

INQUIRY INTO HOMELESSNESS AND LOW-COST RENTAL ACCOMMODATION

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27 March 2009

Our Ref: 2009/019923

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

Dear Sir/ Madam,

Submission - Inquiry into homelessness and low-cost rental accommodation

I refer to your letter inviting a submission to the Legislative Council – Standing Committee on Social Issues Inquiry into homelessness and low-cost rental accommodation. The City of Sydney Council welcomes the opportunity to provide a submission to this important inquiry.

The City recognises that it has a social, practical and legislative responsibility to address local housing needs on behalf of the community and that access to secure, appropriate and affordable housing is not only a basic requirement for all people, but also an essential component of an inclusive, dynamic and sustainable City.

The City recently launched *Sustainable Sydney 2030*. This document provides a key strategic framework for the growth and development of the City over the next two decades and identifies affordable housing as one of its central goals.

The City currently has a Draft *Affordable Rental Housing Strategy* on public exhibition. It outlines the methods in which the City will achieve the goal of 15% of all housing being affordable social or community housing by 2030. In addition, to demonstrate our commitment in a practical way, the City has commenced preliminary work on the Glebe Affordable Housing Project in partnership with Housing NSW. This project, which has an estimated value of \$260 million, aims to provide at least 200 affordable housing units.

Should you wish to speak with a Council officer about this submission, please contact Tye McMahon, Social Planning Coordinator by telephone on 9265 9333 or by email at tmcmahon@cityofsydney.nsw.gov.au.

Yours sincerely

MONICA BARONE
Chief Executive Officer

Encl.

city of villages



**Submission NSW Legislative Council Inquiry into
homelessness and low-cost rental housing**

March 2009

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Attached: City of Sydney Draft Affordable Rental Housing Strategy 2009 - 2014

Introduction

This submission has been prepared by the City of Sydney Council in response to the NSW Legislative Council Social Issues Committee Inquiry into homelessness and low cost rental accommodation.

Firstly, the submission addresses the issues associated with affordable housing, key worker accommodation and homelessness as they relate to the City of Sydney and provides information on measures the City is currently undertaking to address these issues.

Secondly, the submission provides specific responses to the terms of reference of the Inquiry;

A: Models of low cost rental housing outside of mainstream public housing, including but not limited to co-operative housing and community housing;

B: Methods of fast tracking the capacity of providers to deliver low cost rental accommodation in a short time frame;

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

D: Current barriers to growth in low cost rental housing; and

E: Strategies to avoid concentrations of disadvantage and grow cohesive communities.

Finally, the submission draws some conclusions about the directions which should be pursued by the NSW State Government in relation to addressing issues associated with affordable housing and low-cost rental accommodation.

Executive Summary

Affordable housing, key workers and homelessness in the City of Sydney

A range of underlying factors have contributed to the decline in the affordability of housing in the City of Sydney local government area (LGA). In particular, the very high demand for housing and the cost of land has pushed up the cost of housing in the City at a rate which has not been matched by increases in wages.

The cost of inner city housing has become so great that low-paid workers who are employed in key service industries such as nursing, teaching and manufacturing are no longer able to live close to their place of employment. As a result they are now taking part in daily long distance commutes to the outer and more affordable suburbs of Metropolitan Sydney in order to obtain housing that is affordable. This is commonly referred to as the "key worker" problem.

In the 2001 census, 26,676 people were counted as being homeless in NSW. Of this, approximately 4,680 were within the City, Marrickville, Botany Bay and Leichhardt LGAs. So while these areas held only 7% of metropolitan Sydney's population, in combination they held over 30% of its homeless people.¹

The City of Sydney conducted a Street Count of rough sleepers on 17 February 2009. This count found 340 people sleeping rough across the LGA. This figure does not reflect the large number of other people who are sleeping on friend / family couches, in cars or in refuges.

Increasingly, new members of the population are finding themselves homeless. Anecdotal data from the City's state-wide Homeless Person's Information Centre (HPIC) indicates that an increasing number of families are accessing crisis accommodation services. The HPIC data also indicates that being unable to pay the rent or mortgage has outstripped family breakdown and substance abuse as the main reason for homelessness. This suggests a clear link between homelessness and housing affordability in Sydney.

The City of Sydney's commitment to addressing Housing Affordability

The City is committed to addressing housing affordability and homelessness for residents and has implemented a number of strategies and projects including:

Sustainable Sydney 2030: Social and housing diversity is thus a key goal of Sustainable Sydney 2030 which aims to ensure that 15% of the City's housing stock in 2030 is provided in the form of social housing through government and community providers and affordable housing delivered by not-for-profit or other service providers.

Glebe Affordable Housing Project: This \$260 million joint project with Housing NSW aims to build at least 200 affordable housing units, to address the city's affordable housing shortage and to serve as a demonstration project for government and private sector cooperation.

¹ City of Sydney 2007, *Homelessness Strategy 2007-2012*

Draft City of Sydney Affordable Rental Housing Strategy 2009 – 2014: provides an important strategic framework for the work of the City in relation to the provision of affordable rental housing.

Homelessness Strategy 2007-2012: through service provision, project and policy development, sector development, research and advocacy, the City sets realistic targets, measures service and project outcomes with an aim to end chronic homelessness within the inner city by 2017.

Homelessness Initiatives: the City is a leader in local government in addressing homelessness and has the only dedicated homelessness unit in local government in Australia. The City delivers a number of services that reduce homelessness including the Homeless Persons Information Centre (HPIC), the Inner City Homelessness Outreach and Support Service (I-CHOSS), the Homelessness Brokerage Service, the Complex Needs Coordination Project and the bi-annual homeless Street Count. More recently, the City has become a key stakeholder in Common Ground NSW.

These projects are addressed in detail in the body of this submission.

A: Models of low cost rental housing outside of mainstream public housing, including but not limited to co-operative housing and community housing

There are a number of exciting and innovative models for the provision of low cost housing that are currently operating, in Australia and internationally, to increase the amount of social and affordable housing available for very low to moderate income earners.

In the City of Sydney, an outstanding example can be observed in the City West Housing model that operates in Green Square and in Ultimo / Pyrmont. Another program in operation within the City's boundaries is the *Redfern / Waterloo Affordable Housing Program* that operates under the guidance of the Redfern Waterloo Authority (RWA).

At the time of writing this submission it is evident that the NSW Government should investigate current operational constraints which limit the capacity of the City West Housing Corporation from operating in other locations within the City of Sydney LGA.

There are other models operating within the Sydney Metropolitan Region, including Waverley, Canada Bay and Willoughby. Interstate and internationally there are also a number of high quality operational models in place in other locations including Brisbane, London and Vancouver.

There are also a number of best practice models operating both locally and internationally in relation to addressing the housing needs of homeless people which should be investigated by the committee. They include:

- Common Ground;
- Managed Alcohol Administration Programs;
- Housing and Accommodation Support Initiative;
- Housing First; and
- Integrated Services Program for people with challenging behaviours.

These projects are addressed in detail in the body of this submission.

B: Methods of fast tracking the capacity of providers to deliver low cost rental accommodation in a short time frame

Whilst affordable housing is a priority for the City, there is also recognition of the number of social and amenity impacts associated with social housing projects. The City does not endorse 'fast-tracking' measures that result in the reduction of environmental impact assessment, or a reduction in the consultation process with local communities, which are currently required in the development consent process.

The City does work in a number of ways, however, to streamline the development process, which enables social housing providers to deliver low cost rental housing efficiently.

The provision of affordable housing is addressed at the early stages of the preparation of planning instruments and policies. This strategic approach enables any potential impacts of social and affordable housing developments to be recognised early, and thus minimised and mitigated.

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

The primary policy imperative for governments that are aiming to attract professional and institutional investors into the affordable rental housing sector is to bridge the gap between the rates of return those investors require and the returns that currently exist in the market. There are three key ways in which this can be achieved:

- Raising net returns;
- Lower risks to investors; or
- A combination of raising net returns and lowering risks to investors

The primary tool available to local government in relation to attracting private sector investment in the provision of low cost rental accommodation is through the application of planning controls. Whilst locally private sector investment in low cost rental accommodation is limited, internationally there are a number of examples of government and the private sector working collaboratively to deliver housing outcomes including the United States, United Kingdom and France. These projects are addressed in detail in the body of this submission.

D: Current barriers to growth in low cost rental housing

The primary barrier to increasing the amount of low cost accommodation is a lack of adequate funding for affordable housing and social housing projects.

Developer contributions and bonus systems (facilitated by planning agreements) are two potential tools which might ensure a sufficient stock of affordable housing is provided into the future.

To date, the NSW Government has provided little guidance in relation to appropriate planning controls to facilitate affordable housing. Where planning instruments are unable to require contribution towards the provision of affordable housing, local government has few options to increase the amount of low cost accommodation.

The NSW Government should introduce enabling legislation for affordable housing levies based on identified need in individual local government areas.

In the absence of enabling legislation for affordable housing levies, the NSW State Government should introduce alternate planning mechanisms to capture affordable housing where there is increased development potential.

Whilst the focus of this Inquiry is the development of new affordable housing stock, emphasis should also be placed on the retention of existing low cost rental housing. The NSW Government is currently reviewing SEPP 10 in consultation with local government. The review should incorporate significant changes in relation to median rent calculation, social planning considerations and assessment advice for planners, to ensure the protection of low-cost housing.

E: Strategies to avoid concentrations of disadvantage and grow cohesive communities

Local communities can develop enclaves of advantage and disadvantage resulting in social and geographic segregation in and between suburbs. This spatial polarization between communities can undermine social cohesion and may lead to community breakdown, loss of connectedness and a potential increase in anti-social behaviour. In order to avoid concentrations of disadvantage and grow cohesive communities the government should:

- Ensure that local planning considerations and community expectations are taken into account in relation to the location of new boarding houses and should encourage the development of boarding houses that are in close proximity to employment, transport, health and social services;
- Encourage the development of affordable housing projects which foster the development of a social mix that reflects the composition of the wider community and encourages universal housing design principles;
- Provide resources and funding for the provision of community development programs in affordable housing projects to support the development of resilient and sustainable communities;
- Include provisions for housing security for tenants in affordable housing projects that encourage tenants to participate in the community in order to help develop sustainable and cohesive communities; and
- Ensure that urban renewal and gentrification projects adequately consider the housing needs and established community connections of existing homeless people and residents of low cost rental housing.

Conclusion

There is no 'silver bullet' or quick fix in relation to addressing homelessness and providing low cost rental accommodation. Whilst the demand for affordable housing and a solution to homelessness is overwhelming, any policy which seeks to address these challenges must also take into account the social, environmental and economic issues associated with the fast tracking of supply to ensure that the community at large does not suffer as result. The NSW Government should therefore seek to work collaboratively with local government and with communities across the state to

achieve the right planning balance. Further, the supply of new housing stock should be supported by an investment in the social fabric which surrounds housing to facilitate the development of cohesive, resilient and sustainable communities.

1. Affordable Housing, key workers and homelessness in the City of Sydney

1.1 Affordable Housing

Despite a generally favourable period of economic growth, housing affordability, for both renters and purchasers in NSW, has substantially declined. In the 1970's, the cost of an average home was equal to three times the annual average household income, but today the average home costs approximately seven times the annual average household income indicating that, over time, housing prices have increased at a faster rate than incomes.²

A range of underlying factors have contributed to the decline in the affordability of housing in Sydney LGA. In particular, very high demand for housing has pushed up the cost of housing in the City. Demand for housing has increased in the City due to a number of factors including:

- increased appeal of the City as a place of residence;
- increasing income (though incomes are not rising at a corresponding rate to housing prices);
- increased appeal of housing as an investment due to capital gains tax exemptions on owner occupied housing;
- increased investment activity, partly facilitated by negative gearing taxation policy;
- the ease with which people may gain access to credit; and
- a long period of low interest rates which has encouraged borrowing and increased competition for housing stock.

Demographic trends have also added to decreasing affordability. An ageing population; an increase in single person households; later marriages; delayed parenting years; and an increase in single-parent households have all contributed to the trend for smaller households, ultimately driving demand for housing upwards.

As the cost of housing has increased, wages have failed to increase at a comparable rate. The result has been that home purchase in the City of Sydney is now beyond the capacity of many households. Likewise, rent increase in suburbs close to the City has pushed many people out of areas which were previously affordable and accessible.

Whilst issues related to housing affordability have important national implications, by its very nature, housing also has significant local spatial implications which broaden the consequences.

It is notable that the tenure-mix in the City residents is broadly the reverse of the rest of the metropolitan area of Sydney. Only about one-third of City of Sydney residents own or are paying off their own home and some two-thirds rent their accommodation. This is the highest percentage of renters in Australia for a local government area. About one-in-eight are public housing tenants, which leaves approximately half the City of Sydney residents living in private rental accommodation. The increasing

² Parliament of NSW. *Interest Rates and Housing Affordability*

majority of this accommodation is in high-rise apartments in densely urban neighbourhoods.

Because of its centrality and accessibility, the inner-City is also the location of the majority of boarding houses in the metropolitan area. These provide an important form of low-cost accommodation to many people on low-income or in more transient occupations or lifestyles. Despite the loss of approximately half of this boarding house stock in the last decade, there are still approximately 300 boarding houses remaining in the City of Sydney. However, many of these remain under threat from continued redevelopment for both commercial and residential apartment purposes.

People who access boarding house accommodation tend to find it difficult to secure other forms of accommodation. Thus, boarding houses provide housing for the City's most vulnerable members of the community; "Many of them are unemployed, elderly; or suffering from a mental illness or disability; many are living on an extremely low income, with a high rate of dependence on pensions and benefits."³

With few legal protections, boarding house residents may be evicted from their premises with little or no notice⁴. Operating outside of the *Residential Tenancies Act 1987*, boarding house accommodation agreements offer little legal protection to their vulnerable tenants.

Socially, therefore, the City is increasingly acting as the attractor of both the higher and lowest ends of the income spectrum with a diversity of people with differing cultures, backgrounds and aspirations. Economically, though, those at the lowest end of the spectrum are facing significantly increasing housing affordability pressures.

The proportion of low and moderate income earners renting and in housing stress in the City at the 2006 census was 67%, compared with 56% on average across the metropolitan area.

An analysis conducted by the Australian Financial Review in June 2007 found that six of the ten suburbs with the highest incidence of housing stress in the Sydney metropolitan area are within the City of Sydney LGA (AFR: 29 June 2007, *Housing Stress Hits Home Countrywide*)

All up, there is estimated to be well over 6,000 people in the current City of Sydney Council area in receipt of Commonwealth Rent Assistance and in housing stress. Housing stress is commonly referred to as households who are paying more than 30% of their income on rental or mortgage payments.

1.2 The key worker issue

The cost of inner city housing has become so great that low-paid workers who are employed in key service industries such as nursing, teaching and manufacturing are no longer able to live close to their place of employment. As a result they are now taking part in daily long distance commutes to the outer and more affordable suburbs of Metropolitan Sydney in order to obtain housing that is affordable. This is commonly referred to as the "key worker" problem.

³ Lye, J. (2000) *The Olympics. Where have all the boarding houses gone?* Alternative Law Journal, 10.

⁴ Ibid.

Inner-city employers link their retention and turnover difficulties to the relationship between housing costs and daily commuting. If such longer-distant commutes are continued then this has deleterious effects on the City's level of greenhouse gas emissions, as well as social and economic aspects related to child-bearing and future labour supply.

More detailed research by Judith Yates on changes in residential and employment locations of low- and moderate-income households in Sydney between 1999 and 2001 confirms this 'out-migration' of low-paid workers: "The inability of employers to recruit and retain key or essential workers is likely to be part of a much broader and potentially much more insidious process. Vibrant cities need hospitality workers; they need cleaners, they need workers who work at all times of the day or night".

Analysis of the income of residents in the City of Sydney over the last decade shows a significant loss in low-income workers, including those engaged in critical child care, cleaning, maintenance and community service sectors as residents of the City.

Other research has suggested that central Melbourne is becoming divorced from the rest of the city, so the problem is not confined to Sydney. There are also overseas parallels in London and US cities. Ultimately, this lack of local housing affordability can become a global competitiveness issue jeopardising the ability of Sydney to maintain its place as the centre of production and innovation in international markets.

Whilst recent economic growth has had many benefits for Sydney including enhanced creativity, activity, economic growth and employment for residents and workers on low incomes there have also been economically-induced down-sides for lower-income residents being forced to re-locate to more affordable, though less accessible, areas and increased housing stress on those remaining, which in turn can have deleterious effects on other expenditure. The result can be an unsustainable position of increasing lack of diversity, labour shortage in certain occupations and a degradation of social capital, which can manifest itself in social exclusion.

This can threaten the economic competitiveness and growth which has given rise to the process. In the case of the capital cities it can have important national economic consequences. In the case of Sydney, metropolitan-wide over a quarter of Australia's GDP is generated here, and within the City of Sydney alone, approximately 9 per cent of the nation's annual economic wealth is sourced.

Similarly, the creative workers who are so significant in generating innovation and productivity are also most vulnerable to affordability pressures and may be forced out of the inner-city, especially creative clusters which generate the productivity premium which makes the major cities so crucial to national economic growth.

1.3 Homelessness

Homelessness is an issue that disproportionately affects large cities. The inner city attracts people who are homeless for a range of reasons, some of which may include the relatively high number of homeless and accommodation services based in the City and the sense of 'anonymity' that the City may offer. In the 2001 census, 26,676 people were counted as being homeless in NSW. Of this, approximately 4,680 were within the City, Marrickville, Botany Bay and Leichhardt LGAs. So while these areas

held only 7% of metropolitan Sydney's population, in combination they held over 30% of its homeless people.⁵

The City has recently undertaken two Homelessness Street Counts to estimate the number of people sleeping rough in the City's public spaces. The August 2008 count identified 354 rough sleepers with a further 512 in hospital and crisis accommodation beds. The February 2009 count identified 340 rough sleepers with a further 451 in hospital and crisis accommodation beds.

In 2003, according to the City's Homeless Person's Information Centre (HPIC) data, there were a total of 557 Supported Accommodation Assistance Program (SAAP) adult crisis accommodation beds for adults available within the City of Sydney LGA. In 2008 the number of beds has decreased to 485 SAAP adult beds. These figures include hostel beds for homeless single men and women and homeless families and do not include youth beds.

The decrease in numbers of government-funded beds reflects a change in focus of SAAP funded agencies toward more intensive support services for clients. This change in focus has meant that some services have had to reduce the number of beds in their service to fund improvements in the way that they provide their services.

HPIC statistics indicate that fewer people were referred into government funded SAAP accommodation services in the period between 2006 and 2008. In 2006, 32% of people requesting assistance to find accommodation were referred to SAAP accommodation. In 2008 this decreased to 22% of all calls for assistance to find accommodation.

The lack of government funded, supported accommodation beds, shrinking numbers of boarding house beds, long waiting lists for public housing, low numbers of vacancies in the private rental market and increasing evidence of people at risk of losing their homes as a result of increasing stressors in the housing sector all point to an emerging crisis that must be thoroughly analysed and urgently addressed by all layers of government.

2. The City of Sydney's commitment to addressing Housing Affordability

The City is committed to addressing issues of housing affordability and homelessness in partnership with other levels of government, to ensure the capacity of a wide range of residents including key workers, low income earners and homeless people to find and sustain appropriate accommodation options within the City boundaries. In order to achieve this goal, the City has been proactive in the implementation of a range of policies and projects.

2.1 Sustainable Sydney 2030

The City has developed a strategy designed to guide sustainable development in the City to the year 2030 and beyond called Sustainable Sydney 2030.

During the extensive community consultation that was undertaken as part of the development of Sustainable Sydney 2030, the community told Council that they would like to see the City as affordable, inclusive and accessible to all residents. Therefore, relative equality has emerged as a key principle in the strategy. Affordable housing is a means of providing for increased relative equality in the City.

⁵ City of Sydney 2007, *Homelessness Strategy 2007-2012*

Social and housing diversity is a key goal of Sustainable Sydney 2030. Diversity is essential for the social and economic vitality of inner Sydney. Specifically, this means that a range of housing opportunities will be provided in terms of housing types, prices and rents and this will include affordable housing.

The Sustainable Sydney 2030 strategy sets ambitious targets which aim to redress the current trends and ensure that 15% of the City's housing stock in 2030 is provided in the form of social housing through government and community providers and affordable housing delivered by not-for-profit or other providers.

Whilst Sustainable Sydney 2030 specifies a set of objectives and policies to achieve this target, it has proposed a demonstration project to show how governments working together can achieve affordable housing objectives.

2.2 Glebe Project

On 29 April 2008, the City of Sydney and the New South Wales State Government signed a Memorandum of Understanding to investigate the development of an affordable housing project on a 3.6 hectare site in Glebe-Ultimo, currently owned in separate parcels by both levels of government.

This \$260 million project aims to build at least 700 new housing units, of which at least 200 will be affordable, aimed to both address the city's affordable housing shortage and as a demonstration project.

The first stage of the project is to engage urban design experts to undertake a joint master planning process which will:

- Review existing planning controls
- Identify site uses, public domain uses, building heights and density;
- Undertake a commercial assessment for the site redevelopment including funding models and partnerships; and
- Implement a comprehensive community consultation plan.

To quote the Lord Mayor, Clover Moore MP: "We are aiming to develop new models of affordable housing which can be replicated around Australia. We want to ensure a healthy mix of accommodation types, not a segregated city with an increasing gulf between the haves and the have-nots".

2.3 Draft Affordable Rental Housing Strategy

Whilst Sustainable Sydney 2030 outlines the strategic directions and broad actions to achieve specific housing objectives, in February 2009 Council endorsed the public exhibition of the *Draft City of Sydney Affordable Rental Housing Strategy* (Attachment A) with specific actions aimed at achieving affordability targets.

This draft strategy was developed following consultation with organisations operating in the housing industry including both the private development and not-for-profit sector. This strategy provides an important strategic framework for affordable rental housing and has several key objectives including:

- Increase the amount of affordable housing available in the City of Sydney to households with very low, low and moderate incomes through the provision/ facilitation of 2309 affordable housing dwellings by 2030.

- Protect the existing stock of low cost rental accommodation in the City of Sydney.
- Encourage a diverse range of housing in the City of Sydney.
- Collaborate with other inner Sydney councils to address affordable housing as a regional issue.
- Advocate the protection and facilitation of affordable housing to other levels of government and to the community.

3. City of Sydney's commitment to address homelessness

The City's Homelessness Strategy 2007 - 2012 outlines goals and objectives in relation to service provision, project and policy development, sector development, research and advocacy sets realistic targets that aim to end chronic homelessness within the inner city by 2017.

For 25 years the City has had a strong commitment to addressing the complex needs of homeless people living in the City of Sydney. Since 1983 the City has operated the **Homeless Persons Information Centre (HPIC)**. HPIC is the telephone information and referral service that refers those in the community who are homeless, or at risk of homelessness, to the services that may assist them. It provides professional assessments and referrals for clients seeking accommodation and support services within NSW. In 2008 HPIC responded to over 59,885 calls from individuals and government and community agencies. This was an increase of 17% from the 50,852 calls received in 2007. HPIC is in constant communication with other services ensuring up to date information on service requirements and availability in NSW.

HPIC can make referrals for individuals, couples and family groups over 18 years of age. HPIC referral officers prefer to speak to the client directly which allows clients to express their own needs and experiences, and allows HPIC to gain the individual's permission to disclose personal details in making a referral to other services.

In partnership with Housing NSW and the NSW Department of Community Services, the City provides funding to Mission Australia and the Haymarket Foundation to operate the **Inner City Homelessness Outreach and Support Service (I-CHOSS)**.

The I-CHOSS service model has three components:

- The outreach team provides services to clients who are homeless in the inner city, with a focus on 'rough sleepers'. Services provided include assessment of a client's need, basic health care, counselling and advice, transport, and referral and advocacy to access appropriate support agencies. Outreach workers engage with people on the streets in order to build relationships that will assist homeless people in the long term.
- The 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 client's needs, identification of sustainable accommodation options, support to maintain these accommodation options and referral and advocacy to access appropriate support agencies.
- The specialist team provides medical and drug and alcohol services through the Haymarket Foundation, individual sessional counselling and

therapeutic and group programs. Counselling and group programs may be provided by a range of locations and agencies.

The City also supports the **Homelessness Brokerage Service**. The City of Sydney Homeless Brokerage Program assists people who are homeless secure long term accommodation and, where necessary, offers support services to enable them to live independently. To achieve this goal the service provides short term accommodation, food, transport and other support to people who are homeless and do not require supervised accommodation. This service is provided by the YWCA of Sydney under contract to the City of Sydney. It assists clients from across metropolitan Sydney, with a focus on the central Sydney area. It is jointly funded by the City and the NSW Department of Housing.

Brokers assess the needs of the client in a face to face interview and negotiate an assistance package with the client. If eligible, clients may receive free accommodation and support services for up to 14 days in one year. This service currently assists up to 160 people a month.

The City has recently commenced work on an innovative model of service delivery for chronically homeless people in the City of Sydney called the **Complex Needs Coordination Project (CNCP)**. This project is being facilitated by the City in partnership with DoCS and is supported by the participation of a range of government and non-government agencies. The project aims to reduce the number of people who are chronically homeless throughout inner Sydney, by providing intensive assistance to a prioritised group of chronically homeless people who have complex needs. It also seeks to establish a best practice framework for coordinated service delivery to the chronically homeless, based on flexible and collaborative service responses. The project has two main streams:

- **Care Coordination:** holistic assessment and advice is provided toward the coordinated care of people with complex needs by a panel of experts from the areas of mental health, drug and alcohol, dual diagnosis, disability, primary health and complex needs case management.
- **Housing First:** Housing NSW has allocated 30 tenancies to the project for the referral of the long term homeless into independent, long term accommodation with support attached for the purpose of sustaining those tenancies.

Specific responses to inquiry terms of reference

4. A: Models of low cost rental housing outside of mainstream public housing, including but not limited to co-operative housing and community housing.

There are currently a number of low cost rental housing models operating in the City of Sydney which the City believes has achieved positive outcomes in relation to the provision of affordable housing for the community.

City of Sydney LGA

4.1 City West Housing Pty Ltd

City West Housing (CWH) was established in 1994 as a not-for-profit housing company to develop and manage affordable housing in the Ultimo-Pyrmont redevelopment area. Its shareholders include the NSW Minister for Housing and the NSW Treasurer (the only ordinary shareholders) and the City of Sydney (one of eleven preferential shareholders). In 1998, CWH area of operation was extended to cover the Green Square redevelopment area.

Funding of CWH has been provided from four main sources:

- an initial capital injection of \$50 million by the Commonwealth Government to enable initial development of properties;
- the State Government contributes 4% of the proceeds of the sale of government land in the redevelopment areas to CWH;
- development contributions are collected for all non-exempted developments within the redevelopment areas; and
- rental stream of built units.

CWH does not receive ongoing funding from government sources so must maintain self sufficiency. The tenant mix within the units is made up of approximately:

- 26 per cent on very low incomes - Very low income earners earn no more than \$28,000. Rent collected from very low income earners is 25 per cent of weekly income;
- 44 per cent on low incomes - Low income earners earn between \$28,000 and \$45,000. Rent collected from low income earners is 27.5 per cent of weekly income; and
- 30 per cent on moderate incomes – Moderate income earners earn between \$45,000 and \$77,000. Rent collected from moderate income earners is 30 per cent of weekly income.

Maintaining the tenant mix within the units is critical for:

- ensuring financial targets are met through a healthy rental income stream. Rent revenue is expected to cover all long term management costs of units; and

- maintaining a diverse socio-economic mix.

While CWH has comprehensive reporting requirements to ensure that assets are used for their intended purposes, once the business plan is approved, CWH operates in the same manner as any other private company.⁶

At the time of writing this submission it is evident that the NSW Government should investigate current operational constraints which limit the capacity of the City West Housing Corporation from operating in other locations within the City of Sydney LGA.

City West Affordable Housing Program – Ultimo/Pymont

The City West Affordable Housing Program was established by the NSW Government in 1994 with the aim of ensuring that the Ultimo-Pymont redevelopment area retained a socially diverse population representative of all income groups. Its objective is to deliver up to 600 units of affordable rental housing in Ultimo-Pymont within 30 years of the programs inception. *Sydney Regional Environmental Plan No. 26 – City West* (the REP) established the planning, funding and administrative arrangements for the program's implementation. The REP provisions have since been incorporated into *Sydney Local Environmental Plan 2005*. They include an inclusionary zoning mechanism whereby new development in Ultimo-Pymont must provide an affordable housing contribution either in the form of dwelling unit/s or monetary contributions. Almost all developers have chosen to provide a financial contribution. To date, the program has provided 446 units housing over 930 people in Ultimo-Pymont.

Green Square Affordable Housing Program

The implementation of Green Square Affordable Housing Program is facilitated by the *South Sydney Local Environmental Plan 1998* and the *Green Square Affordable Housing Development Control Plan 2002*. The aim of the program is to facilitate the development of affordable rental housing in the Green Square redevelopment through the use of an inclusionary zoning mechanism. Residential development that occurs in Green Square must provide an affordable housing contribution equal to 3% of total floor space. Non-residential development must provide a contribution equal to 1% of total floor space. The contribution can take the form of dwelling units or an equivalent financial contribution. To date, all developers have chosen to provide a financial contribution. City West Housing, the organisation responsible for the development and management of units, estimates in its 2008 business plan that 220 units will be provided in Green Square. So far the program has delivered 45 units housing 90 people.⁷

4.2 Redfern-Waterloo Affordable Housing Program

The *Redfern-Waterloo Built Environment Plan (Stage One)* provides for an additional 600,000m² of floor space to be generated from the redevelopment of the Redfern-Waterloo Operational Area. The revitalisation of the area is likely to produce upward pressures on property values placing pressures on rental prices and purchasing prices.

The Redfern-Waterloo Authority (RWA) has prepared the *Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006*. The Plan was endorsed by the Minister

⁶ Perkins, R., *Overview of City West Housing Pty Ltd*

⁷ Perkins, R., *Overview of City West Housing Pty Ltd*

in May 2007 and enables the Minister for Planning, when granting consent to development within the area to impose a condition requiring the payment of an affordable housing contribution. The Plan requires a contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of total gross floor area. Based on the estimated development potential in the area, it is estimated that approximately 7,500m² of affordable housing or 75 deliverable units will be provided.⁸ Contributions to the value of \$16m are earmarked specifically for the provision of affordable housing for Aboriginal residents of the area.

In addition, voluntary contributions have been collected on the Carlton United Brewery site (which is outside the Redfern Waterloo Operational Area) to the value of \$32 million. Contributions will be used by RWA within the Redfern and Waterloo areas to develop affordable housing.

4.3 Initiatives of other Sydney councils

Councils in the Sydney Metropolitan Area have also implemented initiatives aimed at providing affordable housing options for residents.

Waverley Council

Waverley Council offers a floor space ratio (FSR) incentive to developers who agree to include affordable housing as part of their development. The bonus is calculated using an Affordable Housing Calculator developed by the Council. Included in the calculation is land value, market value, permissible FSR and bonus FSR. Once built, ownership of the units is transferred to the council who engages a community housing manager to ensure that units are let at an affordable rate. The program has yielded 33 units of affordable housing since the program's implementation in 1999.

Canada Bay Council

As large chunks of the Canada Bay LGA have been developed for residential purposes, there was broad concern that key workers, particularly those employed at Concord Hospital, would no longer be able to live in the area.

Canada Bay Council has had some success in entering into planning agreements with developers to ensure that there is affordable housing provided for key workers. In North Strathfield, a developer had purchased land and lodged a DA for 237 units to be built on the site. The developer approached the Council to enter into a voluntary planning agreement in order to add a further 76 units on the site by going beyond the existing built form limits. The final agreement saw the ownership of 15 units being transferred to the Council. In turn the Council has contracted the management of the units to Concord Hospital.

Willoughby Council

Willoughby Council has partnered with Community Housing Limited (CHL) and the Association to Resource Affordable Housing (ARCH) to undertake a debt equity project for the provision of 28 affordable housing units. The land has been provided by Willoughby Council and development capital is to be provided by the NSW Government, CHL and private financing. Two buildings will be built on the land; the first building will contain 11 units and will be sold to finance the second building

⁸ Redfern-Waterloo Authority, *Affordable Housing Contributions Plan 2006*

containing 28 units for very low to moderate income earners. Nine units will be held in ownership by Willoughby Council and will be managed by CHL. The remaining 19 units will be in ownership of CHL. Rental payments will be used to service debt and provide ongoing management of the units.

Willoughby Council is also one of two Councils (the other being the City of Sydney) identified on a State Environmental Planning Policy (SEPP) as a local government area that is in need of affordable housing and is able to require developers contribute to the provision of affordable housing. The provisions in the SEPP and in Willoughby Local Environmental Plan (LEP) allow a 4% levy on development within a Willoughby Local Housing Precinct.

Before resolving to rezone land, Council is to consider the requirement for affordable housing on the subject land and may determine it to be a Willoughby Local Housing Precinct site. This means, 4% of the total floor space to which the development application relates, must be utilised exclusively for the purpose of providing Willoughby Local Housing.

Willoughby Local Housing is to be rented to residents of the City of Willoughby who are from special needs housing groups and who are very low to moderate income households.

4.4 Interstate and overseas initiatives

The City supports the work of interstate and overseas affordable housing initiatives, though it should be understood they operate in quite different circumstances (e.g. governance arrangements, fiscal policies, legal systems) to those experienced by local government in NSW.

Brisbane City Council

Brisbane City Council's (BCC) affordable housing project aims to increase the supply of affordable housing in Brisbane that is managed by non-profit organisations and to encourage the development and financing of affordable housing by the private sector. Various initiatives have been introduced by the Council to meet these ends. Examples include:

- renting of surplus Council properties to various not-for-profit housing organisations to be utilised as crisis, transitional and affordable housing;
- a comprehensive review of planning controls to ensure that affordable housing is supported by them; and
- The Council is currently in the process of designing a financial incentives package to encourage the provision of affordable housing. The package will potentially include relief from:
 - DA fees;
 - pre-lodgement fees;
 - ongoing rates;
 - infrastructure charges; and
 - sewerage pedestal charges.

Moreover, BCC encourages the development and financing of affordable housing by the private sector. Examples include:

- Allowing a greater plot ratio (ratio of Gross Floor Area to site area) in certain parcels of land i.e. those along arterial roads or close to substantial public transport. The Council will allow for the plot ratio to be increased from 0.6 to 1 in developments including affordable housing i.e. where the plot ratio would have previously only allowed for 6 units, 10 units can now be built. The extra units that result from the increased ratio are subject to a covenant and management plan requiring that the developer only rents them to people within a specified income bracket for a rent specified by the Queensland Department of Housing (QDoH);
- The Council will reduce the car space minimum in developments where affordable housing will be provided. Extra space may be utilised for extra floor space; and
- In conjunction with Australian Affordable Housing Association (AAHA), a commercial interest with a charitable institution status, BCC will approve a DA with a covenant and plan of management as described above. While the Council does not typically allow for subdivision prior to project completion, in this case, BCC will approve a subdivision, thereby allowing for off the plan purchase by investors, thus creating an income stream for the project. It is important to note that it is *investors* who purchase these units; the actual units themselves are subject to the covenant and plan of management and thus must be rented to specified income groups. Moreover, the QDoH requires that these units are rented for no more than 75% of market value. The loss in rent to AAHA is to some extent offset by the Commonwealth Government who refund the GST at the completion of the project, given that the project is classified as a charitable interest. AAHA also offer limited social support services for the tenants of the development as well as a savings account arrangement where tenants may save to purchase their unit.

Brisbane Housing Company Ltd.

In 2002, BCC entered a joint initiative with the Queensland Department of Housing to develop boarding houses, supported housing and affordable housing in Brisbane's inner city for people with low-income. In 2002 the Brisbane Housing Company Limited (BHC) was formed as a not-for-profit company with an initial investment of \$50 million from the Queensland Government and \$10 million land and cash investment over four years from the BCC.⁹ Shareholders consist of the initial investors and a range of community shareholders. The Council raised funds through the sale of land and by encouraging voluntary contributions from developers.

As is the case with CWH in Sydney, ultimate responsibility for the project rests with BHC Board of Directors. A further similarity is that BHC was established on the basis that it was to be self sustaining from the rent revenue collected. Rent revenue is to fund the ongoing maintenance and management of the housing and excess funds generated will eventually be utilised for expansion.

To date BHC has properties spread out over numerous suburbs, each containing a mixture of studio, 1, 2 and 3 bedroom apartments and boarding house rooms. At the end of the 2005/2006 financial year BHC had 372 occupied units, 208 units under construction and 221 units in the advanced stages of design.¹⁰ Following an

⁹ Phibbs, Milligan, Fagan and Gurran, 2004 *A practical framework for expanding affordable housing services in Australia: learning from experience.*

¹⁰ Brisbane Housing Company 2007 Website

independent evaluation undertaken by KPMG released in June 2006, the BHC model was found to be economically sustainable and performing very well.¹¹

London, UK

The Greater London Area (GLA) has a population of close to 8 million people. The demand for council housing is high and priority is given to those in most need. The city has set a new goal that 50% of all new housing should be affordable housing. Much of this is to be delivered through planning instruments that require in-kind contribution to affordable housing in new developments. As at 2008, up to 20,000 units per annum are provided via the planning system.

There are 33 London councils, referred to as boroughs in the GLA. The London boroughs are primarily responsible for housing issues within London and own and maintain more than half a million houses and flats - one in six of the total number of homes in London. Each London borough is also required to prepare a Unitary Development Plan (UDP), a document similar to the LEP in the NSW planning system. Amongst other things, the UDP of each Borough specifies:

- the affordable housing trigger level which will define the circumstances when a developer is required to provide affordable housing. In most cases the trigger is 15 or more units;
- the number of units to be provided by the developer (a percentage of the total); and
- what type of housing is needed i.e. social or intermediate housing.

While the target for affordable housing is 50% in each development, the developer and the responsible Council will negotiate any concessions necessary to ensure the economic viability of the development project. The negotiation process is in some cases facilitated by a tool known as the 'Three Dragons'. The Three Dragons is computer software that assists developers and planners to assess the economic feasibility of a development project. It considers an array of factors ranging from local land values to affordable housing subsidy available from government sources.

Once built, units that have been identified as affordable housing are given to the trust of a Registered Social Landlord (RSL) in perpetuity. The RSL, also called a housing association, is responsible for administering the units/homes.

Vancouver, Canada

The Vancouver metropolitan region is Canada's most expensive housing market. The scarcity of affordable housing in Vancouver is a persistent issue with nearly half of the population paying over 30% of their income to mortgage repayments. For renters the situation is worse with 42% of renters spending more than 50% of their income on rent.

There are over 21,000 social housing units in Vancouver constituting approximately 8.5% of all housing stock. Since 1998 the City has required that 20% of the units in major residential projects be social/affordable housing. This may be required to be provided as land upon which affordable housing is built. Half of this housing must be designed for and allocated to families. Social housing units in the City of Vancouver

¹¹ Brisbane Housing Company 2007 Website

are operated directly by the government or by non-profit housing societies and cooperatives using funds from senior governments.

The Council facilitates the provision of affordable housing in two main ways; by providing financial support to housing developments and through planning initiatives.

4.5 Housing to address chronic homelessness

The City strongly supports a range of innovative programs operating in Australia and internationally which target the housing needs of homeless people.

Common Ground

Founded in New York in 1990, Common Ground is a pioneer in the development of supportive housing and other research-based practices that end homelessness. Common Ground recognises that for chronically homeless people there are significant barriers which restrict their capacity to make the transition from homelessness to living independently in either social or community housing. Common Ground seeks to place chronically homeless people and people with high needs into supported accommodation and, in a coordinated way to manage their links to services to maintain their housing, restore their health, and regain their economic independence.

Common Ground unites business, government and philanthropy to deliver a long term housing solution for those who live life on the streets and provides a safe and supportive environment and community for people who have previously been vulnerable and living on the streets.

Since commencing in 1990, Common Ground has created more than 2,000 units of permanent and transitional housing in New York City, Connecticut, and upstate New York and has commenced work on plans an additional 4,000 additional units of housing for the homeless by 2015.

Housing provided by Common Ground costs approximately US\$36 per night to operate – significantly less than public expenditures: US\$54 for a city shelter bed, US\$74 for a state prison cell, US\$164 for a city jail cell, US \$467 for a psychiatric bed, US\$1,185 for a hospital bed.

Common Ground's 'Street to Home' program reduced street homelessness by 87% in the 20-block Times Square neighbourhood, and by 43% in the surrounding 230 blocks of West Midtown New York City.¹²

A Common Ground Project was established in Adelaide in 2006¹³ by the State Government, in Melbourne in 2008 and a project involving the Mercy Foundation, The City of Sydney, the NSW State Government and a number of other partners is currently being developed in NSW.¹⁴

Managed Alcohol Administration Programs:

A managed Alcohol Administration program such as the Seaton House Shelter, which operates in Canada, seeks to meet the needs of long term, chronic alcoholics. Since 1997, the shelter has operated the Seaton House Annex Harm Reduction

¹² Common Ground Project, www.commonground.org

¹³ Common Ground Adelaide, www.commongroundadelaide.org.au

¹⁴ Common Ground NSW, Mercy Foundation, <http://www.mercyfoundation.com.au/homelessness/index>

Program, a "wet shelter" operated in conjunction with staff from a local hospital. This program differs from a traditional wet house in that residents are not allowed to drink on site however they have one standard glass of alcohol administered to them on the hour. This program has proved successful in reducing levels of overall consumption, reducing hospital admissions, increasing health outcomes and for some, exits into permanent housing with support.¹⁵

Housing and Accommodation Support Initiative (HASI)

HASI is jointly funded by NSW Health and Housing NSW. It is a three way partnership between the two government departments and non-government organisations¹⁶, 'HASI is designed to assist people with mental health problems and disorders requiring accommodation (disability) support to participate in the community, maintain successful tenancies, improve quality of life and most importantly to assist in the recovery from mental illness'.¹⁷

The HASI program has resulted in significant improvements in the health and quality of life outcomes of participants resulting in two thirds of participants reporting improvements to their mental health, reduced hospital admissions, detection and treatment of a range of other associated illnesses, increased capacity to identify illness and seek treatment amongst participants, increased social skills and confidence.¹⁸

Housing First

First established in New York and now being implemented by the City of Sydney through the Complex Needs Coordination Project, Housing First is as much a way of providing housing as it is the housing itself. The Housing First program provides immediate, independent permanent housing along with client-driven treatment and support for clients' recovery and for their community integration.¹⁹

Housing First targets the most vulnerable segment of the homeless population, persons who have lived on the streets or institutions for a long time and who have psychiatric disabilities, co-occurring addiction disorders, and other health and hardship challenges. Traditional approaches to managing the housing needs of these clients relies on the client overcoming problems with addiction and substance abuse, engaging in treatment programs and making and integration into mainstream society before being granted tenure of housing.²⁰ Housing First operates on the philosophy that people should enter housing, with individualised support wrapped around them, without pre-requisites for treatment or abstinence. Housing First in New York has tenancy retention rates measured over the long term (4 years) of 80% or more.

Integrated Services Program (ISP) for people with challenging behaviours

ISP is a joint project lead by the NSW Department of Ageing, Disability and Home Care (DADHC) in partnership with Housing NSW and NSW Health. This project targets the hardest of the hard amongst people who are homeless. These are the

¹⁵ Bellett, Gerry, "Inquiry turns to how B.C. should deal with homeless; Aboriginal presentation made, officials heard in probe of Frank Paul death", *Vancouver Sun*, April 29, 2008

¹⁶ Social Policy and Research Centre (2006), *Housing and Accommodation Support Initiative: Evaluation II*, July 2006

¹⁷ NSW Health and NSW Department of Housing (2005), *Housing and Accommodation Support Initiative (HASI) resource manual* (draft version 1.7), Sydney: NSW Health and NSW Department of Housing.

¹⁸ Social Policy Research Centre, *Ibid*, p4

¹⁹ American Psychiatric Association, 2005, <http://psychservices.psychiatryonline.org/cgi/content/full/56/10/1303>

²⁰ American Psychiatric Association 2005, *Ibid*

people that have been excluded from all other services, usually as a result of behaviours, and for whom every other possible form of intervention has been tried and failed. ISP provides independent or congregate housing with 24 hour on site support. Clients are given high levels of support by experts from across the health and social welfare spectrum and that support is targeted to the particular needs and issues of that person and may change greatly across individuals

5. B: Methods of fast tracking the capacity of providers to deliver low cost rental accommodation in a short time frame

Whilst affordable housing is a priority for the City, there is also recognition of the number of social and amenity impacts associated with social housing projects. The City does not endorse fast-tracking measures that result in the reduction of impact environmental assessment, or a reduction in the consultation process that form part of the development approval process, with local communities. The City does work in a number of ways, however, to streamline the development process, which enables social housing providers to deliver low cost rental housing efficiently.

The provision of affordable housing is addressed at the early stages of the preparation of planning instruments and policies. This strategic approach enables any potential impacts of social housing developments to be recognised early, and thus minimised and mitigated. Proposals in line with the City's policies, therefore, can be assessed more easily, and applications processed more quickly. The most recent example of this strategic approach is the *Draft City of Sydney Affordable Rental Housing Policy*, which is addressed elsewhere in this submission.

More broadly, the City uses code-based development assessment, through exempt and complying development standards, and has broadly supported State government attempts to expand the ambit of such standards where they do not reduce community involvement. Consistent permissible development standards enable certainty in the regulatory environment, which in turn minimises surprises and associated costs for social housing providers.

The City also has a clear, consistent and streamlined application submission and assessment process. In 2008/09 the City assessed 2482 development applications (and 757 Section 96 applications), worth in excess of \$3.8 billion, with applications assessed in an average of 39 days. Development applications can also be tracked online and the City has worked with State and Federal governments (through the Development Assessment Forum) to prepare for the introduction of consistent, national electronic 'e-DA' application submissions. The City also works with applicants prior to the submission of development proposals to ensure applications are adequate and complete, which ensures assessment staff workloads are manageable, and application assessment times are minimised.

6. C: Strategies to attract private sector investment in the provision of low cost rental accommodation

The main method of private sector investment in affordable housing in NSW has come via affordable housing levies and planning provisions outlined in the following section of this submission.

The National Rental Affordable Housing Scheme (NRAS) is an Australian Government initiative that aims to increase the supply of affordable rental housing for low and moderate income households across Australia. The Scheme offers an

annual National Rental Incentive to owners or operators for a period of ten years for each dwelling. A key element of the Scheme is an Australian Government contribution of \$6000 per year per dwelling in the form of a refundable tax offset or payment of a specified value. It is anticipated that by 2012 the Scheme will increase the supply of affordable rental dwellings by up to 50,000 nationally. Subject to demand, this may increase by a further 50,000 after 2012.²¹

The primary policy imperative for governments that are aiming to attract professional and institutional investors into the affordable rental housing sector is to bridge the gap between the rates of return those investors require and the returns that currently exist in the market.²²

The Australian Housing and Urban Research Institute (AHURI) suggest that there are three primary ways in which this could be achieved:

Method	Example
Raising net returns to investors above those that exist at prevailing market rents. This will generally entail delivery of some form of subsidy to investors.	Subsidy provision in the form of cash or in-kind outlays made by government agencies to investors, directly or indirectly; or revenue foregone via taxation concessions to investors.
Lowering risks to investors so that the required rate of return is closer to the rate of income generated by rent	Risk transfer by credit support (e.g. government guarantee to investors on income received from and/or the capital value of the dwelling); or increasing market efficiency through, for example, the generation of better quality market information, reduction of transaction costs and improved liquidity.
A combination of the above – bringing about increasing net returns and declining risk	Regulation through urban planning controls; or financial controls on investment decisions (e.g. a prescribed assets ratio) ²³

The central mechanism in which Local Government can have a role is through the regulation of urban planning controls.

Internationally there are a number of affordable housing models which seek to encourage private sector investment in the provision of affordable housing stock that could be applied in a modified version in an Australian context.

6.1 Pension Fund Investment - USA

In America a number of Public Sector Employee Pension funds have entered into urban renewal and affordable housing projects. These include the California Public Employees (CalPERS) and the California State Teachers Fund.

The main attractions for such funds to invest in urban renewal projects are:

- To diversify their investment portfolios

²¹ NRAS Fact Sheet, <http://www.housing.vic.gov.au/projects-and-initiatives/national-rental-affordability-scheme/nras-fact-sheet>

²² AHURI (2002), Final Report No. 14, New Approaches to expanding the supply of affordable housing in Australia

²³ AHURI (2002) Ibid.

- To achieve competitive returns
- To provide collateral socio-economic benefits to the targeted communities and attract additional investment

6.2 CalPERS

The California Public Employees (CalPERS) is the largest public sector pension fund in the U.S and one of the largest in the world, with assets exceeding \$128.678 billion. CalPERS provides retirement and health benefits to more than 1.4 million public employees, retirees, and their families and more than 2,500 employers in the State of California.

In April 2003, CalPERS developed an investment policy for the California Urban Real Estate Program (CURE). This program aims, while achieving the highest total rate of return for the system, low-to-moderate income housing, multi-family low income housing, commercial or residential or both, urban infill, community redevelopment, and the rehabilitation of core properties.

Although the expansion of Affordable Housing availability is only one aspect of urban revitalisation projects, it is seen as a crucial one by pension funds as it impacts directly on their members by offering them more housing options, and because it appeals to those interested in ethical and socially responsible investment options.²⁴

6.3 Shared Equity – Great Britain

The Key Worker Program in Great Britain is being led by the National Government. The aim of the program is to help key workers such as teachers and nurses to find accommodation that is a reasonable travelling distance from their place of work. This scheme comes as a direct result of concerns that key workers are increasingly being priced out of the housing market in the eight counties of South East England to the detriment of key services.

This initiative provides successful candidates with an equity loan of up to £50,000 which need only be repaid when the property is sold or the applicant stops being a key worker. This is a part buy, part rent scheme – the tenant buys a share in the home that they can afford (shares range between 25% and 75%) and pays a low rent on the part they don't own. There is also the possibility to increase this share in the future or even to buy outright. If the property is sold, the percentage of the sale price received is equal to the percentage of property owned.

In each local area a housing development company is contracted to manage the development housing stock on behalf of the government. The projects involved cooperative housing providers, private sector developers and finance organisations. To date over 24,000 affordable properties for rent or shared ownership have been provided in the UK under this scheme.²⁵

6.4 Rent control - France

The mission of the ANAH (the National Agency for Housing) is twofold: firstly it leverages government investment by encouraging owners to invest in their properties, secondly by tying a significant proportion of this funding to rent-control

²⁴ University of Oxford (2004) U.S Public Sector Pension Funds and Urban Revitalization: An overview of policies and programs <http://urban.ouce.ox.ac.uk/index.php>

²⁵ UK Government, Housing Options UK, <http://www.cecodhas.org/content/view/132/172/>

conditions (2/3 of the total funding), it improves the quality of private affordable housing and increases its provision; while contributing to the national urban renewal effort. The budget of the ANAH mainly comes from a 1% tax on enterprises totalling 1 billion Euros a year.

The action of the ANAH focuses on older private housing stock (15 years +), as many such properties (including strata) are vacant and/or need rehabilitation and/or modifications to improve comfort, energy efficiency, safety, and access for (older and handicapped) social tenants. The ANAH targets this component of the population through:

- Grants contributing up to 70% towards the cost of renovations for landlords who rent their properties to the 70% of people who would be eligible for public social housing who are renting privately (this category represents two thirds of recipients);
- Grants contributing up to 30% towards the cost of renovations for the many owner-occupiers who live in unacceptable housing – 25% of owner occupiers who would be eligible for public social housing (this category represents one third of recipients).
- For owners whose properties do not require renovations but wish to apply rent control in order to attract fiscal benefits, the ANAH acts as a consultant to help choose the best investment opportunities.²⁶

7. D: Current barriers to growth in low cost rental housing

The primary barrier to increasing the amount of low cost accommodation is a lack of adequate funding for affordable housing and social housing project. While some recent efforts have been made by the Federal Government to attract more investment in the sector, for example through the National Rental Affordability Scheme (NRAS), there is still not adequate incentive in inner City areas to develop low cost housing. This is partly the result of very high land prices coupled with consistent demand for high end product.

The effects of decreasing housing affordability are largely felt at a local level. Through its land use and planning functions, local government is uniquely placed to facilitate a considerable amount of affordable housing through its planning functions.

Developer contributions and bonus systems (facilitated by planning agreements) are two potential tools which might be utilised to ensure funding for a sufficient stock of affordable housing is provided into the future.

To date, the NSW Government has provided little guidance with relation to appropriate planning controls to facilitate affordable housing. Where planning instruments are unable to require contribution towards the provision of affordable housing, local government have few options to increase the amount of low cost accommodation.

7.1 Planning provisions for affordable housing

²⁶ French Government, National Agency for Housing, a territorial response to the challenges and opportunities of privately-owned social housing, http://www.anah.fr/qui-sommes-nous/pdf/the_national_agency_for_housing.pdf

7.2 Developer contributions

An affordable housing levy would require developers to set aside a proportion of floor space (in real terms or in monetary terms) in order to provide affordable housing to very low to moderate income earners. Affordable housing levies have proved to be successful internationally, nationally and locally as a vehicle by which affordable housing can be provided on a large scale. The introduction of an affordable housing levy would be consistent with recommendations made in the June 2008 Senate enquiry into Housing Affordability in Australia. Recommendation 6.35 states that 'state and territory governments introduce enabling legislation for inclusionary zoning to require affordable housing in all new developments, including a proportion of social housing'.

There are other mechanisms by which affordable housing might be facilitated other than an affordable housing levy. Generally, these mechanisms would include an incentive or some form of offset for developers or not-for-profit agencies to provide affordable housing. Broadly, these would fall into three categories, including:

- Density bonus schemes – in such schemes, Council would support an increase in the amount of developable space in return for the provision of affordable housing. There are a number of concerns with this concept, including:
 - there is no efficient planning mechanism available in NSW that facilitates the capture of affordable housing as a result of a bonus being offered. To date we have relied on voluntary planning agreements which are generally expensive, overly legalistic and complex and not transparent;
 - they undermine planning principles by seeking to increase development beyond the environmental limits of a site;
 - it results in a largely ignored cost to the broader community in terms of amenity and stress on infrastructure;
 - there is no motivation for developers to seek lower land prices (as is the case where an affordable housing levy applies). Therefore, both the land owner and the developer receive their respective price and profit, while the broader community bear the costs;
 - as a result of additional density there is an increase in the need for physical and social infrastructure in an area;
 - the process typically occurs outside the bounds of planning instruments and in that sense is not transparent; and
 - when participation in the scheme is not mandated, there is no assurance that developers would chose to participate in the scheme.
- Partnerships – Council may enter into partnership with other entities to facilitate affordable housing. An example of this is the Glebe Affordable Housing Demonstration Project where Council has committed to providing \$40 million of land. While some affordable housing will be provided in this manner by the City, it is not considered reasonable or sustainable for Council to achieve all its affordable housing targets in this manner.

In order to achieve affordable housing targets, the introduction of an affordable housing levy is considered the most appropriate method because:

- planning instruments would require affordable housing is provided as part of new developments. It is not subject to choice and therefore allows the City to plan for and achieve set targets;
- it is transparent and allows developers to factor in affordable housing into feasibility; and

- it does not require the City to offer bonuses for affordable housing that would require the City to approve development above environmental limits.

Suggested action: *the NSW Government should introduce enabling legislation for affordable housing levies based on identified need in individual local government areas.*

Suggested action: *in the absence of enabling legislation for affordable housing levies, the NSW State Government should introduce alternate planning mechanisms to capture affordable housing where there is increased development potential.*

7.3 Planning measures to mitigate the loss of existing low cost

Whilst the focus of this Inquiry is the development of new affordable housing stock, emphasis should also be placed on the retention of existing low cost rental housing. The sustained loss of boarding houses and other low cost rental accommodation in the City has a profound effect on those at the bottom of the housing ladder, particularly people who are homeless and those at risk of homelessness. Boarding houses are a vital stop-gap between homelessness and other forms of low-cost accommodation. Once homeless it becomes increasingly difficult to retain links to the community, to gain employment and to obtain appropriate housing.

In NSW, SEPP 10 - Retention of Low Cost Rental Accommodation provides a mechanism to ensure that people on low incomes have affordable places to rent. The policy applies to buildings that were identified as low-rental buildings as at 28 January 2000 and is triggered when the owner or developer of a low rental residential building wishes to alter or add to, subdivide, change the use of, or demolish the building. When a council receives such a request, it must consider a number of matters set out in the policy, including how the proposal will affect rental stock in the area and the overall impact on current and future residents. Consent may only be given with the concurrence of the Director-General.

In the past, SEPP 10 has been utilised by the Department of Planning (DoP) to enter into a memorandum of understanding (MOU) with developers in order to secure monetary contributions toward affordable housing in the areas in which they are collected. The contribution is collected by the DoP and passed to community housing providers who are required to use the funds to provide affordable housing.

To date, SEPP 10 has had limited success in mitigating the loss of low cost rental accommodation in the inner Sydney ring. Common issues with the SEPP include:

- limited understanding of the SEPP by Council planners resulting in a reliance on the expertise and decision making capacity of the Department of Planning;
- the Department of Planning has generally shown little inclination to require any substantial compensation for the loss of low cost rental accommodation;
- the assessment of development applications seems to be based almost completely on financial factors with limited scope given by the Department of social planning considerations; and
- there are some issues with the rental figures that are used to determine whether a building is in fact low-cost rental accommodation. If a building is charging rents above the median for the LGA then the Department deems that it is not low cost

rental accommodation. For example, the median rent for a low-cost one bedroom flat in the City in the current quarter is \$340 a week. This is not considered overly-affordable for a very low or low income earner.

Suggested action: *that the NSW Government review SEPP 10 in consultation with local government. The review should incorporate significant changes in relation to median rent calculation, social planning considerations and assessment advice for planners, to ensure the protection of low-cost housing.*

8. E: Strategies to avoid concentrations of disadvantage and grow cohesive communities

Lack of affordable housing may also lead to concentrations of low income earners in areas of high affordability and concentrations of high earners in areas of low affordability. Local communities develop enclaves of advantage and disadvantage resulting in social and geographic segregation in and between suburbs. This spatial polarization between communities undermines social cohesion and may lead to community breakdown, loss of connectedness and a potential increase in anti-social behaviour. Further, spatial divides will potentially inflame existing local government concerns with regards to homelessness, aged care and declining health and in turn substantially increase the cost of delivering support services.

8.1 Boarding houses

Whilst boarding houses often provide an important stop gap affordable rental option, depending on the location, boarding houses can often attract a particular social group which may be distinctly different from those occupying the surrounding area with occupants often managing complex issues including;

- Drug dependency
- Re-integration into the community after periods of incarceration
- Addiction issues
- Mental and other health issues

A blanket planning approach therefore which would facilitate planning consent for the development of boarding houses in all residential zones is problematic. Measures aimed at increasing the number of boarding houses should take into account local planning considerations, including social impacts, and mitigation strategies should be developed to ensure that the development does not have an adverse impact on the community. Further, boarding houses should, where possible be located in close proximity to transport and employment hubs along with other social and health support services to meet the often complex needs of people residing in them.

Recommended action: *The NSW Government should ensure that local planning considerations and community expectations are taken into account in relation to the location of new boarding houses and should encourage the development of boarding houses that are in close proximity to employment, transport, health and social services.*

8.2 Housing Mix

New affordable housing developments should seek to create a diverse population mix that reflects the diversity of the broader community. Creating a good housing mix therefore of income ranges, different life stages and household composition can

encourage a more sustainable community. It is important that new developments also take into account approaches such as universal housing design which would enable the use of the accommodation for the various life stages of an occupant.

Recommended action: *The NSW Government should encourage the development of affordable housing projects which foster the development of a social mix that reflects the composition of the wider community and encourages universal housing design principles.*

8.3 Community Development

A cohesive community cannot be developed simply through the provision of infrastructure alone. Funding therefore, needs to be provided for the implementation of community development and social support services which seek to engage residents in community capacity building activities. Resilient and sustainable communities are ones in which residents feel connected, supported and safe and therefore a significant investment should be made in implementing projects focused on these outcomes.

Recommended action: *The NSW Government should provide resources and funding for the provision of community development programs in affordable housing projects to support the development of resilient and sustainable communities.*

8.4 Security of tenure

Cohesive communities are communities in which people feel connected and participate. Often people living in low cost rental accommodation feel great stress and anxiety in relation to housing security. They are forced to move often as rents escalate, properties are sold or their circumstances change. As a result they often become transient, living in a variety of areas and are unable to establish significant foundations in the communities in which they reside. A focus should therefore be placed on measures which ensure housing tenure for tenants in low cost rental accommodation to encourage residents to establish foundations and participate in the community.

Recommended action: *The NSW Government should include provisions for housing security for tenants in affordable housing projects that encourage tenants to participate in the community in order to help develop sustainable and cohesive communities.*

8.5 Urban renewal and gentrification

Large scale urban renewal and gentrification projects can create significant benefits for communities in relation to the provision of new infrastructure and services. Often these projects however, result in a loss of affordable housing as areas increase in value and lower end housing stock diminishes. These are often areas which are also occupied by homeless rough sleepers. It is vital therefore that the social impacts of urban renewal and gentrification processes take into account the housing needs of low income existing renters and homeless people residing in the area. It is important to recognise that these residents often form an important part of the character and identity of a suburb and as long term residents form an important part of its social fabric and sense of cohesiveness. Many urban renewal projects have resulted in the dislocation of these residents and a loss of community identity.

Recommended action: *That the Government ensure that urban renewal and gentrification projects adequately consider the housing needs and established community connections of existing homeless people and residents of low cost rental housing. The NSW Government should consider opportunities to establish new Common Ground projects as part of the renewal process.*

9. Conclusion

The City acknowledges that there is no silver bullet or quick fix in relation to addressing homelessness and providing low cost rental accommodation. A solution to this crisis requires a commitment from all levels of government and will rely heavily on the engagement and participation of the private sector. Changes to planning provisions and regulatory controls can only go so far to achieving these goals and an increased financial investment by the Government is urgently required.

Whilst the demand for affordable housing and a solution to homelessness is overwhelming, any policy which seeks to address these challenges must also take into account the social, environmental and economic issues associated with the fast tracking of supply to ensure that the community at large does not suffer as result.

The NSW Government should therefore seek to work collaboratively with local government and with communities across the state to achieve the right planning balance. It should demonstrate leadership through the provision of development of specific planning frameworks associated with the development of affordable rental housing.

Importantly, the supply of new housing stock should be supported by an investment in the social fabric which surrounds housing to facilitate the development of cohesive, resilient and sustainable communities.