

**Submission
No 239**

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

Organisation: Australian Manufacturing Workers Union

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NSW Parliamentary Inquiry

Into

Social, Public & Affordable Housing

A Submission by the AMWU NSW Branch

March 2014

The AMWU thanks the Committee for the opportunity to respond to the Inquiry into Social, Public and Affordable Housing.

The AMWU represents approximately 120,000 members nationally, working across major sectors of the Australian economy. AMWU members are employed in metal manufacturing, printing and graphic arts, the food and confectionery sector and vehicle building, repair and service. The AMWU also has significant membership in mining, building and construction, aircraft and airline operations, laboratory, technical, supervisory and public sector employment. Our members work in unskilled, semi skilled, trade and professional occupations within these industries.

In our view the complex relationship between housing policy and other issues has critical significance for the creation of sustainable jobs, skills and productivity growth. Housing policy is also key to the maintenance of social justice and the well being of individuals and families.

Our submission is based upon the following principles:

- All citizens should have access to secure housing, regardless of whether they own or rent their home
- Effective housing policy can be a powerful tool for both sustainable productivity growth and social justice
- Housing policy should therefore be part of a whole of government response to an urban planning strategy, integrated with industry and social policies
- Government tax incentives and subsidies should operate to improve the supply and accessibility of affordable housing, particularly in areas offering good employment opportunities

Housing policy is very complex. Our submission cannot and does not pretend to address every issue suggested either by the matter itself or by the terms of reference for this Inquiry. While these are obviously all very important, we have narrowed the focus of this submission to those which we believe are most relevant to the people we represent. We accept that changing policy will not happen quickly or easily. Therefore, while it is impossible to address housing policy issues without taking account of federal taxes etc., we have focused our submission and its recommendations on issues where the state government can make a difference.

Housing is of paramount importance to all human beings. It provides shelter, emotional security and refuge. Access to stable, adequate shelter plays a major role in the health and well being of families and in particular of children. By providing a safe environment, secure and appropriate housing allows participation in the social, educational, economic and community aspects of their lives and the privacy to develop as a healthy individual and family unit.¹

When the Commonwealth Housing Commission negotiated the first Commonwealth State Housing Agreement it was on the basis that good housing was a right of citizenship: *We consider that a dwelling of good standard and equipment is not only the need but the right of every citizen – whether the dwelling is to be rented or purchased, no tenant or purchaser should be exploited for excessive profit*²

As well as being important for individuals and households, housing is important in a broader economic sense. Housing construction and finance are significant indicators of economic performance and transactions involving land and housing provide state and local governments with important tax bases. Housing is also central to monetary policy, with the effect of RBA interest rate decisions being a major fiscal management tool. Along with transport and infrastructure, housing affects both the productivity and fairness of our cities. It affects how far people are able to live from jobs and the number of potential employees to which firms will have access.³

Yet despite the critical role of housing as economic infrastructure, no one minister or department at any level of government has responsibility for policy or management of the housing system. The commonwealth is responsible for tax and transfer systems such as capital gains tax exemptions and discounts, negative gearing rules funding of rental assistance and pension assets test rules. The state government charges land tax and stamp duty, administers issues associated with fair rents through its Office of Fair Trading and has overall responsibility for planning laws. Local government collects municipal rates on land and is responsible for local planning and zoning. Where there are 'housing ministers', they are generally responsible for the funding and management of social housing and while important social policy, it comprises only a very small and declining part of overall tenure.

¹ Shelter: Development of a Children's Headline Indicator: information paper: Australian Institute of Health and Welfare, 2010

² CHC 25/8/44 in Patrick Troy Accommodating Australians Federation Press 2012

³ Kelly et al 2013 Grattan Institute Productive Cities

Housing affordability

Housing affordability is an issue of concern to individuals, families and government at all level. Since 1945 Australians have enjoyed high rates of home ownership and relatively low housing costs, made possible by cheap and plentiful land for urban development, a specialist housing finance sector and significant tax subsidies associated with home ownership. On this basis home ownership rates have remained relatively static since 1966 but there is growing evidence that young people are either delaying entry into home ownership or not entering home ownership at all. This is very significant given that for the past 70 years 90% of Australian adults have been home owners.⁴

The fall in home ownership has been accompanied by affordability problems in the private rental sector, which currently provides housing for around 25% of Australian households. Moreover, those who are in the private rental sector are now more likely to remain in rental for a longer period. More than 40% of private rental tenants are now renting for a period of 10 years or longer. This represents a significant shift as previously private rental housing was generally a transition for young households saving to purchase a home.⁵

A further significant trend accompanying these changes has been demonstrated by research showing that while there is a high level of mortgage stress among Australian home owners, in fact housing stress is more likely to occur in the private rental sector, with estimates suggesting that between 700,000 and 1.1 million Australian households are confronted by rental stress.

Rental Housing Affordability

Rental prices have risen consistently in NSW over the last two decades, with the growth most pronounced in the inner urban areas of Sydney. Between March 1993 and March 2013, the median rent (for all properties) in the inner ring of Sydney more than doubled from \$195 to \$560; while the medium rent in the middle ring of Sydney increased by \$300.⁶

In addition, the share of lower income households for whom rental housing is the only housing option available and who are in housing stress (paying more than 30% of their income in meeting their housing needs) has risen.⁷

⁴ Beer A, Kearins B & Pieters H Housing Affordability and Planning in Australia: The Challenge of Policy Under Neo-Liberalism January 2007

⁵ Wulff M & Maher C The Environmental Sustainability of Australia's Private Rental Stock 2010

⁶ Housing NSW, Rent & Sales Report 2013

⁷ RBA, Address to Economic & Social Outlook Conference, The Melbourne Institute 2008

Housing costs of private renters in Australia have also been increasing at a higher rate than for those of home owners with a mortgage, particularly in the last few years. For example, between 2007/08 and 2011/12, weekly housing costs for private renters increased by 17%, compared with an increase of 1% for home buyers with a mortgage.

Of particular concern for this Inquiry is that housing costs for private renters are more pronounced in NSW compared with the other more populous states in Australia. In 2011 – 12, these costs for rent in NSW were estimated at \$437, compared with an average of \$331 for the remaining states.⁸

Affordable rental is generally defined as costing no more than 30% of the household income⁹ The supply of affordable rental in Australia has been in long term decline due to recent and significant changes over the last two decades including increased migration rates, particularly from international students and additional pressures from the displacement of lower income households from inexpensive rental dwellings by moderate or higher income households that traditionally met their needs through the owner-occupied market but now no longer can access home ownership.

Accompanying the shortfall in affordable rental accommodation is a substantial increase in all rents in recent years. From 2002 – 12, average nominal rents increased 76% for houses and 92% for other dwellings (mostly flats, apartments etc). Average earnings increased 57% and house prices 69% in this same period.¹⁰ Many lower income renters struggle to afford their rent. In 2009 – 10, 67% of capital city renters in the bottom two income quintiles paid more than 30% of their gross income in rent and 31% paid more than half of their gross income in rent.¹¹

⁸ ABS Housing Occupancy & Costs Cat No 4130.0

⁹ ABS 2006

¹⁰ NHSC 2013

¹¹ NHSC 2013

Many households are going into debt to pay bills and basic necessities such as food are forgone in order to live close to jobs and essential services.¹² Yet the social housing sector and government provision of housing support for private tenants has a small and declining role. For example, federal *Rent Assistance* for low income tenants has been shown to be far too low to impact rental housing stress and while providing adequate public rental stock would also benefit renters in the private rental sector by reducing rental demand, the *Right to Buy* scheme introduced by state governments in the 1970's and 80's has left public housing stocks depleted with negligible replenishment. The result is that public housing waiting lists in some parts of NSW are now decades long and no longer a realistic option for most people experiencing housing stress.

The evidence is clearly that housing stress is not short term or an outcome of cycles within the housing market and that there has not been a time within the last decade when housing stress had not been a substantial problem for significant number of Australian households.¹³

While home ownership imposes some additional costs, the private benefits – especially the access to an effective form of savings and the ability to borrow against residential property for other investments – are significant. Also important is the stability and freedom that home ownership provides compared to that experienced by renters under current rental settings. Owner-occupiers, on average move less often than renters. A 2010 survey found that 83% of renters had moved at least once in the previous 5 years, compared to 28% of owners.¹⁴ These greater levels of stability provide many benefits to both the individuals and to the community, including promoting civic participation, reducing the need for children to change schools, better health outcomes and lower stress levels.

¹² Anglicare Australia, [Australia Rental Affordability Snapshot 2013](#)

¹³ Wood G, Yates J and Reynolds M 2006 '[Vacancy Rates and Low Rent Housing: A Panel Data Analysis](#)', *Journal of Housing and the Built Environment*, vol.21:4

¹⁴ ABS 2010

Renting in Australia

As we have said, over recent years the proportion of households renting has steadily increased. More than 2.1 million Australian households – or one in four – rented privately in the period 2011 – 12. More than half (57%) of all households renting in 2007 – 08 had been renting for more than 5 years and a third (33%) for more than ten years. Significantly, an increasing proportion of people in middle age and beyond continue to rent. Between 1981 – 2011 the median age of the head of renter households increased from 32 to 37 years – a much more dramatic increase than for the population as a whole¹⁵

Couples (with and without children) comprised about 45% of renters in 2011. The profile of other renters has diversified. In the period 1981 to 2011, single person households declined from around 40.4% to 25% of all renters. Single parent households increased from 6.3% to 16% and group households increased from 4.2% to 10.5%.¹⁶

Rental housing can no longer be regarded as a niche or transitional tenure before home ownership. Renting is not just something that people do while saving for a deposit or studying.¹⁷

Many households rent because they cannot afford to purchase a home. Social housing assists a small number of the most disadvantaged people, but for many, rental is the only long term option. Some households choose to rent as it provides flexibility to move more quickly to respond to job opportunities.

What ever the motivations, a strong rental sector is essential to an increasingly mobile modern economy.

¹⁵ ABS 2013b

¹⁶ *ibid*

¹⁷ Ferguson, D. (2013) 'Can you be a buy-to-let landlord and still be ethical?'
<http://www.theguardian.com/money/2013/sep/16/buy-tolet-landlord-still-ethical>

While they are both federal taxes, it is important to say that negative gearing and capital gains concessions which are intended to support investment in rental property, have demonstrably failed. In fact they have had the opposite effect; driving up prices and encouraging a focus on capital gains rather than the provision of affordable rental accommodation. These measures therefore hurt renters while also driving up prices that lock out potential first home owners – particularly at the lower end of the market.¹⁸

Renters face insecurity and instability

While an increasing number of people are renting for longer periods, they are missing many of the benefits of security of tenure than home owners enjoy. The difference in frequency of moving between owners and renters in Australia is the highest in the OECD.¹⁹ While renters move for a wide range of reasons, overall they are moving much more frequently than they want to. Of those renter households who had moved home in the previous 5 years, 32% characterized the move as forced or constrained, compared with 11.1% of home owners and public housing tenants.²⁰ Renters want stability and security of tenure for the same reasons as home owners. Moving frequently is inconvenient and expensive. It inhibits planning for the future, as does the ongoing threat of having leases terminated or not renewed. Low income renters, particularly children and older people are especially vulnerable.

Most rental tenancies are governed by a six or twelve month lease or are on a month-by-month basis following the expiry of the initial lease. Regulatory settings are specified in state legislation, and there are no legal restrictions on longer leases. Low vacancy rates – exacerbated by the pressure on many tenants to reach agreement and get a roof over their head in a short time give landlords much more bargaining power than prospective tenants. As a result, the length of residential leases is usually the legal minimum giving landlords maximum flexibility to increase rent or sell the property.²¹

¹⁸ Eslake S 50 years of Housing Policy Failure 122nd Annual Henry George Commemorative Dinner and ABS 2013b

¹⁹ Caldera-Sanchez Caldera-Sánchez, Å. (2011) To move or not to move: what drives residential mobility rates in the OECD?

²⁰ Stone, W., Burke, T., Hulse, K. and Ralston, L. (2013) 'Long-term private rental in a changing Australian private rental sector', Australian Housing and Urban Research Institute AHURI Final Report No. 209

²¹ Grattan Institute October 2013 Renovating Housing Policy

Even without a breach by the tenant, landlords can terminate leases on grounds such as moving in themselves or selling the property, generally with 30 – 60 days notice. In part this may reflect investors' favouring of capital gains over rental yields. In contrast, commercial leases – even for small businesses and sole traders – typically involve longer terms and frequently include the option to renew. Commercial property is also frequently sold to investors with a tenancy underway, whereas residential sale can be preceded by eviction of tenants.

A 2008 Senate Inquiry found that leases with longer and more secure tenure can help generate social benefits attributable to home ownership. Identifying ways to increase security of tenure for renters as other countries have done is therefore sensible. Countries including Germany, Netherlands, France, Hong Kong and the UK provide longer lease terms, more narrowly defined reasons for eviction and longer notice periods.²²

The available evidence is that changing these arrangements does not cause undue disruption to landlords or the housing market. In 2004, Ireland moved from arrangements similar to those currently in place in NSW towards improving security of tenure for renters. The standard lease moved from 6 - 12 months to a legally prescribed 4 years, though landlords and tenants can terminate a lease in the first 6 months with 28 days notice. After that time, landlords can only terminate the lease on more narrowly prescribed grounds. Notice periods increase with the length of tenure. Despite the GFC there does not appear to have been any adverse impact on the supply of private rental housing. In fact, since the reforms were introduced the Irish private rental sector has grown substantially as a proportion of all housing in a market that, like NSW continues to be dominated by small individual investors.²³

NSW renters also do not enjoy the same capacity to 'make a home' as home owners, and typically can only make minor alterations at the discretion of the landlord. There are few rewards for tenants who improve their housing or devote time and money to keeping it in good condition. Other countries do not so severely restrict tenants' capacity to make a home. For instance, in Germany renters can ordinarily keep a small pet and hang pictures on their walls.

²² Senate Select Committee on Housing Affordability in Australia 2008

²³ Irish Central Statistics Office

Impact of government policy

Policies that favour investors, such as negative gearing and capital gains concessions increase demand for property and push up prices while doing little to increase supply, forcing many households to buy on the city fringes, with poor access to transport and jobs. This reduces opportunities for individuals and makes it harder for businesses to access skilled workers. It's a rising form of inequality that also impacts productivity. Winding back negative gearing and the capital gains tax discount would stop artificial inflation of demand for investment properties and enable more people to buy their first home.

Households that rent privately benefit least from housing policies at all levels of government. The main policy that benefits households in the private rental sector is *Commonwealth Rental Assistance*. It is only available to recipients of welfare payments, such as Newstart Allowance or the age and disability pensions and accounts for less than 6% of the total housing benefits provided by government. On average, recipients receive around \$2,900 p.a. Commonwealth and state governments also spend around \$5 billion each year on social housing.²⁴

Current housing policies entrench and exacerbate inequality. They do not assist social cohesion, economic development or productivity. They do not improve access, supply or quality of housing.

Effective housing policy needs to be redefined by the state government as an issue of urban planning, which in turn must be an integral component in a broader strategy of economic, social and political change. The coordination process is crucially important. All public policies – ranging from industry policy to fiscal and monetary policies have implicit urban and regional impact on housing supply and affordability.

Implications for productivity

Housing is often thought of primarily as a social issue but it is also a vital part of our economic infrastructure. The choices people have over where to live and work are affected by the availability of affordable housing and how easy it is to move between housing. Therefore appropriately located housing is crucial to productivity. Grattan's 2013 report, *Productive Cities*, demonstrates that cities with well-functioning labour markets are more productive and provide residents with more economic opportunities.

²⁴ Grattan Analysis of 2012 – 2013 Commonwealth and state budget papers

In a productive city, firms can access as wide a pool of potential employees as possible and workers have access to as many of the city's jobs as possible. When workers and jobs are far apart and/or transport connections between them are poor, firms will have limited access to labour and some people can end up locked out of opportunities to build skills and become more productive over time.²⁵

Recent Australian and international research shows the benefits to productivity and the broader economy of agglomeration - bringing firms closer together.²⁶ Bringing people, jobs and firms closer together is therefore critical if we are to take full advantage of the opportunities afforded by the shift to knowledge-intensive industries such as manufacturing and services. Failure to do so will inhibit productivity and capacity building by these firms. Yet the same report also found that there are large sections of NSW in which residents have very poor access to jobs within reasonable commuting time. Large parts of Sydney were found to have poor connectivity, with many areas providing access to less than a quarter of the metropolitan workforce by car or public transport. In some suburbs, workers have access to an even smaller proportion of jobs. There are parts of Sydney where only 14% of jobs can be accessed by car and only 11% by public transport.

It is clear that the closer residents live to the centre of cities, the greater the number and range of jobs that are within easy reach. This access to employment is further enhanced by better public transport provision in the urban core. Similarly, employers in the centre of our cities can generally draw on the largest labour force, although the proportions vary widely by city and transport mode.

Currently as many people live west of the Parramatta as east of it. Yet two thirds of jobs are in central and eastern Sydney. State government policy development needs to take account of the fact that Sydney's major CBD is on the eastern edge, leaving a commute of up to two hours for residents of western Sydney. This distorts the housing market as well as narrowing the economic base for the high value added jobs the city needs to grow.

Policies that grow good jobs in western Sydney will be the best long term strategic investment in housing affordability for the city.

²⁵ Grattan Institute [Renovating Housing](#)

²⁶ For Australian research see, for example, Grattan Institute [Productive Cities](#) May 2013

While not necessarily the most disadvantaged areas of our cities in terms of income and education, outer suburbs have much poorer access to jobs than inner suburbs, leaving large parts of our urban labour market very shallow. This is a particular problem in an increasingly skilled economy and also makes outer suburb residents far more vulnerable to an economic downturn, with access to a much lower proportion of available jobs than residents elsewhere in the city. Expanding the labour pool for both higher and lower skilled roles located in agglomerations throughout the city would not only improve productivity, but would make opportunities in those firms accessible to a broader proportion of workers.

We have seen that the trend is for working people of all ages to rent for much longer periods. In many cases this is their only long term option. It is therefore essential to future productivity that urban planning should provide for affordable housing and good transport links in areas that are accessible to employers.

If current settings remain unchanged, our cities are likely to spread outwards, further separating places of residence and places of employment. This will discourage the growth of deep labour markets and the productivity benefits they bring by diluting both workers' access to jobs and employers' access to workers. Transport is therefore also important in supporting both high productivity agglomerations and labour market participation generally.

Improving the capacity of the urban transport system to connect people and jobs will require different solutions for different places. Transport improvements can expand labour market catchments, improve job matching and facilitate business to business interactions. Transport also improves the functioning of labour markets, increasing labour market flexibility and the accessibility of jobs.²⁷

One of the best ways to generate more economic growth, raise levels of household wealth and lift general revenue is to increase female participation levels in the workforce. Problems of access compound other barriers to workforce participation. There is a clear spatial dimension to female workforce participation. Suburbs in which female participation is less than 20% below male workforce participation are consistently found to be located in outer suburbs: 'Women with children are on a tighter 'spatial leash' than men, especially when their children are young and they want to be accessible to them in the event of illness or other needs.'²⁸

²⁷ Eddington R Investing in Transport – East West Link Needs Assessment 2007

²⁸ Pocock B et al Work & Family Policy Roundtable, Centre for Work & Life University of S.A. 2012

The increasing polarization of our cities – by income, house price and qualification level – may also have serious consequences beyond the economy. Notably it is much harder to access opportunities from some part of our cities, there are concerns about the impact of increasing concentrations of disadvantage and concerns about the implications of polarization for broader social cohesion.

Enabling people to live closer to jobs - planning & land use issues

A deep cleavage between urban planning and housing policy has developed. We have already discussed how high prices in inner and middle suburbs that have better access to public transport and jobs ensure that many workers cannot move to the centre of the city even if they want to. Insufficient new housing, not enough diversity of housing type and resistance to change in existing suburbs combined with restrictive planning practices combine to deny workers access to housing opportunities within a reasonable distance of potential employment.²⁹

The problem is complicated by Australia's three tiered system of government. The commonwealth funds the states and territories and local governments to provide housing for low and middle income households under what is now the National Affordable Housing Agreement (COAG 2009). The states and territories have responsibility for urban planning, using their own idiosyncratic planning legislation and approaches to development control. Local governments have limited control, coordinating utilities and some community services. As a result, unlike the UK, where housing shortages have been addressed through public development, ownership and management – with local authorities as planners and delivery agents, in Australia the private sector has remained the main initiator of housing and urban development.³⁰

A further issue is the underlying zoning system of assumed development rights; which affects the supply of land that may be legally used for a particular purpose, effectively setting land values long before development.³¹ The ability to negotiate for affordable housing provision is eroded in advance by establishing development potential ahead of specific planning proposals. When public authorities wish to acquire land (not already set aside or 'zoned' for public purposes) they must do so at a market rate.

²⁹ Grattan Productive Cities May 2013

³⁰ Gurrán N & Whitehead C Planning and Affordable Housing in Australia and the UK: A Comparative Perspective August 2011

³¹ (ibid)

Planning to ensure that land is put to its most productive use is therefore important for a well functioning city. At present, the cost of 'holding land' through owner-occupied housing is negligible: there is no disincentive to holding a large amount of land, even if it could be put to more productive uses. To be used efficiently, land also needs to be transferred flexibly. Households should not be locked into their current housing arrangements, particularly if it means that workers are unable to access job opportunities. Yet we know that the cost of transfer payments and real estate agent fees for home owners and the costs associated with changing tenancy are often prohibitive.

While there have been attempts to address housing needs through the planning system, these have developed through a series of piecemeal, local initiatives such as community housing projects, many of which have expired or been curtailed by changing state legislation rather than as a material planning consideration underpinning plan making and the assessment of proposals. There have also been a range of approaches to affordable housing inclusion under the National Affordable Housing Agreement, which replaced the Commonwealth State Housing Agreement.

It is worth noting some of the affordable housing projects that have been attempted in other states. Landmark amendments to the South Australia's *Development Act* enabled local plans to include provisions for affordable housing. This operationalized a state affordable housing target of 15% affordable housing in new development areas. The planning provisions were initially applied to the redevelopment of government sites but have increasingly been included where new residential areas are released or rezoned to allow higher density development. Prior to election of the current QLD state government a special purpose Urban Land Development Authority was established with an explicit affordable housing supply and affordability agenda. The Authority set a target of 15% affordable housing within its urban renewal redevelopment sites in Brisbane to be achieved through a combination of inclusionary planning requirements and incentives as well as surplus funds generated through the redevelopment process.

In NSW the last state government introduced the State Environmental Planning Policy (Affordable Rental Housing) incorporating a number of provisions for retaining or providing low cost or special needs housing. New opportunities for affordable housing development were also introduced, including a floor space density bonus for projects incorporating affordable rental housing. Another provision to enable affordable housing on well located surplus industrial sites where housing would otherwise not be permitted, similar to the English 'rural exceptions' scheme. This instrument was curtailed in May 2011, narrowing potential locations in which affordable housing may be developed.

Other developments in NSW planning policy may also undermine the value of this instrument. For example, local governments across the Sydney region have been rezoning to achieve state government targets for higher residential density in existing areas and new suburbs in greenfield growth locations. There have been no specific affordable housing requirement associated with this rezoning process, but if potential capacity for increased density has been accurately defined, the density 'bonus' will be superfluous.

A primary limitation is that local initiatives for affordable housing investment have not been supported by higher levels of government. Equally, government investment and incentives for housing and housing assistance – such as funds for social housing development and new incentives for affordable housing investment – have generally not worked with the planning system to improve outcomes. The nature of NSW planning mechanisms has limited the opportunities for mixed developments and made it difficult for affordable housing developers to compete on the open market for land.³²

The record of planning mechanisms in NSW for affordable housing is a series of pilot schemes, small scale projects and some false starts that have clearly failed to achieve significant scale. Approaches have been ad hoc and tentative, in part because of the entrenched strength of the private housing development industry and implicit (although not necessarily legislated) property development entitlements flowing from increasingly codified planning systems. What has happened in NSW (and other states) demonstrates how the potential for planning to generate affordable housing has been undermined by providing developers with the right to invest in line with implied land use entitlements, codified in statutory zoning schemes or plans.³³

³² *ibid*

³³ *ibid*

Conclusions and recommendations

1. Government outlays on housing policies are significant but have failed to assist social cohesion, economic development or productivity. They do not improve access, supply or the quality of housing. Current policies entrench housing shortages, rising prices and exacerbate inequality.
2. More people are now renting and renting for longer periods. Rental housing can no longer be regarded as transitional tenure before home ownership.
3. The availability of affordable rental accommodation is at crisis point. Rental costs are increasing at a more rapid rate than mortgages and rental stress is now higher than mortgage stress.
4. Housing is a vital part of Australia's economic infrastructure, with critical implications for productivity and long term sustainability. Given the trends outlined above, a strong rental sector is essential to an increasingly mobile modern economy.
5. It is therefore essential that urban planning should provide for affordable housing - both for home owners and those who rent in areas that are accessible to jobs
6. Government objectives for housing are unclear and not integrated with economic or urban planning policies
7. The private sector remains entrenched as the main initiator of housing and urban development
8. The result is that insufficient new affordable housing and not enough diversity of affordable housing type combine to deny workers access to housing opportunities within a reasonable distance of potential employment. Simultaneously employers are denied access to deep labour markets.
9. While not problems can be rectified by the state government, there are significant and meaningful changes that could be made.
10. Without reform the state's economy, social equity and cohesion will suffer.

The following recommendations do not cover all aspects of the housing system. They will not alone solve all of the issues related to housing in NSW. However, they provide a start and more importantly they provide a direction for future policy development.

Recommendation 1: Reform of the tax system

i) While negative gearing is a federal tax, the state government should recognize its failure to increase the supply of affordable housing and its negative impact on mortgage and rental stress. Winding back negative gearing and the capital gains tax discount would stop artificial inflation of demand for investment properties and enable more people to buy their first home. The state government should therefore work with its federal colleagues to end negative gearing.

ii) Stamp duty is a state based tax which is an impediment to mobility. While a land tax would impose unfair burden on asset rich but cash poor home owners; it could work to effectively break the pattern of land speculation by developers that restricts land availability and pushes up land prices. There should be a review of stamp duty arrangements to examine alternatives such as deferred payments and amortized payments that would allow workers to move to areas with higher employment prospects. A land tax would also work to dissuade developers from holding on to land that could be released as part of an urban plan that includes affordable housing that is accessible to agglomeration employers.

iii) Local government should conduct an inventory of greenfield and redevelopment sites in their LGA's accompanied by the establishment of developer contribution funds ('Future Funds') whereby developers make a contribution based upon a percentage of the total value of any proposed development. The funds could then be used to provide affordable housing with community facilities in areas of potential employment, with good transport links etc

Recommendation 2: Reform of the private rental sector

One in four households are renting and renting for longer periods of time. The lack of encouragement for longer leases in residential tenancy rules undermines stability and security for renters, many of whom have to move far more frequently than they would like. Renters don't receive anywhere near the direct government support that home owners and investors enjoy. Greater security for renters, such a longer minimum lease periods and notice periods before a lease is terminated would give this large and growing group a better deal, without materially reducing landlord returns.

Residential tenancy legislation is a contributor to this situation, together with low vacancy rates, renters' limited bargaining power and cultural factors.

The Irish response to similar circumstances shows that changes to residential tenancy legislation that offer tenants a more secure and satisfying experience while ensuring rental housing remains an attractive investment are achievable.

Other reforms to consider would be to extend the minimum duration of leases while still enabling renters to give notice and terminate their tenancy without paying out the entire lease.

There are also strong grounds for increasing tenants' freedom to make minor modifications and own pets.

Recommendation 3: Replace private developer interest with government leadership in housing policy

The state government should demonstrate its political will by establishing a senior minister within cabinet with overall responsibility for state planning, assisted by ministers for housing, industry and transport with support from an Urban Planning Taskforce representing key community and industry stakeholders.

Recommendation 4: Strengthen planning approaches for affordable housing

Synchronize housing and urban policy to support affordable housing considerations when land is allocated and projects assessed, including the need for central and local government policies to align, enabling local authorities to undertake proactive roles in securing affordable housing in their communities.

Introduce legislation to overcome legal constraints currently preventing the imposition of affordable housing requirements during the planning process.³⁴

³⁴ Gurrán N & Whitehead C 2011 op. cit.

Recommendation 5: Expand participation in the National Affordable Housing Scheme

The National Rental Affordability Scheme (NRAS) is a key government initiative that will provide 50,000 additional affordable rental dwellings by 2016 under the current arrangement. In addition to providing affordable rentals, NRAS, will generate significant economic benefits in the form of employment and government revenue. Consideration of the direct return to government, plus the benefits of economic activity in new housing supply and the positive social policy outcomes delivered by affordable rental housing provides a balanced case that the NRAS represents value for money; yet the level of NSW participation is significantly lower than other states.

Addendum

Community Housing

Community Housing is a very diverse sector. NSW contributes approximately 21% of Australia's community Housing stock. Despite their diversity, community Housing providers share a principle of social justice and encourage tenant participation in the management of their houses. Tenants are generally on low incomes and are often disadvantaged in other ways. Tenants may be aged, have a disability or mental illness or drug dependence. Most community Housing providers rely on rental income as their major recurrent funding source.

The sector has experienced rapid growth in recent years. The dwellings are a mixture of newly constructed and pre existing buildings, with a significant amount of state owned Housing stock being transferred to large 'growth' providers across the state.

National Rental Affordability Scheme³⁵

Lack of affordable rental Housing is an increasingly significant issue affecting many Australian households. The National Rental Affordability Scheme (NRAS) is one of the key government initiatives to address this issue by providing 50,000 additional affordable rental dwellings by 2016 under the current arrangement. In addition to providing affordable rentals, NRAS, as highlighted in this report, will generate significant economic benefits in the form of employment and government revenue.

According to the National Housing Supply Council (2012) there is a shortfall of more than 500,000 affordable rental dwellings throughout Australia and this shortage is likely to deepen, implying that lack of affordable rental housing is becoming an increasingly significant issue. In response to this growing crisis, in 2008 the federal government, in partnership with all state governments, implemented a National Rental Affordability Scheme (NRAS) to stimulate additional supply of affordable rental dwellings throughout Australia. . NRAS dwellings are required to be leased to low and moderate income households at a rate which is at least 20% below market value. At June 2013, 38,459 rental properties have been approved, of which 14,575 have been built and tenanted

By providing affordable housing supply in areas where jobs are available NRAS becomes a bridge between the social housing safety net and the general rental market. There are also key economic benefits to government, which are set out below.

³⁵ NRAS Providers Ltd 28/01/14 Economic and Taxation Impact Study – National Rental Affordability Scheme

While there have been recent concerns raised about some aspects of the NRAS programme in Sydney, consideration of the direct return to government, plus the benefits of economic activity in new housing supply and the positive social policy outcomes delivered by affordable rental housing suggests that the NRAS represents value for money.³⁶

Any concerns should be properly investigated in the context of the scheme overall. In our view there is no doubt about the importance of the NRAS charter. It is critical for government at all levels to invest in the provision of affordable rental housing within reasonable proximity to employment. It is therefore important to conduct a proper audit of all aspects of the NRAS programme. Depending upon the outcome of this process; guidelines and regulations should be tightened in order to ensure the integrity of all aspects of the scheme now and into the future.

NRAS dwellings across all states at June 2013

	QLD	NSW	VIC	WA	SA	TAS	NT	ACT	National
Total Dwellings	10,896	6,512	6,767	5,470	3,741	1,463	1,060	2,550	38,459
National %	28%	17%	18%	14%	10%	4%	3%	7%	
Total bedrooms	27,631	11,155	10,833	9,530	9,007	2,341	1,740	3,689	75,926
National %	36%	15%	14%	13%	12%	3%	2%	5%	

Key benefits to the state from the NRAS include

- Government revenue from taxation and various fees associated with the delivery of NRAS dwellings and
- Direct and indirect employment
- The current 50,000 dwelling initiative will generate a total of \$9.3 billion in revenue to federal , state and local government agencies
- The majority of the revenue (\$4.6 billion) will be generated in QLD and Victoria

³⁶ Media reports and questions in parliament about alleged abuses of the NRAS programme in Sydney are reported in The Australian 11/3/14

- Across Australia, each NRAS dwelling generated on average \$185,000 in revenue
- On average, each bedroom generates \$94,000.
- In relation to the revenue generated by NRAS:
 - A total of \$868 million will be generated for local government, collected through annual rates and charges on an on going basis
 - Approximately \$2.7 billion in revenue is expected to be generated for state government. The majority will be collected through stamp duties and other fees associated with transactions of NRAS properties
 - Over \$5.7 billion in revenue will be generated for the federal government from income taxes associated with jobs created by NRAS driven activities
- A total of 329,000 full time equivalent jobs will be created by NRAS, comprising
 - 121,000 direct jobs in the construction industry, including 95,253 construction related jobs and 25,320 consulting jobs
 - 208,000 indirect jobs in other industries, created through multiplier effects as a result of income generated by the construction jobs above
- The majority of the jobs will be created in Victoria and QLD, where a total of 171,000 jobs will be generated.
 - Nationally 7 jobs are created per incentive, and 3 jobs are created per each bedroom
- In relation to income generated by NRAS driven employment a total of \$18.9 billion will be generated nationally for the Australian workforce

Gross revenue generated for government from NRAS

Government level	Revenue Source	Total Revenue
Local	<ul style="list-style-type: none"> • Infrastructure contributions (headworks charges) • Development application fees • Building application fees • Council rates & charges 	\$868 million
State	<ul style="list-style-type: none"> • Transfer (stamp) duty for transaction of land purchase prior to NRAS property development • Transfer (stamp) duty for transaction of NRAS properties • Land tax • Payroll tax 	\$2.738 billion
Federal	<ul style="list-style-type: none"> • Income tax generated from direct & indirect jobs created by activities driven by NRAS • GST on construction costs associated with NRAS dwelling provision • Capital gains tax from the sale of NRAS dwellings at the end of their 10 year lease period 	\$5.653 billion
Total		\$9.259 billion

Total revenue generated by NRAS (AU\$ million)

	Local Government	State Government	Federal Government	Total
VIC	198	615	1,470	2,283
QLD	309	631	1,325	2,265
NSW	102	445	711	1,257
WA	122	250	490	863
SA	52	247	385	683
ACT	N/A	313	682	996
NT	40	100	278	417
National	868	2,738	5,653	9,259

Employment generated by NRAS

While the primary goal of NRAS is to increase the supply of affordable rentals, various activities associated with the provision of these dwellings result in economic benefits in the form of employment generation. Some of these activities include:

- Consultation for planning, designing and obtaining development approvals
- Construction of NRAS dwellings
- Transport & logistics
- Sales of construction materials

These activities directly create employment in the construction industry as a result of the NRAS scheme. In addition, indirect employment will be created in other industries through multiplier effects as a result of flow on purchasing occurring through the economy, stimulated by the income increased as part of the activities above.

To date, there have been:

- 10.0090 full time equivalent jobs created in the construction industry for every \$1 million of construction activity (direct jobs)
- 1.727 full time equivalent jobs created in other industries for each job created in the construction industry (indirect jobs)

(ABS Catalogue No. 5246.0)

Direct & indirect jobs created by NRAS in NSW

Construction (direct)	Consulting (direct)	Indirect Jobs	Total Jobs
12,000	3,100	26,000	41,000

In NSW the income generated by NRAS driven jobs has been \$2.4 billion

The Melbourne 2030 Project

A key tenet of the Melbourne 2030 plan is that planning should not exacerbate housing affordability problems and the plan is designed to improve access to jobs, facilities and amenity in areas of the city where affordable housing is available. It also emphasizes the need for mixed housing forms. Housing affordability is addressed at a number of levels, for example, the Transit Cities program is designed to improve access, amenity and transport in areas of more affordable housing and to maintain affordable stock in areas targeted for improvement. The plan is also underpinned by recognition of the need for a greater understanding of existing and emerging affordability issues; the need to provide for the restructuring of public Housing stock; the need to explore for the potential use of surplus government land as well as making better use of joint ventures between the private sector and VicUrban, the government's land agency.

The implementation of Melbourne 2030 is taking place through regional Housing working groups, comprised of local government, planners from the department of sustainability and the environment and social housing officials. Other implementation tasks will include an urban development program, guidelines for higher density design and the establishment of committees for smart growth.

Strategies for more accessible cities include:

- Integration of public transport provision with land use planning
- A centres policy that integrates transport hubs with mixed intense land uses (high density housing, employment, retail, recreation etc)
- The directing of urban growth along existing, extended and new railway spine corridors
- Increasing densities both at the fringe and around transport hubs/centres in the context of falling household size
- The need to ensure a supply of affordable housing and use of urban renewal programs to address the spatial effects of disadvantage

End Notes

Our submission has been informed by the very significant Australian and international literature that has developed around the issue of affordable housing.

In particular we acknowledge the very important work of the Grattan Institute and the McKell Institute.

The opinions in this report are those of the Union and do not necessarily represent the views of either the Grattan Institute or the McKell Institute, their members, affiliates, board members, or research committee members. However, because of the importance of their work, where relevant we have incorporated information, commentary and recommendations made by the Grattan Institute and the McKell Institute.