

**Submission
No 47**

**OPTIONS TO IMPROVE ACCESS TO EXISTING AND ALTERNATE
ACCOMMODATION TO ADDRESS THE SOCIAL HOUSING SHORTAGE**

Organisation: Local Government NSW

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Draft submission to the NSW Legislative Assembly Committee on Community Services

Inquiry into options to improve access to existing and alternate accommodation to address the social housing shortage

August 2021

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Introduction

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community-based system of local government in the State.

LGNSW welcomes the opportunity to make a submission to the NSW Legislative Assembly Committee on Community Services inquiry into options to improve access to existing and alternate accommodation in order to help address the social housing shortage in NSW.

The terms of reference establishing the inquiry provide that in conducting its inquiry, the Committee shall have particular reference to:

- a) options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'
- b) options to improve access to existing accommodation to provide community housing
- c) options for crisis, key-worker and other short term accommodation models
- d) barriers to additional supply across NSW, including for smaller non-CHP housing providers
- e) support for and accountability of registered community housing providers.

This submission remains in draft form until endorsed by the LGNSW Board. Any revisions made by the Board will be forwarded to the Committee.

General comments

Councils, as the level of government closest to the community, play an important role in engaging with and planning for the needs of their communities. This includes planning to ensure there is an appropriate supply and mix of housing to meet the community's diverse and changing needs.

Councils have primary responsibility for developing strategic plans for their areas. They determine the amount, form and location of housing to be provided and influence opportunities for economic development. These roles, combined with the services and infrastructure they provide, influence the affordability, sustainability and liveability of neighbourhoods.¹

While councils can and do make a contribution to the supply of affordable housing (within NSW Government policy settings), social housing is primarily the responsibility of State and Commonwealth governments.

The Commonwealth first granted funding to the states for the provision of housing in 1945. Since this time, Commonwealth funding for social housing has been provided to state and territory governments through the National Housing and Homelessness Agreement, with state and territory governments given primary responsibility for delivery. Analysis shows that the early 1990s were a high point for social housing levels in Australia, and that levels of social housing are now historically low,² impacting members of the community right across NSW, in metropolitan, regional and rural parts of the state.

Currently in NSW there are almost 50,000 people who are waiting for social housing, with wait times of up to 10 years.³ Combining social and affordable housing, the shortfall in NSW was

¹ Department of Communities and Justice, NSW Local Government Housing Kit, 2019.

<https://www.facs.nsw.gov.au/resources/nsw-local-government-housing-kit>

² ABC News, Fact Check: Have social housing levels fallen to historic lows?, 12 Aug 2019,

<https://www.abc.net.au/news/2019-08-12/fact-check-social-housing-lowest-level/11403298>

³ NCOSS, NSW Budget 2021-22 Analysis: Housing and Homelessness, June 2021.

<https://www.ncoss.org.au/nsw-budget-2021-22-analysis-housing-and-homelessness/>

estimated at over 200,000 dwellings even before the pandemic.⁴ Populations movements sharpened by the COVID pandemic have resulted in plunging vacancy rates in many regional areas with severe housing pressures and extremely limited social housing availability.

While the proportion of people living in social housing in NSW is around 4.1 per cent this varies across the state depending on the amount of social housing in each local government area, with some falling short of the average and others above. Further, the distribution of social housing within local government areas is not well integrated. It is often concentrated in particular suburbs, creating pockets of social disadvantage. Both the shortfall and suburban concentrations result in an inequitable financial burden on councils as they create increased demand for local infrastructure and services.

A commitment to clearly stated minimum targets for affordable housing is vital if we are to begin to address this shortfall. LGNSW supports the Greater Sydney Commission's (GSC's) affordable housing target of 5 to 10 per cent of all new floorspace in land release and urban renewal areas.⁵ Consideration could be given to setting appropriate targets in Regional Plans in their next iteration. On government owned land, LGNSW recommends an affordable housing target of 25 per cent of development.

This year, LGNSW has also called for the NSW Government to invest at least \$2 billion in providing 5,000 additional units of social housing right across NSW to address the homelessness and housing affordability crisis.⁶ A NSW Government commitment to set minimum targets and fund more social housing would stimulate the NSW economy, result in jobs growth and deliver enormous social and economic dividends, while contributing to the Premier's Priority to reduce street homelessness across NSW by 50% by 2025. Unfortunately, the 2021-2022 NSW Budget allocated no new funding to boost the supply of social housing, instead continuing the funding under the \$812 million COVID-19 social housing stimulus package announced in the 2020-2021 Budget, which compares poorly to much larger social housing investments in the Queensland and Victorian state budgets.

While local government operates in a broader institutional framework with its role in housing focussed on planning and housing policies and targets established by the state government, some councils do choose to extend their involvement in housing beyond these requirements to respond to growing unmet housing need and homelessness amidst continued shortfalls in Commonwealth and State funding for housing assistance.

Innovative responses from councils include using excess council land or buildings for housing, collaborating with local community service and housing providers and hosting local housing forums. Some councils also use financial contributions through the development process (e.g. voluntary planning agreements) to acquire dwellings to be used as affordable housing. Some councils have also developed homelessness strategies which include prevention, crisis support and other services and assisting with pathways out of homelessness.

Indeed, many councils across NSW have housing strategies that emphasise affordability, including, as examples, [Blacktown](#), [Central Coast](#), [Cumberland](#), [Georges River](#), [Griffith](#), [Inner West](#), [Ryde](#) and [Willoughby](#). [Local Strategic Planning Statements](#) also often include affordable housing principles and actions.

⁴ City Futures Research Centre, Estimating need and costs of social and affordable housing delivery, March 2019. <https://cityfutures.be.unsw.edu.au/research/projects/filling-the-gap/>

⁵ Greater Sydney Commission, A metropolis of three cities, March 2018.

<https://www.greater.sydney/metropolis-of-three-cities/liveability/housing-city/housing-more-diverse-and-affordable>

⁶ LGNSW, 2021-2022 State Budget Submission – NSW Local Government Priorities, April 2021.

[https://www.lgnsw.org.au/common/Uploaded%20files/Submissions/2021/Draft%20Submission %202021-2022 State Budget 03-05-2021.pdf](https://www.lgnsw.org.au/common/Uploaded%20files/Submissions/2021/Draft%20Submission%202021-2022%20State%20Budget%2003-05-2021.pdf)

Council responses to housing across the state are diverse, as they are shaped by the impact of national and state government actions and requirements at a local level and the nature of housing challenges in the locality. They are also affected by the financially constrained environment that councils operate in and the many other priorities they seek to respond to.

Ultimately, local government is not equipped to take over the traditional roles of state and federal governments in the large-scale provision of social housing. A commitment by the NSW Government to fund more social housing would stimulate the NSW economy and deliver enormous social and economic dividends.

Recommendation 1: The NSW Government should invest at least \$2 billion in providing 5,000 additional units of social housing right across NSW to address the homelessness and housing affordability crisis.

Recommendation 2: The NSW Government should introduce minimum targets of 5-10% social and affordable housing across NSW and 25% for government-owned land, and commit to providing the requisite responsibility/resources within the NSW Government for delivering policies and plans to meet these housing needs.

A – Options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'

'Meanwhile use' (a form of temporary supportive accommodation) is the temporary use of vacant land or dwellings for alternative uses until they are required for their end purpose.⁷

In recent months there has been increased discussion around meanwhile use, particularly of government-owned land, as a mechanism to in-part address the shortage of social housing and crisis accommodation. Councils note that temporary accommodation is at capacity across the state.

Meanwhile use does have the potential to increase the supply of short-term housing, particularly for crisis accommodation. It can also benefit property owners and local amenity through ensuring otherwise unused premises do not fall into disrepair or experience vandalism.

At best however, this remains a limited, short term solution to systemic issues around access to affordable, long term and secure housing. Further, with no ready vacancies in social housing or affordable rental properties for people to transition into there is a tendency for residents to become 'stuck' in temporary accommodation. It is essential that longer term options along the housing continuum are available for people to move on from meanwhile use accommodation.

Councils also note that it is unclear whether vacant government property exists in LGAs most impacted by housing pressures, to the extent that that property may make a meaningful contribution to temporary housing supply.

Beyond limitations on zoning and permissible land uses, practical barriers to potential meanwhile use sites include what are often undesirable locations (either too remote or too public), site safety and costs associated with upgrading a site to be fit-for-purpose. The NSW Housing Strategy 2041 acknowledges that enabling meanwhile use may require a building to meet higher controls or requirements to ensure occupant safety. It would be helpful for the NSW Government to provide

⁷ Department of Planning, Industry and Environment, A Housing Strategy for NSW – Discussion Paper, May 2020

guidance to councils on how best to fast-track and encourage meanwhile use where this is appropriate. LGNSW cautions against planning and safety provisions being considered obstacles in need of removal. Sensible planning and safety arrangements are essential to ensuring accommodation is fit for occupation.

Councils also support the Housing First model, which prescribes safe, long term housing as the first priority for people experiencing homelessness, driven by a guiding principle that safe and secure housing should be quickly provided prior to, and not conditional upon, addressing other health and well-being issues. Any introduction of meanwhile use accommodation should be sufficiently long-term to meet this threshold.

LGNSW encourages the NSW Government to consider models in place in other jurisdictions, such as Housing All Australians' Pop Up Shelter, the Lakehouse in South Melbourne, which has housed 78 women with support from the YWCA and in partnership with the City of Port Phillip. Lakehouse is a co-living facility situated within close proximity to shopping precincts and frequent public transport. It is located in a vacant aged care facility and as part of the lease agreement includes a detailed exit strategy for closure of the pop-up.⁸

Recommendation 3: The NSW Government should provide guidance to councils on how best to fast-track and encourage meanwhile use where the council determines that it is appropriate.

B – Options to improve access to existing accommodation to provide community housing

While improving access to existing accommodation for community housing is important, council feedback overwhelmingly recognises the need for increased supply of social and affordable housing to address shortfalls.

Councils welcomed the removal of one barrier to improve access to community housing: the December 2020 amendment to the Residential Tenancies Regulation 2020 to exempt councils from the provisions of the Residential Tenancies Act where councils let premises to social housing providers (headlease arrangements). The earlier introduction of the *Residential Tenancies Act 2010* had unintentionally captured council headlease arrangements with Community Housing Providers.

This change has now provided more flexibility to councils as property owners and reduces council exposure to financial risks as landlord under the Act. Instead, councils can delegate responsibilities to Community Housing Providers whose core business it is to manage these risks. This is a good outcome for councils that are eager to contribute to social housing availability in their local government areas.

Overseas, the effects of short term rental accommodation on amenity, community and housing affordability has led to new regulations for short-term letting. In NSW, the state government has deferred the commencement of new short term rental rules until November to allow councils and other stakeholders prepare for the new requirements. LGNSW does not support the one-size-fits-all nature of these proposed provisions. There is growing concern in regional areas that the already-critical shortages of affordable rental housing will be exacerbated when this new policy comes into effect, with predictions of increased homelessness. Councils are best placed to balance the

⁸ Housing All Australians, Pop Up Shelters, <https://housingallaustralians.org.au/whatwedo/pop-up-shelters/>

pressures of housing affordability and local tourism economies that may be impacted by short term rentals. LGNSW would welcome the NSW Government committing to ongoing research to monitor local impacts on housing affordability, and any flow on effects on the availability of accommodation for community housing.

To encourage more private landlords to support the use of their properties for affordable housing, in some cases, further incentives and subsidies from the NSW and Commonwealth Governments may be required to boost supply.

As demonstrated in the case study to the right, funding packages for temporary relocations while social housing is redeveloped in order to provide additional social and affordable housing can help to minimise disruption of residents who are able to remain nearby their existing communities.

Recommendation 4: The NSW Government should commit to ongoing research to monitor the impacts of short-term rental accommodation on housing affordability, and any flow on effects on the availability of accommodation for community housing.

Recommendation 5: The NSW and Australian Governments should consider whether further incentives and subsidies may meaningfully boost the supply of privately owned dwellings made available for affordable community housing. council determines that it is appropriate.

C – Options for crisis, key-worker and other short term accommodation models

There is a critical lack of crisis, key-worker and other short-term accommodation across NSW, worsened by rapidly rising housing costs and the progressive loss of lower cost caravan parks, motels and older-style boarding houses that have traditionally provided crisis and short-term accommodation outside of state subsidised programs.

Housing for key workers such as nurses, teachers, tradespeople and care workers needs to be long term and affordable in order to attract and retain a stable workforce. Ideally, this kind of housing should also be in close proximity to town centres.

Councils are often concerned that if key workers are unable to access affordable housing in and around their

Case study: Central Coast

One established area on the Central Coast, Pacific Del Mar Housing Estate in Bateau Bay, an older style social housing estate is an example of an estate that could be re-developed into a mix of public, private and affordable dwellings.

Similar estates in Sydney have undergone a renewal process and achieved positive outcomes through the increased supply of modern, diverse dwellings. Not only would this increase housing diversity, but a mixed tenure model would provide a range of housing products for a range of need in the LGA.

Success in this area will depend on a partnership between the NSW Government, which controls the infrastructure, and the council, which controls the planning instruments for a better local outcome.

To ensure current tenants are not displaced during the re-development, a funding package for increased head leasing options could be given to local Community Housing Providers to manage the temporary relocation of tenants during the renewal.

local government area, they may need to relocate, reducing the diversity in the community and also limiting the ability of businesses and industries to grow, adversely affecting local economies. Where these shortages are already critical, there is concern that without the ability for their staff to access affordable housing locally, businesses will no longer remain viable and will have to close or relocate, with impacts on the local economy.

Recommendations throughout this submission to encourage the development of more affordable housing (and particularly recommendations 1 and 2) will contribute to increased options for housing key workers.

Boarding houses

Past LGNSW submissions have highlighted concerns that boarding house planning concessions are not delivering housing that is affordable.⁹ Boarding houses are a key segment of the low-cost housing market, providing accommodation and stability for people who may otherwise not be able to gain access to privately or publicly provided accommodation. Generally, boarding houses are accessible, and are available to those on low incomes, with a limited (or no) tenancy history, recently arrived in Australia, or those who require a low-cost place to stay while searching for more permanent living arrangements.

However, there has been a recent trend towards development of 'new generation' boarding houses that do not meet the needs of vulnerable people but rather appear focussed on meeting demand for market-priced studio apartments. The extent to which boarding houses developed by the private sector are providing housing that is affordable is an ongoing issue of concern for councils.

As such, LGNSW now welcomes the new proposed Housing SEPP, released for public exhibition on 31 July 2021, that includes provisions requiring boarding house rooms to be rented at an affordable rate in perpetuity.

Recommendation 6: The NSW Government should proceed to adopt draft provisions in the proposed Housing SEPP that will require boarding house rooms to be rented at an affordable rate in perpetuity.

Crisis accommodation

An evaluation of the NSW Government's accommodation of rough sleepers during COVID outbreaks has shown that the temporary housing arrangements were highly successful and effective in preventing the spread of COVID among a vulnerable cohort. However, the evaluation makes clear that there is almost no longer-term housing for homelessness services to direct people to from their short term accommodation.¹⁰

A July 2021 Equity Economics Report found that there is a need for almost 17,000 social housing units nationally to provide women with somewhere safe when their only option is to leave their homes due to domestic and family violence.

Equity Economics analysis shows that the provision of these much needed social housing units would:

⁹ LGNSW, Submission to Statutory Review of Boarding Houses Act, October 2019. https://lgnsw.org.au/common/Uploaded%20files/Submissions/Draft_Submission_to_the_Statutory_Review_of_the_Boarding_Houses_Act_2012.pdf, and LGNSW, Submission on Proposed New Housing Diversity SEPP Explanation of Intended Effect, October 2020. <https://www.lgnsw.org.au/common/Uploaded%20files/Submissions/Submission-on-Proposed-Housing-Diversity-SEPP-EIE.pdf>

¹⁰ Centre for Social Impact and Homelessness NSW, More than temporary? An evaluation of the accommodation of people sleeping rough in inner city Sydney during COVID-19, August 2021. <https://www.csi.edu.au/research/project/more-than-temporary/>

- Cost up to \$7.6 billion, with costs to Government potentially lower through the use of community housing providers and other innovative financing models
- Deliver immediate economic benefits of \$15.3 billion and create 47,000 jobs across the economy
- Avoid \$122.5 million in a year in costs due to women returning to a violent partner
- Avoid \$257 million a year in costs due to women experiencing homelessness after leaving their homes due to family and domestic violence.¹¹

At the 2018 LGNSW Annual Conference, councils resolved to call on the NSW Government to establish a fund for youth crisis accommodation, prioritising local government areas currently lacking any appropriate facilities to alleviate this crisis.

Recommendation 7: The NSW and Australian governments should urgently invest in crisis accommodation, including for women and youth, across all underserved areas of NSW.

While it is not ordinarily a core role of local government to subsidise crisis accommodation, where state and federal governments do not meet this need, this obligation can fall to already stretched local governments, as demonstrated in the examples at right and below.

Case study: Woollahra Municipal Council

The Woollahra Council Domestic and Family Violence Accommodation and Support Program was established by Woollahra Council and The Women's Housing Company (WHC) in February 2019. Council funds this program at a cost of \$360,000 each year, with the tenancy managed by WHC. This is a 3 year agreement and ends on 30 June 2022.

The clients of the Program are residents of the Woollahra local government area and are women with dependent children who are escaping domestic and family abuse. The Program enables women to remain affordably housed in the Woollahra LGA, to maintain community and support connections, while stabilising and improving their circumstances, with the aim of exiting the Program into sustainable private long-term housing.

Clients are nominated and supported by local specialist service providers (Jewish Care and Bondi Beach Cottage) and have access to additional brokerage funds to support sustainable tenancies. Council currently supports 10 units (8 x 2 bedroom units and 2 x 3 bedroom units) with the tenancies ranging from 6 months to three years. The Program is currently housing nine women and fourteen children. The average age of the women is 42 and the age range of the children is between two and fourteen years old.

¹¹ Equity Economics, Nowhere to Go, July 2021. <http://www.equityeconomics.com.au/nowhere-to-go>

Case study: Georges River Council

In May 2018, Georges River Council made available a property to Kingsway Community Care for transformation into a women's crisis accommodation facility. Georges River Council continues to subsidise the annual rental costs which would amount to \$50,000 on the private market.

Prior to its opening the Georges River Council LGA had lacked any facility of this kind. Local crisis accommodation of this kind is so important to those who are no longer safe in their own home, enabling them to remain in their community, near their schools with teachers that know their children, and GPs and support networks that they trust.

On opening, Kingsway Community Care's Chief Executive noted there were 23 women and their children in Georges River who had become homeless as a result of domestic and family violence.

Case study: Northern Beaches Council

Northern Beaches Council has worked with the NSW Government to repurpose the former Queenscliff Health Centre for seniors housing managed by Landcom, with an affordable housing component as part of a pilot project. This is likely to include around 35-38 studios, one and potentially two-bedroom apartments, and a minimum of 10% made available for affordable rental housing, which will likely benefit essential workers. Barriers to getting this project off the ground have included the need for Landcom, a State-owned corporation, to pay market price for the land when purchasing from the NSW Government, and community concerns about the impacts of the development.

There is scope for Council to utilise Voluntary Planning Agreements (VPAs) under the NSW planning system to provide additional affordable housing, however VPAs are generally only effective where large-scale redevelopment is occurring, which is not the case on the Northern Beaches.

A key element of Council's Affordable Housing Policy is the inclusion of the Northern Beaches LGA in State Environmental Planning Policy No.70 (SEPP70). SEPP 70 enables Councils to include affordable rental housing requirements in Local Environmental Plans (LEPs) in areas subject to zoning "uplift" through an affordable housing contribution scheme.

Council has developed a draft affordable housing contribution scheme, which will allow Council to collect developer contributions to provide affordable housing either as complete dwellings or as an equivalent monetary contribution. The scheme will initially apply to the Frenchs Forest Planned Precinct and a site subject to a rezoning proposal in Narrabeen. It will be extended to other land that is subject to increases in residential density in the future. However, the scheme is not permitted to apply more generally to areas not subject to zoning uplift. This could be reviewed, and subject to development feasibility assessment, the scheme could apply to all areas where redevelopment is occurring.

D – Barriers to additional supply across NSW, including for smaller non-CHP housing providers

Overwhelmingly, the barrier to additional supply of social housing in NSW is chronic underinvestment in new social housing by the NSW and Commonwealth Governments.

As set out in LGNSW's Policy Platform¹², councils have resolved to support minimum targets of 5-10 per cent social and affordable housing across NSW and 25 per cent for government-owned land.

Councils have also called for action by the NSW Government towards achieving affordable housing targets through:

- improving processes for the timely approval of affordable housing contributions schemes developed by councils under State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) (SEPP 70), and
- developing strategies to support local councils in NSW in increasing affordable housing in their local government areas.

In terms of the significant unmet need for more housing in First Nations communities, Kyogle Shire and Bega Valley Shire are two examples of councils that have included within their Local Strategic Planning Statements actions and priorities to work with Aboriginal people to enable and facilitate appropriate housing and development of Aboriginal land.

LGNSW welcomes the NSW Government partnering with the NSW Coalition of Aboriginal Peak Organisations to focus on housing as part of NSW's Closing the Gap Implementation Plan. The \$259m commitment in the 2021-2022 NSW Budget for building 250 new homes (and renovating a further 7000) for First Nations families is especially welcome, though much more is needed.

Beyond the need for the NSW Government and Commonwealth Government to fund significant increases in social and affordable housing across NSW, the LGNSW Policy Platform also calls for governments to address homelessness, the housing affordability crisis and access to public housing through providing funding for councils to deliver initiatives at the local level.

In the case study above, a partnership between all three levels of government involves Griffith City Council investing in new affordable housing options.

A number of councils have suggested that local government should be supported to acquire properties to be held in perpetuity for the purposes of social and/or affordable housing. The council sets out the benefits of this scheme being that:

Case study: Griffith City Council

The Griffin Green Affordable Housing project represents a partnership between Griffith City Council and Argyle Housing with \$6 million of Commonwealth funding secured from the Building Better Regions Fund. Argyle and Council have both allocated \$3 million to support the \$12 million project which has been developed to provide new affordable housing options in Griffith.

The project will create 20 new medium density affordable units and 42 new affordable housing lots in South Griffith.

The development will also include a full basketball court, modern playground and a community centre (funded by the NSW Government and Argyle Housing).

¹² LGNSW Policy Platform, Housing and homelessness position statement, April 2021.

https://www.lgnsw.org.au/common/Uploaded%20files/Policy/2021_LGNSW_Policy_Platform.pdf

- Council, not developers, would own these properties, which would promote a higher level of accountability
- Properties would be held in perpetuity, and not sold for profit after a period e.g. ten years, resulting in the increase of the amount of long term available property
- Property would be managed by accredited Community Housing Providers
- Access to the property would be based on assessment of needs, rentals would be fixed at a level appropriate to the tenants' circumstances and access to property by prospective tenants would require them to meet specific qualifications e.g. low income, key worker.

In line with the LGNSW Policy Platform, it is important that the NSW Government funds any such arrangements to prevent cost shifting of this state government responsibility onto councils.

Further barriers to additional supply raised by councils include the requirement for Landcom, the NSW Government's land and property organisation, to purchase land from the NSW Government at market rates, and affordable housing classifications expiring after 10 years rather than remaining in perpetuity.

Recommendation 8: The NSW Government should encourage its land and property organisation Landcom to deliver affordable housing projects by subsidising sale of NSW Government land for this purpose.

Recommendation 9: The NSW Government should consider how existing provisions in the Affordable Rental Housing SEPP (AHRSEPP) that allow affordable housing to revert to market rates after a set period could be amended in the new Housing SEPP, to ensure the long term supply of affordable housing increases over time.

Recommendation 10: The NSW Government should work towards achieving affordable housing targets through:

- a) improving processes for the timely approval of affordable housing contributions schemes developed by councils under State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) (SEPP 70), and
- b) developing strategies to support local councils in NSW in increasing affordable housing in their local government areas.

Recommendation 11: The NSW Government should provide funding for councils to deliver housing and homelessness initiatives at the local level.

Councils hosting CHP housing penalised through lost rate income

The community housing sector in NSW is growing and diversifying and now manages more than 50,000 social housing homes across the state. This amounts to one in three of every social housing dwelling in NSW.¹³

An emerging problem for local government is the rate exemptions provided for social housing, which are growing at a rapid rate. The problem has largely resulted from a change in NSW Government policy on the delivery of social housing and the emergence of new delivery mechanisms.

¹³ Community Housing Industry Association NSW, Submission to NSW Productivity Commission, 29 November 2019. https://www.productivity.nsw.gov.au/sites/default/files/2020-01/Community%20Housing%20Industry%20Association_Redacted.pdf

The NSW Government is increasingly handing over management and ownership of social housing stock formerly controlled by State Government agencies (i.e. Department of Communities and Justice and its predecessors) to Community Housing Providers.

While the NSW Government previously paid rates on these properties, CHPs are seeking and often achieving rate exemptions as Public Benefit Institutions (PBIs). As a result, councils face large reductions in their rate base. These reductions can be significant, particularly for councils with large stocks of social housing (such as Campbelltown City, Blacktown City, Nambucca Shire, and Port Macquarie-Hastings Councils).

It is unfair to burden local communities with the costs of subsidising social housing, particularly as stocks of public housing are not evenly distributed. Councils are not in the position to subsidise welfare measures. This amounts to another cost-shift and such subsidies should be funded through the broader revenue bases of State or Federal Governments.

As this growing inequitable impost has directly resulted from changes to State Government policy, it is incumbent on the State Government to correct it, and the problem should not be left to grow.

The impacts are potentially very large. IPART provides the example of Campbelltown which has over 5,500 social housing properties. Campbelltown currently receives around \$6.5 million in rates from these properties which would be lost if the properties were transferred to PBIs. This represents a cost of \$109 per year to each of the remaining ratepaying households. Canterbury-Bankstown with 4,250 social housing properties stands to lose around \$5 million.

This arrangement penalises councils that support a larger number of social housing dwellings in their LGA, and should be addressed by the NSW Government.

LGNSW support's IPART's recommendation that land used for social housing should be rateable¹⁴, and further calls for this cost to be met by the NSW Government.

Recommendation 12: The NSW Government should make land used for social housing rateable so as to avoid penalising councils with larger stocks of social housing. Further, this cost should be met by the NSW Government.

¹⁴ IPART, Review of the local government rating system, December 2016. https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-review-of-the-local-government-rating-system-december-2016_0.pdf

Case study: Central Coast Council

The Central Coast Pilot Transitional Housing Model aims to support effective transition to the private rental market for vulnerable people. The pilot framework is constituted by a head leasing arrangement with a local CHP who has an arrangement with a local support service.

This model ensures that the tenant is provided with the necessary wrap around support to resolve issues that have prevented them from sustaining a tenancy in the past.

From the council's perspective, the framework ensures that the property goes to the most suitable and needs-based applicant. With this level of support and the security of affordable accommodation, it is hoped that the tenant will transition into permanent rental accommodation at the conclusion of their program.

In this program council was the property owner but was required to consider the same commercial conditions as any other landlord such as risk mitigation, return on investment, condition of the building and tenant management. Some of the challenges that arose related to neighbours' perceived risk of anti-social behaviour, an unattractive rental return rate, the safety of the structure and the building condition when a vulnerable tenant enters, liability and insurances to take on perceived additional risk, and securing case management programs/support for the length of the tenure.

A major barrier to enable expansion of this program is its misalignment with sector funding. The establishment of Council's program was delayed while a framework was investigated to enable specialist case management support for the length of the tenure [24 months].

Following the pilot, the following needs were identified to enable more vulnerable tenants to enter the private market.

- A significant increase in funding for case management services for people at risk of homelessness;
- Higher rental subsidy programs for wider target groups, and particularly those at risk of long term and repeat homelessness, and with chronic mental health issues as an acknowledgement of the cost of homelessness to the community, and the inability of these group to sustain private rental without such deeper subsidies;
- Access to an increased amount of brokerage funding with broader scope of criteria to support tenancy establishment and household items, noting frequent comments that this support is currently insufficient;
- Continued support by the same service provider [for the 24-month tenure] is critical to the success of this program. When the individual is supported by the same case manager, they are more likely to have a stable relationship that will improve positive outcomes. Therefore, effective case management is the key to sustainability.

The success of this program will reduce the perceived risk of taking on a vulnerable tenant and encourage other landlords to take up the opportunity.

E – Support for and accountability of registered community housing providers

Councils greatly appreciate the important work of Community Housing Providers in easing housing pressures for more vulnerable cohorts in the community.

Community Housing Providers and not-for-profit homelessness services should be supported by the NSW Government to headlease properties on the private market, efficiently addressing one of the key barriers vulnerable people often face in being approved for a tenancy. However, councils are instead noting the tenuousness of this housing type, with examples of Community Housing Providers losing leasehold properties as landlords are selling properties to capitalise on inflated sales prices in recent times.

The NSW Government should also consider transferring titles for social housing stock to Community Housing Providers to increase their asset base and thus ability for these providers to borrow funds to support further social housing developments. However, as noted above it is important that the NSW Government addresses negative impacts on council rate bases that result from expanded Community Housing Provider portfolios.

Council feedback suggests that when housing providers wish to build affordable housing or alternative housing models, there is often significant community pushback. A broad campaign that educates the community about the importance of social and affordable housing (to social cohesion, economic sustainability) would contribute to combating negative perceptions. Ideally, this education program would occur as a key part of the implementation of the proposed Housing SEPP which is to be finalised later in 2021.

Recommendation 13: The NSW Government should support and incentivise Community Housing Providers and homelessness services to headlease properties on the private market.

Recommendation 14: The NSW Government should consider transferring titles for social housing stock to Community Housing Providers to increase their asset base and ability to borrow funds for further social housing developments (subject to the NSW Government addressing any negative impacts on council rate bases).

Recommendation 15: The NSW Government should work with Community Housing Providers to educate the community about the importance and essential contribution of social and affordable housing.

Summary of recommendations

Recommendation 1: The NSW Government should invest at least \$2 billion in providing 5,000 additional units of social housing right across NSW to address the homelessness and housing affordability crisis.

Recommendation 2: The NSW Government should introduce minimum targets of 5-10% social and affordable housing across NSW and 25% for government-owned land, and commit to providing the requisite responsibility/resources within the NSW Government for delivering policies and plans to meet these housing needs.

Recommendation 3: The NSW Government should provide guidance to councils on how best to fast-track and encourage meanwhile use where the council determines that it is appropriate.

Recommendation 4: The NSW Government should commit to ongoing research to monitor the impacts of short-term rental accommodation on housing affordability, and any flow on effects on the availability of accommodation for community housing.

Recommendation 5: The NSW and Australian Governments should consider whether further incentives and subsidies may meaningfully boost the supply of privately owned dwellings made available for affordable community housing.

Recommendation 6: The NSW Government should proceed to adopt draft provisions in the proposed Housing SEPP that will require boarding house rooms to be rented at an affordable rate in perpetuity.

Recommendation 7: The NSW and Australian governments should urgently invest in crisis accommodation, including for women and youth, across all underserved areas of NSW.

Recommendation 8: The NSW Government should encourage its land and property organisation Landcom to deliver affordable housing projects by subsidising sale of NSW Government land for this purpose.

Recommendation 9: The NSW Government should consider how existing provisions in the Affordable Rental Housing SEPP (AHRSEPP) that allow affordable housing to revert to market rates after a set period could be amended in the new Housing SEPP, to ensure the long term supply of affordable housing increases over time.

Recommendation 10: The NSW Government should work towards achieving affordable housing targets through:

- a) improving processes for the timely approval of affordable housing contributions schemes developed by councils under State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) (SEPP 70), and
- b) developing strategies to support local councils in NSW in increasing affordable housing in their local government areas.

Recommendation 11: The NSW Government should provide funding for councils to deliver housing and homelessness initiatives at the local level.

Recommendation 12: The NSW Government should make land used for social housing rateable so as to avoid penalising councils with larger stocks of social housing. Further, this cost should be met by the NSW Government.

Recommendation 13: The NSW Government should support and incentivise Community Housing Providers and homelessness services to headlease properties on the private market.

Recommendation 14: The NSW Government should consider transferring titles for social housing stock to Community Housing Providers to increase their asset base and ability to borrow funds for further social housing developments (subject to the NSW Government addressing any negative impacts on council rate bases).

Recommendation 15: The NSW Government should work with Community Housing Providers to educate the community about the importance and essential contribution of social and affordable housing.

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LGNSW would welcome the opportunity to assist with further information during this inquiry. To discuss this submission further, please [REDACTED]

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