

The Minister for Housing did eventually reply to correspondence from a DoH tenant based organisation dated 20/05/2005 re Reshaping Public Housing Plan by letter of 16/09/2005. In the reply the Minister did acknowledge concerns about the lack of consultation in the development of the announced reform package. "There are times when government needs to take difficult decisions regarding policy decisions, and in these cases consultation is not always appropriate." The Ministerial admission of failure to consult in the development stages was repeated in a further letter dated 12/10/2005 to a different tenant based organisation.

This raises the issue of is this inquiry an attempt to gain endorsement of and credibility for the Reshaping Public Housing Plan as announced by the Minister for Housing on April 26th 2005. There has been a lot of criticism of the Reshaping Public Housing Plan and associated legislation by various 'peak bodies' and other organisations post release of the Plan.

The Reshaping Public Housing Plan announced on April 26th 2005 by the Minister for Housing sets the framework for the allocation of public housing in NSW. It has to be considered in its entirety as it is the overarching policy statement that sets the parameters for the supply, operation and maintenance of public housing stocks in NSW.

It marks a distinct reversal of concept identified in November 2000 in a NSW Department of Housing discussion paper [see attachment 1].

It also totally replaces the previous 'Future Directions in Social Housing' policy. The significant difference is the denial of 'social responsibility' in Reshaping Public Housing Plan. Social

responsibility was such a central part of 'Future Directions in Social Housing' announced by the then Minister for Housing, Dr Andrew Refshauge, on February 14th 2002.

The government through its agent, the Department of Housing, assumes the role of 'landlord' with narrowly defined obligations as per the Residential Tenancies Act and recent amendments, including those presented to the Parliament after the announcement of the Reshaping Public Housing Plan.

The level of demand for increased services of a social nature will exponentially increase under the Reshaping Public Housing Plan's criteria for granting tenancy to applicants. These criteria focus primarily on social need with financial need being reduced to a secondary level criteria. It has been suggested by the very groups that the Minister wished approached for advice on the implementation phase of the Reshaping Public Housing plan that the Department of Housing was to be turned into a warehouse for social crisis with a high stock turnover. This raises the issue of achievable service delivery in reality at the level of the individual person in need of assistance.

The Department of Housing, as the government's agent, released the Human Services Accord as a 'fait accompli' and then announced a series of 'consultations'. These were in reality sessions to gauge response from the Non-Government Sector. Information as to time, date, and location of the sessions was very poorly disseminated and the period of notification was extremely short. The non-government sector response has been of a very negative nature, accentuated when the lack of additional funding was identified by them.

The Department of Housing has said that there was no additional specific funding being made available for other government agencies to facilitate the enhanced service deliveries outlined in the Accord.

To date there has been no viable attempt to seek feedback on the Human Services Accord from the Department of Housing tenant body as such. A single information briefing was given by the Department of Housing to a Ministerial tenant reference group without a copy of the Accord being supplied to them during or prior to the briefing. This is not good practice for obtaining informed feedback.

The overall impression is that the Department of Housing is attempting to shift its previous social responsibilities towards its tenants as set out in "Future Directions in Social Housing" to other government agencies without the necessary additional funding to enable the delivery of the services.

In an attempt to increase the supply of new housing stock and eliminate the maintenance backlog as recently identified by the NSW Auditor-General, the NSW government decided to utilise Public Private Projects or Partnerships as a funding source.

The concept of Public Private Projects or Partnerships is a concept imported from the United Kingdom. The United Kingdom has since abandoned it as a flawed model. It was promoted in NSW as an attempt to finance historical government failure to responsibly manage public assets and also opt out of future fiscal responsibility associated with asset management and tenancy based issues.

The problems of PPPs were again identified in economist Kate Barker's report for the UK Treasury in 2004. It came in the wake of the lowest annual number of houses built for 75 years. What was once regarded as the third arm of the welfare state - after health and education - had shrunk to wized proportions under successive governments. Barker condemned Byzantine planning procedures, slow construction timeframes and the squeeze on social housing as key structural problems that had driven up house prices twice as fast as the European average. She wanted an extra 120,000 public and private homes - on top of the current 140,000 - to meet demand and curb price inflation. There is a far worse problem with housing prices in Australia and Sydney in particular, according to the latest OECD figures.

Arising from the Barker report were recommendations to reduce the widening divide in housing wealth through a three-pronged approach: ending the use of temporary accommodation for homeless families, the creation of mixed income areas across all housing areas, and a tax system that covers accumulating assets as well as income and spending.

It is interesting to note the NSW government's failure to expand on the two successful Public Equity Partnership ventures with the Australian Mutual Provident Society that supplied some 1500 premises for the Department of Housing's use. The AMP bought the premises and the DoH pays an annual rental. The two schemes were entered into in 1991 and 1993 respectively and are still in operation.

The concept of Social Mix that the government, through its agent the DoH, is promoting is another discarded United Kingdom model. It promoted the concept of integration of different

sectors of the community with a view to creating a seamless homogenous society. The UK abandoned it after many years of attempting to make it work. Mixed Communities not Sustainable in the Long Run [Attachment 2] , and the paper Mixed Communities in England from the Joseph Rowntree Foundation of the United Kingdom released in 2005, amongst other literature, demonstrate the rocky road of Social Mix. A major sticking point was the failure of the private sector purchaser to buy property in or adjacent to an area containing public housing. Private sector renters also had the same aversion. The marked private sector aversion was not solely based on price, as was evidenced by pricing strategy trials. Perception of neighbours and neighbourhood was the predominant factor, especially for those with families.

This effect will, in the case of NSW, be heightened by the decision of the government that the new public housing tenants will be those in the 'special needs' category or of the aged community sector who are unable to enter the private rental market. They will be a concentrated group of people in the highest category of assessed 'special needs' of either a social or economic nature.

A lot of the current problems in the Social Housing arena in NSW are a direct result of the failure of the Federal and State governments to follow the concept of the original Commonwealth State Housing Agreement. After the glow of the original agreement settled the successive governments have attempted to opt out of the Agreement's principles. This frequently takes the form of shifting the responsibility to the other party by claiming that the other party is not honouring its obligations.

This action has left a vacuum at the bottom end of the rental housing market that is not being serviced by the private sector. Those landlords who do service it are able to achieve elevated rentals for very inferior premises due to a lack of competition. The figures released quarterly by the Office of Trading listing the rentals paid across the state confirm this.

The recently introduced Allocation Criteria for Department of Housing tenancy with its removal of life-time tenure has several effects that have not been openly addressed or discussed. These effects will cause the destruction of the existing tenant community and prevent the formation of a new one.

Due to the imposition of fixed short term tenure there will be a constant turnover of tenants whose needs are assessed as not being so severe as those who are offered a further tenancy when their existing one expires. This will concentrate disadvantage of both social and economic nature in the tenant body leading to the following scenarios:-

- The removal of potential community leadership stock, an absolute essential for any community development activity to be initiated and/or sustained and the maintenance of the health of the community.
- Tenure too short to allow for the formation of ties to the existing broader community of the area of residence. Current practice has the period for the formation of such ties to the existing community set at a five year minimum.

- Enhancement of a sense of isolation from the mainstream community and of a resultant sense of low personal self esteem. This will lead to further demands on services and facilities of both government and non-government agencies and organisations with resultant funding pressures and prioritisation of service recipients.

The fixed term tenancies delivered under the allocation system of Reshaping Public Housing will have the following impacts, among others:-

- An adverse effect on the education of children due to moving to another school and having to establish new social networks. This impact will follow them through life.
- An adverse impact on the health of those whose tenancies are not renewed due to a decision that their lot in life is not so bad as someone else's. These people who are in the higher category of socio-economic need will have their existing association with medical services, social agencies and personal support networks disrupted and face the stress of having to establish new associations and networks.
- An adverse effect on the ability of government agencies such as Department of Community Services, Department of Health, Attorney Generals Department, Police Department, and Department of Corrective Services to maintain existing levels of

delivery of services to the broader community of NSW due to increased demand from the Department of Housing tenant body arising from the concentration and associated fuelling of socio-economic disadvantage created by the tenancy allocation system practiced by the Department of Housing.

The failure to contain an effective Exit Strategy for those people exiting tenancy with the Department of Housing is a most noticeable shortcoming of the Reshaping Public Housing plan as announced by the Minister for Housing. This failure causes the plan to become a very short-term relief scheme for the reduction of pressure on the Department of Housing's waiting list. The price, both social and economic, will be born by the budgets of other government departments and the people of NSW in the years and decades to come.

Due to the cost of rental accommodation in the greater Sydney Metropolitan Area and the metropolitan areas of the cities and regional centres of NSW, as identified by the Department of Fair Trading, those people exiting DoH tenure will be forced to seek accommodation in the fringe areas of NSW. These areas are not endowed with surplus rental accommodation, affordable or otherwise. The demand will drive up rents and create ill will amongst the existing tenants of the areas affected. There will also be an increased demand for the supply of services infrastructure in rural and regional fringe areas of NSW with attendant budgetary pressures.

The scenario for the displacement of low-income people from the Greater Sydney Metropolitan area was enshrined in the County of Cumberland Planning scheme of 1948. The Reshaping Public

Housing plan of April 2005 could well be regarded as the commencement of the final phase of the County of Cumberland scheme in the case of Sydney.

The view expressed by the last two Ministers for Housing that the private sector has the capacity to supply the low end of the rental market with the attendant reliance on 'market forces' is a hollow view when examined in the hard light of reality.

There is decreasing stock at the low end due to economic reality driven by the real estate market. The land cost is the same regardless of the nature of the building on it. Construction costs are relatively cheap compared to land costs. The purpose of commercial ownership is to gain maximum return on capital. Rental income is significantly greater from 'upmarket' buildings.

There is a resultant scarcity of available rental property affordable to those exiting public housing tenure. This is borne out by Department of Fair Trading figures. The degree of 'unaffordability' is not marginal, it is very high to the point of absolute unaffordability. It must be remembered that the vast majority of those who will be seeking accommodation have a very low income. In the case of a single adult it is commonly under two hundred and fifty dollars per week. There are over two million households in NSW with an income of less than four hundred dollars per week, according to NSW Council of Social Services' [NCOSS] media release of January 25 2006.

The effect of Residential Land Tax on rented residences is a marked percentage increase in the amount of rent charged, especially on the lower end of the rental market. This shifting of impact is due to the fact the tax is based on land value, not the standard of the property built on it. The average amount of this state tax on rental properties in the greater Sydney area was \$40.79 per

week in 2001 according to figures issued by the state government. [Land Tax Statistics - 2001 Tax year Assessments issued as at 29 July 2002].

The rental property market has become a holding pen for capital gains for 'investors' utilising the taxation system's components of negative gearing and capital gains taxation to deliver maximum personal wealth creation at the expense of taxation revenue.

The tenant, whilst financing the capital gain, receives no share of the gain.

The tenant's ability to save the deposit needed to enter the property market is reduced by having financed the capital gain of the 'investor' landlord.

The resultant upward movement in property prices induced by the 'investor' chasing capital gains is a further barrier to the tenant wishing to enter the property market.

The barriers to exit from the rental market increase demand in the bottom end of the rental market. There is a lack of long term genuine investors seeking returns on capital from income generated. This demand is not being met by supply and thus increases prices paid, perpetuating barriers to exit.

The private rental sector does not provide for long term, much less lifetime, tenure as the public sector did. This is due in major part to the desire of the 'investor' to maximise the potential result from sale of the property by being able to deliver it without the expense of terminating an

existing lease. It also gives the 'investor' the ability to grab an opportunity for maximum capital gain due to a short term spike in the real estate market.

This has the effect of preventing the development of ties to the community of the area of current residence with adverse effects on the strength and ongoing preservation and expansion of the area's community.

There is an adverse effect on the education of the children and youth of the tenants due to disruption of schooling and education.

There is an adverse effect on the health of the tenant and their family as identified in many studies due amongst other causes, to the disruption of continuity of access to the same services and service networks.

The costs associated with moving a household from one tenure to another are significant, especially to a low-income household, and represent a further barrier to gaining the ability to enter the property market.

There is a marked aversion to recognising that the concept of the lifetime residential rental property market as an alternative to the self-owned residential property market is a viable one in Australia. Overseas practice has identified the benefits of lifetime rental. These benefits include freeing of capital for business and associated employment, plus investment in income generating activities of benefit to the country and its population.

The Australian government has instead endorsed and actively promoted residential property ownership. This flies in the face of reality. There is a significant lifetime rental sector [30 to 50% according to studies by Tenants Union of Victoria, Australian Council of Social Services and Australian Bureau of Statistics at various times].

This endorsement has supplied benefit to the corporate sector, especially the property development, construction, and finance sectors, at the expense of the community.

It has produced Negative Gearing to provide personal wealth subsidised by the Commonwealth which has created an artificial residential property market. The increase in the property market has in turn created an increased demand for public housing, until now the sole remaining source of affordable housing for those on lower incomes.

Residential property has become a commodity to be traded in whose price is dictated by a market that has no relationship to the use of the commodity. The price and availability is no longer dictated by usage as a residence.

The allocation and supply systems followed in other jurisdictions are at variance with the model practiced in NSW at present.

The United Kingdom, for example, has recognised that there is a necessity for the government to supply affordable rental housing to control upward pressures in the private rental market with the attendant flow on effect to the ownership market [Barker's report for the UK Treasury in 2004].

Victoria has recently changed its direction on the supply of public rental housing and has entered into an expansionist phase with attendant reduction of demand driven price increases for the private housing sector, both rental and ownership, especially at the lower end of the market.

Queensland and Western Australia are following the same path.

South Australia, with its long standing Housing Trust model, recognised and addressed the problem many decades ago and thus does not currently have the same supply problems that NSW has.

The Community Housing sector is very small and does not have the capital, or access to it, necessary to expand its operations to meet the demand. At present it is predominantly supplying property administration/management services for properties owned by Department of Housing under contractual arrangements. This scheme limits the sector's ability to offer long-term, much less lifetime, tenure. At best it represents an attempt by the government to acquire property management and maintenance services at a fixed price that is lower than its own costs. It is a short term shift of onus that has the potential to expose the government to increased costs at a later date when economic reality sets in and the individual Community Housing organisations collapse due to inability to meet financial contractual obligations.

In summary, the recent changes to the Allocation of Social Housing system instigated by the NSW government will have a long term detrimental effect on the people of NSW, especially those at the lower end of the socio-economic scale.

There will be a flow-on effect through all levels of the NSW community. Industry and commerce will suffer due to the inability of the workforce to reside within viable travel times of place of employment. There will be increased demands on infrastructure in rural and regional areas due to population displacement

The changes are of a short term 'book balancer' nature whose ultimate costs, both social and economic, will be borne by future generations of the community.

Attachment: 1

NSW Department of Housing - Occasional Discussion Paper Series

Healthy Housing Communities

Public Housing Estates ... with ... Complex Issues ... need ... Linked Up Approaches

CONCLUSION

The report of the UK Government's Social Exclusion Unit (1998) offers an important lesson for NSW from the mistakes of the past in terms of.

investing in people, not just buildings;

involving communities, not parachuting in solutions;

developing integrated policies with clear leadership;

ensuring mainstream policies really work for the poorest neighbourhoods;

making long-term commitment with sustained political priority." 88

The DoH, by focussing on People, Homes and Communities, in partnership with other public private and NGO agencies rather than just on building units of accommodation and on a narrow landlord role has started down this path. DoH still has significant organisational culture change agenda to achieve and has set itself a 3-year plan to do this. However, there is nothing within the wider policy agenda outlined above that DoH could not accommodate at both a macro and local level. Indeed, achieving the outcomes needed for priority public housing estates could only be facilitated by such an approach. But if significant shifts in this direction are to be seen across all human services agencies at all levels of Government and including the NGO and

business sectors then an overarching policy framework is required from Government to facilitate the strategic, organisational culture, funding and service system changes needed.

In the context of priority locations across NSW, it is the achievement of the complex and interrelated elements outlined in this paper, via strong leadership and a robust policy framework, targeted and prioritised, and applied locally with the fullest participation of communities that will achieve the long term gains needed. The challenge is vast; the option of not rising to the challenge is unconscionable.

Perhaps it is appropriate to finish with Ben Chifley's seminal 1944 Commonwealth Housing Commission Report which gave rise to the present day CSHAs

"We consider, however, that housing is essentially an expression of the way of life of the people, and that, therefore, it is impossible to separate housing from a consideration of the broader aspects of the life of the people-from such questions, as how and where they earn their living, and how and where they spend their leisure. " 89

88 Op. Cit., Social Exclusion Unit, 1998.

89 Op. Cit., Commonwealth Housing Commission, 1944.

Paper Number 1 - November 2000

Attachment 2:

MIXED COMMUNITIES NOT SUSTAINABLE IN THE LONG RUN

The push for a greater social mix in our communities is accepted by nearly all without question as a good thing. That's wrong, says the London Tenant Federation. All the evidence suggests gentrification on a massive scale, leaving council tenants marginalised.

Whilst the Government and housing professionals chant the mantra, in order to be sustainable, communities must be socially mixed, those of us living in social housing and in deprived communities have been absent from the debate.

For council tenants living in London, particularly in inner London, the policy appears to mean little more than the encouragement of gentrification, and for our local authorities to sell off our homes and community facilities for development. Many of London's council tenants feel that, far from strengthening and sustaining our communities, this approach puts their homes and communities under threat, particularly in areas that have become fashionable and where property prices are sky high.

The approach seems to fit neatly with other policies, such as the lack of positive investment in council housing, rent restructuring and proposed housing benefit reform. All have a detrimental effect on tenants living in areas with wealthy neighbours.

The truth is that in London there is enormous social and economic polarisation. Inner London is the richest area in the European Union and yet the capital also contains three of the most deprived boroughs in the country. The average price of a property here is now more than £250,000, requiring a household income of £83,000 to purchase. Enclaves of wealthy, white,

middle-class residents sit alongside areas with huge levels of deprivation and the truth is that they just don't mix.

Research by the Economic and Social Research Council (ESRC) and the University of East London (UEL) finds little evidence of gentrification as a positive force. Whilst the proponents of the socially mixed communities policy will state that they are not advocating gentrification, Tim Butler at UEL suggests nobody is in favour of gentrification and even local authorities, which wish to change their social mix of housing or population, refer to it by any other name.

In a study in gentrified areas of Lambeth, Islington, Hackney, Lewisham and Wandsworth, Tim Butler found little evidence of the middle class deploying its resources for the benefits of the wider community. He says: London's middle classes share a common relationship to each other which is largely exclusive of those who are not people like us most strikingly perhaps in relation to their ethnicity. In a city that is massively multi-ethnic, its middle classes, despite long rhetorical flushes in favour of multi-culturalism and diversity, huddle together into essentially white settlements in the inner city. Their children have friends like their parents and most of their parents' friends are people like themselves.

The ESRC study sought to evaluate more than 100 pieces of research predominantly in North America and in the UK. The policy context for the research was the Government's commitment to try to encourage private sector investment in deprived and run-down areas. Its June 2002 report says that the positive impacts of gentrification were hard to find. The much wider set of costs included displacement of poorer households through price and rent increases, community conflict and racial tension, lower population densities and a greater take on local spending by incoming affluent households.

Anecdotal evidence from London Tenant Federation meetings seems to support to this academic research. Our members note that, across London, there are examples of council estates in regeneration/stock transfer schemes that are dependent on demolition of some blocks to sell off to developers. The new apartments constructed in their place are designed with a clear separation from the social housing most obviously aesthetically and frequently with entrances facing away from the rest of the estate. Expensive cafés and restaurants are built which then push out existing local shops. If the new wealthy residents have children, they are unlikely to attend local schools that are dominated by children from council estates. Council tenants feel that the priority for council and police resources is focused on the more expensive areas and away from our estates.

If London's council tenants are asked what we think will make our communities sustainable, we are likely to suggest: positive investment in our homes and in new council homes; rents that reflect the qualities we value in our homes rather than the areas property values; good access to employment, leisure and youth facilities and good care for our young and old. Missing from the list though, almost certainly, will be the demand for socially mixed communities.

[SOURCE: LONDON HOUSING MAGAZINE - DECEMBER 2003]