assessment to government policy in the care of people with mental illness but is difficult as “standardised mental health

⁷³⁸ Ms Angela Pownall, ‘Mentally Ill Patients Lack Follow Up Care’, *The West Australian*, 2 June 2011, p16.

⁷³⁹ Hon Mr Keith Wilson, Advocate, *Transcript of Evidence*, 25 May 2011, p1.

⁷⁴⁰ Ibid.

⁷⁴¹ Department of Housing and Works, ‘Strategic Directions for Housing Service Delivery in Western Australia: Review Report’, June 2008, Available at: www.dhw.wa.gov.au/Files/strategic_directions_housing0806.pdf, piii. Accessed on 30 May 2011.

needs assessments vary widely. An individual's mental health needs cannot be meaningfully separated from their social care needs as:

*The multi-faceted nature of people's needs means that mental health care is only partly about statutory services. Many of the factors which contribute to an individual's well-being - good housing, a job, adequate income - are not, or cannot be provided by mental health services alone. ... Health services and their colleagues in local authorities need to understand how the totality of an individual's needs are met - by all local resources and facilities.*⁷⁴²

The Committee was told that in Western Australia there is no assessment of the level of actual need and the approach taken tends to be a "sort of stopgap approach to this which does not attempt to address need; it simply attempts to put in place some provision for some people."⁷⁴³

Finding 53

The State's current needs assessment for accommodation services for those with a mental illness uses the existing services as the basis of future planning. There is a limited assessment of the actual level and nature of need for the care of people with mental illness.

(iii) Recent budget initiatives

The current position in respect to mental health support services is similar to that for disability services. Major failures in providing both accommodation and related support have been acknowledged at both the State and Federal level. The National Partnership on Homelessness requires the State Government to implement a policy of 'no exits into homelessness' from statutory, custodial care, hospital and mental health services for those at risk of homelessness.⁷⁴⁴

In Western Australia, recent initiatives to address these failures include the establishment of the Mental Health Commission (MHC) and consideration of system-wide reforms.⁷⁴⁵ The 2011-12 Budget included:

⁷⁴² Ms Helen Smith, (1997) 'Needs Assessment in Mental Health Services: The DISC Framework', *Journal of Public Health Medicine*, Vol. 20, No.2, pp154-160.

⁷⁴³ Hon Mr Keith Wilson, Advocate, *Transcript of Evidence*, 25 May 2011, p2.

⁷⁴⁴ Australian Government, 'The Road Home: A National Approach to Reducing Homelessness', 21 December 2008. Available at: www.fahcsia.gov.au/sa/housing/progserv/homelessness/whitepaper/Documents/default.htm, p27. Accessed on 16 June 2011.

⁷⁴⁵ Mr Stephen Hall, Executive Director, Western Australian Association for Mental Health, *Transcript of Evidence*, 25 May 2011, p2.

- the MHC will direct 51% of its \$531 million budget to community mental health services to deliver early intervention rather than waiting until acute symptoms cause high-cost hospitalisation;
- growth funding of \$25.2 million will be available to help 100 people make a successful transition from hospital inpatient care to living in the community among their family and friends; and
- 100 social housing homes for people with mental illness will be provided and will add to the 50 homes provided for mental health clients through the National Building Housing Stimulus program in 2009-10.⁷⁴⁶

The 100 new homes are funded by a budget allocation of \$46.5 million which was transferred to the Department of Housing from the Mental Health Commission. This will provide 80 metropolitan homes and 20 in regional areas. These homes will be ‘spot purchased’ by the Department “in the area of choice specific to each person’s requirements” and none will be required to be purpose built.⁷⁴⁷

Finding 54

The 2011-12 State Budget has provided increased funding for services funded by the Mental Health Commission and 100 additional social houses for the mentally ill.

Recommendation 33

The Ministers for Housing and Mental Health undertake a review by June 2012 and report to Parliament on the actual level and nature of accommodation and support service needs of Western Australians with mental illness.

The Department of Housing’s *House 2 Home* pilot program is a successful modification of a long abandoned but previously successful State Government program that operated in the late 1970s in various parts of the State, including most notably and in Fitzroy Crossing where it was called the ‘Homemaker Program’. The Committee was briefed on the program’s success in the Kimberley.

⁷⁴⁶ Mental Health Commission, ‘Separate Budget’, 2010. Available at: www.mentalhealth.wa.gov.au/whats_new/whats_new_mhc/whats_new_mhc_info6.aspx#budget. Accessed on 30 May 2011.

⁷⁴⁷ Hon Mrs Helen Morton, Minister for Mental Health, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Questions on Notice, 6 September 2011, p6736.

Finding 55

The Department of Housing's *House 2 Home* pilot program in Roebourne is a repeat of successful 'in-house' support programs that have previously been operating in a small number of locations around Western Australia. There is a need to move this pilot program into an embedded continuing program of government responding to the needs of tenants who are having difficulties maintaining their tenancies.

Recommendation 34

The Minister for Housing provide funds in the 2012-13 Budget to mainstream the *House 2 Home* program throughout the State.

Finding 56

There is a deficit of affordable supported accommodation options for social housing applicants.

Recommendation 35

The Committee recommends that the State Government increase the number of supported accommodation units to meet the needs of tenants moving into education, training and employment opportunities. These units are required for applicants moving from situations of dysfunction, people with disabilities, with mental health issues, and released from prison.

APPENDIX ONE

SUBMISSIONS RECEIVED

Number	Date	Name	Position	Organisation
1	23 August 2010	Ms Anne Arnold	Chief Executive	Real Estate Institute of WA
3	7 October 2010	Mr Andrew Wildy	General Manager – Accommodation & Towns Management	Rio Tinto Iron Ore
4	20 October 2010	Ms Daphne Smith		
5	29 October 2010	Mr Bob Mitchell	Chairman	Country Housing Authority
6	25 November 2010	Ms Maria Osman	Executive Director	Office of Multicultural Interests
7	26 November 2010	Mr Bernard Elliott		Steel Homes
8	1 December 2010	Mr Adrian Glamorgan		
9	2 December 2010	Ms Jenny Gayland	Acting Coordinator	Schizophrenia Fellowship Albany & Districts Inc
10	1 November 2010	Mr Dave Hulme	Chair	Hilton Precinct Group
11	23 November 2010	Ms Kelly-Anne Charles	Community Development Coordinator (Community Planning)	City of Armadale
12	6 December 2010	Mr Frank Edwards	Chief Executive Officer	City of Perth
13	7 December 2010	Mr Peter Evans		
14	7 December 2010	L. Rollinson		
15	7 December 2010	R. Raven		
16	7 December 2010			Growth Provider Network
17	8 December 2010	Ms Helen Westcott	Executive Officer	Wheatbelt Regional Organisation of Councils
18	8 December 2010	Hon Ms Lynn MacLaren, MLC	Greens WA Spokesperson on Housing	Member of the Legislative Council

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

19	8 December 2010			Daydawn Advocacy Centre
19A	19 August 2011	Sister Dolores Coffey, RSM	Director	Daydawn Advocacy Centre
20	9 December 2010	Mr Ken Marston	Chief Executive	Council on the Ageing Western Australia Inc
21	10 December 2010	Mr Barry Doyle	Senior Policy Officer	Community Housing Coalition of Western Australia
22	10 December 2010	Dr Ruth Shean	Director General	Department of Training and Workforce Development
23	10 December 2010	Ms Carol Mitchell	Policy and Research Officer	Outcare Inc
24	10 December 2010	Mr Stephen Kobelke	Chief Executive Officer	Aged & Community Services Western Australia Inc
25	10 December 2010	Ms Deanne Ferris	Communications Officer	WA Network of Alcohol and other Drug Agencies (WANADA) and WA Association for Mental Health (WAAMH)
26	10 December 2010	Ms Ricky Burges	Chief Executive Officer	WA Local Government Association
27	13 December 2010	Mr Ian Ashby	President (Iron Ore)	BHP Billiton Iron Ore Pty Ltd
28	13 December 2010	Ms Barbara Powell	Director, Community Services and Development	Town of Kwinana
29	13 December 2010	Mr Graeme Sherriff	Chief Executive Officer	Freemasons WA
30	4 January 2011	Mr Rob Boardman	Director, Development Services	Town of Vincent
31	17 December 2010	Ms Elizabeth Po	Coordinator	Federation of Housing Collectives WA
32	11 January 2011	Mr Patrick Hubble	Director	Architecture Collective
33	11 January 2011	Ms Bronwyn Kitching	Executive Officer	Shelter WA
34	17 January 2011	Mr Peter Stubbs		
35	18 February 2011			Women's Council for Domestic and Family Violence Services (WA)
36	9 March 2011			CPSU/CSA

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

37	15 March 2011	Mr Don Keene	President	Association of Independent Retirees Ltd, WA Division
38	5 April 2011	Ms Lyn Levy	Acting Chief Executive Officer	Western Australian Council of Social Services Inc
39	15 June 2011			Department of Planning
40	29 June 2011	Mr Steven Parry	Acting Director General	Department of Housing

APPENDIX TWO

HEARINGS HELD

Date	Name	Position	Organisation
28 January 2011	Mr Grahame Searle	Director General	Department of Housing
	Ms Tania Loosely-Smith	General Manager, Strategy and Policy	Department of Housing
	Ms Helen Harvey	Acting General Manager, Service Delivery	Department of Housing
	Mr Greg Cash	Director, Affordable Housing Policy	Department of Housing
	Mr Paul Whyte	General Manager, Commercial and Business Operations	Department of Housing
16 February 2011	Mr Colin McClughan	Executive Officer	Community Housing Coalition of WA
	Mr Barry Doyle	Senior Policy Officer	Community Housing Coalition of WA
	Mr Kieran Wong	Director	CODA
	Ms Bronwyn Kitching	Executive Officer	Shelter WA
	Dr Shae Garwood	Research Officer	Shelter WA
	Mr Ian Duncan	Economist	Western Australian Local Government Association
	Ms Allison Hailes	Executive Manager, Planning and Community Development	WA Local Government Association
	Ms Michele Poepjes	Policy Manager, Community	WA Local Government Association
23 February 2011	Mr Julian Wright	Senior Strategic Housing Officer	City of Perth

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

	Mr Stephen Kobelke	Chief Executive Officer	Aged & Community Services WA Inc
	Mr Robert Bunny	Member	Aged & Community Services WA Inc
	Ms Jennie Vartan	Member	Aged & Community Services WA Inc
16 March 2011	Mr Vaughan Harding	Chief Executive	Uniting Church Homes
	Mr Glenn Muskett	Chief Executive Officer	Braemar Presbyterian Care
	Mr Raymond Glickman	Chief Executive Officer	Amana Living
23 March 2011	Mr Ross Holt	Chief Executive Officer	LandCorp
	Mrs Kerry Fijac	General Manager Business Development and Marketing	LandCorp
6 April 2011	Dr Ron Chalmers	Director General	Disability Services Commission
	Mr David Granville	Senior Project Officer	Disability Services Commission
13 April 2011	Mr Peter Sirr	Chief Executive Officer	Outcare Inc
	Ms Jill Rundle	Chief Executive Officer	Western Australian Network of Alcohol & Other Drug Agencies
	Ms Carol Daws	Treasurer	Western Australian Network of Alcohol & Other Drug Agencies
18 May 2011	Dr Russel Perry	Chief Executive Officer	Capricorn Village Joint Venture
25 May 2011	Hon Mr Keith Wilson	Mental Health Advocate	
	Mr Stephen Hall	Executive Director	Western Australian Association for Mental Health
15 June 2011	Mr Eric Lumsden	Director General	Department of Planning
22 June 2011	Mr John Dastlik	Executive Director	Housing Industry Association WA Region

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

	Ms Anne Arnold	Chief Executive	Real Estate Institute of WA
29 June 2011	Mr Steven Parry	Acting Director General	Department of Housing
	Ms Tania Loosely-Smith	General Manager, Strategy and Policy	Department of Housing
	Mr Paul Whyte	General Manager, Commercial and Business Operations	Department of Housing
10 August 2011	Mr Doug Tyler	Director, Infrastructure Policy and Planning, Chair, Property Asset Clearing House	Department of Treasury
	Mr Anthony Kannis	Executive Director, Infrastructure and Finance	Department of Treasury
	Mr Gilbert Tyack	Manager, Property Asset Clearing House	Department of Regional Development and Lands
	Mr Shane Hamilton	State Manager	Community Housing Limited
17 August 2011	Ms Debra Goostrey	Chief Executive Officer	Urban Development Institute of Australia (WA)
22 August 2011	Mr Anthony Kannis	Executive Director, Infrastructure and Finance	Department of Treasury
	Mr Rod Whithear	Executive Director, Strategic Policy and Evaluation	Department of Treasury

APPENDIX THREE

BRIEFINGS HELD

Date	Name	Position	Organisation
23 August 2010 Brisbane	Ms Christine Harvey (and staff)	Executive Director, Social Housing Programs	Department of Communities, QLD
	Mr David Cant (and staff)	Chief Executive Officer	Brisbane Housing Company
24 August 2010 Melbourne	Dr Ian Winter	Executive Director	Australian Housing and Urban Research Institute
	Mr Ken Downie	Registrar of Housing Agencies	Housing Registrar, Department of Human Services, Victoria
	Mr Anthony Hardy	Director	Housing Registrar, Department of Human Services, Victoria
	Mr John McInerney	Managing Director	Common Equity Housing Limited
26 August 2010 Sydney	Mr Mark Sheppard	Executive Director, Strategic Projects	Housing New South Wales
	Mr Michael Mundine	Chief Executive Officer	Aboriginal Housing Company, NSW
	Ms Lani Tuitavake	General Manager	Aboriginal Housing Company, NSW
16 September 2010 Perth	Mr Graham Searle (and staff)	Director General	Department of Housing
28 February 2011 Adelaide	Mr Bob Day	Managing Director	Home Australia Group
	Mr Paul Downton	Architect, Christies Walk	Urban Ecology Australia
	Hon Ms Jennifer Rankine, MLA	Minister for Housing	Government of South Australia
	Mr Matthew Woodward	General Manager	Unity Housing

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

1 March 2011	Mr Philip Fagan-Schmidt	Executive Director	Housing South Australia
	Mr Ciaran Synnott	Executive Director	Community Housing Council of South Australia
	Mr Paul Madden	Executive Director	HABITAT
2 March 2011 Canberra	Mr Sean Innis	Group Manager, Housing and Homeless	Department of Families, Housing, Community Services and Indigenous Affairs
	Ms Lisa Croke-Brancj	Manager	Department of Families, Housing, Community Services and Indigenous Affairs
	Prof. Julian Disney	Director, Social Justice Project	University of NSW
	Mr Adrian Pisarski	Executive Officer	Queensland Shelter
	Mr Malcom Thompson	Deputy Secretary	Department of Sustainability, Environment, Water, Population and Communities
	Mr James Shevlin	First Assistant Secretary	Department of Sustainability, Environment, Water, Population and Communities
	Hon Ms Joy Birch, MLA	Minister for Housing	ACT Government
3 March 2011 Melbourne	Mr Michael Lennon	Chief Executive Officer	Housing Choices Australia
	Mr Ken Downie	Registrar of Housing Agencies	Housing Registrar, Department of Human Services, Victoria
	Mr Anthony Hardy	Director	Housing Registrar, Department of Human Services, Victoria
	Mr Rowan Dowland	General Manager Development	mecu

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

	Ms Anna Hughes	Regulatory Department	Standard and Poors Australia Pty Ltd
	Ms Jodie Henson	Regulatory Department	Standard and Poors Australia Pty Ltd
	Mr Rob Leslie	Chief Executive Officer	Yarra Community Housing
	Mr Stephen Nash	Chief Executive Officer	HomeGround Services
28 March 2011 Port Hedland	Mr Patrik Melberg	Manager, Communities Port and Rail	BHP Billiton
	Ms Morag Lowe	Principal	Hedland First National
	Mr Bob Neville	Manager	Bloodwood Tree
29 March 2011 Karratha	Ms Diane Pentz	Chief Executive Officer	Regional Development Australia Pilbara
	Ms Collene Longmore	Chief Executive Officer	Shire of Roebourne
	Mr John Verbeek	Manager, Economic Development	Shire of Roebourne
	Mr Andrew Ward	Director, Community and Corporate Services	Shire of Roebourne
	Ms Jo Prichard	Councillor	Shire of Roebourne
	Mr David Pentz	Director, Development Regulatory and Infrastructure Services	Shire of Roebourne
	Mr Kim Henshaw	Chief Executive Officer	Karratha District Chamber of Commerce and Industry
	Ms Felicity Gilbert	Assistant Director, Regional Delivery	Pilbara Development Commission
	Mr Chris Adams	General Manager	Pilbara Cities
30 March 2011 Broome	Mr Kenn Donohoe (and staff)	Chief Executive Officer	Shire of Broome
	Mr Howard Pedersen (and staff)		Nyamba Bum Yawuru Ltd
30 March 2011 Kununurra	Mr Peter Stubbs	Director, Ord East	Department of Regional Development and Land Kununurra

COMMUNITY DEVELOPMENT AND JUSTICE STANDING COMMITTEE

	Mr Kent Osmotherly	Managing Director	Ecoefficient Homes
	Mr Garry Gaffney (and staff)	Chief Executive Officer	Shire of Wyndham/ East Kimberley
	Mr Keith Wright	Councillor	Shire of Wyndham/ East Kimberley
	Ms Michele Pucci	Chair	Regional Development Australia - Kimberley
	Ms Wendy Kelly	General Manager, Corporate Services	Wunan Foundation
	Mr Murray Coates	General Manager	Wunan Pathways
1 April 2011 Darwin	Mr Ken Davies	Chief Executive	Territory Housing, NT
	Ms Catherine Weber	Deputy Chief Executive Strategic Policy and Governance	Territory Housing, NT
	Ms Lisa Brady	Director Policy	Territory Housing, NT
	Mr Greg McNamara	Architect	Tropo Architects Darwin
	Ms Lena Yali	Architect	Tropo Architects Darwin
	Mr Andrew Kirkman	Executive Director	Remote Housing NT
	Mr Pat Sowry	Australian Government Executive Director	Remote Housing NT
	Mr John Cooper	Finance and Logistics Manager	Remote Housing Systems Pty Ltd
	Mr Dave Silva	Sales Manager	Remote Housing Systems Pty Ltd
18 April 2011 Perth	Mr Graham Searle (and staff)	Director General	Department of Housing
4 May 2011 Tammin	Ms Helen Westcott and Wheatbelt East Regional Organisation of Councils	Executive Officer	Shire of Bruce Rock, Shire of Kellerberrin, Shire of Merredin, Shire of Tammin, Shire of Westonia, Shire of Yilgarn

APPENDIX FOUR

FUTURE DIRECTIONS FOR AFFORDABLE HOUSING⁷⁴⁸

GOAL	STIMULATING ACCESS TO AFFORDABLE HOUSING			
KEY REFORMS	Reform public housing provision	Promote growth through other sectors	Increase land and housing options	Improve support and transition incentives
PRINCIPLES	More effective interventions for more people, rather than a 'public house for life' welfare solution	Long-term public, private and community partnerships to finance and deliver housing	Wider affordable land and housing options outside the public system	Active support and interventions to encourage transition to private accommodation
ACTIONS	<ul style="list-style-type: none"> • More social housing stock • Detailed demand model • Housing needs register • Refined eligibility criteria • More effective rent setting and tenancy management policies • Better asset management • Improved under-occupancy and stock alignment • Support to encourage independence and transition out of the public system • Complementary Commonwealth/State reforms 	<ul style="list-style-type: none"> • Larger community sector (stock transfer, leveraged growth, common waiting list) • Active small and medium for-profit providers (NRAS, rental brokerage scheme) • Housing innovation unit to develop: <ul style="list-style-type: none"> ⇒ <i>Tradable finance and investment instruments to attract institutional investors</i> ⇒ <i>Innovative mixed tenure trial projects</i> ⇒ <i>Possible not-for-profit housing company</i> 	<ul style="list-style-type: none"> • Planning system reform • Planning policies and tools <ul style="list-style-type: none"> ⇒ <i>Increase zoning densities</i> ⇒ <i>Ancillary accommodation</i> ⇒ <i>Incentives for affordable housing</i> • State land agencies <ul style="list-style-type: none"> ⇒ <i>Affordable supply</i> ⇒ <i>Demonstration projects</i> • Affordable housing priority for disposal of surplus State land • Local Government/Regional housing strategies 	<ul style="list-style-type: none"> • Specific measures for regional and Aboriginal housing • Better links across housing and homelessness services • Private rental assistance <ul style="list-style-type: none"> ⇒ <i>Bond assistance, subsidies</i> ⇒ <i>Brokerage, tenancy guarantees</i> • Targeted home ownership programs (shared equity and refined Keystart products) • Improved coordination of support for people with ongoing or complex needs
OUTCOMES	Housing when people need it, for the agreed duration of their need	Maximum community and market-based solutions	More effective outcomes from the land and planning system	Specific needs addressed from homelessness to home ownership

⁷⁴⁸

Department of Housing, 'Housing 2020: Future Directions for Affordable Housing', October 2009. Available at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_2020.pdf, p3. Accessed on 21 July 2011.

APPENDIX FIVE

INFORMATION ABOUT THE SOCIAL HOUSING SECTOR

Table A5.1- Demographics of social housing, Australia (2008-09)⁷⁴⁹

	Male tenants (%)	Female tenants (%)	Median age of main tenant (years)
Public rental housing	37.1	62.9	54
SOMIH [#]	24.3	75.7	44
Community housing	35.0	65.0	-

[#] State-owned and managed Indigenous housing program

Table A5.2- Social housing dwellings (30 June 2009)⁷⁵⁰

	Western Australia	Australia
Public rental housing	31,668	336,464
SOMIH	2,275	12,056
Community housing	5,110	41,718
Indigenous community housing	3,366	20,232
Crisis accommodation program	543	7,687
TOTAL	42,962	418,157

⁷⁴⁹ AIHW, 'A Profile of Social Housing in Australia', September 2010. Available at: www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=6442464913, p6. Accessed on 3 August 2011.

⁷⁵⁰ Ibid, p7.

Table A5.3- Educational qualification of tenants (2006)⁷⁵¹

	Social housing tenants (%)	Other tenants (%)
Postgraduate degree, diploma or certificate	0.9	6.6
Degree	3.4	15.0
Advanced diploma	3.6	7.8
Certificate III/IV	13.1	17.6
Certificate I/II	2.4	1.9
Certificate (not defined)	0.4	0.3
Year 12	12.2	18.0
Year 11	7.2	8.1
Year 10	23.2	14.4
Year 9	14.8	4.7
Year 8 or below	18.2	4.6

⁷⁵¹ Ibid, p37.

APPENDIX SIX

DEPARTMENT OF HOUSING'S LANDHOLDINGS FOR DEVELOPMENT PURPOSES⁷⁵²

Type	Project Name	Land Area (ha)		Development			DUES* remaining
		Original	Current	Commenced	Estimated commencement	Estimated completion	
Joint Venture	Banksia Grove	338.50	295.62	2006		2022-23	3,043
	Brighton	680.00	160.00	2000		2011-12	1,700
	Dalyellup	845.38	349.98	1999		2015-16	778
	Ellenbrook	1,200.00	403.00	1991		2020-21	3,300
	Meve	80.20	4.57	2001		2011-12	76
	Oyster Harbour	212.89	191.00	2007		2017-18	2,144
	Seacrest	161.20	38.30	1999		2016-17	300
	Wellard	321.00	154.00	2003		2019-20	2,000
	Harrisdale	27.00	27.00		2010-11	2014-15	467
	Wungong Reach (Brookdale)	311.20	311.20		2010-11	2019-20	2935
	Whitean Edge (Henley Brook)	225.70	225.70		2011-12	2019-20	2790
Hammond Park	32.00	32.00		2012-13	2016-17	415	
Joint Venture Total	4,435.07	2,192.37				19,948	
Non JV & Undeveloped Holdings	Belgravia Central	71.00	8.00	TBA		2010-11	151
	McKail (Clydesdale Park)	40.00	8.63	2007		2015-16	200
	Golden Bay	156.72	156.72		2011-12	2018-19	2,000
	Kwinana (Train Station - Wing Lots)	8.85	8.85		2011-12	2017-18	305
	Southern River	17.00	17.00		2011-12	2012-13	264
	Stratton (Talbot Rd)	16.47	16.47		2011-12	2012-13	246
	Tuart Brook	58.80	58.80		2011-12	2016-17	979
	Bottlebrush Dr Kiara	14.25	14.25		2012-13	2012-13	102
	Glen Iris	55.20	55.20		2012-13	2014-15	200
	Kwinana Town Centre	36.00	36.00		2012-13	2018-19	460
	Lockyer (Mueller St)	21.29	21.29		2012-13	2017-18	250
	Parmelia	58.00	58.00		2012-13	2018-19	322
	South Coast Hwy McKail	21.91	21.91		2012-13	2016-17	300
	Stratton West	64.97	64.97		2012-13	2018-19	650
	Keralup	4,000.00	4,000.00		2014-15	2018-19	30,000
	Kwinana (Train Station - Super Lots)	7.00	7.00		2014-15	2017-18	340
	Esperance (Nulsen)	114.00	114.00		2015-16	2016-17	1,000
	Karloo	128.00	128.00		2015-16	2018-19	1,650
Geraldton (Beachlands)	4.78	4.78	2010		2010-11	115	
South Hedland	45.69	23.18	2010		2010-11	200	
Katanning (Lot 8)	9.87	9.87		2017-018	2018-19	100	
Non JV & Undeveloped Holdings Total	4,949.80	4,832.91				39,834	
Built Form	Joondalup (Lot 9000)	9.67	9.67		2013	2014	670
	Bentley Redevelopment Project	12.00	12.00		2012	2016	1,000
Built Form Total	21.67	21.67				1,670	

* DUES: Dwelling Unit Equivalents

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Mr Grahame Searle, Director General, Department of Housing, Response to Questions on Notice, 21 April 2011, Attachment 3.

APPENDIX SEVEN

CHANGES TO THE STATE'S PUBLIC HOUSING PORTFOLIO (2000-10)⁷⁵³

Table A7.1- Changes to the State's public housing properties: ALP Governments (2000-08)

	2000-01	2001-03	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Change
Rental properties	35,111	35,068	35,025	35,038	34,870	34,500	34,879	35,473	+1.03%
JV projects	1,556	1,614	1,708	1,752	1,800	1,856	1,918	1,953	+25.51%
Community housing properties	667	734	789	828	836	864	872	888	+33.13%
Crisis accommodation	373	394	425	447	471	485	514	520	39.41%
Remote area Indigenous housing	1,023	1,062	1,115	1,182	1,223	1,361	1,438	1,526	49.17%
Urban Indigenous housing	-	-	-	-	-	18	30	32	
SCHIP								266	
Resident-funded JV properties	-	109	119	119	119	126	-	-	
TOTAL	38,730	38,981	39,181	39,366	39,319	39,210	39,651	40,658	+4.98%

⁷⁵³

Department of Housing, 'Annual Reports: Housing Authority', 2010. Available at: www.dhw.wa.gov.au/585_420.asp, p141, and Department of Housing, 'Annual Report Archive', 2010. Available at: www.dhw.wa.gov.au/585_1771.asp. Accessed on 2 September 2011.

Table A7.2- Changes to the State's public housing properties: Liberal/National Government (2007-11)⁷⁵⁴

	2007-08	2008-09	2009-10	2010-11	Change
Rental properties	35,473	35,800	35,950	36,539	+3.0%
JV projects	1,953	1,980	1,975	2,012	+3.0%
Community housing properties	888	899	892	917	+3.3%
Crisis accommodation	520	532	526	544	+4.6%
Remote area Indigenous housing	1,526	1,535	1,619	1,697	+11.2%
Urban Indigenous housing	32	32	32	30	-6.2%
SCHIP	266	416	568	753	+183.1%
TOTAL	40,658	41,194	41,562	42,492	+4.5%

Table A7.3- Changes to the State's public housing and Federal housing funds (2001-11)⁷⁵⁵

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
New stock	103	137	118	-88	-254	490	919	527	266	2,118
Federal funds (\$million)	90.8	89.9	79.8	81.5	82.8	83.8	85.8	122.8	423.7	386.7

⁷⁵⁴ Department of Housing- Housing Authority, '2010-11 Annual Report', 2011. Available at: www.housing.wa.gov.au/HousingDocuments/authority_10_11_annual_report.pdf, p173. Accessed on 5 October 2011, and Department of Housing, 'Annual Report Archive', 2010. Available at: www.dhw.wa.gov.au/585_1771.asp. Accessed on 2 September 2011.

⁷⁵⁵ Hon Mr Troy Buswell, Minister for Housing, Western Australia, Legislative Assembly, *Parliamentary Debates* (Hansard), Questions on Notice, 8 September 2011, p7152.

APPENDIX EIGHT

NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS)

(a) What is NRAS?

NRAS seeks to address the shortage of affordable rental housing by offering financial incentives to the business sector and community housing organisations to build and rent dwellings to low and moderate income households at 20% below-market rates for a period of 10 years.⁷⁵⁶ NRAS aims to:

- increase the supply of new affordable rental housing;
- reduce rental costs for low and moderate income households; and
- encourage large scale investment and innovative delivery of affordable housing.

The Australian Government has committed \$260 million to NRAS between 2009-13 to stimulate construction of up to 50,000 homes and apartments.

(b) NRAS incentives for developers

NRAS offers a substantial annual tax-free incentive for every dwelling built under the program. Investors need to apply for NRAS Incentives, and if offered, must agree to rent approved dwellings at 20% or more below current market rates, to low and moderate income households.

The NRAS Incentive is a funding stream not available to standard residential property investors. Each approved dwelling attracts the NRAS Incentive for 10 years, so long as investors continue to comply with the program's tenant eligibility and rent discount conditions. The annual income-tax free incentive is \$9,140 per dwelling, and is indexed each year to the rental component of the CPI.

The NRAS incentive comprises:

- an Australian Government contribution of \$6,855 per dwelling per year (as a refundable tax offset or payment); and
- a State Government contribution of \$2,285 per dwelling per year (in direct or in-kind financial support).

⁷⁵⁶ Department of Sustainability, Environment, Water, Population and Communities, 'National Rental Affordability Scheme: About the Scheme', 8 July 2011. Available at: www.environment.gov.au/housing/nras/about.html. Accessed on 10 August 2011.

(c) Income eligibility

Income eligibility limits for the National Rental Affordability Scheme are higher than those for other social housing programs.

<u>Person</u>	<u>Annual income level</u>
First single adult	\$42,386
Each additional adult	\$16,210
Each child	\$14,057
First sole parent	\$44,581
Couple with three children	\$104,913

(d) Participation by non-profit organisations

Non-profit organisations can become involved in NRAS by:

- being contracted by investors to provide tenancy and property management services for participating NRAS dwellings;
- teaming up with other partners in joint ventures or consortia arrangements to construct and manage new dwellings; or
- applying for NRAS incentives to help construct and manage dwellings themselves.

APPENDIX NINE

THREE MODELS OF NON-GOVERNMENT FUNDING OF THE COMMUNITY HOUSING SECTOR⁷⁵⁷

The Affordable Housing National Research Consortium provides the most comprehensive recent assessment of the ways in which government assistance might be used to leverage institutional funds into investment in affordable housing. The approaches outlined below are three supply-side solutions that provide capital for investment through different channels. Each of these was assessed by the Consortium against a range of criteria covering efficiency, equity, risk, effectiveness, budgetary impact and political feasibility. The Consortium's preferred solution is the first option, based on a Federal Government subsidy designed to ensure a guaranteed minimum return to debt investors.

A) Bonds Model

Although the Consortium investigated this option in relation to State Housing Authorities, the Community Housing Coalition of WA argues that it could be used to fund growth housing providers in general. This option requires state (and territory) governments to each sell long-term bonds at market prices to private investors, for example superannuation funds. Given the current low level of government borrowing in the Australian capital market, institutional investors like superannuation funds appear to be very keen to purchase such instruments. Capital raised in this way could be used by each growth provider to acquire new or existing dwellings to be let at affordable rents to eligible tenants.

However, since investors are receiving commercial interest returns on their loans, affordable rents would fall short of operating costs and interest payments to bond holders. This gap is therefore met by a cash subsidy paid by the Federal Government to each state to help service its debt for the term of the transaction (usually about 20 years). The transaction is cost neutral to the states as long as the estimated subsidy covers the actual gap between rental yield and housing provider costs each year.

This model requires housing providers to progressively sell off the dwellings (after a minimum period) when they fall vacant and to use the proceeds to retire (pay back) debt. At the end of the 20 years period any remaining dwellings in the transaction are sold and the remaining debt retired with sitting tenants are relocated. This keeps the total required Federal subsidy to a manageable level. This model generates a high degree of leverage of private loan funds; for every dollar of subsidy, four or five dollars of private investment is secured.

⁷⁵⁷ Beresford, M. (2005) *Funding Models and Delivery Vehicles for the Provision of Affordable Housing by the Community Housing Sector*, CHCWA Affordable Housing Series Forum 1 Background Paper, East Perth, p6.

B) The Macquarie Bank Retail Investors Model

Two proposals are considered here as alternative solutions to the targeting of institutional investors inherent in the Consortium approach.

Pooled funds

Macquarie Bank developed an investment vehicle that would mobilise the savings of professional retail investors for investment in affordable housing. They proposed a ‘pooled fund’ – a vehicle, managed by a funds manager, that would accumulate or pool the savings of individual investors seeking a commercial return from residential property. The funds would be used to acquire housing for rental, managed by a community housing organisation (CHO), which provides property and tenancy management services for a fee chargeable to the pooled fund. The fund operates like a property trust in the commercial property sector and is of an equity-like nature.

The CHO selects moderate income tenants in receipt of Centrelink payments and charges rent at a level required to generate a rental yield of 6-6.5%. Investors receive an overall return based on both the rental yield and capital gain, the latter assumed to be between 0.5% and 1.5%.

Macquarie Bank suggests that, given the risks and property market inefficiencies, professional investors would require a return in excess of 10% pre-tax from this investment. Base case modelling promises a pre-tax return in the vicinity of 3% and an internal rate of return (reflecting capital growth) of 6%, well short of the required level. To make it work, significant government subsidies would need to be packaged into the arrangement.

Macquarie Bank concludes that, in the absence of high subsidy levels, this model would only be likely to attract the genuine ‘ethical investor’; those investors willing to take lower than commercial rates of return in a good cause. This class of investor is numerically small in Australia.

Taxation exemptions

Macquarie Bank also offered an alternative model. This trades on the current nature of the private rental sector as a ‘cottage industry’ or attractor of ‘mums and dads investors’ concerned with ‘bricks and mortar’ security, rather than full commercial returns. It rests on government providing specific incentives to small investors to leave more of their savings in affordable rental housing. The lever proposed is to offer landlord-investors a tax exemption on part of their rental income when they lease their dwellings to CHOs for a minimum period.

State governments could also offer land tax and local rate exemptions. CHOs would be in a position to negotiate long-term leases and guarantee management, maintenance and so on, all serving to reduce the leasing cost. These savings and subsidies can then be passed on to the tenant as lower rents. One consequence could also be that low-rent stock currently rented to higher income tenants may filter through to the lower income clients of CHOs.

C) The Public Private Partnerships Model

Although public private partnerships (PPPs) have been promoted as a method of financing more affordable housing there have been very few examples of such partnership arrangements occurring in Australia. One definition of a PPP is a “partnership between the public sector and the private sector for the purposes of designing, planning, financing, constructing and/or operating projects which would be regarded traditionally as falling within the remit of the public sector.” Infrastructural projects such as buildings, roads and bridges are prime examples of PPPs.

However, PPPs are also used to refer to partnerships occurring within the community sector. In relation to community housing, public-private-community partnerships (PPCPs) occur where community-based or not for profit organisations establish links with private developers to manage affordable or lower cost housing which has been developed on land owned by government. Queensland has a number of small scale projects in which this has occurred. Joint venture projects may also be considered to fit into partnerships models in which brokerage deals are struck between government and not for profits where one partner provides the land and/or housing.

APPENDIX TEN

FIRST HOME OWNER GRANTS- EXTENSION AND BOOST (\$ MILLION) (2001-11)⁷⁵⁸

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11 [#]	TOTAL
State Expenses	199.5	118.2	94.5	124.7	123.1	87.3	109.5	249.0	325.3	103.0	1,534.1
Federal Revenue	52.0	5.5	-	-	-	-	-	100.1	168.4	30.0	356.0

[#] Estimated totals.

⁷⁵⁸ Hon Mr Simon O'Brien, Minister for Finance, Western Australia, Legislative Council, *Parliamentary Debates* (Hansard), Questions Without Notice, 7 September 2011, p6880. Tabled paper 3689.