



State Budget Submission

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Victoria Best and Fairest



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Housing



All people have a right to adequate housing that is safe, secure, affordable, accessible and appropriate and located near to jobs and services.

United Nations Committee on Economic, Social and Cultural Rights

Low cost renting for singles

In June 2007, rental affordability for singles in Victoria hit a new low.¹ Just 4.2 per cent of one bedroom apartments in metropolitan Melbourne were affordable for single people receiving Newstart allowance and singles on the minimum wage paid 41.2 per cent of their income for the median metropolitan one bed dwelling.²

Affordability is even worse for young people, who earn less both in the labor market and on social security benefits.

In the inner areas, close to growing employment opportunities, virtually no dwellings are affordable. As lack of affordability is also getting worse in the middle ring suburbs and strong regional employment centres, this will have serious implications for the efficient functioning of the labour market and access to employment for singles.

Over the next 30 years, the numbers of single households is projected to rise significantly.

Action now to expand the rental stock for low-income singles that is close to employment will inevitably pay economic dividends into the future. In addition to strengthening labour market participation, access to secure and affordable single occupancy housing will reduce singles homelessness, an issue demonstrated to both create and exacerbate mental illness.

At present the shortage of public and community housing properties for singles means this population face even longer waits than family groups. As outcomes in the private rental market demonstrate, there is not a strong profit motive to accommodate low-income singles at affordable rentals.

Some work to address the singles rental shortage, such as construction of one and two bedroom apartments within the Carlton redevelopment, have been welcome. However, action on a larger scale is necessary to make a significant impact on singles stock levels.

In the 2007-08 Budget the Government made a welcome broad commitment to investment in public and community housing. In the 2008-09 Budget VCOSS proposes a focused capital commitment to strengthening the labour market by investing in public and community housing for singles in employment growth centres.

This should be complemented by a long-term singles housing strategy incorporating direct investment and mobilisation of other mechanisms, such as planning levers.

Housing and support

Adequate, affordable, safe and secure housing plays a critical role in people's lives, providing a base from which to engage with the broader community. However, for many people, simply having a roof over their head is not sufficient to establish a sustainable and secure base. Many people also need support to assist them to remain

in housing and to engage in positive and self sustaining ways with the community.

The lack of support linked to housing is a key reason why tenancies of many vulnerable people fail. Too many public and community housing tenancies of people housed on Segment One last less than one year. Rather than moving on to other secure housing opportunities, the majority of these tenants cycle back into homelessness, repeating a pattern of life crisis, declining physical and mental health, and fractured relationships with neighbours, friends, family and other potential support networks.

Experience with housing and support programs demonstrates that the cycle can be broken if appropriate and sustained interventions are made.³

In addition to services currently operated by the Office of Housing under the Supported Accommodation and Assistance Program (SAAP), departments delivering services to vulnerable clients need to develop housing and support programs to ensure the benefit of therapeutic interventions is sustained. Vulnerable groups include people exiting prison, exiting mental health services, exiting drug and alcohol rehabilitation and exiting the care of child protection or juvenile justice.

Affordable home ownership

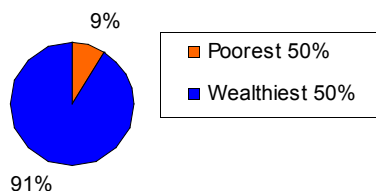
Rapid housing price inflation in the past decade has put home ownership out of the reach of many low- to middle-income households with negative impacts on household security and on households' capacity to grow wealth.

In all inner and middle-ring Melbourne suburbs a household must now save more than 100 per cent of their annual median income for a deposit on an average home.⁴

The cheapest suburbs of Melton, Wyndham, Cardinia, Casey and Hume – with deposit costs between 44 per cent of annual median income (\$13,800) and 80 per cent (\$25,128) – are all located on the urban fringe, have little or no access to public transport and few locally available jobs.⁵

Strategies like the First Home Owners Grant that aim to improve access to home ownership, have failed to increase home purchase rates among low-income households. In fact, more than 90 per cent of the subsidy has accrued to the wealthiest households.⁶

Figure 1: Distribution of First Home Owners Grant Benefit



A more effective program is needed that addresses the difficulties faced by low-income households meeting both repayment costs and the entry costs of home ownership.

Shared equity offers an opportunity for low-income households to access the benefits of home ownership. However to be fair, shared equity schemes need to fairly distribute costs, such as rates and maintenance, between the home purchaser and the equity partner.

A government scheme or strong government regulation of a non-profit scheme will be necessary to maximise positive outcomes.

Recommendations

- 1 VCOSS proposes that the Government fund capital investment for public and community housing for singles to strengthen Victoria's labour market.
- 2 VCOSS proposes the Government resource new models of housing that are integrated with long-term support. These models should be funded as an extension to services offered to vulnerable Victorians by the Departments of Human Services and Justice, in addition to expanding services offered by the Office of Housing.
- 3 VCOSS proposes the Government introduce a government shared equity model targeted to households struggling to access home ownership.

Endnotes

- 1 Office of Housing, *Rental Report - June quarter 2007*, Victorian Government, Office of Housing, Department of Human Services Victoria, Australia, p.5.
- 2 ...
- 3 C Chamberlain, G Johnson & J Theobald, *Homelessness in Melbourne: Confronting the Challenge*, Centre for Applied Social Research, RMIT University, 2007
- 4 RMIT/NATSEM, 'House price movements in Victoria 1996 to 2003' in *Housing research for a fairer Victoria*, Department of Premier and Cabinet, Melbourne, 2005. p. 51.
- 5 ...
- 6 G Wood, R Watson & P Flatau in *Housing research for a fairer Victoria*, p. 126.