

**Submission**

**No 67**

## **INTERNATIONAL STUDENT ACCOMMODATION IN NEW SOUTH WALES**

**Organisation:** Housing NSW  
**Name:** The Hon. Pru Goward  
**Position:** Minister for Family and Community Services  
**Date Received:** 3/11/2011



**The Hon. Pru Goward MP**  
Minister for Family and Community Services  
Minister for Women

MFACS 11/1111  
Ref No. HOCE11/956

3 November 2011

Mr B Notely-Smith MP  
Chair  
Legislative Assembly Social Policy Committee  
Parliament House  
Macquarie Street  
SYDNEY NSW 2000

**Re: Inquiry into International Student Accommodation in NSW**

Dear Mr Notely-Smith

Thank you for the opportunity to make a submission to the Social Policy Committee of the Legislative Assembly's inquiry into international student accommodation in NSW.

Housing NSW, a division of the Department of Family and Community Services, has prepared a short submission addressing the terms of reference related to factors affecting the supply of and demand for affordable student accommodation and other accommodation used by students. A copy of the submission is attached for your reference.

Yours sincerely

**Pru Goward MP**  
Minister for Family and Community Services  
Minister for Women

**Social Policy Committee of the Legislative Assembly**  
**Inquiry into International Student Accommodation in NSW**

**Response from Housing NSW, Department of Family and Community Services**

**Context**

Housing NSW is a division of the NSW Department of Family and Community Services.

Housing NSW plays a key role in providing housing assistance to lower income households in NSW. This includes providing social housing<sup>1</sup>; managing social housing on behalf of the Aboriginal Housing Office; providing assistance to community housing providers to deliver crisis accommodation<sup>2</sup>, social housing and affordable housing<sup>3</sup>; and providing a range of products and services to assist people into the private rental market and home ownership.

The assistance provided by Housing NSW is highly targeted to eligible lower income households, which includes young people who may be students. However, eligibility is generally limited to citizens and permanent residents of Australia who reside in NSW.

The issue of appropriate and affordable accommodation for international students in NSW is primarily the domain of the Department of Education, Fair Trading within the Department of Finance and Services, and the Department of Planning and Infrastructure.

Housing NSW also plays a role in analysing changes in housing markets across NSW, developing policy to increase the supply of affordable and appropriate housing, and supporting the non-government sector to increase the supply of accommodation that is affordable for low and moderate income earners in the private rental market. This includes funding programs that provides the private sector and not-for-profit organisations with incentives to develop affordable rental accommodation and retain existing stocks of low cost accommodation.

Further details are set out below.

**Factors affecting the supply and demand for affordable student accommodation and other accommodation used by students**

Accommodation for student housing is restricted to relatively small market areas and is considered tight.

The tight supply of accommodation for students in Sydney, Newcastle, Wollongong and other regional centres with large educational institutions is related to the overall housing supply shortage for NSW and Australia. The most recent report by the National Housing Supply Council estimated that at June 2009 the gap between underlying demand for and

---

<sup>1</sup> *Subsidised rental accommodation for people on a very low or low income that meet the required eligibility criteria. Social housing is a generic term for all government-assisted housing for people on very low to low incomes. It is managed by Housing NSW, not-for-profit registered community housing providers and Aboriginal community housing providers.*

<sup>2</sup> *Short term accommodation for people who are experiencing homelessness or people who are at risk of homelessness.*

<sup>3</sup> *Rental accommodation for people on a very low, low or moderate income (below 120% of the relevant household median income). Rent is priced at a point that is affordable to tenants (no more than 30 percent of gross income).*

total supply of housing to be a shortfall of 178,400 dwellings nationally. One third of that of that under-supply is in NSW.<sup>4</sup>

Accommodation is considered affordable to rent when a lower income household or household with a restricted budget is paying no more than 30 percent of their gross income on housing costs. This is the generally accepted benchmark for affordability as it assumes the remaining household budget is sufficient to cover other household necessities such as food, transport, health and education expenses, and household utilities.

It is estimated that at least 190,000 private renter households in NSW are in housing stress, paying more than 30 percent of their gross income on housing<sup>5</sup>. Private renter households in housing stress are not just limited to urban location such as Sydney as the overall availability of rental accommodation in regional locations is often low.

The supply of rental accommodation that is considered affordable for lower income households in NSW has been declining over a sustained period. This decline is a combination of a range of factors including broader supply constraints placing pressure on the lower end of the market, increasing demand as a result of demographic changes and population growth, strong economic growth, increasing urbanisation along the coastal strip of NSW, population growth, and a range of economic factors related to the taxation and financial systems in Australia.

A more detailed analysis of housing affordability in NSW can be found in the NSW Government's submission to the NSW Legislative Council Standing Committee on Social Issues *Inquiry into Homelessness and Low Cost Rental Accommodation* in 2009.

Students trying to access affordable rental accommodation in close proximity to their place of study are faced with a limited supply of stock to choose from which is compounded by low vacancy rates and a highly competitive market for accessing a new rental tenancy. As a result many students find themselves in housing stress paying more than 30 percent of their income on rent.

Housing NSW analysis of data on housing stress for lower income earners in all local government areas in NSW shows that a high proportion of young people that are studying or training in locations in close proximity to large educational institutions are in housing stress. For example, in Armidale where the University of New England is located, 78 percent of people who receive Commonwealth Youth Allowance<sup>6</sup> payments and are living independently are paying more than 30 percent of their gross income on housing costs. This compares with high levels of housing stress experienced by young people receiving Youth Allowance in other local government areas where large university campuses are located or nearby such as Randwick (92 percent), Sydney City (88 percent), Marrickville (84 percent), Lismore (71 percent), Wagga Wagga (70 percent), Wollongong (70 percent), Newcastle (68 percent), Bathurst Regional (67 percent) and Albury (59 percent)<sup>7</sup>.

A 2002 study by the Australasian Housing and Research Institute<sup>8</sup> supports this analysis and found that high housing costs were one of the biggest issues for young people with a significant number of young people that lived independently spending more than 30

---

<sup>4</sup> National Supply Council, 2010

<sup>5</sup> Housing NSW analysis, Census 2006

<sup>6</sup> To be eligible for Youth Allowance a person must be 16-24 years old and studying, or 16-20 years old and looking for work

<sup>7</sup> Housing NSW analysis, Centrelink data - June 2009

<sup>8</sup> Burke, Pinkney and Ewing (2002) *Rent assistance and young people's decision making*, AHURI

percent of their income on housing. It noted that due to the stage of life of young people, in relation to education and employment, many tended to have lower incomes. The study further found that:

- proximity to possible work or to the educational institution where they are studying is a key factor in a young person's decisions about where to live
- young people had difficulty accessing affordable accommodation in good condition close to tertiary institutions
- difficulties related to housing included paying up front costs such as bond, rent in advance, connection fees for utilities and services, and discrimination from estate agents and landlords against students.

### **Appropriate accommodation models**

Greater diversity of housing stock in locations close to large educational institutions could assist in meeting the demand for affordable and appropriate accommodation for students. Smaller housing types, such as secondary dwellings or boarding house rooms, can offer relatively more affordable rental accommodation.

Secondary dwellings, often known as accessory dwellings or 'granny flats', are small self contained dwellings that include a kitchen, bathroom and living/bedroom area. They are located on the same parcel of land adjoining or next to another residential dwelling (the principal dwelling). The owner or resident of the principal dwelling can rent the secondary dwelling and due to the smaller nature of the dwelling this is generally provides a more affordable supply of private rental accommodation.

The current *Affordable Rental Housing State Environmental Planning Policy* allows for the development of secondary dwellings in all residential zones in NSW (except rural locations). Many local councils also have plans that cover the provision of secondary dwellings.

The provision of new boarding housing accommodation is also facilitated under the current *Affordable Rental Housing State Environmental Planning Policy*. Boarding houses may either provide self contained rooms that include kitchen facilities, bathroom and a living/bedroom area or rooms that make use of shared kitchen and bathroom facilities.

Under the *Affordable Rental Housing State Environmental Planning Policy* new boarding houses are permissible in residential, mixed use and some commercial zones. Proposals are subject to an assessment that considers access to public transport, design compatibility with the local area and other planning requirements.

### **Relevant Housing NSW funding programs**

Housing NSW has several initiatives to expand the supply of private affordable rental accommodation which have the potential to provide additional housing options for students.

#### ***The Boarding House Financial Assistance Program***

The Boarding House Financial Assistance Program was introduced in 1997 to support private sector boarding house operators to meet the costs associated with fire safety upgrades. Rising costs associated with health and safety requirements for older boarding house stock can impact on the ongoing financial viability of boarding houses operations. The Program provides grants to boarding house operators to help meet

these costs and maintain the supply of boarding housing accommodation in the private rental market.

In 2010 the Boarding House Financial Assistance Program was expanded to provide grants to incentivise the development of new boarding house facilities that provide self contained rooms. Grants are available for each boarding room constructed in new developments or additional rooms added to existing facilities. Grant approval requires that the boarding house room must remain affordable over the duration over 5 year grant period.

The Program is funded by Housing NSW, with supplementary funds for the new construction component of the Program raised under the *Affordable Rental Housing State Environmental Planning Policy* to mitigate the loss of low cost rental accommodation. To date, the Program has received funds from the *Affordable Rental Housing State Environmental Planning Policy* due to the loss of 84 low cost dwellings and 133 new dwellings have been approved, which will facilitate an overall increase of supply of 49 dwellings.

### ***National Rental Affordability Scheme***

The National Rental Affordability Scheme (NRAS) aims to address the shortage of rental housing and rising rents by offering an incentive to build and rent new dwellings at below market rates. The incentive is funded by a contribution from the Australian Government and the NSW Government, and is available to the private sector and not-for-profit organisations. The incentive is comprised of tax offset or grant from the Australian Government and a grant or other support, such as land, from the NSW Government.

The incentive is provided for ten years to enable new homes to be rented to eligible low and moderate income households, with rent at least 20 per cent below market rates for each year of the ten year assistance. Over 7,000 incentives have been allocated in NSW which will provide additional rental housing for eligible low and moderate income households. In some circumstances eligibility is limited to Australian citizens and residents.

Students are eligible for housing in NRAS properties as long as they meet the eligibility criteria. Targeted student accommodation is also permitted under the Scheme subject to tenants meeting the eligibility requirements and an appropriate residential tenancy agreement is put in place. To date under the Scheme, over 1,600 new dwellings have been approved in the inner suburbs of Sydney, 200 in Newcastle and 180 in Wollongong, locations where there is significant demand from students for affordable accommodation. A targeted project to provide student accommodation in the inner city area of Sydney has also been approved. If the Scheme is expanded by the Australian Government there is potential for additional targeted accommodation to be delivered for students.

### ***Conclusion***

While Housing NSW does not provide targeted student accommodation, students are eligible for the range of housing assistance products offered by Housing NSW, the Aboriginal Housing Office, not-for-profit community housing providers and private affordable housing operators. In some locations, the demand for private rental accommodation for students makes up an important component of the housing market, and should be recognised in the planning for and delivery of a range of new housing types.

