

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

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**Submission  
on homelessness and  
low-cost rental  
accommodation  
to Standing Committee  
on Social Issues,  
Legislative Council,  
Parliament of NSW**

**Shelter NSW**  
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## **About Shelter NSW**

Shelter NSW is a nonprofit social change agency that promotes the housing interests of low-income and disadvantaged people in New South Wales. Shelter's mission is to work for a just and equitable housing system.

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## Recommendations

- Recommendation 1: That registered community housing providers be able to implement a range of income-eligibility criteria for their housing so that they can accommodate low-income working households as well as very-low income households and the homeless..... 8
- Recommendation 2: That the government amend the current exemption from land tax for owners of properties used primarily for low-rental housing by, firstly, redefining the land by local geographic area, rather than distance from the Sydney GPO, and by, secondly, naming specific local government areas where highest rents presented the strongest barrier to availability of affordable private rental housing..... 13
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- Recommendation 7: That Housing NSW limit the proportion of new tenancies on public housing estates undergoing regeneration that are allocated to households with special needs to 25%. .... 23
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THE LEGISLATIVE COUNCIL SELECT COMMITTEE ON SOCIAL ISSUES is inquiring into policies and programs (outside of public housing) that are being implemented to reduce homelessness and to increase the availability of key worker accommodation. This submission addresses the matters in the Inquiry's terms of reference.

## 1. Background

The Inquiry takes place at a time when the NSW government, the Commonwealth government and governments in other Australian jurisdictions are giving concerted attention to affordable housing and homelessness programs, and indeed have committed funds to expand those programs beyond what has been the case in recent years. Many of the initiatives announced or launched in 2008 and early this year address the needs of the housing consumers who are the focus of this Inquiry.

- o The National Rental Affordability Scheme established by the Commonwealth – with government subsidies provided on a 3:1 basis by the Commonwealth and states – encourages construction of new dwellings for rental targeted to moderate income earners as well as to low-income earners.
- o The 'A place to call home' scheme provides Commonwealth government subsidies to finance construction of new dwellings for crisis accommodation for homeless people, linked to the public housing system. The program involves funding to acquire up to 600 new dwellings (155 in New South Wales) for allocation to homeless people with an expectation that the tenants will not have to exit from the dwelling when their homelessness matter is resolved. The program is aimed at delivering on a commitment of the Council of Australian Governments to 'halve the number of homeless people who are turned away from shelters within five years'.
- o The National Affordable Housing Agreement is linked to a National Affordable Housing Specific Purpose Payment funded by the Commonwealth at \$6.2 billion over 5 years from 2008-09, following a meeting of the Council of Australian Governments in November 2008. This is \$46 million more than indicated in the forward estimates in the 2008-09 Commonwealth budget. The Commonwealth subsidy is 'untied' in that it does not require a matching contribution from the states.
- o A Homelessness National Partnership Payment will be funded at \$800 million over 5 years, comprised of \$400 million from the Commonwealth and \$400 million from the states. These are additional moneys to the funding under the Supported Accommodation Assistance Program which has (since January 2009) been rolled into the suite of programs covered by the National Affordable Housing Agreement. The services funded through this National Partnership payment will be new initiatives to address homelessness following the Commonwealth government's white paper, *The road home* (2008).
- o A Social Housing National Partnership payment involves a Commonwealth subsidy of \$400 million over 2 years that does not have to be matched by the states. It is for capital investment for new construction of social housing and homelessness shelters.
- o A Remote Indigenous Housing National Partnership payment by the Commonwealth of \$1.94 billion over 10 years is for construction of up to 4,200 new dwellings, and upgrades up to 4,800 existing dwellings, focused on rural and remote Indigenous settlements.

- o A Social Housing Initiative is part of the Commonwealth's 'Nation building and jobs plan' announced on February 3, with additional moneys to those announced in November 2008. This initiative is a time-limited commitment integral to the Commonwealth's response to the global economic recession. An allocation of \$6.388 billion will fund the construction of about 20,000 new public and community housing dwellings, to be largely completed by December 2010; this initiative includes money to the states for repairs to 2,500 existing public housing dwellings to be undertaken in 2008-09 and 2009-10 and to bring forward construction of public housing dwellings already approved. It also includes – relevant to this Inquiry's interest in the reduction of homelessness – allocation of the remaining funding to states and territories for social housing (not just public housing) directed to areas of priority social housing need (including reduction of homelessness).
- o The Commonwealth's 'Nation building and jobs plan' of February 3 also includes a capital injection of \$251.6 million to Defence Housing Australia. This initiative is a time-limited commitment integral to the Commonwealth's response to the global economic recession. It will allow for construction of 802 new dwellings, additional to Defence Housing Australia's existing 3-year capital expenditure program. This initiative is directly relevant to this Inquiry's interest in the availability of housing for key workers.

This suite of initiatives delivers a significant amount of new money into state governments' housing assistance programs, which should enable a significant increase in supply of a 'traditional' social housing product.<sup>1</sup> It also will enable implementation of schemes that are genuinely innovative, namely the National Rental Affordability Scheme and the 'A place to call home' scheme, as well as those that will emerge with funding from the Homeless National Partnership Payment.

The initiatives are heavily focused on construction or acquisition of dwellings. But in relation to homelessness, the Commonwealth government's white paper, *The road home*, focuses on three major strategies: early intervention to prevent homelessness; improving and expanding services for people experiencing homelessness; and breaking the cycle of recurrent homelessness. These strategies also form the focus of the Homeless National Partnership.

## 2. Response to the Inquiry's terms of reference

This section addresses the Inquiry's terms of reference in the order indicated.

### 2.1. Models of low-cost rental housing (outside of public housing), including but not limited to cooperative and community housing, to reduce homelessness and to increase the availability of key worker accommodation

The Inquiry's concern is with housing consumers at different points on a continuum of housing need. The notion of a continuum recognizes that different households are located at different points in the housing market, or indeed constitute different segments or niches within it, by reference to varying socio-economic factors such as:

- o their attachment or integration in it – with homeless people having a weaker attachment to housing markets, and, in the case of 'chronic' or longterm homeless people, a location outside the market altogether;
- o their income and wealth – with poorer households less able to purchase better-quality and better-located housing; and
- o their needs for nonhousing supports or services to address their health and safety.

Housing NSW presents this continuum as in Figure 1.<sup>2</sup>

FIGURE 1: THE CONTINUUM OF HOUSING NEED

| The continuum of housing need |                            |                               |                                  |                                     |
|-------------------------------|----------------------------|-------------------------------|----------------------------------|-------------------------------------|
| Homeless                      | In and out of homelessness | Low income with complex needs | Low income without complex needs | Moderate income with housing stress |

The needs of homeless people have been well documented in the last few years, in, among other reports and studies, the National Youth Commission report, *Australia's homeless youth: a report of the National Youth Commission inquiry into youth homelessness* (2008), the Australian Bureau of Statistics report by Chris Chamberlain and David McKenzie, *Counting the homeless: Australia 2006* (2008), the Commonwealth government green paper, *Which way home? A new approach to homelessness* (2008), and the Commonwealth government white paper, *The road home: a national approach to reducing homelessness* (2008).

Associated with the Commonwealth's government policies on homelessness, and various initiatives announced before and after the white paper, *The road home: a national approach to reducing homelessness*, two new models of rental housing to accommodate homeless people have emerged.

The first is the 'Common ground' model, of a multipurpose building with longterm, supported rental units for single people. This model was pioneered in New York state in the USA, and in Australia was first replicated in Adelaide, with a building currently under development.<sup>3</sup> Nation-wide, the model is supported by the Australian Common Ground Alliance, and, in New South Wales, Common Ground



Sydney was launched on 9 September 2008 by a consortium which includes Housing NSW.<sup>4</sup> In the case of Common Ground Adelaide, the income eligibility cut-off for a tenancy is \$20,347 pa (compared with \$22,880 for public housing in New South Wales, for a single person). Rent will be charged at 30% of the tenant's gross income.

The second is the 'A place to call home' program. This program involves Commonwealth government funding to acquire up to 600 new dwellings for allocation to homeless people with an expectation that the tenants will not have to exit from the dwelling when their homelessness-related matter is resolved. It is this latter feature that makes it distinctive. Of the national allocation of \$150 million, New South Wales is getting \$38.75 million.<sup>5</sup> Of the 600 dwellings to be acquired, New South Wales is getting 155.

The needs of moderate-income earners have not received as much study as the needs of homeless people, but a general tightening of eligibility for housing assistance from public housing authorities – in New South Wales as in other jurisdictions – has led a number of commentators to point to a market segment that is too poor to be able to affordably sustain home purchase payments (this before the economic recession that was recognized in late 2008) and not poor enough to be eligible for social housing. Included among this market segment are lower-income, working households.

We suggest that referring to lower-income, working households is more useful than identifying particular occupations as 'key workers', because – as academic researchers Judith Yates, Bill Randolph and Darren Holloway concluded from their study of housing affordability, occupation and location – *affordability problems for lower-income, working households are driven primarily by low incomes rather than occupation as such*.<sup>6</sup>

Those researchers found that housing stress was greatest among hospitality workers in terms of incidence and among sales assistants in terms of numbers<sup>7</sup>, whereas workers in public sector occupations like police and teachers (occupations typically identified as 'key workers' in England where that concept is more popular) faced below-average incidence of affordability problems. Not surprisingly, there has not been the same focus on 'key workers' in housing policy in Australia as there has been in England.

The notion of providing housing for particular occupations is not new, however, and there is a history of some employers providing housing for employees, especially in rural and remote locations.

Governments in Australia do have housing assistance programs specifically targeted at occupations that may be seen as key workers. In New South Wales, the Teacher Housing Authority is a public trading enterprise wholly owned by the state government, established in 1975. It provides the longest-running rental housing program for key workers in New South Wales, namely teachers employed in government schools and TAFE colleges. Its dwellings are located in rural areas, particularly where the private rental market is assessed as not providing affordable

or suitable housing for its customers. It has 1,496 dwellings across the state, 252 of which are school residences (as at June 2008).<sup>8</sup> While the Authority charges market rents, school teacher tenants are eligible for a rent subsidy of 70% or 90% according to zones, thus having an affordable housing product delivered to them; this rent subsidy is funded by the Department of Education and Training. This model of affordable rental housing is distinctive in a number of ways:

- The owner of the dwellings, which can be the Authority itself or the Department of Education and Training in the case of dwellings on school grounds, does not do the day-to-day property and tenancy management of the dwellings: this role is contracted out to *private real estate agents*.
- The allocation of tenancies is targeted to a particular occupational/employee group, though the dwellings may also be let by the real estate agents to other people (tenants) on an interim basis if there is no demand for them by school teachers for seasonal or other reasons.
- Affordability is effected by a rental subsidy provided to the (teacher) tenants by their employer.

In the Commonwealth sphere, Defence Housing Australia provides housing to employees of the Australian Defence Force, Department of Defence, and in certain isolated regions, the Australian Customs Service.<sup>9</sup> Its housing programs comprise one that focuses on housing affordability and two that focus on affordable housing. The program that focuses on housing affordability, but without providing an affordable dwelling, is a rent subsidy (called a 'rent allowance') to assist the employee meet the costs of renting a dwelling in the normal private rental market. The major program that focuses on affordable dwellings is the 'Sale and leaseback program', under which the authority constructs dwellings, sells them to private investors, and then leases them back for rental to employees of the designated government agencies. The authority arranges longterm leases with the new owners of the dwellings, usually 9-12 years, thus offering the private owner a guaranteed income stream and no loss of rent from vacancies, and it also offers the new private owners worry-free maintenance and property management and 'make good' provisions on expiry of the lease. The authority manages around 17,000 dwellings in all states and territories of Australia, valued at around \$7 billion, with properties owned by the authority itself valued at \$1.8 billion. A third of the total dwellings (N=5,690) are in New South Wales<sup>10</sup>, and a fifth of the total are in Sydney (N=3,512).

Of those 17,000 dwellings, over 60% are owned by private owners, not the authority itself. It has an active capital works program of about 800 dwellings a year (comprising new construction and acquisition), most of which are sold to private investors and leased back. This model of affordable rental housing is distinctive in a number of ways:

- The housing provider is a significant property developer, and in some cities, such as Canberra and Darwin, it is undertaking development of whole suburbs in joint ventures with private sector or government sector land and property developers.
- The developer of the dwellings, being the authority, sells most of the dwellings it develops or acquires, using the finances from sales to generate revenue for growth.

- The manager of the tenancies, being the authority, does not own most of the properties it manages, and in the case of leased-back properties (the bulk of its portfolio) it actually leases dwellings it developed and sold.
- The allocation of tenancies is targeted to particular occupational/employee groups.

What these programs have in common is a policy on eligibility for allocation to the dwellings that allows lower-income working households to apply for tenancies, through more liberal income tests on eligibility than are used in most social housing (and specifically in public, community and Indigenous housing owned or regulated by state governments' housing departments). The customer is recognized as having a need for housing assistance because of unaffordability issues related to their low-moderate income and high house prices even though they are not among the very low and low-income households eligible for targeted social housing. A common term used to refer to this subcategory of affordable rental housing is 'intermediate housing': the intermediateness refers to the rents being set below market rents but above the levels used in social housing that have income-based rent-setting.

In metropolitan locations the concept of liberalizing eligibility for social housing has been picked up by some of the small number of local government councils that have affordable housing schemes.

In the case of Willoughby city council's local housing scheme, which has a small portfolio of affordable rental dwellings, the income eligibility criteria for intending applicants stipulates both minimum and maximum thresholds: the minimum gross annual income is \$21,000, and the maximum is the median income for the Willoughby local government area, updated annually. There is also a local area living requirement: to be eligible, an applicant must currently live in that local government area, or have lived in the area at some stage during the last two years. Rents are set using an income-based rent-setting formula, with rents set at 30% of gross household income.

In the case of Randwick city council's affordable rental housing program, which has a small portfolio of affordable rental dwellings, an applicant for a tenancy must have an income between \$549.75 and \$879.60 a week (low-income group) or \$879.60 and \$1,319.40 per week (moderate-income group), the council's intention being to accommodate a majority from the low-income group over time. The applicant must also demonstrate a connection to the Randwick local government area, not own assets or property that could be used to meet housing needs, not already be living in subsidised housing, not be a former tenant of the council's affordable rental housing program, and not be an employee of the council. Rents are set using a market rent based rent-setting formula, with rents set at 74.9% of the median market rent in the local government area, and adjusted annually.

In the case of Waverley council's affordable rental housing program, applicants for tenancies must: have an income within the 50-120% band of the Waverley local government area's median income. The applicant must also not be in the position where they would spend more than 30% of their income on housing during the tenancy (which is possible due to the rent-setting formula, which is explained

below); they must demonstrate their connection to the Waverley local government area; they must not own any assets or property that could be used to meet housing needs; they must not be an employee or a relative of a council employee; and they must not already live in secure medium-term subsidised housing. Rents are set using a market rent based rent-setting formula, with rents set at 74.9% of the median market rent in the local government area, and adjusted annually.

Canada Bay council's affordable living program also focuses on low-moderate income earners, with their small number of dwellings targeted to income earners whose gross income is in the low 50%-80% of Sydney medium household income (gross) or in the moderate 80%-120% of Sydney medium household income (gross) and who are paying more than 30% of gross household income for accommodation. The applicant must also be in permanent employment. This council has explicitly used the 'key worker', or occupational, notion as a criterion for eligibility in its rental housing, though it names industry sectors rather than occupations as such: applicants must be employed in either health services, childcare and early childhood services, education (primary and secondary) schools, emergency services, or public transport, with a positive weighting to applicants whose place of employment is in the Canada Bay local government area. Rents are set using a market rent based rent-setting formula, with rents set at no more than 75% of the market rent for a comparable dwelling.

Of these four local government affordable housing programs that target low-moderate income households, only one specifically uses a 'key worker' concept. Three use a market based rent-setting formula – not an income-based rent-setting formula as is typically used in social housing.

Another model for housing moderate-income households in mixed-income developments is provided by the rental housing of City West Housing Pty Ltd, a public trading enterprise that the state government has established to develop and manage affordable rental housing in parts of the City of Sydney. The company has a portfolio of 491 tenantable dwelling units. The company's eligibility criteria include an income test in three income bands (see Table 1).<sup>11</sup> The 1st, lowest, band is applicants with a gross annual household income below \$28,393. (Contrast this with the public housing income limit for a 1-person household of \$22,880 p.a.) The 2nd band is applicants with a gross annual household income between \$28,394 and \$45,472. The 3rd band is applicants with a gross annual household income between \$45,473 and \$76,949. The company assesses applicants on the basis of having a mix of income groups among its tenants. It uses an income-based rent-setting formula, with tenants in the third band paying a slightly higher proportion of their income in rent (30%, compared with 25% for the first band tenants).

TABLE 1: CITY WEST HOUSING INCOME ELIGIBILITY THRESHOLDS AND RENT AFFORDABILITY BENCHMARKS

| Income band | Gross household income p.a. | Rent as proportion of gross household income (%) |
|-------------|-----------------------------|--|
| 1           | Below \$28,393              | 25   |
| 2           | Between \$28,394 – \$45,472 | 27.5   |
| 3           | Between \$45,473 – \$76,949 | 30   |

What the above-named local government schemes and the City West Housing scheme have in common is a capacity (subject to supply constraints) to house applicants whose incomes are not as low as those required by the income thresholds for eligibility for public housing. This more liberal approach to eligibility for these models of social housing does not mean that the providers are, or must be, indifferent to the housing needs of very low income earners; indeed, City West Housing and the Randwick and Canada Bay councils' schemes aim for a social mix within their customer group.

The most recent intermediate rental housing product launched has been the housing to be provided with subsidies under the National Rental Affordability Scheme (NRAS). This focuses on increasing the supply of affordable rental dwellings for low to moderate income households. (Table 2 gives the income eligibility thresholds for tenants of dwellings subsidized under this scheme.<sup>12</sup>) If successful in its aim of creating 50,000 new affordable rental properties by June 2012, it would be a significant contribution to supply of affordable rental accommodation.

TABLE 2: NRAS INCOME ELIGIBILITY THRESHOLDS

| Household type  | Annual income limit for initial tenant eligibility | Upper income limit for maintaining eligibility after tenancy allocation |
|---|--|---|
| Single person with no children                              | \$40,501   | \$50,626  |
| Couples, couples with 1 child, or sole parents with 1 child | \$55,991   | \$69,989  |
| Couples or sole parents with 2 children                     | \$69,423   | \$86,779  |
| Couples or sole parents with 3 or more children             | \$82,855   | \$103,569   |

Community housing providers operating within the constraints of 'mainstream' Housing NSW (Office of Community Housing) funding programs have not typically had the flexibility to accommodate applicants whose incomes are above those required for eligibility for public housing. It is something they will need to acquire not only to be able to service a broad range of customers (such as low-income working households, including 'key workers'), but to be financially sustainable.<sup>13</sup>

**RECOMMENDATION 1: THAT REGISTERED COMMUNITY HOUSING PROVIDERS BE ABLE TO IMPLEMENT A RANGE OF INCOME-ELIGIBILITY CRITERIA FOR THEIR HOUSING SO THAT THEY CAN ACCOMMODATE LOW-INCOME WORKING HOUSEHOLDS AS WELL AS VERY-LOW INCOME HOUSEHOLDS AND THE HOMELESS.**

## **2.2. Methods of fast-tracking the capacity of providers to deliver low-cost rental accommodation in a short timeframe**

The capacity of housing providers, whether for-profit or nonprofit providers, to develop and manage affordable rental housing quickly will depend on a number of factors, both tangible and intangible. The tangible factors comprise technical matters like expertise in acquiring land and dwellings, expertise in housing development, and expertise in seeking and managing diverse financing from diverse sources in an unpredictable economic climate. The intangible factors comprise those matters that constitute an entrepreneurial 'culture' within the organization.

It cannot be assumed that providers do not have the capacity now. Some of them do.

Housing NSW is already seeking to use the capacity of private-sector developers and building companies to develop and build social housing.

In the Southern Redevelopment Projects (encompassing 5 sites in Bulli, Bowral, Batemans Bay and Narooma), Housing NSW has called for expressions of interest from builders to demolish 31 existing social housing dwellings and provide 31 new social housing dwellings, with the builder able to keep or sell new market dwellings they build on the sites.<sup>14</sup>

At Riverwood North in Sydney, Housing NSW has called for expressions of interest from developers to demolish 150 existing social housing dwellings and provide a minimum of 150 new social housing dwellings, with the developer able to keep or sell new market dwellings they build on the site, which can take up to 600 dwellings.<sup>15</sup> In this case (being different from the Southern Redevelopment Projects), Housing NSW might also contribute funds to the redevelopment, as well as the land.

Housing NSW is using a similar approach in Villawood in Sydney. In this case, Housing NSW has a vacant site that had 111 social housing units on it (which had been demolished). It has called for expressions of interest from developers to provide a minimum of 120 new social housing dwellings, with the developer able to keep or sell new market dwellings they build on the site, which could take about 427 dwellings.<sup>16</sup> In this case (as with Riverwood North), Housing NSW might also contribute funds to the redevelopment, as well as the land.

The public trading enterprises, City West Housing and Landcom, have a demonstrable record of developing affordable housing, though the latter agency has not had significant involvement in developing rental housing until its current involvement in the redevelopment of parts of Minto in partnership with Housing NSW.

Looking at the nonprofit nongovernment sector, Community Housing Ltd has substantial experience in housing development in Victoria, which it is now bringing to New South Wales through participation in development projects in Artarmon, Randwick and Bega. Blue CHP has been set up as a property development and asset management company by a consortium of NSW housing associations.

While a number of housing associations and rental housing cooperatives are undertaking housing developments, this engagement has occurred only in the last few years (with precedents rare rather than common). Their participation in the National Rental Affordability Scheme and in the Social Housing Growth program – funded by a Social Housing National Partnership payment that was agreed to by the Council of Australian Governments in November 2008 – will build that expertise.

The Commonwealth is bankrolling a capacity-building strategy for nonprofit providers to some \$1.7 million over 2 years, the core of which will be a Business Development Clearinghouse provided by the Community Housing Federation of Australia.

### **2.3. Strategies to attract private sector investment in the provision of low-cost rental accommodation to reduce homelessness and to increase the availability of key worker accommodation**

This section discusses strategies to attract private sector investment in the provision of low-rent rental accommodation where the housing is provided by (a) nonprofit landlords, or (b) for-profit landlords, whether provided directly as an owner/manager or through a real estate agent.

#### **2.3.1. Private sector investment in provision of low-rent rental accommodation by nonprofit landlords**

The key means by which private sector investment has been sought in community housing providers' affordable rental housing projects has been as lenders of money rather than as project partners. In New South Wales, community housing providers were encouraged to engage with the private sector in that way by Housing NSW under an 'affordable housing debt-equity program' in 2005. What was initially a demonstration project and then a program, and then, in 2008, a state contribution to the NRAS, involved community housing associations being able to apply for a grant to help build or acquire new dwellings, linked to a capital contribution of their own and linked to borrowing from a financial institution. This particular arrangement ceased with round one of the National Rental Affordability Scheme, but the subsidies under the Scheme are the primary incentive for community housing providers to build a wider pool of capital (including borrowings from private-sector financial institutions) to finance new developments.

In 2007, the state government began another initiative to enhance the capacity of some community housing associations to attract private-sector lending for development projects. That was to pilot long-term (35 year) leases on some Land and Housing Corporation dwellings with some community housing associations, in the expectation that those associations would be able to negotiate lending for new developments using the presumed steady revenue stream from rents collected on those dwellings as surety.

### 2.3.2. Private sector investment in provision of low-rent rental accommodation by private sector landlords

The role that private sector investment could play in encouraging private provision of affordable rental housing is a matter that overseas policy makers are also considering.<sup>17</sup>

In England, the government commissioned a report from York University on the contribution and potential of the private rented sector.<sup>18</sup> The report's authors argue that the cottage nature of small-scale landlordism has some consumer benefits, primarily from the uncoded 'sweat equity' of those landlords in managing their properties, which is not priced into rents. Commentators there lament the lack of large-scale institutional investment (in private rental) – though there have been developments of larger-scale private rental developments targeted to university students.<sup>19</sup> But the authors suggested that there were few large landlords operating at a scale for institutional investment to be appropriate. They concluded that the main policy challenge was to help good landlords to expand their portfolios. This help should extend to small and large landlords, since the larger landlords that were there tended to grow through portfolio acquisition rather than new-build. The report was cryptic on concrete suggestions on the form that such help should take. The key suggestion was: 'Changes to the tax system should be framed to encourage landlords to view their letting activity as business rather than investment activity...'.<sup>20</sup>

In the USA, a report from Harvard University suggested a number of actions to increase the supply of private rental housing in that country:<sup>21</sup>

- elimination of land-use policies that limited development of affordable, higher-density housing in resource-rich suburban communities;
- perfect pooling approaches to acquire several properties with a single financial transaction; and
- designing new types of real estate investment trusts (REITs) to raise capital from private sources to invest in small apartment projects.

Another Harvard paper suggested that the first premise of a rational policy toward (smaller unit) private rental was that its preservation '*under continued dispersed private ownership*, is a sound, even essential objective'.<sup>22</sup> It thought that a major shift to corporate or REIT ownership would not materially change the fundamental ownership pattern of this stock in the foreseeable future.

Academic studies in Australia have found there is a serious shortage of stock (dwellings) in the private rental sector available to lower-income earners.<sup>23</sup> When demand generally for private dwellings to rent is high, lower vacancy rates means that competition for those dwellings that do become free for rent is greater. In this situation, rents might be set higher than they otherwise would. Also, middle-income renters might compete with lower-income renters for the lower-rent dwellings.

The return on the capital put into these properties can take the form of:

- capital gains on the future sale of the property, assuming an appreciation of its value; and /or
- recurrent income from rents.



For investors and rental property businesses to get good returns on the dwellings they buy, they will generally want to rent the dwellings out to maximize rental income. When there was significant investment in private rental housing, in the early 2000s, this was mostly in premium dwellings at the upper segments of the market. The cost of housing in high-demand locations means that it is not possible for private investors to get a sufficient return from low-income tenants; indeed, any rental housing let at submarket rents would need a government subsidy for the provision to be sustainable.<sup>23</sup>

The cheaper (lower-rent) properties tend to be owned by people who are themselves low-moderate income earners.

The profile of providers of private rental housing in Australia is largely that of 'mums and dads'.<sup>24</sup> More than 10% of individual income-taxpayers, over one and a half million Australians, own a rental property. Nearly three-quarters of those only own one, or part of one, property.<sup>25</sup>

The main Commonwealth government program to encourage private sector investment in provision of low-rent rental accommodation by private sector landlords is the National Rental Affordability Scheme. The scheme comprises a Commonwealth subsidy to additional housing that would be rented for at least 10 years at a rent that is no more than 80% of the median market rent in the area where the house is built. The dwellings would be owned by the bodies financing their development, e.g. privately-owned property developers, financial institutions, or nonprofit housing/welfare organizations, not by the government. The Commonwealth government guidelines for the scheme allow for the property and tenancy management of the new dwellings to be undertaken by – among others – private businesses (e.g. real estate agents). This means the scheme has potential to directly contribute to a supply of private rental housing let at submarket rents. Of the 507 NRAS incentives offered to NSW applicants, in December 2008, following the round one call, 21 were offered to a private sector firm where the dwellings will be managed by private-sector housing managers: the 21 incentives were offered to Edgeworth Projects Pty Ltd for dwellings to be constructed at Lake Macquarie.<sup>26</sup>

The NSW government participates in this scheme, of course, by contributing \$2,000 worth of subsidy (per dwelling, for each of 10 years) to the Commonwealth's \$6,000.

The state government also has a number of small programs that encourage supply (or discourage withdrawal of supply) of private rental housing to low-income tenants. It gives an exemption from land tax:<sup>27</sup>

- for land used and occupied primarily for low-rent accommodation in inner Sydney – this is worth less than \$1 million a year;
- for boarding houses where at least 80% of the accommodation is let to long-term boarders at low rents – this is worth \$6 million a year;
- for residential parks and retirement villages primarily occupied by retired people – this is worth some \$97 million (2008-09).

The current exemption from land tax for land used and occupied primarily for low-cost accommodation is confined to land in inner Sydney (specifically, for land within 5 kilometers of the Sydney General Post Office), and seems to have been a response to the gentrification of inner Sydney over the last decades. The exemption would cover parts of the Sydney, North Sydney, Leichhardt, and Woollahra local government areas. Rent levels, as a crude indicator of rental housing unaffordability, in these local government areas are among the highest in the metropolitan area and the state. However, these local government areas share this characteristic with other local government areas in the inner-ring suburbs generally and some middle-ring suburbs, recording the highest rent levels for new bonds lodged with the Rental Bond Board (data from Housing NSW *Rent and Sales Reports*). Local government areas in the eastern suburbs, lower north shore, and inner-western suburbs consistently showed the highest rent levels across a range of quarters for which data are tracked by Housing NSW.

Expansion of the scheme to specific local government areas in Sydney where highest rents presented the strongest barrier to availability of affordable private rental housing in these geographic areas would contribute to meeting demand for affordable private rental housing for low-income households, blue-collar and low-paid white-collar workers employed in public amenities and services, and creative workers working in businesses vital to Sydney's global competitiveness. The specific local government areas could be Canada Bay, Ku-ring-gai, Lane Cove, Leichhardt, Manly, Mosman, North Sydney, Randwick, Sydney, Warringah, Waverley, Willoughby, and Woollahra.<sup>28</sup>

RECOMMENDATION 2: THAT THE GOVERNMENT AMEND THE CURRENT EXEMPTION FROM LAND TAX FOR OWNERS OF PROPERTIES USED PRIMARILY FOR LOW-RENTAL HOUSING BY, FIRSTLY, REDEFINING THE LAND BY LOCAL GEOGRAPHIC AREA, RATHER THAN DISTANCE FROM THE SYDNEY GPO, AND BY, SECONDLY, NAMING SPECIFIC LOCAL GOVERNMENT AREAS WHERE HIGHEST RENTS PRESENTED THE STRONGEST BARRIER TO AVAILABILITY OF AFFORDABLE PRIVATE RENTAL HOUSING.

One way that local governments could encourage private sector landlords to invest in provision of low-rent rental accommodation would be for them to remove regulatory barriers to old models of privately-provided low-rent housing, such as boarding houses, and to new models of privately-provided low-rent housing, such as secondary dwellings.

Secondary dwelling are likely to have affordability outcomes, delivered through their built form.<sup>29</sup> They are smaller than principal dwellings and have less amenity in some respect than, say, cottages (e.g. no laundry) and so the rent that can be asked for by the owner (the resident of the principal dwelling) would be less than a self-contained apartment.

Canadian survey data show they are typically rented at the low end of the market, at rents in the range of 15-20% less than comparable units in flats in their neighborhood.<sup>30</sup> The Canada Housing and Mortgage Corporation reported that secondary dwellings would be viable 'when there is demand from prospective tenants who are willing to live in close proximity to landlords and/or to other

tenants in order to save on rent'. These findings are consistent with the results of a survey of tenants in British Columbia by the Tenants Rights Action Committee, which found a significant difference between rents paid and rents in 'traditional' rental units; moreover, nearly 80% of the respondents identified affordability as an important factor for them choosing to live in a secondary suite.<sup>31</sup> In the USA, state governments on the west coast have promoted them, through legislation, as a means of promoting supply of affordable housing.<sup>32</sup>

Landcom did a study of secondary dwellings in 2003, which found there were 6,400 such units in Sydney in 2001.<sup>33</sup> Most of the units had one bedroom, but nearly half had 2-3 bedrooms. The average occupancy was 1.8 persons. Nearly half of the households were single-person, with couples with no children 18% and sole-parent families 5%. Just over half of residents were aged between 25 and 54 (i.e. not students or seniors). The median rent levels paid were 33-50% lower than rents paid by similar households in other dwellings. The study estimated that there were 61,000 low-income private renters in housing stress who could benefit from access to secondary dwellings. It also looked at where supply of secondary dwellings might come from, and concluded that there were over 26,000 dwellings in Sydney with potential to have secondary dwellings.

A small number of local governments have amended local development controls to allow secondary dwellings in any residential zones – 15 out of 152 councils.<sup>34</sup> The changes to allow secondary dwellings have usually been explicitly motivated by councils' concerns about affordability (e.g. Parramatta, Pittwater), rather than promotion of densification, though the dwellings do contribute to some densification.

The extent and nature of development controls is a key matter, with Canadian experience indicating that requirements for development consent for previously illegal dwellings led to a decline in supply (in response to the cost of compliance) and might also have discouraged new investment in this product.<sup>35</sup> At the moment, the Standard Instrument (Local Environmental Plans) Order 2006 does indicate one (only) standard for secondary dwellings, namely a cap on total floor area: the total floor area must not be more than 60 square meters or a specified proportion of the total floor area of both dwellings<sup>36</sup>, whichever is the greater.<sup>37</sup>

We do not know how the 'market' will respond to this type of dwelling. There might, of course, be many such dwellings now in local government areas where the councils have not approved them. Looking at new, legal, dwellings, Parramatta council processed 28 development applications for secondary dwellings over the 3-year period since it enabled them (from 17 June 2005 to the end of July 2008).<sup>38</sup> This quantity is mirrored by the experience on the US west coast, where the actual number of secondary dwellings in established neighborhoods was 'more like a trickle than a tidal wave'.<sup>39</sup>

The most important change that the state government could take to encourage the development of secondary dwellings would be to make them permissible uses in all, or some, residential zones, by amending the *Standard Instrument (Local Environmental Plans) Order 2006*. At the moment, the Order does not indicate

secondary dwellings as a default, permissible use in any zone. The government could amend the Order by:

- including secondary dwellings as a permissible use in all residential zones; .
- indicating that secondary dwellings are permissible with consent or permissible as a complying development (the latter being more facilitative than the former).

RECOMMENDATION 3: THAT THE GOVERNMENT MAKE SECONDARY DWELLINGS PERMISSIBLE USES IN ALL RESIDENTIAL ZONES, BY AMENDING THE STANDARD INSTRUMENT (LOCAL ENVIRONMENTAL PLANS) ORDER 2006.

In Canada the national government has a subsidy program for the construction of new secondary dwellings, where the owner of the principal dwelling is eligible for the subsidy if they let the secondary dwelling to an adult person with a disability or to a low-income older person.<sup>40</sup> The subsidy takes the form of a forgivable loan, which does not have to be repaid so long as the owner is complying with program rules on tenant eligibility and rent caps.<sup>41</sup>

An expansion in supply of secondary dwellings would have some implications for 'demand side' issues in the market, particularly for tenancy protection. There is no way of knowing the number or proportion of secondary dwellings where the resident has the status of a tenant covered by the *Residential Tenancies Act 1987* as opposed to a boarder (being a category of tenant to which that Act does not apply). Most residents of secondary dwellings would be tenants covered by the Act, with the exception of those who have a family relationship to the residents of the principal dwelling, in which case there is generally no tenancy relationship. In the case of relationships between nonfamily members, the critical factor in determining whether the residency of the secondary dwelling has the nature of a mainstream tenancy (rather than boarding) is whether the resident has exclusive possession of that dwelling, meaning the resident may exclude the landlord (qualified by the landlord's right to access in the terms prescribed by the Act). If any expansion in supply of secondary dwellings is accompanied by increasing case work for nongovernment tenancy advice and advocacy services, the Office of Fair Trading should specifically resource those services and the Tenants Union of NSW to deal with that caseload and to undertake community education around tenancy rights and secondary dwellings.

#### **2.4. Current barriers to growth in low-cost rental housing to reduce homelessness and to increase the availability of key worker accommodation**

In section 2.3.2, we discussed some regulatory and taxation issues that are relevant to growth of the private sector (private sector landlords and real estate agents) as providers of affordable rental housing. That is a role that they could not undertake more of without government subsidy. Nonprofit providers are in a similar position: the community housing sector is one that is heavily dependent for sustainability and growth on government subsidies. In this section we suggest three actions that would remove barriers to their growth.

#### 2.4.1. Title

Community housing associations do not own many properties. They have few assets with which to leverage private financing. If they were to be given ownership ('title') of some of the dwellings they manage for Housing NSW, they would be in a better position to borrow money for new housing development projects. We understand that the reason the state government has not moved to transfer ownership of some of the Land and Housing Corporation properties to nonprofit housing providers is because of opposition by Treasury who regard the retention of the properties in government ownership as important for the state's net worth.<sup>42</sup>

We cannot imagine that staged transfer of ownership to registered community housing providers of Land and Housing Corporation properties would have a dire impact on the state's finances – yet such a move would have a dramatic, positive impact on that subsector. For example, the transfer of ownership of the 7,000 Land and Housing Corporation dwellings managed by community housing providers to those providers would represent a mere 7% of the Corporation's capital stock<sup>43</sup>, but it would represent a dramatic transformation in the stock profile of the community housing subsector.

In the Australian Capital Territory, the government is supporting the main community housing provider, CHC Affordable Housing, by transferring ownership of 135 properties worth \$40 million.

RECOMMENDATION 4: THAT THE GOVERNMENT UNDERTAKE A STAGED TRANSFER OF OWNERSHIP TO REGISTERED COMMUNITY HOUSING PROVIDERS OF LAND AND HOUSING CORPORATION PROPERTIES.

#### 2.4.2. Environmental planning barriers

Local government councils that might want to encourage provision of affordable housing in their area by requiring a certain proportion of new housing to be built or provided as affordable housing are unable to do so. This is because, even though the *Environmental Planning and Assessment Act 1979* in principle (section 94F) allows them to do so, the minister for planning has not introduced an appropriate state environmental planning policy (SEPP). This is necessary because, while that Act has provisions that would allow a local government council to require a certain proportion of new housing to be built or provided as affordable housing, it does so with provisos – and a key proviso is that there is a SEPP that authorizes the council's scheme.

Local governments potentially have powers – under the Act – to encourage provision of affordable housing in their area by requiring a certain proportion of new housing to be built or provided as affordable housing ('inclusionary zoning'). This housing could be required where there is a new housing estate or a multi-unit development (flats), or if the development is likely to lead to a loss of affordable housing or a need for affordable housing. Or it could be where there is a rezoning.

A council can only use those provisions of the Act – which are sections 94F and 94G – in certain circumstances. Those include:<sup>44</sup>

- It must get the minister for planning to include a statement in a state environmental planning policy that makes requirements about imposing conditions (s.94F(3)(a)).
- It must get the minister for planning to include a statement in a state environmental planning policy that identifies a need for affordable housing in the council's local government area (s.94F(1)).

Some few local governments are interested in production of affordable housing. Provision of housing assistance is a core state government responsibility and many local governments are thinly stretched to provide the current services they have responsibility for. Nevertheless, where local conditions have called for it, some councils have developed affordable housing strategies and some few have developed affordable housing schemes.<sup>45</sup>

The mechanism of 'inclusionary zoning' is used, in similar ways but with local variations, in the Willoughby and City of Sydney local government areas – in the latter case, the beneficiary of the developer contributions for affordable housing is the government-owned City West Housing Pty Ltd.

In those two areas, the local affordable housing schemes are validated by a state environmental planning policy, State Environmental Planning Policy no. 70 – Affordable Housing (Revised Schemes). The government has refused to amend this SEPP, introduced in 2002, to allow new schemes in other council areas. However, the *City of cities* Sydney metropolitan strategy (December 2005) provided for inclusionary zoning in urban renewal centers and corridors and for major sites zoned to residential and mixed use (Action C4.3.3), and it provided for provisions of affordable housing in the standard LEP template (Action C4.3.4).<sup>46</sup> Moreover, that SEPP is currently under review by the Department of Planning: it would be timely and appropriate for the government to adopt a proper state environmental planning policy on affordable housing.

RECOMMENDATION 5: THAT THE GOVERNMENT INTRODUCE A STATE ENVIRONMENTAL PLANNING POLICY ON AFFORDABLE HOUSING TO SATISFY REQUIREMENTS OF THE ENVIRONMENTAL PLANNING AND ASSESSMENT ACT.

#### **2.4.3. Supply of affordable land in suitable locations**

As at the time of preparing this submission we are waiting on a report from the National Housing Supply Council on land and housing needs in Australia. Anecdotal information from a number of nonprofit affordable housing providers indicates that they have difficulties acquiring land for new housing developments in suitable locations, being locations in established suburbs with good service systems and transport networks. An overseas model of a nongovernment organization that deals with this particular matter is that of a 'community land trust', a concept that started in England and where there are some cases but which is stronger in the USA.

A community land trust is a nonprofit nongovernment organization that buys land and 'stewards' the land, with the aim of maintaining it for community purposes 'in perpetuity'.<sup>47</sup> The primary community purpose to which community land trusts'

land has been and is used is for affordable housing programs, though the organization may acquire land for other community purposes, such as neighborhood facilities, or allow such uses on its land. While a community land trust acts as a type of land bank for affordable housing, etc., it does not necessarily need to be, or become, an owner of the dwellings or community facilities on its land. It allows providers of affordable rental housing to develop houses on the land for a ground rent and a longterm (99-year) lease, thus taking the cost of land out of the equation for developers and builders of affordable housing. Those providers own and manage the housing. In some cases, the community land trust might own the dwellings too and be the nonprofit landlord. Alternatively, or as well, it allows builders of housing for owner-occupation to build on the land, for a longterm ground lease – thus taking the cost of land out of the equation for developers and builders of affordable owner-occupied housing<sup>48</sup>.

In the USA roughly half of the dwellings on community land trusts' land are rental and half are in owner-occupation.<sup>49</sup> The community land trust might or might not be the project developer of those dwellings (whether for rental or owner-occupation). In the USA and Canada these roles are variously taken on by community land trusts across the country. The model is clearly a flexible one: at its core is a mission to acquire land for affordable housing and related community purposes, and to ensure that land is kept out of the normal speculative market in land that so adds to housing unaffordability.

In England the government is promoting the model as a type of community housing provider that also promotes the government's shared equity programs and that takes over management of municipal facilities from local governments.<sup>50</sup>

The experience in the USA has led commentators to suggest that it is what is distinctive about the model that might best be promoted, rather than creating a new brand for community housing providers. For example, Davis and Jacobus suggest that housing/property development is not a particular strength of the model.<sup>51</sup>

Nothing in the model's distinctive approach to ownership, organization, and operation makes real estate development easier or cheaper to do. Indeed, nothing makes a CLT a better developer than any other nonprofit or for-profit entity that has municipal support to produce affordable housing or other community facilities. Instead, the model's real strength lies in protecting a municipality's investment and a community's assets, and in preserving access to land and housing for people of modest means.

They suggest that the trend in the USA is for community land trusts to put more emphasis on their role as stewards of land.<sup>52</sup>

Indeed, CLTs are being pushed in this direction by the need to distinguish themselves from other nonprofit developers of affordable housing in what has become, in some jurisdictions, a very crowded field. Instead of competing for project subsidies, some CLTs have found a more sustainable niche by specializing in stewardship, an activity that other nonprofits are less willing or less suited to do.

There is some interest in this model in Australia, and in these early days it would be premature to predict the course they might or should take.

The community land trusts in the USA have been set up independently but have been assisted with government grants, donations of land by local councils, etc. Likewise, in England, there is government support for startups. A number of philanthropic trusts have set up funds to assist fledgling community land trusts with a feasibility study, technical assistance, and/or loans. In both the USA and England there are excellent websites with resources for the subsector.<sup>53</sup>

RECOMMENDATION 6: THAT THE GOVERNMENT UNDERTAKE A FEASIBILITY STUDY ON COMMUNITY LAND TRUSTS IN NEW SOUTH WALES (INCLUDING THE DEGREE TO WHICH, IF AT ALL, THEY MIGHT RECEIVE STARTUP SUBSIDY FROM GOVERNMENT).

## 2.5. Strategies to avoid concentration of disadvantage and grow cohesive communities

In comparable Western countries to Australia where there have been concentrations of social housing and associated issues with social exclusion, many public policymakers are shifting their emphasis from a negative one that targets the problems to a positive one that imagines what sustainable communities could look like. In Scotland, for example, *placeshaping* policies propose a goal of mixed communities:<sup>54</sup>

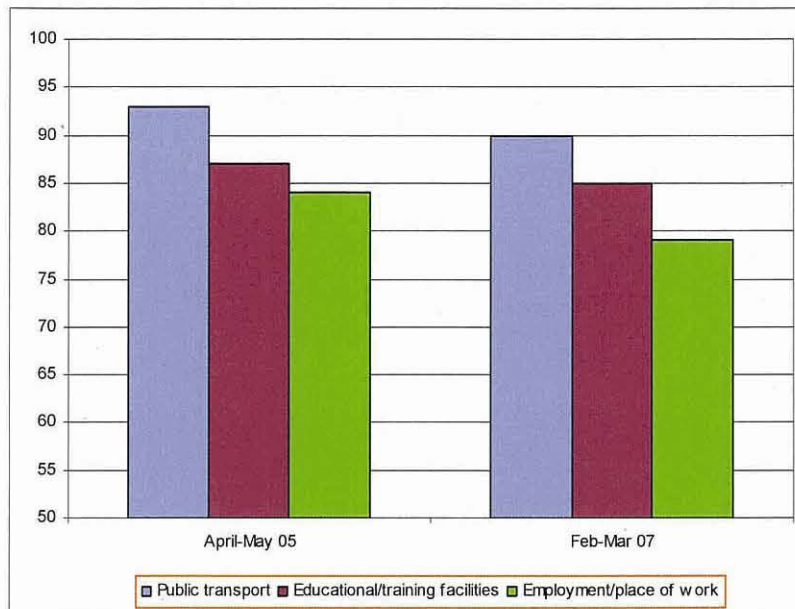
People of different ages, lifestyles and incomes sharing in the benefits of decent housing and an external environment capable of meeting their needs now and in the future.

A mixed community development promotes a well-integrated mix of land uses with well-designed homes of different types and tenures and is capable of supporting this range of household sizes, ages and incomes.

Much of the Australian policy discussion around concentration of disadvantage and housing has focused on existing public housing estates. This discussion can create an unbalanced assessment of the value of social housing in a number of ways. One, it can generalize unsatisfactory experiences on large estates, which comprise only a third of public housing<sup>55</sup>, to all public housing tenants. Two, it can detract from a recognition of the positive assessment of public housing in terms of amenity and location by public housing tenants themselves. Figure 2 indicates the proportion of NSW public housing tenants who think certain (indicated) aspects of their dwelling is important and meet their needs.<sup>56</sup> The aspects are three critical matters that affect locational disadvantage: public transport, educational/training facilities, and employment/place of work. Each of these matters is important for tenants' economic participation in society. Tenants are highly satisfied that their dwelling is well-located in relation to their need to access public transport, educational/training facilities, and employment/place of work, with positive scores of 90%, 85% and 79% respectively (2007). The result that 90% of tenants are satisfied with the location of their dwelling in relation to public transport (90% in 2007; 93% in 2005) is particularly striking.

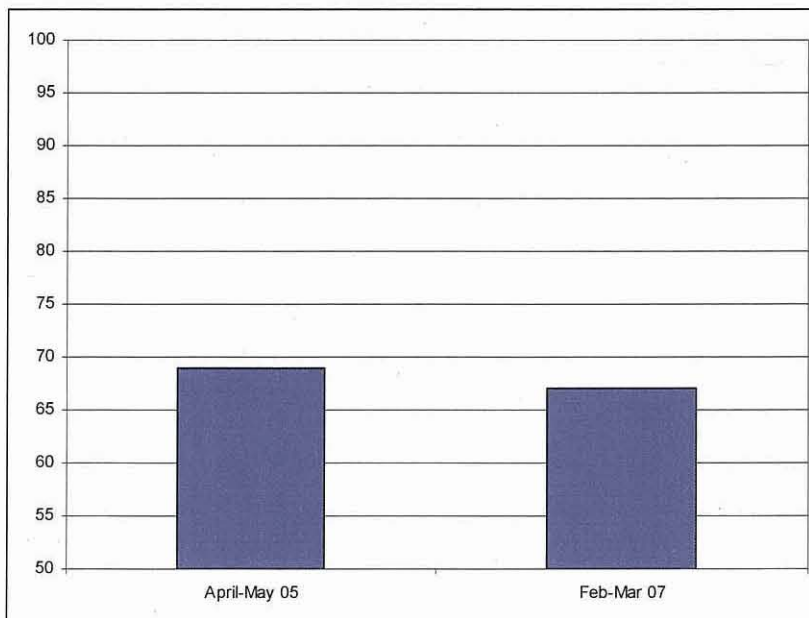


FIGURE 2: PUBLIC HOUSING TENANTS' ASSESSMENT OF LOCATIONAL ASPECT OF THEIR DWELLING (%)



Public housing tenants are less satisfied with the location of their dwelling in relation to safety and security in their neighborhood. Two-thirds of tenants think the safety and security of their neighborhood are important and that the location of their current dwelling meets this need (67% in 2007; 69% in 2005). (See Figure 3.) A third of tenants are not satisfied with the safety and security of their neighborhood.

FIGURE 3: PUBLIC HOUSING TENANTS' ASSESSMENT OF SAFETY AND SECURITY IN THEIR NEIGHBORHOOD (%)

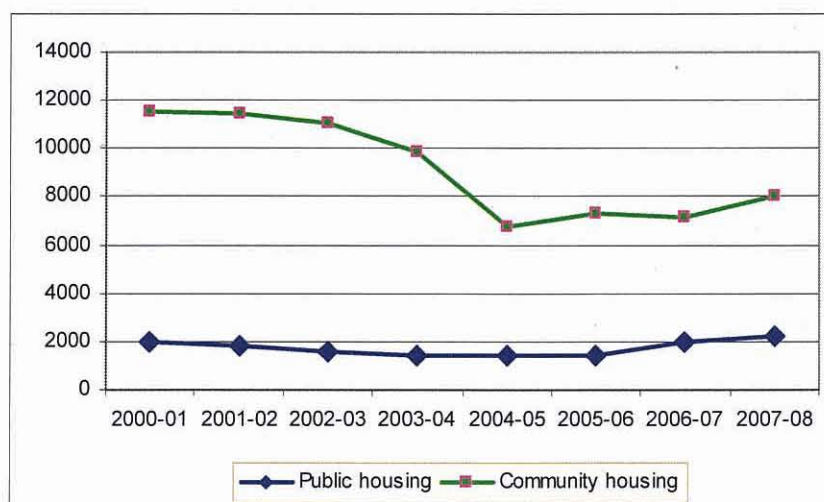


There is a difference between perception (which is what the Australian Institute of Health and Welfare surveys reported) and what happens in the streets. Moreover, criminologists have clearly rejected any view that public housing estates are ‘criminogenic’.<sup>57</sup> Nevertheless we have been concerned about the extent to which residents of various forms of congregate public housing, whether stand-alone multi-unit public housing units or estates, have adequate safety, security and comfortableness in their neighborhoods. A key issue here, for which the evidence is anecdotal, is the degree to which public housing tenants might need to provide ‘support’ to their fellow residents in a way and extent that residents in private housing – whether private rental or in owner-occupation – do not.

Critical here is the profile of the public housing population and the proportion of public housing tenants who are allocated on the basis of having ‘greatest need’. By ‘greatest need’, we refer to low-income households who were allocated a tenancy because they were homeless, had their life or safety at risk in the previous housing, had their health condition aggravated by their previous housing, had housing inappropriate to their needs, or were paying very high rents.<sup>58</sup>

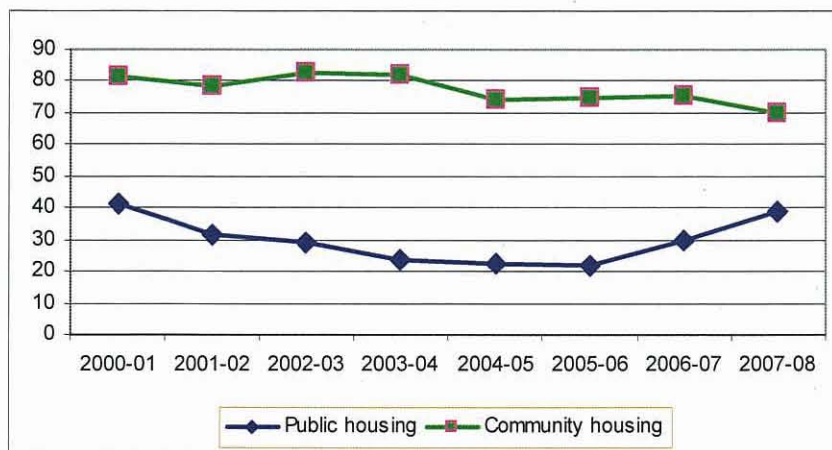
The number of applicants on the public housing list with ‘greatest need’ has steadily increased in recent years. (See Figure 4.<sup>59</sup>) The number of applicants meeting the criteria for ‘greatest need’ increased 53% between 2006 and 2008, up from 1,455 to 2,214.

FIGURE 4: GREATEST NEED APPLICANTS ON SOCIAL HOUSING WAITING LISTS



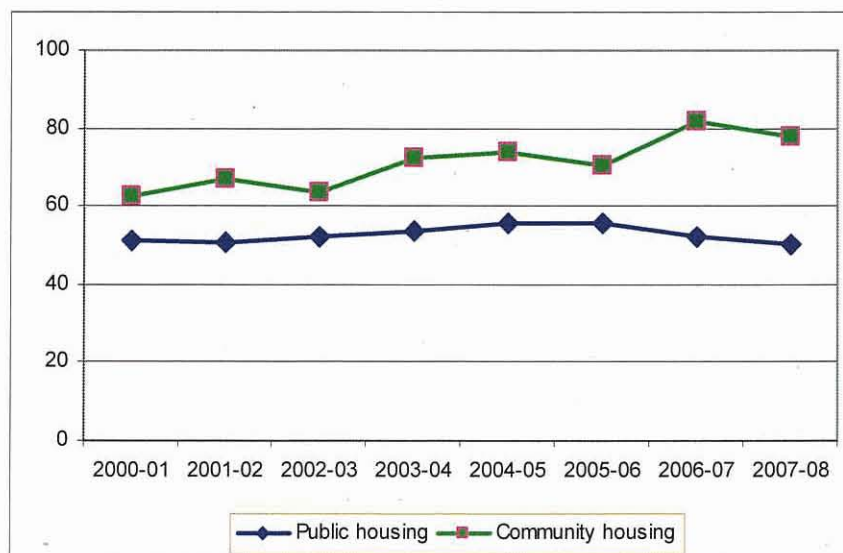
This change was reflected in the proportion of new tenancies allocated to applicants with greatest need. (See Figure 5, page 22.) The proportion of new tenancies allocated to applicants with a greatest need increased from 21.9% in 2005-06 to 38.9% in 2007-08.

FIGURE 5: PROPORTION OF NEW SOCIAL HOUSING TENANCIES ALLOCATED TO APPLICANTS WITH GREATEST NEED



We support a perspective that says social housing should be targeted to and allocated on a priority basis to applicants with very low incomes, with special needs such as disability, and with a greatest need such as a dire housing circumstance (e.g. homelessness, having life or safety at risk in the previous housing, etc.). But we do think some liberalization in eligibility with reference to income and to special need could be useful to facilitate a greater social mix on the larger public housing estates. Currently, half of the new tenancies in public housing are allocated to people with special needs<sup>60</sup>, a proportion not significantly different from a decade ago (54.6% in 1999-00, cp. 50.3% in 2007-08). (See Figure 6.)

FIGURE 6: PROPORTION OF NEW SOCIAL HOUSING TENANCIES ALLOCATED TO APPLICANTS WITH SPECIAL NEEDS



It might assist estate management and neighbor relations to limit the proportion of new tenancies on public housing estates undergoing regeneration or renewal that are allocated to households with special needs be limited to, say, 25%.

RECOMMENDATION 7: THAT HOUSING NSW LIMIT THE PROPORTION OF NEW TENANCIES ON PUBLIC HOUSING ESTATES UNDERGOING REGENERATION THAT ARE ALLOCATED TO HOUSEHOLDS WITH SPECIAL NEEDS TO 25%.

While much of the policy discussion around concentration of disadvantage and housing has focused on existing public housing estates, it is as important to consider how disadvantage can be avoided and social resilience encouraged in new social housing. As a result of the Commonwealth's injection of new funds into social housing through its Social Housing National Partnership payment and 'Nation building and jobs plan' National Partnership payment, Housing NSW will be building or acquiring 9,000 new dwellings over the next 3 years (including existing plans to build around 4,000 dwellings as part of reconfiguration and expansion plans).<sup>61</sup>

Housing NSW has, in relation to a select number of priority locations with social housing estates, identified principles and desired outcomes relevant for regeneration of those locations.<sup>62</sup> We think these are a good basis to imagine principles and desired outcomes for mixed communities in the new locations that social housing dwellings will be built in, or acquired in, while implementing the Commonwealth-assisted social housing expansion programs.

RECOMMENDATION 8: THAT THE GOVERNMENT DEVELOP PRINCIPLES AND DESIRED OUTCOMES FOR MIXED COMMUNITIES IN THE NEW LOCATIONS THAT SOCIAL HOUSING DWELLINGS WILL BE BUILT IN, OR ACQUIRED IN, WHILE IMPLEMENTING THE SOCIAL HOUSING EXPANSION PROGRAMS.

In the previous section (page 17), we discussed the community land trust model. This is relevant to mixed communities in established areas. Creation of mixed communities is not something that is relevant only to established social housing estates and greenfield new towns; its relevant to the established urban centres, especially in Sydney, the state's capital. Academic commentators have pointed to the pauperization of middle-ring and old outer-ring suburbs and to the sharp social polarization in Sydney which is reflected spatially.<sup>63</sup> One impact of this will be '... a city that has lost the diversity that made it great in the first place'.<sup>64</sup> Community land trusts could have particular public benefits to the extent that they are able to acquire land for affordable housing in the state's desirable coastal zones, in Sydney and elsewhere in the state.

## Notes

<sup>1</sup> Social housing is a rental housing product whose defining characteristic is that it is priced to the consumer (tenant) at a submarket price (rent) for noncommercial reasons. The owner of the dwelling may be a private firm/individual, a nonprofit nongovernment organization, or a government agency. The property and tenancy management of the dwelling might be done by a nonprofit nongovernment organization, a government agency, or – in principle – a private firm/individual (though we do not have many models of this in Australia, unlike, say, Germany). Because the submarket rent affects the economic viability of maintaining the dwelling, its management requires an operating subsidy from an entity who might not be either the owner of the dwelling or the provider of housing services, the subsidy being given for distributive or philanthropic reasons – typically by a government agency but also by nonprofit nongovernment organizations. It is not a defining characteristic of social housing that it be allocated to tenants in particular income bands, e.g. very low income people, or on ‘better’ terms (e.g. more security of tenure) than provided by private providers of rental housing – though social housing providers have generally sought to rent dwellings to lower-income tenants, in a physical condition that is better than normal market standards, and with more secure occupancy rights than in rental housing markets generally.

<sup>2</sup> Housing NSW, *Corporate plan 2007/08 – 2009/10*, 2008, p.7

<sup>3</sup> ‘Common Ground Adelaide’, <[www.commongroundadelaide.org.au](http://www.commongroundadelaide.org.au)>.

<sup>4</sup> ‘Common Ground Sydney’,

<[www.mercyfoundation.com.au/homelessness/index.cfm?loadref=41](http://www.mercyfoundation.com.au/homelessness/index.cfm?loadref=41)>.

<sup>5</sup> This program has been included in the Commonwealth/State National Partnership Agreement on Homelessness agreed to in December 2008.

<sup>6</sup> Yates, Judith, Bill Randolph and Darren Holloway, *Housing affordability, occupation and location in Australian cities and regions*, AHURI Final Report no. 91, Australian Housing and Urban Research Institute, Melbourne, March 2006, p.87.

<sup>7</sup> Yates, Randolph and Holloway, pp.25-26. They note: ‘Key workers in the UK include nurses, teachers, police officers and prison staff. In the US, the list of essential workers includes cleaners, retail sales workers, teachers, nurses and police. The results above suggest that, at an aggregate level, in Australia few households with a reference person classified as a key worker or essential worker household on either the UK or US definitions, face affordability problems any worse than the population as a whole. Only households with a reference person who is a cleaner (911), a sales worker (8221) or a miscellaneous intermediate worker (639, which includes prison officers) have a disproportionate share of households in housing stress. Households who have a reference person in occupation 241 (school teachers) or 391 (police), for whatever reason, have a very low proportion of purchasing or renting households in housing stress and those with a reference person in occupation 232 (nurses) have roughly the same proportion of households in housing stress as the population as a whole.’ (p.26)

<sup>8</sup> Teacher Housing Authority of New South Wales, *Annual report 2007-2008*, Sydney, 2008, p.12.

<sup>9</sup> Defence Housing Australia, *2007-08 annual report*, Barton ACT, 2008.

<sup>10</sup> The 303 dwellings in Albury/Wodonga are counted as being in New South Wales for the purpose of this statement; proportion calculations are based on a total of 17,393 dwellings Australia-wide.

<sup>11</sup> City West Housing Pty Ltd, ‘Eligibility’, 2008; City West Housing Pty Ltd, ‘Rent policy’, 16 June 2005. These figures are those at July 2008 and are subject to annual review.

<sup>12</sup> Department of Families, Housing, Community Services and Indigenous Affairs, ‘National Rental Affordability Scheme guidelines’, 24 December 2008, p.26.

<sup>13</sup> A study on options for attracting private investment into community housing concluded that private sector investment in community housing would only be financially feasible for community housing associations targeting (in allocations) households that receive some private income in addition to Centrelink payments (Sean McNelis, David Hayward and Hal Bisset, *A private retail investment vehicle for the community housing sector*, Australian Housing and Urban Research Institute, Melbourne, July 2002). Rents would be set as a proportion of the market rent – thus achieving relative affordability – and the tenant would be eligible for rent subsidy (i.e. a direct payment to the tenant based on income and rent, along the lines taken by the Commonwealth’s rent assistance payment for social security recipients).



<sup>14</sup> Housing NSW, *The Southern Redevelopment Projects: registration of interest, September 2008*, Sydney, 2008.

<sup>15</sup> Housing NSW, *Riverwood: expression of interest, August 2008*, Sydney, 2008.

<sup>16</sup> Housing NSW, *Kamira Court urban renewal project: expression of interest, August 2008*, Sydney, 2008.

<sup>17</sup> Some of the information and discussion on the role of the private rental sector in this submission draws on *Shelter Brief* no.37, 'Encouraging supply of private rental for low-income households' (February 2009).

<sup>18</sup> Julie Rugg and David Rhodes, *The private rented sector: its contribution and potential*, Centre for Housing Policy, University of York, York YKS, 2008.

<sup>19</sup> This phenomenon might be mirrored in Australia: see

<[www.campusliving.com.au/clvAustraliaNZ/business/html/villages.php](http://www.campusliving.com.au/clvAustraliaNZ/business/html/villages.php)>.

<sup>20</sup> Joint Center for Housing Studies of Harvard University, *America's rental housing: the key to a balanced national policy*, Harvard University, Cambridge MA, 2008, pp.22-23.

<sup>21</sup> Alan Mallach, 'Landlords at the margins: exploring the dynamics of the one to four unit rental housing industry', Joint Center for Housing Studies, Harvard University, March 2007, p.58; emphasis in original.

<sup>22</sup> These arguments and the data in the new few paragraphs are from Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australian Housing and Urban Research Institute, Melbourne, June 2004.

<sup>23</sup> In this submission, a submarket rent is a rent set below any level that would be set according to commercial criteria, including loss-leading or loss-generating where generation of a loss is a deliberate investment or business strategy; having no commercial basis, a submarket rent would undermine the sustainability of the dwelling's presence in the rental market. (In England, providers of submarket rental housing are subsidized by government and the submarket rent may be no more than 75% of the median, open market rent in the locality, as a condition for the subsidy.) On this definition, a very low rent that is well below, for example, a median rent for new tenancies in an area and that has been set according to commercial criteria, such as pricing to attract or retain tenants, is a market rent and not a submarket rent.

<sup>24</sup> The Australian Taxation Office distinguishes between investors in rental housing and people running a rental housing business ('Rental properties 2008', Canberra, May 2008, p.4). The difference is made on the scope (size and scale) of and degree of participation in rental property activities, with an investor having a narrower range of activities and less participation in rental property activities. A person in either category could be a landlord, i.e. owner and ultimate controller of the use of the property (even where property and tenancy management is outsourced to an agent, e.g. a real estate agent) and as such an investor might engage in some property and tenancy management activities.

<sup>25</sup> In the 2005-06 tax year, there were 1,490,289 individuals with an interest in real property. Of those, 1,081,067 (72.5%) had an interest in only one property, and 12,442 (0.8%) had an interest in six or more properties (Australian Taxation Office, 'Taxation statistics 2005-06', 2008, p.13).

<sup>26</sup> Centre for Affordable Housing, 'National Rental Affordability Scheme', online at <<http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NRAS/>>, updated 23 December 2008, viewed 24 December 2008. Two other lots of incentives (N=133) went to two private sector applicants, but they propose to have the dwellings managed by community housing providers.

<sup>27</sup> The Australia's Future Tax System Review Panel noted that land tax paid by investors in residential property is likely to be 'shared' with tenants, in the form of higher rents (*Australia's future tax system: consultation paper* (K Henry, chairperson), Treasury, December 2008, p.215). If land tax was to be applied to all dwellings, including owner-occupied houses, the prices of houses could come down. For owners of rental dwellings, who do pay land tax (where above the threshold), they can protect their after-tax return on their investment by passing on part of the cost of the tax to their customers. 'In this way, a majority of the impact of land tax on investors is likely to be borne by tenants.'

<sup>28</sup> These local government areas remain those with the highest rents (in the September quarter 2008), along with Strathfield.

<sup>29</sup> The Standard Instrument (Local Environmental Plans) Order 2006 defines a 'secondary dwelling', as a self-contained dwelling that is: (a) established in conjunction with another dwelling (the principal dwelling); (b) built on the same block of land (not being an individual lot in a strata plan or

community title scheme) as the principal dwelling; and (c) located within, or is attached to, or is separate from the principal dwelling. A 'granny flat' is a subtype of secondary dwelling.

<sup>30</sup> Canada Mortgage and Housing Corporation, *Accessory apartments: characteristics, issues and opportunities*, Research and Development Highlights Socio-economic series no. 3, Canada Mortgage and Housing Corporation, Ottawa, October 1991.

<sup>31</sup> Tenants Rights Action Coalition, 'Secondary suites: a tenant survey', n.d., online at <[www.tenants.bc.ca/othpubs/benefit.html](http://www.tenants.bc.ca/othpubs/benefit.html)>, viewed 15 October 2008.

<sup>32</sup> Transportation and Land Use Coalition, 'Accessory dwelling units', 2004, online at <[www.transcoalition.org](http://www.transcoalition.org)>, viewed 17 October 2008.

<sup>33</sup> Landcom, 'Accessory dwelling units: playing a significant role in market based affordable housing', summary, May 2006, <[www.landcom.com.au/downloads/File/ADU%20Study%20Summary%20\(public%20doc\)%202006.pdf](http://www.landcom.com.au/downloads/File/ADU%20Study%20Summary%20(public%20doc)%202006.pdf)>, viewed 1 December 2008. The information in the rest of this paragraph is from this summary report.

<sup>34</sup> Those are Bathurst Regional (by nonexclusion), Bega Valley, Blue Mountains, Camden ('two-dwelling development'), Fairfield, Kogarah ('extended family unit'), Ku-ring-gai ('family flat'), Liverpool, Mid-western Region, Parramatta, Pittwater, Richmond River, Rockdale, Warringah, Wollondilly (by nonexclusion), and Wollongong. Some of their instruments refer to secondary dwellings, some to granny flats, and some use other terms indicating the same type of dwelling (e.g. 'extended family unit' for granny flat in Kogarah, 'family flat' for granny flat in Ku-ring-gai).

<sup>35</sup> Canada Mortgage and Housing Corporation.

<sup>36</sup> The Canada Bay LEP 2008 indicates 40%; the Pittwater LEP 1993 and Liverpool LEP 2008 indicate 20%.

<sup>37</sup> Standard Instrument (Local Environmental Plans) Order 2006, section 5.4(9).

<sup>38</sup> Information provided by Parramatta council, 24 November 2008.

<sup>39</sup> Transportation and Land Use Coalition, 'Accessory dwelling units', 2004, online at <[www.transcoalition.org](http://www.transcoalition.org)>, viewed 17 October 2008.

<sup>40</sup> Canada Housing and Mortgage Corporation, 'Residential Rehabilitation Assistance Program (RRAP) – secondary/garden suite', online at <[www.cmhc-schl.gc.ca/en/co/prfinas/prfinas\\_002.cfm](http://www.cmhc-schl.gc.ca/en/co/prfinas/prfinas_002.cfm)>, viewed 14 November 2008.

<sup>41</sup> The loan lasts for between 8 to 15 years, depending on the value of the works. If the owner sells the dwellings and the new owner does not want to take on the loan and arrangement, the seller will pay the balance of the loan, plus interest, to the Canada Housing and Mortgage Corporation.

<sup>42</sup> The land and building owned by the Land and Housing Corporation/Housing NSW was valued at \$27.5 billion in 2008-09 (*Infrastructure statement 2008-09*, New South Wales budget paper no.4, 2008, p.5-5).

<sup>43</sup> This calculation is based on there being 139,120 'capital' dwellings in the core social housing sector in June 2008, of which 122,074 were managed as public housing and 9,696 managed by community housing providers (Housing NSW, '2008-2009 NSW housing budget', June 2008).

<sup>44</sup> These sections will be replaced by proposed sections 116Y-116ZB when those latter are proclaimed as part of a process of staged proclamation of the *Environmental Planning and Assessment Amendment Act 2008*.

<sup>45</sup> The Sydney City Council has indicated it will consider extension of inclusionary zoning to future renewal areas or all commercial developments ('Sustainable Sydney 2030: City of Sydney strategic plan – final consultation draft', 2008, p.271); the insertion of relevant provisions in the Sydney LEP would need the approval of the department of planning and minister for planning. While the state government has backed off the support it gave to local government affordable housing schemes in the late 1990s, it has not eschewed an inclusionary zoning approach in major development areas under its direct control. Two cases indicating this are the inclusionary zoning provisions in the Redfern-Waterloo Authority Act 2004 (section 30) and in the draft State Environmental Planning Policy (Major Projects) 2005 (Amendment no.20) of 2008 affecting Sydney Olympic Park (clause 43).

<sup>46</sup> These proposed actions remain unimplemented 3 years later.

<sup>47</sup> In the USA the articles of association of community land trusts make divestment or disposal of land, once acquired, very difficult, typically involving a decision by both the organization's board of directors and its membership. However, there have been cases where the community land trust has wanted to sell land donated to it that it deemed not suitable, and preferred to use the sales revenue

for its objects. (John Emmeus Davis, *Starting a community land trust: organizational and operational choices*, revised edn, Burlington Associates in Community Development, Burlington VT, 2007, p.76)

<sup>48</sup> The community land trust retains an option to purchase any structures on the land if the owners choose to sell. The resale price is set by a formula on the ground lease that provides the current owners a fair return on their investments and future buyers fair access to housing at an affordable price (John Emmeus Davis and Rick Jacobus, 'The city-CLT partnership: municipal support for community land trusts', Lincoln Institute of Land Policy, Cambridge MA, 2008, p.5).

<sup>49</sup> Yesim Sungu-Eryilmaz and Rosalind Greenstein, 'A national study of community land trusts', Working paper WP07YS1, Lincoln Institute of Land Policy, Cambridge MA, 2007, p.16.

<sup>50</sup> Department for Communities and Local Government, *Community land trusts: a consultation*, London, October 2008.

<sup>51</sup> Davis and Jacobus, p.36.

<sup>52</sup> Davis and Jacobus, p.37.

<sup>53</sup> Community land trusts, University of Salford, England <www.communitylandtrust.org.uk>; National Community Land Trust Network, Portland OR, USA <www.cltnetwork.org>; Burlington Associates, Burlington VT, USA <burlingtonassociates.com/resources/>.

<sup>54</sup> Scottish government, 'Mixed and sustainable communities', <www.scotland.gov.uk/Topics/Built-Environment/regeneration/mixedcommunities>.

<sup>55</sup> NSW Department of Housing, *Community renewal: transforming estates into communities – partnership and participation*, 2001, p.2.

<sup>56</sup> The source of the data are Australian Institute of Health and Welfare national data reports on Commonwealth-State Housing Agreement programs, and in this case, those for public rental housing. The 2007 data draw on a sample of 4,575 tenants; the 2005 data draw on a sample of 4,435 tenants.

<sup>57</sup> R Samuels, B Judd, B O'Brien, and J Barton, *Linkages between housing, policing and other interventions for crime and harassment reduction in areas with public housing concentrations – volume 1: main report*, final report, Australian Housing and Urban Research Institute, 2004, p.55.

<sup>58</sup> Australian Institute of Health and Welfare, *Public housing 2007-08: Commonwealth State Housing Agreement national data report*, AIHW Cat. no. HOU 187, Canberra, January 2009, p.27.

<sup>59</sup> The source of the data in this figure, and also Figure 5 and Figure 6, are yearly Australian Institute of Health and Welfare national data reports on Commonwealth-State Housing Agreement programs, and particularly, those for public rental housing.

<sup>60</sup> The Australian Institute of Health and Welfare (2009, p.26) defines a household with a special need as a low-income household that is Indigenous, has a member with a disability, has a principal tenant aged 24 years or under, or has a principal tenant aged 75 years or more.

<sup>61</sup> Housing NSW, 'New South Wales and Commonwealth social housing stimulus package', factsheet, 23 February 2009.

<sup>62</sup> Department of Housing, *A new direction in building stronger communities 2007-2010*, Department of Housing, March 2007, p.2,10.

<sup>63</sup> Scott Baum, *Suburban scars: Australian cities and socio-economic deprivation*, Urban Research Program Research Paper no. 15, Griffith University, Brisbane, February 2008.

<sup>64</sup> Yates, Randolph and Holloway, p.88.