

LAND RELEASE AND HOUSING SUPPLY IN NEW SOUTH WALES

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Land Release and Housing Supply in NSW

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About Yfoundations

Since 1979 Yfoundations has been the NSW peak body on youth homelessness, representing young people at risk of, and experiencing, homelessness, as well as the services that provide direct support to those young people.

Yfoundations' mission is to create a future without youth homelessness, where all young people have access to appropriate housing options that can address individual needs. This goal is pursued by: providing advocacy and policy responses on issues related to youth homelessness; promoting, and furthering the development of, good practice in addressing youth homelessness; and striving to ensure that youth homelessness remains a priority in public policy.

Youth homelessness interrelates with a range of issues, and ending it will require a whole of government and service system response, with coordination across different service areas and collaborative and integrated solutions. To place youth homelessness in this broader context Yfoundations has adopted, based on the insights and experience of services and young people, a framework of five domains in which each young person must have the opportunities to thrive. These five foundations for ending youth homelessness guide thinking on what is needed for young people's positive growth and development. The five foundations are:





Safety and Stability

It is vital that all young people not only feel safe, but also are actually protected from risk factors that may impede their developmental process. During childhood and adolescence, young people must receive the necessary support to ensure they develop a strong safety system, both internally and within their external networks. A strong and stable foundation will foster confidence and independence within a young person, which will promote active participation in community life.



Home and Place

It is vital that all young people have access to a safe, non-judgemental home and place. A comfortable place that they identify with and feel a strong connection to. A Home and Place should be an environment that promotes growth and fosters positive development.



Health and Wellness

It is vital that all young people, particularly during the formative stages of their growth and development, are physically, socially and emotionally well. To ensure this, young people must have access to all the necessary prerequisites for achieving health and wellness. Being well and feeling healthy, will promote self-worth, and ensure young people feel competent to participate in their communities.



Connections and Participation

It is vital that all young people are given the opportunity to develop and nurture the connections in their lives. Connections to friends, family, community and society promote resilience and social inclusion. Youth people must be listened to and have the opportunity to influence outcomes. Positive connections to and genuine participation in community life during the formative stages of childhood and adolescence enables a young person to build a strong positive foundation and prepares them for adult life.



Education and Employment

It is vital that all young people are given the opportunity to pursue their educational and professional goals. Education and training is crucial to the growth and development of young people. Education and training, including formal tuition and practical life skills, promotes self-confidence and independence and provides young people with the skills and competencies

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Summary

Access to housing is a social and economic issue, as well as a children's rights issue in Australia. Housing stability can have a significant impact on people's lives¹ and is critical for the positive growth and development of children, families and individuals.² Without access to affordable and secure housing, individuals face social disadvantage and exclusion, with adverse impacts both on those directly affected and the community as a whole. Housing instability makes it harder for people to engage in paid work or study, which further reinforces their disadvantage.

In this submission Yfoundations highlights the way that the availability of affordable housing impacts on homelessness, including youth homelessness. Homelessness may be considered an extreme manifestation of an ineffective housing system, and reflects inadequate government responses to housing affordability.

Children and young people are highly represented among the homeless population³ and becoming homeless as a child or young person places them at risk of lifetime disadvantage, including chronic homelessness. To avoid this it is vital that the precipitators of homelessness are identified and addressed to prevent children and young people becoming homeless in the first place, and that services are in place to intervene early when homelessness does occur and to provide housing and support to assist young people to successfully transition to independence.

Young people are hit hardest by the unaffordability of the private rental market as their wages are generally lower, forcing young people to turn to the public rental market for housing, where supply is failing to keep pace with demand. Unsurprisingly and as a result, a disproportionate number of people experiencing homelessness are under the age of 25, and numbers are rising.

¹ Hulsw, K and Saugeres, L, Housing insecurity and precarious living: an Australian exploration, AHURI, November 2008, Final report No. 124

² Crowley 2003; Nunez 2000 as cited in Berzin et al 2011

³ 42% of homeless people accessing SHS in 2011/12 in Australia were children and young people (ABS: 2011 Census of Population and Housing)

To counteract the effect of the private rental market's unaffordability on young people, the Commission must focus on ensuring a good supply of affordable housing is available to all income levels. There is a strong argument for ensuring a good mix of housing is available to all income levels; workers who cannot find affordable housing near their place of work are likely to move to more affordable parts of the country. The result will be businesses suffering in an economy that relies on key workers such as retailers, police officers, paramedics and teachers. It also makes good economic sense to divert funds otherwise spent on crisis-response homelessness services towards helping those young people to build a future and contribute to the economy of their country.

A scheme for developer contributions for affordable housing on major redevelopment precincts led by state government to require 15% of the total floor area of development to be provided as affordable housing, in the case of privately-owned land, and 30% in the case of government-owned land, would be a positive step towards achieving this goal. Further, have all local government areas in greater Sydney named as having a need for affordable housing, in a state environmental planning policy.

Recommendations

Recommendation 1: A balanced portfolio of housing types to meet the needs of a socio-economically diverse community including student housing, affordable rental and for sale housing, subsidised housing and private housing.

Recommendation 2: Increase the Affordable Rental Housing Target to require 15% of total floor area of development to be provided as affordable housing in the case of privately owned land, and 30% in the case of government-owned land.

Recommendation 3: Guarantee that affordable housing facilitated via inclusionary zoning is not subject to any sunset clauses or time limitations.

Recommendation 4: Have all local government areas in Sydney named as having a need for affordable housing in a state environmental planning policy.

Introduction

As the peak body on Youth Homelessness Yfoundations' interests in housing supply focus on the supply of affordable housing. Whilst we acknowledge that ensuring the supply of affordable housing is only one part of housing supply, it is clearly of critical importance in helping the most disadvantaged in our society avoid homelessness, with flow-on benefits in savings to other areas such as health, social services, and justice. This submission will briefly the issues of housing undersupply, the resulting impacts of unaffordability, and the benefits of ensuring a supply of affordable housing. We urge that the need to ensure housing is affordable is factored into decisions on the resources and support needed within the Department of Planning and Environment for the delivery of a housing supply process.

Housing Supply and Demand

There is a significant gap between housing supply and demand in NSW. This is concerning given that the population of NSW is projected to increase by two million to 9.2 million by 2031.⁴ The gap between the total underlying demand and total supply of housing continues to increase with an estimated shortfall of 186,000 dwellings.⁵

In addition to the demand for housing in general, there is also a significant shortage of social, public and affordable housing in NSW and Australia as a whole, with large numbers of low and moderate income families and young people in NSW experiencing housing related stress and in extreme cases, homelessness. In 2009-10 the Council of Australian Governments (COAG) reported that only 8.5% of NSW homes were affordable to low income households, well below the national average of 11.5%^{6 7}. Currently there is a

⁴ Department of Planning and Infrastructure. (2013). *New South Wales in the future: Preliminary 2013 population projections. Preliminary release of NSW state and local government area population projections*. Sydney: Department of Planning & Infrastructure.

⁵ National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, 2010.

⁶ Affordable housing means housing for very low-income households, low-income households or moderate-income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.

<http://www.legislation.nsw.gov.au/maintop/view/inforce/epi+364+2009+cd+0+N>

⁷ COAG Reform Council 2009, National Affordable Housing Agreement: Performance report for 2009–10, COAG Reform Council, Sydney, available at www.coagreformcouncil.gov.au. While each of these measures has different weaknesses

shortage of 493,000 low cost rental properties available to low-income tenants in Australia as a whole.⁸

These issues are particularly acute in Sydney. In the 2017 Demographia International Housing Affordability Survey, Sydney was again ranked Australia's least affordable market (the same as last year) and ranks second worst overall, trailing Hong Kong. Consistent with the experience in other overly expensive housing markets, the report confirms that Sydney is experiencing substantial domestic out-migration. The UBS Global Real Estate Bubble Index rates Sydney as having the world's fourth worst housing bubble risk. This trend is pricing an increasing number of young people out of home ownership altogether, and having disastrous impacts upon rental affordability.⁹

One measure of affordability is that rent must be no more than 30% of an individual's gross income. This allows renters to meet other basic needs such as food, transport, utilities, health care and education. Therefore, an individual living in a one bedroom flat (see Table 1) in the Inner West of Sydney would need to earn a gross weekly income of \$1,600 in order to pay no more than 30% of that income to rent. This equates to an annual gross salary of around \$83,200. Given that the average total earnings of all Australian employees, as at November 2016, is \$60,505pa gross, the reality is that many hard-working Australians are likely to be paying a significant proportion of their wages on rent.

Table 1: Median Weekly Rental Prices Greater Sydney Area – March 2016 quarter¹⁰

	North Sydney	Parramatta	Eastern Suburbs	Inner Sydney	Inner West	Sydney
1 bed flat	\$510	\$388	\$518	\$545	\$480	\$560
2 bed flat	\$650	\$430	\$650	\$700	\$550	\$750
2 bed house	N/A	\$430	\$800	\$685	\$580	\$720
3 bed house	\$1,103	\$500	\$1,000	\$850	\$700	\$910

In June 2015, less than 2% of Sydney's home sales and only 18% of rental properties were affordable to those on low incomes (down from a third of all rental properties in 2011).¹¹

⁸ National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, 2010.

⁹ NSW Council of Social Service, 'NCOSS Submission: Greater Sydney Commission District Plans' (NCOSS, March 2017) 3.

¹⁰ NSW Government, *NSW Local Government Housing Kit (2011 Census)* (2011) Family and Community Services <<http://www.housing.nsw.gov.au/centre-for-affordable-housing/nsw-local-government-housing-kit>>

¹¹ Nicole Gurran, *What is Affordable Housing and Why do we Need It?* (May 2016) Inner Sydney Voice <<http://www.innersydneyvoice.org.au/pub/affordable-housing-need/>>

Indeed, results from the 2011 census show that 92% of households in the very low-income bracket and 62% in the low-income bracket were under rental stress.

Impacts of Housing Unaffordability

The cost to rent or buy property in NSW, particularly in highly sought after locations such as Sydney, is extremely high. Low vacancy rates also make accessing the rental market difficult, particularly for young low-income people without a rental history. As a consequence a large number of lower income households experience housing related stress¹². Housing stress occurs when low-moderate income households spend 30% or more of their income on housing. Ten per cent of Australian households are in this category. What this means is that after paying for their housing, these households lack sufficient resources to cover other basic necessities such as food, clothing, transport, education and health care.¹³ Children and young people are directly affected by the shortage of family income and housing related financial stress, which is also termed housing-related poverty. The proportion of households in housing stress is one indicator of the demand for social and affordable housing in Australia, and may also assist in quantifying the gap in supply.

The unaffordability of the rental market impacts on young people to a greater extent than the general population, as their income is generally lower. In 2010/11, young people (defined in this case as aged between 15 and 34 years of age) who lodged tax forms reported average income from wages of half this amount at \$40,055, narrowly above the low-income bracket and well under the national average of \$51,923 (ABS, 2013). It must be borne in mind that this average excludes those who did not file any tax forms, such as those on incomes of less than the tax-free bracket.

Other research looking at young Australians aged 15 to 24, found that one in five spends more than 30% of their income on rent, compared to just one in ten for the overall population. University students, young people living away from their parents, or youth

¹² In 2012, 62% of lower-income renter households in NSW experienced rental stress. This figure is above the national rate of . In addition, 41.2% of NSW households receiving Commonwealth Rent Assistance were experiencing rental stress .

¹³ <http://housingstressed.org.au/about-us/>

transitioning from foster care, faced twice the risk of finding themselves in a form of housing stress than the general population, while three out of four Youth Allowance recipients receiving rental assistance were still in housing stress after they received the payment.¹⁴

Despite these facts, as at June 2011, the median age of tenants in affordable housing in North Sydney was 38.4 years of age. Notwithstanding being in greatest need of affordable housing, it is simply not accessible by many young people.

It should therefore come as no surprise that homelessness is highest among young people, with 52% of people experiencing homelessness under the age of 25, and figures are rising.¹⁵ For those young people presenting to specialist homelessness services in 2015/16, the most common needs identified were accommodation related including long-term accommodation (37%).¹⁶

Neither the supply of social housing, nor new residential development produced by the market, has been able to meet the needs of NSW's low or moderate-income earners. So more must be done to support the provision of affordable housing, for these lower and moderate-income groups.

Benefits of Affordable Housing

The aim of affordable housing is to ensure a mix of income and age groups are able to live and work in vibrant, big cities where most career opportunities are concentrated. Property renters and buyers, all of whom keep the economy going, should be able to afford to live near their place of work but the high-cost of private rental properties and the insufficient stock of affordable housing means that this is often not possible for those on lower wages such as nurses, teachers and retailers.

There is a strong argument for ensuring a good mix of housing is available to all income levels. If workers cannot find affordable housing near their place of work, businesses will

¹⁴ Chris Zappone, *Housing Stress Hits Young People Hard* (18 April 2012) The Sydney Morning Herald <<http://www.smh.com.au/business/housing-stress-hits-young-people-hard-20120418-1x6ii.html>>

¹⁵ Greater Sydney Commission, 'Affordable Rental Housing Targets' (Draft District Plan Information Note 4, Greater Sydney Commission, November 2016) 1.

¹⁶ NSW Government, *Household Median Incomes 2016-17* (2016) Family and Community Services <<http://www.housing.nsw.gov.au/centre-for-affordable-housing/for-managers-of-affordable-housing/household-median-incomes-2016-17>>

suffer as employees move to more affordable cities or rural parts of NSW leaving behind a shortfall of, for example, local teachers, nurses and retailers.

A balanced portfolio of housing types to meet the needs of a socio-economically diverse community including student housing, affordable rental housing, subsidised housing and private market housing is needed. The current lack of housing choice undermines global competitiveness in an international community that depends on key workers such as retailers, police officers, paramedics, fire-fighters, medical staff, mechanics and teachers. International firms may hesitate to invest in cities where their staff will face high housing costs.

It is crucial for the economic health and vibrancy of any city that the people needed to run essential services and grow businesses are able to live near their place of employment. Failing to ensure this results in skills shortages and slows down growth, as workers start to move to more affordable cities, regions or more affordable parts of the State.

There are a number of levers available to government and local government to encourage the development and provision of additional affordable housing.

These include:

- Introduce a scheme for developer contributions for affordable housing on major redevelopment precincts led by state government to require 15% of the total floor area of development to be provided as affordable housing, in the case of privately-owned land. In the case of government-owned land 30% of the total floor area of development. The rents in the housing should be capped at a rate so that the household is not in housing stress and ensure that this affordable housing is not subject to any sunset clause.
- Have all local government areas in greater Sydney named as having a need for affordable housing, in a state environmental planning policy.
- Look to invest or divert money currently spent managing the consequences of youth homelessness, into alternative rent subsidies or other forms of subsidised housing. By focusing support on basic housing need, youth that might otherwise fall by the

wayside can be supported into more positive outcomes of employment, building more productive lives and taking responsibility for their lives.

A failure on the part of the NSW Government to ensure a good supply of social and affordable housing in adequate locations will result in higher costs and increased spending down the road. Young people who cannot afford to rent in the private rental market and who do not have familial connections to fall back on will likely end up homeless where it becomes difficult if not impossible to continue with further education and maintain employment.

This will put upward pressure on Government funded services such as youth homelessness services, and the health and justice systems. Citizens will also look to move to more affordable cities, which will result in a skills shortage and slows down growth. In fact, in the 2017 Demographia International Housing Affordability Survey, it was confirmed that Sydney is experiencing substantial domestic out-migration.¹⁷

In summary Yfoundations makes the following recommendations:

Recommendation 1: A balanced portfolio of housing types to meet the needs of a socio-economically diverse community including student housing, affordable rental and for sale housing, subsidised housing and private housing.

Recommendation 2: Increase the Affordable Rental Housing Target to require 15% of total floor area of development to be provided as affordable housing in the case of privately owned land, and 30% in the case of government-owned land.

Recommendation 3: Guarantee that affordable housing facilitated via inclusionary zoning is not subject to any sunset clauses or time limitations.

Recommendation 4: Have all local government areas in Sydney named as having a need for affordable housing in a state environmental planning policy.

¹⁷ Wendell Cox and Hugh Pavletich, '13th Annual Demographia International Housing Affordability Survey: 2017' (Demographia, 2017) 17-19.