

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

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OUR REF: 13442-01
YOUR REF:

19 March, 2009

The Director
Standing Committee on Social Issues
Legislative Council,
Parliament House,
Macquarie Street,
Sydney NSW 2000

Dear Director,

Submission to the Inquiry into homelessness and low-cost rental accommodation

Marrickville Council welcomed the opportunity to prepare a submission to the inquiry into homelessness and low-cost rental accommodation.

Councils on the inner fringe of Sydney such as Marrickville have been under particular pressure as a result of an inward migration of higher income groups and gentrification of housing stock that has traditionally provided low cost accommodation to low income and socially disadvantaged groups. Tackling homelessness and the lack of affordable housing requires a whole of government approach in which local councils have a valuable role to play.

The attached submission provides comments relevant to the terms of reference. For further enquires please contact me or the affordable housing officer on 9335 2243.

Yours Sincerely



Gary Moore
Director
Community Services

Submission to the Legislative Council Standing Committee on Social Issues:

Inquiry into homelessness and low- cost rental accommodation

SUBMISSION BY MARRICKVILLE COUNCIL
www.marrickville.nsw.gov.au

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Marrickville
a diverse, vibrant and innovative community



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Submission from Marrickville Council to:

NSW Legislative Council's Standing Committee on Social Issues:
Inquiry into homelessness and low-cost rental accommodation

The Director,
Standing Committee on Social Issues,
Legislative Council
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Sydney NSW 2000
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Submission from Marrickville Council

NSW Legislative Council's Standing Committee on Social Issues: Inquiry into homelessness and low-cost rental accommodation

While Commonwealth and State governments have the legislative responsibility for housing and economic policies, the impacts are felt at a local level. Council has a role in sustaining the social, cultural, environmental and economic life of the Marrickville LGA for current and future generations.

Marrickville Council welcomes the opportunity to provide a submission to the inquiry into homelessness and low-cost rental accommodation. Tackling homelessness and the lack of affordable housing requires a whole of government approach in which local councils have a valuable role to play.

Marrickville Context

Marrickville Council is located in the Inner West region of Sydney and has a record of achievement and commitment to urban and social planning that (a) improve the wellbeing and quality of life in citizens, and (b) involve collaborative planning on social and community issues at the local level. Council is developing strategies that target the working poor to address the issue of affordable housing and reduce the potential for homelessness.

The lack of affordable housing is a growing concern cross Australia, particularly for low income and socially disadvantaged groups. Councils on the inner fringe of Sydney such as Marrickville have been under particular pressure as a result of an inward migration of higher income groups and gentrification of housing stock that has traditionally provided low cost accommodation to low income and socially disadvantaged groups.

The loss of low cost accommodation will have adverse affects on the economic viability of the Marrickville area. Workers may seek employment opportunities close to where they are forced to move and it has been argued that high housing costs have affected business efficiency, in the form of difficulties of recruitment and retention¹.

The Marrickville local government area has approximately 45 Class 3 (over 10 residents) boarding houses, accommodating a minimum of 450 residents and 86 Class 1b (under 10 residents) boarding houses, accommodating 860 residents and providing for approximately 1300 to 1500 low income people in total.

People residing in boarding houses are considered to be homeless: "people living in single rooms in private boarding houses on a long-term basis: without their own bathroom,

¹ Yates, Randolph, Holloway . 2004. *Housing affordability, occupation and location in Australian cities and regions*. For the Australian Housing Urban Research Institute, Sydney Research Centre.

kitchen or security of tenure”². The Marrickville LGA also has a relatively small proportion of Department of Housing stock: 816 units of housing in total.

The Newtown Neighbourhood Centre (Boarders and Lodgers Project 2003), reported that 80.5% of boarding houses in the Marrickville area had no vacancies³. Of those with vacancies there was a concentration of disadvantaged people in premises that tend to be both of poor quality and more expensive than other boarding houses in the area. Anecdotal information collected from local community organisations providing services to the homeless indicates an increased demand for boarding house accommodation from women, couples and families; historically not residents of this type of accommodation.

Owners and managers are able to pick and choose residents in boarding houses with low vacancy rates. Therefore, residents with complex needs, such as mental health, intellectual disability and/or drug and alcohol problems are either relegated to substandard accommodation or are excluded. Anecdotal information gathered from boarding house managers confirms this phenomenon in the LGA.

In addition to boarding houses, Marrickville has a large proportion of rental properties, with 44% of all dwellings rented, the majority being flats/units (68%). Given the large proportion of rental properties in the LGA the current rental crisis affecting Sydney impacts on Marrickville residents, particularly for low income workers seeking accommodation close to their place of work.

The Centre for Affordable Housing (Housing NSW) calculates the percentage of rental property for different income groups in an LGA. The available rental housing in the Marrickville LGA that is affordable for very low income households has declined over the last two years. In 2005, 18% of rental properties were considered affordable for very low incomes. By 2007, the percentage dropped to 14%, a decline of 4% over two years. Over the same period there has been no affordable stock available for purchase⁴.

However, there is no guarantee that low income residents are occupying these rental houses. The Australian Housing and Urban Research Institute (AHURI) have identified a 36,000 shortage of rental dwellings in Sydney for the lowest income earners. In addition AHURI research has found an “upward shift in the distribution of rental stock towards higher-rent properties and that higher-income households have displaced lower-income households from more affordable housing in the private rental market”⁵. This may result in the polarisation of low income groups, socially and geographically.

The influx of higher income groups is reflected in the changing professions of residents in the LGA. Over the last ten years there appears to be a direct correlation between the growth in professionals and managers (12%) and the decline in trade, labourers and technicians, with these occupations declining by 11%.

2 Australian Bureau of Statistics cited in Bartholomew 1999, *Counting the Homeless: Implications for policy development* Catalogue No. 2041.0, Canberra

3 Newtown Neighbourhood Centre, *Opening these doors: Boarders & Lodgers Project Report*, September, 2003

4 Housing NSW, Centre For Affordable Housing, *Local Government Housing Kit Database (2006 Census)*. +For+Housing/NSW+Local+Government+Housing+Kit/Local+Government+Housing+Kit+Database.htm)

5 Yates, Judith and Milligan, V. 2007. Australian Housing and Urban Research Institute, *Housing affordability: a 21st century problem (National Research Venture 3: Housing affordability for lower income Australians*

Through the ABS it is possible to identify the number of people in different industries earning very low, low and moderate incomes in the Marrickville LGA:

- 14% of all people employed in industries earn a very low income (earning up to 50% of median income);
- Nearly 15% of workers earn a low income (earning 50% to 80% of median income); and
- Nearly 70% of people employed in industries earn a moderate income (80% to 120% of median income)⁶.

The ability to retain very low to low income households in the Marrickville area is dependent on an available stock of affordable housing. The long term social and economic viability of the area will be affected by the loss of low income workers, particularly key workers.

Methods of fast tracking the capacity of providers to deliver low-cost rental accommodation

Community housing providers are a valuable source of affordable housing for some of the most disadvantaged people. For this reason the criteria for accessing community housing is restricted. However, within areas such as Marrickville, which has a significant proportion of residents on low to very low incomes (over 25%), there are limited affordable housing options in the private market. As noted by AHURI, there is no guarantee that the affordable housing stock in a LGA is actually housing those residents in need¹.

By expanding the current criteria for Community housing to include very low to low income workers, affordable housing could be targeted at those that are in need. An immediate way of fast tracking the provision of targeted affordable housing would be to provide funds to community housing providers to subsidise market rents for low income residents that currently fall outside the eligibility criteria for public and community housing. Community housing providers have the ability as well as the existing structural mechanism to easily expand their target group.

An issue that is not addressed in the terms of reference for this inquiry is the retention of existing stocks of affordable housing. Currently the only planning mechanism that attempts to go some way to mitigating the loss of affordable housing is the State Environmental Planning Policy No. 10 – Retention of Low cost Rental Accommodation. This SEPP requires a monetary contribution to be made when a stock of affordable housing is lost through redevelopment or renovation. However, monetary contributions do not alleviate the diminishing stock of affordable housing.

Mechanisms that provide incentives for rental property owners to retain or convert existing stocks to low cost housing are urgently required and would be a means of fast tracking the provision of affordable housing.

⁶ Australian Bureau of Statistics, 2006 Census, Community Profile.

Strategies to attract private sector investment in the provision of low cost rental accommodation

Boarding houses play a significant role in providing low cost accommodation for the homeless and low income workers. Boarding houses are privately run for-profit entities that house some of our most disadvantaged citizens. A majority of boarding house residents within the Marrickville area receive Centrelink payments, including Disability Pensions, as there are a high proportion of residents who suffer from mental illness and substance abuse. Within this residential mix are a growing proportion of very low to low income workers, such as cleaners and labourers.

Residents of boarding houses have no protection under the existing tenancy laws and receive no support services. A Law and Justice Foundation report outlines some of the issues for people living in boarding houses as: "unsanitary and dangerous conditions, arbitrary eviction; unsatisfactory lock systems and belongings being stolen; no regulation over rent or late penalties; and lack of legislative protection"⁷. There is an urgent need to provide protection, health care and support services to boarding house residents.

Marrickville Council is witnessing a disturbing loss of low cost boarding house accommodation in the area. The tight rental market has resulted in a number of renovations of boarding houses with the aim of targeting a higher income group. These renovated boarding houses are lifting tariffs to the high end of the Office of State Revenue land tax exemption threshold and therefore excluding a large proportion of very low to low income workers. For these residents the additional housing costs associated with the increased tariffs is beyond their capacity to pay.

The loss of this low cost accommodation will have adverse affects on the long term economic viability of the Marrickville area. Workers may seek employment opportunities close to where they are forced to move and it has been argued that high housing costs have affected business efficiency, in the form of difficulties of recruitment and retention⁸.

As a result, those on lower incomes may be forced to move further out from the city where there is less access to public transport and more reliance on personal motor vehicles. This creates 'locational disadvantage' for those who are then forced to live somewhere cheaper but spend more on transport to get to work. Increased use of private transport also impacts on climate change in contrast to increasing use of public transport which would lead to a reduction in non-sustainable energy use. The public transport system is currently under resourced and crowded, propelling workers to use private transport. Either way, the increased use of public/private transport will have a direct adverse economic impact on residents that are forced to move.

Financial incentives are one means of attracting and retaining private sector investors in the provision of low cost rental accommodation. The federal government has provided financial incentives to develop affordable housing; however, initiatives to retain existing stocks of affordable housing are essential. Examples of financial incentives could include:

- a) Land tax exemption for low cost accommodation. Currently the Office of State Revenue restricted exemptions for Low cost accommodation to within five kilometres

⁷ Law and Justice Foundation, *On the edge of justice* (2006), Chapter 3. Legal issues, (www.lawfoundation.net.au)

⁸ Yates, Randolph, Holloway . 2004. *Housing affordability, occupation and location in Australian cities and regions*. For the Australian Housing Urban Research Institute, Sydney Research Centre.

of the Sydney GPO⁹. LGAs surrounding the CBD are feeling the impacts of the lack of affordable housing. The expansion of the boundary for land tax exemption would provide greater attraction and retention of private investment and ensure that it is low cost rental accommodation.

- b) Expand the criteria for Housing NSW Boarding House Financial Assistance Grants. The poor condition of many low cost boarding houses can be attributed to the lack of up keep and maintenance over a number of years. Housing NSW through its Boarding House Financial Assistance grants provide for essential fire upgrades only. Council sponsored a forum for boarding house owners and managers (22 October, 2008); this highlighted the difficulties in meeting the limited criteria for these grants. Expanding the criteria for this grant to include such things as fire retardant mattresses and the health and amenity of boarding houses would assist owners to maintain properties thereby ensuring their retention as well as improving living standards for residents.

Current barriers to growth in low cost rental housing

The availability of affordable housing plays a significant role in maintaining an available workforce and preventing homelessness. There is an urgent need for a guaranteed supply of affordable housing in perpetuity. The economic and social cohesion of the area is affected by the severe shortage of affordable housing.

The NSW State Government through the Sydney Metropolitan Strategy has a clear policy direction to promote significant increases in dwelling numbers throughout the existing metropolitan area over the next 25 years. The Metropolitan Strategy also promotes the provision of affordable housing. These two aims should be mutually consistent and the State planning framework should include value capture mechanisms associated with future development to provide affordable housing.

Currently the only value capture mechanism available to local governments is through voluntary planning mechanisms. The voluntary nature of these agreements means there is no ability to ensure an adequate and consistent supply. There is an urgent need for a value capture mechanism for affordable housing arising out of the significant new high density dwellings.

The limited application of the State Environmental Planning Policy No. 70 – Affordable Housing is a fundamental issue for most councils. The inability to levy for affordable housing is currently a significant barrier to the growth of affordable housing.

Council proposes that both Federal and State governments release available Crown land to social housing providers in recognition of the inherent social and economic benefits.

Strategies to avoid concentrations of disadvantage and grow cohesive communities

Local Governments play an integral role in urban renewal and the development of sustainable communities, which have been defined as “places where people want to live and work, now and in the future. They meet the diverse needs of existing and future

⁹ Office of State Revenue, 2006. Land Tax, Other Exemptions, Low cost accommodation

residents....They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all"¹⁰. However, current State planning laws restrict the ability of local government to provide for affordable housing through local planning mechanisms, thereby reducing its capacity to develop and maintain sustainable communities that offer equality of opportunity for all. There is an urgent need for State Government planning laws that encourage a greater social mix in urban development and enable local government to facilitate economically sustainable communities.

Marrickville Council is using the few planning mechanisms at its disposal to encourage a variety of housing forms and meet current and future need. An example of this is Council's proposed development control plan relating to new boarding house developments and residential flat buildings. If approved, new boarding houses will be required to contain a proportion of self contained rooms and single rooms and a dwelling mix for residential flat buildings will be stipulated. This proposal attempts to encourage a diversity of housing stock in the private market to meet future housing needs in the LGA. However, there is no guarantee that these built forms will house those most in need of affordable housing, including key workers.

The State Environmental Planning Policy No. 70 – Affordable Housing is an existing mechanism that ensures a supply of targeted affordable housing. The expansion of this policy to all Councils would ensure an ongoing supply that enables Councils to maintain the economic and social viability of local government areas and therefore the State.

The development of a State Affordable Housing Policy would ensure a whole of government approach and provide a policy framework for local Councils in which to position their work on housing key workers and preventing homelessness.

¹⁰ United Kingdom Department of Communities and Local Government as quoted by Gurran, Nicole, 2007. *Australian Urban Land Use Planning*, Sydney University Press

Recommendations:

- Remove the limited application of SEPP 70 to include all local councils;
- Develop and implement a State Affordable Housing Strategy;
- Reform current planning laws to include a greater social mix;
- Release available Crown land to social housing providers in recognition the inherent social and economic benefits;
- Include the retention of affordable housing in the terms of reference for this inquiry;
- Expand Land Tax Exemption for low cost accommodation boundary;
- Expand the criteria for the boarding housing financial assistance grant;
- Expand eligibility criteria for Community housing to include very low to low income workers;
- Subsidise market rents for low income included in the expanded eligibility criteria for community housing; and
- Provide legislative protection, health care and support services to boarding house residents.