

Imagine housing
everyone:
10 proposals
for the
2017 state budget
and beyond



Housing is such an obvious indicator of economic and social prosperity. It fuels television shows about grand designs, knock-down and rebuilds, interior furnishings and DIY furniture, and beautiful gardens. Paddocks are ploughed up for land-and-housing packages and cranes puncture skylines along prized waterfront positions.

Across Australia, the average value of the private wealth held by Australian households is \$809,900,¹ and it's the family home that explains the enormous amount of this wealth figure. And yet this bonanza of bricks is scattered unequally. Those Australian households whose incomes are in the bottom 20 percent of the income range earn 4 percent of the total income earned by all Australian households and they own 0.9 percent of the national private wealth.

Not surprisingly, we see wide disparities between economic and social opportunities, and access to affordable and appropriate housing, in different parts of the state. Inequality has a home. And that home is generally in towns and suburbs that are least accessible to jobs, transport and services.

There is an abundance of research and government policy documents that identify unaffordability of housing as a crucial thing for public concern. The NSW Treasurer identified it in June 2016 when presenting the State Budget for 2016-17. But the Government has relied on construction of new dwellings, especially on the fringe of large cities like Sydney, to drive down the sales prices of new dwellings. Independent, academic research has shown that path is not having the desired effect at all.²

Housing affordability is an important component of overall housing wellbeing, and it is because the state government has fiscal (taxation and spending) powers that can influence what households and businesses do, that the State Budget is so important. This set of proposals highlights important measures we would like to see in the State Budget for 2017-18.

It also includes some nonfiscal proposals. This is because other state government agencies apart from NSW Treasury influence people's housing circumstances.

Shelter NSW is putting forward these 10 proposals to promote housing wellbeing across New South Wales. They mainly focus on things that would help lower-income and disadvantaged households. The reason for this is clear: the widening inequality that we have seen over the last few decades is neither fair nor just.



1

Increase supply of social housing – with a ‘Social Housing Boost’ to increase supply by at least 2,000 new dwellings a year for 10 years

Increasing access to affordable housing is a good point to start from. Whether people pay for their housing by paying off mortgages or paying rent, they can be put in stress if too big a proportion of their income is spent on housing costs. It is well known that there is a shortage of affordable housing for lower-income households to buy or rent. Lower-income households are generally priced out of the homeownership market, so they depend on the supply of rental housing. Most rental housing is provided on a market basis. And most (in fact, 75 percent) of the lower-income households in the private-rental market are in housing stress.

Not all of these households want, or would want, to move into social housing. But social housing, at least while it keeps an income-based method of charging rents, is an obvious solution to the unaffordability of their current housing situation. Academic Judy Yates has estimated that 100,000 additional social-housing dwellings would be needed by the year 2036 to accommodate those lower-income households in housing stress, and also to add to the existing number of extra dwellings to keep the ‘tenure share’ of social housing at about 5 percent.³

The Government has a number of mechanisms aimed at increasing supply of new social housing. One of these is mechanisms is the Communities Plus program of the Land and Housing Corporation, which aims to use the Corporation’s existing land more intensively where planning controls allow, and build some 6,000 additional social-housing dwellings over a 10-year period.

Another is the Social and Affordable Housing Fund, which intends to finance some 3,000 new dwellings in its first round of funding. This Fund aims to finance new community housing from investment income generated by investments by the Treasury Corporation.⁴

Whether an appropriate number of social-housing dwellings can be generated through the Fund and Communities Plus is a matter of debate. We propose the establishment of a third, solid stream in the form of Budget appropriations to the Department of Family and Community Services for the Land and Housing Corporation for additional social-housing dwellings. These appropriations should be at a level to allow for construction or acquisition of at least 2,000 extra dwellings a year, totalling 20,000 over a 10-year period.

2

Ensuring the Aboriginal housing sector can take advantage of emerging opportunities for growth to meet rapidly growing housing needs – by allocating state sourced funding to replace discontinued Commonwealth programs and to fully fund existing maintenance liabilities.

Improving housing for Aboriginal people in New South Wales is one of the most important measures to help close the gap between Aboriginal and non-Aboriginal citizens.

Aboriginal households have far less access to secure or affordable housing than the general community. At the last Census, Aboriginal people in New South Wales were twice as likely as other Australian households to be renting (56 percent compared to 29 percent). Almost six times the proportion of Aboriginal households in New South Wales (23 percent), compared to other Australian households (4 percent), rent in social housing. Conversely, although Aboriginal home ownership has increased in New South Wales, only 39 percent are homeowners compared to 69 percent of other

3

Australian households. On Census night, the rate of Aboriginal homelessness in New South Wales was 3.5 times that of non-Aboriginal people.

Over the next 15 years the Aboriginal population in New South Wales is projected to grow by 48 percent or 68,300 people. Over 80 percent live in major cities or inner regional areas. Only 5 percent are located in remote or very remote areas. Aboriginal housing need is the most urgent in the state.

For some years, up to 40 percent of funding for Aboriginal housing programs in New South Wales has been through the Commonwealth funded National Partnership on Remote Indigenous Housing (NPRIH), which has come to an end. Last year this was \$53 million. These funds have been used to support the strengthening of the Aboriginal housing sector.

As the central plank of the next stage of this process, the Aboriginal Housing Office has announced that the Aboriginal Housing Office properties currently managed by FACS Housing will be gradually transferred to the management of Aboriginal community housing organisations, to build their strength and capacity — so that they will be in a position to participate in growth opportunities, such as the Social and Affordable Housing Fund, to meet the current and future housing need.

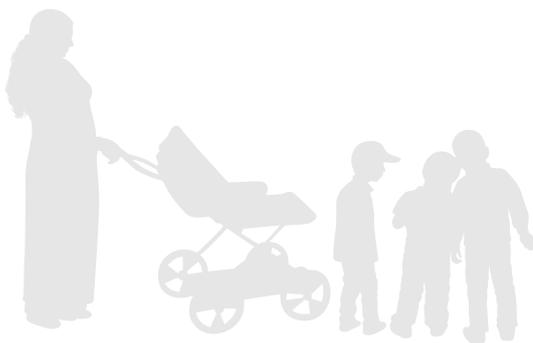
To ensure that this strategy can be successful, any remaining NPRIH funds must be made available for these purposes, additional State own revenue should be provided to fill the gap left by NPRIH for at least the next 5 years, and to ensure that Aboriginal community housing organizations are genuinely strong enough to participate in future growth opportunities, the full asset liabilities over the next 10 years should be projected, and the shortfall funded.

Expand the range of suitable dwellings available for people with disability — by establishing a capital-funding stream to appropriately house people with disability who are not eligible for specialist disability housing and who want to live more independently

There has been some substantial discussion by academics and nongovernment organizations about possible links between the National Disability Insurance Scheme and possibilities for new affordable housing. Now that ‘the dust has settled’ it seems that little has changed, with the Scheme at core intending to finance eligible consumers (people with disability) to purchase support services, and provide some with a higher subsidy if they need to purchase provision of specialist disability housing.

Many people with disability who have low incomes (and that is most of them) and who are able to establish that they can manage an independent tenancy — with or without a support service — are eligible to apply for social housing. The existing number of applicants waiting for social housing is some 57,000. So, eligible NDIS recipients who wish to expand their housing choices, or who simply must do so, for example, as they lose their aging parents, will not have the options they might expect.

There needs to be a mechanism to address extra demand for affordable-rental dwellings for independent living, separate to what is contained in NDIS funding formulas. We propose the establishment of a short-term and time-limited (e.g. 4 years) seeding fund for new affordable rental housing (including social housing) for people with disability — with construction at Livable Housing Australia’s design guidelines at Gold level standard.



4

Establish new ways to finance affordable-rental housing — by casting wider for sources of finance for affordable-rental housing

Funding for additional social housing needs to be boosted by Budget appropriations, as indicated in Proposal 1. There are 2 other mechanisms that could be pursued.

One is to supplement the sources of finance for social housing by adding in money from the Government's Waratah Bond. The Waratah Bond was set up as an investment fund to appeal to investors who like the certainty of a government-owned fund. At the moment all of the funds from this Bond are directed to economic infrastructure projects. Some of the investment could be directed to social and affordable housing.

The second is the establishment of a financial intermediary for the affordable housing industry, being a body which would attract private investment and disperse funds to community-housing providers. This body would operate Australia-wide. The concept for such a body is being considered by an Affordable Housing Working Group established by the Council on Federal Financial Relations, and the NSW government is a participant in this process. The NSW government should support this concept in principle and work to see it established.

5

Increase mainstream government- and nongovernment agencies' capacity to intervene to prevent homelessness — by funding community mental health housing services to work with people with mental health issues who are homeless and at risk of homelessness

The Government's discussion paper on the future direction of services to homeless people (Foundations for change, September 2016) emphasizes the need for mainstream agencies — government agencies and nongovernment agencies whose core remit is not specifically to provide direct services to homeless people — to do more to contribute to better outcomes. A key part of this is to enhance those agencies' work to prevent or reduce underlying issues that can help put people into risk of homelessness.

New models of service delivery that, not only link, but break down existing silos and associated cultures and that can respond flexibly and holistically should be pursued through a new NSW Homelessness Strategy. This Strategy should explicitly recognize and fund the up-front costs of early intervention approaches. Additional, ongoing funding should be allocated through the Budget to ensure that the new strategy can be implemented. This funding should include the costs of approaches to be taken by government agencies whose activities impact homelessness, but for whom it is not a core priority (including the 'non-Housing' sections of the Department of Family and Community Services).

Changes to (including defunding of) services that are located outside the 'housing' portfolio can exacerbate the risk of homelessness and leave a gap in the service system.

Specialist homelessness service providers often raise the unmet demand for appropriate community based

mental health services for their clients. Homelessness has many causes, and while there might be a common perception that there is a strong correlation between homelessness and mental health, mental ill-health is not characteristic of most homeless people. That said, the service system overall should ensure that the particular needs of at-risk people are addressed. A mainstream agency like the Department of Family and Community Services could consider how it — with an enhanced Budget appropriation appropriate to the task — could provide or procure community housing services to work with people with mental health issues who are homeless and at risk of homelessness. These services could be of a clinical and nonclinical nature, located in a community (nonhospital/institutional) setting, and partner with Health and FACS funded services.



Make private rental more secure — by amending residential tenancies law to prohibit ‘no cause’ evictions and limiting the frequency of rent increases

The Government completed a review of the Residential Tenancies Act mid 2016 and while there is to be some positive change as a result, there are 2 matters that the Government has not chosen to make reforms about — and these are very important to promote stability and affordability in the private-rental market.

One is about removing the ability of a landlord to evict a tenant without a declared reason (‘no grounds’ terminations). The Government rejected submissions that ‘no grounds’ terminations should be prohibited.⁵ One reason it gave was that there was a view of some landlords and agents that they needed to have certainty about their regaining possession of their property. Another reason was that all other Australian jurisdictions except Tasmania allow for ‘no grounds’ termination. These objections to reform are not convincing. Parliaments can change their mind on public-policy matters and public policy does not have to be set by laggards. Scotland’s parliament legislated to remove ‘no cause’ evictions in March 2016.⁶

The other matter that needs reform is about the frequency of rent-increase notices. The Government rejected submissions that notices of rent increases should only be able to be given once in a 12-month period. The Government thought this reform proposal had the risk of developing an expectation that rents would be increased every 12 months, and of encouraging landlords to increase the rent by more than they would have otherwise done out of concern that they would not get another chance to increase the rent for at least 12 months. While no Australian state has a restriction of this kind for 12 months, Victoria and Queensland have restrictions on rent increases in periodic tenancy agreements for 6 months. But the idea of a 12-month stay is not unknown in comparable societies: the Scottish Parliament changed its law on private-rental tenancies to prevent rent increases to not more than once in a 12-month period in March 2016.

The Government should reconsider these matters to promote stability and affordability in the private rental market.

7

Share the benefit of windfall development gains — by allowing local councils to require developer contributions for affordable housing

The idea of ‘inclusionary housing’ (or ‘inclusionary zoning’) has been a feature of the land-use planning system in New South Wales for over 15 years. The provisions are there in law.

The basic idea is that where there is a windfall gain in the value of land because of a change in zoning or planning controls, some of that uplift should be recouped in the form of requirements on the developer to contribute dwellings, land or money (in lieu) for affordable housing. We’re not talking tax; we’re talking about sharing some of the planning gain. The affordable housing that is being generated by such schemes can supplement the affordable housing programs of the state government and can bring local governments as bigger players into the picture.

But there aren’t many local schemes built on the concept, around the state. Our proposal to allow these local schemes to proliferate needs 3 immediate steps from the Government.

First, the Government needs to name those local government areas around the state that have been identified as having a need for affordable housing. Its November announcement to name the local government areas along the Parramatta Road corridor (Sydney) is a very welcome start. This change requires an amendment of the relevant State Environmental Planning Policy (currently SEPP 70). It should be extended to all local government areas in Greater Sydney and coastal New South Wales.

The second step is to encourage the local councils in areas that have a need for affordable housing to prepare inclusionary-housing schemes and to prepare amendments to their local environmental plans that would operationalise such schemes.

The third step is for the Government and its agencies to agree to councils’ planning proposals for affordable-housing contributions schemes.



Promote affordable housing in urban-renewal initiatives that involve increased dwelling densities driven by the state government —

by requiring at least 15 percent of dwellings to be affordable housing in precincts designated for higher-density development

There are a number of precincts around the state where the state government, through the Department of Planning and Environment or UrbanGrowth NSW, is driving the planning controls. What they have in common is rezoning of land and/or changes in planning controls to allow for greater density of offices or housing. This is largely happening in Sydney and Newcastle.

The Department of Planning and Environment initiatives are usually called priority precincts or state significant precincts and the UrbanGrowth NSW initiatives are usually called urban transformation projects. Whatever they are called, targets for or commitment to affordable-rental housing have not been a core component of the new controls.

In most cases the amount of new dwellings in the precincts is massive, and yet there has been no requirement for affordable housing. For example, the priority precinct in the middle-Sydney suburb of Lidcombe known as the Carter Street precinct will see a new housing estate of up to 6,400 dwellings. But the Department of Planning and Environment, when preparing the planning controls for the site, specifically rejected our suggestion that affordable-housing contributions be sought from development in the precinct.

Our proposal 7 relates to development *across the state* in local government areas identified as having a need for affordable housing, and it would allow for local-government developer contribution schemes sensitive to local housing markets and local planning needs.

This 8th Proposal relates to precincts and major sites where the state government is driving densification through changes to zoning and other planning controls (such as floor space ratio and height) such as greenfield areas and various ‘urban renewal’ precincts.

- When the state initiates and forces through upzonings — whether through priority precincts, state significant precincts, or Urban Growth NSW’s urban transformation projects affecting privately-owned land — it should require at least 15 percent of the total new dwellings to be for affordable housing.
- Where it initiates and forces through upzonings on government land, it should commit to at least 30 percent of the total new dwellings to be affordable housing. Commitments to affordable housing on major developments on government-owned land in recent years have been disappointingly nowhere near this, e.g. Barangaroo 3%, North Ryde station 0%, Wentworth Point 0%, Parramatta North 3%, North Eveleigh 11%.

The Greater Sydney Commission has suggested an alternative approach. It suggests an affordable rental housing target be set (as a form of inclusionary housing) in new urban renewal and new greenfield areas. However their target would range from 5 percent to 10 percent, and it would apply only to the value of the *increased* amount of floor space, following a rezoning. If this approach is taken, it would result in much less affordable housing than the approach proposed by Shelter NSW.

Components of affordable housing in densification activities — which are being encouraged across the state’s major cities by the Department of Planning and Environment’s regional strategies — will contribute to greater social mix. In this way, we can counter the polarization of our towns and cities by wealth and income.

9

Move to tenure-neutrality in tax policy — by revamping land tax

New South Wales needs taxes. However much citizens might (rightfully) argue about the efficiency and effectiveness of the state's tax system, we are in a position where the state government's own sources of revenue do not match the spending needs of the matters where the state has responsibility.

In the absence of any significant reforms in the national sphere to redress the imbalance in revenue capabilities and taxation responsibilities between the states and the Commonwealth government, there is a case for state government to boost its revenue capability — and use good taxes to help raise the revenue it needs for services to the people in New South Wales. Affordable-housing programs are among those services, but of course not the only ones.

The obvious candidate for revamping and boosting is land tax. This is because it is underused, and because (when designed well and fairly) it should not have negative effects on housing markets.

There are some advocates of tax reform who want a revamping of land tax solely for the purpose of removing conveyance stamp duty as a trade-off. Conveyance stamp duty does not increase house prices but it does discourage mobility by homeowners. Ideally, it should be abolished for them for that reason. However, it is the most important of the state taxes from a revenue perspective (contributing 30 percent of state tax revenue) so the loss of revenue from this source would be significant. So any changes of this nature would need to be phased in.

A common approach to reform of land tax is to suggest that its base be broadened, the rate at which it is set be 'flat' or otherwise simplified, and that reform be revenue-neutral (i.e. extra money be used to lower

other taxes). The first 2 of these 3 elements have some merit, but the 3rd does not.

The idea behind broadening the base is to make more types of landowners eligible to pay the tax. The critical change is to remove or reduce the categories of land that is currently exempt, particularly land used as a principle place of residence. Getting rid of this exemption would greatly increase the number of taxpayers. However there are some land uses which, for various environmental protection and social welfare reasons, could stay exempt, e.g. land used for public amenities, primary production, Aboriginal-owned land, and other land that passes a strict test of whether it is used to promote environmental values or the economic and social wellbeing of disadvantaged people.

A strong argument against broadening the land-tax base is that this would create a tax liability for some landowners whose land does not generate an income stream, who might be 'asset rich but income poor'. To address this, it would be unfair to impose a revamped tax on a 'flat' basis with no tax-free threshold, as is often suggested. Instead, we suggest a set of staggered tax rates with the lowest rate set at zero, so that owners of low-valued land would be tax-exempt (even though tax-liable). The rates set for land tax could be expected to be lower than the current rates if more landowners are liable.

In addition, we suggest that the current option to defer land-tax liability be extended, and specifically for pensioners. The Independent Pricing and Regulatory Tribunal has recommended a scheme like this for deferral of local government rates and a deferral scheme for land rates could be twinned with that scheme.

Land tax reform is best promoted through democratic engagement and bipartisan support. An important part of the early phase of a reform process would be an inquiry by the Independent Pricing and Regulatory Tribunal into the disbenefits and benefits of current land tax arrangements in New South Wales, the distributional consequences of reform, and recommendation of a preferred reform option.

10

Stop dividing our cities between rich and poor areas — by protecting both public-housing estates and dispersed public housing located in high-value locations

In recent decades there has been a trend for gentrification of inner-city areas and dispersal of socioeconomic disadvantage to suburbs further away from the city centre. In Sydney, there is now a clear correlation between locations of socioeconomic disadvantage and distance from the central business district.⁷

This is a change from what was the case in much of the 20th century, when the oldest established sites of non-Indigenous settlement in the state's cities had become home to poorer households as city expansion (with railways and motor transport) took wealthier households to leafier suburbs further afield. Construction of public-housing estates in suburbs like Hamilton South, Bellambi, and Redfern in the decades after the Second World War reinforced the inner city as a place for less wealthy households.

The 'apartment boom' gravitates to certain favored locations — those close to the city centre, to railway stations, and to waterviews. The Government has moved to encourage knockdown of older apartment buildings and rebuilding of more expensive apartment buildings in their place, by establishing a special process to fast-track 'strata renewal' (in the law that regulates development of strata-titled apartment buildings). In Sydney, this could encourage 'high quality' apartment development in North Sydney, Mosman, Manly, Cronulla, and the eastern suburbs, but is unlikely to encourage 'high quality' apartment development in or along the Liverpool to Campbelltown rail corridor, Fairfield and Cabramatta, or Wiley Park and Lakemba.⁸

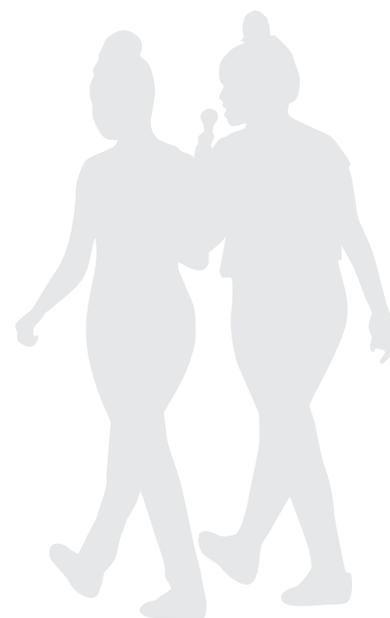
One of the Government's stated aims in making this legislative change was to encourage more flats across Sydney to accommodate a growing population, but it's possible it will not have this effect at all: instead, it

will encourage conspicuous and over consumption of apartment buildings in boutique locations.

One way that governments tried to counter the negative effects of the market's social exclusion and social polarization in the 1970s and 1980s was to undertake urban renewal centered on public housing, in Glebe, Woolloomooloo, and The Rocks. Unlike recent years when the concept of 'social mix' has been used to bust up public-housing estates, in those decades the notion of 'social mix' underpinned the retention, refurbishment and construction of housing for lower-income households in locations that were close to the city centres. Different values were at work. Now, we face calls for selling public-housing at waterfront locations like Bellambi Point.

Shelter NSW is happy to accept the notion of 'social mix', as long as it is consistently applied (to private-housing developments as well as to social-housing developments) and as long as urban development in 'desirable' locations includes places for everyone, the well-off, poor, and in-between.

That's why we propose the Government keep public-housing in high-value locations.





Notes

- 1 Data from McCrindle, June 2016 (mccrindle.com.au/the-mccrindle-blog/australias-household-income-and-wealth-distribution); also, D Richardson & R Dennis, *Income and wealth inequality in Australia*, Australia Institute, July 2014.
- 2 N Gurrán & P Phibbs, *Planning, housing supply, and affordability in Australia*, Urban Housing Lab, University of Sydney, June 2016.
- 3 J Yates, 'Addressing the housing affordability crisis: basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades', NSW Federation of Housing Associations, 2016.
- 4 Hon Gladys Berejiklian MP (Treasurer), second reading speech on the *Social and Affordable Housing NSW Fund Bill 2016*, Legislative Assembly, 21 September 2016.
- 5 NSW Fair Trading, *Residential Tenancies Act — statutory review*, NSW Department of Finance Services and Innovation, June 2016.
- 6 *Private Housing (Tenancies) (Scotland) Act 2016*.
- 7 B Randolph and A Tice, 'Relocating disadvantage in five Australian cities', *Urban Policy and Research*, September 2016.
- 8 L Troy & others, *Renewing the compact city: interim report*, University of NSW, 2015.



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