



Submission to: NSW Department of Planning, Industry and Environment

NSW Housing Strategy Discussion Paper

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Preface: City Futures Research Centre, UNSW

Established in 2005, CFRC is Australia's leading academic urban policy research centre. Spanning the interrelated areas of metropolitan planning, housing, urban analytics and liveability, our work aims to advance understanding of how Australia's cities both shape and are shaped by social, environmental and economic change. The Centre's pre-eminent position in the Australian urban research field was officially reconfirmed in the 2018 national university research assessment exercise, the ERA. Together with Faculty colleagues, CFRC was once again rated as Level 5 – well above world standard – in the urban and regional planning field.

Reflecting the Centre's acknowledged urban policy expertise, staff members are often consulted by policymakers, by private developers and by not-for-profit organisations in Sydney, elsewhere in Australia, and internationally. Our work is also regularly cited in local and national media.

CFRC works closely with several other UNSW research groups as well as with other universities in Australia and leading international research centres in Asia and Europe. The applied focus of our research also involves strong partnerships with local, state and federal government agencies as well as industry stakeholders and community groups.

Housing policy has been one of the Centre's prime areas of interest and expertise throughout our 15-year existence. During this time, we have published hundreds of research reports, journal articles, media contributions and consultation submissions on aspects of housing. Among the most recent is the 2020 book 'Housing Policy in Australia: A case for system reform'¹, in which many of the topics covered in this submission are further discussed.

¹ Pawson, H., Milligan, V. & Yates, J. (2020) *Housing Policy in Australia: A case for system reform*; Singapore: Palgrave

Executive Summary

The City Futures Research Centre welcomes the NSW Government's intention to publish a comprehensive housing strategy and the opportunity to input to its formulation.

Three components are fundamental to any strategy: the setting of goals, the identification of actions to achieve those goals, and a plan for the mobilisation of resources to implement the specified actions. In this submission we summarise:

- The housing challenges we believe the 2020 Strategy should address
- The primary policy objectives the Strategy should adopt, and
- The powers and policy levers the Government could wield in pursuit of such objectives.

Strategy challenges

Challenge 1: Expanding housing stock to meet future needs

In expanding housing stock to meet future needs, the 2020 Strategy needs to recognise and address the changing size and profile of the state's population. In doing so, it will need to set out population and household projections more fully than in the Discussion Paper. In the light of the COVID-19 impact on international migration, this analysis will need to incorporate scenarios that allow for the possibility that future flows will be lower than previously forecast.

Beyond this, the strategy should also contemplate the possibility that future population growth might be partially accommodated by making more effective use of currently under-utilised housing stock. With these points in mind the Strategy should extend beyond the Discussion Paper in making a reasoned case for the scale of additions to the dwelling stock considered essential in gross numerical terms.

Similarly, by comparison with the Discussion Paper, the Strategy will need to lay greater emphasis on the housing provision implications of population ageing, recognising that older Australians are a cohort whose growth rate is over three times that for either children or young people. The Strategy must also take a view about the expected geography of future dwelling growth in terms of housing need and requirements across the state, underpinned by an analysis of the spatial structure and dynamics of the housing market as well as recent changes in the geography of employment and projections for the strategy period.

In advocating measures to shape new housebuilding, the Strategy will also need to address concerns arising from ongoing contraction of home ownership and to factor in changing consumer preferences related to housing.

Challenge 2: Addressing existing housing needs

The Discussion Paper appropriately acknowledges that rental stress, homelessness and the undersupply of affordable housing pose critical challenges for government. The Strategy itself will need to spell out the associated implications for the planning and funding of future housing provision much more cogently and specifically. The Paper's silence on the extent of the state-wide shortfall in social and affordable rental housing is a fundamental weakness. In gauging the necessary scale of required action to address this issue, the Strategy will need to quantify recent social/affordable housing construction, and to project likely completions that can be expected in coming years – e.g. anticipated output from the Communities Plus program. This must, of necessity, include strategies and policies to address the affordability shortfall among lower income households, measures that extend beyond current housing policy and planning frameworks.

From the housing portfolio management perspective, the Discussion Paper devotes remarkably little attention to the state's existing social housing sector and – in particular – the undoubted challenge this presents in terms of managing and maintaining (let alone expanding) an ageing body of stock. As a major ongoing renovation program, Communities Plus is again relevant here. Considering its importance, the Housing Strategy would be expected to focus substantial attention on the program's progress and prospects for delivering both replacement and additional social housing – benchmarked against program aspirations as originally stated in 2016. More broadly, the Strategy will need to include a comprehensive analysis of public housing property condition that quantifies the existing works backlog in dollar terms – or, at the very least, commits to a time-specific program to develop such an assessment and to devise associated options for addressing the issue.

In recognition of mounting climate challenges, the Strategy should also explicitly consider the quality and performance of new and existing housing. This should extend beyond recognition of the problems of building defects to consider how buildings can be designed, built and managed to prolong their functional life. It should consider how new housing can deliver longer term utility cost reductions for householders while minimising consumption/ waste and maximising energy efficiencies and energy management, both in their construction and throughout their lifecycle (including through adoption of renewable energy technologies), for example, through a thorough review and extension of BASIX. These policies also need to be extended to include existing dwellings so that the entire housing stock can be made compliant with modern standards.

Improving housing quality and performance will require explicit consideration of asset management and building maintenance practices. This is especially important in multi-unit (apartment) housing across both the private and social housing stock.

Challenge 3: Inequality and economic productivity

In its ongoing evolution over the past 20-30 years, Australia's housing system has been increasingly contributing to inequality in living standards as well as in wealth distribution. Moreover, there is growing evidence that aspects of housing market operation are impairing overall long-term economic productivity, most noticeably in the formation of human capital and especially with regards to the perceived benefits of greater agglomeration through increased urban density. This implies a much greater recognition of the need to integrate housing, planning and infrastructure policy than has been achieved to date, to ensure that public investment and intervention in the housing system maximises 'whole of economy' productivity gains. While some policy levers may lie with the Commonwealth Government, the 2020 Strategy should contemplate what actions could be within state government powers to achieve a more holistic approach to future housing development that builds productivity.

Strategy objectives

Crucial in the 2020 Strategy will be the adoption of high-level objectives that logically flow from the strategic housing challenges as identified and defined. As acknowledged in the Discussion Paper (p5) the Strategy will 'set an overarching 20-year vision for housing in NSW'. If the elements of this vision are to have any meaning, they will need to be specified in clear and ambitious terms. Although by no means an exhaustive list, this submission proposes five possible objectives that the Strategy could embrace as follows.

Objective 1: The market functions more smoothly and housing stock is used more efficiently
Crucially, this includes the need to minimise the market volatility so strongly embedded within the system as it currently operates. This results in the construction industry wastefully and inefficiently gearing up and winding down in response. It also gives rise to developer business management

practices that problematically under-invest in skills and technology development and embody short-term approaches to dwelling design and construction. While new policy are being implemented in NSW to deal with aspects of building quality, governments can further counter these problems by discouraging property and land speculation – e.g. through land tax reforms and/or planning system adjustments, including greater intervention to manage planned precinct outcomes and value-sharing arrangements. Greater market stability would also be served through diversifying the housing supply system to enhance representation of not-for-profit providers and institutional investors.

Objective 2: Housing system impairment of economic productivity and equity is reduced
As advocated above, there is a case for government to include a strategic priority to reshape the housing system to minimise impairment of economic productivity. Again, this is compatible with current political orthodoxy. Since rising spatial inequality is increasingly viewed as antithetical to economic growth, these two issues are logically interconnected. Although, as acknowledged above, the relevant tax policy levers are primarily held by the Commonwealth Government, this should present no bar to a state or territory government advocating for their reform.

Objective 3: A more diverse range of housing forms enhances consumer choice
Australia has seen a growing polarisation between high density development – primarily but not exclusively in designated centres and corridors – and 1-2 storey detached suburban housing on the urban fringe with little change in the proportion of medium density options. Probably as much or more than any other city, Sydney would benefit from increased provision of medium density townhouse or mansion house style development to increase choice in terms of both housing type and location. Both planning and housing policy adjustments are needed to stimulate medium density development in appropriate locations, especially for affordable housing. In addition, the Affordable Housing SEPP should be replaced with a suite of tailored policies specifically formulated to address the multiple shortfalls in this well-intentioned, but poorly implemented, policy.

Objective 4: Historically rising levels of housing affordability stress are reversed
This objective flows from the case made above. It could be addressed partly through a greatly expanded program of new social and affordable housing provision. It is accepted that this could probably be actioned only with Commonwealth Government support. The same would be true for other policy adjustments that could assist in addressing this objective: namely property tax reforms and uprating of social security benefits, especially Rent Assistance. At the same time, as discussed below, a state government has significant powers and resources at its disposal that can and should be deployed to this end, such as routinely providing discounted public land for social and affordable housing development to permit much greater supply levels than hitherto generated.

Objective 5: The interests of landlords and tenants are appropriately balanced
Australia's private rental sector continues to expand. More people are renting their home from a private landlord than at any time in the past 70 years and more of them are remaining in this housing situation for longer than ever before. In law, however, the balance between landlord and tenant interests has remained fundamentally unchanged for decades, a status quo described by highly respected Professor Terry Burke as 'heavily weighted in favour of landlords and against the interests of tenants'. We believe that the recent statutory review of the NSW Residential Tenancies Act missed a significant opportunity to improve tenants rights, and that it should be revisited as a priority under the Housing Strategy.

Policy levers available

Lever 1: Tax settings

Wielding tax powers held at this level of government it is open to state/territory authorities to follow a reform path widely advocated by economists, whereby property taxes are re-configured to discourage speculation and enhance owner occupier mobility – where such a move would be to their advantage – e.g. in terms of work opportunities or work travel times, or up- or downsizing.

Lever 2: Regulation

State governments enjoy important regulatory powers with a bearing on housing – in particular, land-use planning measures governing development, and legal powers framing relations between landlords and tenants. In relation to planning, it is open to states to use approval procedures to mandate private developer production of social or affordable rental housing. Likewise, regarding the regulation of landlord-tenant relations, state governments have substantial freedom to adjust tenant rights and landlord obligations in line with changing housing systems and public expectations.

Lever 3: Expenditure and other use of resources

Even without committing significant amounts of taxpayer-funded expenditure, a state government like NSW has substantial scope to deploy resources in the interests of housing strategy objectives. Most importantly, as owner of the public housing portfolio it has asset management options that could help fulfil desirable policy objectives. For example, through additional public housing property transfers it could facilitate leveraging of privately funded investment in the social housing stock. Moreover, in relation to surplus land disposals outside of the public housing estate context, it could choose to comply with stakeholder calls to impose on acquiring developers a standard expectation that a minimum 30% of resulting residential development is reserved for social/affordable housing.

Using land ownership powers to enable forms of ‘affordable home ownership’, there could be a commitment to government-seeded initiatives such as Community Land Trusts, shared home ownership schemes, rent-to-buy options and equity cooperatives.

Strategy governance

The NSW housing system is complex and shaped by multiple policy levers, both those that are housing system-specific and by broader economic, fiscal, social and environmental policy settings. This raises crucial questions on how the proposed strategy will be governed and how ‘shared responsibility’ will be realised. In our view this will call for a range of institutional reforms, especially:

- Raising the seniority of the Ministerial housing portfolio
- Releasing an annual Housing Budget that identifies all the government’s outlays and their intended outcomes in terms of meeting given goals for supply and affordability of housing
- Creating an enduring high-level State Housing Council (or similar)
- Proactive development of a NSW Government position on future national housing policy.

1. Introduction

The City Futures Research Centre greatly welcomes this opportunity to input to the NSW 2020 Housing Strategy. An overarching point that emerges from our extensive work in this field is the complex, multi-faceted and interconnected nature of housing systems in a modern developed country like Australia. This prompts the conclusion that, in formulating housing policy objectives and interventions, governments need to adopt a system-wide perspective. The NSW Government decision to develop a broad-ranging housing strategy is therefore applauded.

In commenting on the Government's June 2020 Discussion Paper, this submission sets out our views on:

- The housing challenges we believe the forthcoming Strategy should address
- The primary policy objectives the Strategy should adopt, and
- The powers and policy levers the Government could wield in pursuit of such objectives.

We do not seek to propose, in detail, how available powers should be used in pursuit of the identified goals. That job can be done only by Government itself.

In formulating our consultation response, we are working on the basis that 'strategy' involves three key components, namely:

- a) Setting goals
- b) Identifying actions to achieve those goals and
- c) Mobilizing resources to implement the actions.

Critically, within a 'rational planning' framework, strategic 'goal definition' requires both a logical, evidence-based approach, and reasoned consideration and justification for proposed objectives.

How such principles should translate within the housing context is relatively uncharted territory in Australia. At no time in our recent history has this country had anything resembling a national housing strategy, while efforts to develop comprehensive housing strategies at state/territory level have been few and far between². Internationally, there are templates at the national, regional and local levels. A recent example of the former type is the 2017 Canadian national housing strategy³. A recent example of a regionally-focused international example is the 2018 Greater London housing strategy⁴.

Importantly, another implication of the system-complexity issue mentioned above, is that housing policy powers and responsibilities are highly fragmented under Australia's governance model. Under the constitution, the Commonwealth Government has no specifically defined responsibility for housing or urban development. Hence it is generally accepted that state/territory governments are

² Partial exceptions have included the Western Australia Government's 'Affordable Housing Strategy 2010-2020' http://www.housing.wa.gov.au/HousingDocuments/AHS_Report_final.pdf ; and the South Australia Government's Our Housing Future 2020-2030 publication https://www.housing.sa.gov.au/_data/assets/pdf_file/0003/130692/Our-Housing-Future-2020-2030.pdf The NSW Government's 2016 paper 'Future Directions for Social Housing' has been sometimes termed 'a strategy' for this specific component of the housing market although its strategic quality was questionable <https://blogs.unsw.edu.au/cityfutures/blog/2016/01/more-questions-than-answers-in-nsw-strategic-housing-announcement/>

³ Canada Government (2017) Canada's National Housing Strategy: A Place to Call Home <http://placetocallhome.ca>

⁴ Mayor of London (2018) London Housing Strategy https://www.london.gov.uk/sites/default/files/2018_lhs_london_housing_strategy.pdf

formally responsible for housing outcomes and that their relevant powers include land-use planning, regulation of landlord-tenant relations and public housing provision. However, the Commonwealth Government's responsibilities for critical aspects of tax as well as social security policy and immigration levels place important limits on scope for independent housing policy action below the national level. Moreover, due to Australia's vertical-fiscal imbalance, as well its control over the national currency, the Commonwealth enjoys far greater scope to commit to housing expenditure programs. Therefore, as we have argued elsewhere⁵, there is a strong case for a housing strategy to be developed for Australia as a whole. At the time of writing, however, this does not appear to be in prospect. It is in this context that the NSW Government's initiative to develop a state-level plan is especially to be welcomed.

⁵ Pawson, H., Milligan, V. & Yates, J. (2020) *Housing Policy in Australia: A case for system reform*; Singapore: Palgrave

2. Strategy challenges

In this section we define what we see as the main housing system challenges that the 2020 Strategy needs to acknowledge and address. As reflected in the issues discussed in Section 2.2, we particularly wish to stress the need for the Strategy to acknowledge and address existing housing system problems that extend beyond the rightly identified issue of currently unmet housing needs.

2.1 Expanding housing stock to meet future needs

2.1.1. Gross scale of required new housebuilding

In a jurisdiction where rapid population growth is officially expected to resume after a COVID-19 pause in international migration, the 2020 Strategy will naturally be expected to focus on plans to enable matching quantitative expansion of the housing stock over coming decades. At the same time, as a basis for enabling housing growth, it will be appropriate for the document to set out population and household projections more fully than in the Discussion Paper. Factors such as the long-established tendency for Sydney to act as an international migrant gateway, but also a net inter-regional *exporter* of population should be acknowledged, modelled, and discussed in terms of housing provision implications. Moreover, in the light of the COVID-19 pandemic and its dramatic impact on the state's 2020 international migrant intake, we would suggest that the analysis will need to incorporate scenarios that allow for the possibility that future flows will be lower than previously forecast.

Beyond this, the strategy should also contemplate the possibility that future population growth might be partially accommodated by making more effective use of currently under-utilised housing stock. In Sydney empty homes rose to 7.7% of all dwellings as recorded by census 2016⁶. To what extent this could be interpreted as representing 'excess vacancies' is something that should be officially assessed within the context of State Government powers that could be brought to bear in ensuring more efficient use of housing stock (see Section 4).

Meanwhile, across Australia, 2017-18 data suggest that 1.086 million owner occupying households under-utilise their home to the tune of at least three spare bedrooms⁷, a figure that has also increased over the past decade. Although the relevant ABS survey data isn't broken down to state/territory scale, the national estimate would equate to some 333,000 grossly under-utilised homes in NSW (assuming representation at national rates). Additionally, since the bulk of the state's dwelling stock consists of detached houses – many with scope for the addition of extensions or secondary dwellings – it may be possible to accommodate some part of future population growth attributable to natural increase without otherwise adding to the dwelling stock.

With the above points in mind we think the Strategy should go further than the Discussion Paper in making a reasoned case for the scale of additions to the dwelling stock considered essential in gross numerical terms. This will need to be much more fully justified than the Discussion Paper's almost casually stated claim that 'There was an estimated undersupply of 100,000 homes in Greater Sydney in 2016' (p21), especially in the light of an almost matching number of empty dwellings recorded at this time.

⁶ Owen, E. (2017) Three Unique Housing Insights From the 2016 Census; Core Logic <https://www.corelogic.com.au/news/three-unique-housing-insights-2016-census>

⁷ ABS (2019) Housing Occupancy and Costs 2017-18; Table 7 https://www.abs.gov.au/AUSSTATS/subscriber.nsf/log?openagent&41300_table7_2017-18.xls&4130.0&Data%20Cubes&CF4BDAF76F261958CA2584390017EC7C&0&2017-18&17.07.2019&Latest

2.1.2 Population size and structure – highlighting implications of population ageing

An important stated premise for the Housing Strategy is demographic change in terms of both population growth and structure and the implications for housing needs over the next 20 years. As the Discussion Paper acknowledges, population growth estimates are based on historic trends. These will now need to take account of the COVID-19 pandemic and its impacts on immigration over at least the early years of the strategy period and the implications for housing demand.

In terms of population structure, the Discussion Paper places an almost equal emphasis on increases in the number of children, presumably under 15 years of age, (26% by 2041 – 20 years) and young people 15-24 (26% over 20 years) as on older people 65+ (85% over 25 years) (p 4). Not only is the difference in time frame (20 and 25 years) and geography (Greater Sydney for children and NSW for young people and older people) confusing, but inadequate emphasis is given to the importance of the older cohort whose growth rate is over three times that for either children or young people. It is also important to recognise that the threshold for what is considered 'older' for Indigenous Australians is regarded as the lower age of 50⁸ which also needs to be considered in growth projections for older people.

Together with expected population growth, population ageing will have an important impact on housing supply, diversity, affordability and resilience (the four proposed Strategy themes) over the next 20 years. The 'baby boomer' cohort comprising an increasing proportion of the older population also come with different attitudes, values, expectations, behaviour and asset base regarding housing compared to previous older generations⁹ which need to be understood and accommodated. While population ageing is likely to result in more smaller households, it also needs to be recognised that older people are also often members of larger multigenerational households¹⁰.

These factors have critical implications for the types, design and location of housing that will be required over the next 20 years, including for social housing (where older people are over-represented), the private homeownership and rental markets (especially given declining rates of outright homeownership¹¹), as well as specialised seniors housing, retirement villages, and lifestyle villages (manufactured home estates). How these interact with aged care support provided in the home to optimise ageing in place and thus minimise transfers to residential aged care is also a critical to an effective housing strategy. Additionally, important is facilitating opportunities for older people to move and downsize to more appropriate housing by addressing barriers related to the age pension asset test and the taxation system via state government-imposed stamp duty¹². This will

⁸ AIHW (2018) Older People: Glossary, Canberra <https://www.aihw.gov.au/reports-data/population-groups/older-people/overview>

⁹ Pinnegar, S., van den Nouwelant, R., Judd, B., & Randolph, B. (2013). Understanding Housing and Location Choices of Retiring Australians in the "Baby Boom" Generation. Sydney: City Futures Research Centre, UNSW Australia.

¹⁰ Liu, E. Y., Easthope, H., Judd, B., & Burnley, I. (2015). Housing multigenerational households in Australian cities: Evidence from Sydney and Brisbane at the turn of the twenty-first century. In R. Dufty-Jones, & D. Rogers (Eds.), Housing in Twenty-First Century Australia: People, Practices and Policies. Aldershot: Ashgate, pp 21-37.

¹¹ Ong, R., Wood, G. & Colic-Peisker, V. (2014) Housing older Australians: Loss of homeownership and pathways into housing assistance, Urban Studies 52(16) 2979-3000.

¹² Judd, B., Liu, E. Y., Easthope, H., Davy, L., & Bridge, C. (2014) Downsizing amongst older Australians; Final Report No.214; Melbourne: AHURI; Adair, T., Williams, R. & Menyen, T. (2014) Downsizing decisions of senior Australians: what are the motivating and discouraging factors? Melbourne: National Seniors Productive Ageing Centre

require an evidence-based approach to the extent, significance and effective responses to population ageing in all housing sectors that is clearly articulated over all three thematic areas of housing supply, diversity, affordability and resilience drawing on relevant research in the field of population and ageing, such as that provided by the Australian Housing and Urban Research Institute.

2.1.3 The geography of economic activity and housing development

The housing strategy will need to take a view about the desired geography of future dwelling growth across Sydney, and the rest of the state. It would be assumed that there would be some consistency here with the spatial distribution of dwelling growth as set out in the Greater Sydney Region Plan and the GSC's District Plans, and analogous non-metropolitan planning documents. In any event, this needs to be underpinned by an analysis of recent change in the geography of employment and projections for change expected over the strategy period. In our view, therefore, the Strategy itself will need to cover this issue in much greater depth than the Discussion Paper's very brief aside that 'Over the past 30 years, most new and higher paying jobs have been in Sydney CBD' (p28).

It is difficult to disagree with the Discussion Paper when it states that 'While new suburbs on the city's fringe will continue to accommodate new development, more homes are needed in Greater Sydney's existing areas' (p25). However, the Strategy itself will need to be much more definitive. In particular, it would be expected to say something more specific about the extent to which it is hoped that 2021-2041 development is to be contained within the existing built-up area – albeit recognising that there's a special case argument for Badgery's Creek to form a new population node beyond the current fringe.

2.1.4 Declining home ownership

As acknowledged in the Discussion Paper (p4), the recent past has seen 'decreased home ownership', a development that has implications for housing affordability, as well as other housing policy objectives. The NSW Housing Strategy needs to be predicated on projections of future tenure trends, and how such trends will play out for different age cohorts.

A particular concern here is the likelihood that falling home ownership rates that have, until now, affected mainly young and middle-aged adult cohorts, will in future flow through to the aged population. On this basis, the Grattan Institute estimates that a continuation of present trends will see the home ownership rate for the over-65s declining by 19 percentage points by 2056¹³. This implies a very substantial increase in older private renters during the NSW Strategy period. The combination of high rents, a relatively low age pension rate and capped Rent Assistance entitlement results in a high incidence of housing affordability stress among aged private renters. With the expected rise in this population, it can be anticipated that there will be a rapid increase in the number of older renters in need of (and qualifying for) already-scarce social housing. The strategy should quantify this challenge and show how it can be accommodated.

Falling home ownership rates among young adults in any case pose an obvious housing strategy challenge in the context of an ongoing popular aspiration for owner occupation. In this context, the Discussion Paper reports with concern that 'First home buyers face tightening credit standards and competition from investors due to tax settings and wider economic conditions. Owner occupiers made up 80 per cent of lending for housing in the early 90s; by the peak of the boom in 2015, this

¹³ Coates, B. & Chen, T. (2019) Retiree home ownership is about to plummet. Soon little more than half will own where they live; The Conversation, 12 April <https://theconversation.com/retiree-home-ownership-is-about-to-plummet-soon-little-more-than-half-will-own-where-they-live-115255>

fell to about two fifths' (p54). This statement is useful in that it gently hints at a recognition that the current suite of tax concessions enjoyed by rental investors is problematic. CGT discount and negative gearing are of course Commonwealth Government matters over which the NSW Government has no direct influence. However, the Strategy could – and we would argue, should – advocate their phased reform.

At the same time, the Strategy should acknowledge a powerful 'tax setting' that is within NSW Government control: land tax (LT). Under present settings, all owner-occupiers are excluded from LT liability with respect to their principal place of residence. Moreover, because of the minimum land value thresholds, approximately five-sixths of residential landlords are also excluded from liability¹⁴. Currently configured LT exclusions, thresholds and rates encourage (or fail to discourage) buying and holding land for speculative purposes, whereas a greater application of LT – particularly through broadening the base to include owner-occupiers and all landlords – would spur land owners to put land to use, including in the development of more housing. It is surprising that the Discussion Paper does not mention LT as a housing policy lever, especially when the Treasurer has recently placed it prominently on the tax reform agenda¹⁵.

Given the general understanding that falling young adult home ownership results mainly from increasingly stressed house purchase affordability, the Strategy will need to demonstrate how this is to be addressed. While there is an orthodox view that the problem purely reflects inadequate new housing supply, this is overly simplistic. The idea that housebuilding output could ever be ramped-up sufficiently to reduce property prices more than temporarily has to contend with the dubiousness of the proposition that the private development industry – even with the spur of a reformed land tax – would voluntarily enable this when 'drip-feed' behaviour has served it so well historically¹⁶. In our view, the logic here points towards a strategy involving the promotion of a publicly-led land development process and in the diversity of suppliers to include not-for-profit providers.

2.1.5 Consumer preferences related to housing

As the Discussion Paper rightly acknowledges, it will be essential for the Strategy to recognise and seek to accommodate consumer preferences for housing as far as possible. Especially since the plan aspires to guide housing development and management for decades into the future, it also needs to take account of recent and likely continuing change in popular sentiment about housing priorities. Indeed, the Paper states that 'two fifths of renters in Greater Sydney do so by choice' (p57), although the unpublished status of the cited source detracts from the credibility of this rather bald claim.

Nevertheless, we accept that Australia's falling home ownership rate probably results to a small extent from changing sentiment especially among younger, better educated people. In part this reflects generational change in values such that – at least for a significant minority of younger adults – access to amenities is increasingly prioritised over owning one's own home. Thus, while perhaps not viewed as 'ideal', renting is for growing numbers of people an acceptable trade-off for the

¹⁴ ATO (2020) ATO Taxation Statistics, 2017-18, table 26A <https://www.ato.gov.au/About-ATO/Research-and-statistics/in-detail/Taxation-statistics/Taxation-statistics-2017-18/>

¹⁵ Warren, N. (2020) Memo to Australia's states: try renovating your tax system before asking for a new one; The Conversation, 6 July <https://theconversation.com/memo-to-australias-states-try-renovating-your-tax-system-before-asking-for-a-new-one-141893>; Wright, S. (2020) The odds against Perrottet tax reform, even if it deserves success; Sydney Morning Herald, 1 July <https://www.smh.com.au/politics/federal/the-odds-against-perrottet-tax-reform-even-if-it-deserves-success-20200701-p557xx.html>

¹⁶ Leishman, C. (2017) Is Australian housing supply adequate? in Committee for Economic Development of Australia (CEDA); Housing Australia; Melbourne: CEDA

opportunity to reside in a ‘desirable area’ where house purchase would be out of reach¹⁷. Similarly, the burgeoning of ‘micro apartment’ developments – designated in NSW ‘new generation boarding houses’ – arguably implies a growing cohort of consumers willing to reside in relatively small spaces, to some extent in defiance of standard land-use planning expectations on minimum acceptable unit size.

The broader point here is that the Strategy needs to take a view about the possibility that consumer preferences for housing are changing, and to specify how this will be factored into the official vision of the state’s housing future – e.g. by planning more explicitly for expanded provision of rental housing designed and built for purpose.

2.2 Addressing existing housing needs and housing system issues

2.2.1 Homelessness and affordable housing shortage

We welcome the Discussion Paper’s acknowledgement that rental stress, homelessness and the undersupply of affordable housing are strategic challenges that sit alongside the big target of expanding overall provision commensurate with population growth. At the same time, the Strategy itself will need to spell out the implications for the planning of future housing provision much more cogently and specifically. Notwithstanding the Discussion Paper’s brief allusion to an overall housing shortage estimate for Greater Sydney (p21), the absence of estimates for the state-wide shortfall in social and affordable rental housing is highly problematic. Nor is there any acknowledgement of independent published estimates. For example, our own analysis suggests ‘backlog need’ for social and affordable housing totalling 216,500 units as at 2016¹⁸. If addressed entirely through additional social/affordable housing constructed over a 20-year timescale, and also factoring in newly arising need over this period, required annual housebuilding would total some 16,000 affordable dwellings.

In gauging the scale of social and affordable housing needs, it will also be vital for the Strategy to quantify recent social/affordable housing construction, and to project likely completions that can be expected in coming years – e.g. anticipated output from the Communities Plus program. Logically, social housing provision losses – through sales and demolitions – would also need to be included. In our view it is remarkable that statistics of this kind are not, in any case, routinely published for NSW or more generally across Australia.

Our own analysis – albeit reliant on incomplete data – suggests that the decade from 2018 could see the net addition of 9,900 social rental properties to the NSW dwelling stock¹⁹ – over a period when rising need will call for a minimum of 21,000²⁰. Moreover, while optimistically assuming that the Communities Plus program will run to its originally announced schedule, this allows for no public housing sales or demolitions outside of that program. Nor does it factor in any reduction in the large existing backlog of need (see above).

¹⁷ Pawson, H., Hulse, K. & Morris, A. (2017) Interpreting the rise of long-term private renting in a liberal welfare regime context; *Housing Studies* Vol 32(8) pp1062-1084

¹⁸ Troy, L., van den Nouwelant, R. & Randolph, B. (2019) Estimating need and costs of social and affordable housing delivery; Sydney: UNSW City Futures Research Centre
https://cityfutures.be.unsw.edu.au/documents/522/Modelling_costs_of_housing_provision_FINAL.pdf

¹⁹ Pawson, H. (2018) NSW is overselling its social housing commitment; City Futures blog, 8 May
<https://blogs.unsw.edu.au/cityfutures/blog/2018/05/nsw-is-overselling-its-social-housing-commitment/>

²⁰ Pawson, H. (2018) Does NSW really need to double its social housing output? City Futures blog, 23 June
<https://blogs.unsw.edu.au/cityfutures/blog/2018/06/does-nsw-really-need-to-double-its-social-housing-output/>

2.2.2 Sub-optimal condition/performance of existing housing stock

In addition to considering the supply of *additional* housing, an effective Housing Strategy should also consider the quality and performance of the *existing – as well as the future* – housing stock. The Housing Strategy could explicitly consider the role of ownership and management of housing beyond the supply and delivery of that housing. Who owns the housing while people are living there and how it is managed (in terms of building/asset management as well as tenancy management) has a major impact on housing outcomes. This is the case across all housing types and tenures, but particular challenges arise in private apartment housing and the public housing portfolio.

Stock condition and longevity – private apartment housing

There has been significant attention in NSW over the past year on apartment building defects, with an active reform agenda underway. We expect the Housing Strategy to engage with this agenda at least in so far as to provide stated support for regulatory interventions intended to improve the quality of housing and restore confidence in the new build housing market (especially for apartments). The Strategy should also consider building quality beyond building defects as well as how buildings can be designed, built and managed to prolong their functional life so as to minimise the costs to successive occupiers.

The Housing Strategy provides an opportunity for the government to demonstrate leadership regarding the environmental performance and life expectancy of new buildings. The Strategy should consider how new housing can deliver on comfort and utility cost reductions for householders while minimising consumption/waste and maximising energy efficiencies and energy management, both in their construction and throughout their lifecycle (including through the adoption of renewable energy technologies).

At present, much of the new housing being built is constructed to minimum regulated standards of performance. It is not built to last and it is not designed nor built to facilitate retrofitting that could improve the environmental performance or comfort of buildings or to extend their functional lives. This is a particular concern for apartment buildings, which are difficult and costly to demolish and rebuild.

Part of the reason for these problems with new apartment housing quality is that the dominant supply mechanism is speculative development for sale of individual strata titled units to purchasers who have no input into, or oversight over, building design or construction. Our research²¹ has demonstrated that developer actions in the set-up of such developments (including build quality, design, allocation of unit entitlements, and levy setting) can have important impacts in terms of:

- Building quality
- Financial viability of the development in the short to medium term
- The effectiveness of building management – including with regard to the nature and incidence of disputes.

This is therefore an area where government regulation must play a more pro-active role in raising minimum standards to ensure the supply of good quality, high performing and adaptable buildings.

²¹ Easthope, H. & Randolph, B. (2016) Principal-agent problems in multi-unit developments: The impact of developer actions on the on-going management of strata titled properties, *Environment and Planning A*, 48(9), pp. 1829-1847.

The challenges associated with the traditional apartment development model also point to the potential for government to support alternative approaches to the supply of apartment housing, such as rental buildings that are owned by a single landlord (build to rent). However, such alternative models of housing supply will also require regulation to ensure that both asset management and tenancy management is adequate to ensure good housing outcomes. The Housing Strategy also provides an opportunity to support policies and regulations aimed at promoting the longevity of apartment housing, both through ensuring adequate maintenance and by supporting the upgrading and retrofitting of existing housing²².

These issues are not subsidiary concerns, but go to the heart of the housing supply question given that apartment building has become the main driver of new housing supply in our major urban areas, and will continue to do so into the foreseeable future.

Stock condition and fitness for purpose –the public housing portfolio

While rightly highlighting the logic of a comprehensive system-wide approach, the Discussion Paper devotes remarkably little attention to the state's existing social housing portfolio and – in particular – the undoubted challenge this presents in terms of managing and maintaining (let alone expanding) an ageing body of stock. The underlying thinking here might be that the strategy for social housing has been already set out in the 2016 Future Directions paper. In our view, however, that document fell far short of presenting an evidenced and costed plan for that part of the housing system²³.

The Discussion Paper's only significant reference to this whole issue is its brief mention of the Communities Plus program (p64, p67). This seems surprising considering that – beyond its role in renewing rundown estates – this is a very large-scale project, previously lauded by the NSW Government as a nationally leading initiative²⁴. Considering this, it would be expected for the Housing Strategy to focus substantial attention on the program's progress and prospects for delivering both replacement and additional social housing – benchmarked against program aspirations as originally stated in 2016.

In any case, however, it has never been suggested that the Communities Plus program represents a means of comprehensively addressing the rundown condition of the state's public housing system as a whole. Reflecting the program's underlying financial model, it is targeted according to development feasibility criteria, not property condition or social need. The 2020 Strategy therefore must include a broader analysis of the state's social housing system – the physical condition of the property portfolio, the cost of its management and maintenance, the range of options for consideration in addressing identified concerns.

Again, there is a major information deficit that must be addressed here. In particular, the undisclosed scale of the repairs and maintenance backlog in the public housing system. The most recent insight into this was provided by the NSW Audit Office investigation of public housing management back in the early 2010s. At that time, as acknowledged by the Land and Housing

²² Loschke, S. & Easthope, H. (2016) Rethinking Housing Solutions: Adaptive redesign approaches for ageing apartment buildings, Architecture MPS Conference Future Housing: Global Cities and regional Problems Melbourne 9-10 June 2016.

²³ Pawson, H. & Milligan, V. (2016) More questions than answers in NSW strategic housing announcement; City Futures blog; 26 January <https://blogs.unsw.edu.au/cityfutures/blog/2016/01/more-questions-than-answers-in-nsw-strategic-housing-announcement/>

²⁴ NSW Government (2018) Strong market interest in Australia's first mixed Build-to-Rent development; Media Release, 26 October <https://www.communitiesplus.com.au/news/strong-market-interest-in-australias-first-mixed-build-to-rent-development>

Corporation '30-40 per cent' of the portfolio had fallen below the LAHC benchmark acceptable physical standard²⁵. Perhaps it has proved possible to improve this situation over the past decade, but given the ongoing context of financial stringency, that seems unlikely.

The 2020 Strategy therefore needs to include a comprehensive analysis of public housing property condition that quantifies the existing works backlog in dollar terms – or, at the very least, commits to a time-specific program to develop such an assessment and to devise associated options for addressing the issue.

2.2.3 Housing system increasingly exacerbating inequality and impairing economic performance

The Discussion Paper rightly focuses on aspects of housing supply with an aim to support diverse housing outcomes to meet predicted household growth with appropriate housing typologies. There is also a recognition of aspects of housing stress resulting from poor affordability outcomes and that these have a geographic expression (p60). However, the Paper devotes little attention to the fact that housing supply and demand is geographically structured and that a strategic response to challenges of housing supply will need an equally geographical response. The 2020 Strategy will need to treat the housing supply challenge as more than an 'aspatial' black box. A coherent response to the delivery of housing that meets the needs of growing populations, especially if it is to be deemed affordable, will need to address the spatial variation in land costs across the urban system. This spatial variation in land costs reflects the capacity of population to afford housing which is in turn is a function of differential household income potentials.

Socio-spatial inequality is a well-established feature of our settlement system that impacts on a wide range of social and economic outcomes. Spatial inequalities are themselves generated by fundamental economic drivers, such as the changing structure and location of employment opportunities, as well as transport costs and availability. But they are also fundamentally driven by housing market processes which themselves have distinctive spatial characteristics, including areas of market failure.

In relation to rental stress, the Paper rightly notes that *"As the proportion of lower income earners renting in Greater Sydney increases and the stock of low-cost rental housing decreases due to redevelopment, gentrification and renovation, there will be a shortage of affordable rental properties for low-income households"* (p 59). This statement is undoubtedly true, but the 2020 Strategy will need to address the *nature and geography* of the housing market processes and the economic drivers behind these processes that are generating these outcomes on the ground. There are several aspects to this.

First, it is now well-established that inner suburban gentrification in Sydney is associated with the 'Urban Inversion'²⁶ and the emergence of the inner city 'knowledge economy' which has replaced the older manufacturing base of the inner city (now largely replaced by unaffordable high-rise residential 'investor product'). Within the space of a generation, this process has effectively displaced the urban poor to more suburban locations. The corollary has been the expansion of larger areas of relative social disadvantage in the middle and outer suburbs of our cities, and especially

²⁵ NSW Auditor-General (2013) Performance Audit: Making the Best Use of Public Housing; NSW Auditor General's Report, Performance Audit; Sydney: Audit Office of New South Wales

²⁶ Randolph, B. (2017) 'Emerging geographies of suburban disadvantage', in Hannigan, J. and Richards, G. (Eds) *The Handbook of New Urban Studies*. Thousand Oaks: Sage.

Sydney²⁷. Importantly, these areas are not confined to concentrations of older suburban social housing. Rather, they have resulted from an almost exclusively private market-led process of displacement and exclusion. Much has been written about this process both in academic literature and in popular media, but none of that understanding seems to have informed the Paper. For example, research has shown how the Sydney housing market is highly segmented and operates in distinctive sub-markets²⁸. These will undoubtedly impact on any integrated policy response to support housing supply, diversity and affordability.

Secondly, the changing nature of the job market that underpins the rise of unaffordability amongst the lower paid workforce or its likely geographic trajectory over the next several decades needs to be better recognised. This would include the rise of the 'precarariat' and the prevalence of jobs in the so-called 'secondary' labour market and its impact on the capacity of those concerned to compete effectively in the market for their housing. This underpins much of the current debate on the inability of younger adults to afford homeownership and on the high levels of rental stress among the low paid in general.

A future policy response will need to recognise that the labour market is highly differentiated with 'job rich' and 'job poor' locations which have an important impact on the ability of lower income households to access well paid employment in accessible locations – the so-called 'spatial mismatch theory'²⁹. This latter issue could also have been articulated in relation to the *Future Transport 2056* vision developed by Transport for NSW and explored in the Greater Sydney Region Plan (p 88) and the *State Infrastructure Strategy 2018–2038*, both of which will have an important bearing on the location and cost of housing supply. A viable housing strategy cannot ignore the changing geography of employment which sets the income constraints for those who need housing or the emerging transport connectivity that is being planned for.

The need for a more integrated policy response that brings together aspects of housing policy, land-use planning and infrastructure roll-out is important, not least because the failure of the market to address supply and affordability problems is now becoming a major macro-economic issue. There is now substantial evidence that the mismatch between the residential location of lower paid workers and the growth of better paid employment within urban areas has become an increasing drag on *overall* economic productivity³⁰. The suburbanisation of lower income workers and their geographic dislocation from high quality employment and educational opportunities, discussed above, is one of the emerging *dis*-economies of agglomeration. As the recent NSW Productivity Commissioner's Discussion Paper *Kickstarting the Productivity Conversation* (2019) noted: "Well-located social and

²⁷ Pawson, H. and Herath, S. (2015) 'Dissecting and tracking socio-spatial disadvantage in urban Australia'. *Cities* 44 pp73-85.

²⁸ Tice, A., Pinnegar, S., Legacy, C. and Randolph, B. (2013) *Implementing metropolitan planning strategies: Taking into account local housing demand: Technical Report*. City Futures Research Centre Research Report, UNSW Australia.

Randolph, B. and Tice, A. (2013) 'Who lives in higher density housing? A study of spatially discontinuous housing sub-markets in Sydney and Melbourne', *Urban Studies*, vol. 50, no. 13, pp.2661-2681.

²⁹ van den Nouwelant, R., Crommelin, L. M., Herath, S., & Randolph, B. (2016). [Housing affordability, central city economic productivity and the lower income labour market](#). Final Report No. 261; Melbourne: AHURI

³⁰ Maclennan, D., Ong, R. and Wood, G. (2015) *Making connections: housing, productivity and economic development*. Final Report No.251. Melbourne: AHURI

Maclennan, D., Crommelin, L., van den Nouwelant, R. and Randolph, B. (2018) *Making Better Economic Cases for Housing Policies*, City Futures Research Report. Sydney: UNSW.

https://cityfutures.be.unsw.edu.au/documents/476/Making_better_economic_cases_for_housing_policies_main_report.pdf

affordable housing and associated support services are important facilitators of economic participation and social inclusion” (p.89).

Directly relevant to any new housing strategy are the economic benefits of locating affordable housing nearer to centres of job-rich locations. Recent City Futures research³¹ has shown conclusively that positive long-term economic benefits can be obtained in supporting affordable housing development that bring lower paid workers nearer to concentrations of employment. This work modelled the impact of investing in 125,000 new affordable rented homes closer to job centres across Sydney. Overall, it demonstrated that increased earnings and reduced transport costs resulting from lower income workers living in affordable housing closer to job-rich locations would lead to a \$17.57 billion boost to the NSW economy over 40 years, representing a major productivity gain. Even after factoring in the costs of investing in the 125,000 affordable rented homes, the economy would still be \$12 billion better off. This productivity bonus for ensuring policies effectively stimulate well located affordable homes for those currently stranded in lower paid jobs in the outer suburbs needs to be incorporated in the new Strategy as a key policy consideration. This issue may be of even more significance in the post-COVID world.

Thirdly, this leads on to the critical issue of how to bridge the affordability gap for those who need affordable homes in the locations in which they require it. The maps of rental expenditure levels for “rental properties offered at the lowest rents” (Discussion Paper pp60-61) for various types of moderate and lower income earners are useful in this respect, but actually do not portray an accurate representation of the real impact or incidence of unaffordable rental housing. In particular, the maps as presented provide only half the picture, presumably indicating where a ‘typical’ lower income household would find it difficult to rent affordably due to higher rents. The obvious policy response should be to provide affordable housing in such locations where lower income households may need to live, for example, to be closer to their work. However, the other half of the unaffordability equation is to better understand the locational characteristics of lower income households who *currently* live in unaffordable housing. These are not necessarily in the same areas as those depicted in the maps provided. Previous research³² has found that when local income levels are related to local rental levels, the incidence of unaffordability is in fact highest in many of the middle and outer suburban areas that these maps suggest are more affordable to low income residents. A better exploration of the various dimension of unaffordability is therefore required if sensible strategic policy directions are to be developed.

Lastly, it is regrettable that the Discussion Paper makes no mention of the subsidy requirements needed to provide more affordable housing, nor of the rent or price points required to make such housing affordable. While the chart of the ‘Housing Continuum’ on p3 is a useful and by now well recognised graphic, there is no accompanying discussion of what this means in terms of policy levers that are needed to actually deliver housing along this continuum. In particular, the housing continuum implies the need for a matching subsidy continuum, but the latter is not mentioned at

³¹ MacLennan, D. with Randolph, B., Crommelin L., Witte, E., Klestov, P., Scealy, B. and Brown, S. (2019) Strengthening Economic Cases for Housing Policies [Internet], City Futures Research Report. Sydney: UNSW https://cityfutures.be.unsw.edu.au/documents/515/Full_Report_Final_edited_logos.pdf

³² Randolph, B. and Holloway, D. (2007) Commonwealth Rent Assistance and the Spatial Concentration of Low Income Household in Metropolitan Australia, Final Report no. 101, Melbourne: AHURI
Yates, J., Randolph, B. and Holloway, D. (2006) Housing Affordability, Occupation and Location in Australian Cities and Regions, Final Report no. 91, Melbourne: AHURI

all³³. This suggests that, at best, while the Discussion Paper recognises differing housing needs groups, it fails to acknowledge the mechanisms required to meet these needs through an integrated policy response in different locations. The comparable graphic provided in the *Greater Sydney Regional Plan* (p69 – Figure 19) would have been more useful in this respect. Without explicit recognition of the spatial differences in the performance and outcomes of the housing markets and the spatial differences in the capacity of households to pay for the housing they require, any future housing strategy runs the danger of ignoring these critical factors. While it is always challenging to predict costs and prices, and therefore subsidy requirements, into the future, some greater consideration is needed to set current housing supply issues and the difficulties caused by market failure into their future context.

³³ Randolph, B., Troy, Milligan, V. and van den Nouwelant, R. (2018) *Paying for affordable housing in different market contexts*, Final Report 293. Melbourne: AHURI

3. Strategy objectives

3.1 The need for ambition and specificity

Crucial in the 2020 Strategy will be the adoption of high-level objectives that logically flow from the strategic housing challenges as identified and defined. As acknowledged in the Discussion Paper (p5) the Strategy will 'set an overarching 20-year vision for housing in NSW'. If the elements of this vision are to have any meaning, they will need to be specified in clear and ambitious terms. For example, the Discussion Paper suggests that the Strategy will be a 'plan for housing that responds to environmental, population and affordability changes'. No doubt unintentionally, this gives an impression that the current housing status quo is considered unproblematic. Replacing 'changes' with 'challenges' would appropriately raise the level of aspiration.

More generally, given the scale and seriousness of the challenges noted in Section 2 of this submission, we believe that it will be appropriate for the Strategy to include objectives that transcend the generally somewhat bland 'vision statements' that feature in the Discussion Paper. We cannot of course object to an aspiration to facilitate the housing provision that 'supports security, comfort and choice for all people at all stages of their lives' (p5), nor the intent to achieve this through 'supply that meets the demand for diverse, affordable and resilient housing and responds to environmental, cultural, social and economic contexts' (p5).

Elaborating this visioning the Discussion Paper goes on to state (p11):

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 own their own home.

While all of this is unexceptionable, these are motherhood statements that must be complemented in the Strategy itself by much more hard-edged aims.

These could include:

- a) The market functions more smoothly over time and housing stock is used more efficiently
- b) Reduced housing system drag on economic productivity and enhancement of inequality
- c) A more diverse range of housing forms and products to enhance consumer choice
- d) Historically rising levels of housing affordability stress are reversed
- e) The housing rights of tenants are appropriately protected

The next section of our submission briefly explains and justifies each of the above objectives.

3.2 Elaborating proposed strategy objectives

3.2.1 The market functions more smoothly and housing stock is used more efficiently

Compatible with the prevailing political philosophy, we believe the Strategy should explicitly commit to enabling the housing market to function more efficiently. Crucially, this includes the need to minimise the market volatility so strongly embedded within the system as it currently operates. The damaging effects include behavioural impacts on market players, as owners and investors factor

expectations of future price rises or declines into their housing behaviour³⁴ and the construction industry wastefully and inefficiently gears up and winds down in response. Moreover, this operating environment gives rise to developer business management practices that problematically under-invest in skills and technology development³⁵.

In our view, governments need to counter these problems by enacting measures that discourage property and land speculation. This could be addressed through tax reforms – in particular, the introduction of a broad-based land tax – and by planning system adjustments such as more firmly time-limiting development approval. More broadly, government could beneficially enable system diversification away from Australia’s currently overwhelming reliance on for-profit developers building for individual purchasers. A system featuring greater representation of not-for-profit providers and institutional investors would be a more stable one.

3.2.2 Reduced housing system impairment of economic productivity and equity

For reasons explained in Section 2.2.3, there is a case for government to include a strategic priority to reshape the housing system to minimise impairment of economic productivity. Again, we would expect this to be viewed as highly compatible with current political orthodoxy. Since rising inequality is increasingly viewed as also antithetical to economic growth³⁶, these two issues are logically interconnected. Again, taxation reforms that offset the wealth gains associated with residential property ownership would be one obvious means of addressing this. Although, as acknowledged in Section 2.1.4, the relevant policy levers are primarily held by the Commonwealth Government, this should present no bar to a state or territory government advocating for their reform.

3.2.3 A more diverse range of housing forms and products to enhance consumer choice

Once again, in our view, highly compatible with mainstream economic thinking, is the aspiration to encourage a more diverse range of housing forms in our towns and cities. Despite regular mention of the need to increase housing diversity in various state and national policy over recent decades, as many have lamented³⁷, Australia has seen a growing polarisation between high density development – primarily but not exclusively in inner metropolitan areas – and 1-2 storey detached suburban housing with little change in the proportion of medium density options. Probably as much or more than any other city, Sydney would benefit from increased provision of medium density townhouse or mansion house style development.

³⁴ Stephens, M. (2012) Tackling Housing Market Volatility in the UK; Part I: Long- and Short-term Volatility, *International Journal of Housing Policy*, Vol 12(3) pp367-380

³⁵Cast Consultancy and Harrow Consulting (2020) Exploring the impact of long-term funding on the residential construction sector; London: National Housing Federation
<https://www.housing.org.uk/globalassets/files/resource-files/supply/exploring-the-impact-of-long-term-funding-on-the-residential-construction-sector.pdf>

³⁶ Cingano, F. (2014) Trends in Income Inequality and its Impact on Economic Growth; OECD Social, Employment and Migration Working Papers, No. 163, Paris: OECD <https://doi.org/10.1787/5jxjncwvx6j-en>

³⁷ Kelly, J.F. (2011) *The housing we’d choose*; Melbourne: Grattan Institute <https://grattan.edu.au/report/the-housing-wed-choose/> Troy, L., Randolph, B., Pinnegar, S., Crommelin, L. & Easthope, H. (2020) Vertical Sprawl in the Australian City: Sydney’s High-rise Residential Development Boom, *Urban Policy and Research*, 38:1, 18-36

The recent attempt to address this so called ‘missing middle’ through the complying development provisions of the Low Rise Housing Diversity Code³⁸ and accompanying Design Guide³⁹ is an important step in this direction. However, while targeting affordable options for “growing families, singles and empty nesters”, is unlikely to greatly expand appropriate options for the older empty nester/downsizer consumers to age in place due to its emphasis on two storey, stair-access types and failure to incorporate basic Liveable Housing Guidelines⁴⁰. Increasing downsizing of older people to such housing forms also requires more than design and planning controls, but also will include addressing other financial, psychological and practical barriers⁴¹.

3.2.4 Historically rising levels of housing affordability stress are reversed

This objective flows from the case made in Section 2.2.1. It is also in tune with general statements included in the Discussion Paper. In our view, it could be addressed partly through a greatly expanded program of new social and affordable housing provision. It is accepted that this could probably be actioned only with Commonwealth Government support. The same would be true for other policy adjustments that could assist in addressing this objective: namely property tax reforms and uprating of social security benefits, especially Rent Assistance. At the same time, as discussed in Section 4, a state government has significant powers and resources at its disposal that can and should be deployed to this end.

3.2.5 The housing rights of tenants are appropriately protected

Australia’s private rental sector continues to expand. More people are renting their home from a private landlord than at any time in the past 70 years and more of them are remaining in this housing situation for longer than ever before. As defined by the state/territory-legislated regulatory framework, however, the balance between landlord and tenant interests has remained fundamentally unchanged for decades. This is a status quo described by one of Australia’s most respected housing scholars as a system ‘heavily weighted in favour of landlords and against the interests of tenants’⁴².

In responding to growing calls for reform, Victoria’s state government has recently stepped out ahead of other jurisdictions in legislating important, yet also modest, changes in that state’s Residential Tenancies Act. In particular, under soon-to-commence amendments, Victorian tenants will not face the prospect of receiving a notice of termination without grounds, except at the end of the first fixed term of their tenancy. This is important, because ‘without-grounds’ notices give cover for terminations for bad reasons, such as retaliation and discrimination, undermining the assertion of other rights tenants have under residential tenancies legislation and the sense of security that tenants should be able to enjoy in their homes.

³⁸ NSW Government (2020) State Environmental Planning Policy (Exempt and Complying Development Codes) 2008: Part 3B Low Rise Housing Diversity Code, Sydney

<https://www.legislation.nsw.gov.au/#/view/EPI/2008/572/part3b>

³⁹ DPIE (2020) Low Rise Housing Diversity Design Guide, Sydney <https://www.planning.nsw.gov.au/-/media/Files/DPE/Manuals-and-guides/Policy-and-legislation/Housing/Low-Rise-Housing-Diversity-Design-Guide-for-complying-development-2020-07-01.PDF>

⁴⁰ Liveable Housing Australia (2017) Liveable Housing Design Guidelines (Fourth Edition), Forest Lodge NSW http://www.livablehousingaustralia.org.au/library/SLLHA_GuidelinesJuly2017FINAL4.pdf

⁴¹ Judd, B., Liu, E. Y., Easthope, H., Davy, L., & Bridge, C. (2014) Downsizing amongst older Australians; Final Report No.214; Melbourne: AHURI; Adair, T., Williams, R. & Menyen, T. (2014) Downsizing decisions of senior Australians: what are the motivating and discouraging factors? Melbourne: National Seniors Productive Ageing Centre

⁴² Burke, T. (2012). The Australian Residential Housing Market: Institutions and Actors. In R. Tomlinson (Ed.), Australia’s Unintended Cities (pp. 35–50) Collingwood: CSIRO.

The Victorian change is also modest, as it does not go as far as removing ‘without grounds’ terminations altogether (i.e. the exception for the first fixed term), and still accommodates landlords terminating tenancies where they will use the premises to house themselves or a family member, or renovate or demolish the premises, or change the premises use to a non-residential use. We believe that the recent statutory review of the NSW RTA, which made no amendments to ‘without grounds’ terminations here, missed an opportunity to make a significant reform to improve the housing rights of tenants, and it should be revisited as a priority under the Housing Strategy.

4. Policy levers available

4.1 Introduction: Differentiating ‘enabling a market’ from ‘providing for those failed by the market’

As argued in *Housing Policy in Australia*⁴³, the history of housing system performance and housing policy interventions in developed economies shows that active government facilitation and intervention is critical to the effective operation of housing markets and that housing markets are beset with market failure. However, while acknowledging the orthodox view that intervention is justified only to the extent of enabling market functionality, we argue that this is problematically constrained by a neo-liberal frame of reference. Instead, governments should be expected to actively shape housing markets according to an expressed mission: that everyone will have an affordable, secure, appropriate home.

The NSW Government has a wide array of housing policy levers that can be adopted to these ends. In broad terms, these can be categorised into three distinct approaches: demand-side subsidies, supply-side subsidies, and regulation.

Demand-side subsidies are directed to the individual to increase their purchasing capacity. Supply-side subsidies are directed to reducing the cost of providing housing. Each of these forms of assistance can be provided either directly, appearing explicitly as an item in the budget, or indirectly, occurring implicitly as a concession or exemption for specified activities from taxes or charges.

Regulation covers a wide range of levers ranging from explicit rent regulation, eligibility criteria defining who can access subsidised housing, though financial regulation to planning or zoning laws affecting land-use and building codes.⁴⁴

The cumulative evidence on the effectiveness of each of these forms of policy intervention suggests that balanced multi-tenure policies that have consistent objectives to increase affordable and sustainable housing options, improve tenure choice and pathways, and support socially mixed communities will be required. It will be important therefore for the Strategy not to ‘lock in’ fixed or narrow policy approaches, but instead to consider all the potential available levers and how these can be optimally and flexibly developed and blended to meet these objectives.

In this section, we highlight what we consider to be the key tax, regulatory and expenditure policies the Housing Strategy should contemplate. These are designed to complement, upscale or replace existing measures as discussed.

4.2 Tax settings

As earlier acknowledged, powerful housing tax levers are held by the Commonwealth Government. Nevertheless, it is state and territory governments that hold land tax and stamp duty powers. Wielding these powers, it is open to a state/territory government to follow a reform path widely advocated by economists, namely to make greater use of the former, and less of the latter.

Land tax (LT) is widely regarded by economists as the ‘best’ tax because it attaches to an asset in immutable supply – the parcels that make up New South Wales’s 800,000 square kilometres of land – and whose value owes nothing to any efforts of the part of the individual owner. To make greater

⁴³ Pawson, H., Milligan, V. & Yates, J. (2020) *Housing Policy in Australia: A case for system reform*; Singapore: Palgrave – see especially Chapter 2

⁴⁴ Yates J and Milligan V, (2012) Policies to Support Access and Affordability of Housing .In Smith, S. Elsinga, M., Fox O’Mahony, L., Ong Seow Eng, Wachter, S. & Wood G. (Eds.) *International Encyclopedia of Housing and Home*, Vol 5. Oxford: Elsevier pp. 293–305.

use of land tax, two key reforms are required. First, the tax base should be broadened to include land-used for owner-occupied housing, primary industry and other currently exempt uses. Bringing in owner-occupied housing would, by itself, more than double the LT base. This would encourage owners to bring to the market land developable as a block of apartments, rather than holding it under a single owner-occupied house.

The prospect of a broad-based land tax often provokes concerns about households with high housing-wealth but low incomes; in particular, home-owning Age Pensioners. A reformed land tax can accommodate these households, by allowing the LT liability to accrue as a charge against the property where payment would otherwise cause an owner undue hardship. (The charge would be paid when the property is eventually sold or transferred). Just how readily available this provision should be is open to debate: there may be valid reasons⁴⁵ for using land tax, perhaps in a concessional level, for older households who occupy housing now not well suited to their needs to be nudged towards selling it to someone else who will make better use of its amenity.

Second, the present structure of land tax, which applies to the total unimproved value of an owner's land holdings at increasing marginal rates, should be reformed. The present structure discourages large landholding and, amongst other things, frustrates institutional investment in rental housing. Taxing the unimproved value of each parcel of land owned, at marginal rates increasing by the per square metre value of the land, would better support the development of larger, more professional rental housing providers.

Greater use of land tax could also fund the whole or partial replacement of stamp duty. Widely regarded as a 'bad' tax, we submit that stamp duty should instead be regarded as having a mix of good and bad results, as well as some misunderstood results. The main misunderstanding about stamp duty is who really pays for it: although legally paid by the purchaser of a property, the evidence is that the vendor actually bears the cost, by getting less of the vendor's money than they would otherwise receive. Indeed, the (counter-intuitive) evidence is that stamp duty tends to lower prices generally, so is good for affordability.⁴⁶ It has a bad outcome, however, where it discourages owner-occupiers from making moves between houses that would otherwise be to their advantage, for example in terms of work opportunities or work travel times, or up- or downsizing. Considering all its effects, we submit that the optimal reform could be to remove stamp duty from the sale of owner occupied property, while stamp duty on rental property sales would be replaced by a landlord vendor duty – i.e. a charge payable on the sale of a rental property by the vendor-landlord.

As noted above, the overall reduction in government revenue resulting from the stamp duty reform as outlined above could be offset by a broad-based land tax. However, there would be a logic in exempting from this regime, dwellings rented out at below market rates as social or affordable rental housing by registered (and therefore regulated) providers.

⁴⁵ Birrell, B. (2015) The root of Sydney and Melbourne's housing crisis: we're building the wrong thing; The Conversation, 2 November <https://theconversation.com/the-root-of-sydney-and-melbournes-housing-crisis-were-building-the-wrong-thing-49940>

⁴⁶ Davidoff, I. and Leigh, A. (2013) How Do Stamp Duties Affect the Housing Market?, Economic Record, vol. 89, no. 286: 396–410.

4.3 Regulation

4.3.1 Landuse planning: Inclusionary zoning

Although it cannot substitute for a taxpayer-supported program, there is potential to generate social and affordable housing through the pro-active use of planning powers – via inclusionary zoning. As used in many other countries at scale⁴⁷, this has the attraction of enabling expansion of low cost housing by capturing a public benefit from the windfall gain in development rights (and thus higher land value) conferred on a land owner by rezoning or other factors. As yet, however, its potential has been barely touched on in Australia.

It is appreciated that the NSW Government has been exploring the scope to utilise such powers more widely than the minimal deployment seen to date. Thus, the Discussion Paper (p64) refers to the inclusion of '[affordable rental housing] targets of 5-10 per cent, where viable in areas of uplift, as established in [GSC] District Plans'. Another passage apparently referring (in coded terms) to inclusionary zoning (p67) states 'The provision of affordable rental housing requires us to leverage a highly capable community housing industry and integrate affordable rental housing with the broader supply of homes. The NSW Housing Strategy should consider greater private sector involvement, encouraged by better incentives and a pool for affordable housing contributions'.

While this is to be welcomed, the Strategy itself will have to cover these issues much more fully and openly. It will need to be much more definitive in quantifying the possible significance of such targets in terms of their potential contribution to affordable rental housing supply, bearing in mind the mechanisms for their implementation and the need to match interventions to differing land values and housing needs across the housing system.

4.3.2 Landuse planning: other tools for generating affordable housing

Of particular relevance to this discussion is the efficacy of the current NSW policy framework supporting affordable housing supply under the 2009 State Environmental Planning Policy (Affordable Rental Housing) or Affordable Housing SEPP (or AHSEPP). This was expected to facilitate the private development of diverse housing options with lower rents than the existing market context.

City Futures research for southern Sydney councils has shown that, while it has undoubtedly brought forward a significant quantity of new housing, the AHSEPP has largely failed to deliver a housing product more affordable than the market is otherwise generating, and that it is not targeted⁴⁸. Indeed, an analysis of secondary dwellings (SDs) developed under the AHSEPP⁴⁹ found that that while it was a highly diverse sector: "Median rents were above an affordable level for the very top of the low-income range (\$1,250 per week), let alone all those on incomes well below this threshold, and almost all low-income occupants were in rental stress" (p36). Moreover, only a minority of SDs were found to be entering the formal private rental market. Concerningly, there was no evidence that the affordability outcomes that would be expected of housing generated under the AHSEPP were being monitored at all, let alone enforced. The research concluded that "Over the longer term,

⁴⁷ Pawson, H., Milligan, V. & Yates, J. (2020) *Housing Policy in Australia: A case for system reform*; Singapore: Palgrave

⁴⁸ Troy, L., van den Nouwelant, R. and Randolph, B. (2019) *Post-occupancy survey of boarding houses in in Central and Southern Sydney*. Report for the South Sydney Regional Organisation of Councils, City Futures Research Centre, UNSW Sydney.

⁴⁹ Troy, L., van den Nouwelant, R. and Randolph, B. (2020) *Secondary Dwellings in Central and Southern Sydney*, Report for the South Sydney Regional Organisation of Councils, City Futures Research Centre, UNSW Sydney

the AHSEPP needs to be integrated within a broader affordable housing strategy, and more explicitly linked to supporting the delivery of local affordable housing targets required as part of the Greater Sydney Region Plan.”⁵⁰.

While it is understood that the AHSEPP is under review, it is clear that its specific constituent elements – secondary dwellings, boarding houses and infill housing – should be explicitly recognised as addressing different market needs. Revised policy settings must address the need for each to actually deliver the affordability outcomes required. It is very much to be hoped that the 2020 Strategy will directly address this issue through a fully reformed planning framework for market provision of affordable housing currently encompassed by the AHSEPP, including appropriate government support.

This latter point perhaps highlights the overall failure of NSW planning system in general to deliver on its laudable objectives in generating a market-based response to affordable housing supply NSW. The more recent commitment through the Greater Sydney Commission, noted above, to generate affordable housing through inclusionary zoning goes some way to overcoming that policy failure. But it is essential that the housing needs of those who will not be met by additional market housing supply be specifically addressed in the new Strategy.

4.3.3 Building regulation

The 2020 Strategy needs to understand the housing delivery process in terms of a ‘whole-of-life’ activity, not simply one where the aim is to build as much as possible without consideration to its ongoing use. There are two aspects of this that are worth noting.

The first is in the area of environmental performance. The 2005 NSW implementation of BASIX was a major breakthrough and remains a stand-out policy. But it is noticeable that this has not been updated or revised for 15 years. This is unfortunate given the advances in technology and research on how to improve the environmental outcomes of housing. The 2020 Strategy should therefore offer a clear indication that BASIX will be brought fully up to date, including tightening the regulations to enhance the environmental performance of our new buildings. As argued in Section 2.2, the Strategy should also offer options for how *existing* housing might be brought towards higher performance standards, including retrofitting for better energy use and generation, water conservation and recycling, thermal insulation and other aspects of improved environmental performance through an integrated policy framework, not the current fragmented range of initiatives that inevitably do not function without such a framework.

The second area that the Strategy must relate to is the new legislation and regulatory system to improve building quality being introduced by the 2019 Design and Building Practitioners Bill and the 2020 Residential Apartment Buildings (Compliance and Enforcement Powers) Bill. While it is early days in terms of understanding how these measures will impact the housing supply process, it is essential that the new Housing Strategy makes a clear statement as to how it will integrate and support the delivery of improved quality outcomes.

Many may see government intervention to enhance environmental performance and building quality as imposing greater costs on housing delivery and will therefore argue that they impact housing affordability. Such a response is must be resisted. Rather than adding to costs, they are the

⁵⁰ Troy L, van den Nouwelant R, Randolph B. (2018) State Environmental Planning Policy (Affordable Rental Housing) 2009 and affordable housing in Central and Southern Sydney. Report for the South Sydney Regional Organisation of Councils. City Futures Research Centre, UNSW Sydney.

means of enabling ‘whole of life-cycle’ costs of housing to be better understood and reduced. Better design and better in-use management and maintenance are clear ways to improve overall housing outcomes. These matters have become even more important in an era of rapid and negative climate change. Life-cycle cost considerations should be incorporated into the regulatory system to allow *building performance* in relation to resilience and quality to become a central part of planning approval process. The Strategy should consider this as a future goal of NSW housing and planning policy and set out a timetable for considering these aspects of the planning process.

4.3.4 Private rental regulation

Residential tenancies law is a policy lever firmly within the power of the state government. It has a profound effect on tenants’ quality of life, and the extent to which they feel able to make their home in rental housing. The evidence suggests that residential tenancies law has less effect on landlords’ investment decisions – in research for AHURI involving interviews with Australian landlords, the investigators found ‘virtually no mention of tenancy legislation in terms of it being a consideration in investment decisions, and limited indications that it was something investors were particularly familiar with’.⁵¹ Numerous studies have shown that landlord-tenant relations are lightly regulated in Australian jurisdictions compared with many other countries, and AHURI’s most recent international comparative research on the topic shows that there is little sense in countries with stronger tenancy protections that these constitute problematic ‘red tape’: instead, strong tenancy laws make rental housing a genuinely attractive option⁵². We believe the Housing Strategy should regard residential tenancies law as a key lever for improving housing outcomes in New South Wales. It should be deliberately set to improve conditions for tenants and push landlords and agents to lift their standards of service.

We have already mentioned ‘without grounds’ terminations as a priority area for reform. The basic principle involved there – that tenants should feel sufficiently secure in their housing to make it a home – implies a range of other reforms. In particular, the RTA should be amended to stop landlords from unreasonably prohibiting tenants from keeping pets, or imposing unreasonable limits of the number of household members. Security is also affected by affordability, and while the recent amendment to limit the frequency of rent increases to not more than once in 12 months is welcome, further reforms to regulate the rate of rent increases should be considered. Internationally a range of regulatory mechanisms are available for emulation: maximum rates of increase determined periodically by governments, as in some of the largest US cities and most Canadian provinces; rent caps for declared ‘pressure zones’, as in Ireland and Scotland; or limiting increases to movements in a local ‘reference rent’ that averages rents for new and existing tenancies and provides a ‘moving anchor’ for the market, as in Germany.

Aside from the mainstream private rental sector regulated by RTA, there are also the marginal sectors, such as boarding houses, lodgements in private dwellings and student accommodation. As noted in the Discussion Paper, there is currently a review of the Boarding Houses Act 2012, to which we have made a submission. Consistent with our recommendations there, we submit that the Housing Strategy should make a priority of using the elements of the Boarding Houses Act as a

⁵¹ Seelig, T., Thompson, A., Burke, T., Pinnegar, S., McNelis, S., Morris, A. (2009) Understanding what motivates households to become and remain investors in the private rental market, Final Report No. 130, Melbourne: AHURI

⁵² Martin, C., Hulse, K. and Pawson, H. (2018) The changing institutions of private rental housing: an international review, Final Report No. 292, Melbourne: AHURI

model for a wider legislative scheme – a Shared Accommodation Act – that covers all of the marginal rental sectors.

4.4 Expenditure and other use of resources

The NSW Government currently uses a variety of demand-side and supply-side housing expenditure measures, although few of these are detailed in the Discussion Paper. In developing the 2020 Strategy it will be important for the Government to consider the long term cost benefit of current housing assistance policies and programs and for the ensuing strategy to identify areas of innovation and reform to better address what are substantial and diverse outstanding and emerging housing needs.

Below we make some suggestions about rebalancing the array of assistance measures that apply presently by considering further desirable forms of assistance for renters and buyers.

4.4.1 Social rental housing

The social rental housing sector in NSW remains chronically underfunded which affects both the sustainability of existing supply and capacity for new supply. The Independent Pricing and Regulatory Tribunal's 2017 report on NSW social and affordable housing estimated the sector faced a funding shortfall of \$950 million in 2015/16⁵³. Until this is overcome, the social housing system will continue to experience operating losses, underfunded maintenance and depreciation, underutilised assets and a lack of capacity for growth. This is a core issue and government responsibility, which any credible strategy must address.

To improve the operating position of the social housing system, the NSW Government has embraced three main strategies – a sizeable tranche of management transfers (Social Housing Management Transfer Program – SHMT) of public housing to financially advantaged⁵⁴ not-for-profit community housing providers (CHPs); privately financed replacement of existing poor quality or outdated social housing on large estates (Communities Plus); and subsidising new social housing provision by private providers (the Social and Affordable Housing Fund – SAHF). Each of these initiatives, while welcome, is finite and, together, they only partially address the systematic financial problems in the social housing sector and its lack of capacity for growth and renewal.

Within the limits of the state government's role and recognising fiscal constraints, further effort could be centred on the following.

- i. **Transfer all remaining public housing to CHPs** to increase the system's total rental yield at no cost to tenants (this will likely require Commonwealth Government endorsement). Unlike for the SHMT transactions, transfer conditions should promote and enable redevelopment of transfer sites by CHPs to achieve increased social housing on and off site. In addition to improving financial viability and an increase in the supply of social housing (leveraged from the existing land value and augmented by private finance supplied by CHPs), such a diversification strategy would also have the wider benefits of: accelerating the system

⁵³ IPART (2017) Review of Rent Models for Social and Affordable Housing (Final Report); Sydney: Independent Pricing and Regulatory Tribunal

⁵⁴ These advantages include tax privileged not for profit development and service provision, CHP access to additional rent revenue through CRA payments to tenants and access to low cost social development finance (such as offered through the National Housing Finance and Investment Corporation – NHFIC). At the same time, it is fair to acknowledge that public housing has the advantage of being part of a government that can borrow at very low rates and raise revenue from taxation. This represents a huge potential advantage that governments choose not to use for the benefit of public housing.

capacity to address underutilisation in the social housing sector; remedying the tiny and inadequate scale of the non-market sector within the housing system; supporting high quality professional tenancy management; and increasing the government's options for achieving affordable housing supply in a volatile market.

- ii. To complement CHPs' ability to leverage off the existing social housing asset base, the government could further stimulate social housing supply by replacing the now concluded SAHF with a new **revolving capital fund** (or pool) to be allocated to CHPs (and Aboriginal CHPs) to help them achieve a regular and predictable pipeline of new supply. The fund would provide development finance to be repaid on project completion, using loan facilities such as offered by NHFIC⁵⁵.
- iii. As discussed above (Section 4.3.1), **mandated private developer contributions** offer another complementary regulatory means of augmenting social and affordable supply at no additional cost to government. Such contributions could be used to extend the capital pool proposed above.
- iv. Beyond its ownership of sites held on the public housing account, a state government such as NSW has substantial capacity to **designate other surplus land for social/affordable housing use**. Local stakeholders as diverse as the Lord Mayor of Sydney⁵⁶ and the Urban Task Force⁵⁷ have, for example, advocated that all government-owned land sales for residential development should be predicated on 30% of resulting housing being developed for social/affordable rental use. In practice, of course, that would entail government willingness to accept a capital receipt impaired by up to 30% of 'highest and best use' site value. However, benefits would include the promotion of residential diversity as well as addition to the state's highly pressurised social/affordable housing portfolio.
- v. To complement these initial financial/resource allocation measures, the government should **set targets**: i) a target for new social housing supply that will at least restore social housing to its historic share of the stock of housing (6%) over the life of the strategy and ii) a decent housing standard for existing social housing⁵⁸, including giving specific prominence to energy performance enhancement. These targets will assist in propelling further funding initiatives in the medium to long term as fiscal considerations and market conditions and cycles allow.

⁵⁵ A particular benefit of this fund for land-holding CHPs (such as Aboriginal Land Councils) would be providing them with up front capacity to pay for site works.

⁵⁶ Burke, K. (2017) Calls for higher affordable housing targets as more people on 'cusp of poverty'; Domain, 2 August <https://www.domain.com.au/news/calls-for-higher-affordable-housing-targets-as-more-people-on-cusp-of-poverty-20170802-gxo11s/>

⁵⁷ Urban Task Force (2017) NSW package on housing affordability must go further <https://www.urbantaskforce.com.au/nsw-housing-affordability-package-must-go-further/>

⁵⁸ Such as the UK Government's Decent Homes Standard, a set of easily comprehended benchmarks that, together with variant versions adopted in Wales and Scotland, facilitated major social housing rehabilitation and replacement programs across the UK – see <https://www.gov.uk/government/publications/a-decent-home-definition-and-guidance>

4.4.2 Assistance to private renters

Low-income private tenants in NSW would especially benefit from a long overdue increase in Commonwealth Rent Assistance (as recognised by the Productivity Commission⁵⁹). Advocacy for this should form a key component of the Government's position on national housing policy (see below).

Recent policy direction has seen an expansion of state government assistance for prospective tenants, including via brokerage programs, rent guarantees and fixed term rent subsidies that support access to and affordability of private rental housing. Given the long-term decline in social housing allocations, these initiatives have increased the options for assisting more vulnerable and homeless people in the short term and, as such, are welcome supplementary support. However, they are no substitute for expanding the supply of secure long-term social and affordable housing. Numerous studies have shown that over-reliance on such demand side measures will not be cost effective in the long term compared to investing in social housing⁶⁰. Moreover, in the absence of regulatory reforms that promote long term renting (see above), desired tenant outcomes may not be achieved.

4.4.3 Assistance for homeowners

While NSW, in cooperation with the Commonwealth Government, has long assisted home buyers in various ways such as first home buyer grants and stamp duty waivers, these kind of schemes have been of little benefit to more marginal buyers especially in the high priced Sydney market. Unlike in WA, SA, and the NT, NSW has offered no specific assistance to social or private renter households with some capacity to acquire equity in their housing and to progressively achieve home ownership⁶¹. Government seeded initiatives could include Community Land Trusts, shared home ownership schemes, rent-to-buy options and equity cooperatives. While likely to be small in scale, such government or CHP-led innovations could help create new pathways to home ownership for those who want it.

⁵⁹ Productivity Commission (2017) *Introducing Competition and Consumer Choice into Human Services*, Inquiry Report no. 85. Melbourne: Productivity Commission.

⁶⁰ For a summary of the evidence and further references see: Yates, J. & Milligan, V. (2012) *Policies to Support Access and Affordability of Housing*; in Smith, S. Elsinga, M., Fox O'Mahony, L., Ong Seow Eng, Wachter, S. & Wood G. (Eds.) *International Encyclopedia of Housing and Home*, Vol 5. Oxford: Elsevier pp. 293–305

⁶¹ Households in NSW comprised only 1% of incidents of home purchase assistance offered by states and territories in 2015. AIHW (2017) *Housing Assistance in Australia 2016*, Canberra: Australian Institute of Health and Welfare, Table 10.

5. Governing strategy development and implementation

As highlighted above, the state's housing system is complex and shaped by multiple policy levers, both those that are housing system-specific and by broader economic, fiscal, social and environmental policy settings. Thus, a crucial issue, but one which is not explicitly discussed in the Discussion Paper, is how the proposed strategy will be governed and how 'shared responsibility' will be realised.

Many agencies within the DPIE cluster (LAHC, Landcom, GSC, Planning, AHO) and elsewhere (DPC, Treasury, Finance, DCJ, Fair Trading) will be involved in this 'whole of government' strategy. What will be critical to achieving the desired outcomes, therefore, is that the actions of each of the responsible agencies are consistent with the strategy and that they are effectively coordinated.

Fostering greater coordination and cooperation between agencies will be essential to:

- Counteract fragmentation of effort directed towards tackling housing issues across myriad government bodies
- Ensure that actions of agencies outside the housing policy arena do not have adverse effects on the goals of the housing strategy
- Encourage more integrated approaches to policy interventions across the housing continuum and the full spectrum of housing needs.

Drawing on our knowledge of policy models and implementation planning, we consider that the Government's ability to implement the strategy could be enhanced by adopting the following strategic governance and institutional modifications:

- Raising the seniority of the Ministerial housing portfolio
- Requiring 'housing impact statements' in all cabinet minutes
- Releasing an annual Housing Budget that identifies all the government's housing outlays and their intended outcomes
- Enhancing strategic housing policy capacity and expertise within government, particularly to ensure a broad and inclusive view of the housing system is to the fore in policymaking
- Ensuring monitoring and evaluation of the strategy is the responsibility of an adequately resourced entity with sufficient authority (e.g. a designated lead agency)
- Establishing a robust housing information system to underpin strategy monitoring and evaluation. This could extend to commissioning a regular (annual/biannual) independent Housing Review
- Creating an enduring high-level State Housing Council (or similar), especially to incorporate partner and stakeholder viewpoints on critical housing issues, to encourage collaboration with partner entities and to alert government to system developments and new and emerging challenges
- Strengthening understanding of the state's housing strategy goals within local government and encouraging active involvement, as appropriate, at that level of government
- Proactive development of a NSW Government position on future national housing policy.

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