

**Submission
No 57**

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

Organisation: Regional Development Australia Sydney

Date received: 27/02/2014

The Hon Sophie Cotsis MLC
Shadow Minister for Local Government
Shadow Minister for Housing and
Shadow Minister for the Status of Women

Dear Minister,

Thank you for this opportunity to provide input to the NSW Parliamentary Inquiry into Social, Public and Affordable Housing issues.

We have included in our submission relevant information on some key projects and initiatives undertaken by RDA Sydney aimed at exploring avenues to increase housing affordability and service integration.

Please do not hesitate to contact RDA Sydney on should you have any further questions. We are very interested in initiating a dialogue with government in relation to these issues.

Yours sincerely,

Alan Pendleton
Chairman
24/2/2014

Attachments: RDA Sydney's Submission to the NSW Parliamentary Inquiry into Social, Public and Affordable Housing;
Homelessness Employment Integration Model





**Regional
Development**
Australia
S Y D N E Y

Submission to the NSW Parliamentary Inquiry into Social, Public and Affordable Housing

February 2014

Regional Development Australia Sydney brings together people and information to advance sustainable economic development and social equity for the Sydney region.

Regional Development Australia, Sydney (RDA Sydney) welcomes the opportunity to comment on the NSW Parliamentary *Inquiry into Social, Public and Affordable Housing* issued by the NSW Legislative Council.

RDA Sydney is a COAG initiated partnership between the Australian and State governments created to strengthen communities. It is part of a national network of 55 RDA committees made up of local leaders representing government, business, community groups and other key regional stakeholders to provide targeted advice to government on key issues affecting the economic development of the Sydney region.

For some time now RDA Sydney has been working with all levels of government, industry groups, business, research and development, education organizations and community representatives to identify needs and opportunities and facilitate the development of new ideas, projects and initiatives across all Sydney regions.

We progress agendas through the establishment of or the participation in interest groups, round tables and leadership networks.

One of RDA Sydney's objectives is to champion integrated whole-of-Sydney planning by supporting plans that encourage the development of jobs closer to home and affordable housing options across all Sydney areas.

In 2012, RDA Sydney organized a housing affordability workshop, which focused on shared home ownership, financed through shared equity schemes. This forum was attended by leading thinkers, community housing providers and government representatives.

A Shared Equity Working Group was created. For the last two years the Group has been working on the development of a business model for shared home ownership. This response includes the views of some of the members of the Shared Equity Working Group.

In this submission RDA Sydney focuses on questions with particular relevance to the work of RDA Sydney and its partners.

- **Projections of future social, public and affordable housing supply and demand for 2020**

Lack of housing constitutes a current problem, a crisis that if it is not fixed immediately it will be exacerbated greatly by 2020, particularly taking into consideration the future demographic changes.

Social/public housing: According to Housing NSW, social housing currently provides for over 140,000 vulnerable families and individuals across NSW. But as many as 50,000 applicants are currently waiting for social housing. The waiting time is a minimum of seven years.

According to the *NSW Auditor General's 2013 Report*, the waiting list could grow by another 30,000 in the next three years. While NSW has the largest social housing portfolio in Australia, the Auditor General found it only meets about 44 per cent of the need.

The *Report* confirmed that over the past ten years social housing, as a proportion of overall NSW housing, has declined and revealed that the Land and Housing Corporation will be disposing of more than double the number of properties it builds over the next four years.

As a result, the current social, public housing shortages will only intensify by 2020 since the population of NSW has been projected to grow from 7.2 million in 2012 to 8.2 million in 2020.

A housing shortage: Currently NSW has the largest housing shortage in Australia. The estimate suggests that by 2020 NSW cumulative housing shortage could reach 155,700 dwellings or 31 per cent of the projected national shortage.

Housing delivery in Sydney is now around 15,000 homes a year. According to the McKell Institute, Sydney needs to build over 35,000 homes a year just to catch up and over 45,000 a year, if it wants to emulate the productivity levels of competing Australian cities.

Most stakeholders consulted by RDA Sydney agreed that improving housing supply will require serious reform to: 1) reduce the substantial tax burden on new housing, 2) speed up land release, and improve zoning, 3) planning and approval processes and 4) diversify the housing mix in the outer suburbs. Without these reforms the challenge of overcoming our housing shortage and the pressure on prices and rents will only intensify.

Housing affordability: Sydney is ranked internationally as the third most severely unaffordable major housing market for home buyers. The 9th Demographia *International Housing Affordability Survey* placed it behind only Vancouver in Canada and Hong Kong when comparing the ratio of median house prices to median household gross annual pre-tax income in 337 locations. A ratio of 3 or less is seen as being affordable and any ratio above 5.1 is seen as highly unaffordable. Sydney's ratio was 8.3 in the third quarter of 2012.

Improving housing affordability and availability was identified by respondent agencies as the top policy priority for the sector's clients in the *2013 Australian Community Sector Survey*, conducted by ACOSS. This issue is consistently cited as one of the major challenges facing NSW's low to moderate income households.

The rental market is also becoming increasingly unaffordable due to historically low vacancy rates. The *2011 Census* data shows suburbs that were traditionally affordable to low income earners are no longer affordable.

Currently there are already 38 suburbs in Sydney experiencing housing stress (mortgage stress as well as private rental stress) with Fairfield and Auburn experiencing the highest, followed by Liverpool, Bankstown Canterbury and Strathfield.

The shortage of affordable housing will only intensify as population grows.

RDA Sydney agrees with NCOSS in that the State government should develop a detailed formal

plan which includes a breakdown of affordable and private housing, with numerical targets, to increase the supply of affordable housing. The plan should be developed on a cross-portfolio basis within the NSW Government and in partnership with the Federal Government.

Additional resources will be needed to address this problem, which as mentioned above, it has already become a crisis. RDA Sydney believes that the Commonwealth Government should provide additional funding for the States to resolve the crisis.

- **Data regarding the link between the lack of appropriate social, public and affordable housing in NSW and indicators of social disadvantage.**

The link between housing stress and social disadvantage has been well documented by the Australian Family Relationships Clearing House in the *Housing Stress and the Mental Health and Wellbeing of Families* report, published in 2008 as well as AHURI, to name a few.

These sources have indicated that a lack of suitable, affordable and quality housing determines the level of housing stress and social disadvantage.

Spending more than 30 per cent of income on housing costs puts households at higher risk of financial hardship and homelessness. According to research conducted in July 2012 by Auspoll, housing stress affects more than one in ten Australian households, and affects both, home buyers and renters. Households in the private rental market experience the greatest hardship with one in four households in housing stress,

According to the report, low vacancies and high rents cause families to accept poor quality housing or move further out of city centres, away from extended family and support networks to areas of lower opportunities and higher travel costs. In many cases, families have to compete for suitable housing with others renters and find it difficult to secure appropriate housing. High rents and insecurity of tenure affects families' health, mental health, their wellbeing and quality of life and contribute to anxiety and depression which has a direct relationship on children.

One study conducted by Judy Yates and Vivian Milligan from the University of Sydney in 2007, found that experiences common to stressed renters and stressed recent purchasers included the constant stress associated with lack of money which contributed to health problems and stress in family and financial hardship outcomes problems (e.g. children missing out on school activities and inadequate health care).

On the other hand, research by Hanover found that the length of time households now have to wait on the public housing waiting list (an average of seven years) has significant impact on people's physical and mental health, as well as on the social and educational development of children. Anxiety and stress associated with a lack of permanent affordable housing affect children in turn becoming depressed, aggressive or difficult for parents to handle.

As a result, the shortage of public and community housing means that people excluded from, or who fall out of the private rental system, have no other housing options and end up homeless or living in inappropriate accommodation that puts their health and safety at risk, such as overcrowded, rentals, standard caravan parks and boarding houses.

RDA Sydney recommends that a centralized data source be established to monitor the supply of social, public and affordable housing against a plan of action to increment the supply of housing.

Social housing estates: levels of disadvantage within social housing estates have also been documented in studies conducted by AHURI and a number of peak charities such as the Brotherhood of St Laurence. According to Housing NSW, in 2012 over 93 per cent of public/social

housing households received Centrelink benefits as their main source of income, compared to 26 per cent of households across the state. The disproportionately high numbers of single parent families and Indigenous households, high levels of unemployment and low levels of education, are further evidence of concentrations of disadvantage in housing estates. For example, unemployment rates are five times the state average.

According to Housing NSW, over one third of tenants in public housing have a significant disability and a quarter are aged 65 years and over. Only 8 per cent are families with children under 10 years. Recent trends suggest older people and people with disabilities will make up 61 per cent of social housing households by 2016. ATSI people consists of 11 percent of all social housing tenants.

Many social housing estates experience significant levels of crime and antisocial behaviour. According to the NSW Bureau of Crime Statistics and Research, in 2009, 31 per cent of social housing estates had overall crime rates three times the NSW average and 85 per cent were above the NSW average.

The SEIFA (Socio-Economic Indexes for Areas) index of relative disadvantage is the main Australian measure of disadvantage. The SEIFA shows that 13 social housing estates have SEIFA scores among the 1 per cent most disadvantaged NSW areas. 52 estates have SEIFA scores among the 1-5 per cent most disadvantaged NSW areas; and 30 estates have SEIFA scores among the 5-20 per cent most disadvantaged NSW areas.

This makes social housing estates among the most disadvantaged communities in the State, often with limited community capacity and resources. This can have an intergenerational dimension, limiting life opportunities available to young people and exacerbating the risk of antisocial behaviour.

In terms of location, estates have limited access to shops, services, education, jobs, leisure and public transport, which can limit opportunities for education, social and economic participation and can further compound other difficulties faced by social housing tenants.

A number of renewal programs have been conducted by Housing NSW that include: 1) social outreach; 2) community engagement; 3) physical renewal; 4) redevelopment; deconcentration, social mix; 5) estate exit; 6) integrating tenants across community and 7) safety improvement. All these interventions have produced mixed results.

Housing NSW attributes this to the varying and undefined levels of funding, the lack of long-term plans for estates, the conflicting priorities between strategic asset management and estate objectives, and not aligning estate renewal with other government programs, directed to disadvantaged communities. All these have had a negative impact, limiting the opportunity to maximise outcomes for communities.

On the other hand, exiting social housing is fraught with difficulties because the current home loan system most often precludes lower income earners, and the private rental market is no longer affordable which creates financial hardship and housing insecurity for the most vulnerable tenants.

The current tax system of government acts as a disincentive for new housing. It should favour new home buyers instead of existing home owners leveraging existing assets. The problems are compounded by the absence of a social housing growth fund at the national level and the delayed implementation of the NRAS and the uncertainty about the future of this fund.

RDA Sydney believes there is a case for investment in the reduction of human, social and economic costs associated with concentrated disadvantage which results in lost productivity and increased costs of health care, justice and other social services.

RDA Sydney agrees with NCOSS in that the State government should develop a formal plan with numerical targets to increase the supply of social housing over the next few years. Funds are also needed for improving the sustainability and effectiveness of the housing system by reducing disadvantage on key estates and actively preventing further deterioration on others.

RDA Sydney believes that social housing planning should be done in conjunction with economic development strategies to ensure housing is located in labour markets which offer pathways to self sufficiency.

- **Housing design approaches and social service integration necessary to support tenant livelihoods and wellbeing**

The design should lay the foundations for viable and healthy communities that provides for tenants' needs and promotes positive social interaction. It should meet community standards in a sustainable and cost-effective way. Homes should be large enough for its tenants, comfortable, with a robust construction that is environmentally sustainable and in labour markets which offer local employment opportunities.

New social housing should be designed in such a way that it integrates well with the broader urban environment and it should not be easily identifiable as *public housing*. This will avoid tenants being stigmatised as *social housing tenants*. It may be appropriate to avoid large buildings or large clusters of housing which may become known as *public housing*.

Tenants with disability should be given an opportunity to engage with those around. Therefore the homes should have a sense of place for tenants to develop a sense of connection as a community.

Service integration to address the multiple needs of tenants.

Following research on overseas models, RDA Sydney developed an *Employment Integration Model for Homeless Jobseekers and Tenants Living in Supported Accommodation* (see attachment).

The *Model* lays the foundations for service integration of key services (housing, psychosocial, employment) outlining a methodology for partnership building among services, to work together through integrated case management of shared clients (multidisciplinary case management) that addresses the different dimensions of needs with protocols for interagency communication and collaboration and monitoring of client progress.

This ensures different barriers and complex issues tenants experience, (housing, employment, health etc) are addressed at the same time and in a coordinated manner, which results in a better alignment of effort, better used of public funding and improved outcomes for tenants.

Two pilot projects are currently being conducted in Sydney by: 1) NEAMI National, (a homeless and mental health service) and Job Services Australia providers operating in Inner City Sydney. 2) by Wentworth Community Housing and Job Services Australia providers operating in the Penrith area. Both organizations are implementing the *Employment Integration Model* in their areas.

A project leader has been employed to coordinate service integration and best practice. The evaluation of the project is being conducted by the University of Western Sydney.

If the *Model* proves to be successful, RDA Sydney and a number of key organizations will be approaching the Federal government to discuss opportunities to embed service integration mechanisms within the contractual requirements of Job Services Australia providers and homeless services. RDA Sydney will also make recommendations about the systemic and policy changes

needed to ensure service integration becomes an intrinsic part of service delivery.

The principles of service integration are: a holistic individual assessment that include all the client's needs and a client-centered approach, a flexible approach that meets the needs of individuals from intake to post-crisis support and until the time tenants/clients become self sufficient.

The strength of this model will depend on the commitment of services to implement interagency agreements, work in a multidisciplinary system. It will also depend on the commitment of the funding body to embed this in funding agreements, governance arrangements and contract reporting requirements.

RDA Sydney has been an advocator of service integration. We recommend it becomes an essential part of contractual agreements between funding bodies and service providers.

- **Maintenance and capital improvement cost and delivery requirements**

According to Housing NSW, much of the housing estate stock is old, catering poorly to the needs of tenants and in poor repair. Public spaces in estates are also in poor state.

The age and type of dwellings varies significantly across the portfolio. Approximately over a quarter of the stock was built before 1970 and more than 60 per cent between 1970 and 2000.

According to Housing NSW, the government stopped building new social housing estates in the 1980s when funding for new supply decreased and the challenges and costs of managing estates emerged. Housing NSW said in a report that the cost of keeping each house has doubled in the past decade, which has prompted the government to either sell houses off or delay maintaining upgrades.

Since the mid 2000s the NSW government has focused its investment in estates on a small number of priority areas

For some time the main difficulty has been the lack of funding. There is not enough funds to pursue renovations and the building of new stock.

RDA Sydney recommends that additional funding needs to be sought from the Commonwealth government.

We also recommend to reduce funding delays on upgrades of current vacant public housing, which will contribute to increase the availability of social housing.

- **Criteria for selecting and prioritising residential areas for affordable and social housing development**

In order to avoid past mistakes, residential areas must be placed near public transport and employment. Social housing concentrations, such as Campbelltown for instance, has produced disenfranchised, isolated communities. Social housing should be built near the central business districts where public transport, amenity, employment, social and educations opportunities are available within reasonable distance. For those estates that do not meet this criteria there should be proactive economic development plans with well defined strategies in place.

RDA Sydney believes that increasing the density and diversity of jobs and industry in Greater Western Sydney suburbs may increase housing affordability –if people have a job within reasonable

travel times they are economically better off and have more financial capacity to meet mortgage repayment. Diversification of housing types in outer suburbs of Sydney would open up supply at affordable prices. This requires the implementation of a revised regulatory framework at the local and state government level.

Affordable housing is vital to ensure jobs are close to homes. Many people have to travel large distances every day to get to their jobs. The employment containment rate, which refers to the proportion of employed residents that live and work in shows there are differences within Sydney. The south sub-region records the lowest containment ratio of approximately 40 per cent with over 150,000 residents travelling every day to work. The majority are professional workers travelling into the Sydney CBD.

The other sub-regions of Sydney each have a containment rate of between 45 per cent and 54 per cent with approximately half of the residents leaving the area each day for work. Population growth will drive demand for local housing and jobs

Long commutes have a negative impact on traffic, pollution, stress and quality of life.

Improving the affordability of housing is essential in combating social problems -homelessness, poverty, unemployment, crime, but it is also an economic problem. Key workers are vital to a diverse and competitive economy. Lack of affordable housing options will diminish the competitiveness of Sydney into the future.

RDA Sydney recommends residential areas be placed near public transport and employment.

- **The role of caravan parks**

Most caravan parks closed already. We are aware of the debates about the disadvantages of having caravan parks. However we believe that caravans are better than homelessness.

- **Recommendations on State reform options that may increase social, public and affordable housing supply, Improve social service integration and encourage more effective management of existing stock including but not limited to:**

- (i) **policy initiatives and legislative change**

Service integration: Services need to work together to address the different needs of tenants. In order to achieve this, we recommend that **clearly-defined specifications and conditions about service integration and partnership building should be embedded in funding contractual agreements. Economic development strategies are required when planning for any type of housing.**

Shared Home Ownership: For the last two years, RDA Sydney has been facilitating the Shared-Equity Scheme Working Group, made up of government representatives from Planning NSW, peak organizations such as Shelter NSW, NCOSS, the Western Sydney Community Forum, the Federation of Housing Associations, the University of Western Sydney, as well as a number of community housing providers such as St George Community Housing, Evolve Community Housing, Link Community Housing, Argyle Community Housing and Wentworth Community Housing.

The Working Group has developed a Business Model for a Shared-Equity Scheme for low to middle-income earners and is now working on a business plan. Shared-Equity Schemes were developed in the UK and US as an alternative to either renting or purchasing a house. They form part of the affordable housing offering and it aims at bringing some of the benefits of home ownership to people who could not afford to purchase on the open market.

The Scheme is one where the consumer shares the capital cost of purchasing a home with an equity partner, thereby permitting households to buy into a home with lower income or equity that would be required otherwise. It offers a pathway to home ownership for people on low to moderate incomes taking into consideration the affordability of total housing costs.

The non-residential partners in the scheme will be an organization (typically a registered housing provider) which has as an objective providing housing assistance and is a registered charitable institution.

Compared to conventional mortgage arrangements, shared equity schemes can enhance affordability for home buyers by reducing both, deposit requirements and on-going housing costs. It can also provide government with the opportunity to lever in private finance either from individual households or capital markets to reduce the strain on already limited housing assistance programs.

Shared Equity Schemes contribute to a broader strategic response to the provision of affordable housing.

Nationally, the Western Australian Government has delivered 11,000 shared equity loans since 1984 and currently has a \$550 million loan book. These loans are funded by private sector loans through WA Treasury Corporation.

The NSW Government does not currently offer a shared-equity product.

Following some research on business models for this product, conducted by the Working Group through a consultant, the proposed shared equity product would most likely succeed if it is applied to households with incomes in the range of \$70,000 - \$100,000 p.a. and dwellings with prices under \$400,000, with 50 per cent ownership of dwellings.

In terms of market demand, there are a large number of renters in NSW who would be eligible and are already paying rents, which would cover the total housing costs of participating in the proposed shared equity. Consequently, there is minimum risk attached to this scheme.

In terms of delivering shared equity homes as part of housing provider developments the inclusion of the product in the development mix would improve the viability of developments and allow greater affordable product yield.

The product will result in a reduction in the number of dwellings managed by the housing providers.

RDA Sydney recommends the state Government supports these initiatives in the following way: that they participate in an active and on-going conversation about their engagement in these initiatives and that there is an open exploration of areas in which they could provide practical support, and where possible, resources.

(ii) [planning law changes and reform](#)

The NSW Government's Planning Bill 2013 replaced the current *Environmental Planning and Assessment Act 1979* into the Legislative Assembly last October. The Legislative Assembly

passed the Bill without any amendments. However the Legislative Council made a number of amendments some of which dealt with affordable housing. The amended Bill is still to be considered by the Legislative Assembly. At this stage it is hard to visualize if any significant planning change will eventuate that could contribute to increase housing affordability, or not.

The amended Bill (Division 7.5) allows for developers to make voluntary contributions, under a planning agreement, for the provision of affordable housing (as a free dedication of part of the land or payment of money).

For this to be effective it depends on amendments to the local Plan. The contribution must be in accord with provisions in the local Plan.

One of the amendments involves procedures that can be used when assessing development applications, to ensure that affordable housing is included. The purpose of this provision is to ensure that areas have a mix of socioeconomic groups and particularly to prevent or offset the exclusion of lower-income households.

The amended Bill now leaves a door open for new schemes for affordable housing. RDA Sydney however believes that while planning mechanisms by governments can encourage affordable housing, a broader approach might be needed to significantly increase the supply of affordable housing. It includes to:

Increase land supply: Plan for the release of land by setting state and local targets, plan to have 15 years land supply and surplus government land for affordable housing projects.

Promote shared housing ownership: through the creation of shared equity schemes for medium income earners of public housing. The NSW Government could promote these and work and support community housing providers.

Increase First Home Owners Grants for low and medium income earners and also make it eligible for participants of shared equity schemes.

Lower Taxes: Taxes make up 44 per cent of the price of a property. A Centre of International Economics report found that taxes accounted for \$267,879 of the average total dwelling cost of \$639,533.

There is an urgent need to reduce the cost of land development by cutting property taxes, and fund infrastructure through debt borrowing, also there is a need to eliminate Infrastructure Tax for residential tenants and perhaps introduce it for commercial tenants. It is important to highlight that the hidden taxes can make the price of a home unaffordable. The tax burden is contributing to a dwelling supply shortfall in NSW tipped to reach a deficit of 55,000 houses in 2014, according to QBE Insurance Group's report *Australian Housing Outlook 2013-1016*. Also the introduction of GST on settlements has severely affected the viability of developments.

Increase the role of housing community sector: invest in upskilling the leadership of the community housing sector; allow them to be more entrepreneurial in their efforts to increase affordable housing.

(iii) social benefit bonds

RDA Sydney is aware some bodies have been researching the use of social benefit bonds

for social activities including affordable housing. The outcomes of these studies have not been published as yet, so there is not enough public information at this stage to support this idea.

It would be important to seriously consider these and other potential options and introduce them to the community housing sector.

(iv) **market mechanisms and incentives**

Convert to Rent is an initiative that has been implemented overseas successfully and has increased the volume of affordable housing. **Convert to Rent also has the potential of increasing the availability of private rental accommodation and revitalising local neighbourhoods and economies. This is an initiative that is worthy of serious consideration and debate.**

Convert to Rent provides financial assistance to property owners to help convert vacant or unused space into rental units to provide affordable housing to low income earners.

The program was successfully introduced in the city of London and in Canada in 2008 and could be cost effectively implemented in Australia.

Empty spaces in the Sydney CBD alone amounts to some 8.2 per cent of all commercial space. This initiative turns them into affordable housing opportunities.

According to Urbis, a contribution of about \$350 million would be necessary from the Federal government to fund around 15,000 conversions.

(v) **ongoing funding partnerships with the Federal Government such as the National Affordable Housing Agreement**

There is still no clarity about the future of the Commonwealth Government program: the National Rental Affordability Scheme (NRAS). The current tender was closed in August 2013 for the last 10,000 subsidies. However they are yet to be announced.

The NSW Government should seek assurance from the Commonwealth Government that further subsidies will be available and that the NSW Government will agree to match such subsidies.

(vi) **ageing in place and any other related matter**

Elderly residents need to live near shops, public transport, social and health services and amenity, if they are to remain living independently. Also, technological advances in community and health care need to be addressed in the design of housing stock, e.g. IT capacity for remote monitoring.

Over a household lifetime there are many changes to individual needs and relationships. A large proportion of old stock from the WWII era is not easily adaptable to current standards and an ageing tenancy.

The number and age of occupants is changing. Over one third of tenants in public housing have a significant disability and a quarter are aged 65 years and over. The number and age of occupants will change and there will be household members who are temporarily or permanently impaired as a result of accidents, illness or convalescence.

Housing is needed that allows for a range of life stages and disabilities without need for major modifications or tenant relocation. There is therefore a need to provide housing

that allows for a range of life stages and disabilities without need for major modifications or tenant relocation.