



newsletter

May 2007

The State Budget 2007: Commitment to improving housing affordability

by Paul Pendergast

The State Government has responded to the housing affordability crisis with a record State Budget commitment to housing.

The Budget contains three major initiatives aimed at increasing access to social housing and first home buyers:

- ▶ \$376 million over four years for public and community housing;
- ▶ \$300 million three years for First Start shared equity home purchase program; and
- ▶ \$350 million over four years for stamp duty exemption

Social Housing to Receive Funding From Treasury

Shelter WA welcomes the announcement of a \$376 million funding increase for public and community housing to be spent over the next four years.

The Department of Housing Works budget will be expanded to include an additional:

- ▶ \$210 million on community housing
- ▶ \$157 million on public housing; and
- ▶ \$9 million on lodging houses.

Significantly this announcement marks the first major commitment from Treasury to fund public housing in Western Australia. Up till now the DHW have self funded most of the matching required under the Commonwealth State Housing Agreement (CSHA). For example, last financial year the DHW only received about \$15 million from Treasury to meet Western Australia's \$35.9 million CSHA obligation.

In 2007/08 an injection of \$79.7 million worth of new money will be added to DHW's projected expenditure, which if maintained at a similar level to this financial year will be worth around \$183 million and will bring the total budget to about \$261 million. This funding will allow the DHW to construct on average an additional 250 social housing dwellings per annum on top of the expected 672 (2006/07 Budget Statements).

Since 1996 public housing has been gradually declining from a peak of 6% of the State's housing stock down to the current level of just over 4%. Shelter would have liked to have seen a government commitment to restore public housing to 6%

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but importantly this funding will see 922 dwellings per annum added to the total stock of public housing and maintain a presence at about 4.1%.

The community housing system will receive a five fold increase in funding as part of the Governments goal of developing the capacity of the community housing sector and promoting greater coordination between the community and public housing systems. Part of this new coordinated focus will involve the implementation of community housing regulations and the development of a common waiting list for social housing applicants.

The budget for the Bond Assistance Program will also be doubled and eligibility limits will be increased so that applicants will be able access median priced private rental accommodation.

Section 1.01 First Start Shared Equity Scheme

The First Start shared equity scheme was launched in February and will assist 3,000 low to medium income households.

The Budget has committed \$300million over 3 years and is restricted to first home buyers.

The scheme is based on the Department of Housing and Works purchasing a share in the property and then providing the homebuyer with a Keystart low-deposit loan to purchase the remaining share.

The department will purchase:

- ▶ up to 40 per cent for families with incomes under \$60,000;
- ▶ up to 30 per cent for couples with incomes under \$50,000; and
- ▶ up to 30 per cent for singles with incomes under \$35,000.

It is expected the homebuyers will purchase the department's share of the property as their finances permit.

Under the scheme the maximum property price that can be purchased is \$365,000. In addition, borrowers must be owner-occupiers and qualify for the First Home Owner's Grant.

In February this year 66 Perth suburbs were listed as becoming affordable for eligible households.

In addition, more affordable house and land packages would become available through developments with the department's joint venture partners.

It is hoped that the private sector will develop more affordable land and home packages with support from the DHW.

The Premier Alan Carpenter said, "to serve as a guide for the private sector, the department has already produced two display homes in its Banksia Grove development which can be duplicated in the current market for below \$365,000."

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Stamp Duty Exemption Will Assist First Home Buyers with Above Average Incomes

Under last week's announcement first homebuyers will be exempt from stamp duty on the purchase of dwellings valued up to \$500,000, double the previous threshold of \$250,000.

Shelter WA's "*The State of Affordable Housing (2006)*" report estimates Western Australia's median annual household income to be \$60,000 and identifies that currently households require an income of \$110,000 to be able to affordably purchase a median priced house (\$450,000). The doubling of the stamp duty threshold will save high income households up to \$20,700.

Shelter WA is concerned by the impact the stamp duty exemption could have on house price inflation especially when combined with other subsidies. For example, a couple with a combined annual income of \$130,000, instead of being in the market for a \$470,000 house will now be able purchase a \$500,000 house with the assistance of a purchase capacity boost worth about \$33,500.

The \$33,500 boost consists of:

- ▶ a stamp duty exemption worth \$20,700;
- ▶ the \$7,000 First Home Owner's Grant; and
- ▶ courtesy of this week's Federal Budget, a \$1,500 income tax reduction that has the potential to increase their borrowing capacity by \$5,800.

In contrast, a couple with a combined annual income of \$61,000 (\$26,000 and \$34,000) will receive a purchase capacity boost worth about \$12,500 and will be restricted to looking for a \$220,000 house.

The \$12,500 boost consists of:

- ▶ a stamp duty exemption worth \$0 (dwellings in this range already exempt);
- ▶ the \$7,000 First Home Owner's Grant; and
- ▶ courtesy of this week's Federal Budget, a \$1,450 income tax reduction that has the potential to increase their borrowing capacity by \$5,500

Shelter WA recognises that home purchase has become unaffordable for first home buyers but we believe that addressing the housing affordability crisis in Western Australia will require an even greater commitment to the expansion of social housing and increasing the availability of targeted programs like First Start.



International Findings in Social Housing

by Glenn King (DHW)

To gauge the status of WA's public housing system and determine how best to progress into the future, a project team from the Department of Housing and Works met with public housing staff from cities interstate (Canberra, NSW, Victoria, Queensland, SA and Tasmania) and overseas (New Zealand, Toronto, UK and The Netherlands).

Public Rental Housing in Australia is facing many of the same issues and challenges of overseas social housing sectors. An important difference in the Australian context however is that Australian public housing is delivered by State Government monopolies, a situation mirrored only by New Zealand. Even in Canada where there is direct State Government involvement in the provision and management of public housing, a vibrant and robust competing community housing sector exists which manages well over half of Canada's social housing tenancies.

In a number of cities visited, public housing is considered to provide an essential human service and funding and government commitment are in line with this philosophy. Public housing is not considered purely as infrastructure but as an intrinsic means of achieving broader social outcomes and building communities.

(a) Toronto

The roots of Canadian social housing programs lie in concerns over the "health" of neighbourhoods. There was an intention to invest in the future and create a social housing "legacy".

In the late 1990's the federal government downloaded the responsibility for social housing to the Province of Ontario and in turn the provincial government decided to download funding and administration for social housing to the municipal level. The City of Toronto rightly focused its attention on fulfilling its day-to-day financial and legislative responsibilities after the transfer in 2002.

Social housing in the City of Toronto houses a population as diverse as the City itself. Social housing households are a mix of seniors, families, and singles and couples – about one-third each. The residents reflect the many ethnic groups within the City. There are non-profits and cooperatives built for families, for young single mothers, for people who are hard-to house/homeless and for seniors. Some residents receive support care services that allow them to live independently or to build life skills.

Toronto Community Housing is the largest social housing provider in Canada and the second largest in North America. It is home to about 164,000 low and moderate-income tenants in 58,000 households, including seniors, families, singles, refugees, recent immigrants to Canada and people with special needs. Its portfolio includes more than 360 high-rise and low-rise apartment buildings, as well as about 800 houses and duplexes throughout the city.

(b) United Kingdom

The main objective of the Project Team visiting the UK was to attend the Chartered Institute of Housing (CIH) 2006 Conference,

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“Building Communities, making the case for housing”. The annual conference is the largest housing conference in Europe.

International delegates to the conference were given a briefing on current UK housing issues, by the Director of Policy and Professional Practice for the CIH. Delegates discussed current housing issues confronting Australia, the United States, Canada, South Africa, Nigeria, New Zealand and Hong Kong.

Housing associations have grown through development and local authority stock transfer. In England in 1981, there were fewer than half a million housing association tenants and nearly five million council tenants. In 2004, there were approaching two million housing association and 2.3 million council tenants, and housing association tenancies will probably overtake council tenancies within the next three years.

The sector has, thus, changed dramatically since 1974, although this has been most significant for the minority of larger and developing associations. Of the 2,000 associations registered with the Housing Corporation, over 1,500 manage fewer than 250 homes and over 1,700 receive no funding for new development. The larger associations, however, compare to substantial private sector businesses; for example, “Places for People” and the “Anchor Trust” each has an annual turnover of more than £200 million which, if they were in the commercial sector, would be of a size to allow full Stock Exchange listing.

(c) The Netherlands

The Project Team’s visit to the Netherlands was hosted by AEDES, the national organisation promoting the interests of social housing organisations in the Netherlands. AEDES members manage 2.4 million

dwelling, constituting 40 percent of the total housing stock.

AEDES co-operates with the government, political parties and special interest groups in order to get the right working conditions for social housing organisations to effectively fulfill their social function.

Meetings were also arranged with the Director of the “Central Fonds Volkshuisvesting”, an independent government organisation responsible for supervising the financial viability of Housing Associations and providing financial support. It is funded by compulsory contributions from the housing associations.

The history and future direction of social housing in the Netherlands is contained in an AEDES publication entitled “Dutch Social Housing in a nutshell.” In summary: The rights and obligations of government (central, provincial, regional, municipal) and social housing organisations as they stand in the Housing Act have been worked out into a number of rules.

Social housing in The Netherlands is not stigmatised as “housing for the poor”, as it is in some other countries throughout the world.

The conclusions to be drawn from the Netherlands experience, is that the situation in the housing market is one of mutual dependency between local government and housing associations. Developments in the Netherlands social rented housing over the past decade have produced a much more entrepreneurial approach among housing associations.

Acknowledgements

Acknowledgements relating to this article are contained within the DHW paper “Is Public Housing in WA Sustainable?”. Information for this article was extracted from the above document.

Submission on the Department of Housing and Works Discussion Paper: Review of Housing Service Delivery

by Jim Anthony

In April 2007 Shelter WA provided a submission on the Department of Housing and Works (DHW) *Review of Housing Service Delivery Discussion Paper*. Shelter provided comments and policy recommendations on a range of topics and questions covered by the Discussion paper. Those included:

1. *Targeting households in greatest need and special needs.*

Shelter WA supported the policy of targeting public housing at households in greatest need and special need as outlined in the *Commonwealth State Housing Agreement National Performance Indicator Framework for 2005–06*.¹ We also recommended that DHW needs to consider expanding public housing supply to meet the growing demand from low income households.

2. *Regional/cultural/ variations to 'greatest need' targeting.*

Shelter WA did not support the concept of developing regional/cultural variation to 'greatest need'. DHW already recognises acute differences in housing costs and the higher cost of living faced by regional households and as a result set higher income limits for households to access public housing in regional areas. Shelter believes that developing regional affordable housing frameworks and providing increased government funding for public and community housing would address social

housing demand from greatest need households in regional areas.

3. *Introducing fixed term public housing tenancies*

Shelter WA does not support limited term tenancies. Fixed tenancies will be targeted at tenancies that are in employment and paying full market rents. Shelter believes that those that pay full market rents provide some compensation for the 90% of DHW tenancies that do not pay market rents. Shelter also considered issues such as financial workforce disincentives and security of tenure to highlight our opposition to fixed term tenancies.

4. *Introducing segmented waiting lists*

Shelter has carried out research into segmented waiting lists and the evidence suggests that they present a range of problems which will prove difficult to overcome and could require more resources than WA's current date/order/priority access system. It showed that other Australian State Housing Authorities' (SHA) appear to be using segmented lists to ratchet up allocations to households with high needs - effectively eliminating a large number of low income households (experiencing housing stress in private rental) from accessing public housing. Data provided by the DHW demonstrated that its date/order/priority access system is able to adequately

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respond to the demand for priority allocations (in 2007, 43.9% of people who were housed in less than 3 months waiting time were in greatest need). The current priority listing is effectively operating as a segmented list for households in greatest need.

5. *Tenancy support*

Shelter WA highlighted concerns about the impact that intensified targeting of public housing to high needs households' is having on the viability of the public housing system.

This increased focus on targeting appears to be closely related to the increased real cost of provision per rental property. Shelter WA agrees with the Review's observation that there is a lack of integrated support delivery and instead the DHW has been expected to fund the provision of specialised support services such as the Supported Housing Assistance Programme. Thus some DHW employees' are required to take on social worker type roles that are outside their traditional property management functions.

Shelter's full submission can be read on www.shelterwa.org.au

¹ See Australian Institute of Health and Welfare, 2006: *Public Rental Housing 2005–06 Commonwealth State Housing Agreement national data reports*, AIHW, Canberra.

Australian housing – a fair share?

By Paul Pendergast

The national organisation advocating for low-income housing consumers released its platform for the federal election campaign on Monday April 23.

National Shelter's platform was launched by Sharan Burrow, President of the Australian Council of Trade Unions, and Adrian Pisarski, Chairperson of National Shelter.

The platform calls for a mix of actions with the Commonwealth and state and territory governments working together. The platform includes calls for

- a review of the impact of the taxation system on housing affordability
- the development of financing and investment strategies to attract institutional investors into affordable rental housing
- implementation of a national Indigenous housing strategy

The full platform can be downloaded from the National Shelter website, at <http://www.shelter.org.au/publications.htm>

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Shelter WA

Shelter WA is Western Australia's peak independent housing organisation. Shelter WA is community managed and represents the views of consumers and community groups on major housing issues. Shelter WA aims to ensure that every person has access to affordable, appropriate, secure and safe housing that is free from discrimination.

We do this through:

- co-ordinating and representing community sector views to government;
- developing and responding to policy;
- providing education and information ; and
- promoting alternative housing models.

Newsletter Production

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If you have any queries or comments regarding the articles in this newsletter, or if you would like to contribute to future Shelter WA newsletters, please contact Shelter WA on 9325 6660.

While we are happy to consider any articles submitted for publication, we reserve the right to edit material in consideration of space, content and relevance.

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