

Response to the NSW Housing Strategy Discussion Paper

1. Introduction

Who we are

Newtown Neighbourhood Centre (NNC) is a community based organisation that has served the local Inner West community of Sydney for over 40 years. NNC runs a program of support for boarding house residents in the Inner West – the largest such program in the State. It also has a program of outreach to rough sleepers in the area, which is now being expanded to the City of Sydney. While NCC has a long-established positive reputation and depth of experience working with people who are homeless rough sleepers and people at risk of homelessness, including many living in boarding houses, we also work with older people and families with young children.

The most common presentations to our services overall are from people experiencing rental stress and housing unaffordability issues, insecurity of tenure, poorly maintained housing and homelessness.

The discussion paper

We welcome the State Government's decision to develop State-wide housing strategy, and to integrate such a strategy across the range of portfolios whose policies will impact on housing. We strongly support the proposal that a range of agencies should have specific housing action plans. We also recognise the importance of having such a document to help signpost and articulate community aspirations.

We also welcome the opportunity to respond to the discussion paper and hopefully contribute to the shape of the Strategy. At the same time, we have some reservations about the effectiveness of many consultations. For example, the 2017 consultation on homelessness services *Foundations for Change*, that promoted a renewed emphasis on early intervention for homelessness and greater preventative measures, is yet to be fully implemented. The 2019 Boarding House Act (2012) consultation is yet to be reported on. We trust many of the action points identified in these consultations continue to be progressed.

In this submission we will principally discuss

- key elements of the framework for the Strategy from the point of view of how effective it will be for the vulnerable people in our community
- the affordability theme of the proposed Strategy
- some comment on some of the remaining theme

2. The framework for the strategy

The following remarks relate to small number of key issues in the approach taken to the strategy that we believe must be addressed if it is to have any chance of being effective.

Key assumptions – rate of growth

Much of the discussion paper and, it would seem, the Strategy, relies on existing policies and assumptions developed over recent years by other agencies. While this is understandable, it cannot be done uncritically.

For quite some years major planning, housing and urban policies have been underpinned by high growth projections. Not only have these been the basis for the Greater Sydney Commission's plan for Sydney, but they have provided the rationale for policies to support dramatically increased housing densities - particularly in inner city, high cost areas. These policies have supported and favoured the development industry – frequently at the cost of community well-being and housing standards. They have driven up housing costs and driven spatial inequality in the city. Equally, they have supported transport infrastructure decisions that have seriously damaged community well-being. All of these have had a serious impact on the most vulnerable, with whom NNC is most concerned.

However, regardless of the appropriateness of the policies driven by these population projections, the critical point is that the Covid-19 pandemic has unquestionably meant that they are no longer correct; and that Australia will experience a much slower rate of growth and in all probability, a very different composition of growth.

Australia's population growth projections rely almost wholly on projected immigration intake¹. Currently, this has effectively stopped as our borders have closed. Even as they re-open, perhaps in 12 to 18 months, it is very unlikely that we will see a return to the previous patterns. In particular, it is now widely assumed that overseas student numbers will never return to anything like their previous levels. Added to this, changing relationships between Australia and China make it far less likely that speculative investment from that source, which played a considerable role in housing demand, will continue as it had previously done.

Taking a longer view, world population growth is now projected to peak within the next few years and then decline dramatically – except in Africa. Combined with the certain pressure of growing numbers of climate change refugees and refugees from conflicts in an increasingly unstable global environment, we will see the immigration pressures irresistibly shift to towards refugees. Our immigration intake is highly likely to be flowing into housing demand from low or very low income households, requiring an entirely different pattern of housing supply than our recent intake. While the impact of these global trends on Australia are both somewhat longer-term and speculative, the long-term nature of housing supply means they should figure in any genuine strategy.

We appreciate – and welcome the fact – that the Strategy is intended to be data driven, and to rely on the latest data revisions. However, the near certainty that something as

¹ The housing demand projections involve some other variables, the trend to smaller households, hidden demand for over-crowding due to unaffordability, but these are swamped by the demand from immigration. Moreover, housing demand is additionally related to the rental demand from large numbers of temporary migrants – particularly tertiary students; and the speculative demand from overseas investors – a large proportion of which had been from China.

fundamental as growth projections being no longer correct is not something that can be retrofitted to a housing strategy, for which it is primary driver. Given this, a fundamental revision of the parameters and the responses outlined in the discussion paper is essential for the strategy to be coherent.

When responding later to the affordability issues discussed in the paper, we will also consider whether the demand assumptions for social housing are correct.

Consideration of causal factors

It is a strength of the discussion paper and proposed Strategy that it considers housing affordability as one of the major elements of any housing strategy. However, there is a significant gap in the discussion that seriously undercuts this strength. There is no discussion of the housing causes of unaffordability. Without this, it is hard to see how any strategies to address it could be meaningful.

Because of this gap, we would first like to stress that the implicit explanation – one which has been explicitly argued by the Government at other times – is not adequate. This is the argument that housing unaffordability is a product of aggregate undersupply. This is demonstrably untrue, since prices failed to respond to the substantial increases in overall supply supported by government over recent years. There are a number of reasons for this which should be reflected in the strategy:

Housing markets are highly differentiated – particularly around price points, but also by products and location. Development (supply) aimed at one part of the market will not meet the demand from another. Moreover, it will frequently displace existing supply. The loss of low-cost housing in order to redevelop high price housing in high value locations has been a significant driver of unaffordability, despite an increase in aggregate supply. The other is that a high proportion of housing demand has been speculative, that is it has been driven by the expectation of future appreciation rather than the demand for accommodation². This has been super-charged by many years of government incentives, particularly capital gains tax depreciation supported by negative gearing. And in some local areas, the growth of short-stay accommodation (Air BNB) has displaced existing rental accommodation & inflated prices.

Some crucial implications of these observations are: that the supply and demand of low cost housing must be treated as a separate issue to aggregate supply; that measures to strictly limit speculative demand are a crucial part of any housing strategy³; and that preventing the displacement of low-cost housing should be a serious element of housing strategy.

These drivers are particularly obvious in the work of NNC with boarding house residents.

² The most telling demonstration of this distortion is that the vast majority of negatively geared properties are existing housing, rather than investment that increases supply.

³ While some of these measures are Commonwealth responsibilities, measures that affect land value are State responsibilities. Land value, and the manipulation of such values by developers by strategic land banking, or by governments by rezoning, underpin housing cost and affordability. Measures such as value capture are crucial State measures to address affordability. Equally, the major change to the State tax regime with the recently announced intention to transition from Stamp Duty to Land Tax should be considered in the Strategy for its impact on affordability.

The Inner West has the largest proportion of this form of low-cost housing in NSW. However, this supply has been steadily eroded by displacement to make way for higher value housing; and without new investment in low-cost housing commensurate with the demand, homelessness and rough sleeping remains entrenched. Two clear impacts of this problem are: First, that rents charged to residents of boarding houses have increased in step with surrounding market rents, such that most do not meet any accepted affordability benchmarks. Secondly, while the registering of boarding houses has provided a very limited level of protection to residents, there are strong indications of a growth of an 'informal' and unregulated sector emerging in response to the lack of affordable supply that is frequently sub-standard and leaves resident very vulnerable.

Reliance on existing policies

It is a welcome strength of the proposed strategy that it identifies the cross portfolio responsibilities that must be mobilised to implement the strategy. More than that, "the NSW Housing Strategy will ... include action plans ... that identify actions for State agencies."⁴ This is essential – although many such approaches over the years have fallen at the barrier of cross agency governance.

However, already the paper suggests that the opposite could just as easily happen – that the Strategy could become simply a pastiche of existing policies across the various agencies. In discussing the strategic policy context⁵ it proposes that it will be "drawing from a strong framework of policy that has directly informed the Discussion Paper ... (it) will aim to unify these activities.

We have already suggested above that the policies designed to respond to growth assumptions that have almost certainly fundamentally changed would have to be critically reassessed. Since NNC's primary concern with the Housing Strategy related to its ability to address the housing needs of very-low and low income households and other vulnerable people, we must draw attention to the group of policies in the Communities group.

At least two of these have serious shortcomings. The *NSW Homelessness* strategy has some very strong points - its focus on early intervention to support people to maintain tenancies; assertive outreach to rough sleepers; and a housing first approach to ending people's homelessness. But it fails to address the fundamental gap – affordability: the lack of available low-cost housing. Rather than making it possible to sustain housing, social housing policy is intended to move people from low-cost social housing into the private rental market where the lack of affordable housing will reintroduce the single biggest risk factor in being unable to maintain a stable tenancy.

The precondition of Housing First is access to appropriate affordable housing. The recent experience of the Covid-19 lockdown has shown that it is possible to find accommodation for most rough sleepers, but it has also shown that this cannot be sustained without investment far greater investment in social housing supply.

⁴ Discussion Paper, p5.

⁵ *Ibid* p15

Future Directions for Social Housing in NSW also has strong elements. It talks of a better experience for social housing tenants. It talks of providing better support for tenants. And it talks of increasing social housing supply. But it is also flawed and critically limited in two main ways:

- As mentioned above, it aims to increase the proportion of tenants who leave social housing to achieve 'independence' in the private rental market. This fundamentally misconstrues both the nature of the private rental market and social housing itself. For the vast majority of the 35-40% of the population who are low or very low-income households, the private rental market is unsustainable without severe loss of basic well-being and life chances for themselves or their children. (More on this later). The policy of increasingly exiting people into the private rental market will place them back into unaffordable housing and at risk of social exclusion and homelessness. For most very-low and low income renters, *not just a sub-set of older people or people with support needs*, social housing provides an appropriate long-term housing option enabling improved employment⁶, health, well-being, social participation and stability for children to maintain education. While people will regularly exit social housing for a variety of reasons, a government policy to drive this is entirely counter-productive and self-defeating.
- The additional supply to be delivered over 10 years to 2026 is both inadequate and to be delivered by highly convoluted & inefficient methods. The total additional supply is 6,000 units over 10 years; although the Social & Affordable Housing Fund is in the process of delivering a further 3,400. But set against the current undersupply of 130,000 rental homes affordable to low income households⁷, around 10,000 units over 10 years is inadequate. It will not even maintain the current proportion of social housing by 2026.

Just as important, the new social housing is provided by the redevelopment of existing social housing estates by private developers, with the replacement & new social housing funded by the effective sale of high value public land with a huge increase in density. Ultimately this results in the loss of around 70% of exiting government land in these redevelopments. This is not a sustainable way to increase supply into the future. Such complex 'innovative' ways to finance increased supply simply point to the failure of government to actually invest in social housing.

These observations are important in themselves to identify the needs that the Housing Strategy will have to address⁸. But the main point is to stress that the strategy will be unsuccessful unless, as well as regularly reviewing and updating the data on which it draws,

⁶ It is important to recognise that many low-income households are employed, but that low paid and insecure jobs do not provide protection against poverty or housing unaffordability. Again, we must recognise that as a result of the Corona Virus pandemic NSW, and Australia as a whole, will experience sustained high levels of unemployment and insecure work for at least the life of this strategy.

⁷ Shelter NSW, *Around the House*, March 2016.

⁸ This does not simply relate to the social housing or homelessness policies discussed, but many others such as planning, transport, and Greater Sydney Region policies.

it also critically examines the effectiveness of existing agency policies, rather than simply adopting them as part of the Strategy.

The Discussion paper says: “Our objectives in preparing a NSW Housing Strategy are to: ... coordinate diverse housing policy to most effectively respond to challenges” (p5). If those policies are inadequate to meet the challenges, all the ‘coordination’ in the world will be pointless.

Naming the problems

From the point of view of agencies like NNC that daily deal with the real life stresses in communities and the diverse strengths and difficulties and challenges of the individual lives that make them up, it is crucial that Government strategies and policies accurately name the issues we face.

In discussing why we need a NSW Housing Strategy, the paper notes that housing is essential to wellbeing. (p4). NNC strongly supports the Policy’s framing in this way. The centrality of housing to a person’s wellbeing is rightly recognised, as is the fact that solutions to the present housing challenges cannot be undertaken by State Government alone, but in partnership with others. Indeed housing issues cannot be seen in isolation to other aspects of social policy.

But there are some ways of framing the problem that misunderstand or avoid the real challenges of individuals, households or communities. We’d like to mention just a few examples in the hope that the Strategy can be aware of similar issues.

“Housing continuum” (p3) – While this has come to be a widely used notion, it carries an implicit expectation that there is a direction of aspiration (or other value laden terms like ‘independence’). But it is simply not the case that for many lower income households – indeed for many younger households no matter what their income – that homeownership is a meaningful or sensible aspiration. That means recognising that at least three locations on the ‘continuum’ – social housing, affordable housing and private rental - must be treated as valuable and appropriate ways of being housed, and the challenge for the Strategy is to ensure that they can be that in an appropriate form.

From NNC’s specific point of view, we note that neither the ‘continuum’ and only a brief reference in the overall discussion includes boarding houses as a distinct form of housing, with specific challenges (and strengths), for low and very low income people. While only a part of the scope of the Strategy, we hope that it can be more explicitly considered.

Responding to uneven population changes – a divided society (p4) – The most significant aspect of uneven growth, particularly across our metropolitan regions, is deepening spatial inequality. We now live in a divided city that thereby entrenches and, generation by generation, deepens exclusion and inequality. This is driven by access to affordable housing, transport options, employment patterns and the like. While these individual elements are addressed in the Greater Sydney Region Plan and in this discussion paper, the fundamental outcome of these, and therefore the critical importance of solutions, is not mentioned.

Responding to the changes and preferences and needs of the community(p5) – Here too we see the role of the plan framed in terms of ‘changes’ (for example in affordability) and ‘preferences’ and ‘needs’. Of course it should do this. But what would be more welcome is a Strategy that, in recognising the ways in which wellbeing is dependent on housing, was explicit that a crucial part of its role is to address the poverty, division and exclusion experienced by so many in the community because of the failures of the current housing system.

The role of government (p6)

We recognise the varied ways in which government levers can affect the housing system; and welcome a Housing Strategy that will provide “a single guiding framework” for the way those levers should be used.

However, once again, the discussion paper understates the area we are most concerned about. It is interesting that Government is described as “investing in” infrastructure and services, but not in providing appropriate housing. There the direct intervention role of Government could be read as being limited to some fraying edges of the housing system. In fact, and we believe the Strategy must be explicit about this, the private rental market fundamentally fails around a third of all renters. The role of Government in this sort of market failure is direct investment as the primary investor for this market segment.

Discussion - Working with Partners

What data or insights could you provide to support responsive action plans?

NNC is a leading neighbourhood centre working with and supporting the community across the Inner West of Sydney. It works directly with vulnerable people, boarding house residents, and homeless people. It also works with member of the wider community to engage with this work too. It actively works with a range of Government agencies providing one-stop-shops and assertive outreach in partnership with them.

Because of this, NCC is particularly well placed to advise, test and monitor the implementation of agencies’ housing (or homelessness) strategy action plans and their fit with the community’s overall needs and aspirations

Discussion – Establishing a vision

What outcomes should the Strategy focus on?

NCC believes that the four outcomes are interrelated. Our primary concern is to see a housing system that is affordable in NSW; and the first two objectives – the right supply⁹ and diverse housing – are essential to achieve it. The fourth – enduring and resilient housing – is not only important in its own right, but to ensure that housing affordability is not at the price of a decent standard.

However, we are concerned that the objective is expressed as ‘housing that is *more* affordable’. Affordability is not a relative matter – or at least not in the sense that concerns public policy. Just as it’s not possible to be a bit pregnant, so it is not possible for housing to be a bit affordable. Housing affordability is a measure of the price of housing that can be paid without reducing after-housing income to levels that cannot support an accepted basic standard of living. It is currently the case that for those on the lowest 30% to 40% of incomes, the majority of rental housing is too high to allow them to be assured of a daily meal, meet essential health costs, enable their children to participate in school activities, and many other basic activities.

A marginal improvement in this situation is not acceptable public policy. And while housing is not something that can be transformed or delivered overnight, the minimum objective must be to see a substantial reduction in the numbers living in after-housing poverty with a view to eliminating it over the life of the Strategy.

3. The themes

Many of the issues relating to the themes have been discussed in the preceding sections. We will generally limit our comments to aspects not discussed so far. We will concentrate on the affordability theme.

Affordability (p50)

Framing the discussion

The framing of this discussion is extremely disappointing, or at best puzzling.

- It begins with a generalisation and a platitude: ‘the tenures people live in are based on their income & circumstances; housing should be affordable, stable & support wellbeing’. But it is completely unclear what conclusions are drawn from this.
- The introduction is seriously concerning. First it states that affordability & sustainability affects people’s “sense of wellbeing”. But it is not about a “sense”. It’s about actual wellbeing – hunger, exclusion, sickness, homelessness. The current statement suggests a complete lack of understanding of what is actually at issue.
- It goes on to say that affordability allows people” to spend on discretionary items”. This is quite shocking, since it is precisely the inability to afford *essential, non-discretionary items* that are at issue in housing affordability. And it ends by noting that affordability pressures create

⁹ As discussed earlier, this should not be read as a view that increased aggregate supply is the basis for achieving affordability

“flow-on impacts on the demand for social housing and homelessness services”, with the implication that this is a problem rather than an important part of a healthy housing system.

What the Strategy should respond to (and background ‘understandings’ and ‘snapshots’)

Much of the brief description of the current situation is broadly accurate, although a number of elements require some qualification or comment.

- (p55) While rent to buy provides a pathway for low to moderate income households it is not a viable option for very-low and most low income households who may never be in a position to ultimately own the house. Shared equity also has been used to enable lower income households to obtain some equity, but the effective schemes require the major equity holder to be government or a community housing provider. Altogether, these are very marginal approaches.
- (p55) Support for Council to use their own land to support various forms of affordable housing is a potentially important element of a strategy – although any commitment to be involved in housing programs has been restricted to a handful of councils over the years and that barrier would need to be broken down. Substantial work has been undertaken by the Greater Sydney Commission to develop models and support for councils to utilise their powers to levy contributions for affordable housing, which may have begun to build greater involvement. Apart from this, it would be useful to provide some emphasis on Council provided land being used for Community Land Trusts.
- (p58) Changes to the Residential Tenancies Act were at best modest and certainly did not strike an effective balance between the legitimate needs of needs of tenants and landlords. The crucial missing element, which is part of almost all well-functioning rental systems across the world, is an end no cause evictions. Until landlords are required to demonstrate that they meet one of clear list of acceptable reasons to evict tenants, there can be no security, stability, or real ability to assert the rights contained in the Act.
- (p56) Is home ownership viable for lower income households? This table is useful, but if it is about ‘understanding housing’, then it needs to draw a conclusion. In this case the answer is unequivocally ‘in most cases, no’. The avoidance of drawing the unavoidable conclusions about the NSW housing system contributes to a strong risk of not drawing similar conclusions about the right policy responses.
- (p60) Similarly, the charts on rental affordability, demand that the conclusion be drawn that *all rents* in NSW are very unaffordable to very low income earners and are extremely unaffordable in the metropolitan area. When it is understood (as it appears not to be in the introduction) that ‘unaffordable’ means severe hardship including routine hunger, the implications of the conclusions become stark. In a first world country, this conclusion should be shocking, and should drive strong responses in the Strategy.
- (p65) ‘Build to rent’ is not a new product. All community housing providers build to rent, as does government. Before government stopped investing in social housing (and failed to provide replacement accommodation following deinstitutionalisation), and before government financial deregulation and tax incentives at the beginning of the 1990s turned housing into a

speculative product and fuelled massive house price inflation, social housing was a tenure that built rental housing for ordinary lower income working families. The change is entirely policy driven. Private developers, faced with a growing oversupply of new apartments are now also exploring the option of managing, rather than immediately selling off their developments. That said, it does not (as the box suggests) automatically provide increased security of tenure. That still requires proper amendment of the legislation. The only improvement to security it brings is that no cause evictions won't be driven by the whims of small landlords. Nonetheless, increasing build to rent, including through expanded social housing activity, is an important way to structure of rental housing and development systems.

The discussion of what the Strategy should respond to also generally adequately covers well-understood descriptions of key features of the housing system. But it does not explain why these should be 'responded to' or what it would mean by this. Importantly, it does not explicitly address the causes of what it describes, and so offers no guidance as to how to, or whether to, respond to these.

- Falling home ownership (p54) is a case in point. Policy responses will be misplaced unless there is clear understanding, in the discussion and the Strategy itself, that the largest part of the reason for falling home ownership and the huge debt burden that is crippling the possibility of a secure retirement for increasing numbers is the unprecedented increase in house prices over the past 30 years; and that the primary driver of of this) is the transformation over the past 30 years of housing into a speculative product – a place to store and expand wealth, rather than a place to live. Just as important, falling real incomes and the growth of insecure and casualised employment – trends which will increase significantly over the next few years with the recession from the Coronavirus pandemic – mean that it will take fundamental economic changes before we see any change from the retreat from the historically high levels of home ownership experienced in the second half of last century.
- A conclusion from this is that a Housing Strategy should place greater emphasis on building an effective rental housing system – both because it is the growing part of the housing system and because it provides the floor underneath the system. That in turn, means that it is a priority to address the two main failings of that system – insecurity caused by the failure to reform the Act to eliminate no-cause evictions; and the lack of a supply of rental housing at an affordable level for the third of renters with low or very low incomes.
- There is one significant gap in the discussion of the rise of renting (p57) – boarding houses and informal renting. While the paper notes the very significant fact that 1 in 7 low-income renters do not have a formal lease and that this is falling, the discussion does not go on to note the significant place of a sector of the rental system that is associated with this – the boarding house sector and the growing informal, unregulated, sector. Both of these are significant areas of challenge in the system and sites of potential significant harm for the most vulnerable renters. While the boarding house sector has seen small improvements in regulation, these have been limited and are hard to police. Rents remain seriously unaffordable, while conditions and rights remain poor. But there is strong suggestion that the informal sector has grown, which means that there is a growing number of low-income renters living without the standards or protections that are essential for well-being. In this context, it is worth noting that

while planning reforms have enabled the creation of so-called 'new generation boarding houses', this product is not meaningfully part of the boarding house sector at all. Such dwellings are, in fact, simply smaller one-bed apartments; and except under community housing management, do not provide affordability for low income renters.

- There is a critical error in the discussion of rental stress (p59) although the general thrust of the discussion is correct. It cites the 2019 AHURI report¹⁰ (the latest in the series analysing trends over a number of censal periods) as showing that the deficit of private rental housing in Sydney that is affordable and available "to renters earning and income in the lowest quartile increased by 26% to 56,000 in the 10 years to 2016." **This is crucially important, since it identifies the scale of the supply gap at below market prices that the Strategy should be aiming to fill.** However, the actual data refers to the bottom *quintile* (very low income households) and, more importantly, goes on to report that for low-income households (the 2nd quintile) there is a shortage of 60,000 dwellings (and increase of 100% over the previous 10 years). **Together, this makes the shortage available to low and very low income households in metropolitan Sydney alone 116,000 dwellings.** The policy responses proposed in the AHURI report are for the first quintile shortage to be met by increasing social housing by 56,000 and the delivery of affordable housing for the 60,000 gap of 2nd quintile households. A further 17,600 and 9,300 respectively are needed in selected regional cities and centres.

It is worth noting that while rental vacancies have significantly increased with the loss of overseas student (something which is likely to be a permanent change) and the retreat of unemployed young people from the rental market as a result of the Caronavirus pandemic and recession, for the same reason incomes have also fallen and become less secure, thereby in probably maintaining the overall level of unaffordability.

The strategy must explicitly acknowledge and quantifiably indicate the actions that will fully address, the fact that NSW currently (ignoring future demand) has a shortage of at least 146,900 rental dwelling needed at sub-market prices; and that at least 73,600 of these must be social housing.

- The homelessness discussion (p63) highlights the seriousness of the problem and notes the importance of a housing first response. What it fails to note (as we have discussed earlier) is that such an approach is impossible without the availability of secure affordable housing; and that this is almost impossible to access with the steadily declining proportion of social housing.

There are significant problems with the way the discussion paper frame 'what this means for the NSW Housing Strategy' (p64).

- The broad statement "addressing housing supply will support tenants, especially those on lower incomes" is ambiguous between two different meanings: If it is taken to suggest that aggregate supply will achieve this it is seriously wrong. While increasing the supply of rental

¹⁰ AHURI (2019) *The supply of affordable private rental housing in Australian cities: short-term and longer-term changes*. <https://www.ahuri.edu.au/research/final-reports/323>

housing has had a clear effect for middle and high income renters, it has had exactly the opposite effect for low-income households. The very process of densification (development of multi-unit housing) that has driven increased supply has been at the expense of the loss of low cost rental housing.¹¹ The evidence is clear that the undersupply of low-cost rental housing has worsened at the same time as aggregate supply has increased.

However, if the statement is taken to mean new supply at sub-market rents, then the point is absolutely right.

- The statement that the Strategy “will need to acknowledge financial factors” is opaque. If it means that the cost of housing has financial consequences for debt-burdened purchasers and retirees, and that the price for low income households is impoverishment, it should say so.
- It is absolutely right to say demand for social housing will increase, and the Housing Strategy should focus on matching social housing supply to need. We applaud the discussion paper for making this explicit. But it should also have been explicit about the dimensions of the current shortfall. And the task is not “to find opportunities” to meet need. There are no magic puddings, and the current approaches of leveraging public resources in the existing housing system comes nowhere near what is needed. It’s not ‘opportunities’ that are needed, but a public policy decision to invest in this area, just as it has in most other areas of public policy.
- Finally, it is always important to make the mainstream rental system more effective for low-income earners, but it is swimming against the facts to suggest that a significant goal of the Strategy can be to reduce the demand for social housing.

Some comment is also required on the discussion of what is already underway.

Laws covering rental arrangements: (p64) Both the Residential Tenancies Act and the Boarding House Act have been reviewed. But as discussed earlier, the failure to address no cause evictions means the Act is still fundamentally flawed. In the case of the Boarding House Act, the results of the review are still unknown and the extent to which its serious shortcoming will be addressed are unknown

Affordable rental housing has been the subject of a number of planning measures, particularly changes to SEPP 70 and the Greater Sydney Region plan’s inclusion of levies on uplift. But both of these require uptake by a wide range of councils, and this has so far not been the case. The GSC targets are rendered almost ineffective by three things: the inclusion of a very-low income target group (this impacts on viability and is the proper role of social housing), an extraordinarily low (by international standards) 5-10% of the uplift which will produce a minute amount of new affordable housing, and this is fatally further undercut by the qualification ‘where viable’. Given the importance of affordable housing in meeting the 69,300 unit

¹¹ The AHURU report discussed above makes the point that typically there has been an oversupply of rental properties available at prices that are affordable to 2nd quintile (low income) renters, which is then becomes an undersupply due to occupancy by higher income households. But at the last census, Sydney uniquely now has an absolute undersupply of this housing which is then made much worse by lack of availability for low-income renters

undersupply in housing affordable to 2nd quintile (low-income) households, these are devastating shortcomings.

While Communities Plus and the Social and Affordable Housing Fund (SAF) have made it possible for social housing supply to be increased for the first time in decades (apart from the GFC economic stimulus package) and to renew some of the portfolio, as discussed earlier, they will deliver less than a seventh of the current social housing shortage. It's also worth noting that the \$1 billion in SAF is a sovereign wealth fund, and only the interest will be available for the program.

Discussion – what should the Strategy address? What actions should be priorities?

NNC believes that the data makes it clear that building an effective, secure and affordable rental sector is the main challenge the Strategy should address. It will remain the growing part of the housing system and the floor under the rest of the system. It also presents the greatest gaps in system

Home ownership will remain important, but the main levers to reduce the unsustainable cost of home-ownership are largely outside the scope of the Strategy. They are largely a matter of taxation, financial regulation and employment/ industrial relations policy. The exception to this is state taxation policy and a shift from (already falling) stamp duties to broad based Land Tax might take some of speculative impacts of land prices out of the system. While there may be some scope to assist some aspiring first home buyers, until there is a fundamental reduction of house prices relative to incomes, the risks of mortgage stress, high debt burden and constrained retirement incomes will remain; and such measures to address home ownership should not be the centre piece of the Strategy. There may, however, be modest scope to explore some novel quasi-ownership products such a Community Land Trusts and the establishment of some pilots would be a valuable contribution.

In terms of actions to build an effective rental housing system (as previously noted) four things are essential:

- The further reform of the protections for tenants – ending the major source of insecurity and disempowerment, no cause evictions;
- Investing in a 50% increase in social housing supply, most of this through direct public investment, and potentially delivered through community housing providers.
- Driving a similar increase in affordable housing through a revised and strengthened affordable housing target as part of the Greater Sydney Region Plan, encouragement of build to rent, and other incentives;
- Directing substantial effort to address the most vulnerable people in the housing system: those who are homelessness, the boarding house sector and the informal sector. This will involve better access to an expanded social and affordable housing sector to allow a housing first approach to be properly established, strengthening the regulation and management of the boarding house sector, and regulating the growing informal sector.

Other themes

Responsive and resilient housing

We would simply like to make a comment on one issue relating to the aspect of resilience discussed 'homes that make people safe'. This is to stress the very high risk that a majority of new multi-unit developments will come with structural failures. Such failures undermine the well-being of occupants, in some instances their safety, and very often require very high levels of unplanned expenditure.

In the first instance, this suggests a fundamental change in the certification process, and to avenues through which developers transfer liability. Beyond this, the apparent extent of these risks suggests that the role of multi-unit developments should be limited and be replaced by lower rise, and other medium density dwellings.

Apart from a general observation, our interest in this relates to the risks for vulnerable households – particularly older people. As older people are either displaced from their housing – in some cases because of the changes to the threshold for bodies corporate to agree to redevelopment proposals¹², in others because of pressure to 'downsize' – many will be encouraged to move to multi-unit apartment buildings. With their limited and fixed income, they will be particularly vulnerable to unaffordable expenditure. In some cases, these can even lead to homelessness. We strongly encourage the Strategy to consider these problems and ways to ameliorate the risks.

Diverse housing

Again we will only make some brief comments.

In the section on 'snapshots: innovative housing activities', two so-called innovations are discussed approvingly. Both of these are, in fact, particularly damaging for low-income renters.

The first is the capacity of 75% of apartment owners to force the sale of an existing apartment to a developer.¹³ This recent change has allowed the interests of investors to override the interest of resident owners or renters. In particular, the older apartments that are the target of such redevelopment are occupied by older low-income owners who bought precisely to provide security and lack the capacity to relocate in the area due to significantly increased costs.

The second is the growth in some locations of short-term rental such as Air BnB. Far from providing benefits, the evidence is clear that these have a damaging effect on housing affordability and the availability of rental accommodation. Around the world there has been stringent regulation of such schemes.

Finally, we reiterate the need to consider the role and appropriate regulation of boarding houses. Boarding houses are a substantial source of accommodation for residents with disabilities and very low incomes. The regulation and provision of such accommodation should be an ongoing aspect of the Strategy.

¹² The *Strata Schemes Development Act 2015*

¹³ *Ibid.*