



VICTORIAN PUBLIC  
TENANTS ASSOCIATION

# Inquiry into the rental and housing affordability crisis in Victoria.

JULY 2023



## Acknowledgment of Country

The VPTA acknowledges the Traditional Owners of Country throughout Victoria, and recognise their continuing connection to land, waters, sky and community.

We pay our respects to Elders past, present, and those who will become Elders in the future.

We thank you for caring for the land over tens of thousands of years, which we acknowledge was never ceded.

## Who We Are

The Victorian Public Tenants Association (VPTA) is the voice of public housing in Victoria.

As the peak body representing existing public housing renters and those on the waitlist, our goal is to provide advice to renters and applicants, and to improve and expand the public housing system in Victoria. Although not formally part of our role, we also assist community housing renters where possible.

We believe all social housing renters deserve a representative voice, regardless of their specific tenure type.

While our work is in Victoria – we are the only peak body in Australia which exclusively represents public housing renters or people who live in social housing.

We undertake systemic advocacy and provide policy advice to the Victorian Department of Families, Fairness and Housing ('the Department'), undertake community engagement work and operate a free and confidential telephone advice service. In the 2022-23 financial year we assisted more than 1,000 residents and applicants with in-depth advice and assistance and experienced a 94 per cent increase in workload.

## Introduction

Thank you for providing an opportunity to submit to the Inquiry into the Rental and Housing Affordability Crisis in Victoria.

The VPTA team regularly works to assist those who are pushed out and locked out of both the private rental market and home ownership in Victoria. During 2022-23, they have assisted over 1,000 Victorians to sustain tenancies at risk, improve the conditions in their existing home or to access social housing.

Despite living in one of the wealthiest nations in the world, there is no doubt that Victorians, and Australians overall, are doing it incredibly tough.

This submission does not propose to cover in detail the well-trodden ground establishing the economic realities of life in Australia in 2023, or the factors leading to low availability and high costs of rental properties, barriers to home ownership and their impacts on renters and homeowners. Suffice to say, these are;

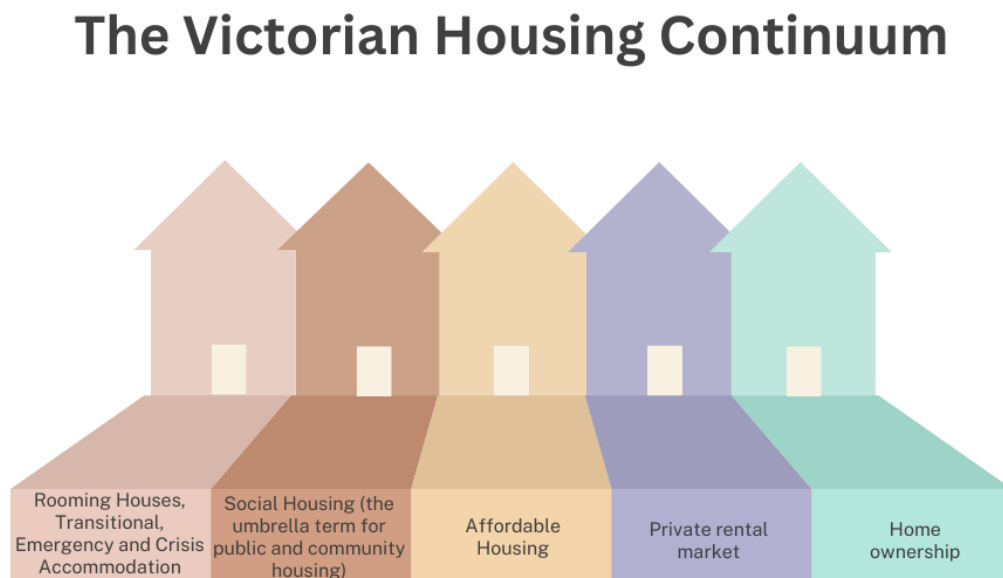
- Wages which have not kept up with the cost of living,
- Inadequate income support payments,
- Tax treatments which encourage homes to be considered primarily as tools for wealth generation rather than shelter, and
- Global impacts of pandemic and war leading to high levels of inflation.

This submission instead outlines the core role that social housing, especially public housing, plays in the housing system overall, and opportunities for strengthening it to provide upstream benefits to those in the private rental market. It also discusses the chronic under-supply of public housing and key opportunities to strengthen social housing for current and future generations.

## The vital role of public housing

The VPTA has previously argued that Victoria needs a reliable continuum of housing options that span our community's continuum of needs. This remains true.

Figure 1: The Housing Continuum



Each element of the continuum relies on the strong presence and real-world availability of the others to remain upright.

Decades of chronic underinvestment in supports for people experiencing homelessness and housing insecurity have severely limited the availability of public housing, community housing, affordable housing and crisis/transitional options for people experiencing homelessness.

Concurrently, federal policies and community mindsets which prize not only the ownership of one's own home, but that of several others have now culminated in pushing home ownership beyond the scope of everyday Australians earning an average wage.

The result is added pressure on the private rental market. Historically people have transitioned through each step of the housing continuum, but this is no longer possible. There are many causes for this, such as:

- Increasing home prices have locked people out of ownership and increased prices in the private rental market accordingly.

- The private rental market is no longer as accessible for low to moderate income earning households, who are then pushed down the continuum and add to demand for affordable and social housing solutions.
- The private rental market in regional locations once provided a realistic option for low-income earners and people receiving a fixed income, but this is no longer the case.
- All types of social, affordable and crisis accommodation have been so lacking for so long, they now only cater to those that are in crisis 'enough' to make it to the top of the list.

The last remaining step in the continuum that most Australians can affordably access – in theory – is the private rental. But issues in the private rental market cannot be, will not be, solved by tweaking at the edges of the Residential Tenancies Act.

Instead, we must reconstruct the housing continuum by growing the share of social housing to relieve pressure across the different types of renting tenures and reduce demand on the private rental market.

Without a strong, accessible social housing system, private landlords have no incentive to deliver adequate homes at diverse price points and Victorians have no housing options.

Property investors have been monopolising Victoria's (and the nations) housing market for too long, making a game of people's lives and wellbeing.

While the VPTA recognises that increasing the number of people who can afford to purchase homes to live in would also have the effect of reducing demand in the private rental market, we consider the available policy levers in this area to largely be at the federal level. We also prefer public investment in public housing as this delivers benefits to entire communities, rather than to individuals as home ownership schemes tend to.

There is substantial public confusion regarding social housing and affordable housing. Social housing is an umbrella term, covering two distinct tenures – public and community. Figure 2 below shows some key differences between these three tenure types.

Figure 2. Tenure type table

	Public	Community	Affordable
<b>Rent</b>	capped at 25% of household income	around 30% of household income	generally 75% of market rent or otherwise capped.
<b>Management</b>	Victorian Government through DFFH	not for profit organisations	not for profit organisations
<b>Ownership</b>	generally the Victorian Government	either Victorian Government or provider	scheme dependent
<b>Eligibility</b>	income tested and set by Victorian Government	income tested and set by Victorian Government	income tested, scheme dependent
<b>Access</b>	via the Victorian Housing Register.  Allocations strictly priority based.	via the Victorian Housing Register.  Priority allocation target which applies to a portion of properties managed and differs by provider.	generally via ballot or direct application to the provider.

Recent State government programs which seek to grow the social housing stock portfolio have almost exclusively focussed on properties that will be managed by the community housing sector and have delivered no growth in the publicly owned and managed tenure, public housing.

It is public housing which is the most accessible, with the most affordable rent and the fairest allocation mechanism that is the tenure most relied upon by many. It has been found to be more protective against experiences of homelessness by a research team from RMIT who found:

*“...public housing to be a very strong protective factor reducing homelessness. Public housing is particularly effective because it is affordable. It has also traditionally offered a long-term, secure housing option for those at the bottom of the housing market. This is because public housing leases provide the benefits of security of tenure commonly associated with home ownership. Community housing on the other hand appears not to offer the same level of protection. These findings emerge despite community housing being affordable, however security of tenure is weaker possibly*

*because providers are more dependent on rent revenue and therefore less tolerant of rental arrears.”<sup>1</sup>*

Further, public renters benefit from a more rigorous complaints and appeals process as well as falling under the jurisdiction of the Victorian Ombudsman. People who live in community housing can only rely upon the regulator, the Victorian Housing Registrar, to investigate an issue if they have been unable to resolve it with their provider. The Registrar only considers issues where they indicate a systemic failing by a provider, which means many are left without a formal avenue for resolution.

This could be addressed by expanding the VPTA’s remit to include representation of people who live in community housing. This is work the VPTA already participates in but has to date been unable to resource or promote to interested communities. The concept of introducing a dedicated advocacy function that covers all social housing renters has been canvassed by both the Victorian Ombudsman in their Investigation into complaint handling in the Victorian social housing sector<sup>2</sup>, as well as by the independent Social Housing Regulatory Review panel in their interim report.<sup>3</sup>

#### *Recommendation 1*

The Victorian Government should commit to a long-term pipeline of social housing stock growth that reliably delivers new homes that are publicly owned and managed, as well as additional community, affordable and Aboriginal community-controlled housing stock.

#### *Recommendation 2*

The role of the VPTA be extended to formally include community housing renters.

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<sup>1</sup> Johnson G, Scutella R, Tseng Y and Wood G, ‘How do housing and labour markets affect individual homelessness?’, Housing Studies, 2018, <https://doi.org/10.1080/02673037.2018.1520819>.

<sup>2</sup> Victorian Ombudsman, ‘Investigation into complaint handling in the Victorian social housing sector,’ 7 July 2022, pg 98.

<sup>3</sup> Social Housing Regulation Review, ‘Social Housing in Victoria: Interim Report’, December 2021, pg 22.

## Issues and opportunities to strengthen social housing

For social housing tenures to relieve pressure on the private rental market, homes need to be available for the people who need them, supports need to be readily available for those that need them, and the sector needs to deliver greater equity for its renters.

### Availability

Despite the historic investment delivered by the Big Housing Build, more must be done to create an ongoing pipeline. Victoria must add a minimum of 6,000 new social housing dwellings each year for ten years to keep pace with the existing level of service delivery.

The VPTA estimates more than 100,000 Victorians are included in an application to the joint social housing waitlist, the Victorian Housing Register ('VHR'). This figure includes elderly people, Victim Survivors of family violence, people who are living in unsafe situations and children.

At the time of writing, more than 50 per cent of applications on the VHR were in a priority category.<sup>4</sup> This means they are either experiencing homelessness, at risk of homelessness, or urgently need to move to access safer, more appropriate housing for their needs. This includes people who currently live in a social housing home which cannot be modified to meet their mobility needs and is presenting an active health risk to its current inhabitants.

As the Big Housing Build has provided a substantial injection of new community housing managed properties, the VPTA strongly believes that the next stage of growth should be focused on the public housing stock portfolio, as well as continuing to address severe disadvantage experienced in First Nations communities by allocating a portion of new homes to Aboriginal Community Controlled Organisations – in line the Victorian Aboriginal Housing and Homelessness Framework, *Mana-na Woorn-tyeen Maar-takoort* (Every Aboriginal person has a home).

Direct investment from Government will be necessary to drive the level of growth required. This can be supplemented by the introduction of mandatory inclusionary zoning policies. In the short to medium term, growing demand for housing solutions can be addressed by Housing Asset Bonds ('HAB'). These can be used to pull privately owned stock into the public housing portfolio for the medium term to house the thousands of Victorians who desperately need a home now.

Housing Asset Bonds provide an avenue for existing property investors to incorporate their rental homes into Victoria's public housing stock portfolio for ten

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<sup>4</sup> Homes Victoria, 'Applications on the Victorian Housing Register (VHR)', accessed online, 29 June 2023, <https://www.homes.vic.gov.au/applications-victorian-housing-register-vhr>.



years, in return for a guaranteed rental income at a fixed rate of market rent plus one per cent, reduced risk and fewer expenses.

Homes Victoria would become responsible for management costs and maintenance while private owners would continue to pay Council rates and forego the risk that their property may be temporarily untenanted. Properties would be returned to their owner in the state it was received, less reasonable wear and tear – as with a private lease.

Eligible properties would need to be:

- Owned prior to the announcement of the Housing Asset Bond, and
- Compliant with the minimum standards set out in the Residential Tenancies Act Regulations,

Homes Victoria would be able to target property intake to the HAB to meet the needs of the current waitlist in terms of dwelling size and location.

The cost of HAB properties to Government would be offset by the rent charged by Homes Victoria. Government could further offset the cost of the HAB, by reforming elements of the Vacant Residential Land Tax. Options for reform of this tax include:

- Applying the tax to vacant residential properties in a broader area, it currently only applies in 16 Local Government Areas, or
- Removing voluntary notification of vacant properties, or
- Increasing the rate. Currently, the tax is one per cent of the capital improved value of taxable land. For example, a vacant residential property with a value of \$500,000 incurs a \$5,000 annual tax.<sup>5</sup>

Tightening rules around this tax may also incentivise property owners to join the HAB program.

The HAB is not intended to replace investment in long term, Government owned, public housing construction. Rather, it is recommended as a temporary solution, until the required houses become available. Income generated from reforms to the Vacant Residential Land Tax could be applied to direct government investment in public housing construction once the HAB expires.

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<sup>5</sup> Victorian Government, State Revenue Office, 'Vacant Residential Land Tax', accessed online, 16 August 2022.

#### *Recommendation 3*

In addition to direct government investment, social housing stock growth should be supplemented by a mandatory inclusionary zoning scheme.

#### *Recommendation 4*

Bolster public housing supply to address the urgent waitlist in the short term by introducing Housing Asset Bonds.

#### *Recommendation 5*

Reform the Vacant Residential Land Tax to supplement investment in homes for Victorians who urgently need them.

## Supports when and where people need them

Community sector organisations and community legal centres provide valuable supports that assist people to maintain tenancies in a variety of tenure types.

Physical health, mental health, and financial or family concerns can often cause changes in behaviours or capacities that can in turn place housing at risk. The housing insecurity that arises from these circumstances can be avoided by ensuring that both community services and community legal centres are adequately funded to deliver services on demand to the Victorians that need them.

Victoria's community sector has been subject to low levels of funding indexation for several years, which directly impacts service delivery and makes it harder for community members to access urgent assistance.

In the 2023-24 financial year, the VPTA is anticipating a gap of approximately 4.6 per cent between indexation of our funding and the actual cost of operating. If this is not remedied, the organisation will be forced to dramatically reduce service provision.

This is indicative of the position of our colleagues in the community sector, not an exception.

#### *Recommendation 6*

The Victorian Government must ensure that community service organisations and community legal centres are adequately resourced to deliver services which enhance tenancy sustainment and protect renters at risk.

## Equity for social housing renters

An independent Social Housing Regulatory Review was announced alongside the Big Housing Build, to ensure that Victoria's larger social housing sector is properly structured and equipped to assist renters access and sustain homes now and into the future.

A strong social housing sector, with tenancies that are well sustained plays a strong role in re-directing pressure from the private rental market.

The community sector engaged deeply with the expert panel appointed, and the Interim Report suggested a number of important reforms that were broadly welcomed. Notably, recommendations aimed at putting greater protections in place to prevent evictions into homelessness, and greater support for renters through advocacy mechanisms such as expanding the role of the VPTA to become the peak body for all social housing renters, and important steps to ensure greater equity for social housing renters across different tenure types.

The work of the panel has concluded, with a Final Report and recommendations provided to Government in mid-2022.

Despite the time, important nature, and expense of this process, the Government has not released the Final Report, or indicated which, if any, of the recommendations will be implemented.

### *Recommendation 7*

Release the Final Report of the Social Housing Regulatory Review and move to implement key recommendations to create greater security of tenure and strengthen tenancy outcomes for social housing renters.

## Regulation of rents in the private market

It cannot be denied that many private renters are finding it increasingly difficult to afford their rent. With prices rising consistently across the State, there is little perceived ability to address this affordability concern through moving. As a result renters are feeling trapped with ‘the devil they know’ and pushed further towards housing stress. This is an unsustainable situation which drives additional pressure on scarce social and affordable housing options.

While the VPTA recognises that all sectors of the community are experiencing increased financial pressure, the VPTA also considers that those who are in the privileged position to own an investment property have chosen to invest and therefore must understand that there are periods of growth and decline that are inherent to, and unavoidable in, that process.

It is not reasonable for residential rental providers to pass on the entirety of their cost increases to their renters.

Therefore, the VPTA considers that the Victorian Government should take further regulatory action to prevent unfair price increases in the private rental market.

The VPTA further acknowledges that the renting reforms introduced to the Residential Tenancies Act limit rent increases to once per year, and that this is already a form of rent regulation. However, this reform was designed prior to the COVID-19 pandemic, and therefore warrants review by Government to ensure they continue to function as designed.

A review of Victoria’s existing rent regulation could take a whole-of-market view to determine a fair formula by which residential rent increases could be determined each year. Having a formula in place would provide both residential rental providers and renters with greater certainty, and ability to plan.

A formula could be pegged to an external measure, such as CPI or wage-growth, or to the weekly rent itself.

The VPTA further recommends that new listing prices of rental properties be determined in line with the formula, to prevent any unintended consequences arising from the implementation of the reform.

### *Recommendation 8*

The Victorian Government should urgently:

1. Undertake a review of existing rent regulation mechanisms, with a view to determining a fair formula for annual rent increases, and
2. Apply that formula to the listing price of new rental properties.

## Recognising inalienable rights

Community consensus has been building strongly around the need to provide greater clarity around the status of housing in the Victorian Charter of Human Rights and Responsibilities Act 2006 (Vic) ('the Charter').

The United Nations International Covenant on Economic, Social and Cultural Rights recognises housing as a human right at Article 11.<sup>6</sup>

Additionally, the Legislative Council Legal and Social Issues Committee's Final Report from their Inquiry into Homelessness in Victoria recommended the inclusion of housing in the Charter,<sup>7</sup> as has the Victorian Ombudsman.<sup>8</sup>

Access to shelter is plainly a core human need which has been commoditised in recent decades. It is appropriate that all residential rental providers, including private residential rental providers, should be required to consider their ethical responsibilities as deliverers of an essential service.

The Victorian Government should lead the way in Australia, as the first jurisdiction to include housing in human rights legislation.

Further, to ensure that renters are able to make use of inclusion of housing as a human right in the Charter, the jurisdiction of the Victorian Civil and Administrative Tribunal ('VCAT') should be expanded in order to be able to hear Charter matters.

### *Recommendation 9A*

The Victorian Government should amend the Charter to include housing as a human right.

### *Recommendation 9B*

Consequently, the jurisdiction of VCAT should be expanded to be able to hear Charter matters.

## Conclusion

The VPTA would be pleased to provide further information on any of the matters raised in this submission and encourages the committee to contact [kbutterss@vpta.org.au](mailto:kbutterss@vpta.org.au).

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<sup>6</sup> Office of the High Commissioners, Human Rights, 'International Covenant on Economic, Social and Cultural Rights', <https://www.ohchr.org/en/instruments-mechanisms/instruments/international-covenant-economic-social-and-cultural-rights>.

<sup>7</sup> Parliament of Victoria Legislative Council Legal and Social Issues Committee, 'Inquiry into Homelessness in Victoria – Final Report', March 2021, pg xxxv-xxxvi.

<sup>8</sup> Victorian Ombudsman, 'Investigation into complaint handling in the Victorian social housing sector,' 2022, page 98.

# Summary of Recommendations

## *Recommendation 1*

The Victorian Government should commit to a long-term pipeline of social housing stock that reliably delivers new homes that are publicly owned and managed, as well as additional community, affordable and Aboriginal community-controlled housing stock.

## *Recommendation 2*

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