

24 February 2006

Mr Matthew Morris
Chair
Public Bodies Review Committee
Parliament House
Macquarie Street
SYDNEY NSW 2000

VIA ELECTRONIC SUBMISSION

<http://www.parliament.nsw.gov.au/prod/parlment/Committee.nsf/0/E25210AEA5DD4793CA2570D800215C6B>

Dear Mr Morris

SUBMISSION TO THE NSW PARLIAMENTARY INQUIRY INTO THE ALLOCATION OF SOCIAL HOUSING

Thank you for the opportunity to make a submission to the NSW Parliamentary Inquiry into the Allocation of Social Housing.

Lend Lease is a leading international retail and residential property group, integrated with strong investment management and construction management business. The company has a long track record and business in creating sustainable communities and our UK and US businesses have long term contracts for complex community renewal and property development projects.

The company's interest in social housing emerges from our core business, and is related to Australia's pressing needs to increase its supply of affordable housing and to renew public housing stocks and estates.

In a recent international study, Australia was cited as having the world's "most pervasive national crisis" in housing affordability¹.

Lend Lease believes the situation in social housing is inextricably linked with issues regarding affordable housing and sustainable communities.

The social housing sector faces a number of complex issues particularly dealing with funding under the Commonwealth-State Housing Agreement (CSHA) declining by 28.4% in real terms between 1992 and 2002-03. The response from state housing authorities has been to either reduce the supply of social housing (net annual additions to public housing stock through CSHA fell from more than 10,000 to less than 5,000 in the decade to 2003) or to allow already significant maintenance backlogs to increase. It is estimated that NSW's maintenance backlog is in excess of \$600 million.

Demand for social housing outstrips supply. Nationally the number of new applicants for public housing who are accommodated fell from 53,100 (1989-90) to 33,163 in (2002-03) – that means almost 20,000 fewer people each year who meet the eligibility requirements are housed in public stock.

¹ Demographia (2006) *2nd Annual Demographia International Housing Affordability Survey:2006* Pavletich Properties Limited.

The problem of affordability strikes particularly at low income households in the private rental market. An AHURI study estimated that only 11% of low-rent rental housing was occupied by low-income families in Sydney² compared with that 39% nationally, which is still low.

Lend Lease believes the solution for increasing affordable housing in Australia lies in realising more opportunities for partnership between public, private and community sectors, as well as increased investment in the sector.

Policy and initiatives to increase the supply of affordable housing must address the bulk of the market (established housing) not just new construction. Australia has 7,314,500 dwellings – and about 8% of this stock (605,000 dwellings) is sold or exchanged each year. About 134,000 new dwellings were built each year during the 1990s and this is predicted to fall to an average of 128,000 dwellings³ a year over the current decade. Trading in established housing therefore needs to form a major part of any solution – and new development will only ever play a smaller role.

AHURI⁴ estimates the Australian shortfall of low rental dwellings at 134,000 using 2001 census data. The AHURI report recommends; expanding 'secondary' rental markets where social landlords are subsidised to lease properties only to low income earners, increasing social housing; and/or increasing incentives to provide low rent private rental housing.

At the National Housing Affordability Conference in Sydney in June 2005, Lend Lease called for public housing redevelopment to be mainstreamed to allow an expansion and leveraging of private sector investment and an acceleration of the rate of reconstruction.

If 2.5% of total stock was redeveloped each year, this would create a \$2.7 billion industry, which would attract \$13.5 billion from private industry (using a 1:5 leverage of private investment). At this level, this would equate to 30 percent of the housing sector's activity each year.

The following comments more specifically address the inquiry's nominated areas of interest.

Current levels of funding for the development of new housing stock

The NSW Department of Housing's 2004-05 Annual Report shows that even with significant tightening of eligibility requirements over the past few years, the number waiting list for public housing at June 2005 was 69,067 (down from 96,075 in June 2001). The number of new tenants housed each year is between 9000 and 10,000.

The Department of Housing's social housing stock in NSW has dropped from 129,198 in 2000-01 to 128,270 in 2004-05 (and the number of tenancies dropped from 124,098 to 122,884). Over the same period, the number of properties managed by community housing rose from 9,444 to 12,261. The waiting list is more than half the total stock of public housing in NSW.

² AHURI (February 2005), Supply and demand in the low rent private market, AHURI Research and Policy Bulletin Issue 50, <http://www.ahuri.edu.au>

³ Salt, B, 'Seachange cities' to reinvent themselves over first three decades of 21st century, <http://www.kpmg.com.au/Default.aspx?TabID=214&KPMGArticleItemID=1390>

⁴ Yates, J, Ruff, M, & Renolds M, (February 2005) *Supply and Demand in the Low Rent Private Market*, AHURI Research and Policy Bulletin, No 50.

Funding for social housing has declined, while revenues to governments from the property industry (in general) have massively increased. For example CSHA funding nationally has dropped in real terms by 28.4% between 1992 and 2002. Residential property pays more than \$20 billion a year in GST (compared with \$2.5 billion pa in wholesale sales tax before June 2000) and this excludes state government revenues from stamp duty and land tax, which have also risen dramatically.

As well as demand outstripping supply, there are significant issues about poor maintenance and poor configuration of existing stock. The current NSW supply program, according to the latest annual report, plans to deliver 12,000 newly-built or acquired homes over the next decade. Last year, net proceeds from the sale of public housing stock made \$62.24 million (of which \$58.58 million net came from the sale of social housing stock).

Housing industry sources suggest some stock transferred to community housing organisations is very old, poorly maintained and poorly-configured – which raises concerns regarding viability for tenants and the community housing provider.

The need for affordable and social housing in newly developing communities, mostly in outer ring suburbs is also pressing, as most public housing stock is within established areas, but many people with low incomes live in outer ring areas.

An area of major concern for communities and individuals is the stigma attached to public housing, anti-social behaviour, perceptions of higher crime rates and a lack of attention to the appearances of houses and streetscapes.

Many public housing tenants are acutely aware of these perceptions and share the same aspirations for a better life as individuals earning higher incomes. According to the work of Dr Gabrielle Gwyther⁵, moving away from the conditions often associated with public housing makes entering master-planned estates attractive.

These are complex social issues, however Lend Lease believes policy initiatives will need to take them into account. Lend Lease believes there is considerable scope for the community housing sector to play a role in the management of social housing, given higher tenant satisfaction levels and perceptions they can better meet the support needs of tenants and prevent more anti-social behaviour.

Policy initiatives should also recognise the access efficiencies of co-ordinated land development or master planned communities. When governments enter into these agreements with developers of large areas of land, savings can be passed onto housing authorities, meaning more dwellings can be provided for the same capital outlay.

Lend Lease has delivered mixed-tenure communities at Golden Grove in South Australia and Coopers Plains in Queensland with these types of arrangements.

Lend Lease is well positioned to assist with this type of development, because of its broad portfolio of projects and significant experience and expertise in master planning, property development and construction.

⁵ Gwyther, G. (December 2003), Paradise planned: Socio-economic differentiation and the master planned community on Sydney's urban fringe presented at the State of Australian Cities National Conference, www.uws.edu.au/about/acadorg/caess/uf/conference

The effectiveness and appropriateness of housing allocations

Public housing's position as accommodation of last resort – where only those with tenants with multiple needs and those who are reliant on social welfare payments meet eligibility requirements – combined with highly concentrated holdings of stock can be problematic, particularly where the level of service provision is inadequate.

The social implications of this are well documented in studies such as Professor Tony Vinson's work on "post-code" poverty⁶.

Lend Lease is not aware of any research world wide to suggest an ideal ratio for the mix of public tenants with privately tenured residents – because it is thought to vary according to each community. There are examples of turnarounds in indicators of social disadvantage with increased service provision and tenant and community participation; however these interventions are seldom maintained for the time required for long lasting change. Professor Vinson said at a conference on reducing crime in public housing in 2005 in his view interventions would be required for up to 20 years. Tenant participation and self-determination frameworks and policy supports in NSW, when compared with examples in the UK, are immature in Australia. Yet, there seems to be strong evidence that these are highly effective mechanisms for highly-disadvantaged communities to transition to increasingly self-reliant, sustainable community.

Role of community housing in meeting the demand for social housing

Lend Lease believes the Community Housing Sector has significant potential to assist in expanding the supply of affordable housing, for example as part of mixed tenure projects on land owned by government or not for profit organisations.

Partnerships between community housing providers and the private sector are recognised in AHURI studies as capable of delivering the following outcomes.⁷

- Affordable housing is the key factor in delivering social mix in land use planning and housing development;
- Affordable housing is capable of reducing the pressure on home buyers created by the wider housing market;
- Community managed affordable housing provides a capacity for locally based and responsive housing and related services and programs;
- Community housing is also an important mechanism to build local solutions to social issues created by marginalisation and exclusion; and
- Community management of affordable housing provides a vehicle to mix community, private and government investment.

⁶ Vinson, T, and The Ignatius Centre for social policy and research (March 2004), Community adversity and resilience: the distribution of social disadvantage in Victoria and New South Wales and the mediating role of social cohesion, Jesuit Social Services,

⁷Farrer A, Barbarto, C and Phibbs, P, (May 2003) How does community housing strengthen communities?, AHURI p29

The sector is currently immature in Australia (particularly compared with the UK) however, and further professionalisation, improved governance and the creation of asset bases for Community Housing Organisations (for example through stock transfer) are required to facilitate partnering with the private sector and expansion of the sector.

In 2005, Lend Lease made a submission on the Community Housing Legislation Options, which is attached to this submission.

Social housing allocation systems in other jurisdictions

In contrast with other housing jurisdictions such as Canada, the UK and Victoria, the social housing sector in NSW is in transition – particularly with the emerging, but currently immature community housing sector. It is important to note that other housing management types – such as co-operatives and supported housing – have important roles to play and also require specialised assistance. It is particularly important that they are not precluded from participating in the social housing renewal opportunities, even though their role may be small.

Any other related matters

Lend Lease believes renewed policy impetus is needed in relation to supply-side factors in declining housing affordability, as this largely drives the housing affordability crisis in Australia. This should include consideration of:

Taxation incentives for provision of affordable housing:

- In the USA, a system of tax credits has been successful in facilitating the supply of affordable housing in new developments to target levels varying up to 20 %. In Australia, the requirement to supply affordable housing varies across jurisdictions, but it is unlikely to be possible to raise provision above the current benchmark (in NSW) of 3% of total dwellings without further financial incentives or assistance to developers. The tax credit system has driven the creation of new financial instruments in the USA.

Key worker housing:

- Provision of key worker housing in the UK has also been driven by Government-funded initiatives and the shortage of key worker housing in city centres in Australia is increasing.

Government land release programs:

- Governments should make more land releases in major cities, paralleled with increase in government borrowings to provide infrastructure (rather than increasing fees and charges on developers, which is passed onto consumers, resulting in higher prices). There is increasing evidence of the negative impacts on housing affordability of Government imposed land supply restrictions.
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Housing product development:

- Governments should encourage greater innovation in housing product development to meet current and emerging consumer demands for different product types, including more affordable accommodation.

Creation of new property asset classes to attract superannuation and private sector funding:

- More attention needs to be given to harnessing private sector capital to boost the supply of affordable housing stock with an innovative method of securing more private sector investment in affordable housing. For example harnessing the power of large institutional funds markets, particularly superannuation assets worth in excess of \$500 billion.
- This could be achieved by changing the perceived risk reward profile of residential property to attract funds, through a direct government subsidy for private debt investment in affordable housing, through a government bond issue with a guaranteed minimum after-tax return. The subsidy could be provided either via a tax concession or through a Budget outlay.
- Lend Lease notes the analysis undertaken by respected researchers Professors Mike Berry (2003)⁸ and John Hall (2001)⁹ that the Consortium bond model offers the most cost effective way for government to ensure a rapid, targeted increase in affordable housing. This 'consortium' approach has the capacity 'to more than double the output compared with current policy' and should be seen as 'complementary to, rather than a substitute for, existing assistance policies.'⁵

Yours faithfully



Rod Fehring
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⁸ Berry, M, (December 2003) Why is it important to Boost the Supply of Affordable Housing in Australia – and How Can we do it?, *Urban Policy and Research*, Vol 21, 4, pp 413-435,

⁹ Hall, J, Berry, M, and Carter, G, (2001) *Policy Options for Stimulating Private Sector Investment in Affordable Housing Across Australia: Stage 2 Report, Identifying and Evaluating the Options*, Affordable Housing National Research Consortium, Sydney (www.consortium.asn.au).

⁵ Berry (2003:424)