

Housing
everyone:

10

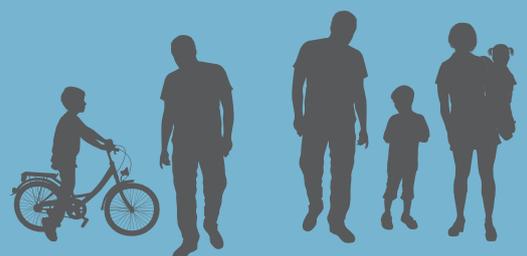
proposals
for the
2016 state budget
and beyond



The State Budget is in surplus and expected to remain so for the next few years. The NSW housing market is buoyant. So much so, that conveyance stamp duty is now the most important of the state's taxes. The level of general economic activity, the adequacy and value of housing for most of the state's households, and continuing sprawl of urban areas into the countryside, all have a 1950s kind of feel ('times are good'). But who hasn't got invited to the party?

Households with lower income, and lesser capacities to make and take independent action, are less likely to live in housing in the best locations, with the best amenity, with the most security and with the best value for money. There's the Packed to the Rafters thing — of young adults delaying establishing their own households. There are people with disability staying in the parental home with aging parents — rather than making independent households if they want to. There are tent encampments in inner-city parks — the latest trend in pop-ups. These and other things we see around us, not to forget the chronic challenges of affordability — simply paying off the mortgage; simply paying the rent — suggest that things could be better. Things should be better.

This brochure highlights important measures we would like to see in the State Budget for 2016-17. It also includes some nonfiscal proposals. They are our **10 proposals** to promote housing wellbeing across the range.



1

Increase supply of social housing — with a ‘Social Housing Boost’ to increase supply by at least 2,000 new properties a year for 10 years beyond the latest ‘Communities Plus’ initiative

The number of social-housing dwellings owned by the government has fallen in recent years. Apart from the Economic Stimulus period, the Land and Housing Corporation has been disposing of more dwellings than it has been adding; and in 2013 it told the NSW Audit Office that would dispose of more than twice the number it would build over the next 4 years. With the 2015-16 State Budget we saw a stabilization of the position and a very modest net increase in the number of dwellings owned by the Corporation. A new ‘Communities Plus’ initiative and new strategic assets management framework aim to build on that positive turn.

There is no indication that there will be more money forthcoming from the Commonwealth government that is dedicated to state government programs to build more social-housing dwellings. That money needs to come from New South Wales. We propose an additional, identifiable allocation (a Social Housing Boost) to increase supply by at least 2,000 new properties a year, beyond the Communities Plus initiative, for 10 years – but with a preferred aim of completing 100,000 over a 10-year period to make real inroads into the current critical under-supply of affordable rental housing.

The Social Housing Boost would allow for growth on top of any improvements that might be included in the Land and Housing Corporation’s portfolio management framework, and could be used for any of the main types of social housing (public and Aboriginal Housing Office housing, or community housing).

2

Establish new ways to finance affordable-rental housing — by widening the purposes for which Restart NSW Fund moneys may be spent to include affordable housing

New sources of money are needed to fund affordable-rental housing (including social housing). This is because there is a limit to what can be got from State Budget allocations — and indirectly from Commonwealth subsidies. This was recognised at the last State election, and work has begun on a new social and affordable housing fund, to leverage resources in the community and private sectors, to deliver \$1billion’s worth of social and affordable housing.

However, a sustainable financing instrument is needed to meet the gap in supply and future needs. The Social and Affordable Housing Fund should be designed to continue in this way, beyond its first tranche. One aspect of such a vehicle could take up the opportunity to attract money from private investors prepared to invest in government bonds and those who are motivated by a social concern.

In fact, the Government has already set up an investment fund to appeal to investors who like the certainty of a government-owned fund. This is the Waratah Bonds, which is one of the funding sources for the Restart NSW Fund, a fund set up for major infrastructure or for certain types of infrastructure indicated in the Restart NSW Fund Act.

But the money in the Restart NSW Fund may only be used for major infrastructure or for certain types of infrastructure indicated in the Act. We propose adding affordable housing to the purposes for which the Fund can be used. This would create a new source for financing affordable housing. This is consistent with the underlying purpose of the Fund.



3

Increase capacity to respond to homelessness — by ensuring specialist homelessness services have an appropriate reach and resourcing

The Government introduced new procurement arrangements ('Going Home Staying Home') for specialist homelessness services in 2014. The 2016-17 Budget year will be the third and final year of the first funding round under the new regime. Given the disruption impacts of those new arrangements, and a need to allow successful-tendering agencies to bed-down the services for which procurements were called for, it is important that existing funding agreements be extended — and the Government has announced a welcome extension to 2020.

While we think another disruptive overhaul of funding arrangements would not be helpful, for specialist homelessness services or their clients, there does need to be a review of the equity issues involved in the new spread of services, geographically. Feedback from specialist homelessness services around the state indicates that there are gaps in access to services, from district to district, including, but not only, services for homeless youth under 25, which were not predicted by the initial 'Going Home Staying Home' resource allocation model. What is needed is a corroboration of where those gaps are, and supplementary funding in 2016-17 to agencies to enable the gaps to be filled.

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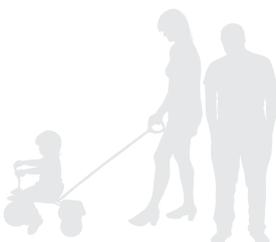
Increase the capacities of the Aboriginal community-housing sector — by ensuring that allocations from state own-source revenue replaces any diminishment of Commonwealth funding and that sufficient funds are available to sustain the 'Build and grow' strategy for Aboriginal community-housing organizations

Since the Government, through the Aboriginal Housing Office, launched the 'Build and Grow' strategy in 2010, there has been progress made in sustaining the Aboriginal community housing sector and strengthening the capacity of the Aboriginal community housing sector.

Overall, Budget allocations to Aboriginal-specific housing have been small, and very much reliant on grants and subsidies from the Commonwealth government. The AHO capital works program in 2015-16 of \$46.6 million is down from the \$51.7 million in 2014-15.

In 2016-17, as with this year, the future of funding for Aboriginal-specific housing will be affected by moves in the Commonwealth sphere. This includes the phase-out of payments to New South Wales under the National Partnership Agreement on Remote Indigenous Housing in favor of a new remote indigenous housing strategy, and the diversion of \$95 million of what would have been spending on NPARIH expenses to a new Jobs and Communities Program in remote Australia.

We propose that the Government allocate funds from state own-source revenue to replace any diminishment of Commonwealth funding for Aboriginal housing and allocate sufficient funds to continue the strengthening of the sector, begun under the 'Build and Grow' strategy for Aboriginal community-housing organizations. We also propose that Aboriginal community housing providers have access to the same asset and financing opportunities to grow the sector, that are available to mainstream social and affordable housing providers.



5

Expand the range of suitable dwellings available for people with disability – by establishing a capital-funding stream to appropriately house people with disability with high support needs and people with disability who want to live more independently

The National Disability Insurance Scheme has increased the expectations of people with disability that they can now live more independently in the community. However the ‘individualized funding’ to participants in the Scheme (currently in the process of being rolled out) is not available to pay for direct housing costs, apart from home modifications – except for a small number of people with high needs requiring ‘specialist disability housing’. In fact the Scheme assumes that most people with disability will be able to find their housing through the existing market or social housing. But neither of these sectors can meet the demand of low income households currently.

There needs to be a mechanism to address extra demand for dwellings for independent living, going beyond the specialist housing for which the NDIS will contribute the ‘user cost of capital’. The NSW Government has recognised these limitations, in its recently-announced tender for projects to build more appropriate housing in the Hunter.

We propose the State Government build on this, by committing to an ongoing supplementary initiative (to both its commitments under the NDIS and the NDIS user cost of capital) for affordable-rental housing for people with disability. This could help leverage whatever the NDIS provides to help with the cost of capital.

6

Move to tenure-neutrality in tax policy – by broadening the base for land tax

Many of the taxes that apply to housing advantage one group over another (such as homeowners over renters), and skew investment decisions (favouring speculation rather than long-term housing). Such taxes are a big part of the problem with our housing system. We need more efficient taxes that are tenure neutral.

Economists recognize that land tax is an efficient tax – because, while it will lower the price of land, if it is applied broadly, it won’t change the way land is used. Increases in land tax are likely to lead to lower bubble-inflated property prices.

But because of an exemption of the principal place of residence from this tax, it is effectively a tax only on land used for rental housing and commercial activities. It is not tenure neutral and skews investment decisions towards homeowner-occupation. It is not broadly based. Moreover, land tax currently contributes a small proportion of the state tax mix. The \$2.6 billion it is estimated to contribute in 2015-16 is some 10% of total state tax revenue, a proportion that is consistent with recent years but down from the 12% in 2012-13.

But, as a property tax it is not always welcome by some landowners, and its broadening would possibly be unwelcome to landowners who currently do not pay it. Reform in this area needs to be gradual, and sensitive to the potential social impacts on lower-income homeowners and rural householders. The broad direction of reform was best indicated in the Henry Review of Australia’s Future Tax System (2009).

We propose a broadening of the base of land tax by applying it to all landowners, but a low threshold should be set, under which the rate of tax would be zero. This threshold should be set so that there would be no tax liability on most agricultural and other low-value land. Since capturing all owner-occupiers with land valued above the threshold would likely create a tax liability for some landowners who were ‘asset rich but income poor’, in these cases, actual payment of the tax liability should be able to be deferred until the owner sells the dwelling or land.

7

Share the benefit of windfall development gains — by allowing developer contributions for affordable housing, using the principle of value sharing

Many parts of our cities are planning for population growth by increasing density (higher buildings, multi-unit buildings). When the government rezones land to enable this kind of development, the land increases in value. This is often called ‘value uplift’. In effect the government gives the land owner/ developer a windfall gain. With ‘value sharing’, there would be a requirement that developers benefiting from government action should share the windfall gain and contribute community benefits, such as affordable-rental housing.

This approach is used in a couple of parts of inner Sydney, but the State Government’s White paper on the NSW planning system indicated that the Government would remove the provisions that allow this from NSW planning law. ‘Value sharing’ should be kept in planning law (Environmental Planning and Assessment Act 1979, section 94F) and all councils should be allowed to use it.

Requiring developer contributions for affordable housing, where there has been a value uplift arising from government action, will help contribute to the provision of affordable rental housing — without imposing any ‘big new tax’ on development.

8

Promote opportunities for all in urban renewal initiatives that involve increased dwelling densities — by requiring 15% of new dwellings in areas earmarked for higher-density development to be affordable housing

The State Government is promoting ‘renewal’ of a number of areas, especially in Sydney and Newcastle. The initiatives have different names — priority precincts, growth centres, urban renewal areas, state significant sites — but are commonly characterized by land-use rezoning and/or changes in planning controls to allow for greater density of offices or housing.

Whether the new housing is to be predominantly low rise, as in the growth centres in Sydney, or predominantly high-rise, as in the priority precincts, there have been no targets for or commitment to affordable rental housing.

Recently targets have been proposed by a number of groups – some as high as 33%. Requiring at least 15% of new dwellings in precincts earmarked for higher-density development to be affordable rental housing will ensure that lower-income households have access to the benefits that are expected to come from higher densities. This will contribute to greater social mix, countering the polarization of our towns and cities by wealth and income.

Recently the Government has gone to the market for interest in redeveloping 7 government-owned sites with a mixture of social, affordable and market housing. While this ‘Communities Plus’ initiative has merit, a consistent target across all precincts earmarked for high and medium density development is necessary to make a consistent and meaningful contribution to the supply of affordable rental housing.



9

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

It's well known that there is a spatial aspect to the distribution of wealth, income and opportunities. Some of this is because of geography itself — some parts of the state are easier places to live and make a living. NSW towns hug the coast. But it is also part of the policy decisions we make. Policy decisions affect where amenity, employment and low cost housing are concentrated in our cities. And much of it is driven by the way redevelopment takes place — whether it is speculative, how much it is allowed to displace existing residents.

It is important that urban development include places for everyone, the well-off, poor and in-between (social mix).

In the past, a lot of public-housing was built in inner and coastal areas that were not considered desirable. These days the land on which this housing is sitting is valuable and government is selling and redeveloping some of it. This public-housing, especially in inner-urban areas undergoing intense gentrification, contributes to social mix.

The Government should keep public-housing in high-value locations to allow for a fairer distribution of housing opportunities.

10

Make private rental more secure — by amending residential tenancies law to prohibit 'no cause' evictions

Nearly a quarter of NSW households now live in private rental housing. The Parliament should consider how this tenure can offer people homes not just shelter.

Increasingly, low and moderate income households are wedged, since they can't afford homeownership and are ineligible for social housing. So they must make their homes in the private rental market. A Tenants Union of NSW survey (2014) found that most tenants were renting because they could not afford to buy their home. Two-thirds of the tenants surveyed had moved between 1 and 4 times in the last 5 years.

As house prices have escalated and social housing is more heavily rationed to the very needy, the role of the private rental market has changed. It is now a tenure where lower income households will make their long-term homes. But the laws around residential tenancies have not caught up — and leave tenants without decent security. There is a high level of anxiety among tenants about moving. Over 90% of the tenants in the survey said they would be worried about finding a suitable place to rent at a rent they could afford, if they had to move from their current housing.

The Scottish government is proposing to remove 'no cause' evictions'. The NSW government should do the same: amend the Residential Tenancies Act to prevent evictions where there is no just cause. It should only allow a landlord to terminate a tenancy for reasons that are specified in law and can be challenged in the Civil and Administrative Tribunal. The current statutory review of the Residential Tenancies Act provides a perfect opportunity to make this change.



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