

# **INQUIRY INTO HOMELESSNESS AND LOW COST RENTAL ACCOMMODATION**

## **Housing NSW and Department of Planning**

### ***Response to Questions on Notice***

#### **PART ONE: QUESTIONS TAKEN ON NOTICE AT THE APPEARANCE**

**The source of the \$23 million per annum in additional revenue expected to result from the community housing rent reforms.**

The NSW Government submission to this Inquiry outlines the community housing rent reforms, which include treating Commonwealth Rent Assistance as a rental supplement rather than general household income, and increasing the proportion of Family Tax Benefit payments included in a household's rent to 15%. Financial analysis undertaken by Housing NSW indicates that approximately \$23 million per year in additional revenue will be generated when the rent policy changes implemented in 2008 are fully operational. This may take up to seven years.

The rent reforms provide additional revenue for community housing providers to meet operational costs and will allow for surplus funds to be invested in more housing. The reforms also seek to equalise the level of rent paid by public and community housing tenants for social housing. Public housing tenants are not eligible for Commonwealth Rent Assistance, and 15% of Family Tax Benefit is included in the household rent calculated for public housing tenants.

The sources of the estimated \$23 million per annum in additional revenue expected to result once the reforms are fully operational are as follows.

*Full collection of Commonwealth Rent Assistance received by tenants in rent payments to community housing providers*

- \$15.7 million per annum in additional Commonwealth Rent Assistance payments from the Australian Government.
- \$5.3 million per annum from Commonwealth Rent Assistance payments that had previously been retained by tenants as additional income.

*Increase in the proportion of Family Tax Benefit A and B payments included in the household rent calculation, from 11% to 15%*

- An estimated \$2.03 million per annum that had previously been retained by tenants as additional income.

Of the estimated \$23 million, \$15.7 million is expected to come from additional Commonwealth Rent Assistance payments by the Australian Government, and around \$7.3 million is expected to come from an increase in the level of rent paid by tenants.

Phase in provisions have been put in place to cushion the impact of the rent reforms on existing community housing tenants, so that community housing tenants will not be worse off, in terms of their after housing income, by more than \$10 per week in any one year.

### **Data on changes in affordable housing stock in Sydney over a ten year period.**

The NSW Government submission to this Inquiry provided data on the proportion of the housing rented privately in the last two quarters of 2008 that was affordable to low and moderate income households. Data on the changes in the number and percentage of privately rented housing in Sydney that was affordable for low and moderate income households over ten years is provided at Attachment A.

It should be noted that this data provides an indication of the affordability of the housing that is being made available in the rental market<sup>1</sup>, and does not provide an indication of the total stock of affordable private rental housing. As such, the data is useful for the purpose of illustrating the situation faced by people seeking to rent affordable private rental housing. Generally, data on the number of low and moderate income households that may be facing housing affordability problems (using the benchmark of paying more than 30% of income in housing costs) is used to illustrate the overall housing affordability situation in the private rental market.

It is also important to note that this data shows only the supply of affordable rental housing, and does not illustrate the level of demand for affordable rental housing from low and moderate income households.

The data at Attachment A illustrates the following trends in the private rental housing market in Sydney.

- A decline in the total number of properties rented privately in Sydney that are affordable to low income and moderate income households between 1998 and 2008 of around 14,000 properties.
  - There has been a particularly steep decline in the number of affordable properties that have been rented in the last few years, which almost halved between the second half of 2006 and the second half of 2008. This is a period in which Sydney has been experiencing a tight rental market with a low vacancy rate.
- A decline in the percentage of properties rented privately in Sydney that are affordable to low income and moderate income households.
  - For low income households, the percentage of properties rented privately that are affordable has reduced from just over 33% in 1998 to 19% in 2008.
  - For moderate income households, the percentage of properties rented privately that are affordable has reduced from just over 68% in 1998 to 56.5% in 2008.
- Higher numbers of properties that are affordable to low and moderate income households being rented in the outer ring of Sydney than the middle ring, and in the middle ring than the inner ring. There is also a higher percentage of properties rented in the outer ring of Sydney that are affordable than the middle ring and inner ring.
  - In the second half of 2008, there were 10,356 properties rented in the outer ring of Sydney that were affordable to low income households, compared to 3,123 in the middle ring and 2,807 in the inner ring.

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<sup>1</sup> The data is based on new bonds lodged, which reflects the turnover of properties in the private rental market. There can be considerable fluctuations in the numbers of new bonds lodged each period.

- In the second half of 2008, 32.3% of the properties rented in the outer ring of Sydney were affordable to low income households, compared to 13.8% of properties in the middle ring and 9.1% of properties in the inner ring.
- In the second half of 2008, there were 24,229 properties rented in the outer ring of Sydney that were affordable to moderate income households, compared to 12,812 in the middle ring and 11,382 in the inner ring.<sup>2</sup>
- In the second half of 2008, 75.6% of the properties rented in the outer ring of Sydney were affordable to moderate income households, compared to 56.7% of properties in the middle ring and 36.7% of properties in the inner ring.

**Examples of Local Councils the Department of Planning is working with to deliver affordable and low cost rental housing.**

The Department of Planning has had discussions with several councils on proposals to introduce affordable housing provisions in new Local Environmental Plans and to allow new schemes under State Environmental Planning Policy (SEPP) 70: *Affordable Housing*. A major concern with all such proposals at present is the economic impact on development activity in current market conditions.

The City of Sydney has recently exhibited a proposal for an affordable housing levy across the City, and the council and Department of Planning will be further considering the viability of this proposal.

Some local councils have indicated support for Voluntary Planning Agreements for affordable housing in relation to specific locations, as outlined in the response to the question below. An offer to include a component of affordable housing in a proposed development is often made as part of an argument to change the use of a site. Other planning considerations, such as whether the residential use is acceptable in a given location, are clearly also relevant and may predominate.

**Information on:**

- a) **The role of local councils as owners/providers of low cost rental accommodation in NSW, and examples of where local councils provide affordable housing in rural and regional areas.**
- b) **The role of local councils in providing caravan parks and cabin parks in rural and regional areas.**

***Role of local councils as owners/providers of low cost rental accommodation, and examples of where local councils provide affordable housing in rural and regional areas***

The NSW Government and the Australian Government are responsible for providing housing assistance to people in NSW. While local councils are not equipped to take over the role played by the NSW Government, there is considerable scope for councils to direct the activities that are within their domain to promote better housing outcomes for their communities.

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<sup>2</sup> The number of affordable properties rented is similar for the inner and middle ring in 2008, although the proportion of total stock that this represents is quite different.

Local councils make diverse contributions to the provision of affordable housing and can have a significant impact on the supply, mix and cost of housing in their local housing market, especially through their planning policies, development control processes and building regulations. Many local councils actively promote affordable housing through instruments such as their social plans, Local Environmental Plans, or by having specific housing strategies. Housing NSW (Centre for Affordable Housing) has developed a Local Government Housing Kit which provides information and statistics to assist local councils to identify and meet local housing needs.

Shelter NSW undertook a research project, which commenced in December 2006 and concluded in February 2007, with the aim of consolidating knowledge about the direct provision of affordable housing by local councils in NSW. The Shelter NSW report *Local government housing and community housing associations: project report*<sup>3</sup>, includes the following observations.

- Local councils play an integral role in the provision of housing, and can facilitate and influence the private sector production of housing in many ways including through development control processes and strategic planning.
- Local councils have a role that is supportive of the provision of housing assistance by the NSW Government and Australian Government.
- Local councils have the option of acting as owners or managers of housing stock, or as a land provider or housing developer, as well as to seek to initiate collaborative development of housing projects with other levels of Government, the not-for profit sector, and the private sector.
- While local councils have not been involved in the direct provision of housing to a great extent, there is some involvement. The level of involvement varies between councils depending on size, revenue base and the local context.

Housing NSW's Local Government Housing Kit aims to support local councils to take on a more active role in ensuring affordable housing is provided in their local areas. This user-friendly resource assists councillors and council staff to better understand housing needs in their communities and provides advice on ways of making affordable housing accessible to their local communities.

Local councils can promote new sources of affordable housing by encouraging provision, through the private sector, of housing options that are more likely to meet the needs of low to moderate income households now and in the future. Opportunities to promote new sources of affordable housing through the local government planning system include:

- ensuring that planning instruments contain overall planning objectives to promote affordable housing;
- facilitating the supply of appropriately zoned residential land;
- ensuring that zone and locality provisions are sufficiently flexible to promote new affordable housing opportunities;
- reducing excessive development controls that result in housing types that are unaffordable, and/or introducing requirements for diverse housing forms; and
- introducing planning incentives for diverse housing types or for affordable housing.

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<sup>3</sup> Armstrong, S., 2007: *Local government housing and community housing associations: project report*, February 2007, Shelter NSW, available at <http://www.shelternsw.org.au/docs/rpt07localgovernment-sb32.pdf>

Some local councils have negotiated Voluntary Planning Agreements entailing contributions towards the provision of affordable housing. The NSW Government submission to this Inquiry provides the example of Waverley Council's Affordable Housing Program which offers density bonuses to private developers in exchange for providing affordable housing for local households on low to moderate incomes in private residential developments. In return for the provision of affordable housing, developers may increase the floor space ratio of their development and/or develop a larger building envelope. Other local councils that have used Voluntary Planning Agreements include Randwick and Canada Bay.

Some local councils provide housing directly, which they may manage themselves or transfer to a non-profit housing organisation. Housing provided by local councils is generally targeted towards specific groups including older people, council employees, families or singles on low incomes, or people with a disability. Several local councils provide housing for older residents, and often this is in locations where the market does not provide appropriate housing for older residents. This enables older residents to remain in their local area, close to family and support networks.

Housing NSW data indicates that, currently, over 130 community housing properties in NSW in urban, regional and rural areas are managed by a local council. The Shelter NSW report provides data on council-owned affordable housing in NSW that is under the management of a community housing association. The Shelter report indicates that, at the time of the study, nine housing associations in NSW managed housing that was owned or part-owned by local councils. Ten out of the 152 local councils in NSW (7%) were involved in this housing sub-sector: Balranald, Cooma-Monaro, Kiama, Moree Plains, North Sydney, Randwick, Singleton, Waverley, Willoughby and Wollongong. The total number of properties in the sub-sector was 152, including three boarding houses.

***Role of local councils in providing caravan parks and cabin parks in rural and regional areas***

Many local councils own or manage caravan parks, particularly in coastal areas and areas where tourism is strong. Some local councils sub-contract the management of their parks. Many of these parks provide a combination of tourism and long-term residency, as well as crisis accommodation in some cases.

The NSW Government does not monitor or hold information centrally on the caravan parks managed by local government authorities. However, previous research undertaken by the Government indicated that, in 2001, there were approximately 960 caravan parks in NSW, providing around 25,000 long term sites, 55,000 short term sites, and 13,000 camp sites. 130 of these caravan parks were owned or managed by local councils in 2001.

As noted in the NSW Government submission to this Inquiry, rural and regional locations experience particular housing difficulties arising from influxes of seasonal or short term workers. While caravan parks can provide suitable accommodation for these seasonal populations, this often drives up prices and displaces local residents who rely on the available low cost accommodation.

**Further detail on governing, coordinating and modelling the diversity of the community housing sector, including funding and specific responsibility for coordination.**

#### ***Funding and assistance***

Housing NSW provides assistance to community housing providers in the form of funding, property, land and/or partnership arrangements for the specific purpose of providing housing to lower income households and people with additional needs. Community housing providers can also receive assistance from other Government agencies to provide support services to high needs tenants. For example, some community housing providers have received funding from the Department of Community Services under the Supported Accommodation Assistance Program for services for homeless people.

#### ***Governance and regulation***

Housing NSW monitors community housing providers to ensure that any assistance for community housing is appropriately targeted. Community housing providers are required to report on their business activities and this information is used to monitor compliance with contractual arrangements, and also to inform policy development.

The Registrar of Community Housing is the independent regulator of community housing providers in NSW. The Registrar is a statutory appointment by the Minister for Housing under the *Housing Act 2001* and is responsible for registering and regulating community housing providers. Under the statutory registration and regulation system for community housing providers that was introduced on 1 May 2009 all community housing providers that receive assistance from Housing NSW are required to be registered and subject to ongoing regulatory engagement to ensure compliance with a regulatory code. The Registrar is required to inform Housing NSW when an organisation ceases to be registered in order for Housing NSW to withdraw any assistance currently provided.

Community housing providers are independent not for profit organisations and Housing NSW does not have a direct role in their governance as this is undertaken by a voluntary board. However, Housing NSW requires community housing providers, as part of the regulatory assessment process, to demonstrate that they have an appropriate skills-based board.

#### ***Modelling and coordination***

Housing NSW undertakes Long Term Asset Planning for its housing portfolio. The objectives of Long Term Asset Planning include aligning stock to match current and projected demand while providing flexibility to deal with changing circumstances, promoting the regeneration of concentrations of public housing, and improving residential amenity. Asset activities covered by the plan include purchase, redevelopment, sale and asset improvement.

In light of Government commitments to grow the community housing sector's role in social housing provision, Housing NSW is moving to Long Term Asset Planning that focuses on planning for both public and community housing. This reflects recognition that Housing NSW needs to plan for the social housing system on a long-term basis and ensure, wherever possible, that key policies and strategies are aligned.

Long Term Asset Planning provides:

- indicative targets for realignment of the Department's dwelling stock by bedroom configuration and location;

- estimates of the asset activities required to achieve the realignment targets and the associated cashflows;
- estimates of the funding required for titling to achieve asset sales and other asset improvements; and
- key performance indicators (KPIs) to enable the achievement of the Department's objectives to be monitored.

**The profile of homelessness in NSW, including trends in the profile of the population, comparisons between metropolitan and rural populations, and how the NSW homeless population compares internationally.**

The following information is derived from the *Counting the Homeless 2006: NSW Report* (The Report), one of three volumes of reports produced for the 'Counting the Homeless Project' undertaken by RMIT and Swinburne University. The Report is **currently under embargo** by the Australian Institute of Health and Welfare, with the embargo expected to be lifted in May 2009. **The following information can not be made public until after the embargo is lifted.**

The Report analyses data from the 2006 Census, the Supported Accommodation Assistance Program (SAAP) Client Collection, and the National Census of Homeless School Students from a NSW perspective.

The Report identifies that, in 2006, NSW recorded the highest number of homeless people in Australia (27,374), but had the lowest rate of homelessness per 10,000 of the population (42 per 10,000). While the actual homeless population in NSW slightly increased over the last five years (from 26,677 to 27,374), the rate of homelessness per 10,000 of the population decreased slightly from 42.2 per 10,000 of the population in 2001 to 41.8 in 2006. The Report identifies that NSW had fewer rough sleepers than the national average (13% compared to 16%) and fewer people staying temporarily with other households (40% compared to 45%).

The Report identifies that in NSW homelessness among Aboriginal people has increased from 110 to 134 per 10,000 people since the last Census. 30% of the homeless population in NSW were aged 45 or older, up from 25% in 2001. NSW also has a significant number of homeless young women (56% of homeless young people) and a significant percentage of homeless people residing in boarding houses (28% of homeless people in New South Wales, compared to 20% nationally).

The Report identifies the following areas as having a significant number of homeless people:

- Inner City (including the inner west as well as the City of Sydney local government area);
- Western Sydney;
- South Western Sydney;
- Newcastle;
- Wollongong;
- Richmond-Tweed; and
- Mid North Coast.

Note that due to definitional and counting rule differences, it is difficult to compare NSW with other international jurisdictions.

### **Kings Cross Youth at Risk Project**

- a) How many young people are assisted by the project at any one time.
- b) Whether Housing NSW has funded the project in the past.

Assistances to young people by the Kings Cross Youth at Risk project at any one time vary depending on the volume of young people that may use the service on any given night. A 2007 report on the outcomes of the Kings Cross Youth at Risk project identified that, since 2005, 806 brokerage applications were approved and administered. 369 individual clients received brokerage for financial assistance for accommodation, food, medical provision, educational pursuits and transport.

Housing NSW has never provided funding for this project. Funding was initially provided between 2005 and 2007 by the Department of Premier and Cabinet through the Community Solutions and Crime Prevention Strategy, however, the project is now currently funded by NSW Health South Eastern Sydney Illawarra Health (SESIH). The project is a cross-agency initiative and is managed by the Kings Cross Community Solutions Steering Committee which includes representatives from the Department of Community Services, SESIH, the Salvation Army, Oasis Youth Support Network, Housing NSW, Kings Cross Police, and the City of Sydney. Housing NSW's role is to provide advice on the housing and homelessness aspects of the project.

### **Inner City Homeless Outreach and Support Service**

- a) How many people are assisted by the service at any one time.
- b) What outreach services are provided.
- c) In relation to intensive support services, whether the contact with the 367 clients is one-off contact or ongoing provision of services.

As outlined in the NSW Government submission to this Inquiry, the Inner City Homeless Outreach and Support Service (ICHOSS) comprises:

- an outreach team, which mainly focuses on 'rough sleepers', which assesses clients' basic needs and makes referrals to assist clients to access appropriate support agencies;
- a support team which provides services to clients who are ready to receive ongoing support and accommodation; and
- a specialist team that provides medical, drug and alcohol support services through the Haymarket Foundation.

### ***People assisted by the service***

Assistances to people by the service vary according to the volume of clients that may use the service at any one time. An evaluation conducted in July 2008 has shown that the cumulative number of outreach clients assisted from May 2006 until July 2008 was 349, and the cumulative number of support clients was 367. On average, the number of active outreach clients assisted per month between May 2006 and July 2008 was 72. Additionally, the evaluation found that, in the same period, on average there were 55 support clients per month, and 61 specialist clients per month.

Data from the City of Sydney's second bi-annual Street Count recorded 340 people sleeping rough on streets in the Sydney CBD and surrounding inner city suburbs in February 2009. This is down from 354 rough sleepers counted in the area during the winter Street Count in August 2008.



### ***Outreach and support services provided***

The ICHOSS outreach team provides services to clients sleeping rough, including an assessment of a client's needs, basic health care, counselling and advice, transport, and referral and advocacy to access appropriate support agencies. The ICHOSS support team provides services to clients referred by the outreach team who are ready to receive ongoing support and accommodation. Services include an assessment of the client's needs, identification of sustainable accommodation options, support to maintain these accommodation options, and referral and advocacy to access appropriate support agencies. The duration and frequency of support services varies depending on the needs of each client. ICHOSS provides ongoing support of 12 months to a client when they are housed, if required. In relation to the intensive support services, contact with the 367 active support clients involves ongoing provision of services.

### **Information on:**

- a) **The extent to which outreach programs are effective in dealing with the number of homeless people in the inner city at any one time.**
- b) **Key performance indicators to determine the success or failure of funded programs.**

### ***Measuring effectiveness of homelessness programs***

Both the Australian Government's White Paper on Homelessness, *The Road Home*, and the National Partnership Agreement on Homelessness have noted that data on homelessness is limited. The NSW Implementation Plan of the National Partnership Agreement on Homelessness and the NSW Homelessness Action Plan will include a focus on improving data, research and the evidence base to support improved responses to homelessness. Robust reporting mechanisms will be developed to report on the implementation of the NSW Homelessness Action Plan and its effects on outcomes for people who are homeless, or at risk of homelessness.

### ***Key performance indicators for funded programs***

All contracts between Housing NSW and service providers include key performance indicators to demonstrate how well strategies have been achieved.

Key measures of success of the Inner City Homeless Outreach and Support Service (ICHOSS) are reported on a monthly and quarterly basis through formal reporting mechanisms, and intend to measure whether the service is meeting the needs of homeless men and women in the inner city. For example, by looking at how well the outreach service engages and provides relevant information and referral services for homeless men and women, as well as how appropriately the service assesses and develops responses to client need based on case management plans.

A 2008 evaluation of ICOSSE found that the service is making a significant difference in the lives of some people who have been or who are presently sleeping rough and recommended the service be continued. The evaluation made 36 recommendations that Housing NSW is currently considering. One of these recommendations was to further develop the performance measures of the service to assess the ongoing effectiveness of the service.

### **Request for a copy of the evaluation of the Housing and Accommodation Support Initiative (HASI).**

The evaluation of HASI is available on NSW Health's website at:  
[http://www.health.nsw.gov.au/pubs/2007/hasi\\_evaluation.html](http://www.health.nsw.gov.au/pubs/2007/hasi_evaluation.html).

## **PART TWO: FURTHER QUESTIONS RECEIVED FROM THE COMMITTEE**

**What do you regard as necessary elements for the creation and maintenance of cohesive communities?**

- a) **What needs to be done to sponsor these?**
- b) **How can/do you plan for this?**

### ***Elements for the creation and maintenance of cohesive communities***

At a broad level, the necessary elements for the creation and maintenance of cohesive communities include the following.

- Sufficient resources to meet the needs of individuals and communities.
- Opportunities for social and economic participation, including the opportunity to secure employment to meet individual and household needs.
- Environments for people where they connect with others and have meaningful relationships within networks of families, friends and communities.
- Human capital including psychological well-being and education.
- Individuals and households with 'a voice' and opportunities for participation in political and civic activities.<sup>4</sup>

In relation to housing and related household needs, the necessary elements for cohesive communities include households living in affordable and appropriate housing, with access to opportunities, including education and employment, and access to infrastructure and services.

### ***What needs to be done to facilitate cohesive communities***

Experiences in providing public housing to low income and high needs households has informed the view that mixed communities are conducive to community cohesion. Public housing developments have shown the problems that can arise if specific areas meet only the housing needs of a narrow socio-economic group. A diverse housing mix is important to ensure geographic locations are not overly segregated according to demographics.

As outlined in the NSW Government submission to this Inquiry, many public housing households function well, and most areas with a concentration of public housing have positive attributes and strengths. However, while the drivers of social exclusion lie outside the social housing sector, some public housing sites have become the localities where most of those marginalised from social and economic life are concentrated. Social exclusion is reinforced by this concentration.

For new social housing, the NSW Government aims for mixed communities wherever possible. This includes a mix of tenure types, as well as a mix of household incomes and characteristics. As far as possible, new social housing is provided in well-located areas with access to services, transport and employment.

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<sup>4</sup> The Australian Government's Social Inclusion Agenda states that "To be socially included, all Australians must be given the opportunity to: secure a job; access services; connect with family, friends, work, personal interests and local community; deal with personal crisis; and have their voices heard." See <http://www.socialinclusion.gov.au>

For existing public housing in locations where there is a concentration of disadvantage, the NSW Government's efforts to integrate public housing into local communities include redeveloping and renewing existing public housing sites, including breaking up concentrations of public housing and replacing these with a mix of housing tenures. The NSW Government submission to this Inquiry provided details of the Bonnyrigg Living Communities Program and the Building Stronger Communities strategy. These initiatives provide an integrated response to addressing disadvantage which focuses on housing and physical infrastructure, as well as access to opportunities and services.

In relation to the broader housing market, efforts to maintain mixed communities include efforts to protect low cost accommodation where it already exists, as well as efforts to promote growth in affordable housing. Key initiatives outlined in the NSW Government submission to this Inquiry include:

- State Environmental Planning Policy (SEPP) 10: *Retention of Low Cost Rental Accommodation* which has operated to slow the loss of existing low cost rental accommodation in Sydney, Newcastle and Wollongong;
- SEPP 70: *Affordable Housing* which authorises affordable housing contributions schemes in Green Square, Ultimo-Pyrmont and Willoughby;
- the Affordable Housing Innovations Fund, which committed \$49.8 million to deliver new affordable housing through the community housing sector; and
- the joint Australian Government and State and Territory Governments' National Rental Affordability Scheme, which is providing over 1,000 new affordable rental homes in NSW in its first round.

***How can/do you plan for cohesive communities***

Renewals of existing public housing sites involve working with tenants and local communities to develop plans to improve homes, facilities and services. As mentioned in the NSW Government submission to this Inquiry, for each priority location under the Building Stronger Communities strategy, Housing NSW has or will be developing a Regeneration Partnership Plan, neighbourhood management structures through which social housing tenants will provide feedback and advice, and cross-agency agreements to focus services to the needs of residents in priority locations. Local Regeneration Partnership Plans have been developed in the six original priority locations in consultation with tenants, local communities, government agencies and community stakeholders. The plans identify agreed priorities for physical improvements including upgrades to houses, parks, streets, and landscaping, capacity building and service development including to improve each community's access to support services, and learning and employment initiatives to create job and training opportunities for tenants.

Facilitating social mix is an objective of initiatives aimed at encouraging the provision of housing for low to moderate income households. Affordable housing initiatives aim to ensure that affordable housing contributes to the development of socially diverse residential populations in local areas.

Around 6,000 new social housing dwellings will be delivered in NSW under the Nation Building Economic Stimulus Plan over the next three years. The Minister for Housing has committed that the NSW Government will not be building any concentrated public housing 'estates', but will build or buy limited amounts of social housing within private housing areas to create harmonious communities.

The State Plan responds to the need to improve transport and access to employment opportunities across Greater Metropolitan Sydney. The State Plan outlines the NSW Government's ongoing plans for Parramatta, Liverpool, Penrith, Gosford, Newcastle and Wollongong to increasingly become a focus for jobs and other services and facilities. The NSW Government is also encouraging economic activity in areas suited to increased housing growth through regional planning strategies. Further detail is provided below on the Metropolitan Strategy for Sydney and the Regional Strategies for rural and regional NSW.

**Given the changing demographics of NSW, what steps has the Department of Planning taken to ensure that the housing that is provided for the future will be in the required locations and meet the needs of the people, including support services for health and physical well-being and infrastructure such as roads and transport.**

The Department of Planning has an ongoing process of reviewing the expected population growth and housing need. The results of that work are embedded within the Metropolitan Strategy (City of Cities, A Plan for Sydney's Future) and the associated ten draft Subregional Strategies which plan for growth and change in the Sydney Metropolitan Region to 2031, and in Regional Strategies for rural and regional NSW.

There is a requirement for councils to follow these strategies including to plan to meet the housing targets for each local government area which are based on projected need.

In Metropolitan Sydney, local councils are also directed to focus residential development around centres, town centres, villages and neighbourhood centres with access to public transport and local services (for example in Action SC C2.1.3 of the Sydney City draft Subregional Strategy). Councils are monitored to meet these actions in their Local Environmental Plans including to plan to meet their housing targets by locating at least 80% of new housing within a walking distance radius of different types of centres. This is the latest form of a long-standing 'centres policy' which aims to ensure the population has access to employment, housing, services and shops, as well as transport.

Another action in the Subregional Strategies is to *Provide a Mix of Housing* (Action C2.3) with "all councils required to undertake a housing market demand and supply analysis using base data provided by the Department of Planning to consider the needs of an ageing population, changing demographics and household formation, housing affordability, adequacy of supply, development economics and feasibility and market trends".

**How has the current climate affected the social housing market, both on the side of demand and supply?**

#### ***Demand side***

The current global financial crisis will impact on demand for housing assistance, however the nature and extent of these impacts is not yet clear. The economic downturn means increasing unemployment, and financial and social stress can be expected to increase. As such, households may find themselves facing affordability pressures, housing crisis or homelessness.

Rising unemployment will undoubtedly place more pressure on the low end of the housing market and increase the demand for low cost rental housing and housing assistance, including social housing and private rental assistance.

The tight rental market in locations such as Sydney means that any further decline in the low cost rental housing available would further fuel demand for housing assistance, particularly social housing. There is a risk that households with less money available to spend, or facing a lack of job security, will be less likely to purchase investment housing to make available for rent, despite low interest rates.

### ***Supply side***

In February 2009 the Australian Government announced the Nation Building Economic Stimulus Plan in response to the current global financial crisis. \$6.4 billion in new funding for social housing has been made available to States and Territories from 2008-09 to 2011-12 under the plan for the construction of around 20,000 social housing units nationally, as well as repairs and maintenance to existing public housing dwellings.

NSW is expected to receive around \$2 billion under the plan over the period 2008-09 to 2012-13 to provide for about 6,000 new social housing dwellings in NSW. On top of this, the NSW Government is investing \$1 billion to build an additional 3,000 homes. This significant growth in the stock of social housing in NSW will enhance the Government's capacity to respond to demand for housing assistance.

In terms of the repairs and maintenance funding, the Australian Government has allocated \$130.4 million to NSW to reduce the backlog of maintenance and upgrade 31,000 social housing homes. The NSW Government will supplement this by bringing forward \$200 million and Housing NSW will contribute \$140 million from its existing budget.

**Your submission mentions the need for greater coordination of funding and programs (p60).**

- a) Whose overall responsibility is this?**
- b) What mechanisms are in place to measure success?**
- c) What mechanisms are in place to ensure accountability and transparency?**

The NSW Government submission to this Inquiry identified the need for greater coordination of funding and programs. This refers to the coordinated delivery of social housing programs with a range of government and non-government support services. Providing support to social housing tenants with complex needs can stop problems from escalating, sustain tenancies and prevent homelessness.

All agencies are responsible for coordinating their activities with other relevant agencies to better meet the needs of common clients. There is increasing recognition by agencies that working together to provide coordinated programs and initiatives can result in improved client outcomes.

### ***Overall responsibility***

The NSW Government has established a Justice and Human Services (JHS) Chief Executive Officers (CEOs) Forum to promote collaboration and improved service delivery across government human service agencies. The Director-General, Housing NSW, is a member of the JHS CEOs Forum, and also currently Chairs the Forum.

The Forum's responsibilities include improving service delivery to clients through joined-up approaches, and identifying and responding to gaps in service delivery. The Forum reports to the Justice and Human Services Cabinet Sub-Committee.

The JHS CEOs Forum has established a number of Senior Officers Groups (SOGs) which are responsible for progressing interagency collaboration in areas such as mental health, drug and alcohol, disability, and child protection. The JHS CEOs Forum has established a Housing and Human Services SOG to progress collaborative partnerships and innovation in planning and service delivery to support those clients most in need of social housing and support services. The SOG is chaired by the Director, Housing Policy and Partnerships, Housing NSW. The SOG's role includes governance of the Housing and Human Services Accord. The Accord provides a framework to improve the planning, coordination and delivery of services to assist social housing tenants to sustain their tenancies, through partnerships between Housing NSW and other justice and human service agencies, including the non-government sector.

The JHS CEOs Forum is currently overseeing the development of a NSW Homelessness Action Plan. The development of the NSW Homelessness Action Plan provides an important example of the NSW Government's commitment to greater coordination of funding and service programs in response to homelessness. The Action Plan reflects the NSW Government's priorities for the next five years and identifies a range of actions that will contribute to the prevention and reduction of homelessness. The Action Plan will include a focus on models that provide accommodation and support to homeless people.

The draft NSW Homelessness Action Plan is in the final stages of development, following consultation within government and with the non-government sector. The draft Action Plan has been developed alongside the draft NSW Implementation Plan for the National Partnership Agreement on Homelessness.

### ***Measuring success***

As outlined above, two key initiatives relevant to the coordinated delivery of social housing programs with a range of government and non-government support services are the Housing and Human Services Accord and the draft NSW Homelessness Action Plan.

A Housing and Human Services Accord evaluation framework has been developed, and endorsed by partner agencies. The evaluation framework aims to measure the effectiveness of Accord initiatives and includes a results logic, key evaluation questions, and key performance indicators to monitor and report progress and results.

The NSW Homelessness Action Plan will recognise the need to better utilise homelessness data and improve evidence-based responses to homelessness. As part of this priority, it will be important to develop an evaluation framework to assist in assessing how well projects targeted at preventing or reducing homelessness are working.

### ***Ensuring accountability and transparency***

As outlined above, the Housing and Human Services Accord is overseen by the Housing and Human Services SOG. The SOG sets strategic directions, oversees the development of operational frameworks and tools as part of the Accord, and monitors the implementation of projects and initiatives under the Accord. The SOG reports to the Justice and Human Services CEOs Forum.

The Government is also committed to consultation and collaboration with the non-government organisation (NGO) sector in the design and implementation of relevant aspects of the Accord. This is undertaken through the NGO Housing Partners Reference Group, chaired by Housing NSW.

Robust reporting mechanisms will be developed to report on the implementation of the NSW Homelessness Action Plan and its effects on outcomes for people who are homeless or at risk of homelessness.

**What effect would the transfer of title of public housing properties to the not-for-profit housing association sector have on the provision of low-cost housing in NSW?**

- a) Will this free the Australian social housing sector to the same extent as that in the UK where, according to your submission (p50) debt financing from banks and building societies is now the main method of raising funds for social housing?
- b) What are the requirements for transfer of title? Are the associations or other recipients required to fulfil particular conditions?
- c) If so, what measures are in place to ensure transparency and accountability?

***Effect of transfer of title and freeing up of the social housing system***

The NSW Government announced a long-term lease pilot in April 2007 as a means of providing community housing providers with a greater ability to secure private finance for investment in affordable housing. Under the pilot, it was proposed that Housing NSW would convert five year leases with community housing providers to 35-year terms. This would provide community housing providers with a secure income stream in which they could repay borrowings. The pilot is currently on hold while the merits of transfer of title is considered as a mechanism for growth, as enabling community housing providers to own the assets they manage has the potential to significantly increase the number of dwellings available to rent for lower incomes households in NSW. Ownership would provide community housing providers with an asset base to leverage funds from the private sector and also a secure income stream from rent revenue to service the loan. Modelling suggests that community housing providers could utilise private sector finance to wholly fund the procurement of more housing, or could part fund the procurement of housing in combination with government grants such as the National Rental Affordability Scheme, to deliver even more housing.

This is similar to the approach in the United Kingdom (UK) where providers use the value of the assets that they own to secure additional finance from the private sector to fund the development of affordable housing. It is important to note that while debt financing from bank and building societies is the main method used by UK housing associations for raising private sector finance, the UK Government continues to provide a subsidy for the provision of affordable housing in the form of capital grant funding and also housing benefits for tenants. A capital grant is provided as the rent from tenants is not sufficient to finance the costs of new developments. Figures from 2007 indicate that investment funding by the Government accounts for approximately 44% of the total cost of development for new affordable housing in England<sup>5</sup>.

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<sup>5</sup> Hills, John, 2007: *Ends and Means: the Future Roles of Social Housing in England*, ESRC Research Centre for Analysis of Social Exclusion

***Requirements for transfer of title, and measures to ensure transparency and accountability***

The NSW Government submission mentions that it is currently considering the merits of transferring title of some properties currently owned by Housing NSW to the community housing sector. If title transfer was pursued by the NSW Government there would be a number of conditions that would need to be fulfilled before a community housing provider would receive ownership of government-funded properties. For example, a community housing provider would need to meet the highest level of regulatory requirements under the statutory regulation system set out in the *Housing Act 2001*. Providers would also need to demonstrate high-performance and the capacity to utilise private sector funds and investment to develop affordable housing. The Registrar of Community Housing, under the statutory regulatory system, would further ensure that community housing providers are transparent and accountable in their operations.

Title transfer would involve new contractual arrangements to ensure properties continued to be used consistent with Government policy and requirements. A control framework including the statutory regulatory system and a statutory charge placed on all transferred properties would ensure that properties could not be sold without consent and that public housing eligible clients continued to be housed.

**Your submission states that a significant barrier to growth in the sector is the lack of access to a clear and predictable stream of funding for development. (p61) Measures to guarantee income and decrease investor risk have been taken in the UK.**

- a) **What is being done in NSW?**
- b) **What are the barriers to implementation in NSW?**
- c) **Are there plans to overcome these issues?**

***Initiatives already underway***

The NSW Government submission to this Inquiry notes that there are a number of initiatives underway at state and national level to provide a clear and predictable stream of income for community housing providers to expand their business including:

- initiatives to improve the viability of the sector and grow the sector's role in traditional social housing, better placing the sector to attract private investment, including increasing the supply of social housing under management through transfers of stock from public housing;
- the community housing rent reforms, which have secured increased ongoing rental revenue for the sector, including the full capture of Commonwealth Rent Assistance available to tenants;
- the debt-equity funding model under the Affordable Housing Innovations Fund which has already resulted in significant Government funding and private finance for new affordable housing projects; and
- the National Rental Affordability Scheme which provides subsidies to providers of affordable rental properties.

As outlined above, title transfer would also provide an asset base for community housing providers to secure additional private finance for investment in housing, with rental revenue used to fund debt repayments.



***Barriers to implementation and plans to overcome these***

Both the NSW Government and the Australian Government are committed to growing the community housing sector, and the range of initiatives already underway are significant efforts to secure increased income for the sector. However, as outlined in the NSW Government submission to this Inquiry, lack of access to a clear and predictable stream of funding for development remains a significant barrier to growth in the community housing sector. Decisions on any further initiatives to address this barrier, such as title transfer or different funding or rent models for the sector, would need to be made by the NSW Government and/or the Australian Government.

**There has been a significant change in emphasis addressing homelessness and the provision of low-cost rental accommodation, from the provision of crisis accommodation to early intervention and prevention.**

- a) **Has this led to an increase in demand for housing?**
- b) **Is there sufficient housing stock?**
- c) **Are there sufficient support services to assist the homeless maintain their tenancies?**
- d) **What is being done to meet these needs?**

***Impact on demand for housing***

The shift from emphasising a crisis response to homelessness to one focusing on prevention and early intervention has been apparent within particular programs for some time. In terms of a system wide approach this shift is in very early stages, and it is too soon to discern the impact of this policy shift on demand for housing in NSW on a broad scale.

In addition, it is expected that the global financial crisis and increases in unemployment will lead to increased demand for housing assistance. It will be difficult to differentiate whether future changes in demand have been caused by a policy shift or broad social and economic circumstances.

***Housing stock***

As mentioned in the NSW Government submission to this Inquiry, there is a lack of low cost rental housing grouped with support services for people experiencing or at risk of homelessness.

As outlined earlier, around 6,000 new social housing dwellings will be delivered in NSW over the next three years under the Nation Building Economic Stimulus Plan. Under Stage one of the Nation Building Economic Stimulus Plan, 851 new social housing homes will be built on 120 sites across NSW.

The National Partnership on Social Housing provides \$400 million nationally for a Social Housing Growth Fund over 2008-09 and 2009-10. The fund aims to increase the supply of social housing and provide increased opportunities for people who are homeless or at risk of homelessness to access secure, long term accommodation.

***Support services to assist homeless people to maintain their tenancies***

Historically, Australia's primary policy and program response to homelessness has been the Supported Accommodation Assistance Program (SAAP). SAAP provides a range of support services to homeless people that can help address the causes and effects of homelessness, such as domestic violence services or mental health services. However, SAAP services are not designed to meet the need for long term housing and support for homeless people.

A key issue in the delivery of support services is the lack of coordination between key services including mental health, disability, income support, education and employment and domestic and family violence services. This lack of integration can create a range of barriers for homeless people accessing services.

The Australian Government's Green Paper, *Which Way Home*, found that the complexities of homelessness combined with a lack of effective coordination among key services has made it extremely difficult to integrate the range of specialist services needed to reduce homelessness.

The NSW Auditor General's 2007 Report *Responding to Homelessness* found that there were no formal reviews of support services regarding the homeless, and that it therefore could not be determined whether support services met the needs of homeless people. In light of this, one of the key actions of the NSW Homelessness Action Plan is to audit the full range of programs that provide accommodation and support across NSW to better utilise all options for homeless people and those at risk of homelessness.

***What is being done to meet the needs of homeless people***

The NSW Government currently invests in a range of programs and initiatives that provide support services linked to stable and affordable housing, such as the Housing and Accommodation Support Initiative, as set out in the NSW Government's submission to this Inquiry.

As outlined in the NSW Government submission to this Inquiry, a *National Affordable Housing Agreement* has been agreed by the Australian Government and all State and Territory Governments. The agreement includes an aspirational objective that *all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation*. The agreement aims to achieve sustainable housing and social inclusion for people who are homeless, ensure people are able to rent housing that meets their needs, ensure people can purchase affordable housing, improve the efficiency of the housing market, and ensure Aboriginal people have the same housing opportunities as other Australians.

In addition, a number of National Partnerships have been agreed including the National Partnership Agreement on Homelessness which aims to reduce homelessness through initiatives in the areas of prevention and early intervention, breaking the cycle of homelessness, and a better connected service system, and the National Partnership Agreement on Social Housing, which will provide increased opportunities for people who are homeless or at risk of homelessness to access secure, long term accommodation. The specific details of the NSW Implementation Plan for the National Partnership Agreement on Homelessness are currently being finalised.

One of the key objectives of both the draft NSW Homelessness Action Plan and the National Partnership Agreement on Homelessness is to reconfigure the funding arrangements for the homelessness service system to enable it to respond more effectively to individual need, thereby maximising the return for public investment in the system. An improved system would include enhanced provision of support services for people with a disability, mental health issues and or/substance abuse issues to maintain their accommodation.

The draft NSW Homelessness Action Plan also aims to achieve an improved response to homelessness by developing a more responsive mainstream service system that can better meet the needs of people who are homeless or at risk of homelessness. An improved system would increasingly focus on prevention and early intervention, as well as connecting clients to mainstream programs when needed, while enhancing connections between mainstream services and specialist homelessness services when needed.

**Your submission (p46) mentions the Common Ground model, which has been successfully implemented in New York, and has been taken up in Adelaide and Melbourne. Your submission states that work is underway to establish a Common Ground facility in Sydney.**

- a) Please explain the benefits of this model.**
- b) How far advanced is this?**
- c) When is the project scheduled to commence?**

***Benefits of the Common Ground model***

Common Ground New York refurbishes large blocks of units to accommodate a mix of chronically homeless people and people on low incomes in permanent housing. A key feature of Common Ground is its 'street to home' approach, whereby homeless people are moved directly from the streets into stable, long term accommodation and provided with support to sustain their tenancies. The types of support services provided include mental health casework, drug and alcohol counselling, vocational training, living skills and financial management. Support services are co-located with accommodation so that those requiring support can access it easily.

This model of supported housing has proven to have greater success than models that move homeless people through crisis and transitional accommodation before entering long term arrangements. Research demonstrates that at each transition, there is greater chance that the formerly homeless person will 'fall through the gaps' and become disconnected again. The model has been shown to be both effective and cost-effective. In contrast to the annual cost of between \$23,000 and \$36,000 per person to operate a New York City homelessness shelter, the Common Ground approach costs approximately \$11,400 annually per client. The New York experience has demonstrated significant reductions in the street homeless population – an 87% reduction in the 20-block Times Square neighbourhood, and a 43% reduction in the surrounding 230 blocks of West Midtown.<sup>6</sup>

***Progress on developing a Common Ground initiative in Sydney***

Housing NSW and other project partners are currently in the process of identifying an appropriate site for the Common Ground initiative. Housing NSW is also identifying possible resources for the initiative. The project does not have a commencement date at this stage. Housing NSW and the other project partners are working to progress this initiative as quickly as possible.

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<sup>6</sup> Common Ground, 'About us', [http://www.commonground.org/?page\\_id=24](http://www.commonground.org/?page_id=24)

Your submission likens the American 'Pathways to Housing' model to Australia's 'Housing First' model.

- a) Please explain the model.
- b) Does the Housing First model have the same principle of consumer choice in type of housing as well as in type and intensity of support services?
- c) If not, why not?

***The Pathways to Housing model***

Pathways to Housing is a 'street to home' or 'housing first' approach to addressing homelessness which is currently operating in New York City. Pathways to Housing assists people who have been turned away from other programs because of active substance use/abuse, refusal to participate in psychiatric treatment, histories of violence or incarceration, or other behavioural problems.

Programs like Pathways to Housing, that are based on a 'street to home' or 'housing first' philosophy, offer clients access to housing without requiring their participation in psychiatric treatment or treatment for sobriety. Pathways to Housing adheres to a harm reduction philosophy, in the belief that mitigation of harm from certain behaviours is better than prohibiting them.

As stated in the NSW Government submission to this Inquiry, Housing NSW has been operating programs which are in keeping with the 'housing first' approach for some time. Examples include the Housing First component of the Complex Needs Coordination Project, the Port Jackson Housing Project, My Place, A Place to Call Home, and the Inner City aspect of the Homelessness Intervention Project.

***The Housing First model and consumer choice***

Where possible, Housing NSW works with the client to identify the type of property and location that is most suitable to the client's needs. For example, the Housing First component of the Complex Needs Coordination Project offers capital properties as well as properties leased in the private rental market and aims to give the client some choice over where they live and to be flexible towards the client's needs. Housing NSW's normal tenancy management policies also apply to this client group. For example, clients can be removed from the waiting list if they reject two reasonable offers of social housing.

The type and intensity of support services offered are based on the needs of the client and as such vary accordingly. Support plans are developed which align with the particular support needs of the client.

**What do you see as the flow-on benefits that will result from the new *Housing Regulation 2009* due to commence this year:**

- a) To consumers of community housing?
- b) Providers of community housing?
- c) State and local governments?

The statutory registration and regulation system under the *Housing Act 2001* introduced on 1 May 2009 is expected to have wide ranging benefits. All organisations that receive assistance from Housing NSW to provide community housing are required to be registered in accordance with the provisions of the Act. Organisations that currently receive assistance will have up to 30 April 2011 to become registered under the new system.

### ***Consumers of community housing***

The statutory regulatory system will ensure that all providers of government-funded social and affordable housing are appropriately regulated to provide high quality housing services for tenants and applicants. To meet the requirements for registration and maintain registration, providers will need to demonstrate that tenants and applicants are treated fairly and that services meet the needs of tenants.

### ***Providers of community housing***

The regulatory system is tiered to ensure that a diverse range of community housing providers can be registered and that the level of regulation is commensurate with the risks associated with different types of business activity. Community housing providers that are involved in development and borrowing funds from the private sector will be subject to the highest level of regulatory engagement. Financial institutions have indicated that statutory regulation will provide them with increased confidence that community housing providers are viable, well governed and managed organisations. This has been demonstrated in the United Kingdom where housing associations have been able to secure lower rates of borrowing than those available to the private sector.

### ***State and local governments***

The regulatory system will have significant benefits to the NSW Government as it will enhance protection of government assets and assist in meeting the NSW Government's objective to grow the community housing sector to house more people in need. To meet the requirements of registration and ongoing regulatory engagement, community housing providers will need to demonstrate that government investments are managed appropriately and that they provide value for money in the delivery of government-assisted community housing.

The regulatory system is also intended to provide increased confidence to banks and other financial institutions to lend to providers to fund the procurement of more housing. It is expected that this increased confidence in the sector will also be felt by other partners and potential partners in community housing, such as local councils. Currently, a number of local councils contribute some form of equity, usually in the form of council-owned land, to affordable housing projects with partners such as community housing organisations.

**Some jurisdictions, both within Australia and internationally, use inclusionary planning as a means of increasing the social housing stock, reducing homelessness, and providing appropriate housing to both low and moderate income earners.**

- a) Please outline what inclusionary planning is.
- b) State both the advantages and disadvantages of inclusionary zoning.
- c) What do we do in NSW?

### ***Inclusionary zoning and its advantages and disadvantages***

'Inclusionary zoning' has been defined as: *"The incorporation of provisions within a planning instrument requiring the inclusion of certain uses or facilities as a mandatory requirement for development approval. (Inclusionary zoning) Can be used to require that a development include a component of affordable housing or a monetary contribution towards the provision of such housing."*

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<sup>7</sup> Guran, N., 2008: Affordable Housing National Leading Practice Guide and Tool Kit

The advantages and disadvantages of inclusionary zoning include the following<sup>8</sup>.

#### *Advantages*

- Certainty (the contribution amount and number of affordable dwellings produced are calculated in advance)
- Administratively efficient - avoids the need for extensive negotiation
- Transparent and fair - applies to all specified development within the site, zone or area
- Generally accepted by development industry following implementation
- Most effective in high value markets
- Funds can be used in combination with other government investment or incentives to maximise the benefit

#### *Disadvantages*

- Commonly portrayed as an additional cost that is passed onto the home buyer
- Difficult to support during a downturn in the development sector
- Generally low rate of contribution requires strong development activity to generate contributions at a rate which can be expended within a reasonable timeframe
- Requires a long term commitment due to long period required to generate useable funds
- Requires ongoing supply of sites which can be economically developed for affordable housing

#### ***What do we do in NSW***

A legislative scheme for inclusionary zoning is provided in Division 6A of Part 4 of the *Environmental Planning and Assessment Act 1979*. State Environmental Planning Policy (SEPP) 70: *Affordable Housing* authorises affordable housing contributions schemes in Green Square, Ultimo-Pyrmont and Willoughby. Provision for inclusionary zoning is also made in the Redfern Waterloo Authority Act 2004. Four inclusionary zoning schemes are in force in NSW.

- The City West Affordable Housing Program (in force under Sydney Regional Environmental Plan (SREP) 26 and SEPP 70) requires a contribution equivalent in value to 0.8% of residential floorspace and 1.1% of non-residential floorspace of development in the Ultimo-Pyrmont Precinct within the City of Sydney.
- The Green Square Affordable Housing Development Control Plan (in force under South Sydney Local Environmental Plan (LEP) 1998 and SEPP 70) requires a contribution equivalent in value to 3.0% of residential floorspace and 1.0% of non-residential floorspace of development in the Green Square area within the City of Sydney.
- The Willoughby Local Housing Program (in force under Willoughby LEP 1995 and SEPP 70) requires a contribution equivalent in value to 4.0% of the total floorspace of development within defined precincts of the Willoughby local government area.
- The Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 (in force under the Redfern Waterloo Authority Act 2004) requires a contribution equivalent in value to 1.25% of the total floorspace of development in the Redfern Waterloo Authority Operational Area within the City of Sydney.

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<sup>8</sup> Adapted from Guran, N., 2008: Affordable Housing National Leading Practice Guide and Tool Kit

The contributions generated by these schemes are provided to community housing providers to fund the acquisition and development of community housing in the respective areas.

Some local councils collect affordable housing contributions relying on provisions in development control plans, such as Waverley Council.

**What recent initiatives have been introduced as a result of the recent review of the residential tenancy laws?**

The Office of Fair Trading has provided the following advice.

Following a review of NSW residential tenancy laws, a report titled *Residential Tenancy Law Reform – A New Direction* was prepared. The report contained just over 100 proposed legislative reforms designed to improve the tenancy laws. This included proposals to reduce red tape, streamline procedures, modernise the law, better balance the rights of tenants and landlords, bring the legislation into line with other States, provide greater clarity and certainty, minimise disputes and encourage respect and responsibility in tenancy relationships.

The major issues dealt with in the report included:

- measures for saving tenancies in rental arrears where possible, and streamlining the termination process where the tenancy needs to be ended;
- the rights of tenants when mortgagees seek to recover possession;
- regulation of tenant databases; and
- ways to better deal with disputes between co-tenants, including those relating to domestic violence.

The report was released for public consultation from 22 September to 31 December 2007. Over 1500 submissions in a variety of formats were received from individuals and organisations. The Minister for Fair Trading has held consultation meetings with groups representing tenants, landlords and property agents.

A final package of reforms is currently under consideration by the NSW Government.

**Your submission mentions that the NSW Government is developing a proposal to further streamline the planning process and expedite the roll out of affordable housing across the state by private, non profit and public sector providers (p53).**

- a) In broad terms can you tell us about some of these initiatives?
- b) How will they impact on both the housing providers and the tenants?

***Initiatives to streamline the planning process and expedite the roll out of affordable housing***

In February 2009, State Environmental Planning Policy (Infrastructure) 2007 (ISEPP) was amended to enable public authorities and social housing providers to lodge a development application for flats in areas not yet zoned for flats, providing the site met certain locational criteria and the Department of Planning had issued a Site Compatibility Certificate. The locational criteria requires that the site be within 800 metres of a Sydney Region railway station or within 400 metres of 32 nominated major regional centres.

The ISEPP also makes Housing NSW, rather than local councils, responsible for assessing and approving public housing of up to two storeys in height and containing not more than 20 units, thereby fast-tracking its delivery.

The NSW Government submission to this Inquiry mentioned that the NSW Government is developing a proposal to further streamline the State's planning framework, to expedite the roll out of affordable housing across metropolitan and regional areas of New South Wales by public, non-profit and private sector providers. No further information can be provided on the details of the proposal at this time, as it has not yet been approved.

***Impacts on housing providers and tenants***

If approved, it is intended that the proposed measures to streamline the State's planning framework would expand opportunities for private, not-for-profit and public housing providers to economically develop affordable rental housing, particularly in well-located areas which are the most expensive to develop but where affordable housing is most needed by low and moderate income households.

It is expected that any new affordable rental housing resulting from the proposed measures would be managed by registered community housing providers, primarily to ensure tenants are protected. These providers have a statutory obligation to ensure rent levels are kept affordable and that the housing is allocated to tenants according to housing need.

**In its submission the Council of Social Services NSW (NCOSS) states that in *City of Cities*, the Metropolitan Strategy released in December 2005, the NSW Government undertook to selectively use planning mechanisms to provide affordable housing. However, NCOSS notes that progress on this has been slow (p6). Please outline what steps have been taken and give a timeframe for the implementation of these measures.**

The Metropolitan Strategy places measures to secure 'Affordable Housing' in the overall context of a broad planning approach to housing affordability issues, which covers housing for both rent and purchase. One of the main actions identified to improve housing affordability centres on an affordable housing strategy.

To date, key elements of the NSW Government's strategy to improve housing affordability include the following.

- *Planning for the Future: New directions for community housing in New South Wales 2007/08 – 2012/13* which sets a target to grow the sector to 30,000 homes over ten years and outlines the NSW Government's commitment to an expanded role for the community housing sector in the provision of affordable housing.
- The introduction of Operating Guidelines containing principles to guide the management and operation of affordable housing funded in part through the NSW Government.
- The establishment of the Affordable Housing Innovations Fund, with \$49.8 million in new funding to kick-start investment in affordable housing using debt-equity partnerships.
- Working with the Australian Government to implement the National Rental Affordable Scheme and the Housing Affordability Fund in NSW.



- The development of the Local Government Housing Kit by Housing NSW, which provides information and statistics to assist local councils to identify and meet local housing needs, including through the use of planning mechanisms.

If approved, the proposal to further streamline the State's planning framework would comprise the next component of the strategy. The Infrastructure SEPP also includes a number of planning mechanisms to provide affordable housing, as described in the above response.

**Your submission states that debt-equity funding models and incentives are being used in conjunction with the planning system to facilitate private sector investment in affordable housing. Please outline the planning measures that are being taken.**

The NSW Government submission to this Inquiry identified the debt-equity funding model and incentives that encourage partnerships between community housing providers and the private sector, and the use of the planning system to facilitate private sector contributions to affordable housing, as the key initiatives to attract private sector investment in affordable housing. This was not intended to be a reference to the joint use of debt-equity funding and planning mechanisms. Examples of the use of planning mechanisms to facilitate affordable housing provision are provided in the NSW Government submission.

Notwithstanding this, the NSW Government submission includes the example of the St Marys Affordable Housing Project, in which planning mechanisms and debt-equity funding have been jointly used to facilitate the provision of affordable housing.

The St Marys Development is being undertaken by a Joint Development Venture: St Marys Land Holdings (the landowner) and Delfin Lend lease (the developer). Sydney Regional Environment Plan (SREP) 30: *St Marys* established the statutory planning framework and process for releasing land and approving precinct plans for development to occur on the St Marys site. The Minister for Planning is the consent authority for the release of land at St Marys, and has a role in ensuring that residential development on the land provides for diversity in housing mix. A Development Agreement was signed between the developer, the NSW Government, Blacktown City Council, and Penrith City Council in December 2002, which requires that 3% of residential lots be provided for the purpose of affordable housing.

The Centre for Affordable Housing, within Housing NSW, was made responsible for negotiating and implementing the affordable housing component of the development. The lots are to be transferred to Housing NSW at the time of title registration, and in turn Housing NSW will transfer the lots to a selected community housing growth provider to develop and then manage affordable rental dwellings on the lots.

Housing NSW will also provide part funding for the construction of the affordable rental dwellings, through the Affordable Housing Innovations Fund (AHIF) which includes \$10.4 million that was set aside to fund the construction of affordable rental housing at St Marys. The AHIF provides funding using a debt-equity model that utilises a mix of Government funding and investment from community housing providers, either in the form of debt, equity or a combination of both. In the first stage of the St Marys project, which is expected to deliver 70 units of accommodation, the Government will provide up to 70% of capital (including land value) and a community housing growth provider will contribute at least 30% in a mix of debt and equity.

In your submission you mention the development of residential property trusts as a means of encouraging investment in affordable housing. Please elaborate:

- a) What these are?
- b) How they operate?
- c) What are the inherent risks?
- d) The advantages and disadvantages to government of raising capital by these means?
- e) The advantages and disadvantages to tenants, housing providers and investors?

***What 'residential property trusts' are and how they operate***

There are currently about 70 property trusts listed on the Australian Stock Exchange as well as numerous unlisted property trusts. Traditionally, these trusts invest in commercial real estate (eg. factories, industrial parks, hotels, shopping centres), but not residential real estate. Residential property trusts are similar in form to these other property trusts which are available to both individual investors and institutional investors. In property trusts, the fund manager purchases the properties, pays ongoing expenses and collects a rental stream. Most property trusts are diversified by region, tenant type and lease lengths. Returns are generated from net rental income and capital growth. Some properties might also be sold and bought into the trust. After expenses are paid, the surplus is distributed to shareholders. In a normal market, income is expected to be between 6% and 10% per annum.

The major reason that residential property trusts are not prevalent in Australia is the low yield for investors, that is, the rent collected compared to the value of the properties. However, residential property trusts may be able to deliver an option for low risk medium to long term investment with capital gains, which may appeal to investors as part of a balanced investment portfolio. Further, residential property trusts may be most successful in providing this low risk investment option where a diverse property portfolio is held, across a range of geographic areas and prices.

The majority of private rental property investors are individuals who take advantage of negative gearing tax concessions, a benefit that is not available to institutions. Residential property trusts may make investment in rental housing more appealing, by reducing the up front or entry costs of investment in rental housing, and by dealing effectively with management issues (such as vacancy risk and maintenance) which might otherwise need to be managed by direct investors.

Examples where investment banks have developed residential property trust funds are Westpac Residential Property Trust and Fortuna Funds Residential Property Trust of Australia.<sup>9</sup> These are both unlisted funds. Details of the amount of capital raised and investment returns are not publicly available.

***Risks, advantages and disadvantages***

The primary risk is that residential property trusts will not be successful. The inherent risks in this model include national and international economic risk, legislative risk, company and management risk, market risk, liquidity risk, credit risk and client risk.

Residential property trusts of large housing portfolios could be created which would include affordable housing. The National Rental Affordability Scheme was designed to support this type of investment. It is recognised that subsidies are required to provide sufficient yield to investors in order to make investment in affordable housing attractive to investors. These subsidies may take the form of tax concessions.

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<sup>9</sup> See <https://www.westpacfunds.com.au> and <http://www.fortunafunds.com.au/>

The potential advantages of successful residential property trusts include greater private sector investment in housing, which is more diversified and includes greater investment in lower cost housing. If successful, the funds could continue to grow through leveraging on their equity. Increases in the market supply of appropriately located and affordable housing would reduce the problems faced by tenants in the current market where there is high incidence of housing affordability pressures and insufficient supply of affordable housing to meet demand.

From the viewpoint of investors, the potential advantage is an investment offering low risk, long to medium term capital gains. A potential advantage to Government and housing providers could be that residential property trusts invest directly in affordable housing that is managed by community housing providers. This could provide additional capital to supplement Government investment and increase affordable housing supply in NSW.

The potential disadvantages of focusing on private sector residential property trusts as a means of facilitating greater supply of affordable rental housing include that the trusts will not be successful due to potential unattractiveness to investors (eg. due to low immediate rental returns), that there will not be significant investment by funds in lower cost or affordable properties, and that the activities of the funds will contribute to investment activity without increasing the overall supply of affordable housing.

**BankWest has undertaken a study of the affordability of accommodation for five public sector key worker groups – teachers, nurses, police, fire fighters and ambulance officers. The capacity of these workers to buy houses within or close to the communities they serve is declining.**

**a) What, if anything, is the NSW Government doing to ensure that communities will be able to retain these key workers in the long term and that key workers do not become marginalised by their inability to afford appropriate accommodation?**

The BankWest *National Key Worker Housing Affordability Report* analyses the affordability of house and unit purchase, by local government area, for five selected occupation groups: nurses, teachers, police officers, fire-fighters and ambulance officers. The BankWest report assesses whether local government areas are affordable based on whether the average price for a house or unit in the area is more than five times the average salary of the occupation. Based on this analysis, the report finds that house purchase is unaffordable for the selected occupations in nearly all local government areas in Sydney as well as in a number of regional cities and rural towns in NSW, and that unit purchase is also unaffordable for the selected occupations in many local government areas in Sydney.<sup>10</sup>

The BankWest study is analysing housing affordability for households earning approximately \$48,000 to \$66,000. These households fall within the definition of low and moderate income households which housing affordability initiatives seek to support.<sup>11</sup>

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<sup>10</sup> BankWest, *Key Worker Housing Affordability Report*, BankWest Financial Indicator Series, May 2008

<sup>11</sup> In Sydney and the Greater Metropolitan Region, low income includes households earning up to \$50,600 gross per annum and moderate income includes households earning between \$50,600 and \$75,900 gross per annum. In the rest of NSW, low income includes households earning up to \$45,400 gross per annum and moderate income includes households earning between \$45,400 and \$68,200 gross per annum. When preparing data on housing affordability, these household incomes are usually adjusted to facilitate comparison of income levels between households of differing size and composition.

However, there are limitations in the methodology<sup>12</sup> used by BankWest which suggest that further analysis would need to be undertaken to determine the validity of the report's findings and their suitability for use in informing policy and program development. It is also important to note that while people employed in the occupations studied in the BankWest report may face affordability problems, there are many other people employed in the public, private and community sectors who face a similar or worse situation.

A commonly used benchmark that housing may be unaffordable is where households pay more than 30% of their income in meeting housing costs. This benchmark is used widely in relation to both rental and home ownership. However, it is also recognised that home ownership operates as an investment and savings vehicle for households, and as such households may decide to commit higher proportions of income to meeting mortgage costs in order to achieve goals such as longer-term security and wealth through asset ownership.

The issue of affordability of home ownership was examined as part of the Australian Housing and Urban Research Institute's (AHURI's) National Research Venture on *Housing affordability for lower income Australians*. The report on *Affordability and access to home ownership: past, present and future*<sup>13</sup> explores the affordability of home purchase based on the house price to income ratio (which is similar to the methodology used in the BankWest report) and also the deposit gap, which refers to the ability of households to save the deposit required to secure a mortgage.

The report on *Affordability and access to home ownership: past, present and future* notes that the house price to income ratio has risen dramatically, but argues that this is not what makes housing unaffordable. The report suggests that the deposit gap faced by households is the more significant problem. Based on the data available at the time of the report, it was calculated that a household on average earnings (around \$50,000) would have to save three times the household's annual income to be able to purchase a house priced around \$350,000, with repayments at close to 40% of income.

The results of this deposit gap include:

- households taking on larger, less secure loans with higher repayment burdens;
- greater generational transmission of home ownership patterns (as young people are most likely to become home owners if their parents assist with the deposit);
- households delaying home ownership; and
- households being locked out of home ownership.

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<sup>12</sup> The methodology used in the BankWest report, where house purchase is determined to be unaffordable if the average cost is more than five times greater than the average salary, is not an agreed measure of affordability. Some of the limitations of the study include that it does not consider the role of interest rates or the deposit available in determining the affordability of home purchase, and it over-emphasises house purchase and pays less attention to unit purchase. The study provides a broad comparison of average earnings for five occupations against average house prices in local areas and does not consider household composition, total household income, or the cost of homes that may be suited to particular households (for example whether a household with parent/s and two children can afford a three bedroom house, or whether a sole person household can afford a one bedroom unit).

<sup>13</sup> Yates, J., 2007: *Affordability and access to home ownership: past, present and future?* National Research Venture 3: Housing Affordability for Lower Income Australians, Research Report No. 10, Australian Housing and Urban Research Institute (AHURI)

See also Berry, M., et al, 2007: *Housing affordability: a 21<sup>st</sup> century problem*, Final Report: National Research Venture 3: Housing Affordability for Lower Income Australians, AHURI

The implications of significant numbers of households delaying or being locked out of home ownership include flow on effects to the private rental market. The lack of affordable home ownership increases pressures on the private rental market, which impacts on rental costs. The trend towards larger numbers of households renting privately in the long term is one of the drivers behind initiatives to increase the provision of affordable and appropriate rental housing.

Aspiring home purchasers may also occupy some of the limited lower cost private rental housing which would otherwise be available to households on lower incomes.

There are a number of initiatives in place at both the NSW and national level which aim to reduce the up-front costs of buying a home and the significant deposit gap faced by households seeking to enter into home ownership. These include the First Home Owners Grant and exemptions on Stamp Duty for first home buyers. The Australian Government has also established First Home Saver Accounts to assist individuals to save for their first home<sup>14</sup>. Importantly, initiatives aimed at increasing the supply of affordable rental housing also play a role in assisting households to save for home ownership, by reducing the ongoing rental costs that households pay.

The NSW Government submission to this Inquiry notes that a lack of affordable housing can have significant economic consequences where there is spatial mismatch between where lower wage jobs are located and where the workers for those jobs can afford to live. The results can include:

- households living in high cost locations close to their place of employment but facing housing affordability problems;
- households living further away from their place of employment and facing high commuting and other costs arising from living far from their place of work; and
- households choosing not to live and work in high cost locations, which can result in recruitment difficulties and shortages of employees in these locations.

The term 'key worker' is sometimes used to refer to occupations considered crucial to the functioning of a community. However, there is significant variation in the types of occupations this term can cover. The term can be used to refer to a few selected public sector occupations, as done in the BankWest report, through to a wide range of industries or occupations across the public, private and community sectors. The key worker concept is more widely used in other countries than in Australia, and there is no specific definition of key workers in NSW<sup>15</sup>.

The United Kingdom (UK) has a Key Worker Living Programme that assists a range of public sector employees into home ownership. An AHURI report on *Housing affordability and the economy*<sup>16</sup>, which was also undertaken as part of the National Research Venture on *Housing affordability for lower income Australians*, criticised the approach taken in the UK on the basis that there are many other lower income workers who are equally as important for the efficient operation of the economy and are also struggling to access appropriate housing.

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<sup>14</sup> The First Home Saver Accounts involve an Australian Government contribution to the account, up to a maximum of \$850 a year, and no tax is paid by account holders on earnings from the account.

<sup>15</sup> Even where programs refer to 'key workers', such as the Thornleigh affordable housing demonstration project, it is defined broadly rather than focusing on selected occupations. In the Thornleigh project, key workers are defined as those who provide a service that contributes to the well-being of the community.

<sup>16</sup> Berry, M., 2006: *Housing affordability and the economy: A review of labour market impacts and policy issues*, National Research Venture 3: *Housing Affordability for Lower Income Australians – Research Paper 5*, AHURI

As mentioned above, while some people employed in the occupation groups studied in the BankWest report may face affordability problems, there are many other people employed in functionally necessary occupations who are in a similar or worse situation. Housing NSW provides housing solutions for people across the continuum of housing need, which includes low and moderate income households facing affordability problems in the private rental market, and households seeking to enter into home ownership. Affordable housing programs aim to ensure that low and moderate income households can access affordable housing that is located near to employment and services.

Generally, the outcomes sought from key worker initiatives can be achieved by aiming for mixed communities that include housing that is suitable and affordable for a range of household types and income ranges. Affordable housing initiatives aim to ensure that affordable housing contributes to the development of socially diverse residential populations in local areas.

**Your submission states that an efficient approvals system for different types of housing is one of the key ways in which the planning system can contribute to improved housing affordability (p19).**

- a) What is currently being done to improve efficiency of the approval process for social housing?**
- b) What different types of social housing are currently being approved?**
- c) What type of social housing is planned for future populations, which will necessarily have different requirements than the current?**

***Improving efficiency of the approval process for social housing***

One of the aims of the recently amended State Environmental Planning Policy (Infrastructure) (ISEPP) is to assist the provision of affordable rental housing by social housing providers and public authorities.

A key provision in the ISEPP enables residential developments that are less than 20 dwellings and no more than 8.5 metres in height to be carried out by Housing NSW in accordance with Part 5 of the Environmental Planning and Assessment Act. Housing NSW is still required to consult with Councils and adjoining residents before carrying out development, however, it is anticipated that this provision will considerably improve the efficiency of the approval process for social housing. Further details on the amendments to the ISEPP made in February 2009 are outlined above.

***Types of social housing currently being approved***

Social housing projects currently being approved range from a number of large-scale redevelopment projects such as 'estate' renewals at Bonnyrigg and Minto, to small-scale infill projects.

As far as possible, social housing is provided in well-located areas with access to services, transport and employment. Many projects are medium density developments (villa complexes and dual occupancies) comprising one and two bedroom dwellings as this aligns with the growing proportion of smaller households in housing need. Some dwellings are also purpose-built for particular needs groups, such as older people and people with a disability.

Social housing incorporates universal design features as well as sustainable design features (such as water tanks and solar heating systems) in recognition of the benefits to tenants of reduced energy costs and broader community objectives.

### ***Type of social housing planned for future populations***

In the future it is anticipated that social housing providers will continue to provide more housing for people in housing need as outlined above, in a form that will improve social mix and support existing communities.

Your submission states that the NSW Government is developing a 'Homelessness Action Plan' to provide the strategic policy framework to address homelessness in NSW.

- a) When will this be released?
- b) Given the number of new projects being undertaken why has this policy not been formulated and released prior to the implementation of these initiatives?
- c) Under this Plan what kind of housing will be developed?
  - i. where will it be located?
  - ii. what are the eligibility criteria?

### ***Status of the NSW Homelessness Action Plan***

The draft NSW Homelessness Action Plan is in the final stages of development, following consultation within government and with the non-government sector. The draft Action Plan has been developed alongside the NSW Implementation Plan for the National Partnership Agreement on Homelessness. The NSW Implementation Plan will be submitted to the NSW Government for approval at the end of May 2009. It is anticipated that the NSW Homelessness Action Plan will be finalised in June 2009, as implementation of the Action Plan is intended to begin in July 2009. The NSW Homelessness Action Plan will be publicly available after its finalisation.

### ***Timing of the NSW Homelessness Action Plan***

In 2007, the NSW Auditor-General released a Performance Audit Report, *Responding to Homelessness*. The Report identified the wide range of strategies in place to respond to homelessness in NSW. It also found that it was not possible to determine how well the Government is responding to homelessness overall because of limited state-wide performance measures and benchmarking. Consequently, the Performance Audit made a number of recommendations that prioritised the establishment of a homelessness plan for NSW and the development of associated performance benchmarks linked to the NSW State Plan.

The Justice and Human Services CEOs Forum established the NSW Homelessness Working Group in August 2007 to lead the development of a NSW Homelessness Action Plan. The group is chaired by the Department of Premier and Cabinet, and comprises representatives from Housing NSW, the NSW Police Force, the Department of Community Services, NSW Health, the Department of Aboriginal Affairs and NSW Treasury. Since its inception, the Working Group has undertaken a number of activities towards the development of an action plan, including:

- an assessment of other Australian jurisdictions' homelessness strategies;
- an assessment of linkages with the NSW State Plan;
- mapping of NSW and Commonwealth agency service provision to homeless people and people at risk of homelessness;
- a Results Based Accountability workshop to develop a Results Logic for addressing homelessness; and
- a gap analysis.

These activities confirmed that the NSW Government commits significant resources towards assisting homeless people and preventing homelessness, but that government effort could be better coordinated and monitored. The Working Group subsequently developed a draft homelessness action plan structure incorporating high level outcomes and draft strategies that could guide and better co-ordinate the NSW Government's effort to reduce and prevent homelessness.

While work to develop a NSW Homelessness Action Plan commenced shortly after the Auditor-General's Report was released in May 2007, the national landscape changed considerably in late 2007, with important ramifications for NSW's efforts to develop a homelessness action plan. The incoming Australian Government identified addressing homelessness as one of its priorities and has over the last year undertaken several processes including the implementation of *A Place to Call Home*, negotiating new funding arrangement for housing assistance and homelessness through the National Affordable Housing Agreement and its associated National Partnership Agreements, and a Green and White Paper process to set the strategic national direction for homelessness service provision in the decade to 2020, with a Green Paper released in May 2008, and a White Paper released in December 2008.

In view of the abovementioned national developments, and the importance of the NSW Government working collaboratively with the Australian Government and other jurisdictions, it was determined that finalisation of the NSW Homelessness Action Plan should occur in tandem with the White Paper and NAHA processes, allowing national directions to be incorporated into the Plan wherever relevant.

The Action Plan's development has been informed by state-wide consultations with government agencies, local councils, peak homelessness organisations, and non-government service providers. Homeless people have also had input into the Action Plan's development.

***Types of housing to be developed under the Homelessness Action Plan, including location and eligibility criteria***

The NSW Homelessness Action Plan recognises the linkages between the risk of homelessness and housing affordability. Scarcity of affordable accommodation options means low income households may be at greater risk of homelessness.

Addressing housing affordability through building and upgrading affordable housing dwellings is within the scope of the Action Plan, and will be progressed through the implementation in NSW of the Social Housing National Partnership Agreement and the Nation Building Economic Stimulus Plan.

The Nation Building Economic Stimulus Plan represents a commitment by the Australian Government and State and Territory Governments to significantly increase the supply of social housing throughout Australia and provide much needed accommodation to many disadvantaged Australians, particularly those who are homeless or at risk of becoming homeless. Governments have agreed to specific targets for both the construction of new social housing dwellings and the repair and maintenance of existing properties. Consideration has been given to high demand areas, including areas with significant homeless populations.

It is expected that the eligibility criteria will be the same as the current eligibility criteria for public housing.



**Can you please explain the process that was undertaken for the tendering of the stimulus package, with particular emphasis on its impact on the not-for-profit housing sector?**

As outlined above, \$6.4 billion in new funding for social housing has been made available to States and Territories from 2008-09 to 2011-12 under the Nation Building Economic Stimulus Plan for the construction of around 20,000 social housing units nationally, as well as repairs and maintenance to existing public housing dwellings.

NSW is expected to receive around \$2 billion under the Nation Building Economic Stimulus Plan over the period 2008-09 to 2012-13, including about \$1.95 billion for new construction which will provide for about 6,000 new social housing dwellings in NSW. Housing NSW will deliver these new homes through a combination of redeveloping its own sites, building on vacant government land, and buying land and multi-unit development packages (land with building contracts). Housing NSW is working in partnership with key stakeholders including the private sector and the community housing sector to deliver the new housing.

There are two stages of funding for the new construction, with the majority of the new housing to be funded under stage two. In order for stage one to provide a timely stimulus to the economy, the Australian Government requested that NSW identify existing planned projects that could be fast-tracked. The Australian Government and NSW Government jointly announced the approval of NSW's stage one response on 4 April 2009. Stage one will see 851 new social housing dwellings built on 120 sites across NSW, at a cost of \$225 million. All of these homes will be ready for tenants to move into by June 2010.

In relation to the second stage of funding, Housing NSW held a request for tender for land and multi-unit development packages which closed on 9 April 2009. The tender process was open to both the private sector and not-for-profit organisations. Not-for-profit organisations attended the information sessions that were held around the state, and were encouraged to submit tenders, either alone or in partnership with other organisations. A number of not-for-profit organisations have submitted tenders. The NSW Government is currently assessing the tenders received. NSW is required to submit details of its proposed stage two response to the Australian Government by 30 June 2009.

The NSW Minister for Housing has committed that community housing providers will have a significant role in managing the new properties to be delivered under the Nation Building Economic Stimulus Plan. This aligns with existing commitments under the NSW Government's strategy for the community housing sector, *Planning for the Future: New directions for community housing in NSW 2007/08 to 2012/13*, and will provide early and strong progress towards the NSW Government's commitment to grow the sector to 30,000 homes over ten years.

**The United Kingdom is working towards a fixed rental system where all tenants pay the same rental regardless of income and housing associations are paid a subsidy to make up the shortfall. How do you think a similar system would work for Aboriginal people? What do you see as the pros and cons of such an arrangement?** *NOTE: This question was referred to Housing NSW to answer by the Department of Aboriginal Affairs.*

In NSW, Aboriginal people requiring social housing can be housed through public housing, mainstream community housing, properties owned by the Aboriginal Housing Office but presently managed by Housing NSW, as well as properties owned and managed by Aboriginal community housing providers.

There are a number of alternative approaches to the setting of social housing rents. Broadly, these include fixed rents based on household composition, rents based on dwelling amenity, cost based rents that reflect the cost of providing housing, and income related rents. In considering the suitability of rent-setting models, the key issues that need to be considered include whether the model retains affordability for households, as well as whether the model is financially viable and sustainable in terms of recovering sufficient costs and the level of ongoing subsidy required. As such, the type of rent-setting policies that may be appropriate is linked closely to the funding environment for social housing.

In Australia, social housing tenants typically pay rents that are determined by assessable income, so that the assistance given to households is the difference between an affordable rental price determined as a proportion of income (usually 25%) and the market rent. Housing NSW charges rent at 25% of income for rebated low income households, and at between 25% and 30% of income for rebated moderate income households. There are some variations to this basic model, such as lower income assessment rates applying to young household members aged 24 or less to support participation in education, training or employment.

Rent for properties owned by the Aboriginal Housing Office is also set using this income based model. However, unlike other public housing tenants, tenants of Aboriginal Housing Office properties are eligible for Commonwealth Rent Assistance and, from July 2009, rent calculations will impute Commonwealth Rent Assistance.

For mainstream community housing, the NSW Government has introduced rent reforms that include charging rent at 25% of assessable income and also adding to this a rental charge equivalent to the household's entitlement to Commonwealth Rent Assistance. This means that community housing providers receive a higher income than would be received if the property were managed by Housing NSW. However, the after-housing income of similar community housing and public housing tenants is the same, as public housing tenants are not eligible for Commonwealth Rent Assistance.

There is greater variety in rent-setting among Aboriginal community housing providers. Many of these providers rent houses that they own themselves and, as not all providers receive financial support, they are able to set rents in different ways including income based or cost based rents. Providers are expected to be able to cover their maintenance costs from rental incomes, however inadequate maintenance has been a recurring problem within the sector.

While retaining affordability, setting rent as a percentage of income means that rent increases as household income increases and, as such, can operate as a disincentive to participation in the workforce. However, research suggests that if they have any impact, housing assistance programs have only a small negative impact on workforce activity.<sup>17</sup> The provision of stable and affordable social housing that is well-located can also promote better outcomes in education and workforce participation. Social housing tenants face workforce disincentives in the form of reductions in Centrelink benefits and higher taxes, as well as other barriers to labour market participation including the lower level of education and qualifications held by public housing tenants than the rest of the population.

There are equity issues to consider in relation to rent-setting policies. Vertical equity refers to the principle that tenants on higher incomes should receive proportionally less subsidy than tenants on lower incomes. Horizontal equity refers to the principle that tenants with similar incomes should pay similar rents for an equal housing product. Under the Nation Building Economic Stimulus Plan, jurisdictions have agreed to consider rent-setting policies that reflect the type of dwellings occupied by tenants. The presence of different rent setting approaches across the Aboriginal housing sector has created disparities in that tenants in similar circumstances renting similar properties may pay different rents.

Significant analysis of the detail of any specific model for rent-setting and funding of social housing would be required in order to determine the suitability of the model. However, the potential costs and benefits of a system of fixed rent regardless of income, and payment of a subsidy to housing associations to make up the short-fall, would appear to include the following.

- Risks that affordability for low income households may not be preserved.
- A lack of vertical equity, as lower income households would not be provided with a greater level of assistance than comparatively higher income households.
- Reduced incentive for housing providers to manage maintenance programs in the most cost effective way.
- The removal of any workforce disincentives arising from income related rents.
- A more financially viable and sustainable housing system, by covering the costs of housing providers' operations, and potential growth in the social housing sector by providing a sufficient and secure funding stream that allows providers to borrow to fund new investment.
- Risks that the financial cost to government may be high or difficult to contain.
- Difficulties in calculating the amount of subsidy required, and risks that Government funding will be set at inadequate levels, resulting in a growing maintenance backlog or poorer standard of housing provided.

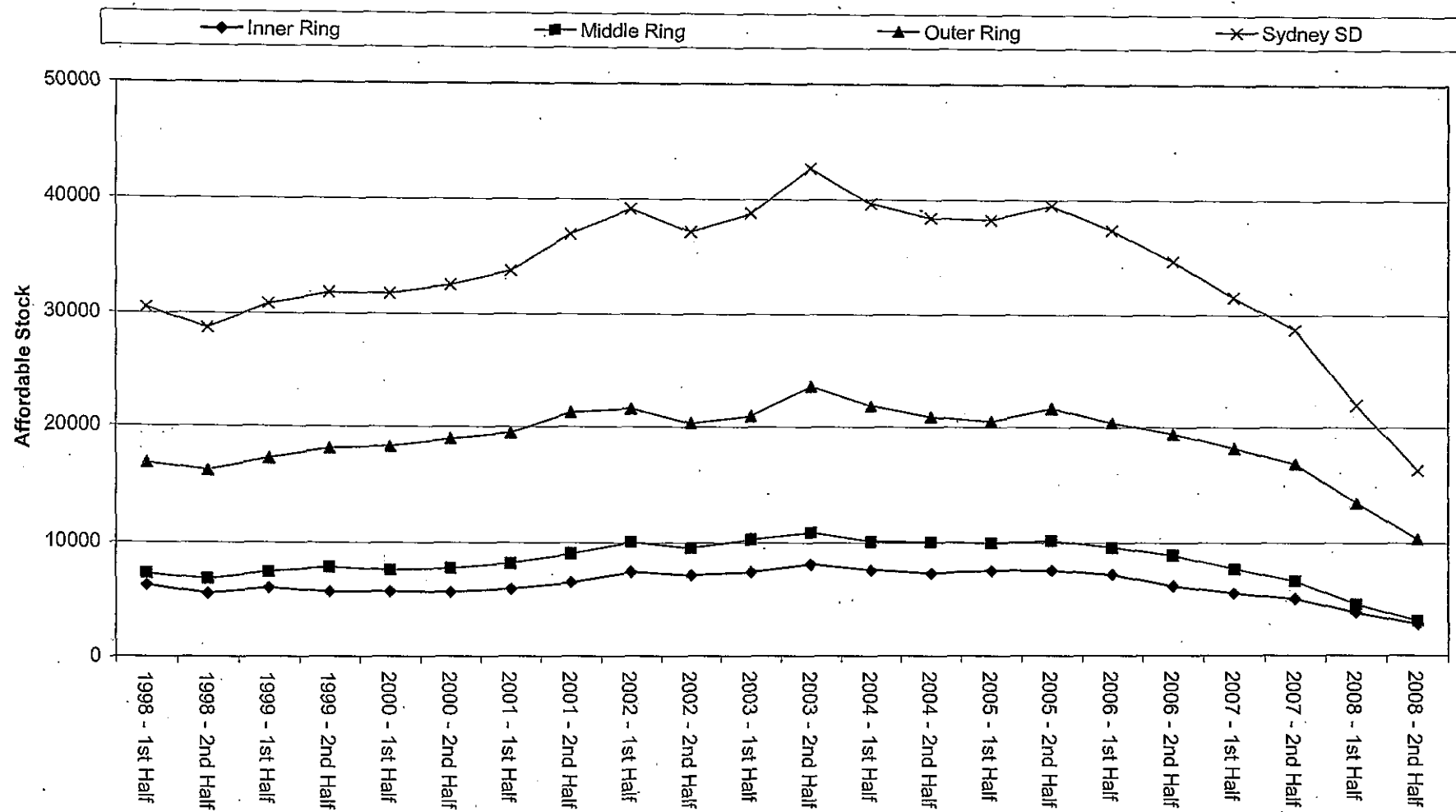
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<sup>17</sup> AHURI, 2005: AHURI Research and Policy Bulletin, Housing assistance and workforce participation, Issue 63 September 2005, p.2

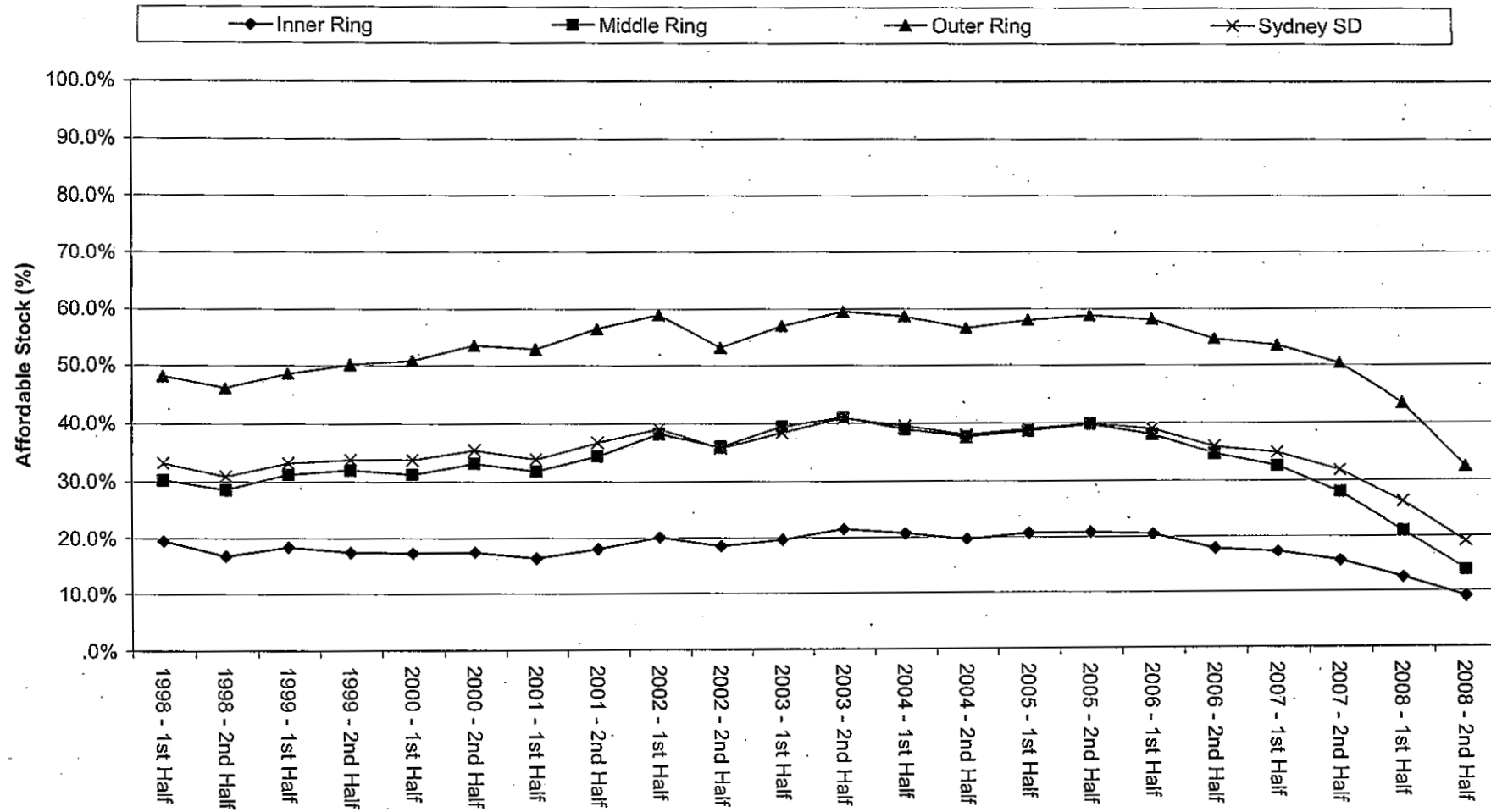
# Attachment A

## AFFORDABLE RENTAL HOUSING AVAILABLE IN SYDNEY – DATA OVER TEN YEARS\*

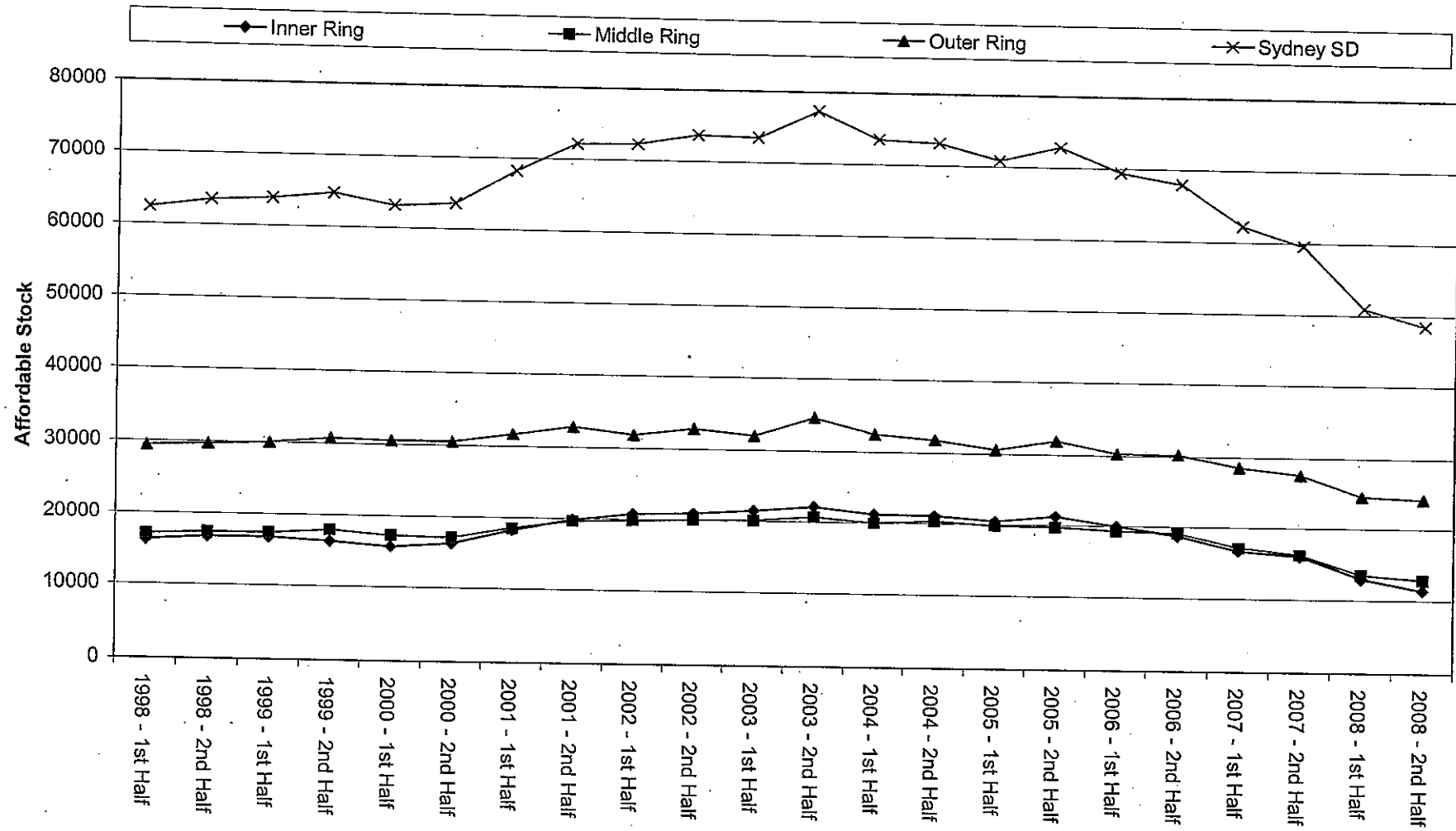
Low Income - Affordability of Privately Rented Housing in Sydney 1998 - 2008 (number)



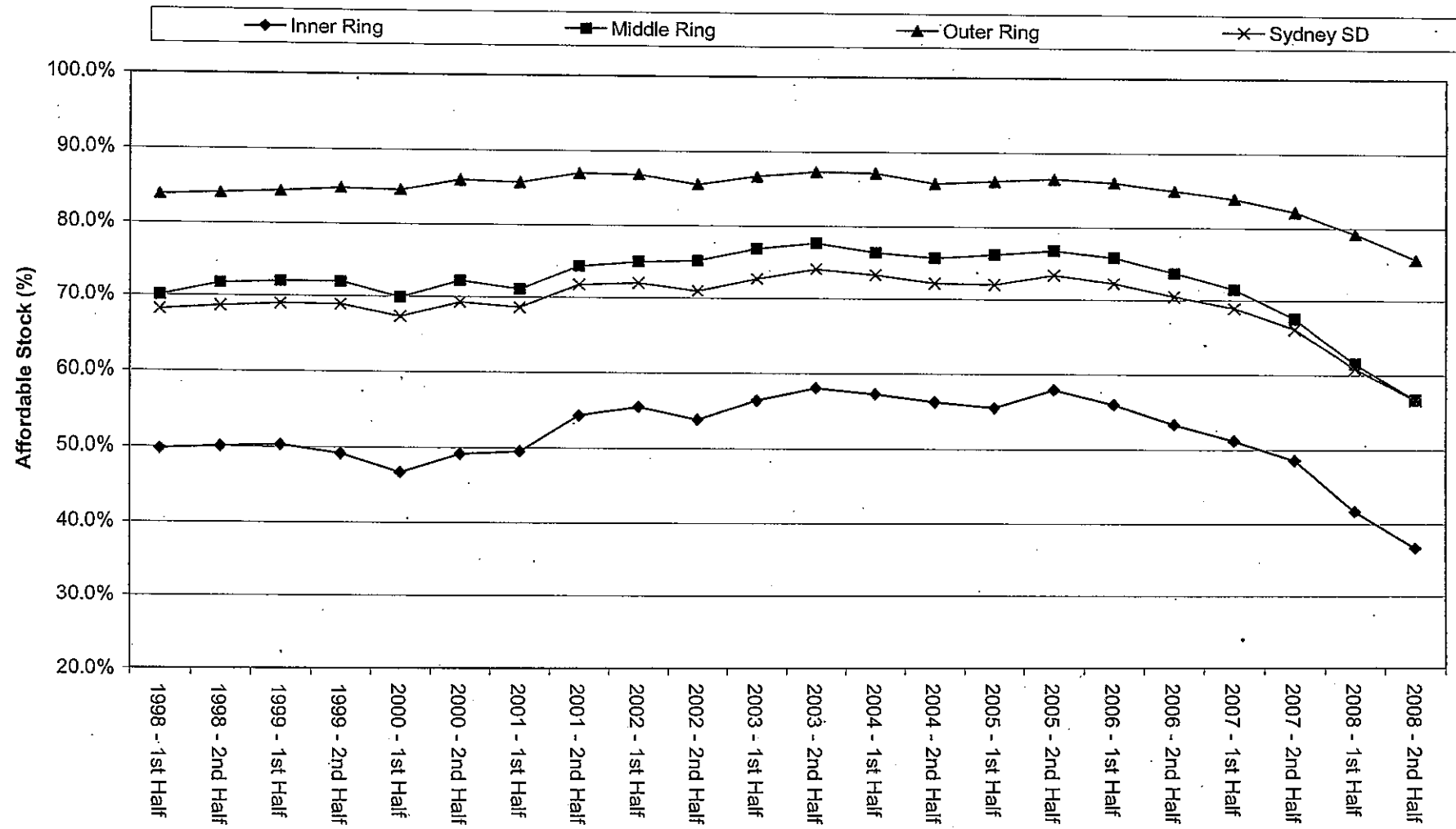
Low Income - Affordability of Privately Rented Housing in Sydney 1998 - 2008 (percent)



Moderate Income - Affordability of Privately Rented Housing in Sydney 1998 - 2008 (number)



Moderate Income - Affordability of Privately Rented Housing in Sydney 1998 - 2008 (percent)



**Affordability of Privately Rented Housing: Number and Percentage by Half-Year 1998-2008**

**LOW INCOME HOUSEHOLDS**

	Inner Ring		Middle Ring		Outer Ring		Sydney SD	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Year 1998 - 1st Half	6325	19.5%	7312	30.2%	16783	47.9%	30420	33.2%
Year 1998 - 2nd Half	5585	16.8%	6879	28.5%	16152	45.8%	28616	30.9%
Year 1999 - 1st Half	6101	18.4%	7486	31.1%	17191	48.4%	30778	33.2%
Year 1999 - 2nd Half	5755	17.4%	7903	31.9%	18077	50.0%	31735	33.8%
Year 2000 - 1st Half	5784	17.3%	7645	31.1%	18239	50.7%	31668	33.7%
Year 2000 - 2nd Half	5746	17.5%	7795	33.1%	18914	53.4%	32455	35.3%
Year 2001 - 1st Half	6008	16.4%	8224	31.7%	19451	52.7%	33683	33.8%
Year 2001 - 2nd Half	6586	18.0%	9054	34.3%	21220	56.3%	36860	36.6%
Year 2002 - 1st Half	7518	20.1%	10053	38.0%	21536	58.8%	39107	38.9%
Year 2002 - 2nd Half	7210	18.5%	9542	35.8%	20297	53.0%	37049	35.6%
Year 2003 - 1st Half	7494	19.6%	10286	39.3%	20957	56.8%	38737	38.3%
Year 2003 - 2nd Half	8195	21.4%	10906	40.9%	23534	59.4%	42635	40.8%
Year 2004 - 1st Half	7673	20.7%	10127	38.8%	21791	58.6%	39591	39.4%
Year 2004 - 2nd Half	7392	19.7%	10080	37.5%	20901	56.5%	38373	37.8%
Year 2005 - 1st Half	7630	20.7%	10034	38.5%	20540	57.9%	38204	38.8%
Year 2005 - 2nd Half	7661	20.8%	10193	39.7%	21630	58.7%	39484	39.8%
Year 2006 - 1st Half	7292	20.5%	9616	37.9%	20393	58.0%	37301	38.8%
Year 2006 - 2nd Half	6242	17.8%	8956	34.6%	19416	54.6%	34614	35.9%
Year 2007 - 1st Half	5584	17.2%	7774	32.5%	18145	53.3%	31503	34.8%
Year 2007 - 2nd Half	5100	15.6%	6666	27.8%	16838	50.2%	28604	31.7%
Year 2008 - 1st Half	3863	12.5%	4578	20.9%	13466	43.3%	21907	26.1%
Year 2008 - 2nd Half	2807	9.1%	3123	13.8%	10356	32.3%	16286	19.0%



MODERATE INCOME HOUSEHOLDS								
	Inner Ring		Middle Ring		Outer Ring		Sydney SD	
	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Year 1998 - 1st Half	16149	49.8%	16961	69.9%	29323	83.7%	62433	68.1%
Year 1998 - 2nd Half	16655	50.1%	17295	71.6%	29611	84.0%	63561	68.6%
Year 1999 - 1st Half	16664	50.3%	17299	71.9%	29929	84.2%	63892	68.9%
Year 1999 - 2nd Half	16211	49.1%	17819	71.9%	30655	84.7%	64685	68.8%
Year 2000 - 1st Half	15595	46.7%	17143	69.8%	30428	84.5%	63166	67.2%
Year 2000 - 2nd Half	16144	49.1%	17004	72.1%	30438	85.9%	63586	69.2%
Year 2001 - 1st Half	18175	49.5%	18416	71.0%	31613	85.6%	68204	68.5%
Year 2001 - 2nd Half	19836	54.3%	19596	74.3%	32722	86.9%	72154	71.7%
Year 2002 - 1st Half	20734	55.4%	19804	74.9%	31772	86.8%	72310	72.0%
Year 2002 - 2nd Half	20952	53.8%	20012	75.1%	32765	85.5%	73729	70.9%
Year 2003 - 1st Half	21497	56.3%	20085	76.8%	31924	86.6%	73506	72.6%
Year 2003 - 2nd Half	22176	58.0%	20680	77.6%	34557	87.2%	77413	74.1%
Year 2004 - 1st Half	21228	57.2%	19920	76.3%	32393	87.1%	73541	73.3%
Year 2004 - 2nd Half	21102	56.2%	20330	75.6%	31744	85.8%	73176	72.1%
Year 2005 - 1st Half	20450	55.5%	19818	76.1%	30538	86.1%	70806	72.0%
Year 2005 - 2nd Half	21276	57.9%	19702	76.7%	31858	86.4%	72836	73.3%
Year 2006 - 1st Half	19916	55.9%	19235	75.8%	30227	86.0%	69378	72.2%
Year 2006 - 2nd Half	18664	53.3%	19048	73.7%	30219	84.9%	67931	70.4%
Year 2007 - 1st Half	16625	51.2%	17093	71.4%	28524	83.9%	62242	68.8%
Year 2007 - 2nd Half	15922	48.6%	16152	67.4%	27541	82.1%	59615	66.0%
Year 2008 - 1st Half	12877	41.7%	13432	61.4%	24613	79.1%	50922	60.7%
Year 2008 - 2nd Half	11382	36.7%	12812	56.7%	24229	75.6%	48423	56.5%

### **\*Notes**

This data has been prepared by Housing NSW using:

- Office of Fair Trading rental bond data;
- Household income data from the Australian Bureau of Statistics (ABS) Census of Population and Housing; and
- the Average Weekly Earnings (published by the ABS) to index the household income for different periods.

The data is for the Sydney Statistical Division (SD), which includes:

- Inner ring: Ashfield, Botany Bay, Lane Cove, Leichhardt, Marrickville, Mosman, North Sydney, Randwick, Sydney, Waverley, and Woollahra local government areas (LGAs).
- Middle ring: Auburn, Bankstown, Burwood, Canterbury, Canada Bay, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Manly, Parramatta, Rockdale, Ryde, Strathfield and Willoughby LGAs.
- Outer ring: Baulkham Hills, Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Liverpool, Penrith, Pittwater, Sutherland Shire, Warringah, Wollondilly and Wyong LGAs.