

PUBLIC HOUSING – GOVERNMENT INPUT & TYPES

COMMONWEALTH INVOLVEMENT IN PUBLIC HOUSING

In 1943 the Commonwealth Government constituted a Housing Commission under the National Security Regulations to report on Australia's housing needs. The report stressed that the Commonwealth should take an active role in housing.

Largely because of the report, the Commonwealth State Housing Agreement (CSHA) was drawn up in 1945 under which the Commonwealth agreed amongst other things, to provide state governments with funds for housing purposes repayable over a period of 52 years at 3%pa. The Commonwealth also agreed to guarantee the states against certain losses and to allow for low income families to enjoy rental rebates. The agreement aimed to meet the extreme shortage of homes for new families after world war 2. Public housing was seen as a long term source of secure housing for the general public but this objective was only realised by the South Australian Housing Trust.

During this period low rents based solely on costs were set. However, in 1975 the Commission of Inquiry into Poverty in Australia reported that about 72% of public housing tenants were living above the poverty line. Applicants were mean tested but the test was not used for established tenants. To better target needy tenants the 1978 CSHA established market rents as a way of mean testing households. The demand for housing amongst pension beneficiaries and low income earners was widened in 1984 containing an "equal opportunity" clause guaranteeing equal access to public housing for young single people.

TYPES OF GOVERNMENT INPUT

The involvement of government in housing today is much more complex than in previous years. The type of aid can be considered as either "indirect" or "direct".

INDIRECT AID

Indirect aid is becoming more popular and includes:

- rental subsidies in the private sector
- mortgage relief in the private sector
- joint housing ventures with the private sector.

RENT SUBSIDIES IN THE PRIVATE SECTOR

In NSW the system is similar to a number of overseas methods of assistance involving a voucher scheme whereby private sector renters can obtain a rent subsidy if they can show a need. The scheme run by the Commonwealth, is called the Supplementary Rent Assistance Scheme and which pays up to a certain amount per a week.

DISADVANTAGES

In the United Kingdom, the drastic reduction in the building of public housing accompanied by income support led to a reduction in the size of private rental tenure as a proportion of the whole housing market. The alleged supply growth failed to materialise. Other problems include sharp differences in rent levels between regions particularly, the Sydney metropolitan area and elsewhere.

MORTGAGE RELIEF IN THE PRIVATE SECTOR

Mortgage relief provides a safety net for home buyers having difficulties with their mortgage repayments caused for example, by a fall in income due to unemployment, a rise in interest rates or an illness. Mortgage relief helps by meeting some of the mortgage repayments and in special cases will help in arrears. The relief is repayable when assistance is no longer required.

SPECIAL LOANS

Most states have special "homestart" loans which are structured differently from normal loans. They offer affordable repayments, flexibility and higher borrowing capacity. There are no penalties for early payout. Repayments are structured at 25% of income and remain at that rate while that level of income is maintained but increases with inflation. Repayments are fixed for 12 months and increase on the anniversary of the loan which helps budgeting. A "topup" loan which is interest free for the first 5 years may be included in the amount borrowed. This is not repaid in the monthly repayments but is paid out after 5 years.

In NSW the scheme is the Affordable Home Loans scheme where for the first time, in 1988, settlements exceeded \$100m. Further, cheap and flexible loans are made under the Premier Low Start Home Loans

Scheme to help first time home buyers.

In recent years the more prosperous public tenants have been encouraged into the private sector through such concessional mortgages. This increases the stress on the public sector by taking those people with the capacity to pay out of the system and therefore, public housing is tending more towards "welfare housing".

REFINANCING

Where the homeowner is experiencing difficulty of a long term nature such separation, unemployment or illness he/she may be able to refinance the existing loan through the "homestart" concessional mortgage scheme.

MORTGAGE PROTECTION INSURANCE

A mortgagor should take out mortgage protection insurance to cover for unemployment, sickness, injury or death. All financial institutions offer some form of mortgage protection insurance.

JOINT VENTURES WITH THE PRIVATE SECTOR

Most state housing bodies have joint venture schemes with private developers to provide land and buildings usually on a large scale. For example, in the western suburbs of Sydney and Golden Grove in South Australia. Joint marketing campaigns with leading builders, lending bodies and service authorities have led to a revival in the first home buyer market. For example in Sydney, more than 800 homes per annum are committed on Landcom estates.

DIRECT AID IN THE PUBLIC SECTOR

Traditionally, public housing has consisted of direct aid where the housing authority builds and then rents or sells houses to low income earners. However, there has been a trend to more innovative schemes including joint ventures and community housing.

BUILDING PROGRAMS

State housing authorities build a number of houses, villas, units and townhouses to be rented out to those who meet the authority's criteria of need. The rent paid by is market rent but usually with a rental rebate

which increases with need. Even when the tenant pays a rent close to market rent he/she is better off than an equivalent tenant in the private sector because of greater security of tenure.

That part of the market rent not paid by the tenant is called known as a "rental rebate". In 1987/8 NSW had a total rental rebate cost of \$207m while the Victorian Ministry of Housing & Construction had a bill of about \$95m. Tenants generally, pay no more than one quarter of their income. The current policy has attracted criticism:

The present system is perpetuating a gross injustice. Assuming no further increase in funds for housing, the Commonwealth should restructure its assistance to explicitly accept responsibility for income support for tenants" - Prof Cliff Walsh, Centre for Research on Federal Financial Relations at ANU.

About 75% of all existing tenants are receiving a rebate and compared to about 90% of new tenants being eligible for the rebate.

COMMUNITY HOUSING

There are 2 main areas of community housing:

1. Cooperative housing association
2. Community housing association

COOPERATIVE HOUSING

Cooperative housing provides an opportunity for people on low incomes to be their own landlord. They form a group (a cooperative) and work together to buy or build housing for themselves. A cooperative is a nongovernment, nonprofit organisation which brings together people with a common need for secure and affordable housing. They also provide the potential for supportive social networks which may particularly interest some groups such as single parents, the aged, disabled or young families.

Individuals do not own the houses they occupy, although they have the opportunity to buy shares ("equity") in them. Tenants and members of the cooperative are able to play an active role in the management of their housing. Rents are set by each cooperative but are typically about 21-25% of gross income. Tenant involvement is an essential part of cooperative housing and are not appropriate for people who do not wish

to contribute to their management or operation.

COMMUNITY HOUSING ASSOCIATIONS

Community housing associations are developed and managed by local community organizations in a manner similar to cooperatives. The main difference is that associations are managed by the board of the community organization on behalf of the tenants. Board members may include people from the community organization and the wider community. Another important feature of housing associations is the way in which they provide housing for people with special needs. Groups currently receiving assistance include the physically and intellectually disabled, the aged, young people, people who have been subjected to domestic violence and aborigines.