



31 July 2020

Housing Strategy Implementation Unit
Land and Housing Corporation
Department of Planning, Industry and Environment
Locked Bag 4009
ASHFIELD NSW 1800

Dear Sir or Madam

Re: Submission regarding the discussion paper - A Housing Strategy for NSW

Thank you for the opportunity to make a submission and provide feedback on *A Housing Strategy for NSW* – discussion paper. In particular, I am grateful for your agreement to our request for an extension to 31 July 2020 for the submission of this feedback.

The Southern Sydney Regional Organisation of Councils Inc (SSROC) is an association of eleven local councils in the area south of Sydney Harbour, covering central, inner west, eastern and southern Sydney. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member councils cover a population of about 1.7 million, one third of the population of Sydney. SSROC seeks to advocate for the needs of our member councils and bring a regional perspective to the housing issues raised.

SSROC population and housing data¹, in the period from 2011 to 2016, reveals a very diverse socio-economic area marked by rapidly rising numbers of dwellings and underlying growth in the number of households in the area. The estimated resident population increased by over 150,000 during this five year census period.

As our area underwent rapid densification, it has increasingly been characterised by mounting numbers of households renting privately, many of whom continue to experience high rental stress. Analysis of weekly rental payments of households in the SSROC region show a larger proportion of households paying high rental payments (\$450 per week or more), and a smaller proportion of households with low rental payments (less than \$250 per week) when compared to Greater Sydney.

Like many other parts of Sydney, the largest change in housing tenure categories for households between 2011 and 2016 was an increase in private renting of +31,486 households. Households fully owning or purchasing declined as a proportion of total households. In the SSROC region, 52% of households were purchasing or fully owned their home, 32.8% were renting privately, and 4.9% were living in social housing in 2016.

In 2016, there were 237,856 separate houses in the SSROC area, 177,757 medium density dwellings, and 252,724 high density dwellings. In the four years to 2016 the number of private

¹ Source: Australian Bureau of Statistics, Census of population and Housing 2011 and 2016, compiled by id <https://profile.id.com.au/ssroc/>

dwellings grew by 49,234. The data tells a story of densification. In the SSROC region, 63.5% of the dwellings were medium or high density, compared to 44% in Greater Sydney.

Generally dwelling configurations have shifted to fewer bedrooms. The major differences between the number of bedrooms per dwelling of the SSROC region and Greater Sydney were:

- A larger percentage of 2 bedroom dwellings (32.3% compared to 23.7%)
- A larger percentage of dwellings with 1 or no bedrooms (includes bedsitters) (12.3% compared to 7.8%)
- A smaller percentage of 4 bedroom dwellings (13.9% compared to 22.0%)
- A smaller percentage of 3 bedroom dwellings (28.1% compared to 32.1%).

Because of its size and diversity, issues experienced within SSROC often reflect statewide trends like population growth supported by migration. The experience of strong growth across both highly urban as well as more suburban parts of Sydney has provided a number of valuable insights and has helped to shape our feedback on the *Housing Strategy for NSW* Discussion Paper.

Overview of proposed reforms

In releasing the NSW Housing Strategy Discussion Paper, the NSW Government has taken an important step in refining a 20-year vision for housing across the State. The Discussion Paper seeks views from communities, councils, industry and other stakeholders to inform the development of the NSW Housing Strategy on key themes of housing supply, diversity, affordability and resilience.

It is proposed that the NSW Housing Strategy will outline the key priorities and actions the NSW Government will take to achieve the vision alongside its delivery partners, and ensure that the Strategy can support the wellbeing of households, communities and the economy.

Importantly the Discussion Paper asks what actions should be priorities in the NSW Housing Strategy, and what are the roles of industry, councils, community and the NSW Government in improving housing diversity, innovation and affordability.

General Comments

The NSW housing system has proved that it functions strongly even during recent unprecedented population growth, accommodating record construction levels. However, community concerns about housing are rarely with supply or planning, but usually the high price of home ownership and renting matter most. Accordingly, this submission recognises that housing plays a key part in rising inequality and socio-economic stratification.

SSROC welcomes the opportunity to provide comment on the DPIE Discussion Paper *A Housing Strategy for NSW*. Its goal of providing a clear vision for housing that can unify efforts across government, provide greater certainty and clarity to delivery partners and give greater confidence for end-users is strongly supported.

SSROC particularly welcomes the Discussion Paper's identified four major themes:

- *Housing supply in the right location and the right time*
- *Diverse housing for diverse needs*
- *Housing with improved affordability and stability*
- *Responsive and resilient housing.*

However, switching course to a new strategy will inevitably mean it is imperative to move away from some of our unsustainable business-as-usual (BAU) ways of working. At its worst, the BAU has preferred housing as a speculative investment over and above the long-term value of

providing homes to all NSW residents. Critically having our population well housed will strengthen the ongoing productivity of the economy.

To bring about lasting change, policy shifts will need to balance our economic, social and environmental objectives and be more outcome focused so that everyone is adequately housed. It will also require the system to be more locally driven, democratic, and community centred. It is here that local government can play an important part.

This new approach needs to aspire to provide everybody with accessible housing options that achieve fair returns to investors² while helping to sustain the ecology of our part of the planet and manage to serve the goals of human equality, equity and diversity.

Reinforcing the positive role of local councils can play in shaping our housing

SSROC welcomes the prominence given to local councils in the Discussion Paper. Local councils do genuinely have the best knowledge of their local areas. SSROC appreciates that local councils are identified in the Discussion Paper as a key shaper of local housing responses working with, and balancing the needs of residents, neighbourhood communities, renters and homeowners as well as developers, investors and property related businesses and the agencies administered by other levels of government.

The Discussion Paper also recognises recent deep engagements by local councils in understanding and planning for housing in their area. The twenty-year integrated vision captured in Councils' Local Strategic Planning Statements, Local Housing Strategies and their translation into Local Environment Plans and Development Control Plans all illustrate the depth of this complementary statutory activity.

Councils play a unique, central role that is pivotal to shaping local housing solutions, fostering new development opportunities and integrating this with placemaking and committed local governance. Essentially this involves local leadership and stewardship that seeks to balance local and regional needs of many stakeholders and business interests.

In contrast, a housing developer's role while critical to achieving new scalable investment is much more focused, being limited by sales and profit and a shorter-term engagement with place. These drivers and motivations positively encourage property speculation for the benefit their shareholders. However high priced housing inputs are not in the long-term interests of economic growth, competitiveness, productivity and livability.

In principle, new housing development (and by implication developers' legitimate business aspirations) need to be subservient to council-led governance processes, that are structured to benefit the majority of residents and businesses. This remains true even at a time when jobs and economic growth are key State Government priorities for citizens and drivers for recovery in the current recession.

Councils can continue to successfully partner and share goals and responsibilities with State Government agencies to ensure that current and future populations' housing and socio-economic needs are successfully addressed, well integrated and sustainable. This is to acknowledge and not detract from the critical role that the State Government will play in guiding and leading state and regional housing planning growth, funding regional infrastructure for households and their businesses and complement actions by local councils.

Collectively councils employ a larger planning workforce than the state government and have the ability to combine this capability and expertise with a Councils' local knowledge to make places and deliver services for their communities. The proposed Housing Strategy provides an opportunity

² Investors potentially includes all workers through their Superannuation Fund's local investments

for this resource to be better recognised and given an increasing role within the proposed Strategy to ensure that the vision for housing NSW is fully achieved.

City deals have recognised the benefit of partnering with local councils in strategic planning and delivery of housing integrated with employment and new infrastructure. “Internationally and, increasingly in Australia, strategic funding interventions such as city deals have emerged as targeted place-based models for catalysing economic development through investment and infrastructure, supporting jobs, housing and connectivity.”³ “Such strategies depend on a high degree of coordination across infrastructure and planning agencies at state and local government levels, as well as adequate investment in transport and urban services in order to catalyse employment and housing in priority locations.”⁴

Policy Implications

Since the adoption by local councils of strategic 20-year visions for their areas⁵, great care must now be exercised when designing processes for developer-driven rezoning appeals on specific development sites. Ad hoc decisions can threaten to overturn the carefully balanced land use outcomes and integrated housing plans for growth, and to disturb a community and state government endorsed trajectory for the built environment.

While the Discussion Paper casts a positive role for local councils, that role needs to go beyond contributing land for affordable housing and setting sound local housing planning controls. Councils can play an important part in fostering and supporting housing delivery, producing housing diversity, improving housing affordability outcomes and making housing more resilient and sustainable. This can all be achieved without overriding a local council’s planning functions.

The intention of the proposed Housing Strategy to complement the existing planning hierarchy of planning processes is strongly supported. Accordingly, the Housing Strategy and its action plans should give specific attention to closing the supply gaps identified in local councils’ Local Housing Strategies. Affordable and Social housing provision are two notable areas for action and State investment.

Greater house price stability: An explicit strategic goal for the system

SSROC welcomes that central to the proposed vision for the NSW housing system is the outcome of *Housing that is more affordable*.

“We need to remain vigilant in responding to persistent housing affordability challenges so that everybody can access the benefits of stable housing. Whether people own their own home with a mortgage, rent in the private market or live with support, they should be able to cope financially and live near local facilities, jobs and their networks. We need to provide support and opportunity across the housing continuum, from supporting people in crisis, social housing residents, tenants and people who aspire to or own their own home.”⁶

This sentiment also echoes the NSW Government’s objectives for the Greater Sydney Region Plan. The objective of making “Housing more diverse and affordable” (objective 11) is a key element of the adopted Greater Sydney Region Plan. The Plan acknowledges the housing

³ Pill, M., Gurrán, N., Gilbert, C. and Phibbs, P. (2020) *Strategic planning, ‘city deals’ and affordable housing*, AHURI Final Report 331, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/331>, doi: 10.18408/ahuri-7320301. page 1

⁴ Ibid page 8

⁵ In the form of Local Strategic Planning Statements

⁶ A Housing Strategy for NSW - Full Discussion Paper, page 11

affordability challenges faced by home renters and purchasers, and how rapid home price growth has exacerbated this problem.

Helpfully the Region Plan frames a multi-pronged strategy that seeks to simultaneously foster housing growth to meet projected population increases while including measures that can moderate housing price and cost rises in the market as well as planning mechanisms to assist those unable to rent affordably in the private market.

The new Housing Strategy can play a critical role in resetting community and private sector expectations about housing price growth and the expectations of financial and social returns being delivered.

Housing costs are a foundational input into maintaining a healthy, competitive economy and play a large part of many employees' real wage pressures. In line with the Government's strategic directions, it is important that planning policies should seek to not inflate housing costs but rather help to contain them. This will help build stronger businesses and a more robust NSW economy that successfully houses its residents.

In a period of low wage growth and record low interest rates, a reduction in consumers' cost of living pressures due to lower housing expenses for those in housing stress will help to ensure Sydney remains an internationally competitive global city that can maintain and enhance its productivity. While recognising the needs of the development industry, the guiding principle that aligns with this planning policy needs to be a consumer-centric one.

The goal of greater house price (and rent) stability, moderating of house price growth by dampening unhealthy land speculation and the intentional role of the Housing Strategy can have in supporting this is a key theme of this submission. It will help more households enter into homeownership and reduce rental stress for renters.

Many macro-economic factors like migration, interest rates and the strength of the economic cycle and their influence on housing markets as well as Commonwealth taxation settings will be beyond the control of the Strategy. However, the goal of moderating house prices should nevertheless remain a key objective and outcome. It needs to sit alongside the goal of producing viable housing developments that successfully deliver reasonable market returns in normal market conditions.

In practice some price moderation can be achieved by supplying more housing to private markets, both to rent and to buy, when prices are rising. Providing more non-market housing will also assist. Counter cyclical asset purchases of development sites during economic downturns (as well as development of publicly owned land) can provide a pipeline of housing to be managed in this way and allocated to non-market housing schemes like social housing. Both approaches will tend to even out price-cycle spikes and troughs.

More stability in house prices and rents that broadly keep in step with income growth appears to be a reasonable long-term policy aspiration. However, reducing house prices substantially is likely have dire negative effects on households, investors and lenders, be damaging politically and come with serious macroeconomic risks. More stable land and house price growth will give lenders investing in property greater certainty and therefore a lower risk profile and will require lower risk related returns.

While rents have fallen in Sydney for the past three years, and according to SQM Research, Sydney rents are now at the same levels in nominal terms as in 2013.⁷ The concerning issue is that prices have diverged from rents considerably over that time, being up 62% since mid-2013 in Sydney.⁸

⁷ SQM Research, Weekly Rents - Sydney <https://sqmresearch.com.au/weekly-rents.php?region=nsw-Sydney&type=c&t=1>

⁸ ABS. 2020. 6416.0 Residential Property Price Indexes: Eight Capital Cities

Another of the levers at the State's disposal to dampen land price speculation is the way that land is rezoned and the price expectations this then generates.

One key public lever related to planning and housing supply, that can play a role in dampening speculation and moderating prices, is value capture. This sometimes takes the form of taxing betterment.

"The key idea is that the planning system grants different bundles of property rights to landowners from the community at large, and that these rights have a market value. Instead of giving away new property rights, they should be sold instead.

Just as a piece of public property adjacent to private land should not be given to that private landowner for free because they want to build a larger development, nor should the public property above private land be given for free either."⁹

Recent analysis suggests that across NSW indicates that if these rights were sold, even at a 25% discount on their market value (as is done in the ACT), it would raise around \$8 billion annually. Each year, councils across NSW generate and then give away billions in new property rights through the planning system. Such funding systems are usually known as value capture or betterment taxes, and the scope for funding far exceeds the current \$900 million per year from infrastructure contributions across NSW.¹⁰

One limited expression of value capture in NSW is Affordable Housing Contribution Schemes. Once established these schemes will help to lower land prices being paid for rezoned sites while ensuring developments are still viable. This can help to moderate price expectations, reduce land speculation related to potential windfall profits and maintain sensible norms and more stable prices. This approach helps to foster a mindset and practice geared to keeping existing and new housing affordable for more of our citizens.

While doing more to foster housing price stability should help, it is most unlikely to be sufficient to address the depth of the housing affordability problem, both for would-be home purchasers and lower income renters.

The Housing Affordability Dilemma

Chronic affordability problems continue to be experienced by growing populations across all housing tenures.

One of the biggest issues facing Greater Sydney is housing affordability. Increasingly, the traditional model of secure housing, provided for purchase by the private sector, is out of reach of low and low-medium income households. Sydney is not alone in this problem, with many other regions facing this problem as well. Sydney, in particular, needs systemic reforms to deal with entrenched unaffordability issues, and specific interventions to deliver below-market housing for lower-income households unable to compete effectively on price in the market.

Housing in Greater Sydney is expensive compared to other global cities (relative to income). Housing prices have risen faster than incomes over the last decades due to a combination of lower income growth, population growth, lowering interest rates, the undersupply of housing and rising investor demand.

To make matters worse, one of the newer sources of affordable housing, the National Rental Affordability Scheme (NRAS), is set to cease as committed subsidies paid to investor owners progressively come to an end. Unless some are retained without subsidy, this will remove 6,455

⁹ Submission to the NSW Housing Strategy Dr Cameron K. Murray, Henry Halloran Trust, The University of Sydney July 2020

¹⁰ Murray, C.K. 2020. Submission to the NSW Productivity Commissioner.
<https://www.fresheconomicthinking.com/2020/05/submission-to-nsw-commissioner-for.html>

affordable housing properties in NSW with 87% (or 5,658) of the allocations occurring in our state's major cities.

The Discussion Paper rightly identifies a dire, long-term housing affordability problem in NSW right across the housing spectrum, especially for younger households:

- Rising numbers of homelessness persons: On Census night 2016, 37,800 people experienced homelessness in NSW, increasing from 22,200 in 2006¹¹.
- The social housing waiting list is over 50,000 households¹². Most people on the NSW social housing register in Sydney wait at least 10 years unless a household has a most urgent priority housing need. The supply of social housing is not keeping up with demand and steadily declining as a proportion of all housing. Sadly, children become adults and some older people die while waiting for assistance. Much of the social housing portfolio now needs replacing while still incurring high maintenance costs.
- Rental affordability is a financial challenge for lower income earners and most significantly for very low- and low-income earners. Private rental housing was found to be unaffordable (i.e. in rental stress) for 36% of lower income earning households in Greater Sydney¹³.
- First home buyers need 8.4 years to save a deposit in Greater Sydney¹⁴. High property prices make it difficult for first home buyers to get a foothold on the housing ladder.
- Indebtedness of homeowners: the average Australian homeowner debt rose to \$336,586 by 2014. More people are now reaching retirement age with a mortgage placing them in mortgage stress or requiring them to work longer.

Some key local implications for the shaping the long-term vision of housing in NSW

Taking the affordability dilemma seriously now needs to fundamentally shape the Housing Strategy.

At the local level, the ambition of the Housing Strategy's 20-year vision needs to translate into practical tangible outcomes:

- Current long-term trends of Sydney's housing becoming more unaffordable over time will be slowed or halted. This trend would have flow impacts for regional housing.
- Each local community can access the housing they need. There is sufficient housing supply for all households living locally across the housing continuum regardless of tenure and subsidy pathway. Homelessness is addressed at its source.
- Households can readily find, access and sustain a housing option affordable to their means either in the private market and if not, through non-market provision such as affordable rental housing. Housing prices and rents are relatively stable growing more in step with household incomes.
- Adopting policy settings that give preference to delivering housing security for the NSW population over wealth creation, by actively promoting and supporting pathways to homeownership as well as secure affordable rental to those who cannot buy a house.

¹¹ A Housing Strategy for NSW - Full Discussion Paper Discussion Paper: A Housing Strategy for NSW May 2020, page 51

¹² Ibid page 62

¹³ Ibid page 59

¹⁴ Ibid page 54

- The housing market becomes a net contributor to productivity. Improved affordability over the long run make it easy for young talented people to come and stay in Sydney and other centres. Essential workers can afford to live closer to their work, especially in Sydney, and maintain our critical service industries and lessen traffic congestion.
- Housing keeps people and local communities safe and makes them less vulnerable and more resilient to climate and economic shocks and natural disasters occurring in their local neighbourhoods.

Addressing fundamental issues that will affect this housing vision

The Government needs to put in place mechanisms to consistently promote the growth of housing opportunities across the entire housing spectrum. Housing supply numbers and targets need to be inclusive of non-market housing as well as private housing supply to be robust and credible.

In the current economic conditions, arguably the proposed 20-year housing supply targets are now aspirational. The Covid-19 pandemic, a resultant global economic recession, changes to Australia's international migration and admission of overseas students on temporary visa holders, cast a long shadow over the forecasts of housing need and estimates of the growth in housing provision required to meet demand. The vicissitudes of our volatile market economy now make future growth more unpredictable.

Despite expected short- and medium-term economic and environmental shocks, the long-term integrated land use and transport planning directions will still need to be maintained over the 20-year period. Four-year action plans can then accommodate the more cyclical issues and challenges. This can be achieved with the assistance of independent strategic planning bodies like the Greater Sydney Commission, the NSW Government committing to the effective resourcing pipeline for non-market housing, and by developing greater agility within government and private sector decision-makers informed by better access to real time open data on housing supply and demand.

Given that it takes one, two or three years to get land approvals and construction under way and still more time for properties to be sold or let and people housed: better real time housing data is vital for guiding an adaptive and agile strategy. Census data while valuable provides lagging indicators to enable a more effective shaping the pipeline.

Housing policy settings need to work to encourage stability and certainty as well as reduce price speculation in land by embedding value capture to dampen prices paid for rezoned land as well as ensuring adequate affordable housing supply.

Housing unaffordability is profoundly altering the socio-economic profile of households in NSW. The negative changes of housing unaffordability are cultural, demographic, and inter-generational, as they give rise to a more stratified wealth distribution, depending on people's housing options.

It is progressively increasing wealth disparities within communities as fewer households move into homeownership (and household wealth creation) and fewer people can avail themselves of the option of secure affordable social housing. Apart from an inheritance from parents, the remaining pathway offers many years of housing rental stress or at best lifetime rental that will become unaffordable once retirement hits, or a mortgage take out in later years that requires the mortgage holder to significantly defer their retirement.

Bringing about lasting change to the current housing affordability trajectory

To help successfully make the transition from our business as usual model that is failing to deliver for the entire population, a credible *whole of housing spectrum approach* is needed. Housing stress is affecting large numbers of precarious renters, the homeless and those struggling with mortgage payments who have lost employment. The key gaps along the spectrum need to be plugged and systematically invested in by government and the not-for-profit housing sector.

The lack of affordable pathways to home ownership is placing many more moderate income earners in direct competition with very low and low income earners in the rental market. This is routinely displacing them and 'forcing' them to the outskirts and consigning lower paid essential workers to long, expensive commutes. At the bottom of the housing ladder, the knock on impact is driving very low income households into insecure, overcrowded living arrangements and too often into homelessness.

The vast majority of our housing is and has been via the private market driven by consumer and investor demand. Despite the recent hiatus this will continue to be the backbone of housing delivery in NSW.

The remainder of our housing is non-market housing (public housing etc) which requires subsidy in one form or another to be built as a supply side initiative.

SSROC recommends that the Strategy develop distinct but interconnected housing delivery strategies for growing the three strands of non-market housing supply required to meet people's different housing needs and financial means. It is important that its design should enable households to move up on the housing ladder when opportunities present themselves or in times of financial hardship or ill health to move along the ladder to a form and cost of housing that is more sustainable.

The housing spectrum can therefore be conceived as having the following components:

- Private market housing – primarily demand-driven
- Non-market housing – primarily supply-driven
 - Social housing (with deeper subsidies)
 - Affordable rental housing (with shallower subsidies).
 - Affordable homeownership – (with cost rents and shorter term subsidies) creating a transitional bridge over time between the non-market to market housing options.

Figure 1. The broad affordable housing opportunities
 showing supply gaps in the Sydney housing market for new entrants

Hhd Income	1	2	3	4	5	6	7	8	9	10
Deciles	1	2	3	4	5	6	7	8	9	10
	Very Low		Low		Moderate		High		V High	
Private Market										
Homeownership										
Retirement living										
Private rental	<i>In</i>	<i>housing</i>	<i>stress</i>							
Non-Market										
Social housing										
Affordable rental										
Affordable homeownership										

Private market housing

Private market housing is housing developed and sold at the going market price to home buyers and investors as a rental property. In the NSW housing system, market housing has proven it functions strongly, even during unprecedented population growth, accommodating record construction levels. The private market is the main stay of the housing supply in NSW, delivering housing for home purchase and for investment as private rental. NSW Government has recently implemented an acceleration and reform program to help it function more efficiently and stimulate the economy.

Non-market housing: affordable rental housing and other subsidised forms of housing

Essentially all forms of non-market housing require some form of housing subsidy to be built, hence the term. Typically, government land and/or a financial subsidy and/or affordable housing developer contributions are directed to an intermediary not-for-profit organisation (e.g. registered community housing providers, public housing authority, housing co-operatives or trust) to

build/purchase and cost effectively provide affordable housing. It seeks to permanently capture public benefits for future housing consumers as well assist the current residents.

It includes social and affordable rental housing but also other housing models that are hybrids of market offerings such as shared equity, land rent schemes and community land trusts (CLTs) that involve a subsidy but can also include some consumer equity.

SSROC recommends that some equity based models be developed and offered as a means to achieving affordable home purchase, leveraging a transitional stay in non-market rentals for saving a deposit.

Non-market housing will not spontaneously emerge in our market system where private housing developers, owners and investors will look to receive a full market return. Furthermore, this group will usually have capacity to outbid not-for profit housing providers and restricted-profit housing proponents for every development site and dwelling.

Affordable home purchase

Home purchase has been an increasing barrier for many households on low and moderate incomes even with one-off first homeowner grants and stamp duty concessions. Historically governments of all persuasions have offered first home buyer subsidies and concessions to bridge the deposit gap or lower the cost of finance. Arguably many first home buyer schemes have been counterproductive as they lifted house prices of entry level dwellings.

Due primarily to size of the deposit gap in NSW, saving for a home deposit for is beyond the means of many households on low and moderate incomes, especially when their rental costs are high. In large cities, such as Sydney, price inflation over time has made it virtually impossible to buy a house on the basis of an average wage alone.

New assistance measures with more enduring subsidies are required potentially involving the leveraging of the affordable housing options from the non-market arena. An affordable rent can enable a deposit to be more quickly saved. This option can be linked to a 'build to rent' and 'rent to buy' models. Some households can use them as a steppingstone to acquire some interest in a form of tradeable asset, even if there are limits on the level of capital appreciation. Inevitably this will blur some of the boundaries with the non-market housing as some benefits are retained for future eligible consumers while others are retained and privatised by the homemakers.

A single market-driven supply strategy will never be effective as each supply stream has uniquely different drivers, different marketing and financial eligibility, different funding sources, dependencies and risks as well as its own set of developers and proponents.

Through its diverse residents and planning and service functions, local councils will develop different relationships with each these three delivery streams and their proponents (private developers, not-profit housing providers and state agencies). The adoption of independent hearing and assessment panels at the local level may enable more partnerships with councils to emerge in future to jointly drive and shape renewal.

Measurable supply targets

SSROC considers that it is essential that the Housing Strategy sets clear targets to ensure that the actions and directions proposed in this Discussion Paper are measurable and accountable. While there are many levers available to government, the private sector and the community to help deliver a better housing system, without clear targets to aim for across the four themes, we will too quickly fall back into business as usual ways of working. These targets should seek to integrate the entire housing spectrum and cover both market and non-market housing supply responses. It appears that the Discussion Paper only proposes market supply targets.

New Housing Governance

It is important that the governance arrangements fully support a joined up and well-coordinated approach. Because several Ministers and portfolios are involved, there are significant risks that the key decision-makers will operate separately, exposing gaps in the current governance arrangements and accountabilities. No one minister currently has responsibility for new affordable housing supply.

A stronger governance model will be necessary to deliver on the ambitions of the Housing Strategy. This could include the establishment of a Housing Committee as a Cabinet Sub-Committee, similar to ERC and CIC.

The Housing Committee should be chaired by the Minister for Housing, with the Treasurer, Minister for Planning, and the Minister for Families, Communities and Disability Services with the chair of the Greater Sydney Commission attending as an ex-officio member. Each of the proposed market and non-market supply strategies need their own champions and so should be assigned to a specific minister. The various heads of the agencies should report to this Committee on the progress of achieving their agreed actions and targets.

To encourage a commitment to closer co-ordination with local councils, the Housing Committee could meet annually with the President of LG NSW to share current opportunities to improve strategic planning for NSW's settlement growth, foster housing collaborations and share infrastructure investment plans. This would reflect the strategic policy priorities and strategic partnership established under the Intergovernmental Agreement between the NSW Government and Local Government NSW of 2019¹⁵.

Key reform directions for the 20-year Housing Strategy responsive to the needs of local councils and their communities

In overview, the following key directions are supported for inclusion in the proposed Housing Strategy. Many of these are expanded in the detailed comments on Discussion Paper themes in the following section.

- Adopting a policy fiscal and taxation outcomes framework that proactively encourages stable housing prices and mitigates land speculation in the NSW economy.
- Removing demand side subsidy measures that act to escalate housing prices.
- Ensuring community infrastructure accompanies growth.
- Ensuring state and local strategic planning responds to current and future housing needs. This will include the upzoning of land to accommodate growth in support of, and consistent with, local councils' 20 year *Local Strategic Planning Statements*; promoting and maintaining employment growth close to where people live and encouraging transport options for the delivering 30-minute city and shifting to accessibility parking codes.
- Ensuring all council housing strategies respond to the diverse range of housing needs within their communities with equally diverse expressions of dwelling types and tenures including affordable housing options for people with disabilities, households escaping domestic and family violence and vulnerable seniors to age in their local communities.
- Establishing and implementing three distinct but interlinked housing delivery strategies for growing housing supply:
 - Market housing

¹⁵ Intergovernmental Agreement https://www.lgnsw.org.au/files/imce-uploads/581/Intergovernmental_Agreement_-_2019.pdf

- Affordable homeownership
- Affordable rental housing
- Dramatically increasing direct government funding for social and affordable housing and homelessness services to fully meet the housing needs of NSW households unable to access market housing offerings.
- Adopting a long term delivery strategy to reverse the atrophy of social housing with a more inclusive approach that comprises shallow and deep subsidies depending on need, mixed income communities and sufficient below market affordable housing offerings.
- Legislating the phasing in of mandatory inclusionary zoning in urban and suburban areas undergoing growth to assist with the funding of affordable rental housing and remove the unnecessary viability testing of affordable housing, once schemes are established.

Adopting high environmental standards of building to ensure homes contribute to net zero emissions by 2050.

Detailed Comments on the Discussion Paper

The following more detailed comments are intended to help inform the next stage of developing the Housing Strategy and its supporting action plans for the responsible stakeholders.

The comments are organised using the hierarchy that seeks to set stable long term directions as well as accommodate more short-term actions that will need to respond flexibly to our dynamic economic and community health environment:

- Long term objectives;
- Medium term strategies and
- Actions for the first four years of the Housing Strategy.

Theme one: housing supply in the right locations at the right time

Across NSW and in particular across Greater Sydney, our population is growing at a rate faster than most other cities. The Discussion Paper predicts we will need to accommodate around one million homes over the next few decades. It will involve continuing to build on our strong delivery track record. 190,000 dwellings are in the pipeline in the next five years, supported by an abundance of approved and ready-to-develop greenfield and infill sites in Sydney. This represents an 8% increase compared to the last five years, which was the largest approvals and construction boom in Sydney's history.¹⁶

Current planning reforms designed to streamline processes, stimulate growth, attract investment and maintain stronger employment are all welcomed, on the proviso they do not result in a diminished standards and poor community engagement as unintended consequences.

It is important, however, to acknowledge the recent decline in approvals¹⁷ reflects a decline in applications: approval rates have not decreased.

While we need to ensure the delivery of these new homes, we also need to ensure they are delivered in the best possible way. Timely housing supply is not enough. The system must also deliver the right housing in the right locations to meet the diverse needs of local communities. It will demand a greater focus what is built, and for whom, beyond achieving the amount of supply.

¹⁶ Sydney Housing Supply Forecast, NSW Department of Planning, Industry and Environment, page updated 23/01/2020: <https://www.planning.nsw.gov.au/Research-and-Demography/Sydney-Housing-Supply-Forecast>

¹⁷ Housing Strategy Discussion Paper, page 24

SSROC considers this can be done with regard to the following key **objectives** on housing supply:

- Setting targets for market, affordable home ownership and non-market housing supply. To keep our communities inclusive and liveable, ambitious targets need to be set for non-market housing in response to this growing gap in unmet demand.
- In alignment with state and local strategic plans, the delivery of more medium and high-density housing for Sydney to complement the existing number of units and free standing dwellings.
- The delivery of new homes situated within walking distance of good public transport such as train stations and high frequency bus services.
- Local housing supply delivers a diversity of housing types, dwelling sizes, tenures and price points (informed by local councils' Local Housing Strategies) so everyone can be well housed.
- Growth is accompanied by improved liveability: more strategic planning for infrastructure to support density.
- Better use of major government sites planned for renewal to deliver a range of housing tenures, with a focus on mixed-tenure communities in appropriate locations. This includes land held by all Government agencies, including Property NSW, Land and Housing Corporation, Crown Lands, Department of Education, Transport for NSW, and NSW Health.
- More clarity for developers on contributions. SSROC notes the work already underway by the NSW Productivity Commissioner.
- Place-based local renewal partnerships led by local councils supporting the delivery of market and affordable housing and employment in growth corridors.

SSROC's key **recommendations** to achieve these objectives are:

- Increase density and supply through council-led rezoning in designated precincts supporting Transport Orientated Developments.
- Local councils tailor their planning mechanisms and instruments to encourage a diversity of new housing supply to meet local communities' housing needs.
- Transition from Stamp Duty to Land Tax as proposed by the Federal Financial Relations Review.
- Deliver a coordinated contributions scheme that bundles local and state contributions into costs that are known in advance.
- Maintain DA processing support for councils provided by DPIE during COVID.
- Greater coordination between government agencies and local councils about the uses of Government held land.

Theme two: diverse housing for diverse needs

Our diverse households and multi-cultural communities require different types of housing. The system must also deliver the right size housing in the right locations to match the diverse needs of households and their local communities. As the Discussion Paper notes the proportion of three-bedroom homes within the mix of all homes has fallen for at least 20 years, particularly in Greater Sydney. New modes of occupancy have emerged, (or old modes rediscovered) including multigenerational and shared living.

The market needs to deliver a wide range of housing typologies, from units to free standing dwellings and all forms in between. Notwithstanding the large supply pipeline of approved

dwellings, the market also needs to deliver for the diverse needs of different parts of our community, including the elderly, the indigenous community, those living with a disability and multi-family units, for example. Where the market fails to deliver critical housing due to inadequate returns, there is a clear case to deliver non-market housing.

SSROC considers this can be done with regard to the following key objectives on housing for diverse needs:

- To provide different housing typologies that adequately accommodate different sectors of our community e.g. people with a disability, Aboriginal and Torres Strait Islander peoples, and the elderly.
- To provide greater options for households to successfully age in place and/or age within their communities.
- To make it straightforward to deliver denser, more diverse built housing forms in Sydney, including: apartments, terraces, townhouses, duplexes and secondary dwellings, provided that they support local character and nurture the identity of place.
- To provide more options for different times and stages of life and household compositions – including more family housing in dense areas.
- To support flexibility in housing models, including co-housing, community land trusts and adaptive housing for changing circumstances.

SSROC's key recommendations to achieve these objectives are:

- A new 'Housing Mix' SEPP to provide and better integrate planning controls for different types of tenure, housing models, and non-market housing, spanning the spectrum from larger apartments for families as well as self-contained micro apartments for singles.
- Adopt the wider application of universal design through planning provisions and planning incentives to make more new housing supply suitable for all potential residents to stay in their local area and or live in their home.
- Investigate mechanisms to mandate or incentivise a proportion of homes be 3 bedrooms in large apartment developments over a certain size (say 10 dwellings). More apartment-living by families may also require consideration for how the design of apartments and places can support positive liveability outcomes for families.
- Make provision for smaller sized apartments within the Apartment Design Guide. Investigate a decrease to the 50 sq./m minimum requirement.
- Under a revised ARHSEPP (or similar), established revised rules for a new class of "boarding houses" that only enable density bonus concessions when they meet minimum standards, delivering a product that is truly affordable compared to market rate housing and are being operated on a not-for profit basis.
- Government pilots of new models of housing tenure – building on the build-to-rent pilot to try other models like community land trusts and shared equity. Once the demonstration projects have been successfully piloted and market tested, the Housing Strategy action plans should then set ambitious targets for affordable housing homeownership, shared equity models and other non-market housing options.

Theme three: housing with improved affordability and stability

One of the biggest issues facing Greater Sydney is housing affordability. Sydney needs systemic reforms to directly tackle our embedded housing unaffordability problems, and specific interventions to deliver housing for lower-income households. Residential house price escalations have been driven in recent years by demand factors, namely record low interest rates, fuelled by

higher levels of investor activity. We have seen that increased market rate housing supply only creates marginal improvements to affordability.¹⁸ Given the limited ability of increased market housing supply to reduce prices, Sydney needs systemic reforms to deal with general unaffordability issues, and specific interventions to deliver low-income housing.

The system must deliver the housing at price points to match the diverse needs of households and their local communities. There needs to be a separate strategy for non-market housing with a single NSW Government agency with responsibility for its implementation. Local councils can play their part, but the problem needs strong commitments and investment from the state government.

While the current Coronavirus pandemic may provide a short reprieve from the affordability crisis, it is important that the opportunity to generate affordable housing for those in housing stress is not missed. Based on previous trends, the economic recovery phase may quickly lead to increased housing related hardship for low income households and promote greater spatial segregation and stratification based on income. Due to the lengthy periods to establish affordable housing programs, the timing of the introduction of affordable housing contribution schemes is likely to place the effective commencement of schemes fortuitously in, or just prior to, a recovery phase and a return to normal business conditions.

SSROC considers this can be done with regard to the following **key objectives** on housing affordability:

- Make housing across NSW affordable for all the community.
- Recognition of the housing continuum and that some of the different housing needs of our community will require government subsidies.
- Clear ministerial accountability within NSW Government for driving and investing in an affordable rental housing strategy, supported by planning policies and incentives and working closely with the National Housing Finance Investment Corporation (NHFIC)¹⁹.
- Gain a better understanding of the changing nature of the demand in different housing tenures, building types and the pathways to homeownership.
- Deliver social and affordable housing at scale – to bring the percentage of non-market housing up to over 10% (London as a global city comparator sits at around 14%).
- To provide greater security and stability in private rental tenure as it becomes a long term housing choice for more households.

SSROC's key recommendations to achieve these objectives are:

- Government incentives (including taxation measures) for downsizing to increase supply of larger family sized homes.
- Taxation reform measures such as negative gearing, stamp duty and land tax designed to help stabilise prices.
- As part of a new joined-up *affordable home ownership strategy*, provide opportunities to offer first home buyers first right of purchase in NSW Government-led projects. The

¹⁸ *A Model of the Australian Housing Market*, Reserve Bank of Australia, March 2019
<https://www.rba.gov.au/publications/rdp/2019/2019-01.html>

¹⁹ The National Housing Finance Investment Corporation (NHFIC) is a corporate Commonwealth entity dedicated to improving housing outcomes, with particular focus on affordable housing. NHFIC issues its own bonds into the wholesale capital market. Two affordable housing bonds worth \$315 million each have been issued by NHFIC's Affordable Housing Bond Aggregator, delivering 1,500 new and 5,000 existing homes. The bonds help to provide cheaper, longer-term finance for registered community housing providers.

Strategy could include government subsidised non-market projects including those on NSW Government-owned land and other tenure models to help first home buyers into the market. Many housing experts believe the First Homeowners Grant increase housing prices and are not be very effective in supporting people into home ownership.

- Review the effectiveness of existing affordable housing planning policies that seek to collect contributions or incentivise the provision of affordable rental housing by the private industry. This includes the Affordable Rental Housing SEPP (2009). SSROC commissioned research by UNSW City Futures found that boarding houses and secondary dwellings are providing forms of 'lower cost housing' but are not providing affordable housing outcomes for low and very low income households in inner city and middle ring areas.
- Reconsider the need for minimum parking requirements for housing within 800m of train stations.
- Set a target for increasing net social and affordable housing by 5,000 dwellings per year.
- Fund a construction industry stimulus package assisting very low and low income renting households using State government funding applied in combination with NHFIC borrowings by CHPs and government land to deliver 20,000+ new social and affordable homes over the forward estimates.
- Use surplus government land to deliver social and affordable housing, including land held by the transport, health, education agencies.
- Continue to transfer management of public housing to Community Housing Providers, on the condition that the new borrowing capacity is then used to increase social housing supply and /or refurbishment. Offering 40-year leases will allow for better financial leverage for the Community Housing Providers.
- A pilot program involving *the transfer title and management of public housing* to registered Community Housing Providers in selected areas requiring renewal, to test the merits of this option over management transfers. Provider registration legislation will secure government contributions to preserve public benefits.
- The inclusion of Affordable Housing Contribution Schemes in all the State-led precincts planned to undergo renewal and/rezoning by the planning authority.
- Piloting local council led renewal agencies or partnerships in neighbourhoods undergoing intensive redevelopment and handing more control to local communities to genuinely shape their future. Affordable housing is treated as a component of community infrastructure as part of good place-based planning and management of the displacement of vulnerable households that arises from rapid redevelopment processes.²⁰
- NSW Treasury investigate the feasibility and cost benefit of establishing a new NSW incentive program to enable the retention of former NRAS affordable housing, with a state subsidy stream used in combination with CHP borrowings sourced from NHFIC.
- Promote and fund a Housing First model with social housing and affordable housing providers when tackling local homelessness

²⁰ City Futures Research Centre, The Sydenham to Bankstown Corridor: A Prospectus for Inclusive Renewal, 2018, Bill Randolph, Simon Pinnegar, Laurence Troy, Laura Crommelin and Ryan van den Nouweland

- Legislative amendments to ensure greater security for private rental tenure. Better renting should include the re-examination of the need to remove the no-grounds eviction legislative provisions, especially considering the economic impacts and uncertainty of COVID-19.

Theme four: responsive and resilient housing

How and where we build our homes is increasingly important. Building in the right places also involves revisiting what is already built. With the devastation bushfires over the recent summer, we may need to reassess the location of many homes located in bushfire prone areas. We may also reflect on the materials used and the design of these homes. Additionally, our homes should be as sustainable and resilient as possible. Not only to reduce their environmental footprints but also to ensure the longevity of our housing stock.

Alongside improving the quality and resilience of new housing is the need to move to more recycled materials and local materials with lower embodied carbon. We need to ensure our houses are not only efficient but are not unnecessarily damaging the environment from the extraction of resources.

A key environmental issue with housing is that the standard dwelling size is increasing, with Australia having the largest average home size in the world. Building larger dwellings that are not designed to operate with climate in a passive manner is placing a greater load on the electricity network to heat or cool these dwellings, as well as to operate them.

The current trend for larger dwellings (particularly stand-alone dwellings, terraces, semi-detached) on the same (or smaller) lot sizes, results in a minimal area being left for appropriate landscaping – in particular canopy trees for shading and increased habitat. As many greenfield areas require the destruction of existing habitat, putting in place steps to retain or improve the habitat will help to ensure housing make a more regenerative impact on the surrounding area.

SSROC considers this can be done with regard to the following key objectives on resilience:

- A more sustainable and resilient housing sector, with supporting infrastructure for the management of waste and waste-water. For example, high density housing with vacuum waste systems, appropriately designed and sized bin-rooms, access designed-in for garbage trucks to enter, collect and leave with minimal safety risk (e.g. without reversing or tight manoeuvring).
- Supporting housing and residential precincts that minimise exposure to, and are responsive to, natural hazards.
- Better designed houses that are resilient to their local environment and related conditions.
- More efficiently designed houses that use materials that that better insulate and heat.
- Retention of the tree canopy in areas of renewal and greenfield development. Appropriate landscaped area is also important to reduce water runoff, to increase reabsorption into the water table, and to reduce the urban heat island effect.
- Retrofitting existing dwellings to improve the environmental and sustainability outcomes as well as reducing living costs
- Precinct and district scale responses that support household waste reuse and the provision of waste management infrastructure as integral parts of our circular economy.

Our key recommendations to achieve these objectives are:

- Water efficiencies requirements, such as the installation of the purple pipe in all new dwellings to encourage recycled water usage.

- Incentivise housing designers, developers, and builders to retain more of the existing tree canopy in infill developments where this is possible.
- Develop a multi-council regional strategy to reduce household waste, reuse or recycle materials, improve resource recovery, extract energy from any residues of waste council managed waste streams, in conjunction with industry partners and contractors.
- Encourage a greater focus on passive and place-based design solutions, rather than technological solutions. These are less energy intensive and result in buildings that are more suited to the climate.
- Review the current BASIX requirements with a view to increasing performance standards. While this would increase the cost of construction, it would only slightly increase dwelling prices²¹ but would reduce the cost of housing through energy savings for tenants.
- Implement measures for improving outcomes in strata buildings and use of NABERS tool to improve energy consumption in apartments. Many councils are already undertaking projects in their areas that work with body corporates to upgrade the common areas of their apartment building for improved outcomes.
- Adopt disclosure requirements of energy performance for dwellings and energy standards for rental properties. Incentivising landlords to assist renters in being able to reduce their living costs, as well as lower their carbon footprint.
- The Government should also consider the progressive impacts and implications of the residential densification strategy as well as consider if there are any areas across Greater Sydney or NSW that housing should not be placed. Consideration should be given to:
 - Investigate the benefits of implementing an urban growth boundary or mandating no new housing beyond those areas identified in the GSC strategic plans.
 - Reducing the development of car centric suburbs with no existing or proposed transport infrastructure;
 - Reducing the development of housing outside the 30 minute concept from the Greater Sydney Commission's district plans;
 - Putting in place mechanisms to allocate affordable rental housing to local essential workers to reduce cross-town commutes to work;
 - Legislative amendments to ensure the rental market can benefit from BASIX measures;
 - Legislative and regulatory review of council-managed waste streams including circular economy related regulations and targets, industry incentives and the reinvestment of the NSW Government waste levy;
 - Development or infill on floodplains or flood-zoned land; and
 - Delivering or upgrading existing the social infrastructure, including green space, that is necessary for community development and resilience.

Specific reforms for first four years of the NSW Housing Strategy

This section considers the priorities for the first four years of the Housing Strategy to inform the development of Action Plans. These highlights both the key foundations for delivering the Housing

²¹ *Benefit-cost analysis of proposed BASIX stringency changes*, The Allen Consulting Group, Report to NSW Department of Planning and Infrastructure, July 2013

Strategy while at the same time responding to challenges and opportunities presented as NSW looks to find a roadmap for recovery from the economic impact of the coronavirus.

It seeks to focus and build on the detail comments made about the Housing Strategy's four themes.

Key priorities for the immediate and near future include:

- The NSW Government setting the policy and legislative framework that will support the delivery of the Housing Strategy. Critically this should include new governance arrangements and the adoption and resourcing of coherent non-market housing supply strategies and targets.
- Developing a housing stimulus package that tackles the biggest priorities - to prevent housing driving further inequality and avoiding the loss of jobs in the construction industry. Suggested actions to develop this priority are discussed in the following section.
- Harnessing the benefit of historically low interest rates as a major funding source available to registered community housing providers through NHFIC, without further running up public debt.
- Building back better, exploring a range of renewal models led by government, local councils and or registered community housing providers to deliver more sustainable forms of affordable housing that can be delivered in an uncertain and potentially depressed housing investment market.
- Beginning the transition to introduce affordable housing contribution schemes so that developers' price in this cost when purchasing sites and so embed a long funding sources and avoid project feasibility issues.

Housing impacts of COVID-19

Due to the confluence of a number of socio and economic factors, the current economic recession has all the hallmarks of the perfect storm for the NSW housing construction industry.

The immediate challenge

Some of the headlines include:

Macro-economic challenges

"Australia is in the midst of a challenge unlike any other in living memory. Ubiquitous public health risk. Global supply networks at a stand-still. International movements of people down to a trickle. The economy is exposed to a recession and mass unemployment." Australia fell into recession earlier this year for the first time in 28 years and the International Monetary Fund predicts that in 2020 Australia's GDP will contract by 4.5% and unemployment will reach at least 7.6%.²² (The Commonwealth Treasury is now forecasting 9.25% unemployment in the December quarter, and 8.75% by the middle of 2021).

Australian households are already carrying record levels of debt. Many households are experiencing stagnant wages and precarious employment has become even more precarious. There is the possibility of widespread bankruptcies.

The Australian Government deficit is now tipped to be \$184.5 billion this year after funding job and income support programs. Gross Government debt is at an unprecedented level of \$851.9 billion.²³

²² Committee for Sydney Report *Unleashing Sydney's Innovation Economy*

²³ Sydney Morning Herald, 24 July 2020, Nation Deep in the Red, David Crowe, page 1

Many behavioural economists believe the pandemic will make consumers more conservative.

Immigration and population growth

Immigration and population growth have been important economic drivers of housing development.

Net overseas migration is tipped to fall by 85 percent this year. Last month the number of permanent migrants into Australia was 95 per cent, or 100,000 down on the same month in 2019.²⁴

According to the fiscal update, the Federal Government's Economic Statement (July 2020), population growth next year, at just 0.6 per cent, is expected to be the lowest recorded since 1916-17.

AMP Capital chief economist, Dr Shane Oliver said, "If we don't see immigration return with a reasonable time frame, we could end up with an oversupply of property hitting the market". He said he would not be changing his price forecasts, for a 10 per cent price decline in Sydney, off the back of the changes to raise the NSW Stamp duty exemption.²⁵

Housing challenges

Recent housing growth has made the economy particularly dependent on construction jobs. Construction is the third biggest employer in Australia. In NSW, property development and construction activity account for more than 10% of Gross State Product, so is critical to a strong economy.

Over 25% of construction employees are dependent on JobKeeper and around 130,000 construction organisations receiving JobKeeper.

By the end of 2019, new housing approvals had slowed to a trickle and plunged to their lowest levels since 2011.

The construction of homes and apartments is now likely dive sharply, despite Government's concerted efforts to cut red tape and accelerate the development process.

"The looming economic "cliff" is still striking fear into the heart of renters despite moves from the federal government and lenders to extend support to Australians left unemployed by the coronavirus crisis. No moves have been made to extend the pandemic-era moratorium on rental evictions beyond October in any state or territory. In contrast to major banks' plans to allow some homeowners an extra four months to start repaying deferred mortgages."²⁶

The Council of Capital City Lord Mayors have called for a national housing strategy and \$200 million to fight homelessness in Australia's capitals. Sydney Lord Mayor Clover Moore said waiving State housing debt would free up \$800 million in NSW alone to go towards social housing.²⁷

²⁴ Sydney Morning Herald 18 July 2020, Recession Busters what to do', page 23

²⁵ Domain, Stamp duty for first-home buyers to be temporarily waived on new properties worth up to \$800,000
<https://www.domain.com.au/news/stamp-duty-for-first-home-buyers-to-be-temporarily-waived-on-new-properties-worth-up-to-800000-972417/>

²⁶ Domain, Renters still fear economic cliff despite JobKeeper, Jobseeker and mortgage relief extensions
<https://www.domain.com.au/news/renters-still-fear-economic-cliff-despite-jobkeeper-jobseeker-and-mortgage-relief-extensions-972002/>

²⁷ Canberra Times Waive debts, fund services: capital mayors, 29 July 2020, Finbar O'Mallon
<https://www.canberratimes.com.au/story/6854306/waive-debts-fund-services-capital-mayors/?cs=14231>

Opportunities

While there are numerous significant challenges confronting those implementing a NSW Housing Strategy in the near future, there are also opportunities which coincide with some of the strategies previously recommended in this submission.

In the short term, the Strategy should outline how the housing sector can help to prevent the economy from falling further than is already expected through a supply-side response involving non-market housing where the consumer demand remains very strong. Here is a clear opening for Government backed Action Plans under the Housing Strategy to provide a strong economic stimulus.

The prime opportunity is to address the well documented deficit in affordable and social housing where the benefits will have short and long term positive economic impacts in terms of jobs and growth as well as meeting pressing housing needs being experienced in local communities.

A workable plan will need to respond to the both the present constraints and opportunities to be effective. A major obstacle to developing non-market housing supply at scale is securing sufficient funds, at a time when government debt is ballooning. There is limited government capacity to spend more and further stimulate the construction industry. Its ability is constrained by a rapidly rising debt burden, falling revenues and extensive commitments to a pipeline of transport infrastructure investments.

However, a mix of funding sources could be deployed that match these restrictions, with some coordinated government support and planning. These sources include:

- Use surplus state and local government land (together with public housing redevelopment sites) provided at no initial cost,
- Ultra-low cost borrowings for affordable housing through NHFIC²⁸,
- Large scale institutional investment from superannuation funds into rental housing.

The targeted use of some government funds to buy and contribute 'shovel ready' development sites purchased from distressed sellers could supplement these sources and kick start a new affordable housing supply pipeline.

Potentially these funds would be made available to consortia and partnerships between the not-for-profit sector (registered community housing providers), finance, super fund investment and major builders. Government landowners would play a pivotal role in building and sustaining the pipeline.

Super funds are ideal partners for community housing providers to deliver mixed income residential developments²⁹. Super funds are a good match for investing in rental housing provided they can achieve a market return as they are long-term patient investors. There is also an opportunity to direct some of the rent-restricted affordable housing to essential workers as industry fund contributing members.

A new way is needed to fill the stimulus role, when private housing markets are failing because of a collapse in private demand and private finance to take on additional risk.

²⁸ Large scale institutional investment is an untapped potential source of funding for new housing. 'Urban Taskforce welcomes the Commonwealth's successful launch of Australia's largest ever special government bond issuance for social and affordable housing totaling \$562 million. This is the smart and fair way to raise money for social and affordable housing. This type of scheme is popular in the UK and in North America and encourages institutional investment in long-term housing stock' Urban Taskforce, Urban Ideas, July 2020
<https://urbantaskforce.com.au/urbanideas/july2020/?page=1>

²⁹ Some industry super funds already invest in affordable housing in Sydney, such as First State Super.

The proposed way forward: A discrete stimulus action plan for the Housing Strategy

A key part of the proposal involves forming new business alliances between entrepreneurial housing NGOs and Super fund investment boards bringing together their complementary strengths of:

- access to a stable low risk revenue stream based on affordable rents and ultra-low interest rates for borrowings; and
- the patient equity of Super funds with long-term passive investment goals aiming to provide stable returns for their retiree members.

To take forward and develop a *stimulus action plan*, the following recommendations are made:

- Make government the first investor to build business confidence in the construction industry by providing development sites (surplus land) and some development capital.
- Make community housing providers key organisations who know what housing is needed, on the condition that they borrow and bring to the project's private finance.
- Fast-track superannuation investment in the economic recovery, through investment in affordable and social housing. The NSW Government could promote this by offering under utilised land at discounted prices while taking a share of the returns.
- Consortia of registered tier 1 and 2 community housing providers, Super fund investment vehicles, and good growth developers would work together to deliver hundreds of medium-sized housing projects and thousands of apartments.³⁰

This represents a tactical and strategic shift to delivering a significant pipeline of new supply of restricted non-market housing that is mixed with private 'build to rent' and then subsequent conversion to 'rent to buy' housing supply. It should involve working closely with local governments to ensure that the new housing is in the right place and the right form to strengthen social cohesion and community building.

There is also a potential opportunity for piloting council led renewal, where the council helps broker new development through the contribution of land, the use of local affordable housing contributions and managing community consultations to lead the procurement of housing for their own communities' needs.

Conclusion

SSROC welcomes the opportunity to make a constructive contribution to a *Housing Strategy for NSW*, suggest potential priorities for the action plans for key stakeholders and provide comments on the discussion paper. It presents an enormous opportunity to ensure that we plan strategically for how housing is delivered into the future.

SSROC member councils cover a large part of Greater Sydney and have a direct interest in supporting and advocating for a clear vision for providing housing for everyone. We welcome the consultation and recommend that the issues raised, and the recommendations proposed in this submission be given further consideration.

SSROC recommends five big ideas that, if adopted, will greatly enhance the outcomes of the proposed Housing Strategy and complement an injection of State funds into building more social housing.

³⁰ Sydney Morning Herald, Super funds to press for affordable housing subsidy, 22 June 2020, <https://www.smh.com.au/politics/federal/super-funds-to-press-for-affordable-housing-subsidy-20200615-p552se.html>

- Establishing high level governance that provides a whole of government support to the Housing Strategy
- Adopting long-term planning policy settings to help stabilise house price growth
- Developing three distinct but interlinked housing delivery strategies for growing housing supply:
 - Market housing
 - Affordable homeownership
 - Affordable rental housing
- Providing largely non-government stimulus to aid the recovery of the construction industry from the COVID-19 pandemic impacts. This would involve a new non-market housing supply-side initiative having access to surplus government land. Key to the proposal would be attracting both institutional investment and private finance at scale into rental housing. The strategy would aim to kick start reinvestment and renewal in social and affordable housing as well as increase 'build to rent' and 'rent to buy' affordable homeownership offerings in a way that mitigated the financial risks to borrowers and investors.
- Demonstrating the benefits of Council-led urban renewal³¹ and infrastructure (e.g. regional waste initiatives)

As a package they could provide important activity that help to keep Australians in jobs and local business in business.

In order to make this submission within the timeframe for receiving comments, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC. I will contact you further if any issues arise as it is reviewed. If you have any queries please do not hesitate to contact me or Mark Nutting, SSROC's Strategic Planning Manager on 8396 3800.

Again, thank you for the opportunity to comment on the *A Housing Strategy for NSW* - discussion paper and the SSROC Secretariat is keen to participate in any further stages of a reform process, in particular any consultations around the Strategy and the proposed action plans that will particularly impact on local councils.

Yours faithfully



Helen Sloan
Acting General Manager
Southern Sydney Regional Organisation of Councils

³¹ Cities for US recommendations, 2018

<https://ssroc.nsw.gov.au/wp-content/uploads/2018/09/180913-Cities-for-Us-Summit-Press-Release1.pdf>

<https://ssroc.nsw.gov.au/cities-for-us-communicate-and-recommended-directions/>