

**Submission
No 188**

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

Organisation: Combined Pensioners & Superannuants Association of NSW Inc
(CPSA)

Date received: 7/03/2014

**Submission to the
NSW Select Committee Inquiry into Social
Public and Affordable Housing**

The Great Australian Nightmare

28 February 2014

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CPSA is a non-profit, non-party-political membership association founded in 1931 which serves pensioners of all ages, superannuants and low-income retirees. CPSA has 130 branches and affiliated organisations with a combined membership of over 30,000 people living throughout NSW. CPSA's aim is to improve the standard of living and well-being of its members and constituents. CPSA depends for the majority of its funding for core activities as a peak body on a \$440,000 grant from NSW Family and Community Services' Office for Ageing. CPSA engages in systemic advocacy on behalf of its constituency. CPSA acknowledges the potential for conflict of interest arising for CPSA and the NSW Government as a result of this funding arrangement. CPSA is committed to managing any conflict of interest issues in an ethical manner.

Projections of future social, public and affordable housing supply and demand to 2020

It is well documented that the supply and demand of social and affordable housing in NSW do not match. For certain groups, notably older people, people with a disability and those on very low incomes, the existing housing market does not provide adequate affordable or secure housing options. By far the highest unmet housing need is experienced by very low-income private renters and those in more marginal housing tenures such as residential parks and boarding housings.

Housing policy throughout Australia has typically favoured homeowners and investors. Without a substantial investment in a comprehensive and robust housing policy we will see a worsening of the housing stress¹ experienced by low-income (renting) households. Reform of the housing system must take a long-term approach. CPSA recommends that the NSW Government look beyond projections to 2020, which is a mere six years away.

The National Housing Supply Council estimate that the gap between the total underlying demand - the need for housing based on the number of households in the population - and total supply increased by 228,000 dwellings between 2001 and 2011.² The Council has also projected that the overall gap will increase to 370,000 dwellings by 2016 and to 492,000 dwellings by 2021.³ More specifically, the Council has projected that the increase in demand for public housing in NSW by 2024 will increase by over 20% from 2009 figures.⁴

A report⁵ from the Australian Housing and Urban Research Institute (AHURI) cites feedback from housing providers which suggests that many consider the provision of low-cost housing as unprofitable. The study, which interviewed providers, found that many providers are reliant on government subsidies, bequests and other types of funding that are in limited supply. This is one aspect constraining the potential supply of low-cost housing.

Most affordability measures tend to focus on relatively narrow definitions of housing costs, specifically direct housing outlays. They ignore the wider costs of living such as utility costs, which are related to the quality, form and location of housing and have increased significantly in recent years. Urgent policy intervention is required for single Age and Disability Support Pensioners and mature aged long-term unemployed people,

¹ Housing stress is defined in this submission as paying more than 30% of a household's income on rent.

² National Housing Supply Council (2012) in Australian Government Institute of Health and Welfare 'Housing Assistance in Australia', Canberra, p. 4 – 5.

³ Ibid.

⁴ Ibid. p. 7.

⁵ Bridge et al (2011) 'Age specific housing and care for low to moderate income older people,' Australian Housing and Urban Research Institute.

who are far less likely to access affordable, appropriate and secure accommodation in the current housing market and face high levels of housing stress and displacement.

NSW is expected to grow to 9.5 million people (29% total growth) by 2036, with most of this growth expected to be in the Sydney Metropolitan Area. Currently 7% of people aged over 65 in NSW are living in private rental. The number of people aged 65 and over in low-income rental households is expected to increase 115%, up from 195,000 in 2001, to 419,000 by 2026.⁶ The role played by the private rental market in providing housing for older people and people with a disability is likely to increase in importance as the rate of home ownership declines and social housing stock decreases.

The 2013 NSW Auditor General's Report noted that there are 119,000 social housing dwellings owned by the NSW Government and 27,000 social housing dwellings provided through community housing providers. There are a further 5,000 dwellings owned by the Aboriginal Housing Office bringing the total number of social housing dwellings in NSW to 151,000. The NSW Auditor General's Report also notes that social housing dwellings as a proportion of overall NSW housing has declined since 2003 and that, in the last four years, the NSW Government has been disposing of twice as many properties as it builds.⁷

This decline in availability of social housing is occurring in the face of increasing demand.⁸ In June 2012 there were 55,000 applicants waiting for a placement in social housing, representing 120,000 household members.⁹ Social housing continues to be the most affordable housing option for older people and people with disabilities and is strongly utilised by these groups. It is often the only genuinely affordable option for asset-poor older people who are not owner-occupiers. Housing NSW predicts that by 2021, of all people requiring social housing, 32% will be older people and 23% will be people with a significant disability.¹⁰

Added to the decline in the number of dwellings available for allocation is the current policy of prioritising social housing to those with the highest and most complex needs. Many people in housing stress fall outside the eligibility criteria for social housing, or could not obtain access to such housing in the foreseeable future. Older people dependent on the full-rate Age Pension are only likely to qualify for priority allocation to

⁶ L. Davy, C Bridge, B. Judd, P Flatau, A Morris, and P Phibbs (2010) 'Age-Specific Housing for low to moderate income older people' AHURI Position Paper No. 134 August, p.6.

⁷ NSW Auditor General's Report (2013) 'Performance Audit: Making the best use of public housing', Housing NSW and NSW Land and Housing Corporation, July, p. 11.

⁸ Ibid., p 13.

⁹ Ibid., p 13.

¹⁰ Ibid., p 12.

social housing when they reach 80 years of age. For Indigenous Australians, this qualifying age is 55.¹¹

In addition to restricted availability, there are increasing constraints on security of tenure for social housing tenants. Since October 2006, new tenants entering housing managed by Housing NSW are offered fixed term leases of only two, five or ten years. Prior to this, tenants on continuous leases could remain in public housing 'for life' subject to meeting their obligations under the *Residential Tenancies Act*. Leases are now reviewed at the end of the fixed terms, and where tenants' circumstances have changed in that time, tenants are encouraged to accept adjustments to their housing, such as moving to a smaller property. Tenants who do not take up 'reasonable offers' to relocate to a smaller dwelling may have their rent adjusted to pay a 'vacant bedroom charge' if they have more than one spare bedroom.¹² The rent the tenant pays increases by \$20 per week for single person households and \$30 per week for two person households. This bedroom tax will impact on the ability of some older people to 'age in place' in the home and community of their choice, by changing the affordability of their accommodation.

CPSA is also very concerned that not all tenants who are asked to move are being offered assistance. This is despite assurances by the Minister for Family and Community Services, Pru Goward that "Housing NSW will work closely with tenants to support their move when a property becomes available and will cover reasonable costs associated with the move".¹³ CPSA has spoken to many vulnerable tenants who have been asked to fund their own moving costs. This makes moving a financially unviable option for the majority of tenants.

Evidently, the majority of tenants are electing to pay the vacant bedroom charge, with only approximately 100 of the more than 300 households approached by Housing NSW agreeing to move. Although it is early days, this poor outcome in terms of freeing up larger properties suggests that the bedroom charge is poor public policy for two reasons. Firstly, the bedroom charge assumes that people do not have an aversion to leaving their family home. Clearly the importance of one's home and their community has been underestimated by the NSW Government. Secondly, by imposing a bedroom charge, tenants who pay the charge will now feel that they have a legitimate claim to occupying a larger home. There is very little chance that these tenants will consider downsizing now that they are 'paying' for extra bedrooms.

¹¹ A. Morris (2009) "Contentment and Suffering: the Impact of Australia's Housing Policy and Tenure on Older Australians" Australian Journal of Social Issues Volume 44, No. 4 Summer.

¹² Family and Community Services (2013) 'Applying a Vacant Bedroom Charge', Available at:

<http://www.housing.nsw.gov.au/Forms+Policies+and+Fact+Sheets/Policies/Charging+Rent+Policy.htm>

¹³ Correspondence to CPSA from Minister for Family and Community Services and Women, the Hon Pru Goward, MP, 12 September, 2013.

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

Renting households in NSW are more likely than home purchasing households to be in housing stress (40% compared with 23%).¹⁴ The long-term situation of low-income renters is arguably much worse as they do not accumulate an asset, and are more vulnerable in current housing markets. They are also more susceptible to displacement through gentrification and older renters do not have the security of tenure to allow them to age in place. This is particularly relevant in Sydney where many areas where there is severe housing stress are areas which have historically provided the most affordable accommodation.

By far the greatest levels of housing stress and vulnerability to after-housing poverty and displacement are witnessed among the very low-income renters (78% of renters in housing stress), of which older people and those with a disability make up a relatively high proportion. This group is the least likely to find affordable housing through market the market, and generally require direct provision by Government.

In 2011, there were more than 35,000 very low-, low- and moderate-income renting households with a reference person aged over 65 in housing stress (that is, spending more than 30% of their household income in rent) or at risk of after-housing poverty in NSW. The vast majority of these were very low-income households (around 78% were very low-income renting households, 18% were low-income households and only four% were moderate-income households). Approximately 20% of older renters are in 'severe' housing stress (paying more than half of their income on housing costs), and very likely to be going without essentials in order to meet their rental payments. There are projected to be approximately 70,000 people aged 65+ years in New South Wales in housing stress or at risk of after-housing poverty, by 2036.¹⁵ Of these, 55,000 (78%) will be very low-income renters.¹⁶

Despite its value, the current maximum rate of Commonwealth Rent Assistance (CRA) is far too low to keep low income people out of after-housing poverty, particularly within Sydney and NSW coastal regions. Average CRA across all Centrelink payments is \$104 per fortnight, or \$52 per week. Recipients are paid the same regardless of where they live, so people living in more expensive metropolitan areas, such as Sydney receive the same as those living in areas with cheaper rental options. A median priced one-bedroom unit for NSW would cost 82% of a single Age Pensioner's income to rent, including maximum CRA, and 55% of the income of a pensioner couple. A first quartile one-

¹⁴ JSA calculations, based on data from ABS Census of Population and Housing 2011.

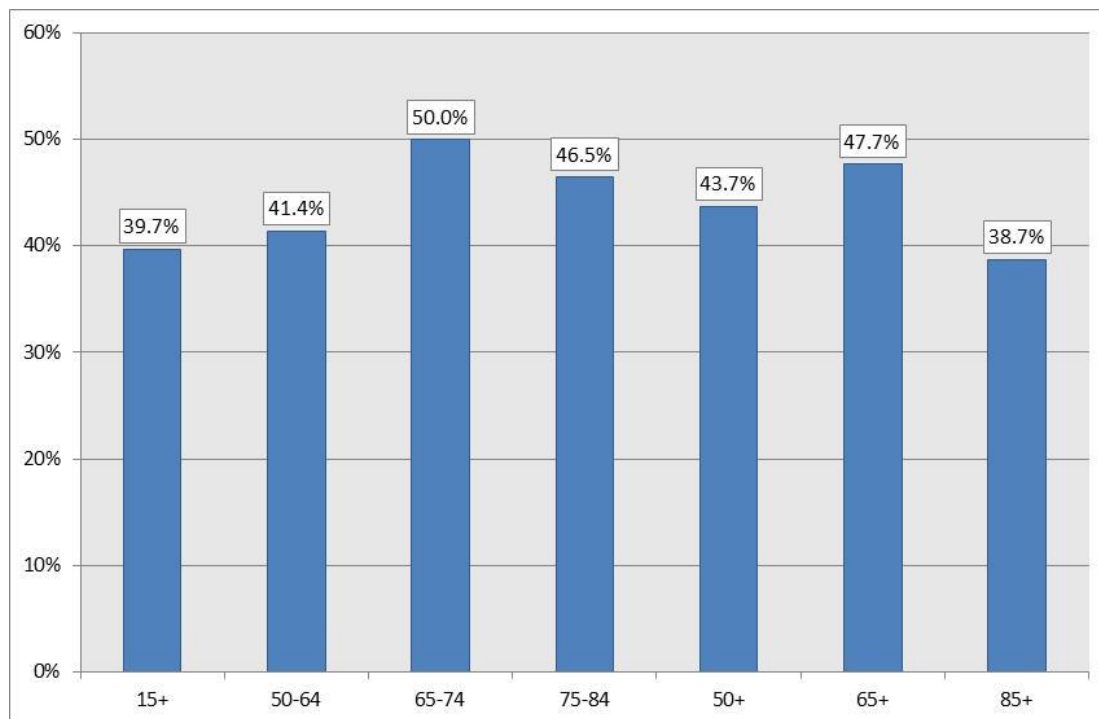
¹⁵ JSA (2014) calculated based on data from the NSW Department of Planning and Infrastructure Population Projections: Interim Revision 2010.

¹⁶ JSA (2014)

bedroom unit is better but still unaffordable (costing 50% and 34% of income for a lone person and a couple respectively). Two-bedroom units unsurprisingly cost more (87% and 58% of income respectively for a median priced two-bedroom unit). This would clearly leave a pensioner couple or single pensioner with very little income to be able to pay for other essentials.¹⁷

Current policies which seek to stimulate the supply of affordable private rental accommodation, such as the National Rental Affordability Scheme (NRAS) are important, but largely benefit moderate-income renting households. As such, much stronger intervention is required by the NSW Government to create and protect the supply of affordable rental accommodation for very low-income older people and those with a disability.

Current proportion of renting households in housing stress by age



Source: JSA 2013, using data from ABS Census of Population and Housing 2011 (excludes households with income / rental payments not stated)

Homelessness and older people

The rate of homelessness among older people has increased dramatically in recent years, well in advance of homelessness among the general population. In 2006, a lower proportion of older people were homeless compared with their representation in the general population. However, although homelessness in Australia increased by 5%

¹⁷ JSA calculations based on data from Housing NSW Rent and Sales Report Issue 105 (September Quarter 2013).

between 2001 and 2006, homelessness among those aged 65 and over increased by 23%, while among those aged 50-64 years there was a 36% increase (around 7 times the general rate of increase). This increase was likely due to a range of factors, including changes in the employment and income status of older people, declining affordability in the private rental market, more constrained availability of social housing and low-cost accommodation; and other life changes, for example the loss of a partner through death or divorce. There is a dramatic change in affordability when moving from a couple household to a single household. A pensioner couple may be able to rent a median priced one bedroom apartment in an outer ring suburb of Sydney (taking 39% of household income), perhaps by going without in other areas or perhaps with some assistance from superannuation or other income. However, if one member of the couple dies or moves into residential aged care, the remaining person would be moved into severe housing stress (paying 58% of income on rent) by virtue of moving from a couple rate to a single rate of pension.¹⁸

People with disability

Of renting and purchasing households in NSW with household members aged between 15 and 49 years of age, those with reference persons with a need for assistance with core activities are substantially more likely to be in rental and mortgage stress compared with those with reference persons without a need for assistance. Of households with a person with disability that were renting at the time of the ABS Census of Population and Housing in 2011, 57% were in rental stress, compared with 37% of those with a reference person who did not have a need for assistance.

With the roll out of the National Disability Insurance Scheme (NDIS), it is predicted that there will be a greater demand for accessible, affordable accommodation. CPSA is concerned that without a well thought out housing plan (and an increase in the supply of accessible social housing) people with disability in NSW will be constrained in whether they are able to move from their current housing arrangement, which may be unsuitable.

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

In line with international best practice, housing policy in NSW needs to ensure that housing is:

- Affordable – tenants will pay no more than 30% of their gross household income on their housing costs so as to avoid the risk of after-housing poverty;
- Secure – tenants have reasonable security of tenure that enables them to plan for a stable future, avoid harassment and arbitrary treatment;

¹⁸ JSA calculations, based on data from ABS Census of Population and Housing 2011 and current pension rates.

- Appropriate – that housing is suited to individual needs and allows them to live with comfort, safety and dignity;
- Sustainable – that is suited to their changing needs and allows positive ageing in place;
- Accessible – that provides for design that enables them to live independently, and is located a close distance to transport, shops and services and provides the opportunity to participate fully in their community;
- Equitable – that the focus of policy is on those who are more vulnerable in the housing market, including asset poor very low income households, frail aged people, people with disability, people living in areas with low levels of housing choice or limited access to services, and/or those facing other economic, social or cultural barriers; and
- Integrated - the location of affordable and diverse housing is a key issue in terms of social integration and sustainability. Providing for a mix of affordable housing for different ages, incomes and occupational groups in well-located areas provides for social mix and reduces the potential stigma that can be associated with such accommodation.

Greater support needs to be available to renters through tenant advice and advocacy services. Since the closure of CPSA's Older Persons Tenants' Service (OPTS) and the Park and Village Service (PAVS) on 30 November 2013, there is no longer any specialist tenancy service aimed at these vulnerable groups. Existing Tenants Advice and Advocacy Services need to be adequately funded to ensure that tenants receive reliable, tailored advice and assistance when required.

The NSW Government should also investigate alternative housing options that allow for affordable and secure ageing in place for renters, something that is scarcely available at present. Some Australian and international models that should be explored include:

Apartments for Life, Netherlands

Apartments for Life is a Dutch initiative which provides central, high density, accessible housing. Apartments are designed to be 'age-proof' through universal design, that is, to be liveable for people of any age. Where possible, apartments are configured or adapted to the needs and preferences of individual residents. The concept was first put into practice in 1995, offering small three room apartments on a rental basis. By 2008, Humanitas, the organisation behind it, had built 15 Apartments for Life complexes with some 1,700 apartments housing over 2,500 people. Each of the Apartments for Life complexes has a 'village square' at the ground level with a range of services and facilities such as an ATM; a fitness centre, hairdresser, beauty salon; a physiotherapist; a medical centre; gardens; a supermarket or store. There is an average of 240 apartments in each complex and they are all high rise due to the pressure on space in densely populated Holland. Residents can buy or rent under a variety of arrangements, from affordable social housing rental, through to renting or buying apartments of varying sizes

at market prices. There is a deliberate mixing of residents, in terms of health and socio-economic status.

James and Jessie Brown cottages, Mansfield Park

The James Brown Memorial Trust's (JBMT) James and Jessie Brown cottages at Mansfield Park provide 20-low cost single bedroom units to people who are, or are at risk of becoming, homeless. Units are rented out at an affordable rent. JBMT sources its tenants from support agencies who are then contracted to remain engaged with the tenant for any emotional, health or other support through the period of the tenancy agreement. At a cost of \$140,800 per unit for construction and fit-out, the Federal Government's National Rental Affordability Scheme subsidy made the cottages affordable to develop by supplying a guaranteed revenue stream for 10 years. An additional grant from the South Australian Government's Affordable Housing Innovation Fund was also secured.

The Seniors Central Living development, Fairfield

Smart Street targets older people with medium to low incomes and is a social housing development which aims to promote socio-economic and other diversity among residents. The project will consist of 44 two bedroom units, one retail unit, two common rooms, 31 car parking spaces and open and landscaped areas. Units will be designed for older residents with grab rails and other adaptable features. The service model will include a concierge service to undertake a monitoring function, service coordination and referral to formal services. On-site support facilities will also include a café, possibly run as a social enterprise with a tenant volunteering program.

Silver and Wild Sage Villages, Colorado

Silver Sage Village is a co-housing community designed to support people to age in place. The village consists of 16 units for older people, a community centre and a common green with internal sidewalks and landscaping. Six of the 16 units are permanently affordable homes available to those who qualify with the City of Boulder. Prices and income guidelines are set for this program and annual appreciation is limited to 2%. Located across the street is Wild Sage, an intergenerational co-housing community made up of 34 attached townhouses with a common house and outdoor common space close to schools, public transport and shops.

Harmony Village, Dandenong

Harmony Village Dandenong includes both a co-operative rental model of housing as well as units available for purchase in a retirement village model. The units are for people on low incomes (the majority are on the Age Pension) with current relationships and links to Dandenong who are over the age of 55. Harmony Village provides a mixed use outcome for older people by combining funding from a State Government social housing scheme (Strategy for Growth in Housing for Low Income Victorians) with the Australian

Government's NRAS funding, and a retirement village life lease sales model. It is also an example of a partnership between an aged service provider and a community housing association.

Ocean Street, Bondi

The Benevolent Society has planned a complex of multi storey apartments and community facilities providing a range of care options. About two thirds of the apartments will be one bedroom plus a study, large enough for a family member, friend or care worker to stay overnight. The remaining apartments will be 2 bedroom dwellings. The design incorporates specific features to address the lifecycle needs of ageing residents. The Ocean Street development targets a mixed socio-economic grouping of older people. It will offer loan licence agreements to higher end "purchasers" while retaining 40% of the units as affordable housing for older people on lower incomes including discounted entry prices (30%); and rental housing for disadvantaged older people with no assets (10%), with rents proposed to be set at public housing rental rates.

Policy and legislative changes

NSW requires a broad suite of reforms to address the substantial deficit in affordable housing.

As a starting point, 'affordable housing' should be better defined in planning legislation so that it specifies that housing is affordable when no more than 30% of the household's income is spent on household costs. Current definitions of affordable housing in planning legislation are not so prescriptive. For example, 'affordable housing' is defined in the State Environmental Planning Policy (Affordable Rental Housing) (SEPPARH) as:

"housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.

(1) In this Policy, a household is taken to be a very low income household, low income household or moderate income household if the household:

- (a) has a gross income that is less than 120% of the median household income for the time being for the Sydney Statistical Division (according to the Australian Bureau of Statistics) and pays no more than 30% of that gross income in rent, **or**
- (b) is eligible to occupy rental accommodation under the National Rental Affordability Scheme and pays no more rent than that which would be charged if the household were to occupy rental accommodation under that scheme."¹⁹

Households that qualify for the National Rental Affordability Scheme (NRAS) and can afford the rent are likely to be at the high-end of the moderate-income scale because of

¹⁹ State Environmental Planning Policy (Affordable Rental Housing) 2009 <http://www.legislation.nsw.gov.au/maintop/view/inforce/epi+364+2009+cd+0+N>

high market rents in a number of key regions where there is a lack of affordable housing supply. As such, the current SEPPARH definition does not necessarily facilitate the creation of affordable housing for low-income households because it is open to excluding people on very low-incomes.

Recommendation: Include the following definition of affordable housing in all relevant planning documents, regulations and legislation: “Affordable housing is where a household pays no more than 30% of their household income on housing costs”.

Affordable housing for people on very low, low and moderate incomes

The following table provides a guide to what constitutes affordable housing for different income brackets.

	Very low-income household	Low-income household	Moderate-income household
Income	<\$724 per week	\$725-\$1,158 per week	\$1,159-\$1,736 per week
Affordable Rent	<\$217 per week	\$218-\$347 per week	\$348-521 per week
Affordable purchase	<\$181,000	\$181,000-\$289,000	\$289,000-\$434,000

Source: JSA (2012) based on data from ABS (2011) Census indexed to September 2011 dollars

(1) All values reported are in September 2011 dollars.

(2) Gross weekly household income.

(3) Calculated as 30% of gross household income.

Calculated using ANZ Loan Repayment Calculator, using 14 August 2012 interest rates (6.8%) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan.

This table should be used as a guide only, recognising that many households have incomes far below the featured thresholds. For example, a single pensioner with no private income lives on \$421.40 per week (or \$483 per week if they receive the full rate of CRA). They could spend no more than \$144.90 per week (including CRA), for their housing to be affordable, which is well below the \$217 threshold featured above. Equally, a pensioner couple with no private income could spend no more than \$208.80 per week on household costs for their housing to be affordable (assuming they receive the full rate of CRA).

Protect affordable housing

NSW and Local Government legislation must explicitly safeguard existing affordable housing. Affordable housing, including social housing, residential parks and boarding houses, is not safeguarded in planning legislation. There has been a steady demise of

public housing despite an increase in need for government-funded housing. Equally, there has been a number of closures and redevelopments of residential parks in NSW, which has resulted in a loss of low-cost housing. If existing low-cost and affordable housing are to be redeveloped, a Social Impact Assessment (SIA) should form part of the development application. The SIA should outline compensation measures for, and strategies to mitigate the loss of, affordable housing.

Recommendation: Affordable housing be explicitly protected by legislation.

Recommendation: Social Impact Assessments should be included as part of development applications when low-cost and affordable housing is redeveloped. These assessments should include compensation measures for, and strategies to mitigate, the loss of affordable housing.

Affordable housing target areas

NSW needs to identify areas where there is inadequate supply of affordable housing and establish targets to make up the shortfall in planning documents, notably Local Environment Plans (LEPs).

Without targets for affordable housing, including social housing, reduced-cost rentals, independent living units (ILUs), seniors living and boarding houses, shortfalls are highly unlikely to be met.

CPSA engaged Judith Stubbs & Associates to map housing stress in NSW for older people and develop targets for affordable (rental) housing, both current and projected. As mentioned above, there were 35,000 low-income renting households aged 65 and over who were in housing stress (paying more than 30% of their income on housing costs). By 2036, under current policy settings, the number of over-65 households in housing stress will be as follows:

- 55,000 (78%) very low-income households;
- 13,000 (18%) low income households; and
- 3,000 (4%) moderate income households.

The following table illustrates both current and projected indicative targets for affordable housing for older people per region in NSW.

	2011 AH indicative target 65+ years (households)	2036 AH indicative target 65+ years (households)
Sydney - South West	1,766	5,545
Sydney - Inner South West	2,906	4,453

	2011 AH indicative target 65+ years (households)	2036 AH indicative target 65+ years (households)
Central Coast	2,220	4,219
Sydney - Parramatta	1,948	3,992
Sydney - City and Inner South	1,667	3,920
Richmond - Tweed	1,722	3,546
Mid North Coast	1,663	3,196
Sydney - Blacktown	1,076	2,996
Illawarra	1,640	2,852
Newcastle and Lake Macquarie	1,703	2,714
Sydney - North Sydney and Hornsby	1,413	2,411
Sydney - Inner West	1,282	2,386
Sydney - Outer West and Blue Mountains	1,322	2,250
Hunter Valley excl. Newcastle	1,143	2,242
Sydney - Outer South West	781	2,214
Capital Region	1,084	2,203
Central West	1,049	2,102
Sydney - Eastern Suburbs	1,440	2,063
Coffs Harbour - Grafton	988	2,044
Southern Highlands and Shoalhaven	888	1,789
New England and North West	1,029	1,656
Sydney - Northern Beaches	855	1,402
Riverina	690	1,379
Sydney - Ryde	815	1,340
Murray	688	1,226
Sydney - Sutherland	671	1,014
Far West and Orana	511	799
Sydney - Baulkham Hills and Hawkesbury	341	761

	2011 AH indicative target 65+ years (households)	2036 AH indicative target 65+ years (households)
TOTAL	35,301	67,625

Source: JSA 2013, derived from ABS 2011

It should be stressed that these targets only apply to households where the reference person is aged 65 and over. There is, therefore, a much larger need for affordable housing than what these targets indicate. CPSA, however, has focused on older renters because they are more likely to be in housing stress compared with the general renter population (48% compared with 40%, respectively) and less likely to be able to increase their income.

Regions with an above-average age profile are the regions where there is the greatest need for affordable rental housing, namely because of the high level of housing stress already experienced by over-65 renting households in these areas. These regions have housing stress levels of between 54% and 56%, compared with the NSW average for over 65 households of 48%. They are as follows, in descending order:

- Central Coast
- Richmond-Tweed
- Coffs Harbour-Grafton
- Mid-North Coast
- Southern Highlands-Shoalhaven

Housing stress experienced in these areas is also high because of a loss of traditionally more affordable accommodation such as residential parks and smaller units due to redevelopment as these areas gentrify.

There is a similar situation in the Sydney region, with high levels of housing stress for older renters in areas were traditionally affordable for low-income groups. They are as follows:

- Blue Mountains/Outer West (55% +65s in housing stress)
- Inner West (53%)
- North Sydney/Hornsby (52%)
- Northern Beaches/Baulkham Hills (51%).

The declining rate of home ownership among older people will amplify the need for affordable rentals across the state. It is therefore critical for the NSW Government to identify areas where there is expected to be a rapid increase in the number of older people on low to moderate incomes and which are already witnessing a large number of +65 households in housing stress. The NSW Government must also identify areas where there has been a loss of residential parks and smaller, more affordable units, which reduce the availability of affordable housing for older, low-income, non-home owners.

These are the areas that must be prioritised in the planning of affordable housing, particularly social housing, to service the housing needs of NSW's ageing population.

Recommendation: The NSW Government identify affordable housing shortfalls on a regional basis and include corresponding targets in State and Local Government planning instruments.

Obstructions to the development of diverse housing at Local and State Government levels should be removed. Local and State Governments should design planning laws to encourage the construction of smaller dwellings and high-density housing developments to boost housing supply.

Recommendation: NSW and Local governments should remove obstructions to the development of diverse housing, particularly smaller dwellings and high-density developments.

Inclusionary zoning should be mandated in local government areas that have affordable housing shortfalls. Local Governments should mandate that percentages of new housing development are affordable (for example, 20%) particularly where gentrification is excluding low-income people from high-amenity areas. Developments should include a mix of affordable housing, including social housing provided in perpetuity. Such affordable housing should be accessible so that it meets the needs of older people and people with a disability. It should also be protected by law.

Recommendation: Local Governments must employ inclusionary zoning, mandating that percentages of residential developments be affordable housing (20% should be affordable, but higher in areas with substantial shortfalls). Affordable housing should be accessible, and be a mix of low-cost and perpetual social housing.

Rental agreements

There must be stronger protections for renters under the *Residential Tenancies Act 2010*. NSW has extremely poor tenant protections in terms of security of tenure and unaffordable rent increases. Tenants can be evicted from their homes with just 30 days' notice, and there is a range of provisions in the Act that allows for no-grounds evictions. There is no legislation against unaffordable rent increases. The only avenue open to tenants to dispute rent increases is to challenge the rise through the NSW Civil and Administrative Tribunal (NCAT), where the tenant must provide the onus of proof that the rent is unaffordable.

The lack of safeguards for tenants means that tenancies are very insecure, particularly in strong housing markets. It has also produced an environment where rent increases are

well above CPI, pricing out renters living on income support payments in most housing markets because their income has not maintained pace with the cost of private rental.

The Act should be amended to better facilitate long-term leases (for example, five years). Although this is possible under the existing Act, it rarely occurs, with six to 12-month leases being the norm. This has considerable implications for people outside the workforce; for example, older people and people with a disability, who have limited capacity to move. The NSW Government should consider providing land tax exemptions to private landlords who provide long-term leases and affordable rents for the tenant.

Recommendation: Amend the *Residential Tenancies Act 2010* to encourage long-term leases (for example, five years) and minimise unaffordable rent increases.

Head leasing

The NSW Government should explore ways of expanding head leasing programs with community housing providers to boost affordable housing supply for people on low incomes. This could be a cost effective and efficient way of improving affordable housing supply. It may be more attractive to community housing providers in rural and regional areas where market rents are lower than in Sydney and some coastal regions. However, head leasing should be considered in all target markets, particularly in areas where social housing development is slow.

Recommendation: The NSW Government explore expanding head leasing programs through community housing providers to increase affordable rental supply.

Residential parks

Residential parks provide an important form of lower-cost housing in NSW. There are over 33,000 residents of residential parks across NSW, many of whom are older people on low incomes. The loss of residential parks through redevelopment and gentrification removes a form of more affordable accommodation for low-income groups. In CPSA's view, the NSW Government should ensure that existing residential parks are retained as they are an important form of affordable accommodation.

By the same token, CPSA does not consider residential parks as an ideal form of affordable housing for people on low incomes because of a lack of protections in many areas. Many residents struggle with increasing site fees and have difficulties with park operators. The purchase of homes in parks is not necessarily affordable, with homes selling for up to \$370,000. It is important to recognise that residents do not own the land on which their home sits (except in a very select few cases of council-owned parks), which means that they generally have a depreciating asset. Some parks impose draconian rules on residents (for example, CPSA became aware of a park that orders its residents to remain in their dwellings between 9pm and 7.30am). Furthermore,

residential park residents do not have security of tenure because of the threat of park closures or redevelopment.

The *Residential (Land Lease) Communities Act 2013*, assented to in November, makes many improvements on the existing Act. However, there are serious concerns about the voluntary sharing provisions in the new Act and its impact on affordability. The Act allows operators to enter into 'voluntary sharing agreements' with prospective residents. These agreements are uncapped, so an operator could ask for 90% of a home's equity upon its sale in return for reduced site fees (for example). Although this feature of the Act has been hailed as providing future residents 'choice', the complexity of such agreements and the impossibility for buyers to know what would be the most cost-effective option places the power in the operator's court.

More importantly, park operators will be able to coerce buyers into opting for a 'voluntary sharing agreement' by making a rent-only agreement more expensive upfront. The Act does not stop an operator from charging higher site fees than that charged to the existing resident, providing they can claim that the fees reflect 'market value'. For example, an operator could offer two agreements: one where the buyer must agree to pay an entry and exit fee of \$20,000 and pay \$150 per week in site fees; the other a rent-only agreement where they pay \$180 per week in site fees, in line with another home in the park. It is almost impossible to determine which agreement is best for the buyer because one would need a crystal ball. As such, this provision will likely lead to exploitation of older, low-income people, particularly those with poor financial literacy. CPSA calls for a review of the Act in two years (rather than the existing five years) so as to limit the number of such agreements if found to be disadvantaging park residents.

Recommendation: Remove sections 110 and 111 (voluntary sharing agreements) from the Residential (Land Lease) Communities Act 2013.

Recommendation: Amend section 187 (2) so that a review of the act takes place as soon as possible after 2 years of the Act's commencement.

Boarding houses

Boarding houses could provide a form of affordable accommodation for low-income households in some markets. It is important that boarding houses be monitored regarding their compliance with the *Boarding Houses Act 2012* to ensure that the rights of residents are upheld. It should be pointed out that CPSA is not wholly supportive of boarding houses as offering suitable long-term accommodation for people on low incomes, particularly older people and people with a disability. CPSA believes that boarding house tenants should have the same protections as those afforded to tenants under the *Residential Tenancies Act 2010*.

There is no specified requirement for boarding houses to be 'affordable'. The land tax exemption available to boarding houses (the Revenue ruling - LT 091 - Exemption of Land Used and Occupied Primarily for a Boarding House) should be reformed so that qualification for the exemption is based on some rooms being affordable for a single person living on a pension as their sole source of income. The current maximum rent threshold for a single-person room to qualify for the exemption is unaffordable for a single pensioner. Eligibility for the tax exemption should include criterion that at least 50% of rooms be affordable to a single person or couple who are on very low incomes as outlined in the table above. There should also be a requirement for long-term leases in order to qualify for the tax exemption.

Another option to improve affordability of boarding houses would be to amend the SEPPARH to require 50% of boarding house rooms are affordable for people on low incomes. The rents should be set so that tenants pay no more than 30% of their income on rent.

Recommendation: Reform the *Revenue ruling - LT 091 - Exemption of Land Used and Occupied Primarily for a Boarding House* so that maximum rent thresholds to qualify for the exemption are affordable to very low-income earners.

Recommendation: Amend Division 3 of the State Environmental Planning Policy (Affordable Rental Housing) so that 50% of boarding house rooms are let affordably to people on very low incomes.

NSW Land Tax exemption for private dwellings

The existing land tax exemption for low-cost private rentals only applies within a five-kilometre radius of the Sydney CBD. Notably, the maximum permissible rent thresholds to be eligible for the exemption are still unaffordable for single and couple full-rate pensioners (even with CRA).²⁰ The latest thresholds are:

- \$221 for one bedroom accommodation;
- \$295 for two bedroom accommodation;
- \$368 for three or more bedroom accommodation.²¹

It would appear that take-up of the low-cost accommodation land tax exemption is low, with total foregone revenue sitting at less than \$1 million in 2006/07. The low take-up is likely because scheme is set up to fail in terms of increasing the supply of affordable rental accommodation. The 2014 land tax threshold is \$416,000. The value of properties over this threshold is taxed at 1.6% up to \$2,519,000, where the rate increases again.

²⁰ The lowest maximum rent to qualify for the low-cost accommodation exemption is \$221 per week, for a one-bedroom dwelling (2012). This equates to 48.5% of a single pensioner's income, if they received the full-rate pension and the corresponding amount of Commonwealth Rent Assistance. A full-rate pensioner couple fares slightly better, where \$221 per week would comprise 33% of their household income.

²¹ Office of State Revenue (2012) 'Revenue Ruling No. LT 092' <http://www.osr.nsw.gov.au/info/legislation/rulings/land/lt092>

A two-bedroom property valued at \$600,000 would claim a tax exemption of \$2,944 in 2014. This translates to \$56 per week. Such a property in the Sydney CBD would likely be rented out at well over \$500 per week in the current market, but under this tax exemption, the maximum weekly income derived from rent and the tax exemption is \$351. Therefore, the land-tax exemption is not at all attractive to investors because they would lose considerable amounts of potential income. In addition, the exemption does not provide affordable housing for very low-income earners.

Lower-cost dwellings such as studios and modest one-bedroom apartments that could be rented more affordably may attract no land tax because they fall under the land-tax threshold. If such properties were subject to land tax, the exemption may work because the difference between what the property could be rented out for in the market and that under the low-cost accommodation program would not be so large. However, it is highly unlikely that any government would extend land tax to lower-valued dwellings in an effort to boost affordable housing supply. Indeed, such a move may increase rents because the landlord would recoup the tax from the tenant, which would likely be more profitable than taking advantage of the low-cost accommodation tax exemption.

If the NSW Government wanted to make private rentals more affordable to low-income households, it would be more effective to provide cash assistance to private renters to top-up CRA rather than make transfers to private landlords via a tax exemption.

Recommendation: The NSW Government should provide cash assistance to low-income renters in the private market to top-up Commonwealth Rent Assistance to make their rentals affordable.

Other measures to improve supply of affordable housing

State and local governments should collect contributions from developers to be invested in affordable housing. The NSW Government should investigate implementing a uniform system whereby windfall gains made by property owners because of zoning changes or construction of government infrastructure nearby (such as public transport) are shared with the owner and government, with funds raised put into an affordable housing fund. This would likely be most successful in inner and outer Sydney as well as gentrifying coastal regions.

Developers could also be required to pay levies in high-valued areas that lack affordable housing, providing that such levies did not increase the cost of housing for lower-income groups. Local governments should also require the development of smaller dwellings, including apartments, independent living units and townhouses, according to need. Smaller dwellings are more likely to be affordable to low-income groups. This is important for rural and regional areas that generally have lower supply of such housing, limiting choice for older people wishing to downsize or rent more affordably.

Recommendation: Government should mandate the sharing of windfall gains made by property owners when government changes have resulted in increased land value.

Recommendation: Developers should be required to pay a levy on developments in high-value areas, with revenue placed in an affordable housing fund. The levy should be designed so as to not increase the cost of housing to low-income groups.

Recommendation: Local governments should be required to mandate a certain percentage of new development be smaller, more affordable dwellings.

Strata

CPSA strongly recommends that the proposal to remove unanimous agreement for the sale of a strata-titled building be rejected. The NSW Government's package of reforms to strata living include many positive reforms, but the proposal to reduce agreement to sell a block of units to just 75% of owners will see many owners forced to sell.

This proposal will have a disproportionate impact on older people. People aged 85 years and older are one of the largest groups to be living in apartments, with 19% of over 85s living in this kind of dwelling.²² Older people tend to live in apartments because they have downsized to free up some money to fund their retirement and are more manageable than a house. They also bought their unit with the understanding that it would be theirs for as long as they wanted it.

The current strata legislation gives homeowners security of tenure. Reducing collective agreement to three-quarters of homeowners could see many people forced to sell and move, which could have disastrous implications for older people. Moving from one's home can be traumatic for anyone, but particularly so for older people. A Swedish study found that forced moves because of urban renewal resulted in a higher death rate compared with those who moved voluntarily.²³

It is unlikely that homeowners in strata in many Sydney areas would be able to buy back into the same area if their home was sold. Removing unanimous agreement will also relieve developers from paying a premium price for units in an effort to win-over homeowners who do not wish to sell. The situation could be even worse for low-income renters living in strata buildings that are redeveloped, given the huge lack of affordable rental properties. Older apartment blocks may offer more affordable rentals than their newer counterparts. It is clear that redevelopment of apartment buildings, particularly in

²² Judith Stubbs & Associates (2014)

²³ Danermark, B., Ekstrom, M., Bodin, L. (1996) 'Effects of residential relocation on mortality and morbidity among elderly people' *European Journal of Public Health* 6 (3) <http://eurpub.oxfordjournals.org/content/6/3/212.abstract>

inner city and high-amenity areas will push low-income tenants and homeowners further out to the margins.

Recommendation: To avoid forced sales, the sale of a strata-titled building must only take place if there is unanimous agreement among home owners.

Protected tenants

Protected tenants are mostly low-income, older people, who have rented their homes since at least the late 1980s when no more new protected tenancies were signed. Protected tenants do not come under the *Residential Tenancies Act 2010*, but are protected by the *Landlord and Tenant (Amendment) Act, 1948* (the Act), which provides special protections against unfair rent rises and evictions.

The NSW Government has proposed removing the *Landlord and Tenant (Amendment) Act* because there is no register of protected tenants and it is unknown exactly how many exist. The NSW Government has stated that it is possible that there are no remaining protected tenancies²⁴. This is incorrect. CPSA's Older Persons Tenants' Service estimated that there are between 430 and 900 protected tenants in NSW.²⁵ If this Act was dissolved, existing protected tenants would be evicted as landlords moved to charge market rent on their properties. Protected tenants would all likely qualify for priority social housing, but many would struggle to get social housing in a short period of time, particularly given that most live in the Sydney region. They would have to try to rent privately and pay market rents and would very likely be placed in considerable housing stress, if not rendered homeless.

Recommendation: The Landlord and Tenants (Amendment) Act 1948 should remain in place.

²⁴ NSW Fair Trading, 'Making NSW Number 1 Again: Reducing Regulatory Burden', Issues Paper, October 2012, p.12.

²⁵ OPTS (2011) 'Submission to the Commissioner for Fair Trading: Proposed repeals of the Landlord and Tenant (Amendment) Act 1948 and the Landlord and Tenant Act 1899. p. 9 Available at:

<http://www.cpsa.org.au/files/OPTS/OPTS%20Oct%2012.pdf>