

Inner West Council Housing Affordability Advisory Committee

Submission to the Committee on Community Services
Inquiry into options to improve access to existing and
alternate accommodation to address the social housing
shortage

Disclaimer: This submission reflects the views of the named Committee members only, not
the Inner West Council.

Authors: Hazel Blunden, Michael Zanardo, Rachael Haggett.

Thanks to Jon Atkins.

August 13, 2021.

The Housing Affordability Advisory Committee (HAAC) is a standing committee of the Inner West Council.

Members are drawn from the community and act in a voluntary capacity. The current membership is David Collins-White (Chairperson), Hazel Blunden, Michael Zanardo, Rachael Haggett, Ashwin Parameswaran and Paul Adabie. This submission reflects the views of the HAAC members only, and do not represent the views of the Inner West Council.

The Committee is conducting an inquiry looking at options to improve access to existing and alternate accommodation to address the social housing shortage. This submission will address the overall purpose of the Inquiry, and each Term of Reference. We provide practical suggestions - see Recommendations at the end of the document.

Scope of Inquiry

The Inquiry is extremely limited in scope. It is the case that there is a severe social housing shortage in NSW. The Committee and its Terms of Reference does not seek to challenge budgetary and policy decisions of the NSW (and Commonwealth) governments that ensures there is an undersupply of social housing. This is an active choice made by governments. Globally¹, and at different times in Australia², governments have chosen differently.

The Inquiry limits itself to examining how to make better use of existing housing alternatives, rather than address the key underlying issues (to use a well-worn phrase, 'the elephant in the room'³ of growing housing unaffordability) which is a severe lack of social housing in NSW, coupled with deteriorating affordability of both rental and home purchase options. This is a result of many years of housing policy failure⁴. This failure to act to re-set housing policy settings has seen increasing housing stress on ordinary Australians, with new effects caused by outmigration from cities impacting on housing affordability in regional communities.

Despite this Inquiry's narrow scope which seems to us be to 'tinkering at the edges' **there are some practical changes the Inquiry could consider to make better use of existing land, buildings and housing providers to augment social and affordable housing supply relatively quickly.**

- a) options to better support 'meanwhile use' (temporary supportive accommodation), and the current major planning barriers to 'meanwhile use'

Temporary accommodation can occur in any commercial setting fit for purpose such as motels, caravan parks, pubs with rooms above, etc.

¹ For example, the Singaporean government has an extensive social housing program, as does the Netherlands, the UK and Austria, to name but a few. Other countries such as Germany, Sweden and some urban jurisdictions in the USA also use rent control/moderation measures in the private rental market.

² For example, in the post-World War II period successive Commonwealth governments pursued an expansive social housing building program.

³ See the recent report: MacLennan, D., Long, J., Pawson, H., Randolph, B., Aminpour, F. and Leishman, C. (2021) Housing: Taming the elephant in the economy; Sydney: UNSW City Futures Research Centre. <https://apo.org.au/node/312736>

⁴ Eslake, S. '50 Years of Housing Policy Failure'. <https://www.prosper.org.au/2013/09/saul-eslake-50-years-of-housing-failure/>

In NSW's regions we hear of people suffering severe and worsening housing affordability issues. The government itself has called this a 'housing crisis'⁵, drawing attention to severe shortages of affordable housing options in the Northern Rivers and Coffs Harbour areas. Similar problems have arisen in other regional areas of NSW as well. The problem is the lack of adequate supply of rental properties at price points affordable to low-to-median income households is not keeping up with demand. There is fierce competition for private rentals. While there are people who have the capacity to pay for rental, they compete against many others to have an application accepted. Unsurprisingly, real estate property managers and landlords will choose the potential tenants who will pay the most and present the least perceived risk. Private landlords are not social housing providers or charities, and to expect them to behave as such is unrealistic. In the long term, new builds of social and affordable housing managed by Housing NSW and community housing organisations is essential.

Since the Committee is concerned with 'in the meantime' housing, quick, easy solutions include residential park-style accommodation and 'dongas' (mining camp style accommodation) with small inbuilt bathrooms or amenities blocks. Removable dwellings cost less than permanent structures and can be taken to or built at the place of greatest housing need. Government-owned land or larger acreages close to towns would be suitable. As with wind farms, landholders could be approached with proposals to lease their land for a period of time, providing them with income. The management could be performed by a local community housing provider or Housing NSW, which already houses people in a range of temporary and more permanent accommodation. Residential parks legislation could be used for landlord/tenant agreements instead of residential tenancies legislation. However, the question needs to be asked, while this could be a temporary or 'in the meantime' solution, if allowed to persist, will it create a class of low income temporary accommodation dwellers akin to low income 'trailer park' communities in the USA – and is this really what we want for Australians? A permanent housing underclass, relegated to fringe dwelling in dongas, caravans, 'tiny homes', tents, and other temporary structures?

Governments could consider encouraging the conversion of commercial building space into residential dwellings, especially now commercial space is underutilised due to the pandemic and changing work patterns. Currently there may be buildings used for other purposes, for example commercial/office, that could be converted to residential use. Those with already existing facilities like kitchens, bathrooms with showers, and opening windows would be the most appropriate. Even offices without these features can be reconfigured relatively quickly. Extra kitchenettes and bathrooms could be added using internal temporary walls and exposed plumbing. However, we caution that not all commercial buildings are appropriate for conversion⁶. Commercial buildings often have deeper floorplates, lower ceilings (particularly older ones), poor solar access⁷ and fewer windows (sometimes not openable) which would make internal amenity poor without significant adjustment of the building itself. Therefore, only some buildings would be suitable and should be assessed for their appropriateness.

The Chair of the Committee has stated in a media release that the Committee is concerned with the "empty buildings out there" and wishes to "remove the barriers that are stopping these buildings being used as social

⁵ NSW Land and Housing Corporation 'Addressing the housing crisis in Coffs Harbour' <https://www.dpie.nsw.gov.au/land-and-housing-corporation/news/addressing-the-housing-crisis-in-coffs-harbour>

⁶ See for instance articles 'Converting shops to flats could lead to low quality homes', <https://www.theguardian.com/money/2021/may/15/converting-shops-to-flats-could-lead-to-low-quality-homes>.

⁷ See Professor Nicole Gurrans's comments in Twitter: <https://twitter.com/Planosopher/status/1384316210838261761>

housing.” An option is to identify vacant residential dwellings (often left empty by investors) and both incentive landlords to allow these to be leased for social and affordable housing rental (for example, via tax concessions similar to the US’s Low Income House Tax credit or the tax concession used in the National Rental Affordable Housing scheme). In addition, the NSW Office of State Revenue could impose an ‘unused residential dwelling’ levy on landlords where residential dwellings are left empty for more than a certain period of time (e.g. three or six months). Victoria already has such a tax⁸.

Current planning instruments are able to designate buildings as ‘commercial, ‘residential’ or mixed use (both) so we do not foresee any specific barriers within the planning instruments.

Given the pandemic’s impact on commercial office space in Sydney, and even in some regional centres, there may be some buildings with significant vacant spaces. We should not assume that offices will return to ‘normal’. Even after restrictions relax post-vaccinations, many businesses and workers may choose to continue to take advantage of flexible working conditions that have now become normalised and have freed up office space.

So, the main barriers would seem to be (a) existing zoning and usage specification (b) need for funding to create temporary accommodation/carry out conversions of existing buildings (only where they are assessed to be appropriate for conversion to give appropriate residential amenity).

- b) options to improve access to existing accommodation to provide community housing

Headleasing is a quick and well-known way of bringing more rentals into the social/affordable housing sector. This is where a housing provider enters into a residential tenancies lease with a landlord, then sub-leases the premises to a tenant at an affordable rent, with the housing provider paying the difference or ‘gap’ between market rent charged by the landlord and the sub-market rent paid by the tenant. The advantages of headleasing is that existing private rentals can be quickly brought into the social/community housing sector and can be offered to lower income people for below-market rents.

With more funding for this purpose, community housing providers could theoretically increase their headleased rental portfolios fairly rapidly. However, a key barrier is the shortage of available rental properties for headleasing. Vacancy rates are quite tight in many areas of NSW and some landlords are reluctant to lease their properties for social/affordable housing purposes, due to perceived risk. Nevertheless, if Government wishes to extend a tried and tested strategy, it can simply allocate more funds for headleasing purposes to Housing NSW and community housing providers to conduct headleasing activities.

Headleasing would work best in areas where there are rental properties on the market that may be hard to lease or there is low rental demand. For example, the current vacancy rate for middle Sydney suburbs is 3.9%⁹ which is quite high and indicative of opportunities. The drawback with this strategy is that in aggregate regional rental markets currently have extremely low vacancy rates, ranging from 0.5 in Albury and the South Coast to 1.9 in Orana¹⁰. Those regional areas with lower rents typically have weak employment markets – a case in point would be Broken Hill, where median rents are just \$270¹¹ but there is not much demand to live there. However, for older people and people who cannot

⁸ See <https://www.sro.vic.gov.au/vacant-residential-land-tax>

⁹ Real Estate Industry NSW Vacancy Rate Survey Results July 2021, https://www.reinsw.com.au/REINSW_Docs/Vacancy%20Rates/2021/REINSW-Vacancy-Rate-Result-July-2021.pdf

¹⁰ Ibid.

¹¹ Median rent as of 13 August 2021, [realestate.com.au](https://www.realestate.com.au)

undertake much employment, a move out to a regional town may be an option they have not considered, and headleased properties could be cost-effective in such areas. Outmigration would also boost the local population and demand for services and business. Since community housing providers are currently struggling to access headleased properties in booming regional areas such as in coastal and hinterland LGAs, without new supply, headleasing will not deliver many more properties to portfolios as landlords will typically choose to rent to a strong field of would-be tenants prepared to pay increasing rents, rather than to a community housing provider.

In the long-term, in tight rental markets, headleasing is a 'pay Peter to rob Paul' strategy as it just uses what is there – it does not add to rental housing stock. Every headleased property becomes unavailable to a private rent and every private rental becomes unavailable for headleasing – it is a zero-sum game. However, the NSW Government could try to boost capacity via increasing headleasing activities in some rental sub-markets such as where there are higher vacancy rates such as inner, middle and outer Sydney, and perhaps look for sub-markets in Orana, Northern Rivers, New England, Central Coast and Murrumbidgee (where they exist – these areas have vacancy rates of less than 2%). In conclusion, there is nothing preventing Housing NSW and community housing providers from expanding its headleasing activities if they were provided with funds to do so.

c) options for crisis, key-worker and other short-term accommodation models

All of the above suggestions – new temporary accommodation, conversion of commercial into residential and headleasing are appropriate for key workers and those who need short-term accommodation. Key workers can be allocated affordable housing by housing providers now – for example, the Inner West Council and Canada Bay Council offer designated key worker units within their affordable housing programs. City West Housing Company requires applicants to have some connection to, or work in, the City of Sydney LGA. The key here is not eligibility criteria but enough supply of housing to offer to key workers. Supply (short of building new housing for key worker purposes) could, in the short-term, come via headleasing, or construction of temporary accommodation, as discussed above. In addition, as discussed above, vacant residential dwellings could be proactively identified and targeted for an offer to the landlord to be used as social/affordable housing, and/or taxed if left empty, with revenue put towards social and affordable housing purposes.

d) barriers to additional supply across NSW, including for smaller non-CHP housing providers

We submit that the main barrier to additional supply across NSW relates to decisions of Governments not to supply more social and affordable housing. If governments acted on the scale that previous Australian governments have (for example, the post-War building effort in the 1940s-1950s by successive Labor and Liberal Governments) then the problem would be tackled.

Larger housing providers have the advantage of scale while small-scale providers may need extra funds and additional expertise to assist them develop vacant land for social/affordable housing purposes. For example, charities, religious groups and Aboriginal Land Councils often own under-utilised land but need extra assistance for development costs and may need help managing housing provision if this is not part of their 'core business'. A good example of practical assistance is the

Community Housing Innovation Fund (CHIF)¹² and the Social and Affordable Housing Fund¹³ that has helped providers such as St Vincent de Paul's Amelie Housing develop 1285 new units of social and affordable housing by June 2020¹⁴ in various locations in NSW. Smaller providers may need a bit of extra assistance to 'turn developer', but they are capable of doing it, with support.

This could be funded by a number of revenue-raising measures which have all been suggested before at numerous NSW and Commonwealth Inquiries focusing on housing affordability problems such as changes to commonwealth taxes and state levies and reallocation of funds to where they are most needed – away from wealthier property owners to less advantaged Australians who do not own residential real estate (see recommendations). We do not accept that these measures 'can't be done/are not realistic' - they are, and other countries with few housing affordability problems prove this to be the case.

e) support for and accountability of registered community housing providers

While it is a little unclear what 'problem' the Term of Reference (e) is aimed at, we assume it is hinting that the community housing providers (CHPs) may need more support to increase their activities and housing portfolios. CHPs are supported by Government and their peak industry association, the Community Housing Industry Association (NSW). There is definitely a need for more support – as we have outlined, with more funding for capital investment and headleasing, the community housing sector could expand its operations.

With regard to 'accountability', registered community housing providers are already governed via legislation and a regulatory framework which requires registration, classification into Tiers and reporting and compliance. Registered community housing providers are required to meet stringent accountability standards to demonstrate fitness to operate in order to maintain their registered status. It is opaque to us what the Inquiry means by 'accountability': for housing outcomes? Tenant behaviour? The lack of social and affordable housing in NSW (although, clearly not the fault of providers)? If there are specific examples of a lack of accountability or compliance issues, that needs to be addressed via stronger regulation of providers.

Given the 'problem' that (e) is aimed at addressing is not clear to us, we are unable to comment further.

In summary, the main problem facing NSW is a chronic lack of social and affordable housing. We need a spectrum of housing choices for those who are largely dependent on Centrelink payments and low to median income working households. The situation in some of NSW's regions is critical – there are reports of people living in caravan parks and even camping on rural lands and illegally in the bush in national parks¹⁵ – people who used to rent in towns, but now cannot access affordable rental accommodation. Clearly things have changed, and the NSW Government needs to keep up with

¹² For more information about the CHIF, see: <https://www.australianenders.com.au/tenders/445600/community-housing-innovation-fund/>

¹³ For more information about the SAHF, see: <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/SAHF>

¹⁴ Amelie Housing Annual Report, Financial Year 2019-2020. <https://ameliehousing.org.au/wp-content/uploads/2020/11/Amelie-Annual-Report-FY20.pdf>

¹⁵ For example see these article about homelessness in and around the Northern Rivers: <https://www.abc.net.au/news/2021-04-09/byron-bay-housing-emergency-council-establishes-land-trust/100057680>; <https://www.abc.net.au/news/2019-10-30/byron-bay-homeless-going-bush-to-find-a-better-life/11650904>.

changing settlement patterns, some of which have been spurred on by the pandemic, resulting in outmigration from Sydney to the regions (as well as to other the States/Territories). While we can recommend temporary and stop-gap solutions including temporary accommodation construction and more headleasing, in the long-term capital investment is more cost-effective. Indeed, if the NSW Government had the foresight, it could create a broad self-funding social/affordable housing sector across NSW, that would be revenue positive via harnessing cross-subsidisation from expanding to house a broader range of income groups¹⁶, and even offer more affordable home ownership products by increasing Landcom's First Home Buyer¹⁷ products, but sadly that seems to be beyond the current narrow policy settings.

We conclude with some practical recommendations below.

Recommendations:

1. That the NSW Government:
 - a. identify underutilised commercial spaces that could most easily be converted to residential use;
 - b. identify under-utilised land reasonably close to an urban area that could be used for the provision of temporary dwellings (including government-owned, and privately-owned), land;
 - c. rezone land to allow for residential uses where opportunities are identified..
2. Expand the use of headleasing by
 - a. using existing vacancy rate data sources to identify opportunities in urban and regional rental submarkets where rental vacancy rates are higher than average;
 - b. providing increased funds for headleasing to Housing NSW and community housing providers so they can headlease more private rental properties and offer them to low-income households for rent.
3. Expand social and affordable housing supply by:
 - a. increasing budget allocation in the NSW budget for social and affordable housing purposes;
 - b. diverting money away from wasteful and inequitable tax subsidies such as the Capital Gain Tax discount and 'negative gearing' tax arrangements and towards the housing needs of low-income renters;
 - c. encouraging a more comprehensive approach to the provision of affordable housing, in particular, by introducing an inclusionary zoning approach that requires a contribution from all development across all NSW local government areas, supplemented by a value capture approach as entailed by SEPP 70;
 - d. imposing 'betterment taxes' around large infrastructure developments;
 - e. utilising airspace over publicly-owned transport hubs, car parks, etc. for social and affordable housing purposes;
 - f. replacement of stamp duty (which is a levy on moving house) towards a broad-based land tax system;

¹⁶ City West does this currently – very low-, low- and moderate-income households with incomes up to up to \$118,300 make up its tenant base. <https://citywesthousing.com.au/eligibility/>

¹⁷ Currently Landcom 'was asked to deliver 500+ First Home Buyer products by September 2019' in Oran Park Town, Hillcroft and Newbrook (all in western/southwestern Sydney). This program could be expanded, and sites could be expanded to the regions where urban development is occurring.

- g. utilising economies of scale by conducting a large program of new builds of both permanent and temporary social and affordable housing across NSW;
- h. assisting smaller CHPs via programs such as the Community Housing Innovation Fund¹⁸ and Social and Affordable Housing Fund¹⁹ to make the best use of their landholdings for social and affordable housing purposes, and to expand their operations into the future to scale up;
- i. direct employment of engineers/builders/construction workers/tradespersons by Infrastructure NSW to construct housing rather than outsourcing this to expensive developers/construction companies/consultants that charge a premium;
- j. offering expanded affordable home ownership products to means-tested households via Landcom, not only at Sydney's fringes but also in expanding regional centre in NSW;
- k. assisting smaller community housing providers and Aboriginal Land Councils to best utilise landholdings for social and affordable housing purposes via funding and capacity development.

We wish the Committee well in its Inquiry and look forward to seeing the final report.

18

¹⁹ For more information about the SAHF, see: <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/SAHF>