

## 2021/22 Victorian Government Budget analysis Save Public Housing Collective

A link to an analysis of the 2020 COVID budget's Big Housing Build can be found [here](#)

The *Public Housing Renewal Project Package 1 (Ground Lease Model)* applies to three sites of public housing that government recently demolished, at New ST, Brighton, Racecourse RD, Flemington and Bangs ST, Prahran. All of the residents from those communities were forcibly displaced in recent years as part of the program.

The announcement states that 1,110 units in total will be delivered, including:

- 619 social housing – these will all be community housing;
- 126 affordable – information is not provided about what affordable means and the model of delivery. Affordable housing is usually private housing with a subsidy offered to the private market to provide the housing at 80% of market rents; and
- 365 market rentals including 52 specialist disability accommodation (SDA).

It is entirely unclear how the SDA component will work and why it is being counted as part of the market rental component. If SDA accommodation is indeed counted as part of the market component, then this is a thoroughly unequitable outcome for a cohort of tenants that are likely paying rent through disability support income. If counted as community housing, then this will further decrease the amount of social housing uplift on the sites.

### Clarification of terms:

- to be considered public housing a dwelling must be both owned and managed (tenancy and maintenance) by DHHS / Homes Victoria. Public housing caps rents at 25 percent of tenants' income, provides secure tenure, and prioritises people in greatest need.
- community housing refers to dwellings that are managed and / or owned by private non-profit community housing organisations (CHOs). Tenants pay 30 percent of income in rent, the tenure is less secure, and only 75 percent is allocated to those in greatest need.
- the term social housing is an umbrella category referring to a range of non-market forms of housing including both public and community housing.

Until recently, these three sites were entirely public housing dwellings. All of these have been demolished, resulting in a **loss of 445 households**. These have been replaced by community housing, resulting in an uplift (i.e. increase) in social housing delivery on these sites of **174 dwellings**.

The government states that at least 75% of the social housing units will be allocated to people on the priority wait list – those in greatest need, who generally fall into the bottom 20% of income earners. There are currently around 110,000 people on the social housing waiting list in Victoria. Over half are on the priority waitlist, which is growing at a much faster rate than other areas of the waitlist. As part of the 2018 negotiations between the government and the community housing industry, community housing organisations only have to allocate 75% of their housing availabilities to people on the priority waitlist. Typically, public housing allocates near 100% of the available dwelling to people on the priority waitlist.

Assuming that 75% of the new community housing dwellings (n=619) are allocated to those on the priority waitlist, **the actual provision for those in greatest housing need will be 464 dwellings, an uplift of just 9 dwellings**.

public housing lost	445
community housing gained	619
number of community housing available to households on the priority waitlist	464
<b>net gain of dwellings that will be available to people on the priority waitlist</b>	<b>9</b>

	Bangs St Prahran	Racecourse Rd Flemington	New St Brighton	+ / - social housing outcome	Available to those in greatest need
Existing / previous number of dwellings	120	198	127	-445	-445
Community housing dwellings promised	619			+174	464**
Subsidised private dwellings promised	126			0	0
Market rental dwellings promised*	365			0	0
<b>Total net gain – dwellings available to those in greatest need</b>					<b>9</b>

\*the Government press release includes 52 Specialist Disability Accommodation units in this amount. The lack of proper detail about how these should be counted makes it impossible to accurately account for the SDA units in this analysis.

\*\*this is 75% of the total number of community housing dwellings promised as community housing providers are only required to allocate a minimum of 75% of their housing to those on the priority waitlist

### Cost and investment model

The Government has announced that the cost of this 'package' will be \$500m. An initial payment of \$50m is allocated in this year's budget. The [Fifth Estate reported](#) that the balance of \$450m will be paid by government to the private consortium over the next 40 years. That article also reports that the private consortium will pay only a 'peppercorn rent' for the dwellings during the 40-year agreement period. In the absence of any transparent details, it is reasonable to assume based on previous practice that peppercorn rent may mean around \$1 per year. At the conclusion of that 40-year period, all of the units will return to government ownership. At this point in time, they will likely need very significant investment and upgrades after 40 years of use.

It is therefore reasonable to assume that the total expenditure by Government for these three sites is \$500m, with no return on investment from the lease model between year 0 and 40. At 40 years, the return on investment will be 1,110 dwellings likely in need of significant upgrade and investment.

An expenditure of \$500m that will result in only 174 additional (i.e. uplift) social housing dwellings, equates to **\$2.87m per additional social dwelling**. The total number of dwellings that are reserved for residents in greatest housing need (priority component of the Victorian Housing Register), will result in an uplift of only 9 dwellings, when accounting for those lost by demolishing the public housing. **This is a cost of \$55.5m per dwelling.**

The shift from public housing to community housing on these sites also means there is additional flow of subsidy from the Commonwealth Govt to non-government community housing providers through the Commonwealth Rent Assistance (CRA) scheme.

The current range for CRA is between \$140.8 and \$187.04 per household per fortnight (<https://www.servicesaustralia.gov.au/individuals/services/centrelink/rent-assistance>). It is reasonable to anticipate that all social housing (n=619), affordable housing (n=126) and SDA (n=52) tenants will be eligible for CRA. This is a total of 797 households receiving CRA on the redeveloped sites, costing the CW Govt between \$112,217.6 – \$149,070.88 per fortnight.

Over the course of 40 years, this is \$116,706,304 – \$155,033,725.20, or a maximum of \$155m not adjusted for inflation or rate changes. For the past 20 years, inflation has been at 2.5% - if adjusted for this inflation rate and compounded annually, in 2061 the amount of CRA paid by the CW Govt to community housing providers would total a maximum of \$271,648,592, and a minimum of \$204,491,669.

This makes the true cost of this redevelopment of existing public housing sites to be in the order of \$704,491,669, ie \$704.5m over 40 years. For the uplift of 174 additional social housing dwellings, this represents **a cost of \$4.04m per dwelling**. The true cost of dwellings that are reserved for residents in greatest housing need (priority component of the Victorian Housing Register), is **a cost of \$78.2m per dwelling** (n=9).

Note: this does not include the cost of displacing all the previous residents, demolishing the buildings, removing contaminated materials and preparing groundworks.

### The alternative

We modelled the yield of public housing dwellings possible from direct capital investment by government for the same total cost including CRA component of \$704m. It is reasonable to assume a cost of \$300,000 to deliver one public housing dwelling. The cost is likely to be cheaper on these sites as it is public land, particularly if the barriers to the transfer of public land between government agencies in Victoria were removed, to align with systems in other States.

A direct capital grant model using the existing public land **would deliver approximately 2,346 public housing dwellings** on these three sites. This could potentially house up to **5,800 people on the priority waitlist**.

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