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The Hon Paul Green MLC
Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie St
Sydney NSW 2000

Dear Mr Green

RE: SELECT COMMITTEE INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Thank you for your invitation to make a submission to the NSW Legislative Council Inquiry into Social, Public and Affordable Housing.

The purpose of this submission is to draw the Select Committee's attention to the evidence base developed by the Australian Housing and Urban Research Institute (AHURI) on topics relevant to the terms of reference of the committee.

AHURI's interests are national in focus, but much of our research is relevant to New South Wales. A number of the projects in the existing evidence base examine the demand for affordable and social housing, effects due to a lack of affordable housing, and ways to effectively manage the existing housing stock as well as encourage the supply of affordable housing.

A further eight projects funded in the 2014 National Housing Research Program Funding Round address the inquiry's terms of reference. They examine the role of private rental brokerage programs, the housing needs of people with disability, the structural and individual risk factors explaining homelessness, the challenges facing the boarding house industry in NSW, and several projects looking at ways to encourage greater supply of affordable housing. Finally, one project is looking specifically at the housing affordability and central city economic productivity of the City of Sydney.

Section one of this document highlights some key findings from AHURI research and Attachment A lists relevant projects.

AHURI is also able to facilitate direct communication with the authors of AHURI research, should further evidence be of assistance in the Inquiry hearings.

We would like to thank the Committee for its consideration of our submission and we would welcome the opportunity to elaborate further on the information contained in this submission if it would assist the Committee in its inquiry.

If there is any way we can be of assistance in the Inquiry, please contact me on 03 9660 2300.

Yours sincerely

Dr Michael Fotheringham
Deputy Executive Director

1 HIGHLIGHTS FROM AHURI EVIDENCE

→ The existing housing system is fiscally unsustainable and inter-generationally inequitable

Australia has a long-term structural housing affordability problem caused by house prices growing faster than incomes over the last half century. The amount spent on housing costs has been gradually rising across all households. Currently around 15 per cent of all households pay at least 30 per cent of their income in meeting their housing costs. The burden of paying high housing costs disproportionately affects lower income households.

Although the overall home ownership rate in Australia increased marginally between 1996 and 2006, this disguises lower rates of ownership among some demographic groups and higher rates of indebtedness

Two key groups experienced large falls in ownership—middle-upper income 25–44-year olds and low-income 45–64-year olds. By contrast, home ownership rates improved for singles, single parents, de-facto couples and those living in remote areas. Home ownership rates could be increased for key groups by addressing Australia's chronic imbalance between supply and demand to moderate-high housing prices, and redirecting subsidies to those that need assistance most.

→ Housing affordability problems will especially affect younger generations

The lack of affordable housing in particular areas may affect access to employment opportunities and create a generation unable to purchase homes so widening income and asset inequality.

→ Worsening housing affordability is a specific issue for older households, especially for renters

There is growing concern about the decline in home ownership which is critical to housing policy for older Australians. Demand for public housing by older Australians is projected to significantly increase due to affordability issues in the private rental market..

→ Polarisation in income distribution is spatially distributed in Australia's major cities

As the difference between high and low-income earners' wages has increased, so too has the difference in housing costs in high and low cost suburbs. This has considerably restricted the residential choices for low income households. Gentrification of suburbs pushes out low-income and disadvantaged households, eroding affordability and the quality of accessible housing stock in metropolitan housing markets for lower and moderate income households. This socio-spatial polarisation of low-income households in cities may result in transport disadvantage which limits access to opportunities for social and economic participation.

→ Governments can influence housing supply and affordability through taxation mechanisms

Modelling of two sets of proposed changes under the Henry Tax Review shows that proposed changes to negative gearing and land tax arrangements can result in a reduction in house prices and rents in more expensive housing markets. Replacing stamp duties with a broad based land tax could present a cost neutral way of improving access to home ownership for lower income workers and making private rental investment more attractive to investors.

- Current urban planning measures to foster social and environmental sustainability of cities are ineffective

The impact of planning policy on the outcomes in the housing system is limited, with planners expressing frustration about their inability to enforce strategic policy and bring about desirable changes in terms of the range of housing sizes and types available.

- Governments can influence and shape affordable housing supply outcomes through more effective planning policies

Planners can improve affordability through addressing land supply and assembly and planning approval processes. Overseas evidence (from Europe and North America) suggests that governments can use mechanisms such as inclusionary zoning, density bonuses and affordability targets for new developments to increase the supply of appropriate and affordable housing.

- There has been a decline in the relative size of the public housing system over the past thirty years

This has been precipitated by two significant factors: the decline in capital and operational funding for public housing up to 2005–06 and the impact on the supply of dwellings, and the declining rental revenue base because of increased targeting to low-income and very-low-income tenants. These factors have had a range of negative affects including the stigmatisation of residents and reduced financial viability leading to operational deficits.

- The supply of public housing in particular areas is not always appropriate for local demand

Analysing demand for public housing by sub-markets has the potential to improve delivery of appropriate public housing in the locations where it is most needed. For example, the shortage of appropriate social housing stock in regional areas impacts disproportionately on Indigenous people.

- Marginal housing forms such as boarding houses and caravan parks can be understood either as a form of homelessness or as a preventative measure

Whilst some marginal housing forms—especially boarding houses—can be classified as a form of tertiary homelessness because of their substandard living conditions, marginal housing nonetheless provides accommodation that can reduce levels of rough sleeping. Research on housing risk among caravan park residents found that the extent to which caravan parks are being used by crisis accommodation agencies for the homeless is indicative of a severe shortage in the supply of low cost housing, especially for people in urgent need of accommodation.

Increased demand from students, retirees and families excluded from private rental have put new pressures on marginal rental accommodation. However residents—especially those with high needs—remain vulnerable in this tenure and often experience poor management, lack of safety and low quality or expensive housing. Better regulation and governance of the sector, licensing of operators and effective outreach programs to relocate the most vulnerable to more secure accommodation have been utilised to address some of these problems.

- The not-for-profit housing sector is recognised as an important means of increasing supply and choice of affordable housing, and is growing rapidly

The not-for-profit housing sector has demonstrated the capacity to develop financially viable affordable housing projects. In 2009 around forty not-for-profit organisations were identified

across Australia with recent experience in producing affordable housing for lower income households and aspiration to expand this function. Within this group, there were 11 leading not-for-profit developers with well-established capacity that reported a collective 220 per cent growth between 2004 and 2008. At the end of 2007/08, those providers owned over 5440 affordable housing dwellings with a net asset value of just under \$1.3 billion (2007/08). Growth was achieved through a combination of strategies including; the development of new dwellings, purchase of existing dwellings, transfers of existing social housing from state housing authorities and organisational mergers.

The change in this sector has been rapid. In 2005–06, most community housing providers were small scale organisations with high levels of volunteer labour and ageing stock. Their financial viability was underpinned by reduced costs through volunteer labour and lack of provision for depreciation. Since then, capacity has been built in the sector in a range of areas including skill levels in governance, development financing and project management.

→ Stock transfer between State Housing Authorities and community housing organisations has taken place across Australia, to varying degrees

Good strategic asset management of public and community housing stock is most frequently practised at technical, operational levels where issues like maintenance, condition assessments and capital budgeting for new works dominates thinking and practice. There may be benefit in working jointly with private sector practitioners and greater use of shared services with other authorities to develop skills and provide further education and training and better knowledge management.

→ Private sector finance is needed to grow the not-for-profit sector

All models for achieving growth require a stream of subsidy support, a mechanism for delivering that support and a marketable set of financial instruments for investors to acquire in order to finance the housing. The packages need to satisfy criteria of equity, efficiency, capacity to generate large sums of private finance, and financial and political feasibility.

2 AHURI PROJECTS RELEVANT TO THE COMMITTEE'S TERMS OF REFERENCE

New Research Projects – commencing 2014

http://www.ahuri.edu.au/publications/2014_research_projects

The role of private rental support programs in the housing outcomes of vulnerable Australians (31036) Susan Oakley

This research will explore the role, extent and benefits of the diverse range of private rental support programs in Victoria, South Australia and New South Wales. It will investigate the efficacy of these programs and the potential benefits to be achieved by modification, expansion, or standardisation of private rental support programs.

Rooming house futures: governing for growth, fairness and transparency (53033) Tony Dalton

This Investigative Panel will focus on challenges facing the rooming/boarding house policy community in Victoria and New South Wales. A shared examination of these challenges will assist the development of a regulatory regime with the potential to improve the quality and legitimacy of the rooming/boarding house industry in these states and nationally.

The inter-relationship between structural factors and individual risk factors in explaining homelessness (53042) Guy Johnson

This research project will examine how housing and labour markets, social deprivation and other area-level factors interact with individual risk factors to influence housing instability. It will provide new insight into ways to prevent homelessness and help vulnerable households remain housed.

Housing affordability, central city economic productivity and the lower income labour market (71032) Bill Randolph

This project will investigate how affordable housing availability impacts on labour market outcomes and economic productivity in Central City areas, using the City of Sydney as a case study. It builds on previous AHURI research on the link between the lower income labour markets and housing affordability.

Accommodating NDIS: maximising housing choice in a reformed disability sector (71040) Ilan Wiesel

Through analysis of existing individualised disability service funding programs in Australia and internationally, this project will identify factors enabling people with disability to retain or transition into housing which better suits their needs and preferences. Based on this, it will consider housing policy options in response to the National Disability Insurance Scheme

The opportunity of residential property investment vehicles in enhancing affordable rental housing supply (72031) Graeme Newell

This project will examine residential investment vehicles introduced overseas and explore the opportunity to develop an effective residential investment vehicle in Australia to encourage investment in the private rental market and enhance the supply of affordable rental properties.

Subsidising the supply of affordable rental housing: an international comparison
(81043) Steven Rowley

This project will examine whether the NRAS is delivering new housing supply where it is most needed, and model its effects on the lower end of the private rental market. It will compare the NRAS outcomes with similar schemes in the US and the UK and recommend options for the future.

More information on these projects will be available at:

http://www.ahuri.edu.au/publications/2014_research_projects

Existing AHURI Research

Beer, A. et al. (2011) *The drivers of supply and demand in Australia's rural and regional centres*, AHURI Final Report No.165. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p40585>

Bridge, C. et al. (2011) *Age-specific housing and care for low to moderate income older people*, AHURI Final Report No.174. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p70589>

Chamberlain, Chris (forthcoming) *Homelessness: reshaping the policy agenda?* (Essay) (Project 53017) <http://www.ahuri.edu.au/publications/projects/p53017>

Flatau, Paul (forthcoming) *The cost effectiveness of sustaining tenancies of formerly homeless clients with high needs* (Project 82028) <http://www.ahuri.edu.au/publications/projects/p82028>

Gabriel, Michelle (forthcoming) *Future housing and support needs of people with dementia* (Project 41022) <http://www.ahuri.edu.au/publications/projects/p41022>

Gurran, N. et al. (2008) *New directions in planning for affordable housing: Australian and international evidence and implications*, AHURI Final Report No. 120. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p60322>

Hulse, Kath (forthcoming) *Changes in supply/demand for low-rent housing in the Australian private rental market, 2006-11* (Project 51018) <http://www.ahuri.edu.au/publications/projects/p51018>

Judd, B. et al. (2004) *Housing options and independent living: sustainable outcomes for older people who are homeless*, AHURI Final Report No. 62. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p70135>

Judd, B et al. (2010) *Dwelling, land and neighbourhood use by older home owners*. AHURI Final Report No. 144. Melbourne: Australian Housing and Urban Research Institute, UNSW-UWS Research Centre. <http://www.ahuri.edu.au/publications/projects/p70392>

Kenley, R. et al. (2010) *Good practices for managing Australia's public and community housing assets*. AHURI Final Report No. 148. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p50366>

Lawson, J. et al. (forthcoming) *Enhancing Affordable Rental Housing Investment via an Intermediary and Guarantee*, AHURI Final Report. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p53019>

Lawson, J. et al. (2012) *Housing Supply Bonds—a suitable instrument to channel investment towards affordable housing in Australia?* AHURI Final Report No.188. Melbourne: Australian Housing and Urban Research Institute. <http://www.ahuri.edu.au/publications/projects/p30652>

McNelis, S. et al. (2008) *Older persons in public housing: the policy and management issues*, AHURI Final Report No. 121. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p50318>

Parsell, Cameron. (forthcoming) *An evaluation of the nature and effectiveness of supportive housing models* (Project 21024) <http://www.ahuri.edu.au/publications/projects/p21024>

Pawson, Hal. (forthcoming) *Cost effectiveness and tenant outcomes in social housing* (Project 71025) <http://www.ahuri.edu.au/publications/projects/p71025>

Pawson, H., Milligan, V., Wiesel, I. and Hulse, K. (2013) *Public housing transfers: past, present and prospective*, AHURI Final Report No.215. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p71008>

Phibbs, P & Young, P. (2005) *Housing assistance and non-shelter outcomes*, AHURI Final Report No. 78. Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p60008>

Pinnegar, S. et al. (2011) *Partnership working in the design and delivery of housing policy and programs*, AHURI Final Report No.163. Melbourne: Australian Housing and Urban Research Institute. <http://www.ahuri.edu.au/publications/projects/p70588>

Stone, Wendy. (forthcoming) Sustaining private rental tenancies: targeted tenant support across life events and housing transitions (Project 51020)
<http://www.ahuri.edu.au/publications/projects/p51020>

Wiesel, Ilan. (forthcoming) Social housing exits: analysing incidence, motivations and consequences (Project 71026). <http://www.ahuri.edu.au/publications/projects/p71026>

Wiesel I. et al. (2012) *Developing sustainable affordable housing: a project level analysis*, AHURI Final Report No.183. Melbourne: Australian Housing and Urban Research Institute
<http://www.ahuri.edu.au/publications/projects/p70617>

Wood, Gavin. (forthcoming) The structural drivers of homelessness in Australia 2001-11 (Project 53027) <http://www.ahuri.edu.au/publications/projects/p53027>

Wood, G. et al. (2003) *A microsimulation model of the Australian housing market with applications to Commonwealth and State policy initiatives*, AHURI Final Report No. 33. Melbourne: Australian Housing and Urban Research Institute
<http://www.ahuri.edu.au/publications/projects/p80088>

Wood, G. et al. (2008) *Modelling of initiatives to improve the supply of affordable housing using the AHURI-3M model* AHURI Research Paper, Melbourne: Australian Housing and Urban Research Institute <http://www.ahuri.edu.au/publications/projects/p30399>

Yates, J. et al. (2007) *Housing affordability: a 21st century problem*, AHURI Final Reports No. 105 and 106. Melbourne: Australian Housing and Urban Research Institute
<http://www.ahuri.edu.au/publications/projects/p60603>