

## SWA Housing Update 11 September, 2007

In this Update:

### **Shelter WA argues for the re-vitalisation of the public housing system through access to Commonwealth Rental Assistance**

*Over the last two years, WA's unregulated housing market has grown well beyond the affordability range of households in the bottom 40% of the income distribution (\$52,000 and below). Yet the Federal Coalition has demonstrated a total lack of commitment to developing and adequately funding a public rental alternative to the private rental market.*

Shelter WA argues that there is now a desperate need for concerted Commonwealth and State action to remove impediments to the supply of affordable housing and provide incentives to encourage more public housing construction.

The implications for public housing are alarming. There is simply no way that the current supply of public housing can satisfy growing demand. Yet even Federal labour have still not acknowledged this.

There is strong evidence that there is latent demand for public housing at the very low end of the income scale. The Productivity Commission reveals there are currently:

- ▶ 22, 000 low income households in WA encountering housing stress (paying more than 30% of income on rent after receiving Commonwealth Rental Assistance).

Furthermore ABS data revealed that there are 142,300 persons in receipt of incomes less than \$40,000 per year which are residing in private rental – this is just under half of all WA renters (42%). Soaring rents and record low vacancy rates suggest that the Productivity Commission figure maybe a conservative one.

So why the reluctance to adequately fund public housing in the face of mounting evidence of growing unmet housing need? Shelter WA believes that the deep emotional commitment to homeownership derives partly from the way alternative forms of tenure have been restricted from expanding. Resulting in low income working people having less opportunity to access public housing and accumulate savings for the eventual transition to homeownership. This has constrained opportunities to develop a housing system which provides different types of tenure (which people need and can afford) at different times of the life and income cycle.

Shelter believes that changes to CRA eligibility (opening the way for public housing tenancies to also be able access CRA) will go some way towards

enabling the planning and development of a viable and modern social housing system.

**Potential benefits of CRA paid to public housing tenancies:**

- ▶ Enable both financial viability and tenant affordability;
- ▶ Profit could be used to build new stock;
- ▶ Enable housing assistance uniformity between community housing, public housing and proposed low cost private rental;
- ▶ Sever the link between commonwealth and state payments and eliminate the politics of state/federal relationships;
- ▶ Could be used in conjunction with a smaller CSO payment coming from State Treasury.

Providing that social housing is able to cover the market rents - there is no reason why private investors will not invest in all social housing providers be it public, community and eventually low cost private rental? Public rental has the potential to offer significant benefits to the taxpayer, the Housing Authority and the tenant.

Table1 estimates the amount of CRA that would be paid to public housing tenancies if they where eligible. The actual cost would be lower than the figure provided in Table 1 as it is based on the overall average CRA payment: most of public housing tenancies are single households and single parents and therefore would only be eligible for lower CRA payments.

The CRA payment would wipe out the current public housing rental deficit and provide a foundation on which to build up stock, encourage private investment, maintain tenant affordability and develop a unitary social housing system.

**Table 1: The potential impacts to public housing if all tenancies received average CRA payment per fortnight <sup>(a)</sup>**

<b>No Public housing dwellings (June 2007)</b>	<b>Cost of average CRA payment for all PH tenancies per annum</b>	<b>Cost CRA per PH tenancy per annum</b>	<b>Outcome if CRA paid to current PH tenancies</b>	<b>Profit per dwelling per annum</b>
<b>34,771</b>	<b>\$ 99,231,479.13</b>	<b>\$ 2,853.86</b>	<b>\$ 9,870,009.13</b>	<b>\$ 283.86</b>

(Sources, Centrelink, 2007; DHW, 2007 Shelter WA, 2007)

(a) Commonwealth Rental Assistance is a non-taxable income support supplement paid by the Australian Government to income support recipients who rent in the private rental market.