



# **Housing directions 2007**

**an options paper**

*Housing directions 2007: an options paper*

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## **The housing situation of people in New South Wales is undergoing major changes.**

In recent years we have seen increasing public concern about the prohibitive costs of home ownership for first homebuyers, especially low-moderate income earners and younger buyers. This issue was investigated in 2004 by the Productivity Commission, which recommended against any further government assistance in this area.

There are 83,000 lower-income NSW homepurchasers in housing stress. Some 56,000 of those households live in Sydney and 27,000 in non-metropolitan New South Wales.

In the rental part of the private housing market, there has been a loss of dwellings let out at lower rents, steady though not dramatic increases in overall rent levels, and a tightening of vacancy rates.

There are 156,000 lower-income NSW households in the private rental market who are in housing stress. Some 88,000 of them live in Sydney and 68,000 in non-metropolitan New South Wales.

Despite unmet demand for homelessness services, agencies providing services to homeless people and people at risk of homelessness are stretched; and some of them are cutting back their level of servicing to stay in business.

The housing circumstances of most Aboriginal people, especially in rural areas, do not meet the standards considered acceptable by non-Aboriginal Australians.

State housing authorities, led by the NSW Department of Housing – and followed by those in Queensland and South Australia – have redefined their roles to put a greater focus in public housing on the ‘most needy’. This is a way of rationing a finite resource. The total supply of public housing is not growing and many aging estates are undergoing redevelopment. Many households with low incomes who once would have had access to public housing no longer do so: this is the primary reason for the dramatic drop in numbers of people on the public housing waiting list in recent years.

While these sorts of changes describe the situations of many low-income people, there are other changes, in the population generally, that impact on the opportunities for affordable, secure and appropriate housing.

New South Wales, and Sydney in particular, are still growing in population. Development pressures in Sydney have forced the Government to encourage the development of a mini-city on both the north-west and south-west of the current urban area. While this is a boon to some landowners and the development industry, it will increase pressure on the city’s urban infrastructure, which is already overstrained.

Similar development pressures face coastal parts of the state. Not only do urban developments along the coast present environmental risks, they bring changes to the makeup of the populations, which are not well catered for by existing services.

At the same time many small towns and villages in inland New South Wales are losing people, especially younger people. And as local populations shrink, services

close.

The overall population is aging, and we do not have dwellings or an approach to building new dwellings that enable adaptability to suit the needs of people with disabilities.

And we do need to build new dwellings, or reconfigure or modify existing dwellings, as the nature of households change, with more sole person and no-children households.<sup>1</sup> Much of the housing stock we have was built for larger households, and while there is a big demand for housing, this sits alongside the existence of many obsolete and under-utilized dwellings. Moreover, while Australian households are becoming smaller, the sized of dwellings (is indicated by the number of bedrooms) is getting bigger<sup>2</sup>: this over-consumption has a negative impact on the amount of resources used to build or renovate dwellings and the energy they use.

Over the next few decades, we can expect to see:

- continued housing unaffordability for low-income and first-buyer home purchasers in Sydney associated with global city dynamics and new economy industries;
- continued housing unaffordability for low-income and first-buyer home purchasers in coastal cities, towns and villages affected by ‘seachange’ demographic movements;
- housing unaffordability for low-income and first-buyer home purchasers in inland towns and villages affected by ‘treechange’ demographic movements;
- densification of established urban areas in Sydney, Newcastle and Wollongong to accommodate population growth, a process that puts a premium on existing land uses and might facilitate house price inflation;
- diverse calls on new types of housing stock associated with changes to household type and in household formation; and
- greater pressure on housing assistance schemes in private housing markets (home ownership, and private rental).

The housing situation of people in New South Wales is not a basket case. The overwhelming majority of New South Walers are able to provide for themselves – though often with some direct or indirect government assistance – in private housing markets, both home ownership and private renting. Well-off people in this state spend a lot of money on their housing.

A place as rich as New South Wales can do better, though. It should be able to provide for those NSW people who have the aspirations, but not the dosh.

The problems and challenges facing the NSW housing system would not be as serious a public policy issue for parliaments and governments if the private sector – the market – was able to deliver affordable, appropriate and secure housing for everyone. While the vast majority of NSW people are at least adequately served by private solutions, the inefficiencies and inequities in the state’s housing markets require prompt attention. Those inefficiencies and inequities need attention not simply because of social compassion – a concern for the rough sleepers and the very poor; but because of social solidarity – the challenges facing social housing are important to resolve so that we have all the levers to address general societal needs in terms of

economic, social, and environmental outcomes for people in New South Wales.

## **Background: perspectives**

The NSW housing ‘system’ is a combination of the structures, discourses and practices of individuals – as producers and consumers – in housing markets, and of the interventions that governments (state, local, and federal) take that affect and are influenced by those markets.

The extent and nature of government interventions that affect markets are the stuff of policy debate. Are better housing outcomes achieved by less or more government actions? ... whether in monetary policy, taxation policy, or assistance to producers and providers of housing or assistance to consumers (whether homeowners or renters).

The discussion in this paper draws on two sets of concepts as the basis for the options. Those are sustainability, and housing outcomes.

The concept of **sustainability** refers to the capacity of individuals to achieve and maintain (i.e. ‘consume’) a reasonable amount of housing for their needs – which needs vary between individuals and for any one person over their lifetime. It is also about how the collective processes of production and consumption of housing achieve ‘good’ housing outcomes for everyone as a result of the coordination provided by market mechanisms and the ‘corrective’ actions taken by governments.

For both individuals and society as a whole, sustainability is not just about economic matters like supply and demand, and costs and prices. It is that: economic efficiency in the supply and allocation of housing promotes general welfare through best use of resources that are finite. But it is, secondly, also about environmental sustainability. This refers to the capacity of an individual dwelling to use natural and human-made resources wisely. And it refers to the impact that human settlements, generally, have – often negatively – on the natural environment, in matters like bush-clearing, loss of habitat for other species, water use, waste, air pollution, greenhouse gases, etc. The environment includes the natural environment and the built environment. Thirdly, sustainability is about an individual’s capacity to maintain a dwelling as a ‘home’ as a basis for a whole range of ways they seek happiness and participate in society. And social sustainability has systemic dimensions because equitable access to goods and services is likely to facilitate social cohesion and solidarity.

So the discussion in this paper is based on an assumption that the ‘3 Es’ are good things – those being economic efficiency, environmental sustainability, and social equity.

The term **housing outcomes** can mean different things to different people. In this paper it refers to a suite of three indicators of whether a dwelling or the housing situation of an individual meets that individual’s needs. Those three indicators are affordability, appropriateness, and security.

**Affordability** is the indicator that gets most public attention. This makes sense

because higher income people (people for whom housing unaffordability is less of a problem than for lower income people) are more able to purchase housing that is appropriate to their needs and gives them greater control over the management of that housing. Lower-income people presented with unaffordable housing situations are likely to be less able to purchase housing that is appropriate to their needs and that gives them greater control over its management.

For most of the last decade, policymakers have used the term ‘housing unaffordability’ (and variants like housing stress and housing financial stress) to refer to the situation where a household that is in the lowest 2 quintiles of the income distribution (i.e. the poorest 40% of the population) pays at least 30% of their gross household income in housing costs. This definition comes from work around a National Housing Strategy by the Commonwealth government in the early 1990s. Using this definition, housing affordability is where a household in the lowest 2 quintiles of the income distribution pays less than 30% of their gross household income in housing costs (known as the ‘30/40 rule’). A more severe form of housing stress is ‘housing crisis’: this is where a household that is in the lowest 2 quintiles of the income distribution pays at least 50% of their gross household income in housing costs. See Table 1 and Table 2.

Some researchers use a variant of the ‘30/40’ rule, by just referring to households paying 30% of their gross household income on housing, irrespective of what income decile they are in. The stress that higher income households find themselves in if that is their situation might be through choice rather than constraint (in comparison with the lowest income households). Some 15% of Australian households are in this situation: that’s 1.2 million households.<sup>3</sup> Of those households, 862,000 households were lower income households. This figure of 15% has been reasonably consistent over the last decade.

Judy Yates concludes that the ‘30/40’ rule generates conservative estimates of the numbers of people in, and incidence of, housing stress.<sup>4</sup> For various methodological reasons it is the one she favors. She notes, however, that ‘... in many respects, the enormity of the housing affordability problem renders precise measurement of it irrelevant.’<sup>5</sup>

Researchers from the University of Canberra found that about one-third of low-income families and singles in housing stress lived in New South Wales.<sup>6</sup> This was the biggest proportion of any state or territory. The top fourteen ABS statistical local areas (Australia-wide) with the highest estimated number of households in housing stress were in New South Wales. See Table 3.

This paper draws on research sources that use the term in either of those ways. We will try to be consistent and use the term ‘housing unaffordability’ to refer to where a household pays at least 30% of their gross household income in housing costs, ‘housing stress’ to refer to where a household that is in the lowest 2 quintiles of the income distribution pays at least 30% of their gross household income in housing costs, and ‘housing crisis’ to refer to where a household that is in the lowest 2 quintiles of the income distribution pays at least 50% of their gross household income in housing costs. These present different shades of unaffordability, with the last of these three presenting great unaffordability.

Table 1: Number of lower-income and moderate-income NSW households in housing stress and housing crisis, 2002-03

	Housing stress	Housing crisis
Lower income households ^		
Sydney	183,000	115,000
Rest of New South Wales	118,000	55,000
NSW total	301,000	170,000
Moderate income households ^^		
Sydney	42,000	5,000
Rest of New South Wales	17,000	2,000
NSW total	59,000	7,000

Notes:

^ All numbers apply only to those whose equivalized disposable household income was below \$367 per week which places them in the lowest 2 quintiles of the equivalized disposable income distribution.

^^ All numbers apply only to those whose equivalized disposable household income is between \$367 and \$550 per week which places them in the third quintile of the equivalized disposable income distribution.

Data come from the ABS survey of income and housing, 2002-03.

Source: Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper 3, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, February 2006, pp.5-6.

Table 2: Incidence of housing stress and housing crisis among lower-income and moderate-income NSW households, 2002-03

	Housing stress %	Housing crisis %
Lower income households ^		
Sydney	36	22
Rest of New South Wales	24	11
NSW total	60	33
Moderate income households ^^		
Sydney	16	2
Rest of New South Wales	8	1
NSW total	24	3

Notes:

^ Data apply only to those whose equivalized disposable household income was below \$367 per week which places them in the lowest 2 quintiles of the equivalized disposable income distribution.

^^ Data apply only to those whose equivalized disposable household income is between \$367 and \$550 per week which places them in the third quintile of the equivalized disposable income distribution.

Data comes from the ABS survey of income and housing, 2002-03.

Source: Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper 3, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, February 2006, pp.11,13.

Table 3: Australia's fifteen local areas with highest estimated number in housing stress

ABS statistical local area	Estimated number in housing stress
Fairfield (C)	6,928
Wollongong (C)	6,763
Newcastle (C) – remainder	6,434
Canterbury (C)	5,878
Lake Macquarie (C)	5,809
Wyong (A)	5,266
Gosford (C)	5,047
Liverpool (C)	5,008
Bankstown (C)	5,005
Parramatta (C)	5,000
Penrith (C)	4,465
Campbelltown (C)	4,381
Randwick (C)	4,262
Blacktown (C) – south-west	3,176
Port Phillip (C) – St Kilda	3,086

Note: In this table, housing stress refers to a situation where the bottom 40% of an equivalent *disposable income* distribution spend more than 30% on housing costs.

Source: Elizabeth Taylor, Ann Harding, Rachel Lloyd and Marcus Blake, 'Housing unaffordability at the statistical local area level: new estimates using spatial microsimulation', paper to the 2004 ANZRSI conference, Wollongong, September 2004, p.22.

In NSW housing policy there is a particular focus on the situation of households earning up to 120% of the median household income (rather than the bottom 40% of income). This reference point is used in NSW environmental planning law, where the Environmental Planning and Assessment Act 1979 defines affordable housing as 'housing for very low income households, low income households or moderate income households' and where State Environmental Planning Policy no. 70 – Affordable Housing (Revised Schemes) defines very low income households in the Greater Metropolitan Region as households whose gross incomes are less than 50% of the median household income, low income households in that region as households whose gross incomes are 50% or more but less than 80% of the of the median household income, and moderate income households in that region as households whose gross incomes are 80-120% of the median household income for the Sydney statistical division of the Australian Bureau of Statistics.<sup>7</sup>

**Appropriateness** refers to both the location and design and condition of a dwelling. For a low-income person with welfare support needs, a dwelling that is a long way from health and other services like counsellors could be inappropriate. For a low-income gay person with HIV/AIDS, a dwelling in a housing estate populated by homophobic youths is inappropriate. For an unemployed person without a car, a dwelling that is far from, and/or not accessible by public transport to, major job centres is not appropriate. The design of a dwelling could be inappropriate if it has one bedroom and accommodates five people. It would be inappropriate if it does not cater to a person's physical disability in terms of ease of access to and width of doorways and corridors for wheelchairs and height of sinks, etc.

Some of the tests of whether a dwelling meet the criterion of appropriateness are more subjective than the tests of affordability. Appropriateness is an indicator that is much

more variable with individuals' needs. There is not one (or two) neat quantitative tests as there is with housing unaffordability/stress. Nevertheless, there are a number of quantitative tests available for some of the dimensions of appropriateness. For example, the Australian Health and Welfare Institute uses a proxy occupancy standard as an indicator of overcrowding.<sup>8</sup> Another example is the Australian standard on adaptable housing.<sup>9</sup> A third example is the building sustainability index (BASIX) standard on environmentally-efficient house design (water consumption and greenhouse gas emissions) that the NSW government requires local governments to apply to newly-constructed dwellings and alterations.<sup>10</sup>

**Security** in a housing context does not refer to aspects of a dwelling that affect personal safety – such matters are elements of a dwelling's appropriateness for frail or vulnerable people. Rather, it refers to the extent to which the dwelling is owned and managed by the resident. Security of tenure sits along a continuum with greatest security had by a person who owns their dwelling and has squads of lawyers and security guards to back up their occupation of it. At the other end of the spectrum is a person who does not own the dwelling they live in and occupies it by the grace or favor of another (without any legal or de facto rights), such as a resident of short-term crisis accommodation or a resident in a hotel or a boarding or lodging house.

Greater security of tenure is a key element of the attractiveness of homeownership and owner-occupation.<sup>11</sup> There are two aspects of security of tenure: the formal, legal expression of it (as a 'right' in a property-owning society), and an informal understanding of it which focuses on the actual relations between a dwelling's owner and a dwelling's non-owner occupant.<sup>12</sup>

Most policy focus on security is currently on issues affecting renters, such as whether boarders and lodgers should be covered by mainstream residential tenancies law, whether the current eviction provisions in residential tenancies law give private tenants sufficient security of tenure, or whether fixed-term and reviewable leases for public housing and Aboriginal housing tenants (allocated tenancies from 1 July October 2005) give public housing tenants sufficient security of tenure.

However, this is a matter that could affect owner-occupiers. For example, a proposal by the Property Council to allow a body corporate of a strata-titled residential building to vote for redevelopment of the building by majority agreement<sup>13</sup>, rather than by a unanimous agreement as is currently the case, will jeopardize the security of those owner-occupiers not wishing to bulldoze their home.

Achieving these 3 housing outcomes – affordability, appropriateness, and security – in any combination and variation – will depend on a consumer's capacity to pay and willingness to pay.

Where housing consumers, such as those with low-incomes or some other social disadvantage, are unable to achieve good housing outcomes in a 'normal' market way, most policymakers in Australia agree that there is a case for government action. This case is based on economic or social equity factors, or a mix of both. The type and extent of that government action is a matter for further debate. Housing problems are often 'wicked problems': they are messy and persistent. They do not lend themselves to a simple or single solution.

Key to housing challenges in New South Wales as a jurisdiction within a federal system of government is what the federal government, especially, and other state governments do. The housing situations of people in New South Wales are affected by federal government policies on money supply and interest rates, taxation, social security, transfers to the states for joint state-federal or state-based social programs, etc. The housing situations of people in New South Wales is also affected by what state and territory governments do, e.g. taxation. But this options paper focuses on what the NSW government can do.

## **Background: perspectives II**

Consistent with the above discussion, there are a number of assumptions embedded in the rest of this paper but not argued for. Those are:

- The existence of good, appropriate welfare programs can help disadvantaged people realize better quality of life outcomes. Those welfare programs include those generally described as accommodation support and those generally described as community-strengthening.
- Protection of the natural environment promotes good quality of life outcomes.
- The way human settlements are designed and built affects quality of life outcomes. This refers to land use, water supplies, renewable energy sources, provision of infrastructure, mass transit, public open space, building materials, and esthetics.
- The existence of sustainable livelihoods (businesses, jobs, a non-punitive social security system) can help disadvantaged people realize better quality of life outcomes.
- The location of housing in relation to town centers, mass transit and employment sites can help disadvantaged people realize better quality of life outcomes.
- The design of neighborhoods (street pattern, landscaping) affects quality of life outcomes.
- The design and condition of dwellings (type, form, materials, adaptability, energy-efficiency, gardens/terraces) affects quality of life outcomes.
- New South Wales is not a 'monocultural' society and its resilience is likely to depend on an acceptance of difference and diversity and on promotion of social mix.
- The NSW government needs to maintain an array of robust and efficient revenue sources and measures to maximize its capacity to influence housing and other social policy outcomes for the people of New South Wales.

# Home ownership

## The challenge

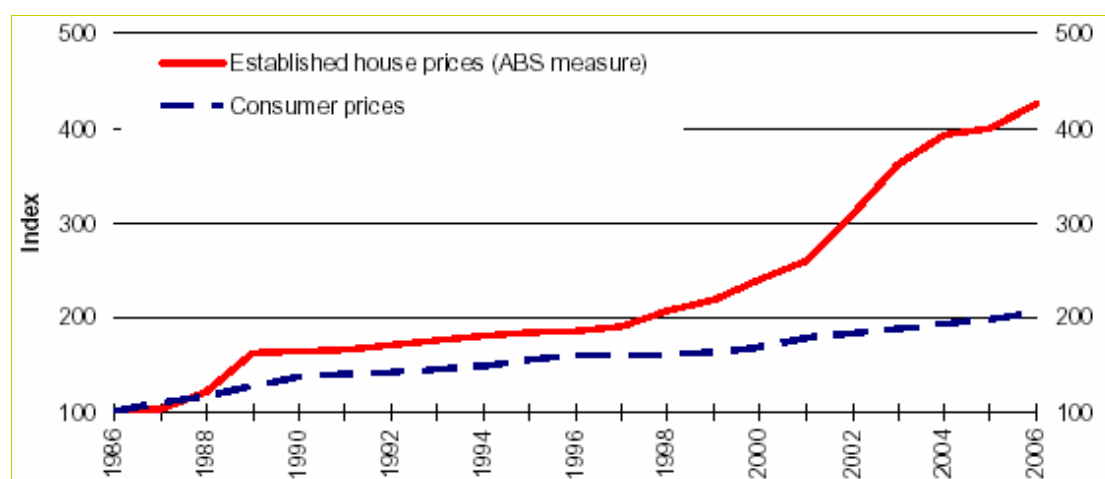
Housing affordability has emerged as the major problem in home ownership property markets. Paradoxically, this has arisen during an extended period of sustained economic growth and historically low mortgage interest rates.

There is a housing unaffordability problem in New South Wales.

The costs of buying a house have increased dramatically over the last twenty years, rising at a faster rate than average earnings and household income.<sup>14</sup> They have also risen at a faster rate than inflation. See Figure 1.

The median price of established house transfers increased by 11% over the 3-year period from December 2002 to December 2005.<sup>15</sup>

Figure 1: Established house price index and the Consumer Price Index



Note. Base year: 1986 = 100.

Source: Tony Kryger, 'House prices', *Research Note*, no. 7 2006-07, Parliamentary Library, Department of Parliamentary Services, Parliament of Australia, 9 October 2006, p.3.

In New South Wales, 50% of mortgagees who have incomes below the median income are in unaffordable housing situations.<sup>16</sup>

There are 83,000 lower-income home purchasers in housing stress in New South Wales: 56,000 in Sydney and 27,000 outside of Sydney.<sup>17</sup>

House price inflation yields benefits to current homeowners with no or little mortgage, and to interests in the property industry who benefit materially from 'talking the market up'. However it has these downsides:

- It can lead to financial problems to mortgagees who are paying off a loan at a proportion of their income that is defined as unaffordability or housing stress. These consumers are at risk of default on their mortgage repayments, with potential loss of their dwelling (security of tenure), etc.<sup>18</sup>

- It can present barriers to low-income people in terms of financial access to the home ownership market (a market entry barrier) and in terms of ongoing, recurrent costs (i.e. paying off a loan).
- It can present barriers to moderate-income people in terms of financial access to the home ownership market (a market entry barrier). This is a market entry barrier particularly affecting many consumers categorized by marketing companies as ‘Generation X’, a population cohort that has other characteristics that inhibit first home purchase at the age their parents did. Those factors include later ages in marrying and paying off Higher Education Contributions Scheme debts.
- It can lead to concentrations of home ownership (associated with wealth) in particular suburbs and promote social polarization. An increasingly sharp division between rich and poor has led to a spatial separation of low-income families living in lower-priced housing, more distant from employment sites, and public transport. Table 4 gives an indication of how homeownership rates are high in affluent suburbs and low in poorer suburbs dominated by public housing, in Sydney. It gives the proportions of dwellings fully owned or being purchased, and the proportions of dwellings being rented (private and social rental), for the five Sydney suburbs with the highest and lowest proportions of homeownership.

Table 4: Home ownership/rental by suburb, Sydney 2004

Suburb	Dwellings fully owned or being purchased (%)	Dwellings being rented (%)
Woronora Heights	94.6	2.9
Bonnet Bay	93.2	4.5
Yarrawarra	92.9	3.6
Kangaroo Point	92.8	2.8
Kareela	92.7	4.1
...		
Waterloo	7.9	79.8
Dawes Point	5.1	73.5
Airds	4.2	87.5
Claymore	1.7	88.3
Parklea	1.6	79.9

Source: *Sydney Morning Herald*, 10-11 July 2004, online at [www.smh.com.au/articles/2004/07/08/1089000274294.html?>](http://www.smh.com.au/articles/2004/07/08/1089000274294.html?>), viewed 30 November 2006.

There are many reasons for rising house prices in Australia over the last decade. They include population growth (stimulating demand), concentration of population on the coasts and in larger cities (creating competition for prime land), and good economic growth generally. In addition, we have seen liberalization of controls over and innovation in the finance market, a growth of private rental investment, increasing participation by women in the workforce (leading to more two-income households), and a ‘correction’ of the stock market in 2000 which caused investors to look to equity in real estate rather than shares.<sup>19</sup>

### **Suggested aim to meet the challenge**

- Increased proportion of the population living in owner-occupied housing

### **Suggested strategy**

- Assist low-income homepurchasers to overcome market entry barriers to homeownership, in focused and targeted ways.

### **Options**

Arguments around the causes of high house prices get caught up in federal–state to-and-froing and with lobbying by the property industry which, naturally, wants lower costs and bigger profit margins. In terms of the main causes, they seem to be from matters that are in the federal government’s jurisdiction. The Reserve Bank has stated that the main causes of house price inflation are capital gains tax discounts and high immigration.<sup>20</sup>

Nevertheless there is a persistent campaign by the property industry and the federal government on two matters within the state government’s jurisdiction. Those matters are land releases for more dwellings<sup>21</sup>, and state and local government taxes on land and on development. The arguments are that a greater supply of land for housing will bring down prices, and that less cost in development will also bring down prices.

The land supply argument might appear attractive in simple microeconomic terms but has its critics. The Macquarie Bank’s interest rate strategist, Rory Robertson, said that increasing land supply in outer urban areas would improve affordability in those areas, but would have only a minor effect on prices in areas where most people lived.

Any analysis of housing affordability that concentrates on supply-side issues like land release while downplaying or ignoring demand issues – population growth, the halving of interest rates [since the early 1990s] and the extraordinary role of investors in the latest home-price boom – simply is not credible’.<sup>22</sup>

In the state government’s Sydney metropolitan strategy, *City of cities*, released in December 2005, the government said: ‘... the supply of land is not the main cause of the decrease in affordability nor will the supply of housing on the fringe meet the needs of first home buyers or those on lower incomes’.<sup>23</sup>

Releasing more land for housing is not desirable as the primary response to housing unaffordability. Massive land releases have negative economic consequences as dwellings and other urban buildings crowd out other purposes for which the land can be used: this is a particular problem for the Sydney fringe where dwellings are being built on farmland. They have negative environmental consequences as the development industry claims a primacy for use of land for housing over protection of green belts. The ‘growth centre’ in south-western Sydney is likely to have unacceptable levels of air pollution, because the South Creek valley is a sinkhole for pollution from the Sydney basin; the valley is subject to higher than average levels of air pollution as a result of sea breezes pushing smog there from central Sydney.<sup>24</sup> A third environmental constraint on growth is the capacity of the water catchments to cater to the water needs of the current population (without adequate demand management), let alone cater to more customers. In equity terms, the social cost of

rapid and unfettered urban development has been a spatial dispersal of resources and opportunities in various parts of Sydney, expressed in longstanding and outstanding differences in income and ethnic profiles between western Sydney and other parts of Sydney.<sup>25</sup>

The state government acknowledges these other issues. In its draft regional strategy for the Central Coast, it has set lower than anticipated targets for population growth in that region because of the environmental sensitivity of the region and its limited water supplies.<sup>26</sup> (The government is now planning for an extra 65,000 more people in the region by 2030 rather than an extra 100,000, but will review the lower target should the water supply situation change.) In its draft regional planning strategy for the South Coast, the government has indicated that no new towns or villages will be supported.<sup>27</sup>

Option 1: Reject massive increases in land supply as a solution to housing unaffordability.
---------------------------------------------------------------------------------------------

The taxes that the state government applies to land is an important source of revenue to enable the state to retain some independence in a federal taxation system that is characterized by vertical fiscal imbalance. Land taxes are important as own-source revenue for the NSW government, providing an average of 8% of own-source revenue.<sup>28</sup> Warren, in a report for NSW Treasury in early 2006, suggested that land taxes (and payroll tax) were more economically efficient than other state taxes, like stamp duty.<sup>29</sup> The efficiency of land tax rests on its base, land, which has a fixed supply, and taxes on it will not typically reduce the overall supply of land. For this reason, the suggestion by the development industry for the abolition of land tax is not good public policy.

Another state tax that the development industry wants abolished is purchaser transfer duty (stamp duty, conveyancing duty). The NSW government raises 21% of own-source revenue from this source<sup>30</sup>, so it is not a tax that could be abolished lightly. However it does not have the efficiency benefits of land tax, and can introduce inefficiencies into housing markets. Stilwell and English have argued that an enhanced land tax is more efficient and effective than purchaser transfer duty, because it has no disincentive effect on mobility, it does not discriminate against movers, it is not lumpy, and it does not impact at times of particular financial stress (such as when moving house).<sup>31</sup>

So, a phasing out of purchaser transfer duty would be desirable, so long as there is a commensurate extension and increase in land tax. This would mean that land tax would be extended to principal places of residence.

The development industry also objects to special development levies in the proposed growth centres in greater Sydney.<sup>32</sup> The purpose of a levy on residential development, called the 'spatial infrastructure contribution', is to recoup from the property developers – who will benefit from the new land released and rezoned for urban development – most (75%), but not all, of the cost of providing public infrastructure to those places. The development industry warns that the taxes/costs are likely to be passed onto housing consumers (homebuyers) who buy land and houses in the new suburbs, adversely affecting housing affordability.

There are two public interest arguments for using special levies in the circumstances of the two Sydney growth centres. The first is ‘planning gain’, i.e. the land and property developers benefit from land releases and rezonings by government for urban development that enable them to get a ‘windfall’ benefit. Passing on some of the cost of putting in the physical infrastructure to the developers recoups some of that windfall for the government. The second is that approval of new housing developments will generate new demand on civic services by incoming residents, the cost of which is an externality not priced into the cost of the development. In this way there is a ‘user charge’ or ‘polluter pays’ element in the levy.

The Productivity Commission, in a 2004 report on affordability of home ownership, found that upfront charging of developers for infrastructure costs was unlikely to have any substantial effect on housing affordability.<sup>33</sup> That is because the increase in cost of serviced land or new dwellings (reflecting the charge) should lead to a matching reduction in ongoing housing costs: households will be no worse off over time.

Option 2: Reject calls for the abolition of land tax, special development charges, and local government development charges (including inclusionary zoning), as a solution to housing unaffordability.

(See Option 11 for proposed tax expenditures on land tax.)

The prohibitive cost of home ownership for first homebuyers, especially low-moderate income earners and younger buyers, was investigated in 2004 by the Productivity Commission. Two findings are worth mentioning here. The first is that the Commission noted the current high level of subsidies to people in and involved with the home ownership tenure. Secondly, it concluded that the case for further direct financial assistance in this area was *not strong*.<sup>34</sup>

Rather than implementing blanket and blunt solutions, it would be better to implement a suite of targeted interventions focusing on those low-income households who are on the margins of entering sustainable homeownership.

The primary barrier to home ownership for low-income first homepurchasers is the deposit (upfront costs). The main government assistance to address this is a Commonwealth scheme, funded in effect by the Commonwealth government from their Goods and Services Tax. That scheme, the First Home Owner Grant scheme, is administered by the state government.

The NSW Opposition has announced it would top up the scheme’s grant by \$3,000 to first homebuyers buying a dwelling valued up to \$500,000 (i.e. for people eligible for the ‘First Home Plus’ exemption from purchaser transfer duty).<sup>35</sup> Their proposal to tie in eligibility for this \$3,000 top-up to eligibility for First Home Plus introduces an element of targeting, in that homebuyers who can afford dwellings of more than \$500,000 would not be eligible for the top-up. This new grant scheme would operate for two years, 2007-08 and 2008-09<sup>36</sup>, and would cost \$90 million. It would be financed from the state’s own-sources revenue.

The First Home Owner Grant scheme has been criticized for being inflationary and for not focusing on poorer households.<sup>37</sup> The NSW Opposition proposal could reinforce those features. Issues around the desirability of the First Home Owner Grant scheme – or how it might be modified – are matters of federal policy. However, in the state sphere it is probably better not to top it up. An alternative approach would be to enable eligible first homebuyers meeting the First Home Plus criteria to borrow a proportion of a deposit, under a (new) low-interest or no-interest loans scheme specifically for that purpose. Such a scheme would meet the social objective of assisting first homebuyers who want to buy houses at the lower end of the market but have problems with the deposit constraint. Yet it would not have the same inflationary effect that the Opposition scheme might, and moreover, would not have a negative impact on state government revenue.

Option 3: Maintain NSW participation in the Commonwealth government's First Home Owner Grant scheme.

Option 4: Introduce a low-interest or no-interest loan scheme for loans to borrow a portion of the deposit, for first homebuyers meeting the First Home Plus eligibility criteria.

First Home Plus is a set of two taxation expenditures for first home buyers, one being an exemption from purchaser transfer duty and the other being an exemption from mortgage duty. First homeowners and group self-help build schemes are exempt from transfer duty, with a full exemption for dwellings valued up to \$500,000 and a partial exemption on dwellings valued up to \$600,000, i.e. 22.49% less \$112,450; or a full exemption for purchase of vacant land valued up to \$300,000 and a partial exemption on land valued up to \$450,000, i.e. 10.49% less \$31,470.<sup>38</sup> First homeowners are also exempt from mortgage duty, with a full exemption for dwellings valued up to \$500,000, and a partial exemption on dwellings valued up to \$600,000.<sup>39</sup>

Option 5: Maintain the First Home Plus scheme.

Perfect Start Loans are managed mainly by cooperative housing societies.<sup>40</sup> 25% of the societies' loan recipients must meet public housing eligibility criteria. The state government assists the scheme (which is a relaunch of a Government Guaranteed Loan Scheme which has operated since 1934) by: (i) providing a guarantee of cooperative housing societies' loans to the Commonwealth bank; and (ii) provision of a limited indemnity to the societies on each loan.

The scheme requirement that recipients meet public housing eligibility criteria is not appropriate following the tightening of eligibility for housing assistance under the 'NSW government plan for reshaping public housing'. The customer profile intended for public housing under 'Reshaping' is not one that is likely to be able to sustain mortgage repayments. The income eligibility criteria for Perfect Start Loans therefore need to be liberalized, and the nexus broken between eligibility for public housing and the scheme.

Option 6: Promote the Perfect Start Loans Scheme, and liberalize the income eligibility criteria.

Landcom has a modest program of 'moderate income' housing, by which it means a land and housing product sold below normal market prices for the product type and sold to customers with an annual income range between the 4<sup>th</sup> and 6<sup>th</sup> decile of household incomes( \$47,000 and \$71,000 in 2006).<sup>41</sup> However, Landcom has found it difficult to develop this product in Sydney, though it is investigating the feasibility of a shared equity product as part of consideration of affordable housing in the redevelopment of the Minto public housing estate (Sydney). The company now has a statewide target of 7.5% of land or housing product to be 'moderate-income housing' by 30 June 2008.<sup>42</sup> While that target was adopted only a couple of years ago, it might already be too low given that the government does not have any affordable housing schemes in place, or even planned, for the south-west and north-west growth centres in Sydney. The Legislative Assembly's Public Bodies Review Committee, in a report from an inquiry into the allocation of social housing, recommended that Landcom should aim for 10% of its total projects to be for moderate-income housing.<sup>43</sup>

Option 7: Set a target of 10% of 'moderate-income housing' in new Landcom developments.

The concept of 'shared equity' products as a pathway into home ownership has been around for some years, but it seems that financial and consumer protection risks involved with various models have inhibited any significant product success.<sup>44</sup> Landcom and the Commonwealth Bank are working on a shared equity model for homeownership but the work is in early days.

Two Australian jurisdictions have, however, introduced shared equity schemes. Those jurisdictions are Western Australia and the Northern Territory.

The Western Australian government's GoodStart Shared Equity Loan Scheme allows eligible public housing tenants to buy from 70-100% in the public housing dwelling they occupy. It also allows people on the waiting list to buy 70% or more in an ex-rental public housing dwelling. An applicant must provide a deposit of \$2,000 or 2% (whichever is greater) and may use the First Home Owners Grant (if eligible) for this.<sup>45</sup> The government also has a shared equity loan scheme targeted to Aboriginals, under the Aboriginal Home Ownership Scheme.

The Northern Territory government's HomeNorth Xtra Shared Equity Loan allows eligible persons to buy between 70-99% of a dwelling; the territory housing authority buys the remaining portion.<sup>46</sup> An applicant must provide a minimum deposit of 2% of the consumer's share. In this scheme, unlike that in Western Australia, the scheme is not about public housing tenants buying a share of a public housing dwelling: it is about consumers buying or building a private-owned dwelling, and bringing in the territory housing authority as a lender and part-owner. The authority, as part-owner, does not charge rent to the occupant for the portion of the dwelling it owns; the resident pays all repairs, maintenance, insurance, local government property rates, etc. The resident may buy the authority's share at any time, and must buy it once the loan

is repaid. If the resident sells the dwelling while the authority is still holding equity, the authority's share of the sale is based on a current valuation and is paid out at the time of settlement.

It appears that it is possible to design a shared equity scheme that deals with the financial and consumer protection risks, but the critical element – as is the case in Western Australia and the Northern Territory – is participation in risk-sharing by a government agency.

Option 8: Implement a 'shared equity' scheme in public housing and Aboriginal housing, drawing on the experiences in other jurisdictions.

The Department of Housing's policy on selling public housing dwellings to incumbent tenants is very limited. The government does assist tenants of the Department of Housing and the Aboriginal Housing Office who are purchasing their principal place of residence by exempting them from transfer duty. More can be done to assist public housing and Aboriginal housing tenants into homeownership where this would assist deconcentration of social housing as part of estate regeneration strategies.<sup>47</sup> The 'right to buy' scheme operating in England and Wales has features that could be useful for this purpose.<sup>48</sup> Its main feature is a sale discount off the market value of the dwelling up to maximum amounts that vary regionally across England and Wales, on conditions including: (i) the owner must repay their discount if they choose to resell their dwelling within 5 years of having bought it, and the amount repayable is dependant on the market value of the property; and (ii) the owner must offer the dwelling for sale to a social housing provider if they wish to resell it within 10 years of having bought it.

Option 9: Extend a 'right to buy' for public housing and Aboriginal housing tenants to buy the dwellings they live in where the dwellings are in public housing estates undergoing regeneration.

## **Portfolios**

The options in the above section relate to these state government portfolios or agencies:

- Treasury
- Housing
- Aboriginal housing
- Landcom

## Private rental

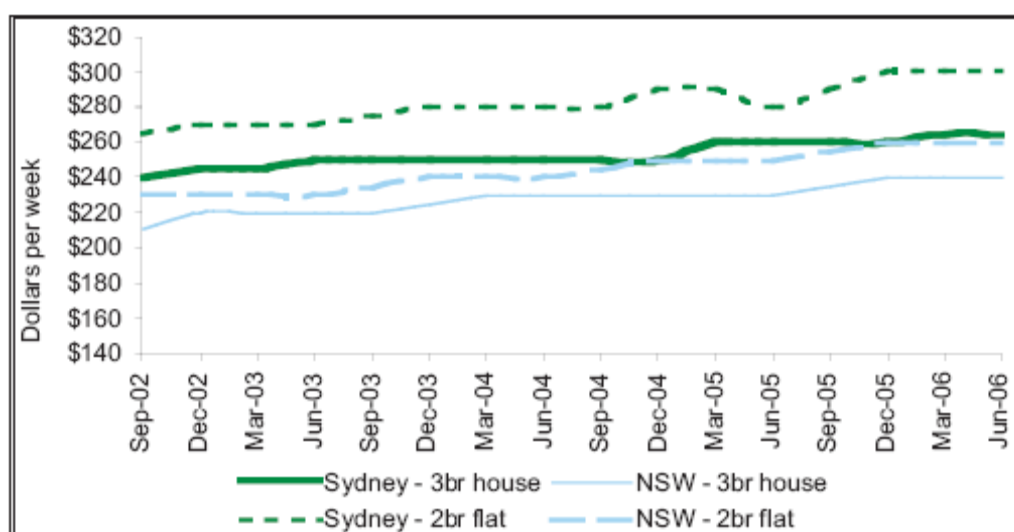
### The challenge – supply of low-rent housing

Using the ‘housing stress’ indicator (see page 4), there are 156,000 lower-income NSW households in housing stress living in private rental.<sup>49</sup> Most of these households are in Sydney. 88,000 are in Sydney and 68,000 in non-metropolitan New South Wales. Of those in Sydney, 37,000 were families with children. Of those outside of Sydney, 23,000 were families with children.

Using the alternative housing unaffordability indicator (see page 6), 63% of NSW private renters who have very low to moderate incomes are in unaffordable housing situations.<sup>50</sup> That is 175,000 private renter households in New South Wales.

Not surprisingly, the trend is for rents in private rental housing to go up.

Figure 2: Trends in median rents, New South Wales



Source: *Rent and Sales Report*, 76, 2006, p.1.

The Auburn local government area in Sydney has seen the most dramatic increases in rent movements, associated with new ‘upmarket’ housing developments in Homebush Bay and Silverwater. Outside Sydney, the most expensive area for renters is the Snowy rural statistical subdivision, associated with tourist-related rental housing in Jindabyne and Berridale.

Conditions in residential rental markets are tight, with the nationwide rental vacancy rate at less than 2% Australia-wide – its lowest level since the 1980s.<sup>51</sup>

In New South Wales, vacancy rates for inner, middle and outer Sydney were 1.3%, 1.5% and 1.7%, respectively, in October 2006.<sup>52</sup> Lower vacancy rates tend to be associated with higher rent-setting landlords and their agents.

A steady upward movement in rents draws attention to a shortage of supply of dwellings for rental in the private market for households with low-moderate incomes, i.e. a shortage of ‘low market-rent’ dwellings.<sup>53</sup> There was a shortage of 36,000 such dwellings in Sydney in 2001, for households with low-moderate incomes of up to \$447 a week (the lowest 22% of household incomes). See Table 5.<sup>54</sup> While there was significant investment in private rental housing in the early 2000s, this was mostly at the upper segments of the market. The robustness of that market was undermined by a vendor transfer duty on property sales imposed by the state government<sup>55</sup>, and its revival is probably adversely affected by Commonwealth government changes to superannuation in the 2006-07 budget that make superannuation contributions a more advantageous retirement saving option than property investment.<sup>56</sup>

Table 5: Shortage of affordable private rental housing in New South Wales

	Weekly income \$2001	Sydney	Rest of New South Wales
Low	< \$ 223	-14,000	-9,000
Low	< \$ 335	-24,000	-3,000
Low-moderate	< \$ 447	-36,000	9,000
Low-moderate	< \$ 558	-27,000	36,000
Moderate	< \$ 670	13,000	51,000
Moderate	< \$ 782	31,000	44,000
Moderate	< \$ 893	49,000	38,000
Moderate-high	< \$ 1,117	68,000	24,000
Moderate-high	< \$ 1,340	68,000	14,000
High	< \$ 1,675	52,000	7,000
High	< \$ 2,234	10,000	0
High	\$ 2,234+	0	0

Source: Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australian Housing and Urban Research Institute, Melbourne, June 2004, p.51.

### Suggested aim to meet the challenge

- More affordable (low-rent) private rental housing

### Suggested strategies

- Maintain tenant-focused assistance programs.
- Maintain provider-focused assistance schemes.
- Extend tax exemptions for providers of affordable private rental housing.

### Options

The major government program to directly assist low-income private renters is the Commonwealth government’s Rent Assistance scheme for social security recipients (including recipients of Family Tax Benefit). While it helps achieve affordability for some 40% of eligible renters Australia-wide, it does not deliver housing affordability to all social security beneficiaries and pensioners in the most populated area of the country, including most capital cities.<sup>57</sup> On the supply side, the Commonwealth gives taxation concessions that benefit investors in rental properties.

The state government's direct assistance to private renters and to providers of rental housing are more modest programs.

The Rentstart scheme, administered by the Department of Housing, provides assistance to people who are eligible for public housing who want to rent in the private rental market. It is also available to help a tenant maintain a tenancy or to rent temporary accommodation. An eligible renter may get assistance to meet part (75%) of the costs of a bond or key money (Rentstart–Standard) or to meet 2 weeks rent in advance (Rentstart–Plus), or pay rental arrears for up to 4 weeks (Rentstart–Tenancy Assistance). The subsidy takes the form of payment direct to the landlord. The 2006-07 Budget allocation is \$24.9 million, and some 34,000 households are expected to benefit.

That Department also has a subsidy program for private renters who have HIV/AIDS or a disability, the Special Assistance Subsidy. A person with HIV/AIDS who is eligible for public housing and meets the 'priority housing' criteria gets assistance with rent in the private rental market. A person with a disability who has been approved for priority housing assistance from the Department of Housing or who has reached their turn on the public housing waiting list gets a subsidy towards the cost of their rent while they wait for a suitable dwelling to be allocated. This subsidy is paid direct to the private landlord: the tenant pays only the difference to the landlord from their own income. The 2006-07 Budget allocation is \$10.4 million, and some 1,300 households are expected to benefit.

The requirements that recipients of Rentstart and Special Assistance Subsidies meet public housing eligibility criteria are not appropriate following the tightening of eligibility for public housing under the 'NSW government plan for reshaping public housing'. The customer profiles of very low income people renting in the private rental market will differ from the intended public housing customer profile of very low income people with complex needs. The income eligibility criteria for Rentstart and the Special Assistance Subsidies therefore need to be liberalized, and the nexus broken between them and eligibility for public housing.

Option 10: Maintain the Rentstart and Special Assistance Subsidy schemes, with liberalized income eligibility criteria.
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On the supply side, the state government ...

- gives an exemption from land tax for land used and occupied primarily for low-rent accommodation in inner Sydney (within a 5 kilometer radius from the Sydney GPO);
- gives an exemption from land tax for boarding houses where at least 80% of the accommodation is let to long-term boarders;
- gives an exemption from land tax for residential parks primarily occupied by retired people;
- gives an exemption from land tax for residential care facilities for older people;
- and

- gives small grants to owners of boarding houses to assist them to meet fire safety standards.

Investment in rental housing for leasing at the lower-priced end of the private rental market could be encouraged through further, targeted exemptions from land tax.

These could be done by:

- (i) providing an extension of the current exemption from land tax for land used and occupied primarily for low-cost accommodation to a greater geographic area (from inner Sydney, to the inner and middle ring suburbs) – this extension could be confined to property owners owning three or more properties, since the ‘mum and dad’ investor-owners of only one residential investment property benefit from a tax threshold of \$330,000 on that property; and/or
- (ii) exemption from land tax for investors who provide lower-cost private rental housing to accredited community housing organizations.

The NSW Opposition has announced it would give a concession on transfer duty of \$4,000 to buyers of dwellings for investment purposes where those dwellings were valued up to \$500,000 and were let out to residential tenants for at least a 5-year period.<sup>58</sup> If the purchaser does not let the dwelling for the whole of the 5 years, or sells the dwelling before 5 years, they would have to pay back 20% of the concession amount for each year less than 5 that they did not let it or own it. This proposal does not explicitly tie the concession to provision of the rental housing at low-market or sub-market rents. Nor does it address the need for supply of low-rent rental dwellings to low-income people (Table 5).

Option 11: Extend the current exemption from land tax for properties accommodating low-income renters for all such properties in inner and middle ring suburbs of Sydney.

The key tool for protecting the current supply of low-rent private rental housing is ‘State Environmental Planning Policy no. 10 – Retention of Low-cost Rental Accommodation’. This can only have a limited impact by slowing down the process of loss of such stock in prime real estate areas. Nevertheless this instrument could be strengthened in two ways. Firstly, since it only applies to the Greater Metropolitan region, it could be extended to cover the local government areas in the coastal zones, where property markets are overheating. Secondly, it could be extended to encompass caravan parks and manufactured home estates, which are a source of housing for low-income people. The state environmental planning policies that cover development assessment of caravan parks and manufactured housing estates, ‘State Environmental Planning Policy no. 21 – Caravan Parks’ and ‘State Environmental Planning Policy no. 36 – Manufactured Home Estates’, focus on new development and do not deal with change of use or loss of supply.

Option 12: Extend coverage of State Environmental Planning Policy 10 to coastal zones, and to caravan parks and manufactured home estates.

## **Portfolios**

The options in the above section relate to these state government portfolios or agencies:

- Treasury
- Housing
- Planning

## **The challenge – protection of vulnerable renters**

Residential tenancy law has not kept up with the 2000s. Two significant changes over the decade since the Residential Tenancies Act was introduced (in 1989) have not been acknowledged. The first is the establishment of private renting as a tenure of choice for many people, reflected in the majority of tenants now renting long-term, rather than it being a ‘transitional’ form of housing for those on their way to home ownership or to public housing. The second is the emergence of private rental as a form of welfare housing, i.e. a significant provider of housing to people with major health needs and multiple social disadvantage.

### **Suggested aim to meet the challenge**

- Legal protection of private renters is appropriate to the times

### **Suggested strategies**

- Change tenancy law to ensure it reflects current usage of private rental housing by tenants.
- Change tenancy law to ensure at-risk and vulnerable renters have appropriate protections.

## **Options**

The first of those changes suggests a rethink of governmental opposition to longstanding proposals by tenant advocates for reforms that would shore up the relative market power of tenants in relation to the dominant landlords. One of those proposals is to prevent evictions where there is no good cause, i.e. to provide for a landlord’s termination of a tenancy only for reasons that are specified in law and that can be challenged in the Consumer, Trader and Tenancy Tribunal. Dwelling-owning tenants in residential parks have such protection, and for the same reason.

The other of those proposals is to question the inexorable nature of rent inflation, where price rises for the good provided are not linked to an increase in the quality of the good being provided. Tenants should be protected from unfair rent increases by: (i) having the onus of proof in relation to disputes over rent increases reversed, so that the proponent of a rent increase has the responsibility of establishing that it is not excessive (in contrast with the present situation, where a tenant must prove that an increase is excessive); and (ii) prohibiting a rent increase more than once in a 12-month period.

Option 13: Amend the Residential Tenancies Act to provide for eviction only where there is a specified reason.

Option 14: Amend the Residential Tenancies Act to (i) have the onus of proof in relation to disputes over rent increases reversed, so that the proponent of a rent increase has the responsibility of establishing that it is not excessive; and (ii) prohibit a rent increase more than once in a 12-month period.

A study of private renters in inner Brisbane and Ipswich found that, although nearly two-thirds of those surveyed would prefer a short-term lease that could be extended if required (rather than a long-term lease), the security and stability of a longer lease was important to higher proportions of households comprising older people, those on the lowest incomes, those receiving income support assistance, single parent households, and those with school aged children.<sup>59</sup> Most of these households are the households that are the most vulnerable in the private rental sector.

The NSW Office of Fair Trading canvassed whether residential tenancies law in New South Wales should be changed to facilitate long-term leases, in an options paper released in 2005.

The concept has been endorsed by the NSW Council of Social Service.<sup>60</sup> It has not been endorsed by Shelter or the Tenants Union of NSW.

In a submission to the Office of Fair Trading, Shelter argued that two issues would need to be addressed should long-term leases become a part of the residential rental market transactions.<sup>61</sup> The first was a loss of security to tenants if a long-term lease was not registered under the requirements of Section 53 of the Real Property Act 1900, because it would in such case not be enforceable against a later person with a legal interest, such as a new owner. Shelter suggested that residential tenancy agreements where the fixed-term exceeds 3 years should have a standard provision requiring the lease to be executed in a registrable form and duly registered in a timely fashion. The second issue was a tenant's right to assign or sub-let a long term lease. The circumstances of the tenant might change due to health, family reasons, work commitments, etc., and they might no longer be able to sustain the tenancy. However, at the moment, the Residential Tenancies Act 1987 allows a landlord to withhold or refuse consent to an assignment or sub-letting by a tenant. Shelter proposed that the law be changed to deny a landlord from unreasonably refusal of consent to a tenant's request to assign or sub-let a long term lease.

In a submission to the Office of Fair Trading, the Tenants Union of NSW argued that, if the Residential Tenancies Act was to be amended to make special provisions for tenancy agreements with fixed-terms exceeding ten years, the Act should be also amended to incorporate certain safeguards.<sup>62</sup> Those proposed safeguards were:

- no general exemption of the long-term fixed term agreements from the Act or the jurisdiction of the Consumer, Trader and Tenancy Tribunal, but rather an ability to contract out of certain provisions of the Act only;
- limiting matters that may be excluded from long-term leases to those relating to repairs and maintenance (including urgent repairs), reasonable security, rent in advance, and bonds;

- certification of long-term fixed-term agreements that contract out of provisions of the Act by the Consumer, Trader and Tenancy Tribunal, following a joint application by the parties, to enable independent review; and
- provision of a standard form of agreement for long-term fixed term tenancies, in registrable form.

Option 15: Amend the Residential Tenancies Act to introduce appropriate safeguards with long-term fixed-term leases.
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Some at-risk groups, such as boarders and lodgers, continue to have little or no legal protection in their tenancy housing situations. The Tenants Union of NSW, in a submission to the Office of Fair Trading, noted that the Residential Tenancies Act in the Australian Capital Territory now covers agreements that grant a right to occupy residential premises, for value, but which are not residential tenancy agreements.<sup>63</sup> The new provisions respect the diversity and specialisation of various occupancy agreements, but provides a short list of basic ‘occupancy principles’ for all occupancy agreements.

Such an approach could enable regulatory responses to the specific landlord-‘tenant’ relations that occur in homelessness services and other crisis accommodation, and in boarding and lodging houses.

### **Portfolios**

The options in the above section relate to these state government portfolios or agencies:

- Fair trading

## Social housing

### The challenge

Over the last few years, there has been much public discussion about 2 matters in particular about the state and future of mainstream public and community housing:

- the ongoing ability of public housing authorities to operate, i.e. to continue to provide their services (rented dwellings) at their highpoint of total stock supply, and (let alone) to increase that capacity by acquiring more properties; and
- the supplementary or alternative role of mainstream community housing providers to public housing and the specific opportunities for growth by community housing providers which are not available to the Department of Housing's public housing business.<sup>64</sup>

In the lead up to the 2005-06 State Budget, there was concern about the fiscal sustainability of the Department of Housing, but it appears that problem might have been dealt with by a settlement made between Treasury and the Department of Housing, which included a 4-year working capital enhancement to the Department. The 2<sup>nd</sup> tranche of that enhancement came through in the 2006-07 State Budget, which also saw a 5% net increase in Budget funding to the Department.<sup>65</sup>

The Government expects that demand and expenditure for social housing will remain constant into the future.<sup>66</sup>

For social housing as a whole (public housing, Aboriginal housing, community housing, and crisis accommodation program dwellings), there will be an increase in stock from 148,264 to 148,553 (a net movement of 289) over 2006-07.<sup>67</sup> In relation to public housing, movement on the capital side will involve sales, demolitions, and transfers to other social housing providers, and also completions of construction. The amount of dwellings under public housing management is estimated to decrease from 127,926 to 126,802 (a net movement of -1,124).<sup>68</sup>

The Department's public housing product does not have the capacity to meet the need for affordable housing. It cannot meet the 27,000 shortfall in low-rent dwellings for low-income earners (24,000 in Sydney and 3,000 in the rest of the state – see Table 5). If the Department was to aim to supply social housing to meet that need within 10 years, that would involve an acquisition program of some 2,700 new social housing units in each year of those 10 years.<sup>69</sup> Compare that target with the less than 1,000 additional units there have been in each of the last 3 years.

The current government's 'state plan' released in November is as strong a message as anyone needs that there is going to be no growth in public housing in New South Wales.<sup>70</sup> In a document that was bursting with targets to trumpet, the absence of any target for additional public housing was a very dull note. The government has made it clear that public housing is not where solutions are to be found for the overwhelming majority of low-moderate income earners faced with housing unaffordability.

The key solutions (and there isn't just *one*) are elsewhere.

### **Suggested aim to meet the challenge**

- Sustainability of the social housing sector

### **Suggested primary strategy**

- Maintain sustainability funding for public, community, and Aboriginal housing.

### **Options**

The no-growth public housing sector still has a valuable social role. It can deliver good housing outcomes and good nonhousing outcomes for those very low-income people – especially those very low-income people with complex needs – who are eligible for it and succeed with a tenancy application.

The public housing sector should be supported politically in its need as a loss-making business to get ongoing subsidies from the state government (irrespective of the amount of any subsidy New South Wales gets from the Commonwealth government to assist with that purpose). Public housing managers and the public housing tenant body should be supported in efforts to reconfigure and modify the no-growth public housing stock to ensure it is appropriate to current and future tenants, to provide optimal customer service, and to manage a public asset efficiently.

The social housing sector has a small base, but there is no reason to expect that consumer demand for it will not be constant or indeed increase as the NSW population increases and ages. The drivers for eligibility for public housing (low income, complex needs, housing stress, etc.) are outside the control of the Department of Housing, so, the numbers on the waiting list might well increase in a few years time (notwithstanding the recent dramatic falls). A reduction in the tenure proportion that social housing has (at some 5%) would reduce housing choice for low-income households, including those with complex needs. If there is to be a continued low priority to public housing, that needs to be offset by growth in community housing.

Option 16: Maintain subsidies to social housing so that its number can meet present need and the dwellings can be repaired and upgraded and be reconfigured and modified, as necessary to suit tenants' needs, and to grow community housing to meet new and additional needs.

As part of the 'NSW government plan for reshaping public housing' announced in April 2005, the Department of Housing made changes to eligibility (initial, and ongoing) for housing assistance and to the tenure associated with leases to public housing and Aboriginal Housing Office (AHO) tenants.<sup>71</sup>

The changes to eligibility affect tenants allocated a tenancy from 1 July 2006. There has been no substantive liberalization of the income criteria that had applied since 1992. In addition to meeting the income eligibility criteria, new tenants will need to have a complex need and require support to live independently or have problems accessing appropriate affordable housing in the private rental market<sup>72</sup>; full implementation of this aspect has not yet begun. The effect of this change is to re-jig the nature of the target customer base for housing assistance from one defined by

‘very low income’ to one defined by ‘very low income plus other housing need’. One of the consequences of this policy change is a likely increase in the number and proportion of people with disabilities among public housing tenants.

The changes to tenure affect tenants allocated a tenancy from 23 October 2006. Instead of being offered a ‘continuous tenancy’, new tenants are offered a short-term, fixed-term lease period of 2, 5 or 10 years. This lease will be reviewable and renewable after the end of the period. The effect of this change is to remove an advantage public housing had over private rental housing in the matter of security of tenure, though that is still the case for those public housing tenants who were allocated a public housing tenancy before 1 July 2005.

The changes followed, in time, the ‘sustainability settlement’ of the Department’s financial situation effected by a Cabinet decision in 2004, part of which settlement was a working capital enhancement to the Department in the 2005-06 Budget (see page 24, above). The changes were not the result of a public review of and public debate around the role and financing of social housing. They were a bombshell. They came out of the blue. Driven by fiscal imperatives, they were dressed up as a social justice-based reform. Unfortunately the plan has bipartisan support. The NSW ‘model’ has been followed in Queensland and South Australia.

The Government has recognized there are risks in its approach: one of those is how to manage a customer base that will become more characterized by social disadvantage. The Accord between the Department of Housing and other state government human service agencies is a tool to try and tie in those agencies to better service the Department’s customers (who are customers or potential customers of other human service agencies anyway, but who might not be being as well serviced by them as desirable).

Now that the dust has settled a bit around ‘Reshaping’, the government needs to undertake an independent social impact assessment/review of the impact on the public housing tenant population of the changes to assistance eligibility criteria and to the lease periods in public housing. If that review finds that the policies need to be changed in the implementation, or reversed on first principles, then it should be open to that.

Option 17: Undertake an independent social impact assessment/review of the impact on the public housing tenant population of the ‘NSW government plan for reshaping public housing’ changes to assistance eligibility criteria and to lease periods in public housing.
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The Department of Housing’s portfolio of public housing dwellings will be subject to a number of pressures over the next decade, some of them internal and some external. The two main internal pressures on the portfolio will be the reconfigurations and modifications to dwellings needed to ensure they are appropriate to the needs of existing and future tenants: those demographic factors will be the ‘aging in place’ of current residents, and the greater emphasis given to allocation of new tenancies to applicants with complex needs (following changes to eligibility criteria introduced in July 2006). The Department’s strategy for housing older people released in April 2006, ‘New directions in social housing for older people’, should be seen in this

context: as a necessary managerial exercise, not an eruption of social concern.

The two main external pressures on the portfolio will both be about efficient use of the land on which the dwellings are built. The first is how better use might be made of land where the dwellings do not maximize the opportunities presented by land values and liberal development controls: more intense use of the land (i.e. densification) can be used to generate more revenue. This driver was behind a plan to redevelop the Erskineville estate in 2002 (withdrawn), the redevelopment of the Minto estate that began in 2002, and the redevelopment of the Bonnyrigg estate (announced 2005). The second is how better use might be made of land with similar characteristics (i.e. where the dwellings do not maximize the opportunities presented by land values and liberal development controls) to yield more dwellings to meet housing capacity targets set by the government's *City of cities* Sydney metropolitan strategy. This driver is likely to upset the tranquillity of public housing estates anywhere in inner and middle-ring suburbs of Sydney, such as Redfern-Waterloo and South Granville.

It is likely that – notwithstanding the fiasco of the Cross-City Tunnel in Sydney – governments will see public-private partnerships (PPP) as desirable for redevelopment of some public housing estates. Yet, PPPs as a mode of redeveloping public housing estates that 'require' such an aggressive intervention present a number of challenges:

- The PPP model will work best where the land value of the estate is more promising, tempting decision-makers to choose a site for a PPP-redevelopment primarily on asset management grounds, rather than a full range of social, economic and environmental grounds. This appears to be the case with the failed PPP at Minto and with the PPP at Bonnyrigg (the consortium for which was announced in October 2006).
- If a redevelopment involves a net loss of social housing on the site, it might be hard to offset that loss in locations that are as good or better as the original site, in terms of access to public transport, civic services, and employment opportunities.
- They inevitably involve dislocation and relocation of existing tenants (which the Becton-led PPP consortium at Bonnyrigg will seek to minimize through staging the redevelopment).

In some estates, issues associated with concentrations of poverty will call on the Department to continue to service customers in those estates with measures that do not apply to the two-thirds of its customers who do not live in estates. Those include housing management measures like the intensive tenancy management. They also include measures that draw in all relevant parties to address social exclusion, like neighborhood advisory boards, and that acknowledge, accept, and encourage tenants as real partners in regeneration activities.<sup>73</sup>

The Department prepared a draft community regeneration strategy in July 2005, to replace the community renewal strategy of 2001, but the community regeneration strategy has not yet been released (as at November 2006). The Department has also been working on a monitoring and evaluation framework for regeneration of estates.<sup>74</sup>

Option 18: Implement regeneration, and redevelopment where necessary, of public housing estates according to publicly-available policies and procedures that are based on the principles of transparency, accountability, and participation.
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The state government's Aboriginal housing programs are heavily dependent on Commonwealth government subsidies, with subsidies providing just over 50% of total revenue.<sup>75</sup> (See Table 6 on page 28.) This contrasts with the Department of Housing, which relies on Commonwealth subsidies for less than 20% of its revenues: the Commonwealth subsidy to the Department has contributed between 16-19% of its total revenue in the period 1999-00 to 2004-05. It is unlikely that the Commonwealth government's specific purpose payments to the states and territories for Aboriginal housing will decrease or decline (under a new Commonwealth-State Housing Agreement) because of the high policy priority being given by the Commonwealth to Indigenous housing. However, the Commonwealth's focus is primarily on housing in remote regions, and most NSW Aboriginals live in urban areas. Over 70% of AHO dwellings is located in metropolitan and inner regional locations, with only 6% in remote and very remote areas.<sup>76</sup> If the Commonwealth redirects subsidies to Western Australia and the Northern Territory, the NSW government will need to increase the grants to Aboriginal housing from own-source revenues.

The AHO housing sector has a number of positive business characteristics: net rents per dwelling are higher than in mainstream public housing; arrears are low and decreasing; there is a major program to address a backlog of asset maintenance; there has been a check on some key expenditures; and it has no debt.<sup>77</sup>

The AHO sector is the biggest of the state-owned and managed Indigenous housing sectors among the states and territories, with 31% of that sector's dwellings.<sup>78</sup> The Aboriginal community housing sector in New South Wales is the third biggest in the country, with 19% of that sector's dwellings.<sup>79</sup> However New South Wales has the biggest proportion of Indigenous community housing organizations (at 33%). The larger number of these organizations in this state correlates with smaller property portfolios being managed by the organizations: some 200 Aboriginal community housing organizations managing some 4,000 dwellings. This situation presents commercial challenges in that there is less chance to achieve economies of scale, and could contribute to inadequate housing management capacities.<sup>80</sup>

Option 19: Maintain specific funding of Aboriginal housing.

Table 6: Revenue sources for the Aboriginal Housing Office, 2006-07

<b>Sphere of government</b>	<b>\$ million</b>
<b>State</b>	
State grant – Aboriginal Communities Development Program	18.000
Other (includes asset sales, net rental income, interest income)	7.871
<b>State/Commonwealth shared</b>	
CSHA – other (untied and matched CSHA funds)	18.487
<b>Commonwealth</b>	
CSHA – Aboriginal Rental Housing Program (tied CSHA funds)	12.177
Communities Housing Infrastructure Program	13.250
Healthy Indigenous Housing Initiative	4.800
<b>Total</b>	<b>74.585</b>

Source: Adapted from Russel Taylor, 'NSW Aboriginal Housing Office budget 2006/2007', slide presentation, 6 June 2006. Note: The amount for the Healthy Indigenous Housing Initiative represents 2 years of funding (2005-06 funds carried forward and 2006-07).

For some years now, mainstream community housing has been the one area of social housing that has experienced growth, though this has principally been through transfers of management of public housing stock.

The Minister for Housing, Cherie Burton MP, launched the executive summary of a draft 5-year strategy for the community housing sector on 16 August 2006, at the NSW community housing conference in Newcastle.<sup>81</sup> The draft anticipates an increase in the number of affordable housing managed by mainstream community housing providers. (The strategy will not apply to Aboriginal community housing organizations nor to affordable housing provided by government trading enterprises.) It sets a bold target of 30,000 dwellings to be managed by mainstream community housing providers in 10 years time, a 130% increase. (Mainstream community housing providers currently manage some 13,000 social housing units.)

The executive summary does not indicate scenarios of how this target might be achieved. Some of the target will be effected by continuation of outsourcing of management of public housing dwellings. The NSW government has made a commitment to outsource management of ‘a maximum’ 2,500 public housing dwellings to community housing providers under the current Commonwealth-State Housing Agreement, which expires at the end of 2007-08, but this target might be ambitious. The 2005-06 state budget estimated a transfer of 895 dwellings but this target fell 144 short. The 2006-07 state budget estimates a transfer of 1,231 dwellings. Nevertheless there is a gradual increase in the number of social housing dwellings managed by mainstream community housing providers. While the total number of social housing units is relatively static, at around 148,500, the proportion managed by mainstream community housing providers is increasing. It was 8.7% at the end of 2005-06, and 9.6% estimated by the end of this financial year. Management of government-owned social housing by community housing providers can yield efficiency and effectiveness outcomes. (See Figure 3.) However, transfer of tenancy management should not be interpreted as a method of increasing the supply of social housing.

The ‘state plan’ released on 14 November 2006 anticipates the ‘potential’ for a significantly expanded role for community housing, relying principally on long-term private investment.<sup>82</sup> That document does not indicate how this might be achieved; nor does it set any targets.

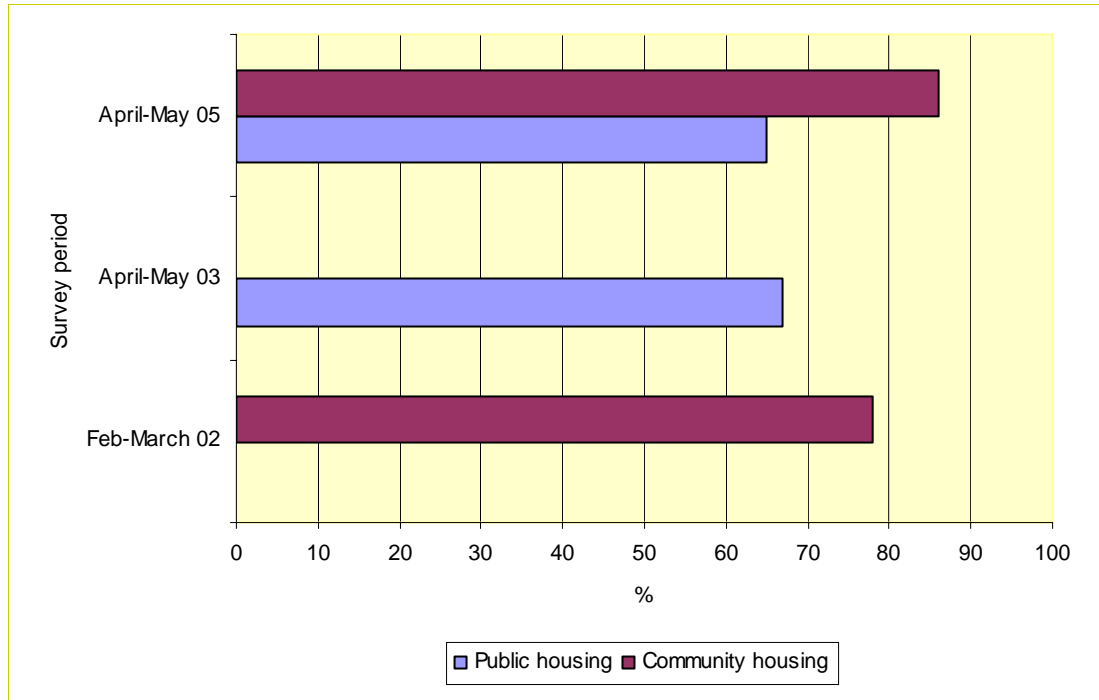
Option 20: Implement a target of 30,000 dwellings to be managed by mainstream community housing providers by 2015.

## **Portfolios**

The options in the above section relate to these state government portfolios or agencies:

- Housing
- Aboriginal housing

Figure 3: Overall customer satisfaction in public and community housing: proportion of tenants satisfied and very satisfied with service provided



Source: Australian Institute of Health and Welfare, CSHA national data reports.

## Intermediate housing

### The challenge

The term ‘intermediate housing’ is somewhat clumsy, and it does not have a great deal of currency in Australia yet (it comes from England), but it is increasingly being used in policy circles. Intermediate housing is a sub-set of affordable housing aimed at meeting the needs of people with low-moderate incomes who are not poor enough to qualify for social housing (though they could be very low-income earners on social security) and not rich enough to enter and sustain affordable homeownership. The term intermediate is probably best used to refer to the situation of some households in the market. So, Vivienne Milligan defines intermediate households: ‘These are households with somewhat higher incomes [than low-income households] but whose circumstances place them below the margin where they can afford market housing in higher cost locations. Examples include lower paid single people and working families on a modest wage. These households may require some level of housing assistance for a limited period to enable them to get established in the housing market.’<sup>83</sup>

There are a number of demographic and housing market factors that define this group. Those are the sales price of dwellings, rent levels in the private housing market, the household’s income, and eligibility criteria for social housing.

Social housing is not a solution to low-income families with children who face affordability problems other than for those with complex needs. This is due to changes in eligibility for social housing which came into effect on 10 July 2006, under the ‘NSW government plan for reshaping public housing’: these target social housing allocations to applicants with complex needs. (This might be less so in rural areas.)

Consistent with the ‘intermediate’ idea, the subsidy models aimed at those households are variations on the main tenure models: the models can take the form of discounted homeownership, affordable rental housing, or mixed (shared) ownership-rental schemes.

Landcom’s home-purchase product for ‘moderate income earners’ (see page 15) can be seen as targeted to this demographic.

There are also some rental housing products. These include some of the local government affordable housing schemes (e.g. Willoughby, North Sydney, Randwick, Waverley). Also in this category is a portion of the rental housing provided by City West Housing Pty Ltd, a public trading enterprise that the state government established to develop and manage affordable rental housing in parts of the City of Sydney. Their product allows for a 3-tier range of income bands for eligibility and a range of rent bands. The income test under the company’s eligibility criteria considers applicants in three income bands. (See Table 7).<sup>84</sup> The 1st, lowest, band is applicants with gross annual household income below \$25,825. (Contrast this with the social housing income limit for a 1-person household of \$21,320 p.a.) The 2nd band is applicants with gross annual household income between \$25,826 and \$41,320. The 3rd band is applicants with gross annual household income between \$41,321 and

\$69,989. The company assesses applicants with a view to maintaining a mix of income groups among its tenants.

Table 7: City West Housing income eligibility thresholds and affordable rent benchmarks

Income group	Gross household income p.a.	Rent as proportion of gross household income (%)
1	Below \$25,825	25
2	Between \$25,826 – \$41,320	27.5
3	Between \$41,321 – \$69,989	30

Source: City West Housing Pty Ltd, 'Eligibility criteria for housing with City West Housing Pty Ltd', n.d. (2003); City West Housing Pty Ltd, 'Rent policy', 16 June 2005.

As well as having established City West Housing Pty Ltd, the state government also has a few other affordable rental projects. These are small (and possible one-off) projects operated by the Department of Housing's Centre for Affordable Housing. There are three affordable housing demonstration projects in Sydney and a 'key worker' project at Thornleigh (Sydney). The dwellings are managed by community housing associations.

### **Suggested aim to meet the challenge**

- Increased supply of affordable rental housing

### **Suggested primary strategies**

- Provide capital to the community housing sector to enable it to develop and provide rental housing product for intermediate households.
- Enable local government schemes to implement affordable housing schemes.

### **Options**

The government's proposed 5-year strategy for the community housing sector (see page 29) offers some promises and presents some challenges for intermediate housing.

It anticipates the mainstream community housing sector will grow by borrowing and leveraging its own resources, and by moving into the field of property development. This latter is a role which very few NSW community housing providers have adopted to date.

This path for growth – while probably the only realistic path for growth of affordable rental housing in the medium-term – presents some challenges. The first is that community housing providers are currently constrained, for nearly all of the properties they manage, by funding contracts with the Department of Housing to allocate tenancies to people eligible for housing assistance as defined by the Department. (Rental housing cooperatives have some flexibility on this.) Providers' customer profiles reflect the focus on very low-income earners who were eligible for housing assistance up to July 9. This targeting has been reinforced by the government's new eligibility criteria (since July 10), focusing on very low-income earners with unresolved housing need (especially complex needs), as part of the

‘NSW government plan for reshaping public housing’. Since mainstream community housing will continue to share the same eligibility criteria as public and AHO housing, mainstream community housing providers will not be able to allocate subsidized properties to very low-income applicants nor to low-moderate income applicants unless they are eligible for public housing. (The principle being used is ‘proportionality’, i.e. the proportion of government subsidy to a housing project determines the proportion of tenancies allocated to people who are eligible for social housing.) This requirement could limit providers’ financial modelling for business growth and limit their capacity to attract private investment.

Associated with this constraint will be a constraint on rent-setting policies, unless community housing providers are allowed to be more flexible by their government regulator (the Office of Community Housing). Providers of affordable rental housing elsewhere have been developing rent-setting policies that give effect to affordability in rent levels (especially through acknowledgement of community housing tenants’ eligibility for Commonwealth Rent Assistance) without necessarily applying the income-based rent policies used in public housing. This enables firmer rental revenue streams, and potentially a degree of cross-subsidy of services to lower-income tenants.

At base, these issues about the nature and extent of regulatory controls and integration of community housing providers into the public housing dominated social housing sector prevent community housing providers from becoming a serious competitor of for-profit renting.<sup>85</sup>

There is another challenge for community housing providers to grow to meet the need for affordable housing that will not be met by the no-growth social housing sector: how might they kickstart a property development role? The sector owns very few properties of its own. It therefore has a very limited capacity to borrow against assets to finance affordable rental housing outside the government’s current program and projects.

It is unlikely that the community housing sector would be able to begin to provide intermediate housing without upfront injections of capital (in cash, and in kind).

A capital enhancement of say, \$100 million for each of the next 4 years for (non-social housing) affordable housing would be one of those kickstarts. The suggestion for a Budget allocation of this amount is based on these assumptions:

- Community housing associations would be able to make use of their nongovernment status to borrow finance from private investors, if they had the assets to borrow against.
- A community housing association could generate 33 cents from private sources for each \$1 from the government: a government subsidy of \$100 million to community housing associations could be used to leverage an additional \$33 million. That is, a government subsidy of \$100 million is ‘worth’ \$133 when used to attract private investment.

In Western Australia, City Housing, the largest housing association in the state, has undertaken a number of joint ventures with the state housing authority. City Housing has raised a 25% contribution to each project through a standard credit foncier loan from its banker.<sup>86</sup>

Hal Bisset has suggested that: ‘Debt finance is currently being employed in a

number of recent community housing initiatives where rental income, boosted by rent assistance, is sufficient to service a proportion of debt. Depending on the target group, the limits to debt finance are in the range of 20-40%.<sup>87</sup>

- The total of \$133 million could acquire 443 dwellings, on the basis that an appropriate dwelling can be acquired for \$300,000. This figure of \$300,000 is an estimate: land acquisition and construction costs differ around the state – see ‘Attachment: Dwelling provision costs’ for an indication of a sample of land and building costs for a range of housing developments.
- The same \$100 million allocated to public housing would generate only 333 dwellings, a difference of 110 dwellings, on the same assumptions, which is why it is preferable to propose an expansion of the community-housing sector rather than public housing sector.
- Over a 4-year period, after lead times for program establishment and financing arrangements, the subsidy could allow the acquisition of 1,772 dwellings for affordable rental.
- The ‘risk’ to the public (government) in giving capital to nongovernment entities is manageable.

This path to expanding affordable rental housing sees seeking loans from the private financiers (debt financing) as the key tool to increase funds coming into the affordable rental housing sector, using community housing associations as the provider (because public housing authorities are not prepared to borrow for this purpose). Analysts of various housing products have concluded that debt financing is the most likely path to attract private investors in the short term. Hal Bisset refers to an alternative model of attracting private rental housing, that of a mixed debt and equity vehicle, but rejects it on the basis that its financial viability would depend on rents being much higher than market rents (and thus jeopardizing an outcome of housing affordability).

Based on extensive research for the Australian Housing and Urban Research Institute however, Berry concludes that, assuming current policy settings and tax rulings, the optimal arrangement for such investment (a mixed debt and equity vehicle) will still require an income stream 20-25% above market rents to provide investors with similar returns on comparable investments. The Consultant [Bisset] is therefore of the view that, at least in the short term, any institutional investment will be limited to debt finance.<sup>88</sup>

The importance of a capital injection to the sector (proposed in Option 21) is that it allows community housing associations (who currently do not have sufficient cash reserves for this purpose) to bring capital of their own to an agreement with a private financier.

Option 21: Give the community housing sector capacity to provide submarket and subsidized rental units to low-moderate income consumers through a capital enhancement of \$100 million over each of 4 years.
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What might the characteristics of intermediate rental housing be?

- It would not be allocated (only) to people on very low incomes, but rather to people on low-moderate incomes. Tenancies might include some very low-income households; the mix of household incomes in a housing development should be left

- solely to the provider.
- It would not necessarily have rents set on an income-based affordability benchmark, such as 30% of household income. It might choose to use that approach. But, alternatively, it might choose to set rents at some proportion of the market rent (e.g. 75%) and tenants would achieve affordability outcomes for themselves by accessing Commonwealth rent assistance (community housing tenants are not excluded from getting Commonwealth rent assistance, as public tenants are.)
  - It would not be allocated primarily, or necessarily, to tenants with complex needs requiring accommodation support. The community housing provider/landlord would not be forced to become a broker of welfare services for its intermediate housing tenants, just as private real estate agents are not for their tenants (whatever their welfare needs).
  - It could provide more secure leases to tenants, in contrast with the periodic and re-assessable tenancies characteristic of public housing tenancies allocated under the ‘NSW government plan for reshaping public housing’.
  - It would be less regulated than social housing managed by community housing providers under the Office of Community Housing’s Community Housing Asset Program.
  - Community housing providers have the capacity to make their own business decisions about stock management within overarching ‘affordable housing principles’ (see Box 1).

**Box 1: Affordable housing principles**

- Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
- Affordable housing is to be made available to a mix of very low, low, and moderate income households.
- Land provided for affordable housing is to be used for affordable housing.
- Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
- Rental from affordable housing, after deduction of normal landlord’s expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for improving or replacing affordable housing or for providing additional affordable housing.
- Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the local government, is consistent with other dwellings in the vicinity.

Source: Adapted from State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes), Schedule 2.

A second way to provide capital to community housing providers (to enable them to have assets to use to leverage private loans) is to give them ownership of dwellings that are currently in government ownership. The Department of Housing has a ‘stock transfer program’ which involves transferring tenancy management of some public housing dwellings to community housing providers, but this does not give those providers a tradable asset. There does not seem to be support within government to transfer title of even a small proportion of the current social housing capital stock (say 5,000 dwellings, 3% of the total social housing stock) to community housing providers as an ‘investment’ in growth of the affordable rental housing sector generally.

Transfer of ownership ('title') of government-owned social housing dwellings to community housing providers would provide an asset base which they could use to finance an (additional) stock acquisition) program. Hal Bisset has argued:

The building of such an asset base is the prerequisite for a more autonomous mode of operation by the nongovernment sector and offers opportunities for rent-pooling to overcome the higher costs associated with loan financing for new developments.<sup>89</sup>

Option 22: Transfer ownership of 3% of social housing dwellings to community housing providers by 2010.
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We sometimes hear proposals for local governments to fill in the gap left by an absence of public housing (limited supply). It's not a path that has legs. But that does not mean that there is no value in using the local environmental planning and development assessment processes to provide affordable housing where development leads to a loss of affordable housing or to a demand for affordable housing. The Environmental Planning and Assessment Act recognizes this (at section 94F). Affordable housing schemes managed by councils will not have high yields, but that is not a relevant argument for not having them. They can contribute to the overall supply of affordable housing, while not replacing state government's primary role in this matter.

Local governments' affordable housing schemes are appropriate where they bring diversity to the overall system:

- They can maintain an association between residence and residents, to maintain local character and community-connectedness, effected through eligibility criteria for tenancies. For example, the Willoughby Local Environmental Plan stipulates that 'Willoughby local housing' is to be rented to residents of the municipality of Willoughby.
- They can cater to local workforces through eligibility criteria. For example, tenancies in Adelaide City council's first affordable housing project will be allocated to young workers and students in the city.
- They can give attention to specific housing types that are not addressed by the social housing system. For example, North Sydney council's affordable housing program allows for spot purchase of boarding houses.
- They can promote innovations in design. For example, Adelaide City council is planning an affordable housing project in Whitmore Square that incorporates eco-design principles, and Port Phillip council in Melbourne has won awards for design and planning of its community housing stock.
- They can promote innovations in service management and delivery models. For example, the Brisbane Housing Company is a joint venture between Brisbane City council and the Queensland state government.
- They can mix affordability concerns with other social agenda such as aging in place (a match that is not reflected in the aims of State Environmental Planning Policy (Seniors Living) 2004).
- They might dampen overheated property markets, which is a socially, economically and environmentally worthy result. This would only apply to the extent that developer levies are a disincentive to investment in housing. However,

the evidence for this cannot be established from experiences in the local government areas where affordable housings schemes operate now, since those schemes are very few in number and operate in local government areas that are 'prime' real estate with diverse inflationary pressures.

The main legislative basis for local government affordable housing schemes is the Environmental Planning and Assessment Act's section 94F. However, the capacity of local governments to use this section is being thwarted by the state government. That is because a council may not impose development conditions on affordable housing unless the planning minister approves certain matters: those matters are an authorization by provisions in a relevant state environmental planning policy as required by sections 94F (1) and (3)(a) of the Act. No planning minister has yet introduced or approved a state environmental planning policy to satisfy those two sections of the Act for all councils who might wish to use them, even though the Act was amended to allow for such development conditions in 2000 (five years ago).

The government needs to solve this absurd situation by either:

- introducing a comprehensive state environmental planning policy on affordable housing to satisfy sections 94F(1) and (3)(a) of the Act and which would readily include or cover all local government areas in the Greater Metropolitan Region and the coastal zone – the easiest way to do this would be to amend State Environmental Planning Policy 70; or
- seeking Parliament's support for amendments (excisions) to section 94F so that a state environmental planning policy is not required before councils may use the other provisions of the section to levy developers for affordable housing.

Option 23: Introduce a comprehensive state environmental planning policy on affordable housing to satisfy sections 94F(1) and (3)(a) of the Environmental Planning and Assessment Act, which would readily include or cover the Greater Metropolitan Region and the coastal zones; or amend section 94F so that a state environmental planning policy is not required before councils may use the provisions of the section.

The state government has been rolling out a series of regional planning strategies for various parts of the state. These plans are about land use ('environmental planning'). They started with one for greater Sydney (*City of cities*, December 2005). The second in the series, that for Lower Hunter, was released in October 2006. During 2006 the Department of Planning also consulted on draft regional strategies for the Far North Coast, South Coast, Illawarra, and Central Coast. All of them refer to housing unaffordability. The typical solution in the strategies for the regions outside Sydney is a package consisting of land releases and mixture of housing type. Some of them make reference to using the development assessment process but these references are vague and give no leadership to the local governments who will have to use the regional plans during their own local planning and decisionmaking. The *City of cities* Sydney metropolitan strategy makes commitments on inclusionary zoning (Action C.4.3.3) but sets no targets; moreover, there is no action to be seen on this Action a year after it was announced.

The idea of setting affordable housing targets – statewide, area, and project – was proposed by the Ministerial Taskforce on Affordable Housing in 1998<sup>90</sup>, but has had

no traction. Housing affordability targets are used in England not as broad social policy to hit government over the head with for not achieving, but as aspirational targets in the land use planning to guide local governments' development approval processes. The Greater London Authority's regime for development contributions in London does not require borough councils to set the same affordable housing targets as other areas or seek any specific target of affordable housing within new private sector developments, in recognition that the city does not have a homogenous housing market. But there is an overall city-wide target of 50% of all additional housing to be affordable, a target that includes affordable housing from all sources and not just that secured through planning obligations.<sup>91</sup> The aspirational targets, while not being reached, have been important in increasing the amount of affordable housing generated.<sup>92</sup>

In view of the London experience, it would be reasonable to ask for all new NSW multi-unit development and broadacre estates following land releases to include 10% affordable housing. These could be provided through a mix of developer levies ('inclusionary zoning'), planning agreements, and offsets for density bonuses.

Option 24: Set planning targets of 10% affordable housing in broadacre private housing estates and multi-unit developments.

### **Portfolios**

The options in the above section relate to these state government portfolios or agencies:

- Housing
- Planning

## Supported accommodation

### The challenge – crisis accommodation

There were 77,023 Australians counted as homeless on the night of the 2001 census.<sup>93</sup> Of those, 19,939 – a quarter – were in New South Wales. Less than a fifth (15%) were sleeping out or living in improvised dwellings. More than a fifth (21%) were in Supported Accommodation Assistance Program (SAAP) accommodation. Most (63%) were living with friends or relatives.

New South Wales has more homeless people, followed by Queensland.

SAAP services in New South Wales had 24,150 clients in 2004-05.<sup>94</sup> There were nearly equal numbers of men and women (with males at 45% and females at 55%).<sup>95</sup>

Homelessness services provided 13,500 occasions of support where a child accompanied a parent or guardian, in 2004-05.<sup>96</sup> Over 10,000 NSW children and young people (under 18) accompanied their parent or guardian.<sup>97</sup> Nearly half of those were aged under 5.

Many of the clients of the SAAP services have multiple problems and require intensive support. An increasing proportion also has 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.

Homelessness services do not have the capacity to meet demand. They have to turn away an estimated 304 people requesting housing on an average day, Australia-wide.<sup>98</sup> Over half of people who requested housing did not get it.

### Suggested aim to meet the challenge

- Enhanced resources available to SAAP services

### Suggested primary strategies

- Improve service delivery to homeless people through better integration and coordination of government and nongovernment agencies' efforts.
- Increase grant funding to maintain sustainability of current service provision.

### Options

In a submission on the government's then draft 'state plan', homelessness organizations and the NSW Council of Social Service called for a state homelessness strategy.<sup>99</sup> The call was ignored and the 'state plan' sees the Partnership against Homelessness as the main vehicle for a 'whole of government' response to homelessness<sup>100</sup>. The reason for the call was an observation of fracture in responses and uncoordinated leadership by the Partnership against Homelessness, the Department of Community Services (which manages the SAAP program), and the Supported Accommodation Advisory Council. Experience in other jurisdictions, such

as South Australia, Victoria and Western Australia<sup>101</sup>, suggests that a more systematic response to homelessness can be effected by use of a state strategy or plan that specifically addressing homelessness, contains a workplan with benchmarks for results, and has high-level support within government (i.e. by the premier).

Option 25: Develop a statewide strategy on homelessness.

The homelessness services funded under the Supported Accommodation Assistance Program (SAAP) have not received overall growth funds for ten years. Under a 5-year SAAP agreement with the Commonwealth government in 2005, the only increase in base funding was for CPI indexation. Yet the report from the official evaluation of the program in 2004 concluded that an extra 15% funding was needed just to maintain the viability of existing services, and that an extra 35-40% would be needed to also expand existing service capacity and implement new ways of working.<sup>102</sup>

Homelessness services cannot continue to operate at existing levels with inadequate funding. The NSW government needs to contribute more funding from its own-source revenue 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. Fifteen percent of the Consolidated Fund subsidy amounts to increased funding of \$17 million p.a.

Option 26: Increase funding to SAAP by \$17 million p.a.

## Portfolios

The options in the above section relate to these state government portfolios or agencies:

- Housing
- Community services

## The challenge – housing people with a disability

People with disability live in a wide range of housing, including supported accommodation provided under funding programs through the Commonwealth State/Territories Disability Agreement.<sup>103</sup> Most people with disability with core-activity limitations (some 94%) live in the community in circumstances similar to other people – with their family (partner and/or children), friends, parents or alone.<sup>104</sup> Only a relatively small number of people with disability live in what is commonly referred to as ‘supported accommodation’. Supported accommodation options include large residential institutions, hospitals, hostels, boarding houses, nursing homes, and group homes.

With more and more people with disability growing up in ‘normal environments’ going to ‘normal schools’ doing ‘normal stuff’, there is an increasing demand from people with disability and their families for more flexible supported accommodation

programs which meet their needs more effectively in the community. Many people with disability want to live independently and safely in the community close to family and friends, supported by services to achieve the highest quality of life possible.<sup>105</sup>

### **Suggested aim to meet the challenge**

- Sufficient flexibility in housing and support options to accommodate the differing needs of people with disabilities

### **Suggested primary strategies**

- Provide a continuum of supported accommodation and accommodation support for people with disabilities.
- Ensure that mainstream dwellings are accessible and safe for people with disabilities.

### **Options**

The two major types of supported accommodation in New South Wales since the early 1980s have been large residential centers and small group homes. The large residential centers are hospital-type facilities with ‘wards’. They are mostly owned by the state government (about 66%), with the others owned by the community sector. Group homes are dwellings accommodating 3 to 6 people who live together because their disability-related needs are similar. The group homes are largely managed by the community sector (about 60%), with the others managed by the government. The Department of Aging, Disability and Home Care provides the operating subsidies for these facilities. Most nongovernment managers of group homes rely on the Department of Housing for their dwellings.

As well as supported accommodation, there are programs that provide accommodation support – independent living and in-home support. A few different programs are provided to people with intellectual disability who live in the community, mainly through the community sector. In-home support provided through programs such as the Home and Community Care program, the Attendant Care Program, and the High Needs Pool Program can offer a range of practical assistance and personal care to support people to live in their own dwelling.

The Housing and Support Initiative for people with mental health issues is a joint program of the Department of Housing and the Department of Health. The Department of Housing which provides social housing dwellings to the scheme and the Department of Health funds the support required.<sup>106</sup> The ‘hands on’ accommodation support role is provided by a number of community sector organizations. The 2006-07 State Budget saw a 30% increase in funding for accommodation support packages under this program.

The Department of Ageing, Disability and Home Care will be developing ‘new approaches’ (i.e. other than group homes) for supported housing, under the *Stronger together* plan released by the government in May 2006.<sup>107</sup> So far the only options discussed appear to be variations of institutional accommodation, with some of the new approaches including cluster housing, intentional communities and nursing home style accommodation for older residents of institutions or young people (including

children) with complex medical care needs.

The Department is also investigating ‘shared equity’ products for people with disabilities living in private households.

Option 27: Continue with development of new models for supported accommodation for people with disabilities.

Another concern is the lack of accessible housing available to accommodate the needs of people with disability and an aging population. The home maintenance and modification subprogram of the HACC Program (Department of Aging, Disability and Home Care) is meant to address these needs, but it might be having trouble keeping up with the demand and the costs. (That is the case in the Blue Mountains, where the service agency has reported this concern to Shelter.) The obvious solution is to ensure that dwellings are built in a way that they can be readily adapted to the changing needs of residents. There is a role for the local environmental planning and development assessment processes here, but only a minority of NSW local governments – some 30% – have taken the initiative to implement development controls that favor adaptable housing.<sup>108</sup> It is commendable that they have. The main reason many of the others have not done so, especially in country areas, is that they do not generally have the multi-unit development that lends itself more readily to such controls.

In the *City of cities* Sydney metropolitan strategy (December 2005) the Department of Planning committed itself to issuing guidelines to local government councils on adaptable housing (Action C2.2.1). Those guidelines have not yet been issued. However, we might question whether guidelines are sufficient. Rather, the existence of a government template for local environmental plans provides an opportunity for implementation of state-wide provision for new multi-unit residential developments to include a proportion of adaptable housing that is designed and constructed in accordance with the requirements of the Australian Standard on adaptable housing. The proportion of adaptable housing to be provided should vary in accordance with the density of development, beginning with a 10% requirement for single-storey multi-unit developments and increasing for higher density developments.<sup>109</sup>

Option 28: Include provisions on adaptable housing in the standard template for local environmental plans.

## Portfolios

The options in the above section relate to these state government portfolios or agency:

- Aging, Disability, and Home Care
- Planning

## The challenge – aged housing

Dwellings built and managed specifically for older people who are frail or disabled and unable to live independently even with intensive support is generally regarded as part of the health system, not the housing system. While that housing is supported accommodation, it is referred to as ‘residential care’ and is primarily financed and regulated by the Commonwealth government.

That housing that is built and managed specifically for older people who can live independently (with or without accommodation support) is part of the housing system. The market is awash with housing products for better-off older people who wish to live in age-segregated housing estates. Nonprofit organizations, some local governments, and the Department of Housing have also built housing specifically for older people, being those less well off. In the case of the housing built for wealthier older people the dwellings are usually owned by the occupier: they are part of the homeownership tenure. In the case of the housing built for poorer older people the dwellings are usually rented by the occupier: they are part of the rental housing tenure. Whichever tenure they are in, the dwellings are variously called retirement villages, self-care units, or pensioner housing.

Retirement villages are regulated in New South Wales by the Retirement Villages Act 1999 (as amended) and Regulation 2000. But the main state government instrument that has occasioned policy debate is the state environmental planning policy that regulates the location and design of such dwellings, State Environmental Planning Policy 2004 (Seniors Living) (formerly SEPP 5). In the *City of cities* Sydney metropolitan strategy the state government announced it would repeal this SEPP and replace it with other (unspecified) mechanisms (Action C2.2.2).

Because rates of disability and handicap increase with age, debates around this SEPP are linked with the absence of provisions for adaptable housing in mainstream housing.

# Framework

## Overall aim

A housing system that is economically efficient, environmentally sustainable, and socially equitable.

## Outcomes

Housing should be affordable, appropriate, and secure.

## Specific aims for government interventions

- Increased proportion of the population living in owner-occupied housing

Strategy:

- Assist low-income homepurchasers to overcome market entry barriers to homeownership, in focused and targeted ways.

- More affordable (low-rent) private rental housing

Strategies:

- Maintain tenant-focused assistance programs.
- Maintain provider-focused assistance schemes.
- Extend tax exemptions for providers of affordable private rental housing.

- Legal protection of private renters is appropriate to the times

Strategies:

- Change tenancy law to ensure it reflects current usage of private rental housing by tenants.
- Change tenancy law to ensure at-risk and vulnerable renters have appropriate protections.

- Sustainability of the social housing sector

Strategy:

- Maintain funding for public, community, and Aboriginal housing.

- Increased supply of affordable rental housing

Strategies:

- Provide capital to the community housing sector to enable it to develop and provide rental housing product for intermediate households.
- Enable local government schemes to implement affordable housing schemes.

- Enhanced resources available to SAAP services

Strategies:

- Improve service delivery to homeless people through better integration and coordination of government and nongovernment agencies' efforts.
- Increase grant funding to maintain sustainability of current service provision.

- Sufficient flexibility in housing and support options to accommodate the differing needs of people with disabilities

Strategies:

- Provide a continuum of supported accommodation and accommodation support for people with disabilities.
- Ensure that mainstream dwellings are accessible and safe for people with disabilities.

### **Nonhousing outcomes**

Housing policy cannot be made in isolation from public policy in other fields. However, the sustainability principles – economic efficiency, environmental sustainability, and social equity – are relevant there too. Some of the nonhousing matters relevant to good housing outcomes are indicated on page 8.

## List of options

Option 1: Reject massive increases in land supply as a solution to housing unaffordability.....	12
Option 2: Reject calls for the abolition of land tax, special development charges, and local government development charges (including inclusionary zoning), as a solution to housing unaffordability.....	13
Option 3: Maintain NSW participation in the Commonwealth government’s First Home Owner Grant scheme.....	14
Option 4: Introduce a low-interest or no-interest loan scheme for loans to borrow a portion of the deposit, for first homebuyers meeting the First Home Plus eligibility criteria.....	14
Option 5: Maintain the First Home Plus scheme.....	14
Option 6: Promote the Perfect Start Loans Scheme, and liberalize the income eligibility criteria.....	15
Option 7: Set a target of 10% of ‘moderate-income housing’ in new Landcom developments.....	15
Option 8: Implement a ‘shared equity’ scheme in public housing and Aboriginal housing, drawing on the experiences in other jurisdictions.....	16
Option 9: Extend a ‘right to buy’ for public housing and Aboriginal housing tenants to buy the dwellings they live in where the dwellings are in public housing estates undergoing regeneration.....	16
Option 10: Maintain the Rentstart and Special Assistance Subsidy schemes, with liberalized income eligibility criteria.....	19
Option 11: Extend the current exemption from land tax for properties accommodating low-income renters for all such properties in inner and middle ring suburbs of Sydney.....	20
Option 12: Extend coverage of State Environmental Planning Policy 10 to coastal zones, and to caravan parks and manufactured home estates.....	20
Option 13: Amend the Residential Tenancies Act to provide for eviction only where there is a specified reason.....	22
Option 14: Amend the Residential Tenancies Act to (i) have the onus of proof in relation to disputes over rent increases reversed, so that the proponent of a rent increase has the responsibility of establishing that it is not excessive; and (ii) prohibit a rent increase more than once in a 12-month period.....	22
Option 15: Amend the Residential Tenancies Act to introduce appropriate safeguards with long-term fixed-term leases.....	23
Option 16: Maintain subsidies to social housing so that its number can meet present need and the dwellings can be repaired and upgraded and be reconfigured and modified, as necessary to suit tenants’ needs, and to grow community housing to meet new and additional needs.....	25
Option 17: Undertake an independent social impact assessment/review of the impact on the public housing tenant population of the ‘NSW government plan for reshaping public housing’ changes to assistance eligibility criteria and to lease periods in public housing.....	26

Option 18: Implement regeneration, and redevelopment where necessary, of public housing estates according to publicly-available policies and procedures that are based on the principles of transparency, accountability, and participation. ....	27
Option 19: Maintain specific funding of Aboriginal housing.....	28
Option 20: Implement a target of 30,000 dwellings to be managed by mainstream community housing providers by 2015.....	29
Option 21: Give the community housing sector capacity to provide submarket and subsidized rental units to low-moderate income consumers through a capital enhancement of \$100 million over each of 4 years. ....	34
Option 22: Transfer ownership of 3% of social housing dwellings to community housing providers by 2010.....	36
Option 23: Introduce a comprehensive state environmental planning policy on affordable housing to satisfy sections 94F(1) and (3)(a) of the Environmental Planning and Assessment Act, which would readily include or cover the Greater Metropolitan Region and the coastal zones; or amend section 94F so that a state environmental planning policy is not required before councils may use the provisions of the section. ....	37
Option 24: Set planning targets of 10% affordable housing in broadacre private housing estates and multi-unit developments. ....	38
Option 25: Develop a statewide strategy on homelessness. ....	40
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Option 28: Include provisions on adaptable housing in the standard template for local environmental plans. ....	42

## Options grouped by portfolio

The options are grouped here by relevant portfolio or agency.

### **Aboriginal housing**

Option 8  
Option 9  
Option 19

### **Community services**

Option 25  
Option 26

### **Disability services**

Option 27

### **Fair trading**

Option 13  
Option 14  
Option 15

### **Housing**

Option 8  
Option 9  
Option 10  
Option 16  
Option 17  
Option 18  
Option 20  
Option 21  
Option 22  
Option 25

### **Landcom**

Option 7

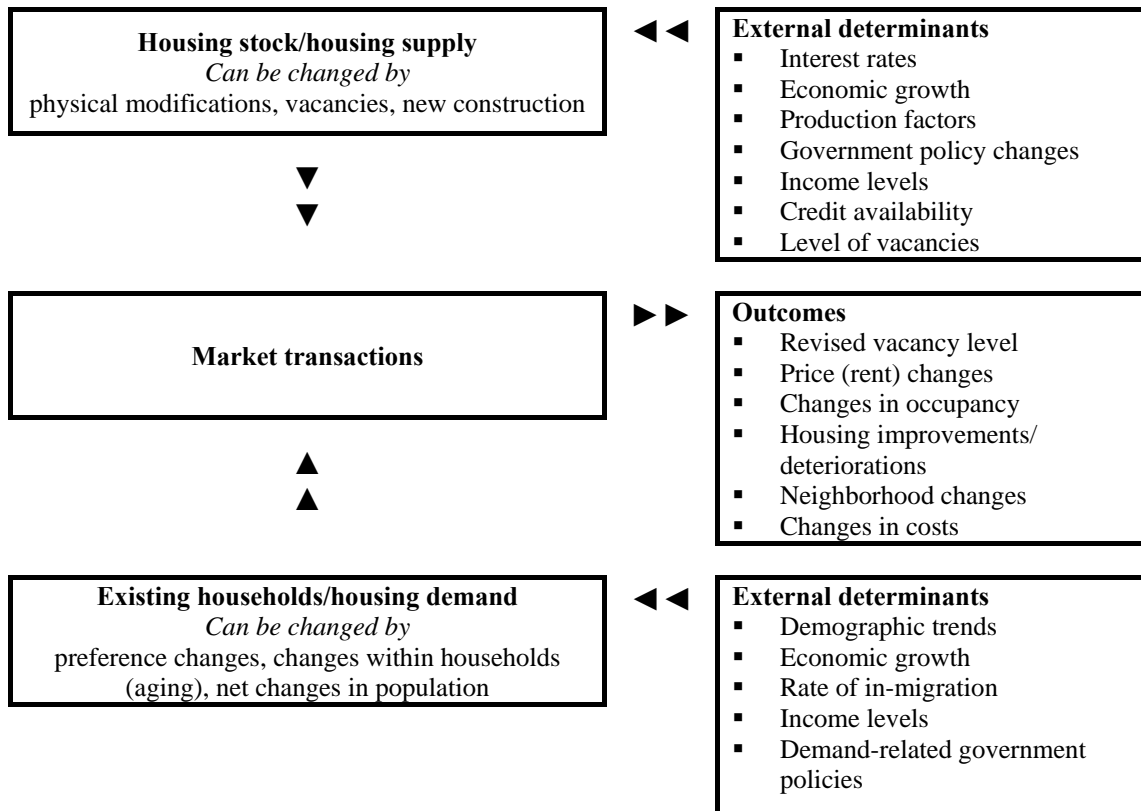
### **Planning**

Option 1  
Option 12  
Option 23  
Option 24  
Option 28

### **Treasury**

Option 2  
Option 3  
Option 4  
Option 5  
Option 6  
Option 11

## Attachment: Elements of a housing market



Source: Maryann Wulff and others, *Trends in Australian non-metropolitan housing markets, 1991-2001*, positioning paper, AHURI, May 2005, p.29.<sup>110</sup>

## Attachment: Dwelling provision costs

Dwelling type	Cost per unit	Source
Land and detached/attached dwelling, small lot, 15 dph gross, Sydney urban fringe	\$157,600	Richard Cardew, Andrew Parnell and Bill Randolph, <i>Sydney housing affordability review</i> , Urban Frontiers Program issues paper 3, University of Western Sydney, Campbelltown, 2000, p.19.
Land and multi-storey unit, 25 dph gross, Sydney urban fringe	\$164,000	Richard Cardew, Andrew Parnell and Bill Randolph, <i>Sydney housing affordability review</i> , Urban Frontiers Program issues paper 3, University of Western Sydney, Campbelltown, 2000, p.19.
New semidetached, row or terrace house, townhouse, etc., building cost but not land, NSW, May 2006	\$150,262	Australian Bureau of Statistics, 'Building approvals Australia', ABS cat. no. 8731.0, May 2006, p.19.
New dwelling constructed, for owner-occupation, building cost but not land, NSW, July 2006	\$261,872	Australian Bureau of Statistics, 'Housing finance Australia', ABS cat. no. 5609.0, July 2006, p.19.
New 'other residential' building commenced, NSW, June quarter 2006	\$224,123	Australian Bureau of Statistics, 'Building activity', ABS cat. no. 8752.0, June quarter 2006, p.29, 34.
Multi-unit development for older people and people with disabilities, 29 units, Browne Parade, Liverpool, completed May 2005, building cost \$7.5 million	\$258,620 (averaged)	Resitech, 'NSW Department of Housing project portfolio', Ashfield, n.d., p.4.
Multi-unit development for older people and people with disabilities, 33 2-bedroom units, Enid Street, Tweed Heads, completed July 2004, building cost \$7.6 million	\$230,303 (averaged)	Resitech, 'NSW Department of Housing project portfolio', Ashfield, n.d., p.5.
Multi-unit development for older people, 18 units, mix of 1 and 2 bedrooms, Gorokan Drive, Gorokan, completed February 2006, building cost \$2.3 million	\$127,777 (averaged)	Resitech, < <a href="http://www.housing.nsw.gov.au/NR/rdonlyres/5AEA0C38-64F7-4FE6-91A9-5374807D5B01/0/gorokandrivegorokan.pdf">www.housing.nsw.gov.au/NR/rdonlyres/5AEA0C38-64F7-4FE6-91A9-5374807D5B01/0/gorokandrivegorokan.pdf</a> >.
Multi-unit development, 19 units, Low Street, Hurstville, completed April 2004, building cost \$2.1 million	\$110,526 (averaged)	Resitech, 'NSW Department of Housing project portfolio', Ashfield, n.d., p.9.

## Endnotes

<sup>1</sup> Peter Harper, 'Australia's environment: issues and trends 2006', Australian Bureau of Statistics, ABS cat. no. 4613.0, Belconnen, November 2006, p.36.

<sup>2</sup> Harper, p.37.

<sup>3</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper 3, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, February 2006, p.2.

<sup>4</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper 3, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, February 2006, p.50.

<sup>5</sup> Judith Yates and Michelle Gabriel, 'Housing affordability in Australia', research paper 3, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, February 2006, p.51.

<sup>6</sup> Ann Harding, Ben Phillips and Simon Kelly, 'Trends in housing stress', paper presented to the National Summit on Housing Affordability, Canberra, 28 June 2004. The NATSEM researchers used a different definition of housing stress to the 'orthodox' definition mentioned above: their definition refers to a situation where the bottom 40% of an equivalent *disposable income* distribution spend more than 30% on housing costs.

<sup>7</sup> Environmental Planning and Assessment Act 1979, s.4(1); State Environmental Planning Policy no. 70 – Affordable Housing (Revised Schemes), s.8.

<sup>8</sup> Australian Institute of Health and Welfare, 'State state-owned and managed Indigenous housing 2005-06: Commonwealth-State Housing Agreement national data reports', AIHW cat. no. HOU 154, Canberra, December 2006, p.20.

<sup>9</sup> Standards Australia, *Australian standard: adaptable housing*, AS 4299-1995, Standards Australia, Homebush, 1995.

<sup>10</sup> Department of Planning, 'About BASIX', online at <<http://sustainability.nsw.gov.au/information/about.jsp>>, viewed 30 November 2006.

<sup>11</sup> Productivity Commission, *First home ownership*, Productivity Commission Inquiry Report no. 28, Melbourne, 31 March 2004, p.3.

<sup>12</sup> John Minnery, Barbara Adkins, Peter Grimbeek, Jennifer Summerville, Elspeth Mead and Diane Guthrie, 'Tenure security and its impact on private renters in Queensland', final report, Australian Housing and Urban Research Institute, January 2003.

<sup>13</sup> Cathy Sherry, 'The perils of urban renewal', *Sydney Morning Herald*, 20 February 2006, p.13.

<sup>14</sup> Tony Kryger, 'House prices', Parliamentary Library Research Note, no. 7 2006-07, 9 October 2006, p.1.

<sup>15</sup> Australian Bureau of Statistics, 'House price indexes: eight capital cities', June quarter 2006, ABS cat. no. 6416.0, p.9.

<sup>16</sup> Andrew Larkin, 'Opportunity knocks for affordable housing', presentation to Affordable Housing Network workshop, Parramatta, 9 December 2005.

<sup>17</sup> Data provided by Judith Yates (August 2006) from Judith Yates and Michael Gabriel, 'Housing affordability in Australia', background report, Australian Housing and Urban Research Institute, February 2006.

<sup>18</sup> NSW Supreme Court data show that the number of dwellings repossessed because their owners could not meet mortgage repayments was 4,873 in the twelve months to 31 March 2006 (Kerry-Anne Walsh, 'Homes lost as interest rates bite', *Sun-Herald*, 10 September 2006, p.1).

<sup>19</sup> Mike Berry, 'Housing affordability and the economy: a review of macroeconomic impacts and policy issues', research paper 4, National Research Venture 3: Housing affordability for lower income Australians, Australian Housing and Urban Research Institute, April 2006.

<sup>20</sup> Matt Wade, 'PM told he's wrong on house prices', *Sydney Morning Herald*, 9-10 September 2006, p.3.

<sup>21</sup> In its policy paper, *Improving housing affordability in NSW: a plan for industry and government* (November 2006), the Property Council of Australia called for there to be always a 15-year supply of land zoned for housing available in Sydney (p.6).

<sup>22</sup> Cited in Wade, 'PM told he's wrong on house prices'.

<sup>23</sup> Department of Planning, *City of cities: a plan for Sydney's future – metropolitan strategy supporting information*, The Department, Sydney, December 2005, p.126.

- <sup>24</sup> Sydney has the worst air quality of the Australian capital cities by far. See Harper, p.64.
- <sup>25</sup> Bill Randolph, 'A tale of two cities: Sydney's social and economic divide', presentation to A Fairer NSW conference, Alexandria, 25 September 2006.
- <sup>26</sup> Department of Planning, 'Draft Central Coast regional strategy 2006-2031', The Department, 2006, pp.1,5-6.
- <sup>27</sup> Department of Planning, 'Draft South Coast regional strategy 2006-2031', The Department, 2006, p.9.
- <sup>28</sup> Commonwealth Grants Commission, *2006 relative fiscal capabilities of the states*, Canberra, 2006, p.13. The statement applies to the 5-year period 2001 to 2005.
- <sup>29</sup> Neil Warren, *Benchmarking Australia's intergovernmental fiscal arrangements: final report*, NSW Treasury, Sydney, May 2006, p.63.
- <sup>30</sup> Commonwealth Grants Commission, *2006 relative fiscal capabilities of the states*, Canberra, 2006, p.13. The statement applies to the 5-year period 2001 to 2005.
- <sup>31</sup> Frank Stilwell and Jennifer English, 'Housing affordability, stamp duty and land tax', School of Economics and Political Science working paper ECOP20004-2, University of Sydney, April 2004.
- <sup>32</sup> Growth Centres Commission, 'First stage of Sydney growth centres unveiled', media release – Minister's office, Sydney, 29 June 2006, online at <[http://www.planning.nsw.gov.au/mediarelplan/fs20060629\\_373.html](http://www.planning.nsw.gov.au/mediarelplan/fs20060629_373.html)>, viewed 30 June 2006.
- <sup>33</sup> Productivity Commission, *First home ownership*, Productivity Commission Inquiry Report no. 28, Melbourne, 31 March 2004, p.165.
- <sup>34</sup> Productivity Commission, *First home ownership*, Productivity Commission Inquiry Report no. 28, Melbourne, 31 March 2004, p.203.
- <sup>35</sup> Andrew Clennell, 'Carrot for first home buyers', *Sydney Morning Herald*, 8 June 2006; Anne Davies, 'Boost for housing and nurses to pep up sluggish economy', *Sydney Morning Herald*, 8 June 2006.
- <sup>36</sup> The NSW state election will be on 24 March 2007. If the Liberal and National parties win the election, the scheme could be implemented in their government's 1<sup>st</sup> budget (for 2007-08).
- <sup>37</sup> See, for example, Peter Saunders, 'After the house price boom: is this the end of the Australian dream?', *Policy*, vol. 21, no. 1, autumn 2005, pp.7-8.
- <sup>38</sup> NSW Treasury, *Budget papers 2006-2007: Budget paper no. 2 – 2006-07 Budget statement*, pp.B-1–B-2.
- <sup>39</sup> NSW Treasury, *Budget papers 2006-2007: Budget paper no. 2 – 2006-07 Budget statement*, pp.B-9–B-11.
- <sup>40</sup> See Department of Housing, 'New terms and conditions for government guaranteed loans', online at <[http://www.cumberlandhomeloan.com.au/pshl\\_terms\\_cond.pdf](http://www.cumberlandhomeloan.com.au/pshl_terms_cond.pdf)>, viewed 30 November 2006.
- <sup>41</sup> Landcom, *2006 annual report*, 2006, p.37; Landcom, 'Landcom's strategy for moderate income housing', online at <<http://projects.landcom.com.au/moderateincomehousing.aspx>>, viewed 30 November 2006; Bill Randolph, Darren Holloway and Dominique Murray, 'The need for moderate income housing in the greater Sydney region' (report prepared for Landcom), Faculty of the Built Environment, University of New South Wales, September 2004.
- <sup>42</sup> Landcom, *2006 annual report*, 2006, p.37. This is a statewide target: it does not necessarily apply to each development.
- <sup>43</sup> Public Bodies Review Committee, Legislative Assembly, Parliament of New South Wales, *Report on the Inquiry into the Allocation of Social Housing* (M Morris, chair), Report no.7/53, October 2006, p.35.
- <sup>44</sup> The concept and proposals for shared equity housing products are discussed more fully in Robert Mowbray, 'Affordable home ownership through shared equity', *Around the House*, no. 67, December 2006, pp.1,16-17, and Robert Mowbray, 'Shared equity', *Shelter Brief*, no. 32, forthcoming.
- <sup>45</sup> Department of Housing and Works, 'Welcome to the Goodstart shared equity loan scheme', online at <<http://www.keystart.com.au/key/goodstart.htm>>, viewed 30 November 2006.
- <sup>46</sup> Territory Insurance Office, 'HomeNorth shared equity loan', online at <<http://www.tiofi.com.au/tioweb.nsf/272ee888ba61703669256df0002f6cc5/1d1b285a1014c4e769256ec300147f7d?OpenDocument>>, viewed 30 November 2006.
- <sup>47</sup> In this paper, 'Aboriginal housing' generally refers to subsidized rental housing owned by Aboriginal entities, whether those entities are a specifically Aboriginal government body – what is known nationally as state-owned and –managed Indigenous housing (SOMIH) – or a nonprofit nongovernment organization (an Aboriginal land council or an Aboriginal community housing organization). In New South Wales, this sector has 3 sub-sectors: the dwellings owned by Aboriginal land councils, with 33%

of the dwellings in the sector; the state-owned and managed Aboriginal housing sub-sector, the Aboriginal Housing Office, most of whose properties are managed by the Department of Housing, with 47% of the dwellings, and an Aboriginal community housing organizations sub-sector comprised of independent Aboriginal community organizations that own and manage their own properties and/or manage some AHO properties, with 19% of the sector's dwellings.

<sup>48</sup> Office of the Deputy Prime Minister, 'Your right to buy your home: a guide for tenants of councils, new towns and registered social landlords including housing associations', Office of the Deputy Prime Minister and the Welsh Assembly Government, amended reprint March 2006.

<sup>49</sup> Data provided by Judith Yates (August 2006) from Judith Yates and Michael Gabriel, 'Housing affordability in Australia', background report, Australian Housing and Urban Research Institute, February 2006.

<sup>50</sup> Andrew Larkin, 'Opportunity knocks for affordable housing', presentation to Affordable Housing Network workshop, Parramatta, 9 December 2005.

<sup>51</sup> Reserve Bank of Australia, 'Statement on monetary policy', 13 November 2006, online at <[http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/statement\\_on\\_monetary\\_1106.html](http://www.rba.gov.au/PublicationsAndResearch/StatementsOnMonetaryPolicy/statement_on_monetary_1106.html)>, viewed 23 November 2006.

<sup>52</sup> Real Estate Institute of NSW, 'Rental housing crisis looms', media release, 13 November 2006, online at <<http://www.reinsw.com.au/Rental-Housing-Crisis-Looms/default.aspx>>, viewed 23 November 2006.

<sup>53</sup> Policy issues around the supply of low-rent private rental housing and public policy responses to that are discussed more fully in Robert Mowbray, 'Private rental: can it deliver affordable housing to low-income tenants?', *Shelter Brief*, no. 28, June 2006.

<sup>54</sup> Judith Yates, Maryann Wulff and Margaret Reynolds, *Changes in the supply of and need for low rent dwellings in the private rental market*, Australasian Housing and Urban Research Institute, Melbourne, June 2004, p.48. The shortage of 36,000 affordable rental dwellings for low-moderate income households in Sydney compared with 9,000 dwellings in Melbourne and 4,000 dwellings in Brisbane.

<sup>55</sup> The Government's Budget statement for 2005-06 showed \$500 million less revenue raised from transfer duties and mortgage duty in 2004-05 than what had been estimated for 2004-05 because of a 'weaker than expected property market' (NSW Treasury, *2005-06 Budget papers: Budget paper no. 2 – Budget statement 2005-06*, 2005, p.D-1).

<sup>56</sup> Peter Costello, 'Budget speech 2006-07 delivered on 9 May 2006 on the second reading of the Appropriation Bill (no. 1) 2006-07', p.6. The government's plan to encourage more investment in superannuation involves exemption of Australians aged 60 or over from any tax on their end-benefits where these are paid from a taxed superannuation fund. This will apply from 1 July 2007. There will be no tax on a lump sum and no tax on a superannuation pension. See also National Shelter, 'Superannuation changes require a rethink on rental investment', media release, 5 October 2006.

<sup>57</sup> Mike Berry and Jon Hall, 'Policy options for stimulating private sector investment in affordable housing across Australia: Stage 1 report – Outlining the need for action', Affordable Housing National Research Consortium, 2001, p.61.

<sup>58</sup> Andrew Clennell, 'Carrot for first home buyers', *Sydney Morning Herald*, 8 June 2006.

<sup>59</sup> John Minnery, Barbara Adkins, Peter Grimbeck, Jennifer Summerville, Elspeth Mead and Diane Guthrie, 'Do private tenants want longer-term leases?', *AHURI Research and Policy Bulletin*, no. 22, June 2003, p.1.

<sup>60</sup> Council of Social Service of New South Wales, *A fairer NSW: bold solutions and real results*, Surry Hills, October 2006, p.11.

<sup>61</sup> Shelter NSW, 'Submission on the residential tenancy law reform options paper', August 2005, p.7.

<sup>62</sup> Tenants Union of NSW, 'Submission in response to the Office of Fair Trading residential tenancy law reform options paper', August 2005, p.13.

<sup>63</sup> Tenants Union of NSW, 'Submission in response to the Office of Fair Trading residential tenancy law reform options paper', August 2005, p.4.

<sup>64</sup> In this paper, community housing provider refers to any nonprofit nongovernment provider of submarket or subsidized rental housing, whether an Aboriginal community housing organization, a mainstream community housing association, a mainstream rental housing cooperative, a mainstream welfare organization (including a crisis accommodation service and a disability welfare/accommodation organization), or a religious organization. In this paper, 'mainstream' refers to the non-Aboriginal nature of the entity's ownership, i.e. such an organization is not owned and controlled by Aboriginals. A 'mainstream community housing association' refers to the 'full' members of the NSW Federation of Housing Associations. Where the paper simply says 'community housing', it

might be referring specifically to mainstream community housing rather than to both Aboriginal and non-Aboriginal (mainstream) community housing: the meaning should be clear from the context.

<sup>65</sup> NSW Department of Housing, '2005/06 New South Wales Budget commentary on the housing policy and assistance program', May 2005; NSW Department of Housing, '2006/07 New South Wales Budget commentary on the housing policy and assistance program', June 2006; Shelter NSW, 'The supply and allocation of social housing in New South Wales: submission to the Public Bodies Review Committee Legislative Assembly Parliament of New South Wales', February 2006.

<sup>66</sup> NSW Treasury, *Budget papers 2006-2007: Budget paper no.6 – NSW long-term fiscal pressures report 2006-07*, p.3-8.

<sup>67</sup> NSW Department of Housing, '2006/07 New South Wales budget commentary on the Housing Policy and Assistance Program', June 2006, p.21.

<sup>68</sup> NSW Department of Housing, '2006/07 New South Wales budget commentary on the Housing Policy and Assistance Program', June 2006, p.21.

<sup>69</sup> This does not factor in population growth or changes in need. Also, the targets are based on 5-year old data.

<sup>70</sup> NSW Government, *State plan: a new direction for NSW*, Premier's Department, November 2006.

There is no commitment to growth in the supply of public housing in this 10-year plan for New South Wales.

<sup>71</sup> Housing assistance refers to any of the assistance programs for housing-disadvantaged people provided by the Department of Housing: it includes the rental assistance programs for private renters and the Community Housing Asset Program.

<sup>72</sup> Department of Housing, 'Who is eligible for public housing?', factsheet, June 2006.

<sup>73</sup> Harvey Volke and Craig Johnston, 'Some consultation principles for estate redevelopment', *Around the House*, no. 57, March 2004, pp.4-6; Craig Johnston, 'Community partnerships and regeneration', *Shelter Brief*, no. 27, February 2006; Joy Connor, 'Redevelopment of public housing estates: how can public housing tenants be informed and consulted?', *Around the House*, no. 67, December 2006, pp.10-11.

<sup>74</sup> Kristian Ruming, 'MOSAIC urban renewal evaluation project: urban renewal policy, program and evaluation review', research paper no. 4, City Futures Research Centre Faculty of the Built Environment, University of NSW, Kensington, May 2006.

<sup>75</sup> This level of dependence on Commonwealth funding in New South Wales is less than the level nationally, where the Commonwealth subsidies are 66% of the total funding by the federal, state and territory governments on Indigenous housing (Jon Hall and Mike Berry, 'Indigenous housing: assessing the long term costs and the optimal balance between recurrent and capital expenditure', final report, Australian Housing and Urban Research Institute, Melbourne, May 2006, p.20).

<sup>76</sup> Jon Hall and Mike Berry, 'Indigenous housing: assessing the long term costs and the optimal balance between recurrent and capital expenditure', final report, Australian Housing and Urban Research Institute, Melbourne, May 2006, p.27.

<sup>77</sup> Jon Hall and Mike Berry, 'Indigenous housing: assessing the long term costs and the optimal balance between recurrent and capital expenditure', final report, Australian Housing and Urban Research Institute, Melbourne, May 2006, p.35.

<sup>78</sup> Jon Hall and Mike Berry, 'Indigenous housing: assessing the long term costs and the optimal balance between recurrent and capital expenditure', final report, Australian Housing and Urban Research Institute, Melbourne, May 2006, p.80. The Northern Territory does not have a state-owned and managed Indigenous housing sector.

<sup>79</sup> Jon Hall and Mike Berry, 'Indigenous housing: assessing the long term costs and the optimal balance between recurrent and capital expenditure', final report, Australian Housing and Urban Research Institute, Melbourne, May 2006, p.80. The Northern Territory has 31% and Queensland has 26% of this sub-sector.

<sup>80</sup> Hall and Berry (p.105) conclude that at least 80% of Indigenous community housing organizations, Australia-wide, have inadequate housing management capabilities.

<sup>81</sup> While the Minister for Housing released the executive summary of this draft document and opened a consultation period on the whole document (to finish at the end of January 2007), the whole document has still not been released, as at 30 November.

<sup>82</sup> NSW Government, *State plan: a new direction for NSW*, Premier's Department, November 2006, p.129.

<sup>83</sup> Vivienne Milligan, 'Directions for affordable housing policy in Australia: outcomes of a stakeholder forum', Australian Housing and Urban Research Institute, July 2005, p.8.

<sup>84</sup> These figures are subject to annual review.

<sup>85</sup> Jim Kemeny, Jan Kersloot and Philippe Thalmann, 'Non-profit housing influencing, leading and dominating the unitary rental market: three case studies', *Housing Studies*, vol. 20, no. 6, November 2005, pp.855-872.

<sup>86</sup> Hal Bisset, 'Social housing: building a new foundation – Social Housing Innovations Project consultants report to the Office of Housing Department of Human Services Victoria', Ecumenical Housing, Melbourne, November 2000, p.19. Milligan reports that over 80% of the organization's equity share in four joint venture acquisitions of 75 affordable housing units since 1996 had been secured through bank loans (Vivienne Milligan, Peter Phibbs, Kate Fagan and Nicole Gurrin, 'A practical framework for expanding affordable housing services in Australia: learning from experience', final report, Australian Housing and Urban Research Institute, Melbourne, July 2004, p.89).

<sup>87</sup> Hal Bisset, 'Social housing: building a new foundation – Social Housing Innovations Project consultants report to the Office of Housing Department of Human Services Victoria', Ecumenical Housing, Melbourne, November 2000, p.19.

<sup>88</sup> Hal Bisset, 'Social housing: building a new foundation – Social Housing Innovations Project consultants report to the Office of Housing Department of Human Services Victoria', Ecumenical Housing, Melbourne, November 2000, p.32.

<sup>89</sup> Hal Bisset, 'Social housing: building a new foundation – Social Housing Innovations Project consultants report to the Office of Housing Department of Human Services Victoria', Ecumenical Housing, Melbourne, November 2000, p.22.

<sup>90</sup> Ministerial Task Force on Affordable Housing, *Affordable housing in New South Wales: the need for action – the report of a Ministerial Task Force on Affordable Housing* (Julian Disney, chair), 1998.

<sup>91</sup> Greater London Authority, *The London plan: spatial development strategy for greater London*, London, February 2004, p.63.

<sup>92</sup> Tony Cook, Jennie Currie, Alastair Jackson, Sarah Monk, Steven Rowley, Kerry Smith and Christine Whitehead, 'Planning gain and affordable housing: making it count', Joseph Rowntree Foundation, York YKS, 2002, p.14; Christine ME Whitehead, 'Using the planning system to provide affordable housing: The UK experience', presentation to National Affordable Housing Conference, 'Affordable housing: making it happen – innovation in policy and practice', Sydney, 21-22 June 2005.

<sup>93</sup> Chris Chamberlain and David MacKenzie, *Counting the homeless 2001*, Australian Bureau of Statistics, ABS catalog 2050.0, 2003. Chamberlain and MacKenzie categorized another 22,877 people, residents of boarding houses, as 'homeless' (so-called 'tertiary homelessness'). The data in this paragraph on homelessness do not include residents in boarding houses.

<sup>94</sup> Australian Institute of Health and Welfare, *Homeless people in SAAP: SAAP national data collection – annual report 2004-05 New South Wales supplementary tables*, AIHW cat. no. HOU 133, AIHW, Canberra, 2006, p.6.

<sup>95</sup> Australian Institute of Health and Welfare, *Homeless people in SAAP: SAAP national data collection – annual report 2004-05 New South Wales supplementary tables*, AIHW cat. no. HOU 133, AIHW, Canberra, 2006, p.10.

<sup>96</sup> Australian Institute of Health and Welfare, *Homeless people in SAAP: SAAP national data collection annual report 2004-2005 – New South Wales supplementary tables*, AIHW cat. no. HOU 133, AIHW Canberra, 2006, p.6.

<sup>97</sup> Australian Institute of Health and Welfare, *Homeless people in SAAP: SAAP national data collection annual report 2004-2005 – New South Wales supplementary tables*, AIHW cat. no. HOU 133, Canberra, 2006, p.11.

<sup>98</sup> Australian Institute of Health and Welfare, 'Demand for SAAP accommodation by homeless people 2004-05', *AIHW Bulletin*, no. 50, December 2006, p.3.

<sup>99</sup> Homelessness NSW.ACT, NSW Womens Refuge Movement, Youth Accommodation Association, and NSW Council of Social Service, 'Call for a New South Wales homelessness strategy', n.d. (c. August 2006).

<sup>100</sup> NSW Government, *State plan: a new direction for NSW*, Premier's Department, November 2006, p.128.

<sup>101</sup> See Department of Human Services, 'Victorian homeless strategy: action plan and strategic framework – homelessness – directions for change – a collaborative approach to improving our response to homelessness', Melbourne, 2002; Social Inclusion Board, 'Everyone's responsibility: reducing homelessness in South Australia', Department of the Premier and Cabinet, July 2003; Helen Miskell, 'Joining up the silos: the Western Australian state homelessness strategy three years on', presentation to the 2006 National Homelessness Conference, Sydney, 1-3 March 2006.

<sup>102</sup> Erebus Consulting Partners, 'National evaluation of the Supported Accommodation Assistance Program (SAAP IV)', 2004.

<sup>103</sup> The Australian Institute of Health and Welfare reported 2,970 residents of disability group homes, 1,615 residents of large residential centers, and 78 residents of small residential centers in New South Wales in 2004-05 (Australian Institute of Health and Welfare, 'Disability support services 2004-05: national data on services provided under the Commonwealth State/Territory Disability Agreement', Canberra, AIHW cat. no. DIS 46, August 2006, p.19).

<sup>104</sup> Ninety-four percent of Australians with a disability with core activity limitations or restrictions live in households (private and nonprivate) apart from cared accommodation (Australian Bureau of Statistics, 'Disability, ageing and carers, Australia: summary of findings, 2003', ABS cat. no. 4430.0, Canberra, 2004).

<sup>105</sup> This section draws on research undertaken by the Multicultural Disability Advocacy Association of NSW in 2005 in response to a Department of Ageing, Disability and Home Care's January 2005 discussion paper and subsequent consultations about supported accommodation. See 'Everybody needs a home', at <[www.mdaa.org.au/publications/index.html](http://www.mdaa.org.au/publications/index.html)>.

<sup>106</sup> Social Policy Research Centre, *Housing and Accommodation Support Initiative: report 1 – summary*, University of NSW, August 2005.

<sup>107</sup> Department of Aging, Disability and Home Care, *Stronger together: a new direction for disability services in NSW 2006-2016*, Sydney, May 2006, pp.21-22. And see New South Wales Government, 'Accommodation and support paper', January 2006.

<sup>108</sup> Chris Elenor, 'Provisions for adaptable housing by local government in New South Wales', *Shelter Brief*, no. 30, October 2006.

<sup>109</sup> This is the recommendation of the NSW Council of Social Service, 'A fairer NSW: bold solutions and real results', NCOSS, Surry Hills, October 2006, p.12.

<sup>110</sup> Adapted from Larry S Bourne, *The geography of housing*, Edward Arnold, 1981, p.75.