

## LEGISLATIVE COUNCIL – Social Issues Standing Committee

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

Answers to questions raised by Submission No. 32 from the Northern Rivers Social Development Council.

#### 1. What is the role of the Northern Rivers Social Development Council, especially in relation to housing?

The Northern Rivers Social Development Council (NRSDC) is a community-based not-for-profit organization that represents and strengthens communities and services in the Northern Rivers region of NSW. It has been operating for more than 30 years. NRSDC provides opportunities and services to alleviate disadvantage, engages in advocacy and promotion, informs and educates people/organizations/government, encourages partnerships and undertakes research and planning for future needs.

Housing and homelessness has been a key priority of the Council for a number of years. Its community consultation process continues to identify housing and homelessness as critical concerns across the region - in particular the lack of housing in absolute terms and also the escalating cost of housing. NRSDC was able to secure funding to establish a short term housing project to work towards increasing housing supply in the region. This work has involved

- Information and support to local government to develop affordable housing strategies
- local partnership facilitation (promotion, site identification support and project development assistance)
- Regional housing data and information service and advocacy
- Promotion of a regional approach to housing development (enhances opportunities through economies of scale, shared expertise)
- Facilitation of regional housing forum (newly formed; very broad representation)
- Local housing and homelessness research and information
- Work to secure a share of government funding opportunities

#### a) Who are the members of NRSDC?

Members of NRSDC are individuals and organizations in the community who share its objectives

#### b) What is the importance of housing affordability in your region?

Rents have increased in the region by 30% since the Census – from 2006 to 2009. The median gross weekly household income in e.g. Byron is \$744 (plus increases since Census 2006) and the median rent is \$420. A phone survey of local real estate agents (conducted because reported vacancy rate of 2.6% didn't correspond to local advice) revealed a much tighter rental market for low to moderate income earners. An agent in Byron agreed with the reported rate of 2.6% but added that he had "nothing on the books" under \$500. "

Agents in Lismore on the other hand had below 1% vacancy rates and because Lismore's housing stock is relatively more affordable than the coast, the affordable rental properties has been sold to first home buyers. The cost and the lack of housing means people have to relocate (increasing work commutes, moving away from networks and services and placing significant strain on family life). Some people report 'boarding' near jobs and returning home for weekends. This lack of affordable housing causes not only a loss of socio diversity in coastal areas but reduces local

workforce in critical service areas and is creating a social divide between inland and coastal centres. The poor transport systems, low overall income levels, and ageing population and the projected growth rate of 2.6% per annum to 2036 will exacerbate these trends.

## **2. What do you regard as the biggest barriers to:**

### **A: growth in the number of low-cost rental accommodation properties**

- No community housing providers with necessary equity, revenue and expertise to lead the development of an affordable housing industry in the region.
- Limited affordable land available in key growth areas
- No provisions in local government planning and approval mechanisms designed to increase affordable housing.
- Lack of demonstrations of viable affordable housing development to increase confidence.
- Financial constraints and limited land holdings of local government
- Continued demand for higher cost housing due to in migration of more affluent households
- Insufficient incentives to and requirements for developers to deliver lower cost properties
- low level of public appreciation of the housing crisis in the region
- lack of analysis and reporting of regional housing and homelessness conditions and needs

### **B. speed of delivery of new low-cost rental properties**

- Community housing providers interested/able to take a lead role
- Availability of low cost land
- Lack of a local 'driver'
- Low level of involvement by local government

### **C. How can these be addressed**

- Promotion of the region to external housing providers and expanding opportunities for involvement to any interested housing provider (not only growth providers)
- Local level land and housing audit (State of Supply Council reported on 'Capital Cities' and 'Rest of State' only)
- Start up capital to enable demonstration projects
- Support to local government through affordable housing planning legislation and dedicated housing personnel
- Expanded opportunities for any interested community housing providers (not just nominated 'growth' providers)
- Establishment of a regional affordable housing facilitation project

## **3. How has current climate affected the social housing market both on the side of demand and supply**

- The unprecedented injection of funding into social housing can potentially increase social housing supply significantly. However the use of competitive tendering, the absence of locational targeting, the greater capacity of the larger metropolitan based agencies and the extremely tight timeframes are all factors which could result in areas like the Northern Rivers not benefiting from current opportunities.

- The urgency for Housing NSW to transfer 75% of growth stock to housing providers has stretched the capacity of the local community provider at the expense of looking at other growth opportunities, in particular, affordable housing development.
- Demand from homeless support services for social housing providers to respond to housing needs of homeless or at risk of homelessness and reciprocal demand for additional support for high need tenancies is all consuming. Census data on primary homelessness indicates that 15% of the State's homeless population is located in the Northern Rivers (a region with 4% of the State's total population). Public and community housing providers are focused entirely on very high needs clients leaving others in housing need unassisted.
- Demand for social housing is growing and homelessness alone is no longer adequate cause for priority housing allocation. An applicant's situation has to 'develop' into more complex need to compete. This region has below average levels of social housing (10% compared to 15% for the state as a whole). Community housing providers in the region lack the capacity to expand into housing development and remain purely an extension of the public housing authority serving the same high need client group.
- The First Home Owners Grant has had a significant impact on rental stocks in relatively more affordable areas. Agents in Lismore report continuing vacancy rates below 1% because Lismore's housing stock is relatively more affordable than the coast and the subsidy provided by the grant is maximized by purchasing in these locations. The affordable stock entering the market is the affordable rental stock.

#### **4. What do you regard as the affordable housing needs of the Northern Rivers area?**

This region needs

- An increased supply of housing accessible to people on average incomes located near work and service centres across the region. (Note: average incomes are around 2/3rds of median Sydney income.) There is almost no affordable rental housing in coastal locations leading people to move further inland which in turn raises rental costs in those locations and squeezes very low income households on further.
- A local affordable housing development industry lead by community housing providers able to 1) buy land/properties and make available at below market rates and or 2) partner with land holders using NRAS incentives to build housing and offer at below market rates
- Access to 'start up' capital, for example, a continuation of NRAS A capital funding at the very least
- Capacity to attract housing providers into the region that are interested and able to take up current affordable housing development opportunities. These larger providers can work with smaller local providers (not only the growth provider) for local tenancy management and supports necessary
- Measures to restrict level and frequency of rental increases. For example, renters report having tenancies terminated and the properties being re-let immediately at much higher rents.
- Supports for rental property investors to reduce levels of default on investment property mortgages and subsequent evictions of tenants.
- Local government leadership to demonstrate what can be achieved; for example, a shop top demonstration project (accessing NRAS funding) which could in turn lead other business owners replicating this housing development in CBDs.

**5. Your submission mentions the need to develop infrastructure around affordable housing. Please elaborate on what you think is needed and how it may be attained.**

Affordable Housing is a 'new' industry requiring different business partnerships, for example, not for profit agencies linking with for profit and industry partners, support agencies taking on tenancy management roles, local government entering into housing development partnerships (as developers). These new relationships involve very different cultures requiring education about each others motives and objectives as well as time to adjust skill sets. Housing providers need to gain the confidence of the development and investment industries by demonstrating an understanding of investment and business requirements. This new industry is not purely economics – but without it economic outcomes will be reduced.

Most of this region's renting population is in financial stress because of their housing costs – its no longer just affecting a low income or unemployed minority. Infrastructure in this sense therefore, refers to the development of new motivations and longer term thinking across sectors that will be necessary to develop products which produce lower returns but are necessary for longer term housing outcomes. This won't happen without intervention from government in the form of land use planning and tax legislation, start of capital for housing development and flexibility to use funding for necessary industry development – skills development, marketing, regional promotion, community education, partnership facilitation.

Directing all available resources into housing generation without attending to changing the housing system, will see any new housing also become unattainable to people on low to moderate incomes. It has been calculated that \$7b of funding will 'buy' 72,000 homes but our housing undersupply is growing at a rate of more than 30,000 houses per annum so this will not meet even short term housing needs.

**6. Are you aware of City West Housing**

City West Housing was established by the state government specifically to ensure housing mix in Ultimo Pyrmont. City West received large start up capital from the Commonwealth Better Cities Program as well as State Government through mandatory developer contributions and sale of land proceeds. It has a 3 tier rent level targeting very low, low and moderate income tenants which ensures a social mix as well as a rental income stream to maintain financial viability. It is free to focus solely on affordable housing development and delivery and charge rents at varying levels of subsidy. This affordable housing model could be replicated in other urban and regional centres with some modification and concurrent support by other levels of government. For example, the City West Housing financial modeling would be based on very different housing types than those which would suit regional centres – low to medium density development. Viable density and housing specifications would also need to be accommodated by local government land use and building regulations.

**7. What do you think would be the most successful model for the Northern Rivers and why?**

Our submission referred to a head-leasing model of affordable housing development which involved a developer attracting NRAS incentives to build then on sell to investors with a contract including a lease to a community housing provider. (This is a model being used with reported great success within the Gold Coast LGA and likely to be suitable to Tweed.

Another model which would suit the region involves local land holders, in particular but not limited to local and state government and churches partnering with a housing provider and contributing land which reduces development finance required. This would enable government and other landholders to develop assets and also influence the local housing market by increasing housing stock. This model would also involve NRAS to further reduce development capital required.

An ideal model would involve an injection of start up capital to enable a replication of the City West model of affordable housing development. The NSW NRAS A model of allocations (available in Round 1 only) was essentially this but provided lower levels of capital and allocation was on a project by project basis rather than a larger injection as a deliberate kick start for housing development in a particular location.

In terms of both social outcomes and business viability, affordable housing development requires the ability to include a range of income levels in its tenancies from low to moderate and to use market based as opposed to income based rent setting formulae. Affordable housing providers need to be able to offer housing to people who fall outside social housing eligibility, including low income working households, for their own financial viability but also to assist those people who cannot access social housing but cannot afford market priced housing either.

As the community housing sector continues to develop, more and more low cost rental housing models are being developed. It would be very useful for these to be showcased to enable replication in other locations. This would require quarantining some sector development resources to purchase relevant intellectual property. New models of housing delivery are possible but require new ways of thinking, for example, 99 year leasing of government land; land trusts (much more common overseas but the University of Western Sydney and Shelter NSW has done quite a bit of research on how these work and could be replicated in Australia); shared equity arrangements (for example, Salisbury Council in SA). The research of the Australian Housing and Urban Research Institute has identified a range of overseas models whereby government has deliberately intervened to redirect housing distribution (see both Vivienne Milligan and Nicole Gurran in particular).

Hal Bisset, an experienced housing provider, researcher and affordable housing consultant, has examined a range of housing development models and identifies the critical success factors for affordable housing development as follows:

1. access to land at reduced cost
2. agency with capacity to manage development risk
3. support of local government through planning process/concessions
4. strong connections and support of local community
5. ownership vehicle with appropriate tax status
6. highly competent manager
7. incorporation of debt finance based on net income stream
8. broader income range in target group
9. flexibility in affordability, rent setting

## **8. Outline what you would like government, federal, state and local, to do to assist the growth of community housing in NSW**

### **Local Government**

- actively pursue opportunities to work with housing providers either bringing land to the partnership or working to ensure swift and smooth passage of development applications for affordable housing.

- develop specific housing objectives in business and planning strategies
- pursue the creation of a specific Affordable Housing SEPP by the State Government
- appoint dedicated housing workers to produce local housing information, assess housing needs, secure funding through local government focused housing initiatives and work with neighboring councils to maximize opportunities for regional housing development activity
- work in partnership with other parties to attract current government initiatives into their jurisdiction

#### State government

- introduce the necessary state environmental planning policy (SEPP) that permits local government affordable housing strategies, particularly non voluntary measures such as inclusionary zoning.
- broaden the income eligibility criteria for community housing providers to include households on low to moderate incomes who currently do not qualify for social housing
- transfer title of at least a proportion of public housing stock to community housing providers
- reinstate the Affordable Housing Innovations Fund which provided up to 60% of the total development costs leaving the community housing provider to fund the remaining 40% through its own funds, borrowings and partner contributions.
- introduce a specific objective in the State Plan to lead the establishment of an affordable housing industry in NSW
- identify locations of high need/high housing cost and high growth for the targeting of future NRAS initiatives
- resource regional housing development facilitation where required to attract housing providers, support local government and educate potential local investors and developers.

#### Federal Government

- undertake or support the State to undertake research into land banking and community land trusts
- identify locations of high need/high housing cost and high growth for the targeting of future NRAS initiatives
- work with state and territory governments to develop benchmarks and targets designed to maximize social mix resulting from government housing initiatives.

### **9. What role do you think local government should play in the provision of low-cost accommodation: What could the NSW Government do to assist local governments in working with providers and managers of low-cost rental accommodation?**

Some local councils are actually providing their own housing programs – Willoughby, Randwick, Waverley and Canada Bay. Other Councils recognize the need to control the loss of affordable housing and better cater for the housing needs of lower paid workers to maintain the local workforce. Some clearly understand the social and economic imperatives of a sufficient stock of affordable housing and attempt to use land use planning and approval processes to influence this (but in NSW these cannot be enforced). Other Councils employ dedicated housing workers to attempt to attract housing investors and government initiatives to their area. All of these roles are legitimate and commendable.

With the exception of Clarence Valley Council, Local Government in the Northern Rivers has had very limited involvement in affordable housing.

**10. what role do you see the not-for-profit sector playing in the provision of affordable housing?**

There is considerable scope for churches, philanthropic and other not for profit agencies to partner with local government and or local housing providers in affordable housing development projects. The establishment of land trusts as an alternative model of affordable housing growth is particularly suited to this sector.

The not-for-profit housing sector has been identified by state and federal government as the delivery vehicle for affordable housing nationally. In locations where housing providers lack capacity for this role or are consumed by demands of stock transfers from Housing NSW and demands from the community service sector to manage high support needs tenancies (as is the case in this region) these agencies need assistance to move into the new business of affordable housing development or continue acting as tenancy managers for new tenancies established by larger providers with the necessary capacity to act as housing developers, project managers etc.

The not for profit sector also has a strong advocacy, tenancy support and community education role.

**11. In your submission, you advocate for regionally located "Affordable Housing Partnership Facilitators (AHPF)? Please expand:**

This region (and perhaps other high growth areas outside the Sydney GMR) requires a dedicated regional housing 'effort' to harness these opportunities working either from the local Region of Councils, the Northern Rivers Social Development Council, the Regional Development Board or as a medium term outposted government position. This position could also work with the not for profit sector on the government's homelessness initiatives. Specifically the role of these facilitators includes:

- Information and support to local government to develop affordable housing strategies
- local partnership facilitation (promotion, site identification support and project development assistance)
- Regional housing data and information service and advocacy
- Promotion of a regional approach to housing development (enhances opportunities through economies of scale, shared expertise)
- Facilitation of regional housing forum (newly formed; very broad representation)
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**12. Do you think the initiatives provided under the Nation Building Economic Stimulus Plan, including the NRAS and the HAF will be sufficient to address the need for affordable housing in your region?  
a. What would you like to see happen in support of these initiatives and to enhance the chances of success?**

We are unaware of the locations identified for additional public housing being built under the social housing component of the Economic Stimulus Plan and industry information sessions were not conducted north of Coffs Harbour, in spite of an offer of assistance to do so. We are aware that Housing NSW has transferred its entire stock in some locations to the key housing provider in this region (including Byron).

This region has a below average share of social housing and it does not appear that this will increase in absolute terms.

There is one small project receiving some assistance through the NRAS and HAF initiatives through the adoption of a proposal by the Coffs Harbour office Community Housing Limited.

The New South Wales government is using a competitive, opportunity based approach to allocate funds under these initiatives. There is no targeting of locations of high need and, funding to the not-for-profit and private sectors is available on a competitive basis. Current initiatives tend to favour larger, better resourced metropolitan based housing providers given the scale of development sought, the expertise and resources necessary for project development and, the very tight funding timeframes.

Research focuses on capital cities and the limited amount of small area data tends to preclude the region from identification as a high housing need, high housing cost, and high growth region. E.g. the National Housing Supply Council's State of Supply Report to analyse adequacy of land and dwelling supply reports its findings on a 'capital city' and 'rest of state basis'.

All affordable housing development and much of the social housing growth in NSW will be through the Community Housing Sector. Many smaller community housing providers do not have the capacity to take up both the social AND affordable housing opportunities available to them and need to focus on Social Housing only (very high need, very low income target groups). There are many other households on low and moderate incomes that are not eligible for social housing who are in extreme housing stress. The subsidy these households could receive through NRAS housing would be very suited to this region where the majority of the renting population would qualify.

Some level of targeting for allocation made under these initiatives to areas of high housing need like the Northern Rivers would assist the region to access the opportunities presented. Assistance to harness commitment of local land holders through local promotion and marketing would also be very helpful. Better use of local level data in State Reports e.g. Housing NSW Rent and Sales Report which highlight metropolitan conditions only. See also the use of a Regional Housing Facilitator at 11. above.

### **13. What effect would inclusionary zoning/developer levies have on the provision of affordable housing in the region?**

#### **a. What effect would it have on developers and the cost of housing for all residents?**

This is known to be a highly contentious issue but it is an entrenched government practice not only overseas but in a number of Australian jurisdictions. South Australia for example has a mandatory requirement of 15% of affordable housing development to be included in all new developments over a specified size and 5% of that requirement is for high needs social housing.

One very positive outcome is that developers approach housing associations seeking partnerships to assist them to meet this requirement. The sector in NSW does not have this enormous benefit in their housing development endeavours.

Developers now have the ability to offset the additional cost of this requirement through the National Rental Affordability Scheme tax/cash incentives.



Mandatory developer contributions are in place in the Willoughby and Sydney local government areas but in no other locations. What is more, these levies have contributed directly to City West Housing's affordable housing development.

**14. 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 the Northern Rivers area:**

Transfer of title of at least a proportion of transferred stock would increase the sector's equity base and give greater borrowing power to those agencies wanting to take on larger housing development activities. It would also enable those providers who need to maintain their social housing activities for very low income/high need clients to venture into housing development. Greater equity would enable them to take on smaller development activities and grow this aspect of their business in a sustainable and lower risk manner.

**15. What do you regard as necessary elements for the creation and maintenance of cohesive communities? What needs to be done to sponsor these?**

Cohesive communities, social inclusion/exclusion are all terms that relate to a community's ability to enable its members to secure employment, access services, connect with family/friends, deal with crisis and have a voice. Uncohesive communities on the other hand are communities suffering from a range of problems such as unemployment, low incomes, poor housing, crime, poor health, disability and family breakdown. In combination, these problems can result in cycles of poverty, spanning generations and geographical regions.

There have been volumes of research and reports released on the individual and household and in fact locational characteristics which affect people's access to opportunity and they all include access to appropriate and affordable housing. (Vinson, SIEFA, NATSEM, St Vincent de Paul, Australian Institute of Family Studies, Aust Institute of Health & Welfare, Julian Disney, Australian Housing and Urban Research Institute (AHURI)). Housing is repeatedly reported as being critical for the social and economic health of communities.

Examples of reported social benefits: [affordable housing]

- promotes family stability and the health & wellbeing of individual household members
- supports the educational attainment of children
- encourages workforce participation
- reduces travel time and costs
- alleviates spatial exclusion for low income and disadvantaged households \*\*\*\*

Examples of reported economic benefits: - [affordable housing]

- contributes to economic growth by containing pressure on wages
- improves labour mobility – assists the supply of lower paid workers
- Attracts young entrepreneurial and skilled workers
- Encourages lower income households to participate in the labour market

- Reduces welfare dependency

**16. Do you think it is possible to provide sufficient low-cost rental accommodation without creating 'pockets of disadvantage'? If so, how?**

See above. Disadvantage is as much about lack of access to services and networks and lack of community diversity as it is about income levels. A 'housing first approach' to community building provides people with access to affordable and appropriate housing that is close to services and opportunities to social and economic participation. With this approach, disadvantage measured in terms of levels of home ownership, level of income, vehicle ownership etcetera loses significant potency.

The use of targets for housing mix (social/affordable) and tenure mix (social housing, low cost private rental, market rental, home ownership) would also ensure heterogeneous communities. Strict limits are also required on the amount of low cost housing development permitted in areas not well serviced by transport or near service centres.

**17. The UK 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 here? What do you see as the pros and cons of such an arrangement?**

The UK has a very significant social housing sector, especially compared to Australia. Most renters in Australia are in the private rental market where this system cannot be applied. Interestingly, in Australia where private renters are eligible (dependent on income and rent levels) to Commonwealth Rent Assistance, landlords and real estate agents reportedly take this into consideration when setting rent levels and assume full entitlement.

The social housing system in Australia predominantly uses a rent-to-income formula based on a constant *proportion* of income being charged for rent so that rent variations occur as residents incomes change and not on the basis of housing market variations from location to locations. This does allow for greater social mix in higher cost locations but it does increase the burden on the providers of housing provision in high cost areas. This additional burden can be mitigated by the inclusion of the Rent Assistance payment to community housing renters in income calculations but in very high cost areas it still requires considerable subsidy. While it is the case that achieving affordability is the responsibility of the housing provider these providers require the flexibility to allocate housing to a mix of low to moderate income households and to charge market related rents to those tenants who can afford to pay them. Subsidized market rents are not necessarily 'affordable' rents but do provide housing stress relief and do increase the business viability of housing providers.

**18. Are caravan parks used as permanent residences in the Northern Rivers area:**

- a. is changing demographics impacting on this**
- b. is the closure of caravan parks an issue in your area?**
- c. If caravan parks close where do the permanent residents go?**
- d. What options are available to them?"**

#### **e. What assistance, if any, is given to them?**

An increasing proportion of the local population, particularly the older residents of the region live in caravan and relocatable home parks. At a forum held last year the key concerns identified were

- lack of security
- diminishing value of caravans/relocatable homes
- increasing site fees
- inadequate legislation around residents rights and park owners responsibilities

AHURI (Ed Wensing) and St Vincent de Paul Society (Andy Marks) have researched risks facing residents in caravan parks but there has been little examination of locational variations of these findings. Census data reveals that 17% of caravan park dwellers in NSW live in the Richmond Tweed Statistical Division 2/3 of these residents own their own dwelling and the majority are over 65 years of age.

Local advocates for park dwellers in this region report the following:

- most parks have decreasing number of rental opportunities and they become almost entirely retirement centres
- cost of homes in parks now starts at \$265,000 with weekly site rents of approx \$120.
- Site fees can rise as much as 20% in a 12 month period
- Tribunals tend to only pursue cases where majority of residents have complained (but residents don't complain because of age, perceived repercussions)
- Closure of parks a constant threat and compensation is not useful as there is somewhere to relocate dwellings
- Banora Point Park said to be deliberately 'run down' by owners so able to redevelop.
- Industry attracts people to live in parks with lifestyle promotion but doesn't outline longer term plans of site redevelopment; enjoys rental income from 'permanents' in the meantime.
- Parks are being 'gentrified'
- No research on where residents go when parks closed

Measures cited that would improve conditions and outcomes for park residents

- better information for people considering park living (Office of Fair Trading publications to match those produced by the industry)
- Tribunals to shift the onus of proof of need for rental increase to park owner rather than responding to appeals by park residents
- more opportunities for shared equity/reverse equity options for retirees to enable them to remain in their conventional homes
- better information on who is living in parks and where they go when
  - parks are redeveloped or
  - rents increase beyond the means of residents