



**St Vincent de Paul Society NSW submission**  
in response to the  
**Review of Rents Models for Social and Affordable Housing Issues Paper**  
December 2016

## Who we are

St Vincent de Paul Society NSW (the Society) has been assisting marginalised and disadvantaged people in New South Wales for more than 130 years. As a lay Catholic organisation, we are committed to offering people “a hand up” and aspire to an Australia transformed by compassion and built on justice.

The Society provides assistance to people throughout the housing spectrum. We support social housing and affordable housing tenants, people who are experiencing housing stress but cannot access social or affordable housing and those who are at risk of, or experiencing homelessness.

People are assisted by the Society either by Conference members – i.e. parish groups established in local areas to provide assistance to people experiencing disadvantage – or through specialised professional services tailored to meet the various needs of the people we assist.<sup>1</sup>

In 2015/2016, our members provided over \$15.7 million worth of financial assistance to 60,445 people in the course of 160,918 visits. 45% of the people assisted by our members lived in private rental accommodation while 33% lived in Government housing. 16% were homeless or in temporary accommodation.

The Society's *Support Services* is a leading provider of specialist homelessness services in NSW. It is comprised of more than 15 programs across the state. In 2015/2016 *the Society's Support Services* provided 123,230 bed nights for people who were homeless and/or requiring supported accommodation in NSW.

In 2012, the Society also created a dedicated community housing provider, *Amélie Housing*. *Amélie Housing* is primarily concerned with the development and management of affordable housing for people experiencing housing stress and disadvantage. Currently, *Amélie Housing* manages 302 tenancies in NSW and ACT. It aims to assist tenants by linking them to required support services in a timely way, and through organisational policies and processes which give tenants at risk every opportunity to restore their tenancy and their lives.

Amélie Housing/ the St Vincent de Paul Society NSW have been shortlisted to develop a proposal to access the Social and Affordable Housing Fund.<sup>2</sup>

## Recommendations

The Society strongly recommends:

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<sup>1</sup> [St Vincent de Paul Society NSW Annual Report 2014-2015](#).

<sup>2</sup> [FACS' media release](#), 2 May 2016.

1. That IPART recommend to both State Government agencies and through them to Federal government counterparts, for the development and implementation of a comprehensive National and State Strategy for Housing overlay any review of Social and Affordable Housing rents.
2. The Social Housing System is simple and flexible to meet a diverse range of need. It should provide rent predictability and security of tenure for households ranging from very low to moderate incomes.
3. All new Social and Affordable Housing developments be mixed income and rents be based on household income - 25% for those on very low incomes (pension or benefit) and 30% for those on moderate incomes.
4. The *proposed assessment criterion* include 'predictability and security of tenure' and that Community Housing Provider should be able to re-classify the tenure of a particular dwelling (and therefore, how its housing costs are calculated) to enable stability for tenants and to encourage workforce participation.
5. The terms *social housing* and *affordable housing* be abandoned and a social housing system based on rent from very low to moderate income households be developed.
6. Conduct an evaluation of the NSW Government's *Start Work Bonus* and consider of an extension of the 26 weeks period, depending on the outcomes of the evaluation to combat work disincentives in the current model.

## Introduction

As an organisation that has long advocated for the right to a home, St Vincent de Paul Society NSW welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal's issues paper on the review of rent models for social and affordable housing.

The scope of the review of rent models for social and affordable housing is broad and far-reaching. It goes beyond proposing new methods to calculate rent for social housing tenants to touch upon some fundamental questions about the future of the housing assistance system, including who should be able to access social and affordable housing and who should be prioritised.

In previous reports and submissions, the Society has called for a comprehensive national and state strategy that would look into all components of the housing sector – home ownership, private rental, social and affordable housing – and address the inequities in Government subsidies and the failures of the housing market. Without such a strategy or overarching framework, the IPART review cannot have a complete impact.

Policies relating to the private housing market in particular, have a major impact on housing demand which in turn shapes demand for social housing.

**The key priority for any housing policy should be to invest in and expand the stock of social and affordable housing**, which we understand is largely outside IPART's control.

There is simply not enough housing assistance available for people who need it the most – lower-income private renters who are at a high risk of experiencing poverty. ABS Survey data for 2013-14 show that 75% (190,000 of 250,000) of lower income private renter households in NSW are in housing stress.<sup>3</sup>

We are witnessing every day the impacts that the lack of social and affordable housing is having on people's lives and have made a series of recommendations<sup>4</sup> to the NSW and Federal Governments to constructively respond the housing crisis, including by:

- Adopting clear targets for an appropriate housing mix
- Changes to negative gearing and capital gains tax concessions rules to redress inequities in Government spending on housing
- Increasing housing assistance for private renters who are experiencing housing stress
- Building social housing to at least maintain its already existing share of the housing market
- Supporting the development of the affordable housing sector

**In reviewing rent models, eligibility and prioritisation for housing assistance, Future Directions and IPART's review should be considered within a broader framework articulating a socially sustainable and financially viable income-mix in social and affordable housing.**

We believe that social and affordable housing is a pivotal feature of the NSW welfare system and social fabric, providing stability as well as positive health and community outcomes. Providing housing assistance to people who need it, is vital to ensure that everyone lives in dignity. The Society supports a mixed income based rent model. This means equal access to opportunities - on the same street you can find people who own their home, private renters, social housing and affordable housing tenants.

In order to maintain diversity and long term sustainability in the system, the Society recommends that the terms social and affordable housing be abandoned and a social housing system be developed which ranges from very low to moderate income households.

The Society routinely sees people who move in and out of housing stress. Our experiences mirror findings by Australian Housing and Urban Research Institute (AHURI) that show the movement in and out of affordable housing is largely linked to changes in income.<sup>5</sup> AHURI also found that 73% of households escape housing stress by year one and only a small minority will remain in housing stress by year 10. Those who find it most difficult to escape are those with children or those aged 35-54.<sup>6</sup>

Adverse health outcomes are only weakly linked to housing stress until the stress becomes chronic (3 years or more).<sup>7</sup> Therefore supporting people on their journey through a flexible approach can ensure that the impacts of housing stress (and associated social costs) are minimal.

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<sup>3</sup> Dr Judy Yates , Federation of Housing Associations, Addressing the Housing Affordability Crisis: Basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades.

<sup>4</sup> This includes: [The Ache for Home](#), 2016; [Homelessness services: considerations for funding and policy reform, August 2016](#); Submission to the Productivity Commission Inquiry into Human Services: Identifying sectors for reform, August 2016; [Submission to Senate Economics Committee regarding the Inquiry into Affordable Housing, 2014](#); [Submission on 'Social Housing in NSW: A Discussion Paper for Input and Comment', 2015](#); Submission to the Legislative Council Select Committee on Social, Public and Affordable Housing, Inquiry into Social, Public and Affordable Housing, 2014.

<sup>5</sup> G Wood, R Ong & M Cigdem, 'Housing affordability dynamics: new insights from the last decade', Australian Housing and Urban Research Institute, November 2014, p1.

<sup>6</sup> Ibid, p1.

<sup>7</sup> AHURI Research & Policy Bulletin, Issue 166, March 2014

At all times, a rent model should take into account the upper amount that an individual / family can pay before they are forced to compromise on other necessities. The widely accepted Rental Affordability Index sets a maximum of 30% of total income expenditure on rent to ensure housing is “affordable” and 25% for Social Housing.

The appropriate income mix is also vital for the financial viability of the social and affordable housing system as higher rent contributions from tenants with higher incomes allow for cross-subsidisation, and ultimately to deliver more properties.

**In considering a rent setting framework for social and affordable housing that would improve incentives for workforce participation.** To help bring about lasting solutions to disadvantage, we also propose that community housing providers gain the capacity to re-classify the tenure of a particular dwelling (and therefore, how its housing costs are calculated) in order to enhance tenant outcomes.

In light of these considerations, this submission presents our preliminary assessment of the measures proposed in the three main sections of IPART’s Issues Paper. While we believe that an appropriate rent setting model is one that will strike a balance between the interests of the tenants and the viability of the social and affordable housing system, we have not firmed a view on a particular model at this stage and look forward to reviewing the analysis of the impacts of the different models by IPART when it is available.

## People in and issues with the current system (Q1 and Q2)

### Context

The Society wishes to emphasise the need for more social and affordable housing in NSW and the very low share of social housing. In research commissioned by the NSW Federation of Housing Associations, Judith Yates concludes that ‘to maintain the (occupied) social housing stock at its current 4.8% share of the (occupied) dwelling stock in NSW, an additional 2,000 dwellings are needed each year. To ensure lower income households who currently face housing stress in the private rental market are affordably housed, a further 2,900 dwellings are needed in each year. In other words, a total of 4,900 dwellings is needed each year, or some 100,000 dwellings over the next 20 years’.

We encourage IPART to further explore literature on different social housing models in other states and overseas. A recent review by the European Parliament concluded that the average share of social housing in the European Union was 8.3%, with the Netherlands, Austria and Denmark having the highest incidence (respectively 32%, 23% and 19%).<sup>8</sup> Given the recommendations by the NSW Federation of Housing (above) it appears essential that, at a minimum, the social and affordable housing stock be increased in line with some of the examples above.

The review should also be considered in the broader context of a fundamental inequity in the way Government housing subsidies are distributed. A recent report by the Australian Council of Social Services found that the vast majority of people below the poverty line nation-wide were in rental housing in 2014 (59.7%), with most in public rental housing (48.4%) compared with 21.9% in private and 31.3% in other rental.<sup>9</sup> Yet, research by the Grattan Institute has shown that Government spending on homeowner and investor benefits account for approximately 90% of total government

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<sup>8</sup> European Parliament, Directorate General for Internal Policies, 2013. Social Housing in the EU.

<sup>9</sup> See <http://www.acoss.org.au/wp-content/uploads/2016/10/Poverty-in-Australia-2016.pdf>

spending on housing, while a mere 10% of that total is spent on Commonwealth rent assistance and social housing.<sup>10</sup>

## Opportunity and Safety Net Groups

For some social housing tenants, building pathways to social and economic independence and improving their capacity to sustain tenancies (for example, by enhancing living and budgeting skills) will support an exit from social housing into a sustainable private-rental tenancy.

However it is not appropriate for all social housing tenants to transition into the private rental market:

- Not all social housing tenants have a capacity to move into or sustain a private rental tenancy—for example, people whose history of homelessness is linked to deinstitutionalisation (a process which was not matched by the adequate provision of appropriate accommodation);
- The private housing market does not deliver sufficient affordable housing options for households on lower incomes (as well as meeting other needs such as ageing or disability needs, or the need to be located close to medical or other services); and
- A social housing tenant's enhanced capacity to live independently in social housing (for example, for a person with an episodic mental illness) may be linked to the secure base provided by that social housing.

## Proposed assessment criteria (Q3 and Q4)

St Vincent de Paul Society is in broad agreement with the assessment criteria proposed in the Issues Paper. However, in addition to affordability, simplicity and flexibility for tenants, we believe that a criterion of 'predictability and security of tenure' should be considered as a key criterion.

Research has shown that 'security of tenure gives people a sense of autonomy, identity and control over their living environment resulting in increased residential stability and reduced stress. This in turn benefits children's education and neighbourhood social cohesion, and in some contexts enables workforce participation'.<sup>11</sup>

This additional criterion would be particularly relevant to assessing policies that may affect the 'opportunity group'. A study by AHURI highlighted the challenges faced by many former social housing tenants in accessing and sustaining market tenancies. The analysis of individuals who exited public housing in 2002 found that "over a period of less than a decade, many (about a third) experienced significant deterioration in their financial circumstances. About 17 per cent of them have eventually re-entered public housing. The likelihood of re-entry is arguably even higher for tenants who exited more recently, due to lower levels of participation in paid employment [...] Some tenants experience a 'revolving door' pattern of multiple exits and re-entries into social housing, with episodes of homelessness in-between."

## Options for eligibility criteria and prioritisation policies (Q15 to Q14)

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<sup>10</sup> See [http://grattan.edu.au/wp-content/uploads/2014/03/800\\_Renovating\\_Housing.pdf](http://grattan.edu.au/wp-content/uploads/2014/03/800_Renovating_Housing.pdf)

<sup>11</sup> AHURI, 2006. [How does security of tenure impact on public housing tenants?](#)

A woman with 4 children aged 4 to 10 years of age who did not yet speak English was living in private rental with her husband. When the relationship became violent she was forced to flee. She spent time with friends and in a refuge and moved several times. Her children became traumatised, particularly her youngest two, one of whom broke into regular screaming fits. The Society was able to assist to her to find stable accommodation and in time her children began to adjust to their new community and their fears reduced. They started school and the mother was able to find employment. Now, many years later, the mother has her own cleaning business and the two older children have part time employment. Since their initial move, they have remained in the same community and this has contributed to their wellbeing.

### Eligibility for social housing

Changes to eligibility and prioritisation for social housing should be considered within a broader framework articulating what is a socially sustainable and financially viable income-mix in social and affordable housing.

We think that social housing should be more of a 'refuge, oasis and stepping stone'<sup>12</sup>, rather than simply a safety net. However we agree that accessing the social housing system should be fair. The Society defines a fair social housing system as one that helps to ensure that all in our community are equally able to access good housing that helps them to participate in social and economic life and to live well.

We particularly support the following important objectives of the *NSW Housing Act 2001*:

- '(a) to maximise the opportunities for all people in New South Wales to have access to secure, appropriate and affordable housing,
- (b) to ensure that housing opportunities and assistance are available to all sections of the community with housing needs...
- (i) to encourage social mix and the integration of different housing forms in existing and new communities...'

We therefore see the role of social housing as being to provide rental housing that is affordable for people on very low to low and moderate incomes.

In addition to intensifying concentrations of disadvantage, social housing eligibility policies that restrict social housing access to households in greatest need without guaranteeing access to affordable housing to lower-income households without complex needs jeopardise the financial viability of the system.

A study by AHURI has found that 'although higher exit rates could potentially increase vacancies for applicants who are in greater need for housing assistance, exit by current tenants, especially those in paid employment, may have major financial implications for social landlords due to loss in rental. The revenue saved through retention of tenants paying full market rent (as opposed to encouraging

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<sup>12</sup> J Lawson, M Berry, C Hamilton and H Pawson, 'Enhancing Affordable Rental Housing Investment via an Intermediary and Guarantee', Australian Housing and Urban Research Institute, 2014, p. 2.

or requiring their exit) could potentially be re-allocated to assist other households in greater need. This would minimise displacement of current tenants, and eliminate the potential disincentive for tenants to seek employment if that could risk their eligibility to remain in social housing.’<sup>13</sup>

### Work incentives

The Society recognises that some Housing NSW policies have the effect of creating work disincentives and that this is a barrier to building the independence and participation of social housing tenants. Higher rent rates for tenants on moderate incomes create significant increases in effective marginal tax rates. Importantly, increased incomes due to employment may lead to a loss of social housing eligibility, and yet it is the availability of affordable housing that is a key factor in supporting jobseekers to gain employment.

As an initiative to help overcome potential work disincentive associated with the current income-based rent model, the NSW Government has recently introduced a Start Work Bonus, available on application to FACS. Under the Start Work Bonus, extra income from starting a new job will not be included for up to 26 weeks in the calculation of rent. We recommend conducting an evaluation of this measure and consideration of an extension of the 26 weeks period, depending on the outcomes of the evaluation.

To help bring about lasting solutions to disadvantage we support the proposal that a properties’ categorisation could be changed from social housing to affordable housing or back—without households experiencing the social and economic costs of moving, and without the household having to break established ties to community and supports from local services. This would mean that the community housing provider would be able to take into account the available alternative housing options for a particular household, and be more responsive to their holistic needs.

The community housing provider would have a choice of enhancing participation and independence, or where appropriate, providing more intensive supports to help sustain a tenancy and create stability. We propose that community housing providers be accorded this flexibility provided that the overall numbers of social and affordable housing dwellings in that provider’s portfolio do not change within a financial year. An additional benefit is fewer maintenance costs (as there would be no change of tenant). This approach would provide individualised supports to tenants to help them to overcome the lack of opportunities and exclusion that characterise and perpetuate disadvantage and would give community housing providers’ greater flexibility in achieving financial and social sustainability.

- A social housing tenant who has accessed stable employment would be able to transition to an affordable housing tenancy, without relocating or exiting to the private rental market (the disincentive of exiting social housing would be removed). This would provide an incentive for social housing tenants to seek employment, as they could remain in their community with existing services. Such tenants would also provide positive ‘role modelling’
- An affordable housing tenant who has lost their job following an episode of mental illness would be able to transition back to social housing, without the disruption of relocating to the private market. This would enable such a tenant to maintain their links to local support services, plus they would be able to transition from higher discount-to-market rents back to income-related rents (reflecting their changed financial circumstances). Both factors would help to stabilise the tenant’s circumstances, and lower any risk of homelessness.

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<sup>13</sup> Social housing exits: incidence, motivations and consequences authored by Ilan Wiesel, Hal Pawson, Wendy Stone, Shanaka Herath and Sean McNelis for the Australian Housing and Urban Research Institute at The University of New South Wales at Swinburne University of Technology, October 2014, AHURI Final Report No. 229

A couple with two children are regularly in arrears. They are both in paid employment but are low income earners. Despite wanting to work and role model for their two children, they find that they are less well off than their peers who receive Centrelink benefits, once they have factored in the additional costs of childcare and transport. The Community Housing Worker who works closely with this family has ensured that their arrears have not jeopardised their tenancy. Without this support their tenancy would likely have been jeopardised.

We believe that work incentives to facilitate a transition to affordable housing may be a more realistic proposal than a direct exit from social housing into the private market. Indeed, there is inconsistent evidence that tenants in paid employment are more likely to exit social housing.<sup>14</sup>

### Options for rent setting framework (Q15 – Q25)

While we believe that an appropriate rent setting model is one that will strike a balance between the interests of the tenants and the viability of the social and affordable housing system, we have not formed a view on a particular model at this stage and look forward to reviewing the analysis of the impacts of the different models by IPART when it is available.

### Conclusion

Accessing the social housing system should be fair. It should ensure that all in our community are equally able to access good housing so they are able to participate in social and economic life and to live well.

The recommendations in our submission highlight the critical importance of flexibility to enable community housing providers to ensure that housing is centred on the changing needs of individuals.

The Society also stresses the importance of a comprehensive National and State Strategy for Housing that considers all components of the housing sector – home ownership, private rental, social and affordable housing – and address the inequities in Government subsidies and the failures of the housing market. Such a strategy would complement and inform this review.

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<sup>14</sup> Social housing exits: incidence, motivations and consequences authored by Ilan Wiesel, Hal Pawson, Wendy Stone, Shanaka Herath and Sean McNelis for the Australian Housing and Urban Research Institute at The University of New South Wales at Swinburne University of Technology, October 2014.