

**Submission
No 88**

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE
HOUSING**

Organisation: Sydney Affordable Housing

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Inquiry into social, public and affordable housing
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By

SYDNEY AFFORDABLE HOUSING

Who is Sydney Affordable Housing?

Sydney Affordable Housing is a recently formed partnership of inner Sydney residents advocating for housing affordability.

Sydney Affordable Housing is deliberately cross-partisan and aims to establish relationships across the political spectrum to further the progressive aims of the partnership. The partnership is not itself a campaign, but rather a coalition that organises campaigns and lobbies for better housing affordability in inner Sydney. This includes liaising with decision makers at the local, State and Commonwealth levels of Government.

Housing affordability is an issue faced not only across Sydney, but in communities around Australia. The solutions are the responsibility of all levels of Government and community. Reflecting the membership of the group, Sydney Affordable Housing focusses its efforts on decision makers within the City of Sydney, Leichhardt, Marrickville, Waverley, Woollahra, Randwick and Botany Local Government Areas.

By focussing on action and being outcomes oriented, Sydney Affordable Housing undertakes activities that lead to effective progressive change to the benefit of the broader community.

Introduction

Sydney Affordable Housing welcomes the opportunity to contribute to the NSW Legislative Council Inquiry into social, public and affordable housing, and thanks the Legislative Council for turning its attention to this important issue.

The situation is dire.

All evidence shows that housing is becoming less affordable. Rents are high and homeownership rates are down, especially amongst younger people. Homelessness rates are up. Housing stress is significant and growing.

Housing inequality is increasing in Australia, and is a driver of increases in inequality more generally. Housing is now a wealth generator and marker of wealth disparity.

Whilst Australian now has more housing investors, the converse is that more people are locked out of homeownership and the financial stability entailed, including generous tax advantages. If you are not in the game, you are increasingly struggling to make ends meet. Recent figures indicate the proportion of first home buyers taking out mortgages fell to 12.5 per cent¹ in September 2013 - the lowest level in 22 years (since the ABS started collecting the figures).

Political inaction is influenced by the large number of Australians that benefit from rising house prices – because they are owners and this makes them feel wealthier – even if it's really a zero sum game - if they 'cash in' and move, their purchasing power is diminished due to constantly rising housing prices.

For the one third of Australians who are renters, there are limits on where they can afford to live. For many in Sydney on median wages, buying is out of the question. For others, homelessness is a daily reality. The shortage of available rental properties has eroded tenants bargaining power to the point where they can be left at the whim of their landlord.

Social housing has been so severely rationed that even the most needy – people with mental illness, a disability, or other high risk factors of homelessness – find it hard to access safe, secure and affordable shelter. Waiting lists continue to grow in spite of State Government efforts to redefine eligibility criteria.

The housing wealth gap is growing, and is compounding the growing inequalities in wages and other income.

This brief submission outlines solutions that those will suggest what could be done to reverse this trend – if political will truly exists.

¹ ABS Housing Finance

Housing stress in Sydney

Housing markets are not contained in strict geographical areas, and policies that affect the affordability of one region will impact on affordability in nearby regions. Examples of this include both supply (planning, infrastructure investment) and demand (tax and subsidy) policies.

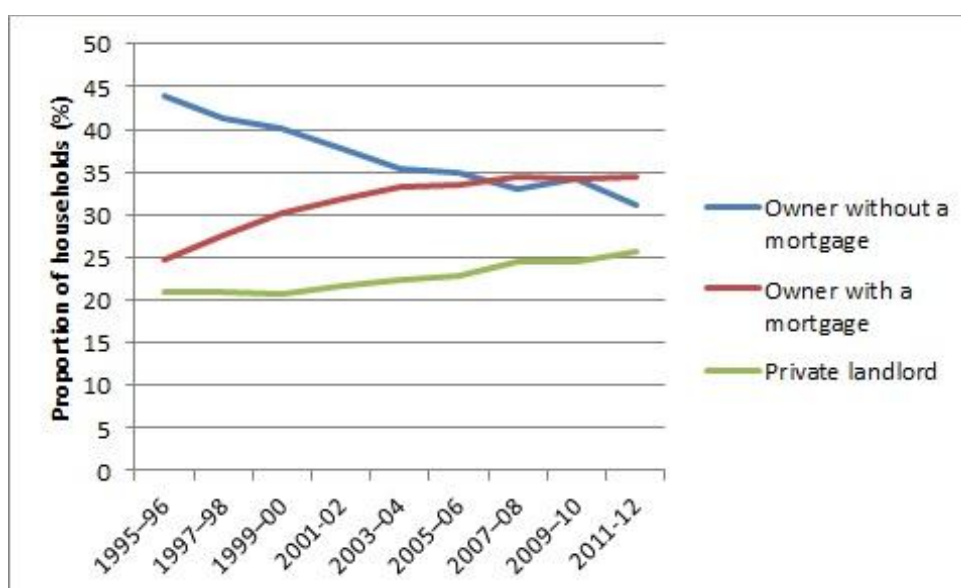
That said, the Sydney LGAs that SAH focuses on are amongst the most affected by housing stress, for a number of structural reasons. Not least of all is the high density of renters given the current status of renters in housing policy.

	Rental stress	Rentals % of all housing
City of Sydney	24.9	59.8
Randwick	18.1	44.9
Botany	15.3	37.6
Marrickville	16.4	43
Leichhardt	13.1	40.6
Waverley	18.3	46.7
Woollahra	15.5	38
NSW	11.6	30.1
Australia	10.4	29.6

Source: ABS Census 2011

As the table above shows, the rates of households that rent in inner Sydney are higher than both the NSW and Australian averages. Whilst this is partly the nature of inner urban living, underlying pressures in the housing market are inhibiting many residents from the traditional life cycle switch from renter to homeowner.

Given the reliance of Australia's retirement and old-age system on private home ownership, this has serious implications for the welfare of NSW citizens in coming decades.



Source: ABS Housing Occupancy and Costs

The current structure of the Australian housing market, which simultaneously fails to deliver enough housing stock and creates artificial demand through tax breaks and incentives, favours investors over renters by inflating rents and house prices. This leaves an increasing proportion of renters unable to save the inflated deposits required to enter the privileged class of homeowners.

Whilst it is true that average incomes are high in these LGAs, it is also true that higher incomes are not shielding renters from facing housing stress. This is especially the case for households in the lowest two income quintiles.

The 2011 census data in the table above also shows that in spite of higher average incomes, renters in inner urban Sydney are experiencing rental stress at notably higher levels than the NSW and Australian averages.

Residents on low and fixed incomes face an even starker proposition: high rents, lower incomes and stagnant supply of social housing amongst population growth. The results are a mix of community displacement, poverty or accepting unsafe, unsecure housing. None of these options should be considered acceptable.

Sydney is a major source of employment and amenity, and contains many strong communities. Sydneysiders need access to affordable housing.

What SAH wants to see done

1. Change planning laws to require affordable housing.

To achieve diversity in our suburbs, especially in high cost housing areas, planning laws need to be changed to ensure a percentage of new housing is affordable for those on low to median incomes. 'Inclusionary zoning' is a practice commonly used the UK, USA and Canada, and many other countries, to ensure social diversity. Affordable housing can be for rent or sale (with resale restrictions). This should apply to all residential multi-unit development on private and public land. Higher targets should apply to public land.

2. End negative gearing in its current form.

Negative gearing is a uniquely Australian tax rort whereby owners of rental properties can deduct all of their expenses against their personal income tax. These costs run up by property speculators are met by all taxpayers, costing at least \$5b billion a year in 2010-2011².

Negative gearing is a tax policy that fails to achieve even loosely defined policy aims. Though intended to reduce rents by increasing housing supply, 92% of investment housing is actually for existing housing stock. By increasing demand without supply, negative gearing is likely to be increasing house prices and rents.³

There is general consensus amongst economists not employed in the property industry that this practice needs to be stopped, or severely modified.

By subsidising housing investors, negative gearing is driving the drops in first home buyers.

Given the difficulty of federal tax reform, and that the impact of this policy is falling most heavily on residents of Sydney, the NSW Government has a responsibility to advocate to the Commonwealth Government for reform of negative gearing.

3. Housing assistance for buyers should only be targeted at new dwellings.

The First Home Owners Grant was available for any dwelling up to a certain price. This ensured that the First Home Owners Grant defied its title to quickly become home vendors grant as it was capitalised into the selling price.

This was incredibly dumb policy that has only now been rectified – the first homeowner's payments are now only for new housing.

There should not be any repeat of this farcical scheme. It does not help first homebuyers – what would really help them is an adequately supply of modestly priced housing that they could actually afford, in reasonable commuting distance of their workplace.

² Eslake, S. *50 years of housing failure* Speech to Henry George Commemorative Dinner 2013

³ <http://www.crikey.com.au/2013/08/26/hey-kevin-what-about-that-national-housing-crisis/>

4. Smaller, more affordable housing choices.

Why is there a shortage of units or modest terrace housing at affordable prices? City workers do not want to spend two hours getting to work. Infill sites should include affordable, modest yet well-designed dwellings that can be rented or bought by younger, inner city people. In addition, for older people who want to downsize, this kind of housing would appeal.

However, this housing needs to be affordable for ordinary first home buyers, for not only investors. Current supply of overbuilt, large apartments with Carrara marble bench tops are for those that can afford them; higher rents or longer commutes for those who cannot.

However, apartments anywhere near the city are above 500k in Sydney. Even renting a studio unit has gone above \$320 a week in some areas in Sydney. For someone working in hospitality or retail, on a net income of \$450 a week, this is the cheapest thing they can get and it's still unaffordable.⁴

Share housing for young people is still an option and we recommend it – however big, cheap houses for rent are getting scarcer as families return to inner urban suburbs and the baby boomer push to the suburbs is reversed.

5. Restructuring the rental market / Direct investment

Over the last few decades, State and Federal Governments have wound back their direct investment in housing, and this is one of the drivers of the lack of supply of affordable housing. We have no buffer housing between the voracious and expensive private market and us. The lack of supply has necessitated the high targeting of social housing to the point where many people and families at even at high risk of homelessness can spend a decade on waiting lists.

The state once ensured that affordable housing was available to low income workers. With a lack of stock, this rationing logic has led to a downward spiral in greater targeting, less rent revenue, greater deficits and pressured maintenance budgets. 'Third sector' housing should be available to those who earn up to the median income, be community controlled based, and generate cross-subsidies for households that require greater rental support.

This can be done – for example, City West in Pyrmont houses three income groups and generates a surplus. Why can't this happen with social housing? Let us make it mainstream – like the UK, Dutch and Nordic housing sectors. Community-managed housing, more co-ops where tenants manage their own housing, shared equity home buying schemes also create diversity in affordable housing options, any number of these innovations should be explored by the Committee.

Currently there are a number of tax and regulatory barriers to this occurring; SAH would like to see this inquiry explore these barriers and their solutions with the community housing sector.

One barrier is the lack of available capital to social housing providers. The NSW Government needs to address the lack of funding in the National Housing Agreement tied to new stock delivery, which could be delivered through an Affordable Housing Growth Fund.⁵ Bond schemes could provide a part

⁴ <http://housingstressed.org.au/wp-content/uploads/2013/03/AAH-Defaulting-on-the-Australian-dream-130312.pdf>

⁵ http://acoss.org.au/images/uploads/2014_15_Budget_Priorities_Statement_ACOSS.pdf see page 35

of this fund, and the NSW Government should consider structuring its own affordable housing bond scheme.