

## EXECUTIVE SUMMARY

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# Sustainable social housing retrofit? Circular economy and tenant trade-offs



From the AHURI Inquiry: Inquiry into housing in a circular economy

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# Executive summary

## Key points

- **Retrofit is often used as a strategy to improve dwelling performance but often not linked to minimum quality and dwelling condition considerations.**
- **There is limited understanding of what tenant households prioritise for quality, condition and performance—and tenants’ retrofit preferences are different to the priorities of housing providers.**
- **Recipients of retrofit programs prioritise liveability and affordability over energy efficiency and circular economy (CE) considerations.**
- **Social housing providers face challenges to balance their business obligations with their social obligation to help their residents.**
- **Retrofit program objectives are rarely explicit, and vary greatly between stakeholders.**

## Key findings

To a significant extent, the focus of retrofit activity in the housing market has been driven by circular economy (CE) sustainability goals. As a result, retrofit interventions have focussed on energy efficiency, alternative energy technologies, construction waste, and extending the life of dwellings, thereby overlooking the fact that many people in our community lack access to even a basic quality of housing; for example, a home that is safe and warm, that doesn’t leak when it rains, and that supports the daily functions of cooking or cleaning. Furthermore, sustainability focussed retrofitting has largely been piecemeal and applied to individual dwellings. This has limited consideration of the scale, process and systematic industry and innovation opportunities for delivering large-scale retrofit that would support a circular economy approach across all social housing.

- The discrete choice experiment (DCE) found that households’ preferences for housing retrofit and upgrade options did not necessarily align with evidence of optimal retrofit priorities, nor with the activities which receive funding (except for solar panels).
- The interventions often found to have the highest cost-benefit outcomes, such as draft sealing and ensuring appliances are operating efficiently, were not preferred. Often these options are less ‘visible’ and the benefits may not be immediately evident or well communicated to householders.

- Consumer households' preferences are at odds with typical activities associated with CE objectives, for instance, the low-cost, high-impact activities aimed at improving the life-span and performance of the existing dwelling and appliances.
- Social housing providers face challenges to balance their business obligations with their social obligation to help their residents. They must maintain what is often poor-quality dwelling stock, improve it, build more—and remain within their budgets. These competing obligations are fundamental, and although there is ambition to embrace environmental sustainability and CE, these are secondary considerations. One panel participant provided an example to illustrate this. In a recent new build development, they had '*hoped we would have enough surplus to build 6 star, but with a smaller surplus [due to the recent rise in construction costs] we just do the best we can*'.
- Social housing providers also rely on access to tied government funding to maintain or improve the quality of their stock—the structure and timing of this funding was raised by many panel participants. It was noted that such government programs were central for retrofit and upgrades to their housing stock, but that this funding was often 'themed', so that retrofit activity in the sector is largely driven by the themes of funding available (rather than, for example, tenant requirements, the specific needs of a housing provider's dwelling stock or CE considerations). In addition, tied, themed funding may be designed to have impacts beyond the housing system, and may have a 'rapid spend' requirement. This limits the types of retrofit that can be achieved to 'quick won' interventions that may not be maximally beneficial to tenants.
- Retrofit program objectives are rarely explicit, and vary greatly between stakeholders. Social housing providers may be largely motivated to help their tenants avoid energy poverty, industry groups seem principally focussed on sustainability outcomes, and many tenants' main motivation is improving the liveability of their home. These different, and often competing, objectives obviously limit successful outcomes. However, industry advice designed around sustainability could form the basis of a government funded program where cost effectiveness is prioritised. Social housing providers could use this funding to reduce the energy costs of their tenants, and the tenants would value the program because of their improved living environment.

This research project aimed to capture the preferences and retrofit trade-offs of tenants, and present them to key stakeholders, to explore retrofit practice and implementation and make explicit the role of (and contribution to) CE practices. Reflecting on the findings of this project, the research has also revealed the complex, conflicted, and largely invisible underlying structure of retrofit policy and action.

Discussion of retrofit policy assumes that stakeholder groups have shared goals, but that is not the reality. Retrofit, at least in the social housing sector, is a relatively haphazard process, guided by good, but often conflicting, intentions. In addition there is a role for governments in coordinating large scale retrofit action (with or without CE aims) that is yet to be realised.

## Policy development options

Considering the policy implications, it is noteworthy that, for the majority of panel participants (representing policy makers, social housing providers and industry), tenant preferences were both surprising, and largely unknown. This indicates that a systematic tenant voice (and tenant preferences) has, to date, rarely been included in existing retrofit activities. The inclusion of at least some acknowledgement of tenant preferences in the development of any social housing retrofit interventions would shift the focus of assistance (and the desired outcomes) towards basic liveability.

One of the main insights provided by the panel discussions was the (largely invisible) mismatch of retrofit ambitions between different stakeholders—social housing providers, industry, government agencies, and tenants. Acknowledgement of this mismatch and a more explicit statement of aims by all stakeholders is a valuable outcome of this research. While the policy implications of an alignment of retrofit ambitions are unclear, it would provide coordinated guidance to outcomes.

Related to an alignment of stakeholder retrofit ambitions, the current structure of retrofit funding is also uncoordinated, reactive and detached from long term systematic CE framing. A longer term funding pathway for social housing retrofit and quality upgrades would give social housing providers a clearer direction and allow for more considered and nuanced responses.

## The study

This project is undertaken as part of a broader Inquiry into housing and the circular economy.

There is growing awareness in the policy community of overlapping public health concerns, variable housing quality and conditions in both new build and existing stock, climate change, and increasing cost of living pressures. To address these concerns, recent work has been undertaken to progress minimum standards, as well as the sustainability and performance of Australian housing. While much of the focus of this work has occurred in the privately owned and rented parts of the housing market, social housing presents some intrinsic challenges that have not yet been well considered.

This study provides a basis for our understanding of retrofit in the social housing sector. It intentionally looks beyond the relatively narrow consideration of energy efficiency, to respond to the broader requirements of the social housing sector—to incorporate and balance tenant needs with provider mandates, budgetary limitations, and wider social policy.

Conducted between 2021 and 2022, the project initially undertook a guiding review of existing standards and policy considerations driving social housing retrofit from a sustainability and minimum quality perspective. The focus was primarily on Australia but also included leading international examples identified in the wider literature. Building upon this knowledge, the project then explored how state housing authorities and community housing providers balance CE goals with decisions about retrofit, scale, minimum standards and tenant need.

In the third phase of the project a housing survey and choice modelling (DCE) experiment was used to understand households' preferences and prioritisation of different retrofit options by importance and potential impact. This survey captured essential information on tenant experience and the retrofit priorities of likely program recipients. The final phase of the project brought together expert social housing retrofit stakeholders from government, social housing providers, peak bodies, and industry associations to reflect on findings from the DCE, and the implications for social housing retrofit.



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