



Submission by Shelter NSW to enquiry by NSW Productivity Commission into Kickstarting the productivity conversation

Shelter NSW submission

Shelter NSW has operated as a peak housing policy and advocacy body for more than 40 years. Historically our focus has been on understanding the housing system from a low-income “consumer” perspective – particularly at the service delivery level – and advocating for progressive change to promote fairness and equality within the system. This involves engagement with consumers and stakeholders at the local level and providing advice and input into policy discussions with government and its agencies. Generally, such advice is given through public and open consultation processes (e.g. submissions to inquiries) and in more private and internal ways (e.g. participation in steering committees and reference groups).

In our current Strategic Plan (2018-21) Shelter NSW has adopted a more expansive vision of “A secure home for all”. Our strategic plan commits to the development of a “shared contemporary vision and narrative that defines a sustainable and effective housing system for New South Wales”.

In the absence of both a National and State (New South Wales) Housing Strategy or Policy - we have developed a vision for a person-centred housing system that could deliver ‘a secure home for all’ and reach across the diversity of interests and voices in the sector.

Shelter NSW messages are informed and influenced by Shelter NSW’ members, supporters and stakeholders. We seek to promote these messages to politicians, government and industry, as well as engage new partners and build new collaborations as we continue to work towards an improved housing system in New South Wales.

In 2019 Shelter NSW embarked upon a series of statewide discussions and consultations. We set out a series of points for contemplation and discussion with stakeholders across the state. There are five key elements Shelter NSW has identified that underpin the delivery of our vision of “A secure home for all”.

1. Everyone deserves a secure home to call their own – housing is recognised as a fundamental human right which transcends the house as a simple physical shelter.
2. A diverse and integrated system provides a variety of options – housing can be provided by market-driven, government or non-government organisations that together deliver appropriate housing across a full range of household incomes.
3. All tenures provide dignity, stability and affordability – housing in all its forms is regulated in ways that provide agency, security, comfort and affordability to occupants and households.
4. Cities, neighbourhoods and homes are built for diversity and inclusion – urban planning, design and construction standards reflect the principles of equitable development.
5. Communities are supported and engaged through change – regardless of which part of the housing system residents occupy, cohesive neighbourhoods and strong communities exist across tenures, and households are engaged in processes to design and manage interactions, and responses to change within the housing system, as and when it suits them.

The feedback from regions is currently being collated and Shelter NSW will utilise feedback to progress state wide discussions in 2020.

Shelter NSW provides the following commentary on the **‘Kickstarting the productivity conversation’** paper from our platform of seeking to secure housing for all residents in NSW.

Section 8 Planning for the housing we want and the jobs we need

What steps could the NSW government take to improve residential development regulations to support an adequate supply of housing

The National Productivity Department Report on Housing and Homelessness 2018 provides a great deal of context for this submission, identifying factors that are relevant across Australia but particularly in NSW which has the lowest rental housing affordability in the country.

Australians have long harboured expectations that every working individual can expect to participate in home ownership. Renting was once considered a short-term form of tenure for young people, and public housing once provided for low income, vulnerable families and individuals with vulnerability or disability. Current economic circumstances, particularly in greater Sydney, have meant that low income, and moderate income families are renting more, and for longer periods.

There are concerns for vulnerable private renters, most of who have moderately low to very low incomes. Renters also are struggling to find affordable rental property close to employment opportunities. More than 1 million low-income households (2.65 million people) rented in the private market in 2018, a figure that has more than doubled over the past two decades.

Many vulnerable private renter households struggle with rental affordability. Two-thirds spend more than 30 per cent of their income on rent — the commonly used benchmark for identifying 'rental stress' — and many spend much more. 170,000 households have less than \$250 available each week after paying rent. The increases in rent prices in the private rental market has masked a deterioration in housing affordability for vulnerable renters; those in the bottom 40% of income distribution.

Many households experiencing rental stress successfully escape within 12 months, generally through securing higher paid work. However, progressively more renters are becoming 'stuck', with about half of these households still experiencing rental stress four years later.

While renting privately offers flexibility — desirable for many — moving involuntarily can be disruptive for low-income households, families with children, older people and people with a disability. It can heighten the risks of financial hardship and homelessness, especially if little notice is given.

This population has a strong mix of Indigenous people, residents with a disability, or aged persons due to the increasing numbers of over 65 years persons in NSW. All of these population groups will continue to grow over the next few decades, many of whom will face increased unaffordability of housing in the communities where they currently live.

As the Federal Productivity Commission Report noted “Housing affordability in the private rental market, measured as the share of disposable income spent on rent, is poor for many vulnerable households. On average, they spend almost 40 per cent of their disposable income on rent. This is nearly double the level of other households, and it has been steady at this level for the past two decades” (p12). The report goes on to note that while the population of low income households increased by 42% the number of low income households renting privately increased by 134%, and the number in public housing has fallen by 6% leading to increased rental stress in low income households, doubling since 1994-95 (over 2/3 of households p12).

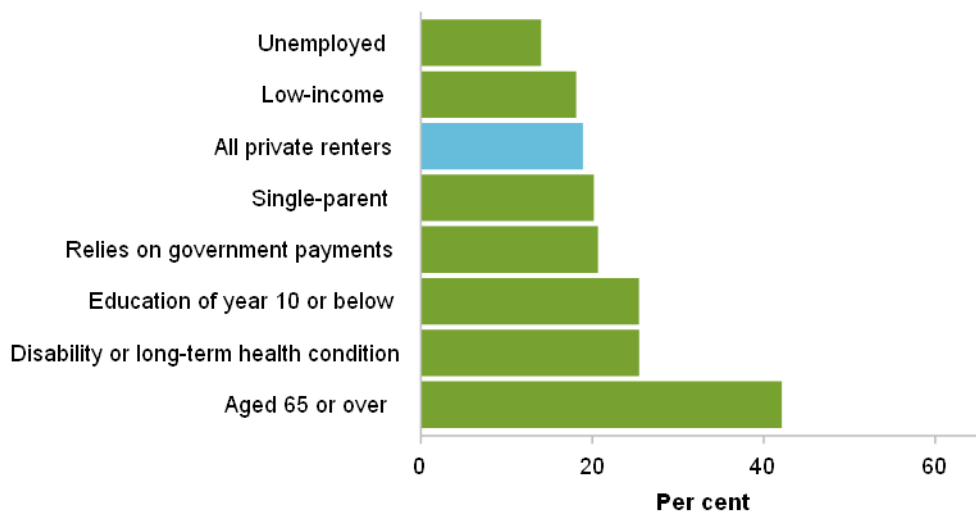
This disparity in available income for general life expenses compounds the disadvantage experienced by low income households struggling to provide for other expenses such as food, utilities, education and transport. This also makes the capacity to seek home ownership out of reach of lower income, full time working persons, especially if they seek to live close to their place of work in many parts of Greater Sydney. The need for affordable accommodation means renters often relocating adding long commutes to places of work and tertiary education.

The stock of public and social housing has not kept pace with the growing number of families and single persons experiencing hardship due to health, family circumstances and underemployment. While the current social housing stock is providing affordability for some, it struggles to keep pace with demand let alone provide secure housing close to where the person has connections to family and friends. Waiting times are very long, from five to more than ten years in most areas in demand, and it is extremely difficult to secure housing for lower income households unless they can justify a certain number of 'high needs' qualifying them for the priority list. This creates its own set of issues by limiting the possibility of cross subsidy and concentrating disadvantage in certain communities.

Private rental in NSW does not provide security of tenure and many private renters will move very frequently, disconnecting families with their community and family connections, and deconstructing any social capital the community may build to informally and formally support vulnerable families. NSW residential tenancy laws could improve certainty of tenure for vulnerable tenants by providing changes to NSW tenancy laws from 'no fault eviction' and short notice periods for renters of up to 90 days.

Commonwealth Rent Assistance(CRA) has proven to be effective in supporting low income and low wealth households (including retirees) that do not own their own homes. However, maximum payment rates have fallen far behind average rents over the past two decades in greater Sydney. Shelter NSW would support an increase to CRA in line with National Shelter's recommendations supported by the Everybody's Home campaign (<http://shelter.org.au/site/wp-content/uploads/National-Shelter-Policy-Platform-amended-and-approved-220318.pdf> <https://everybodyshome.com.au/our-campaign/>) to provide immediate relief to lower income renters in housing stress). It is important to note, however, that an increase in CRA alone will not solve the housing crisis without other structural policy changes in order to make the housing system fairer.

Figure 10 (below) from the Federal Productivity Commission Report (p 19) demonstrates the proportion of private renters who involuntarily most recently moved due to a notice from a landlord, by various household characteristics (2013-14)



Summary Point

Reform that reduce pressure on health, education and the justice system by improving wellbeing and education outcomes of households can have productivity impacts; social and affordable housing is a key way to improve community capacity to meet their immediate and future needs.

How could the NSW government ensure regulations around zoning building codes and design guidelines are flexible and aligned with demand and preferences

On page 20 of the 'Kickstarting the Productivity Conversation report' there appears a belief that population growth is the main driving force behind housing process. The situation is far more complex than this. The incentivisation of property investment through tax concessions such as CGT discounts and negative gearing, as well as current monetary policy context such as low interest rates are other major drivers on demand.

Shelter NSW challenges the statement that development controls increase housing cost. Prices are a function of demand on orthodox markets, not of cost. It is unlikely that reducing development cost would deliver significant decreases in price for home buyers, but rather increase the profit margins of developers and property investors. Developers control supply of housing stock to an extent and are able to release stock when it best suits them, through staged sales. It is also unlikely that they will build in order to decrease house prices, making a supply response alone unlikely to address housing affordability issues. In addition to this, lower income households have to compete with property investors and higher income earners on the private purchasing market, making it unlikely that any improvements in affordability, due to increased supply, will flow down to them.

Shelter NSW would argue a significant proportion of supply should be targeted at these households in order to improve affordability for them. Inclusionary Zoning is one way to do so, through mechanisms such as Affordable Housing Contributions Schemes developed under SEPP 70. Shelter NSW has determined that a broad application of inclusionary zoning should be core to development and redevelopment to ensure a mixture of housing meets the demands of the local community without compromising development viability. When value capture mechanisms such as SEPP 70 contributions are applied broadly and with enough notice, developers are able to integrate the cost of the contributions into the price they pay for land. This reduces the increase in land value that happens following a rezoning, allowing government to deliver public benefits. As long as willingness of landowners to allow development is not affected, development viability is not affected. Given current land values and development activity in Sydney, inclusionary zoning mechanisms can be applied without affecting landowner willingness to sell as they will still receive a very significant windfall following rezoning. Inclusionary zoning would allow for good growth, inclusive growth that delivers benefits and increased amenity for communities, including social and affordable housing while avoiding displacement of lower income households.

The recent release of Local Strategic Planning Statements for Greater Sydney saw consistent concern raised by local governments about affordability of housing. Under SEPP 70, councils are now able to prepare affordable housing contribution schemes and amend their local environmental plans (LEP) to reference the schemes if Department of Planning Industry and Environment (DPIE) validates the schemes. However it is optional for a council to develop such schemes, meaning that for many Local Government Areas, very little affordable housing will be delivered. Shelter NSW would contend that

there should be a universal mandate to include affordable housing in all development in order to deliver 15% affordable housing.

Summary point Universal Inclusionary zoning would increase the supply of affordable housing in developments

Should the NSW Government level the playing field in the housing sector by supporting a more stable source of housing supply? If so how?

Community capacity and well-being is severely compromised by insecure housing, especially where large areas of private rental accommodation make up the majority of occupancies. As previously stated currently private tenants can be evicted for no reason with only 14-90 days to relocate, depending on circumstances. 65.6% of tenancies are 1–24 months in length (AHURI 2017), leaving renters with low levels of housing security. The average renter moves every 18 months (AHURI), and for low income families and vulnerable people on benefits this can increase family stress and compound disadvantage by adding unnecessary costs. Increases in rent mean low income families need to relocate to more affordable areas, leaving connections to family, friends and services such as schools, all of which provide a great deal of family support and community connection.

Instability of renting in the private market is largely due to the fact that most property investors are amateur landlords (the so called ‘mum and dad’ investors), and are looking for capital gains rather than stable rental income due to the current tax settings mentioned previously. While the emergence of a ‘build to rent’ sector managed by large providers could provide some renters with greater stability of tenure through longer lease, as these providers search for stable rental income, it is no guarantee that some renters will not experience displacement and instability. Replacement of the ‘no grounds eviction’ with ‘reasonable grounds eviction’ legislation could contribute to better housing security for renters and improved family community outcomes for the reasons outlined above.

We note that the instability of this housing is largely due to federal tax settings and other policies that encourage speculation. Rather than further complicating and distorting the playing field by adding another concession for ‘build to rent’ providers, it would be preferable to reform the tax settings that encourage speculation. Considering that this matter is out of the control of state government, other reforms such as progressively moving from transfer taxes such as stamp duty, to land tax should be considered. This should also be accompanied with the introduction of ‘reasonable grounds’ evictions in order to guarantee stability for renters.

As the price of housing increases, workers on low incomes are forced to move further away from employment centre’s increasing commute times, traffic congestion and peak transport usage which all has a negative effect on family and community wellbeing and connectedness. The additional travel times imposes a cost on human capital, and comes at a cost to the informal economy of community participation and volunteerism which contribute much to community capacity.

Summary point No grounds eviction should be replaced by Reasonable grounds eviction

What is the most efficient mix of planning regulatory and tax settings to deliver outcomes that get the balance right between tenure security and housing mobility?

It is Shelter NSW' recommendation that government policy and funding provide for greater housing choice to balance labour mobility with tenant security in recognition that poor tenure security leads to poor community and family outcomes.

Page 18 of the commission's paper identifies the issue of 'reducing inefficiency in property taxes' discussing inefficient taxes such as Stamp Duty. This is further expanded in section 7.3 from page 97. A more practicable example is the progressive land tax recently implemented by the ACT government. The Land Tax is charged to all residential properties other than owner occupied properties regardless of occupancy (the Canberra Times 2018) introduced in favour of Stamp Duty which is gradually being phased out over 20 years.

Lack of mobility can be attributed somewhat to owner occupiers who are reluctant to change their living circumstances for fear of the impact of Stamp Duty and therefore remain in under utilised properties as they age. This is compounded by poor availability of diverse housing options in their own communities and when people need to downsize, accommodation is not readily available in their community of choice. This forced relocation can fracture personal and community wellbeing and compels residents to remain in untenable living situations far beyond practicality, to avoid Stamp Duty and relocation. Introducing a phased in Land Tax would transition State Governments reliance on revenue from Stamp Duty.

Strong investment from the sector in 'build to rent' will contribute to increased provision of rental accommodation providing stable and affordable housing across NSW to meet demand rather than investor interests. Incentives such as tax exemptions for 'build to rent' developments can improve availability in communities where further development opportunities exist.

Communities Plus, whilst providing much needed additional housing is not the only solution, as the assets, once converted to private/public mix are totally utilised, and cannot be brought back into to social housing. On Page 89 of the paper there is discussion of better use of social housing assets and notes that the self-funding model relies on selling assets to pay for maintenance/funding the system. Shelter NSW believes this is selling an appreciating asset (land) to fund maintenance of a depreciating asset (the house) making it a fundamentally unsustainable model.

Meanwhile use (mentioned in 6.6, p 90) is an excellent provision for under utilised stock and could be better provided for by accessing redundant building stock held by the state government departments. This utilisation however must be matched with available affordable housing pathways for people exiting from temporary accommodation; otherwise the meanwhile use is a risk of becoming 'permanent use' due to lack of affordable transition pathways into sustained housing.

Tenancy law currently allows for 'No grounds' eviction which as previously stated reduces security of housing increases the frequency of relocation for renters adding unnecessary cost and stress to already vulnerable people.

Summary point

Implementation of Progressive Land Tax would provide for a more equitable application of taxation on housing and support development of appropriate and diverse housing provision

Meanwhile use is an appropriate response to Transitional accommodation needs but additional social housing is required for people to transition into

'No grounds eviction' under tenancy law should be replaced with reasonable grounds for both tenants and landlords

What could the NSW government do to improve efficiency in planning system administration and ensure economic and community benefits

As mentioned previously the universal application of Inclusionary Zoning will ensure provision of affordable housing can keep step with increasing demand for affordable and more diverse housing.

Viability testing undertaken by local government is a time intensive process that adds unnecessary burden to Councils and a universal application of contributions without requiring councils to demonstrate viability would provide a much more efficient system and provide more certainty in contributions. Testing of viability should be left to the market.

Summary Point

Universal application of developer contributions for the purposes of affordable housing such as SEPP 70 contributions would reduce red tape and provide certainty for councils on levels of contributions to affordable housing and other local government infrastructure

Minimising red tape and complexity

The planning system has evolved over years to better respond to community needs and expectations that buildings approved for development meet certain standards for safety and livability. The criticism of 'red tape' processes denies the importance of due process in approving dwellings especially in areas where poor construction and land management might place occupants at increased risk, for example bush fire and flood prone areas, or poor construction practices such as the Opal Tower building in Sydney in 2019.

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