



**HOUSING DIRECTIONS  
STATEMENT**

**STATE ELECTION  
2003**

## **About Shelter NSW**

Shelter NSW is a community-based, Statewide, peak housing body, which aims to advance the housing interests of low-income and disadvantaged people in NSW on a non-party-political basis. It is also part of a national network of Shelter organisations in each State and Territory, and is a constituent member of National Shelter.

Shelter NSW was established in 1975, and has maintained a role in advocacy and campaigning in support of public housing and in the development of community-based initiatives like tenant led housing co-operatives (groups of people actively engaged in the self management of social housing) housing associations, and local government planning innovations for affordable housing.

Shelter's vision is to work for a just and equitable housing system, where housing for all is a right, not a privilege.

Shelter's role is to:

- Promote a co-ordinated response within the community sector to housing issues impacting on access to housing by low-income and disadvantaged people;
- Work with and influence government and relevant community sector organisations to develop housing policies and programs which meet the needs of low-income and disadvantaged people and offer appropriate housing solutions;
- Increase public awareness of housing issues and support for adequate and sustainable responses;
- Research and develop responses to housing issues;
- Provide quality information, assistance and support to the community sector, members and other stakeholders.

Shelter has 119 organisational members and 46 individual members. Organisational membership includes specific-interest peak groups (e.g., tenants, youth, community housing, etc.), a wide range of housing providers, public and private tenant groups, local government councils, regional housing bodies, community services agencies, etc.

## **Introduction**

In the lead-up to the State election, Shelter NSW has prepared the following paper outlining key issues and policies. It will be circulated to all candidates and to our constituency. Our objective is to inform you of what we see as the major housing issues and needs affecting disadvantaged people and communities.

We are also inviting your feedback to the issues and recommendations outlined in this document. A feedback form is attached and candidates are requested to return this to Shelter by 3<sup>rd</sup> March 2003. Responses will be distributed to the Shelter membership.

While the Australian housing system, largely through home ownership, provides those who can afford it with many advantages it does not provide adequate housing for everyone. The concern of Shelter NSW is primarily oriented towards the housing needs of low-income earners, and hence it follows that Shelter's policy priorities will principally cover those relating to the affordability and availability of housing for this group.

Shelter NSW acknowledges that responsibility for housing lies with both the State and Federal governments. However, for the purposes of this paper we focus on the role of the State Government and on the policies that could or should be adopted by the State Government to alleviate hardship and work towards a fairer housing system.

Because of changes in the tax system Shelter NSW looks to future State Governments to assume greater responsibility for the funding of key areas such as housing. This is because it is anticipated that the amount coming to the States from the GST will increase over time as the economy grows, thus enabling the States to spend more on services. The introduction of the GST and the transfer of the GST revenue to the States effectively means that State Governments will have to take more responsibility for expenditure in areas that were previously the responsibility of the Commonwealth. This process is evident in the current re-negotiation of the Commonwealth State Housing Agreement, with the States facing a significant cut in Commonwealth funding including the early ending of GST compensation payments.

In addition, consultations with our constituents conducted mid-2002 indicate that many are looking to the State Government to play a significant role in assisting to meet the housing needs of people on low and middle incomes. It was noted that the State has raised significant revenue from taxes and charges on housing-related transactions, and there was significant support for the hypothecation of these funds to additional expenditure on housing.

There is an urgent need for Government to intervene with a major commitment to introducing comprehensive policies to address the supply of housing and to ensure that low and middle income earners have access to secure, affordable,

and well-located housing in good condition.

## Major issues

*Housing affordability* has emerged as the major problem in both the home ownership and private rental property markets. Paradoxically, this has arisen during an extended period of sustained economic growth and historically low mortgage interest rates. Significant numbers of people are now struggling to afford adequate housing. The last decade has seen some alarming trends.

- Housing costs have risen by 40% over the last five years in Sydney<sup>1</sup> and are far outstripping increases in average weekly earnings and CPI.
- Between 1986 and 1996, the proportion of low-income private tenants living in housing stress in Sydney rose to 80 percent;<sup>2</sup>
- Rents have been rising from between 2% and 14.7 % annually in Sydney and in regional areas.<sup>3</sup>
- Rents for two-bedroom dwellings have gone up in the inner ring of Sydney by \$30 between 1999 and 2002 and by \$15 in the same time period in Cessnock and Wollongong.<sup>4</sup>
- More people are renting for extended periods -- 40 percent of private tenants have been renting for the previous 10 years or more.
- While there has been significant investment in private rental housing, this has been specifically at the top end of the market: In fact, at the same time there has been a steep 28 percent decline in private rental stock for people at the bottom end of the market.<sup>5</sup>
- The Commonwealth Rent Assistance Program has failed to deliver housing affordability to social security beneficiaries and pensioners in the most populated area of the country including most capital cities.<sup>6</sup>
- The percentage of the population able to enter the first home owners' market is steadily declining.<sup>7</sup>

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<sup>1</sup> Sydney Morning Herald, 23/8/02.

<sup>2</sup> Mike Berry in *Affordable Housing Project Background Paper*, for the Brotherhood of St. Laurence in partnership with Committee for Economic Development Australia, December 2002.

<sup>3</sup> NSW Department of Housing, *Rent and Sales Report*, no. 59, 2002.

<sup>4</sup> NSW Department of Housing, *Rent and Sales Report*, no. 49 and 60.

<sup>5</sup> Affordable Housing National Research Consortium, 2001, *Affordable Housing in Australia: pressing need, effective solution - Policy options for stimulating private sector investment in affordable housing across Australia*, Affordable Housing National Consortium, n.p.; Yates, J., 2002, *A distributional analysis of the impact of direct and indirect housing assistance*, Australian Housing and Research Institute Sydney Research Centre.

<sup>6</sup> Berry, Mike and Hall, John .2001, *Policy options for stimulating private sector investment in affordable housing across Australia: Stage 1 report – Outlining the need for action*, Affordable Housing National Consortium, p61

<sup>7</sup> National Centre for Social and Economic Modeling, 2002, *Levels patterns and trends of Australian household saving* Financial Planning Association of Australia.

- The median house price in Sydney as of August 2002 was \$372,000.<sup>8</sup>
- An increasingly sharp division between rich and poor has led to a spatial separation of low-income families living in lower-cost, often overcrowded, poor quality housing, isolated from services, employment and transport.
- The Department of Housing is facing a deepening viability crisis arising from a combination of factors including: reductions in funding; reductions in rental revenue caused by a steep increase in the percentage of tenants on pensions and benefits and hence in receipt of rental rebates; the need for massive expenditure on major maintenance and upgrading as a result of aging housing stock; and the continuing burden of debt repayment from the period when Commonwealth funds were provided as low-interest loans rather than grants.
- Waiting lists for social housing have grown, and now stand at well over 90,000 applicants. For the first time in many years, the amount of public housing stock is in decline and this is expected to accelerate.

During the last decade or so, and as part of the process of applying microeconomic reform to human services in Australia (both explicitly and implicitly), there has been an assumption that market-based mechanisms would deliver services that meet individual and community needs. In housing this has resulted in an emphasis on demand side rather than supply side strategies. There have been a steep reduction in funding for social housing, and an equally steep increase in welfare payments designed to assist those receiving benefits and pensions to meet their housing needs in the private rental market. Funding available for Commonwealth Rent Assistance (CRA) is now greater than the capital funds available through the Commonwealth-State Housing Agreement (CSHA) for public housing.

Increasingly social housing is seen as a safety net rather than an entitlement program. This has resulted in measures that effectively ration the allocation of social housing to high priority welfare clients, leaving significant numbers of people with low incomes without access to adequate housing. In addition these policies have created some unique and difficult issues relating to both the sustainability and management of the social housing system.

The difficulty is that demand-side measures like CRA have been only marginally effective. While it is likely that in some regional centres and areas CRA has increased the level of affordability of rental housing for welfare beneficiaries, in metropolitan areas and areas where opportunities for work are greater, the private rental market has become unaffordable for low to moderate-income people. CRA is also limited in a number of other ways. CRA does not take account of regional differences in housing costs (consequently it is more effective in regional and rural areas than in urban areas) and eligibility is restricted to

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<sup>8</sup> Housing Industry Association, Housing Report December 2002.

those in receipt of pensions and benefits - the working poor are excluded.

Current experience demonstrates, *firstly*, that the private market is unable to meet the housing needs of people who are disadvantaged and/or in receipt of low incomes, and *secondly*, that subsidy programs (demand-side strategies) are limited in their effectiveness either because they place upward pressure on prices (first homeowners' scheme) or are insufficient to achieve housing affordability in the capital cities (CRA). The NSW Government must develop stronger supply-side policies for social housing and affordable housing, to help counter the problem of affordability.

## **A State Housing Plan**

Housing policies both impact on and are impacted by a broad range of federal, State and local government policies and practices. The inter-relationship of policies relating to health, housing, welfare, employment, taxation and land management are gradually being recognised. It is this recognition that lies behind the emphasis on a "whole-of-government" approach in recent years.

This also fits into the context of current discussions at a national level. It is our understanding that the Federal Government has expressed interest in the development of a national housing strategy, based on the call for a Six Point National Housing Plan by ACOSS, National Shelter, Housing Industry Association, Community Housing Federation of Australia and National Churches Housing Network. In addition, the State Housing Ministers are calling for a national housing summit. When this is also taken into account with the current negotiations over the CSHA, now moving into the bilateral phase, it is vital that all parties in the coming State election commit themselves to the development of a comprehensive State Housing Plan and to consultation with key stakeholders in its development.

A State Housing Plan requires a strong whole-of-government approach. It should cover the broad range of issues impacting on housing development and affordability including social, environmental and economic sustainability. Its development should involve all relevant government departments, social housing providers, local government, the private rental and development sectors, and stakeholders like housing peak organisations and social and private tenant representative bodies.

## **Social housing**

There are substantial benefits to be gained in the provision of good quality social housing (public and community housing) and these should be recognised and promoted: better health, better educational achievements and stronger communities. NSW's social housing system needs to be returned to the mainstream and become an accepted, non-stigmatised housing option.

The Department of Housing is currently facing a sustainability crisis. This has arisen as a result of a combination of factors.

- Funding through the Commonwealth State Housing Agreement has been reduced by 15% since 1995/96,
- Increased targeting of social housing to the most needy (whose ranks have grown as a result of structural unemployment and de-institutionalisation) has changed the profile of public housing – 92% of tenants in NSW are now in receipt of pensions or benefits. In 1976 only 20% of tenants were paying rebated rents. This change has significantly reduced the rental income available to the Department.
- The ever-tightening targeting of public housing to welfare recipients with high and complex levels of need, has also led to a potentially explosive build-up of tensions on some public housing estates. This in turn has required a substantial change of emphasis in management - from primarily providing housing to providing services and programs that will assist people to sustain their tenancies. The Department has faced increased management costs relating to intensive tenancy management, community renewal and estate redevelopment programs.
- The average age of public housing stock in NSW is 25 years. Older properties require higher levels of maintenance and there is now a backlog of maintenance liabilities. The declining revenue available to the Department has not been sufficient to cover both operating and upgrading costs.
- There is a burden of debt repayments. This arises from the fact that CSHA funds were provided to the States as loans from 1945 until 1989 when they became grants. NSW still owes \$1.556 billion. Unless alternative arrangements are made debt repayments will stretch out to near the middle of the century. Significantly this financing arrangement dates from a time when public tenants paid rents ranging up to full cost rents and the department's income was sufficient to service the debt. (Shelter NSW notes with appreciation that NSW Treasury over the last two years has taken over a proportion of the debts accumulated in the period up to 1989 when Commonwealth funding was provided as loans rather than grants.)
- There have been further reductions in income as a result of public sector management reform which has seen the Department focus on core business and drop profit-making ventures such as LandCom and commercial property investment.

In summary - the Department now has increased responsibilities and costs but reduced income to meet those costs, and as a result it is selling property in order to meet its liabilities.

For some years now, community housing has been the one area of social

housing that has experienced growth, though this has principally been through increased provision of funding from the Department of Housing, and through the transfer of management of public housing stock. This has both enabled growth and stability in the community housing sector, and in, some cases it has assisted in community strengthening and the building of social capital in at-risk public housing estates.

However, the continued growth of community housing is threatened by two things (at least): the continued rundown in CSHA funds generally; and the lack of a regulatory structure that would enable community housing to raise private finance on its own behalf. This latter is of particular significance given that community housing will play a key role in the development of affordable housing options. Community housing provision needs to grow, and to do so it needs a regulatory basis that will provide a secure and inviting framework for the raising of private finance. Among the things that the NSW Government will need to look at are the issue of who holds the title to property purchased by or for community housing, and the development of an appropriate corporate structure to raise and hold loan finance (and also possibly title).

There is a need to reverse the decline in public housing and support the growth of community housing by providing additional funds. This is all the more important, given that the new Commonwealth-State Housing Agreement will reflect a continuing decline in Commonwealth funding. Shelter NSW believes that the policy priorities in this are:

- Increase direct grants and seeking new investment from a range of sources for social housing.
- Commit to a goal of doubling the proportion of social housing stock over 10 years. In the next 12 months, and on a continuing basis for the next 10 years, this will require a 10% increase in social housing stock or an additional 12,821 units of housing per year. While this might appear unrealistic in the face of current budgetary priorities, a commitment of this magnitude is necessary if the housing needs of low-income people are to be seriously addressed. The Council of Social Service of NSW is also calling for expenditure of this magnitude.
- Raise additional funds for social housing by redirecting the revenue raised from land tax and stamp duty on housing transactions and proportions of revenue raised from gaming, and the operations of LandCom.
- Ease the debt burden either by Treasury's taking over the debt repayments or by coming to an arrangement with the Commonwealth for forgiving the debt. (Government has some responsibility in this matter because this debt accrued from an era when the Department had much greater revenue raising capacity [see above], and the reduction in its revenue raising capacity is largely the result of the decisions of governments).
- Explore developer or commercial activities that will return market rents or

sales revenue and enable the Department of Housing to expand its revenue raising capacity.

- Broaden eligibility criteria for public housing to improve the rental stream and provide an element of social mix.
- Continue to support tenants by providing intensive tenancy management, community development and estate redevelopment programs. However these must not be undertaken as a cost-cutting exercise, but as a means of strengthening communities, enabling the building of social capital, and encouraging the beneficial impacts of social mix.
- Reverse the policies that introduced renewable tenancies and bonds. Both these policies make public housing less affordable and less secure and do little to address the problems associated with difficult tenants and tenants with high and complex levels of need.
- Develop social housing legislation in consultation with stakeholders that will provide a regulatory framework for all non-profit housing providers, whether funded by Government or not. Such legislation needs to address such issues as title and a special-purpose investment vehicle for attracting and holding private finance.

## **Affordable housing**

Affordable housing is aimed at meeting the dilemma of low- and moderate-income people who cannot afford to enter the home purchase market, cannot get access to public housing (even if they are eligible), and are paying more than 30 percent of their income in rent in the private market. To address this dilemma a range of public/private initiatives will need to be developed.

In the current funding climate it is clear that in attempting to meet the housing needs of low- and moderate-income earners, there needs to be an examination of the role of the private sector and of private sector finance in the development of affordable housing. The Affordable Housing National Research Consortium made a number of recommendations in relation to this in 2001, particularly with regard to taxation policy and to the introduction of housing bonds. Shelter NSW is broadly in support of these recommendations, while also recognising that they will require action at a federal level. For its part, the NSW Government should continue to exert pressure on the Commonwealth to adopt these recommendations.

It is no less clear that development of affordable housing alternatives will require a range of measures. These were foreshadowed in the 1998 Ministerial Task Force on Affordable Housing, some of whose recommendations have been patchily implemented principally through the community housing sector, which plainly has a central role to play in the provision of affordable housing. Shelter

NSW believes that the policy priorities in this are:

- Commit to implementing the recommendations of the Ministerial Task Force on Affordable Housing, and to providing adequate resources to do so.
- Make greater use of LandCom land and surplus government land to provide affordable housing.
- Amend Section 94 of the Environmental Planning and Assessment Act so that contributions for social housing become a requirement for all new developments.
- Incorporate mandatory affordable housing targets or quotas within the Affordable Housing State Environment Planning Policy so that all local government areas provide a proportion of social and/or affordable housing as part of their social plan.
- Commit to the development of co-operative housing communities and provide financial assistance with low-interest loans and development support from the peak/training body. This should include support for environmentally-sustainable co-operatives including multiple occupancies and self build options in rural and remote areas.
- Earmark some affordable housing for Government for “key workers” such as nurses, teachers, ambulance officers, etc., to enable them to live closer to their workplaces.

## **Private rental market**

For all the media discussion about expanding private rental housing, increasing vacancy rates in the metropolitan area and consequent downward pressure on rents, the situation at the bottom end of the market is worsening. There is good research evidence to indicate that low-cost rental stock is shrinking, and that there is now a national shortage of around 150,000 units of low-cost stock.<sup>9</sup> This affordability crisis is most severe in Sydney. When this situation is combined with the structure of the market around small-scale landlords – the large majority of landlords rent out only one unit of stock – it leads to a situation of continual rent increases and chronic insecurity for tenants on low incomes. There is no restriction on the frequency or amount of rent increases, and excessive rent increase provisions in the Residential Tenancies legislation that throw the onus of proof on to tenants have proved ineffective.

While legislative protection has improved considerably since introduction of the Residential Tenancies Act in 1989, some at-risk groups, such as boarders and lodgers, continue to have little or no legal protection. And until just-cause

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<sup>9</sup> Yates, J. and Wulff, M., 1999, *Housing Markets and Household Income Polarisation: A Metropolitan and Regional Analysis*, paper presented at the National Housing Conference, Sydney, 29-30 November.

eviction (i.e., termination of tenancy only for reasons specified in the legislation and that can be challenged in the Tribunal) is specified for all tenants (some, like home-owning tenants in residential parks already have such protection), private rental housing will continue to be transient and chronically insecure. In a market in which the majority of tenants are now trapped long-term rather than its being a transitional form of housing for those on their way to home ownership, current levels of consumer protection are no longer adequate. Accordingly, Shelter NSW believes that the priorities in this area are:

- Protect tenants from unfair eviction by amending the Residential Tenancies Act 1987 in order to introduce just cause eviction ie specifying the reasons for eviction. (This is already the case with residential parks legislation).
- Protect boarders and lodgers from unfair treatment by introducing legislation along the lines of the draft proposed by the Boarders and Lodgers Action Group, ie is similar to legislation covering other NSW tenants.
- Recognise the important role played by residential parks in the current housing system. Commit to encouraging the retention and enhancement of caravan parks as a form of permanent accommodation through a range of initiatives including State environmental legislation and establishment and monitoring of appropriate standards.
- Provide legislative protection to people for whom residential parks are their place of residence from the day they move into the park.
- Amend the Residential Tenancies Act 1987 to give victims of domestic violence better options to maintain or terminate tenancies.
- Amend the Residential Tenancies Act 1987 in order to protect tenants from unfair rent increases by (1) reversing the onus of proof in relation to disputes over rent increases (at present the tenant must prove that the increase is excessive) and (2) provide that rent may not be increased more than once every 12 months.
- Prohibit the use and maintenance of tenancy data bases.

## **Homelessness**

It must be acknowledged that responsibility for homelessness is not solely that of the Housing portfolio, and the departments of Health and of Community Services must play a major role in addressing the need in this area.

The problems of housing affordability are compounded with the changing nature of employment, with the ongoing effects of long-term policies of deinstitutionalisation, with continued high levels of unemployment and with a punitive “breaching” regime under the Commonwealth Work Activity Test. The

end result of this is an increase in homelessness, requiring specific policies to address the problem.

Significantly, the services funded under the Supported Accommodation Assistance Program (SAAP) – a joint Commonwealth and State program – to provide temporary secure accommodation for those who are homeless or at risk of homelessness have not received overall growth funds for eight years.

Many of the clients of the SAAP services have multiple problems and require intensive support. An increasing proportion of these people also have mental health, drug and alcohol problems that require specialist services that are beyond the capacity of most SAAP services, and have difficulty accessing appropriate health services.

In addition, the SAAP services are experiencing increasing difficulty in placing clients in longer term accommodation because suitable and affordable housing is not available. Generally the private rental market is too expensive and the waiting lists for social housing are very long.

Accordingly, Shelter NSW believes that the priorities in this area are:

- Increase the funding allocated to programs to assist people out of homelessness by applying part of revenue raised from land tax and stamp duty.
- Set targets aimed at reducing the number of homeless people.
- Provide enhancements to drug and alcohol services in combination with mental health services for homeless people who have a dual condition of addiction and mental illness.
- Provide long term live-in or supported rehabilitation facilities and education programs for homeless people.

Along with the NSW Council of Social Services Shelter NSW also supports:

- increase funding to existing SAAP services by 15% of the total program budget. This increase is to address inadequate funding levels and a range of financial viability issues associated with the increased costs of meeting legal requirements and providing services to people with complex needs.

## Summary

In summary, Shelter NSW is proposing a range of broad policy directions, against which we will measure the housing policies of the parties contesting the 2003 State election.

Our proposals include:

### Initiating a State Housing Plan

*The incoming Government should develop a State Housing Plan with a strong whole-of-government approach and covering the broad range of issue impacting on housing development and affordability. It should do this across relevant departments and in consultation with stakeholders.*

### Expand the provision of social housing

- *Increase direct grants and seeking new investment from a range of sources for social housing.*
- *Commit to a goal of doubling the proportion of social housing stock over 10 years. In the next 12 months, and on a continuing basis for the next 10 years, this will require a 10% increase in social housing stock or an additional 12,821 units of housing per year.*
- *Raise additional funds for social housing by redirecting the revenue raised from land tax and stamp duty on housing transactions and proportions of revenue raised from gaming, and the operations of LandCom.*
- *Ease the debt burden either by Treasury's taking over the debt repayments or by coming to an arrangement with the Commonwealth for forgiving the debt.*
- *Explore developer or commercial activities that will return market rents or sales revenue and enable the Department of Housing to expand its revenue raising capacity.*
- *Broaden eligibility criteria for public housing to improve the rental stream and provide an element of social mix.*
- *Continue to support tenants by providing intensive tenancy management, community development and estate redevelopment programs*
- *Reverse the policies that introduced renewable tenancies and bonds.*
- *Develop social housing legislation in consultation with stakeholders that will provide a regulatory framework for all non-profit housing providers. Such legislation needs to address such issues as title and a special-purpose investment vehicle for attracting and holding private finance.*

## **Implement Affordable housing**

- *Commit to implementing the recommendations of the Ministerial Task Force on Affordable Housing.*
- *Make greater use of LandCom land and surplus government land to provide affordable housing.*
- *Amend Section 94 of the Environmental Planning and Assessment Act so that contributions for social housing become a requirement for all new developments.*
- *Incorporate mandatory affordable housing targets or quotas within the Affordable Housing State Environment Planning Policy so that all local government areas provide a proportion of social and/or affordable housing as part of their social plan.*
- *Commit to the development of co-operative housing communities. This should include support for environmentally-sustainable co-operatives including multiple occupancies and self build options in rural and remote areas.*
- *Earmark some affordable housing for Government for “key workers” such as nurses, teachers, ambulance officers, etc., to enable them to live closer to their workplaces.*

## **Secure Private tenancies**

- *Protect tenants from unfair eviction by amending the Residential Tenancies Act 1987 in order to introduce just cause eviction ie specifying the reasons for eviction. (This is already the case with residential parks legislation).*
- *Protect boarders and lodgers from unfair treatment by introducing legislation along the lines of the draft proposed by the Boarders and Lodgers Action Group, ie is similar to legislation covering other NSW tenants.*
- *Recognise the important role played by residential parks in the current housing system. Commit to encouraging the retention and enhancement of caravan parks as a form of permanent accommodation through a range of initiatives including State environmental legislation and establishment and monitoring of appropriate standards.*
- *Provide legislative protection to people for whom residential parks are their place of residence from the day they move into the park.*
- *Amend the Residential Tenancies Act 1987 to give victims of domestic violence better options to maintain or terminate tenancies.*

- *Amend the Residential Tenancies Act 1987 in order to protect tenants from unfair rent increases by (1) reversing the onus of proof in relation to disputes over rent increases (at present the tenant must prove that the increase is excessive) and (2) provide that rent may not be increased more than once every 12 months.*
- *Prohibit the use and maintenance of tenancy data bases.*

### **Alleviate Homelessness**

- *Increase the funding allocated to programs to assist people out of homelessness by applying part of revenue raised from land tax and stamp duty.*
- *Set targets aimed at reducing the number of homeless people.*
- *Provide enhancements to drug and alcohol services in combination with mental health services for homeless people who have a dual condition of addiction and mental illness.*
- *Provide long term live-in or supported rehabilitation facilities and education programs for homeless people.*
- *Increase funding to existing SAAP services by 15% of the total program budget.*