



Moreland City Council

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## **INQUIRY INTO FIRST HOME OWNERSHIP**

### *1. Overview*

Moreland City Council supports the scope of this Inquiry, with the extension of the Terms of Reference to include analysis of the housing market as a whole. Housing affordability has been recognised as a priority in the Council Plan (2003-2006) and the current Mayor's Speech.

Whilst first home ownership is recognised as a major 'inefficiency' of the housing market, there are other affordability issues in evidence in this municipality:

- Many households have incomes which are too low to responsibly enter into mortgage agreements;
- Existing purchasers, especially the 14% of purchasers who fall into the lowest 40% income group, are very vulnerable to increases in interest rates
- Older home owners who are asset-rich and income-poor have difficulty negotiating the housing market;
- Moreland has the third highest level of Rent Assistance in metropolitan Melbourne. Many private tenants pay unacceptably high rents, even though they receive Rent Assistance; and
- Affordable housing options are limited. Moreland has a relatively low level of public and community housing and low cost accommodation in hotels and rooming houses is declining.

Paradoxically Moreland has a relatively high rate of home ownership as well as a high level of housing stress, a typical profile of a relatively disadvantaged, ageing municipality.

## ***2. Council's response to the Inquiry***

Council has chosen to identify key issues for the Inquiry at this stage, and contribute a more detailed response when the draft report is available for comment in December 2003.

Council commends the Productivity Commission's Inquiry into First Home Affordability, but recommends that a broader range of affordability issues for tenants, purchasers and current home owners be investigated.

It is timely for the Inquiry to reconsider Federal housing subsidies, as these subsidies are not adding to affordable stock options. Council notes that government expenditure on the First Home Owner Grant, Commonwealth Additional Grant, and tax concessions such as negative gearing and capital gains tax savings to current and future home owners significantly exceeds subsidies to public tenants arising from the Commonwealth State Housing Agreement (Changing Pressures, Brotherhood of St Laurence, February 2003). Current CSHA funding is insufficient to generate and acquire new stock because of the expenditure required for improvements to older stock and redevelopment programs.

The Inquiry should reconsider the effectiveness of the First Home Owner Grant. This grant appears to have fuelled rising housing prices and should be capped and means tested. The State Revenue Office points out that Melbourne's outer suburbs and regional centres have been the major beneficiaries of this grant.

The Inquiry should reconsider the effectiveness of Rent Assistance. National Shelter and ACOSS research (September 2003) has shown that many recipients of Rent Assistance exceed the Government's own measure of housing affordability in rental expenditure. Nearly 45% of Rent Assistance recipients spend more than 30% of their income on rent, the accepted indicator of housing stress. Incentives for landlords to provide secure and appropriate housing for the lower end of the market need to be explored.

The Inquiry needs to recognise that some households choose tenancy rather than home ownership, and that more secure forms of tenancy need to be investigated. Very high costs can be associated with housing relocation, so that tenancy may be a 'preferred' option to accommodate particular life cycle stages and labour force mobility.

The Inquiry needs to address ways of attracting private finance into affordable housing provision, such as the Affordable Housing National Research Consortium Proposal, outlined in the Housing Justice Roundtable submission.

The Inquiry should consider new incentives for the construction industry to pilot affordable purchase and rental options, especially in inner metropolitan areas of Melbourne and Sydney where affordability problems are greatest. Incentives could be

funded through developer contributions and a proportion of stamp duty costs specifically re-directed towards affordable housing initiatives. The recent work of Brisbane City Council provides an appropriate model.

The Inquiry needs to evaluate whether there is a role for not-for-profit Housing Associations who could provide long term, secure rental accommodation, with rights to exchange property across Australia. Such an option could be attractive for households who do not seek to make a capital gain from their property.

It would be valuable if the Inquiry would circulate data about first home ownership at a municipal level, including demographic analysis of first home ownership in relation to household type, age, gender and cultural background. This data could inform municipal housing and land use strategies.

Ongoing research and consultation for Moreland's Housing Strategy indicates that affordability is a major problem for tenants, purchasers and some owner occupiers. Moreland is experiencing rapidly increasing rental and property prices. For example Coburg, which was an affordable entry point into the housing market in the past, experienced an increase in median house price of 47% between 2001 and 2002 (The Age, 16 August 2003).

### ***3. Conclusion***

The picture of housing distribution and price escalation in Moreland highlights the need for more effective forms of federal and state intervention in the housing market, including pilot programs of new strategies.

From a local government perspective it needs to be emphasised that Councils would require extensive financial and policy support to develop large scale affordable housing projects and take responsibility for risk management.

Yours sincerely

Joe Ficarra (signed)

**MAYOR**