



*Submission to
A Housing Strategy for NSW
Discussion Paper*

About Bridge Housing

Bridge Housing is a Tier 1 Community Housing Provider (CHP) registered under the National Regulatory System for Community Housing. Our mission is to improve lives through affordable homes and quality services, which we provide to people on low to moderate incomes. Our vision is to be a dynamic organisation, recognised for excellence in meeting housing need, improving resident wellbeing and governing responsibly. We operate in most areas across Greater Sydney, which are characterised by high demand for social housing and private rental markets that are increasingly unaffordable.

Bridge Housing has grown from 650 properties in 2008 to now owning or managing 3,500 properties providing homes to almost 5000 people across 21 Local Government Areas in Sydney. We are actively involved in the development, management and ownership of the full suite of subsidised housing options including social, affordable and disability housing. In the past three years, we have developed 250 new social or affordable housing properties across Sydney to meet the growing affordable housing challenge.

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Key Points

Supply

The NSW Housing Strategy to provide 20 year projections of social and affordable housing need and housing supply targets and location, these at a minimum should adopt the target of 5,000 social housing dwellings and 3,000 affordable housing dwellings per annum

The NSW Government over the 20 years of the NSW Housing Strategy commit to increased investment in social and affordable housing through committing to a subsidy-either capital or operational in addition to the vesting of land to community housing providers to redevelop these sites to increase the supply of social and affordable housing

The NSW Housing Strategy must to articulate a clear role for community housing providers and change the architecture of the current social housing system to create a multi-provider system by separation the policy, funding and regulatory roles of government from Housing services delivery and supply delivery

Reinforce the role of community housing providers as the lead developers and managers of social and affordable housing supply to guarantee high quality management and the Government's priorities are achieved

Leverage the planning system to expand affordable housing levies and set ambitious targets 30% on surplus Government land and 15% on private land to increase the supply of social and affordable housing.

Monitor the local government performance of achieving social and affordable housing targets through the planning system through provision of a centrally and publically available database.

All housing related data relevant to the NSW Housing Strategy sit within a central NSW Government Agency responsibility of collecting, managing, refining and publically reporting on the data. A data users advisory group drawn from private and the community housing sector and academia be established to assist in the development, collection and distribution of relevant data

Diversity

Set a clear target for Housing First programs to be delivered as part of new housing supply to end chronic rough sleeping. These new developments should be delivered and managed by community housing providers in partnership with funded specialist support services.

Conduct an audit across NSW Government agencies to identify potential sites for meanwhile use initiatives where appropriate to avoid property earmarked for redevelopment remaining vacant

Commit to minimum levels of Liveable Design Guidelines at a minimum of Silver Level for all new social and affordable housing dwellings to ensure that these properties are fit for purpose.

Affordability

Establish targets for new social and affordable housing supply to be delivered and managed by community housing providers in order to maximise tax incentives and financing options for new supply

Set targets for the transfer of Land and Housing Corporation properties to community housing providers to improve service delivery and outcomes for social housing residents

Consider title transfer for existing properties under management to provide community housing providers with a strong capital base to deliver new social and affordable housing supply.

Audit residential properties held by NSW Government agencies and mandate their management through not for profit real estate agencies, to maximise the social and economic outcomes of property management.

Initiate private rental reform by introducing registrable, longer-term leases with a minimum period of three years or more, with the objective of providing greater tenure security to long-term and lifelong renters.

Foster the development of a Build to Rent Sector in NSW,

Develop concurrent strategies to build the development role for CHPs in the Build to Rent sector by requiring a CHP affordable housing development partner for future projects initiated by the NSW Government. In addition, the NSW Government introduce a legislative requirement for registered not-for-profit CHPs to manage affordable housing

Resilience

Support community housing providers to redevelop ageing social housing stock to ensure that it is fit for purpose and flexible to respond to changing tenant demographics and needs.

Embed Housing for Health principles in the development and redevelopment of social housing that promotes the health and wellbeing of vulnerable residents.

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Introduction

Bridge Housing welcomes the opportunity to respond to the NSW Government's Housing Strategy Discussion Paper (Discussion Paper). We welcome the NSW Government's proactive approach to responding to the housing challenges facing the people of NSW, particularly those who require safe, secure and affordable homes.

We firmly believe that Bridge Housing as part of the community housing sector, has a fundamental role to play in assisting the NSW Government to deliver the NSW Housing Strategy. This is particularly the case in relation to the development and management of social and affordable housing, including people with complex needs that will require a supported housing response over the proposed 20 Year NSW Housing Strategy

Our response to the NSW Housing Strategy is based on our experience and expertise built over 36 years of delivering quality social and affordable housing services for people in need in NSW. We believe that community housing providers such as Bridge Housing are best placed to partner with the NSW Government to deliver outcomes for those struggling to secure safe, secure and affordable housing.

Response to Vision and Outcome Areas

Bridge Housing supports the NSW Government's proposed vision for the NSW Housing Strategy and the four themes and outcome areas in the Discussion Paper-Supply, Diversity, Affordability and Resilience. In relation to the outcome areas and in particular the goal to make housing more affordable, we believe that the role of the community housing sector to deliver on this outcome area, in partnership with the NSW Government, should be more clearly articulated in the NSW Housing Strategy.

NSW Community housing sector is the largest in Australia now owning and managing over 50% of all community housing in Australia, the largest sector in Australia as shown in Figure 1.

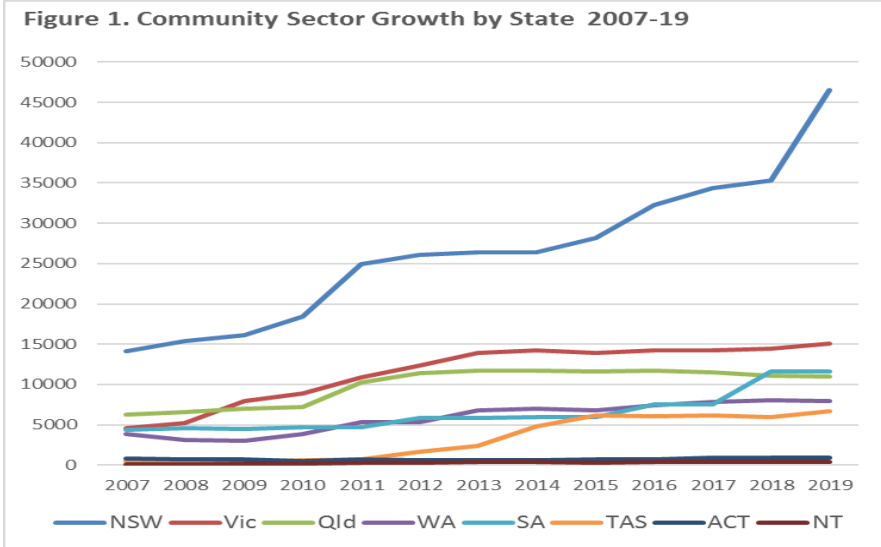
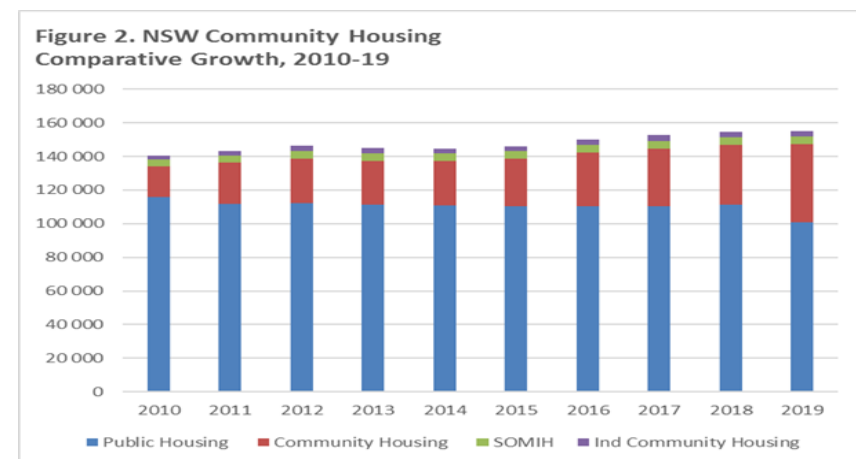


Figure 2 shows from 2010 to 2019 the size of the NSW community housing sector has nearly tripled from 18,000 to near 50,000 dwellings, and owns or manages over 30% of the NSW public housing portfolio.



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The sector has the capacity and capability to do more and the recent Social housing Management Property Transfer is an example of how Tier One providers can build scale quickly without compromising service delivery. For example Bridge Housing increased its portfolio by 40% from 2,300 to 3,500¹ in August 2019. Moreover the sector has played a critical role in delivering social and affordable housing supply from 68 homes in 2012 to 3,282 homes by May 2020, through a total investment of \$1.2 billion².

The Discussion Paper acknowledges the increase in rental stress, homelessness and the undersupply of affordable housing pose critical challenges for government. The NSW Housing Strategy will need to spell out the implications for the planning and funding of future housing provision much more cogently and specifically than is canvassed in the Discussion paper. In particular amongst the number of projection on population, economics impacts demographic data in the Discussion Paper there is nothing on current unmet or projected social and affordable housing need over the proposed 20 years of the NSW Housing Strategy.

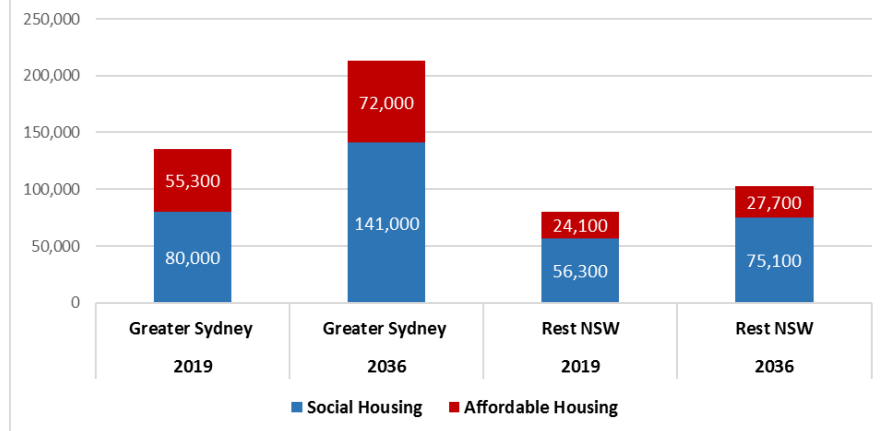
The NSW Housing Strategy should draw on the work undertaken by Australian Housing and Urban Research Institute³ and the related City Futures Research Centre (City Futures) projections of the social and affordable housing need to 2038⁴, shown in Figure 3. City Future's estimates that in NSW there is an existing deficit of 216,400 social and affordable housing properties for very low and low-income households. This consists of 136,000 households in Sydney and 80,400 in the rest of NSW. By 2036 this will climb by 100,000 households to 317,000 households, 217,000 Sydney and 99,700 rest of NSW.

¹ Bridge Housing Annual Report 2019 www.bridgehousing.org.au

² Community Housing in NSW. *The Way Forward a snapshot of the community housing sector in NSW* www.communityhousing.org.au

³ Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) *Social housing as infrastructure: an investment pathway*, AHURI Final Report 306,

Figure 3. Unmet Need for Social and Affordable Housing , Sydney and Regional NSW , 2018-2036



To meet existing and projected unmet requires the construction of 7,000 social housing dwellings and 3,000 affordable dwellings per annum. This the equivalent of 20 per cent of 40,000 dwelling per annum the Discussion Paper says is required to house Sydney's increased population over the next 20 years to 2040.

Australian Housing and Urban Research Institute Limited, Melbourne. www.ahuri.edu.au.

⁴ L.Troy, R. van den Nouwelant and B. Randolph (2019) *Estimating need and costs of social and affordable housing delivery*, City Futures Research Centre, University of New South Wales, March 2019.

Response to Theme 1 - Supply

As the Discussion Paper points out, it is important that new housing supply is in the right locations, the right amount to meet the needs of our growing and ageing population.

Ensuring an adequate supply pipeline of new housing to meet the needs of a growing population over the next 20 years is critical. The NSW Government must be congratulated on its efforts to reforming planning, reduce red tape and drive property construction across the State. These reforms have led to record levels of residential development, however, this has not led to an increase in the supply of affordable rental housing for those on low to moderate incomes. Economic orthodoxy suggests that increases in supply should over time drive down housing costs, however, historic increase in supply over recent years has not led to increased affordable housing supply and nor does it appear to be driven by delays in planning approvals. Figure 4⁵ shows Sydney dwelling prices increasing as both approvals and completions increased, until the recent property market down turn now exacerbated by COVID 19. The private rental market is becoming increasingly less affordable for low to moderate income households. Figure 5⁶ shows the number of low to moderate households in the private rental market who are in rental stress (paying more than 30% of income in rent) increased from 2011 to 2016.

Figure 4. Does Supply Improve Affordability Approvals, Completions and Median Dwelling Price, Sydney 2005-2020

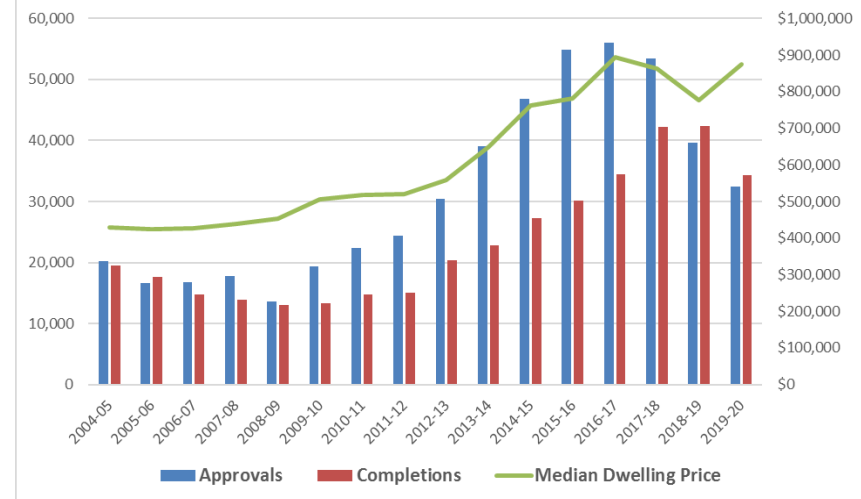
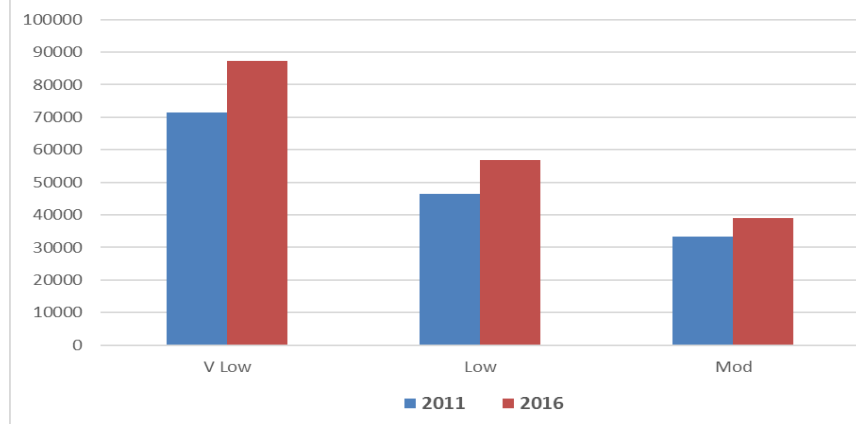


Figure 5. Rental Stress Number of Households by Income, Sydney, 2011 to 2016



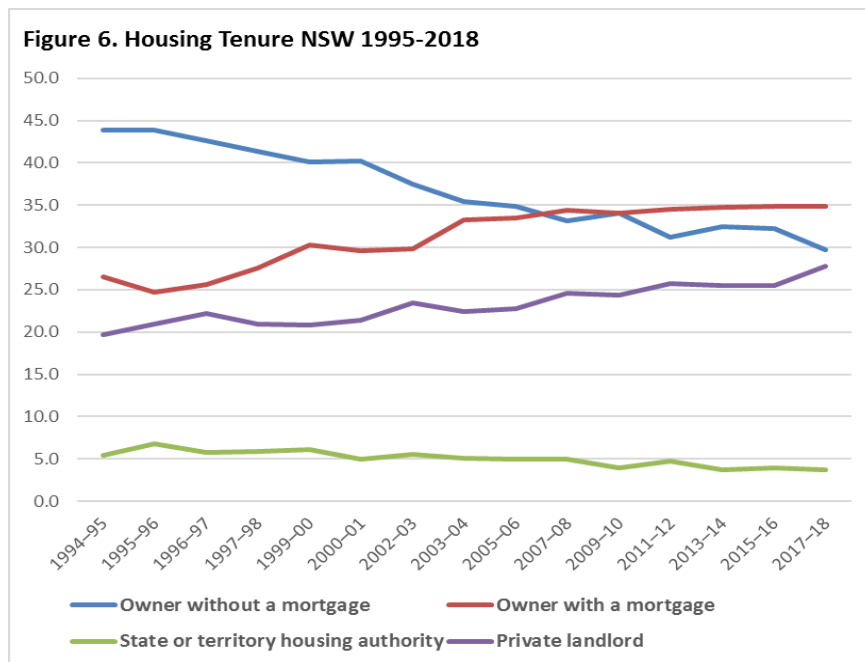
⁵ Approval and Completion figures from NSW Department of Planning, Environment and Industry [Metropolitan Housing Monitor](#), July 2020 and Median Dwelling Prices, [CoreLogic](#).

⁶ Figures derived from the Local Government Housing Kit www.facs.nsw.gov.au/resources/nsw-local-government-housing-kit/chapters/local-government-housing-kit-database

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Currently, less than 1% of private rental properties in metropolitan Sydney are affordable for households on a Centrelink income⁷ at the same time, expected social housing waiting times currently exceed 5-10 years for all property types⁸.

As the number of households experiencing housing affordability has increased, investment in social and affordable housing has decreased and Not kept pace with population growth. Figure 6⁹ shows that between 2006 and 2016, social housing fell from 5.1% to 3.7% as a proportion of the total housing in NSW and as discussed above there is significant current and projected shortfall in social housing.



Therefore the NSW Housing Strategy must develop clear strategies to increase the supply of social and affordable housing to ensure that new housing supply over the next twenty years is affordable for those on low incomes, our key workers struggling to live near their workplaces and those who have complex needs who need supportive accommodation models over the longer term.

The NSW Housing Strategy must go beyond the Discussion Paper which while it lists current programs it does not examine the adequacy of current approaches to social and community housing supply, to meet projected need for social and affordable housing over the next 20 years. The Strategy must then develop appropriate policies. Our assessment that current programs which include direct supply initiative through Future Directions and the use of the Planning system will fall short of what is required.

Adequacy of current social housing supply programs

*Future Directions*¹⁰ the NSW Government's ten year strategy for social housing announced in 2016 sets out a plan to boost the supply of social and affordable housing, through Communities Plus and the Social and Affordable Housing Fund (SAHF).

Communities Plus is projected to deliver 23,000 replacement and new dwellings by 2026. However only 6,000 dwellings are additional supply, that is 600 new dwellings per annum, less than 10% of the 7,000 social housing dwellings required. With Future Directions near its half way point and it is doubtful if the Communities Plus targets will not be met within its delivery timeframes. Ivanhoe is the only large site which has now reached planning approval. Other significant sites such as Redfern Build to rent which was announced in 2017 is not expected to be completed until 2025¹¹

⁷ Anglicare Rental Affordability Snapshot 2020: www.anglicare.asn.au

⁸ DCJ Social Housing Expected Wait Times: www.facs.nsw.gov.au.

⁹ Australian Institute of Health and Welfare [Housing Data Dashboard](https://www.aihw.gov.au/housing-data)

¹⁰ Future Directions www.facs.nsw.gov.au/about/reforms/future-directions

¹¹ Redfern Build to Rent Announced in 2017, EOI shortlist in Jan 2019, it is not expected to be completed by 2025. www.communitiesplus.com.au

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Many small sites have not proceeded as the private sector proponents withdraw due to deteriorating market conditions over 2017 and 2018. Bridge Housing partnered with developers on three sites, who all subsequently withdrew and it is unclear what the current status is of many on these smaller sites under the Communities Plus.

The Social and Affordable Housing Fund (SAHF)¹² through its two procurement rounds is projected to deliver 3,400 dwellings by the end of 2023. The NSW Government have not undertaken further SAHF procurement rounds since January 2019 and it's unclear if the Program will resume or has ended. The Social and Affordable Housing Fund through the provision of an operating subsidy has the potential to play a significant role in meeting social and affordable housing supply. Its potential is further leveraged through the advent of the National Housing Finance and Investment Corporation (NHFIC) which provides had fully not commenced operations raising its cheaper debt finance available to community housing providers

In the context of developing the NSW Housing Strategy the SAHF experience be further reviewed particularly to streamline an over-engineered subsidy program with an expensive procurement process

These programs in isolation are not sufficient to deliver the scale of new social and affordable housing required to meet growing demand over the next 20 years. Can the NSW planning system and the affordable housing targets proposed by the Greater Sydney Commission and the extension of SEPP 70 pick up the slack?

Leveraging the planning system to deliver affordable housing

The NSW planning system has a key role to play to ensure that the supply of new housing matches demand. Current instruments available through

the NSW planning system include the ARHSEPP, SEPP70 Affordable-Housing-Revised-Schemes (prior to 2018)¹³ and Voluntary Planning Agreements (VPA's). In 2017-18 Bridge Housing was vested 11 units in Leichhardt as part of a mixed tenure development, delivered under a voluntary planning agreement that required the developer to earmark a proportion of units as affordable housing in exchange for a density bonus. The Leichhardt development is a practical example of how the planning system can facilitate the delivery of new social and affordable housing while at the same time growing the community housing sector



Leichhardt development secured through a VPA

However, in regard to the existing instruments outcomes are difficult to determine, as the NSW Government does not have publicly available

councils which were already included in SEPP 70, these additional councils can investigate specific affordable housing needs in their local government areas and develop affordable housing contribution schemes. www.planning.nsw.gov.au

¹² Social and Affordable Housing Fund Program www.facs.nsw.gov.au

¹³ SEPP 70. Affordable-Housing-Revised-Schemes. On 20 April 2018, SEPP 70 was expanded to include five additional councils- Randwick, Inner West, Northern Beaches, Ryde and Canada Bay. In addition to the City of Sydney and Willoughby

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consolidated data. Gurran et al ¹⁴ estimates that the yield over an eight year period through the Affordable Housing (ARHSEPP) delivered about 250 affordable dwellings per year in Sydney (these are only required to be affordable for 10 years) and Voluntary Planning Agreements (VPAs) delivered 26 affordable rental units and \$34m in monetary contributions.

The NSW Government has not produced any publically available estimates of the affordable housing production through the announced but not yet enacted planning changes. Pibbs et al ¹⁵ estimates that the yield through the proposed Affordable Rental Housing Target described in the Greater Sydney Commissions Greater Sydney Region Plan and impact of the extension of SEPP 70 Affordable Housing Revised Schemes¹⁶

Pibbs et al, concludes over the **first 10 years of** the scheme, the yield of affordable rental dwellings could range from 3,181, assuming a pessimistic scenario, to 12,369 under an optimistic scenario down to. He also estimated that SEPP70 could generate an additional 3,675 dwellings over the same period, however this is based on Councils achieving additional affordable housing over and above the Greater Sydney Commission's Affordable Rental Housing Target.

Therefore, the NSW planning system assuming **a very best case scenario** system may deliver 16,000 affordable housing over 10 years, 1,600 per annum. This is a considerable output, but not enough to close the social and affordable housing supply gap identified above by AHURI and City Futures.

More supply could be achieved through increasing the inclusionary zoning provision in the Affordable Rental Housing Target developed by the Greater Sydney Commission. For example, on surplus government land

disposals outside of social housing, it should ensure a minimum 30 per cent of the residential development is reserved for social/affordable housing. It could increase the levy on private land to 15 per cent

Inclusionary zoning has an important role to play in the supply of affordable housing within a range of strategies that can be deployed by the NSW Government to increase the affordable housing supply over the proposed 20 year NSW Housing Strategy . Affordable housing units should be managed by registered not-for-profit community housing providers to ensure maximum benefit for the local community.

NSW Governments current social and affordable programs- LAHC's social housing supply program, Future Directions-Communities Plus and Social Affordable Housing Fund (SAHF) and the NSW planning system proposed affordable housing mechanism will not deliver the social and affordable housing supply required to meet projected need over the next 20 years. Consequently additional effort will be required by the NSW Government.

Additional measures to increase social and affordable housing supply

This requires the NSW Government to substantially increase its financial commitment to increase social and affordable housing supply. We support CHIA NSW's proposal to establish a capital fund program to build at least 5,000 new social housing dwellings per annum and that community housing providers play a central role in delivering this program. In addition the government can commit land, our preference is have land vest over leases, as occurred during the Social Housing Initiative Program¹⁷ this could then be leveraged through the community housing provider's access to NHFIC which provides cheaper debt. NHFIC's first

¹⁴ Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Pibbs, P. (2018) *Supporting Affordable Housing Supply: Inclusionary Planning In New and Renewing Communities*, AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne, www.ahuri.edu.au.

¹⁵ Pibbs, P, King L. A. 2018 "[Potential Affordable Dwelling Yields From a NSW Inclusionary Zoning Scheme](#)", Report prepared for Shelter NSW, The University of Sydney, Sydney www.shelternsw.org.au

¹⁶ SEPP 70-Affordable-Housing-Revised-Schemes www.planning.nsw.gov.au

¹⁷ Social Housing Initiative (SHI) was a key component of the Rudd Government's Nation Building Economic Stimulus Package (NBESP) to stave off the 2008 Global Financial Crisis. 19,700 new social housing units were completed across Australia in three years at a cost of \$5.24 billion. In NSW 6,330 dwellings were built then transferred (with title) to CHOs which, in turn, leveraged private finance to build more homes. This delivered more than 1,000 additional affordable homes over and above those directly SHI-funded. See [KPMG Review of Social Housing Initiative \(SHI\) 2012](#)

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bond issue in March 2019 i was 3.00 per cent for 10-year interest-only loans, its third bond issue in June 2020 the cost of debt was 2.06 per cent for 12-year interest only loans¹⁸.

This funding model a mix of subsidy, government land and concessional debt through NHFIC is canvassed in the City Futures¹⁹ report which estimates the costs under an Operating Subsidy and a Capital grant model to supply and affordable housing to meet the assessed need of 7,000 social housing dwellings per annum and 3,000 affordable housing dwellings per annum over to 2036.

This raises the question if the NSW government provides land on a long term lease and community housing providers can access concessional finance from NHFIC, **why is there a need for additional subsidy?**

The need for a subsidy is illustrated by testing the amount of social housing or alternatively the number of market rent units required to deliver social housing on a site secured through a long lease and where NHFIC debt was applied. Bridge Housing has modelled²⁰ the outcome on a site in the Inner West and in Parramatta that would yield 15 dwellings. On the Inner West site 60 per cent of the site would need to be market rent product to enable a social housing yield of 40 per cent. On the Parramatta site the market rent yield would need to be 85 per cent to produce a social housing yield of 14 per cent. This is a poor public policy outcome, as it only leads to marginal increase in net social housing supply and shifts considerable risk to community housing providers, at a point in

the development of the sector, which have shallow balance sheets and limited capacity to absorb market rent volatility.

The need for a subsidy in addition to other assistance was recognised by the Australian Government's Affordable Housing Working Group²¹ report *Supporting the Implementation of an Affordable Housing Bond Aggregator*²² in its discussion of NHFIC's bond aggregator function. It states

*"Since the bond aggregator is simply a vehicle for achieving cheaper and longer tenor financing, the bond aggregator by itself will not lead to substantial growth in affordable **housing**. Reforms that address the funding gap (or the disparity between the costs of providing affordable housing, compared to the returns which can be generated) will help providers to increase the scale of their activities and create a pipeline of supply for the bond aggregator, and expansion of the community housing sector as a pathway beyond public housing. The most promising of these reforms include the regeneration of public housing stock, better use of planning tools, affordable housing levies **as well as government capital and operational assistance for the sector**, and build-to-rent and mixed rental or mixed tenure models."*

With an appropriate subsidy either a capital grant to reduce the debt required or an operational gap payment, similar to SAHF or the Australian Government's National Rental Affordability Scheme²³ then the amount of social housing can be increased.

¹⁸ [NHFIC finalises largest social bond from an Australian issuer 24 June 2020](#)

¹⁹ L.Troy, R. van den Nouwelant and B. Randolph (2019) *Estimating Need And Costs Of Social And Affordable Housing Delivery*, City Futures Research Centre, University of New South Wales, March 2019

²⁰ This assumes that LAHC leases land at 30 years, NHFIC funding at 2.6 per cent and the market component is leased at market rents and there is no affordable housing. Market rents are higher in the Inner West than Parramatta and produces a higher cashflow to repay the debt.

²¹ On 7 January 2016, the Australian Government announced the establishment of an Affordable Housing Working Group following the request from Treasurers at the Council on Federal Financial Relations (CFFR) meeting in October 2015 for further work on housing affordability

²² *Supporting the Implementation of an Affordable Housing Bond Aggregator*, Council on Federal Financial Relations (CFFR) 2017.

treasury.gov.au/consultation/council-on-federal-financial-relations-affordable-housing-working-group-innovative-financing-models

²³ NRAS commenced on 1 July 2008 successful applicants were granted an entitlement (or 'allocation') to receive an annual incentive for 10 years for each approved rental dwelling. In the 2014-15 budget the Government announced it would end the Scheme and be capped at 38,000 allocations www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme

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This approach could be kicked started as part of a Covid 19 social housing stimulus package as part of a broader economic stimulus package to increase jobs. The Community Housing Industry Association has proposed the Social Housing Acceleration and Renovation Program (SHARP) to build 30,000 dwellings over four years nationally²⁴. NCOSS and CHIA NSW with other NSW housing organisations have proposed a similar program through the Equity Economics proposal NSW *Supporting the Economic Recovery in NSW*²⁵

However, we should not need economic downturns like the 2009 Global Financial Crisis or our current and substantially worse economic downturn created by Covid 19 pandemic to increase social and affordable housing supply as part of a job's stimulus package, these crisis's creates high levels of unemployment, increases the number of disadvantaged households and creates more inequality.

The proposed NSW Housing Strategy for NSW provides the basis of building a sustainable social and affordable housing system housing system which is appropriately financed and where the community housing sector plays a central role to deliver a steady and consistent supply of affordable and secure housing to disadvantaged households who require social and affordable housing.

NSW is the largest state, by population and size of its economy, in the Federation and the NSW Government has a two-fold responsibility in it's a leadership role. The first is to shape national housing policy through policy advocacy to the Australian Government and the second is the commitment of its land and increased state budget allocations to increase the supply of social and affordable housing.

²⁴ The *Social Housing Acceleration and Renovation Program* calls for a \$7.7 billion investment to build 30,000 social housing properties nationwide, in addition to a fast tracked maintenance program. www.communityhousing.com.au.

²⁵ *Supporting Economic Recovery in NSW: Investment in Social and Affordable Housing is Critical to Supporting Jobs Today and Families into the Future*. www.ncoss.org.au

²⁶ *Federal Financial Relations Review*. www.treasury.nsw.gov.au/federal-financial-relations-review

The NSW Government, must advocate to the Australian Government for a National Housing Strategy, an increase in funding for social and affordable housing, as discussed above, and for the reform of property related taxes such and negative gearing and capital gains tax which in combination with historically low interest rates have fuelled a surge in property prices. It has shown leadership in the area of tax reform with the recent *Report of the NSW Government's Federal Financial Relations Review*²⁶.

The second major commitment is to partner with the Australian Government by contributing NSW Government land including but not restricted to the existing LAHC portfolio. In addition it must increase it budget allocations for social and affordable housing. With Interest rates at historical low this is the opportune time for the NSW Government to borrow to finance social infrastructure such as social and affordable housing. While the focus is on the Federal Government with the Reserve Bank of Australia²⁷ and the OECD²⁸ supporting increased government debt to finance social and physical infrastructure. However the NSW government has the capacity to undertake further borrowing to fund either a capital or operational subsidy without effecting its credit rating.

Government debt only is a burden if the growth rate of an economy is lower than the cost of financing the debt, if the cost of debt, the interest rate, is lower than the long run growth rate of the economy the debt burden will fade

²⁷ *COVID-19, the Labour Market and Public Sector Balance Sheet* Philip Lowe Governor of the reserve Bank Address to the Anika Foundation 21 July 2020. <https://www.rba.gov.au/speeches/2020/pdf/sp-gov-2020-07-21.pdf>

²⁸ *OECD (2020) Economic outlook: Volume 1, Issue 1*, www.oecd.org/economic-outlook/june-2020

After The Lockdown, A Tightrope Walk Toward Recovery, Laurence Boone, OECD Chief Economist, 10 June 2020, <https://oecdscope.blog>

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NSW has the largest and most dynamic economy in Australia²⁹ it accounts for a third of the nation's economic output with a long term average growth of 2.5 per cent per annum. While this growth rate has taken battering during Covid19, we need to look beyond the impact of Covid 19 and see robust investment in social infrastructure such as social and affordable housing as a pathway to ensure a return to stronger growth. Indeed as the Discussion Paper notes provision of well-located social and affordable housing not only produces social benefit there is also a productivity return to the economy as the Discussion Paper explores in Better Planning for Jobs and Housing³⁰.

Institutional and Governance Reform

Community housing providers now manage and own 30 per cent of the NSW social housing system, the sector is responsible for maintaining a portfolio of properties worth \$18b.

NSW Housing Strategy must now set out clearly an expanded role for community housing providers to drive the increased supply of social and affordable housing. This requires in the first instance a new range of governance arrangements between the community housing providers, the Land and Housing Corporation and the Department of Communities and Justice. This must go beyond current arrangements which enables community housing providers to be part of the strategic planning of the social housing assets

We also argue that the NSW Housing Strategy must also articulate a clear separation of the policy, funding and regulatory roles of government from delivery and create a multi-provider system. Currently in NSW the Land and Housing Corporation is both the asset owner, policy maker and contractors. We have the Department of Communities and Justice responsible for housing delivery but also a contract manager

for community housing providers and the focus of Community housing policy through the Community Housing Industry Council.

This system is confusing and creates a conflict of interest with the NSW governments social housing provider Department of Communities and Justice and the asset owner the Land and Housing Corporation responsible for policy, resource allocation, funding and contract management for the community housing sector, a housing services provider and an asset owner. A necessary step in creating a multi-provider model of social and affordable housing is to separate the policy, resource allocation, funding function from the housing ownership delivery function. This requires the establishment of a separate Ministry of Housing responsible for policy, resource allocation and funding of social and affordable housing from the housing services delivery and asset management and ownership. It also means and apply the same regulatory requirements to all social and affordable housing, regardless of whether it is delivered by government, or a community housing organisation.

Currently, there is no state or territory where community housing organisations and public housing agencies have to meet the same regulation and performance standards and compete for capital funding or development opportunities on the same basis. This must change to create a true multi-provider system, giving greater confidence to tenants, financiers and the community.

The NSW Housing Strategy provides a pathway for the NSW government to take significant leadership on this matter. This would encompass the following establishing a Ministry of Housing and raising the seniority of the Minister responsible for the housing portfolio, establishing annual housing budget identifying all government outlays and their outcomes to meet the NSW Housing

²⁹ About the NSW Economy. www.treasury.nsw.gov.au/nsw-economy/about-nsw-economy

³⁰ How Can We Better Plan for Jobs and Housing? in *A Housing Strategy for NSW – Discussion Paper*. p 28.

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Strategy Goals for the supply and affordability of housing, establishing a high level state housing council.

Data required to deliver new housing

The Discussion Paper rightly asserts that the success of the NSW Housing Strategy will be based on monitoring and evaluation against intended outcomes and supported by transparent and timely data collection. This requires access to relevant and timely data.

This submission has argued that the most significant data gap is social and affordable housing unmet and projected need. The final NSW Housing Strategy must include this data, it is an important social indicator in its own right and critical to measure the progress and success of the NSW Housing Strategy and its own criteria, which is set out under the Discussion paper's **What a NSW Housing Strategy will cover, particularly** "data collection and consultation, monitoring and evaluation against intended outcomes coordinate diverse housing policy to most effectively respond to challenges and ensure an agile, timely and evidence-based response to new opportunities and issues ultimately, best plan for housing that responds to environmental, population and affordability changes and the preferences and needs of the community – now, over the next 20 years and beyond".

The *Local Government Housing Kit Database* currently administered by the Department of Communities and Justice provides data on housing affordability. However the data on Rental and Purchase Affordability which measures the proportion of rental and dwellings available for purchase housing affordable for very low-, low- and moderate-income households –down to LGA level for Greater Sydney and NSW does not go beyond 2017. The supporting *Fact Book: A Housing Strategy for NSW* also has this limitation.³¹ Consequently, critical data sets are not produced in

³¹ As of July 2020 FACSIA have been updated these rental and purchase affordability figures to June 2019, however it appears that the data series may not be consistent with data collected from 2001 to 2017, and will now be updated annually rather than quarterly as had been done previously

a timely manner and does not provide a contemporary insight into what is happening for low to moderate income household's renters and purchasers.

Data on the performance of the NSW social housing system is variable, the Australian Institute of Health and Welfare³² and the Productivity Commissions Report on Government Services have developed comprehensive data on the performance of state housing authorities and community housing sector across the various jurisdiction. However there are data gaps, for example, there is no information on net additions to housing supply, expenditure on maintenance and the impact on the quality of the property portfolio. Moreover there is no systemic and timely analysis of this information and what this means for social and affordable housing supply within the responsible NSW government agencies.

The other significant data gap is the absence of any publically available, accurate consolidated information on the numbers of affordable dwellings produced through the NSW planning system. This is critical information to assess the effectiveness of the planning system to yield affordable housing through planning instruments, the length of time it is held as affordable housing and how councils are performing in capturing affordable housing through these instruments.

We propose that all housing related data relevant as an input and to enable measuring the progress against the success benchmarks across the 20 years of the Housing Strategy sit within a central repository within the NSW Government which has the responsibility of collecting, managing, refining and publically reporting on the data. A data user's advisory group be established to ensure that the data is relevant to industry needs

³² Australian Institute of Health and Welfare www.aihw.gov.au/reports-data/health-welfare-services/housing-assistance/overview

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Our recommendation supports the Discussion paper's call to expanding NSW Government housing-related monitoring programs and incorporating them into a wider, public repository of housing related evidence, enhanced data analytics, including predictive analysis greater ability to share data between State agencies and delivery partners, better partnerships with academic and industry-based research and analytics groups. This would enable understanding about what the data is saying and how decisions made now may influence the future of the housing system.

Directions for the NSW Housing Strategy:

- The NSW Housing Strategy to provide 20 year projections of social and affordable housing need and housing supply targets and location, these at a minimum should adopt the target of 5,000 social housing dwellings and 3,000 affordable housing dwellings per annum
- The NSW Government over the 20 years of the NSW Housing Strategy commit to increased investment in social and affordable housing through committing to a subsidy-either capital or operational in addition to the vesting of land to community housing providers to redevelop these sites to increase the supply of social and affordable housing
- The NSW Housing Strategy must to articulate a clear role for community housing providers and change the architecture of the current social housing system to create a multi-provider system by separation the policy, funding and regulatory roles of government from Housing services delivery and supply delivery
- Reinforce the role of community housing providers as the lead developers and managers of social and affordable housing supply to guarantee high quality management and the Government's priorities are achieved
- Leverage the planning system to expand affordable housing levies and set ambitious targets 30% on surplus Government land and 15% on private land to increase the supply of social and affordable housing.

- Monitor the local government performance of achieving social and affordable housing targets through the planning system through provision of a centrally and publically available database.
- All housing related data relevant to the NSW Housing Strategy sit within a central NSW Government Agency responsible for collecting, managing, refining and publically reporting on the data. A data user's advisory group drawn from private, local government, the community housing sector housing and community organisations and academia be established to assist in the development, collection and distribution of relevant data.

Response to Theme 2 – Diversity

As a community housing provider based in the inner city, Bridge Housing has a strong track record of housing to people with complex needs, including older people, those escaping violence and those experiencing homelessness. Given the immense personal and social costs associated with homelessness and the rapid increases in homelessness in NSW, which has increased between 2011 and 2016

Homelessness in Sydney is growing faster than the population itself. Between 2001 and 2016, Sydney's share of the national homeless population rose from 16.1 per cent to 24.9 per cent. Over the last five years, the number of homeless people in Sydney increased from 19,000 in 2011 to 28,000 in 2016, representing a 30 per cent increase.

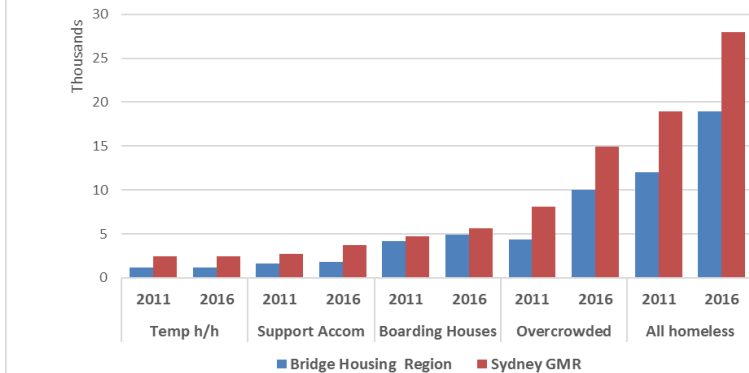
Figure 7 highlights two trends. Firstly, a significant proportion of homelessness is concentrated in the Sydney metropolitan region and within Bridge Housing's operating area. Secondly, severe overcrowding is the most significant form of homelessness. Between 2001 and 2016, severe overcrowding accounted for 75 per cent of the increase in homelessness, which is directly related to the declining availability of Affordable housing³³. Currently, there are more than 8,000 severely overcrowded households within our operating region.

Measures to increase the supply of social and affordable housing will likely support a reduction in homelessness. The NSW Government must be ambitious by investing in proven evidence-based models of housing and support models such as Housing First to end homelessness in NSW over the next 20 years. Many homeless households such as rough sleepers required focus housing and support to sustain their tenancies.

However, this requires systemic funding to end homelessness in NSW. We believe there are great opportunities to drive innovation through Meanwhile Use Initiatives and our experience is that leveraging corporate

philanthropy can assist in providing some transitional accommodation that meets needs for homeless people requiring time-limited assistance.

Figure 7. Homelessness
Type by Sydney Region, 2011 - 16



A Housing First Approach for the chronic homeless

The Housing First model – widely regarded as international best practice in working with rough sleepers and those experiencing chronic homelessness – is based on the provision of secure, affordable housing linked to flexible, wrap-around psycho-social support³⁴. The level of support must be flexible in order to respond to the changing needs of clients over time and housing tenure must be permanent in so far that it is not dependent on engagement with support. This is in contrast to the stepped model, where people move from supported crisis and transitional accommodation arrangements before moving into permanent housing without support.

In NSW, Bridge Housing is recognised as the industry leader in the delivery of a Housing First approach and this is now being built on across the sector through our delivery of the Together Home program. Having

³³ Homelessness NSW Budget 2019-2020 Submission:
www.homelessnessnsw.org.au

³⁴ What is the Housing First Model ,AHURI Policy Brief 2018: www.ahuri.edu.au

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delivered the first Housing First program in NSW, Platform 70, in partnership with NEAMI National, we have seen first-hand the transformative impact that this model can have to end homelessness even for those who are long term entrenched rough sleepers. Throughout the four year program, 105 rough sleepers were housed from the inner city and we were able to achieve an 85 per cent tenancy sustainment rate.

We have built on this experience through our delivery of the Step to Home initiative. Bridge Housing and Women's Housing Company are currently partnering with Metro Community Housing and support provider NEAMI National to deliver the program, which is a NSW Government funded partnership based on Housing First principles. The program uses properties leased from the private rental market to provide rapid, permanent re-housing and wrap around support to 90 rough sleepers, with an emphasis on case coordination to ensure issues are identified and managed proactively. Step to Home currently has a 97% tenancy sustainment rate.

We believe that the NSW Housing Strategy should set a target for Housing First programs to be delivered as part of new social housing supply as well as providing dedicated long term funding stream for wrap around support services linked to this initiative.

Meanwhile Use

In addition to Housing First models, Bridge Housing also has experience in delivering stepped models of accommodation, including meanwhile use projects where an underutilised asset is used as transitional housing for a period of time. Pathways Home is our partnership with Payce and Women's Community Shelters was one of the first meanwhile use programs in NSW³⁵

Under the initiative, Bridge Housing or an alternative community housing provider operating in the local community partners with Women's

Community Shelters to provide support and Payce and other corporate partners to provide access to underutilised properties earmarked for redevelopment in order to deliver transitional accommodation. While this is an innovative model, we have found that it is more suited to cohorts like young people or women leaving violence who are in a period of transition in their housing trajectory and have the capacity to move to alternative less subsidised accommodation options in the future. Nevertheless, we believe that the NSW Government could assist to drive this model by identifying its own underutilised properties that could be used in a similar manner across its agencies.

Liveable Design Principles

Bridge Housing believes that the Liveable Design Guidelines provide a useful guide to inform planning for diverse needs and all new homes should meet Silver Level requirements at a minimum. As a developer of social and affordable we are committed to achieving Silver level and above for all of our new developments and we believe that this standard will assist us to meet the needs of our tenants now and particularly in the context of an ageing population.

Moreover, community housing providers are well placed through their local partnerships with support services, to ensure that tenants are not only housed in purpose built dwellings, but have the opportunity to access services that assist them to participate fully in their local community.

A clear example of linking effective built design to support partnerships that meet the needs of those that are ageing and experience disability is our management of our 153 unit development at Elger Street, Glebe. Bridge Housing funded the redevelopment of two adjacent sites owned by the Land and Housing Corporation to deliver 153 social housing units under the Seniors SEPP. The development was custom designed for seniors – a total of 23 units were designed and subsequently upgraded by us to allow wheelchair access and 16 of these were designed to improve

³⁵ Bridge Housing Pathways Home: bridgehousing.org.au.

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live ability levels under the National Disability Insurance Scheme. All other units achieve either Silver or Gold standard under the Liveable Housing Australia Guidelines.

Each building at Elger Street is secure, with intercom facilities, and has a communal rooftop garden with district views. The site itself is close to services and amenities in Glebe and Ultimo. The buildings also contain community rooms, which are used by Bridge Housing and our support partner organisations to provide on-site outreach services. For example, Bridge has partnered with aged care provider uniting to offer information and support for Elger Street residents looking to access home care services and we have partnered with the Botanic Gardens to establish edible rooftop gardens that support community building onsite.

In short, community housing providers can leverage strengths in community and partnership development to holistically support the diverse housing needs of low to moderate income households and the NSW Government can maximize these outcomes by supporting the sector to do so.

Directions for the NSW Housing Strategy

- Set a clear target for Housing First programs to be delivered as part of new housing supply to end chronic rough sleeping. These new developments should be delivered and managed by community housing providers in partnership with funded specialist support services.
- Conduct an audit across NSW Government agencies to identify potential sites for meanwhile use initiatives where appropriate to avoid property earmarked for redevelopment remaining vacant
- Commit to minimum levels of Liveable Design Guidelines at a minimum of Silver Level for all new social and affordable housing dwellings to ensure that these properties are fit for purpose.



Elger Street, Glebe.

Response to Theme 3 – Affordability

Community housing providers, such as Bridge Housing, partnering with the NSW Government can successfully drive housing affordability in NSW, through the increased supply of new social and affordable housing. Our submission shows that this can be done through the introduction of subsidy, the vesting of land, maximising NHFIC debt. Other mechanisms include a tax incentives to encourage land owners to rent their properties affordably, introducing legislation to provide tenants with long term leases and restructuring the private rental market through encouraging Build to Rent

Leveraging the community housing sector to deliver new social and affordable housing

NSW Government support for Bridge Housing and the community housing sector more broadly provides an efficient and effective model to deliver the supply of social and affordable housing required to meet growing need over the next 20 years. Since 2012, the NSW community housing sector has invested over \$1.2 billion to deliver new social and affordable housing across the state, demonstrating our role as key players in delivering the supply of additional social and affordable housing required over the next 20 years³⁶

As a registered charity and non-government organisation, Bridge Housing can access a range of funding sources, subsidies and programs across federal state, and local governments. As a registered charity, Bridge Housing is able to access a range of tax exemptions and concessions. We also have the capacity to partner with and engage with private sector developers and construction companies to minimise costs and maximise social outcomes in the delivery of new social and affordable housing.

However, NSW community housing providers are contractually obligated to house people on very low to low income, we are contractually obligated to use the same eligibility and the rent setting system is identical to that applying to the state housing authority in NSW. Therefore even with these incentives, the NSW Government will need to consider how to meet the subsidy gap to support the development of social housing.

The NSW Housing Strategy should clearly recognise the need for of this subsidy and identify mechanisms to address this. In most instances this will need to be a mix of a land contribution a financial subsidy, which may be an operational like the Social and Affordable Housing Fund (SAHF)³⁷ or NRAS this subsidy may also come in the form of a capital grant to reduce the debt required. The form and cost of the subsidy requires further discussion. We have earlier in this paper referred to the work done by City Futures on the operational and capital subsidy.

The critical point is that sub market housing such as social and affordable housing requires a subsidy and in this regard our sectors is not unique as the supply of residential rental property can only be delivered through the subsidies provided by negative gearing and capital gains tax exemption. Even with these subsidies the private rental sector still only make a return which makes it unattractive compared to returns from commercial and industrial property. In large part this is why there has been a lack of institutional investment in residential property.

The NSW Government could maximise the outcomes of its investment by layering its own contributions, for example, by using a subsidy that is linked to redevelopment of existing social housing dwellings that are no longer fit for purpose or where there is potential to provide uplift on the social housing site. Further, given the extent of the affordable housing supply shortage, we believe that the NSW Government should seriously

³⁶ CHIA NSW Sector Snapshot 2020: communityhousing.org.au

³⁷ We noted earlier in this submission that a key benefit of the SAHF was the provision of an operational subsidy over 25 years. However, SAHF also had an over-engineered and expensive procurement process which can be substantially streamlined repeated

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consider vesting of current social housing assets under management by community housing providers to ensure an adequate capital base to deliver more social and affordable housing to the people of NSW.

Vesting as a means to grow social housing supply

Bridge Housing recognises that vesting constitutes the transfer of land and balance sheet from government to a not for profit community housing provider. Accordingly, from one perspective it is seen as loss in value of government's balance sheet for current and future generations. Although we believe that this argument overstated. While the asset is valued at \$53 billion³⁸, it can only be used for one purpose- the provision of social housing and that purpose will continue when transferred to community housing providers it also carries a significant maintenance liability. It may also be argued that this is also a loss of policy control over an asset and hence that asset may not be used in accordance with Government's policy directions.

We believe that the NSW Government can still achieve its policy aims where assets are vested to the community housing provider and ensure that the asset is available for future generations. This is currently secured through a legal agreement developed for the vesting of properties developed under the Social Housing Initiatives Program, known as the *Community Housing Assistance Agreement: Vesting of Capital Properties*. This agreement secures and protects the NSW Government's interests through clauses that bind the provider to meet obligations under the NSW Housing Act, recognise the Land and Housing Corporation's interest in the vested property and ensure that the property is used for the purpose of social and affordable housing into perpetuity.

This formal legal obligation sits within a broader social housing and regulatory system- National Regulatory System Community Housing³⁹; in which community housing providers operate. This system is designed to

protect Government and community interest and is expressed through the community housing providers and sectors reason for operating – to provide more and better social housing. The regulatory system ensures providers meet compliance obligations to maintain their license to operate.

The experience of vesting under the Social Housing Initiative Program discussed above reveals that not only has the community housing sector met its leveraging targets to deliver more social housing supply in NSW but also the social housing properties that were vested continued to be used as social housing and maintained to appropriate asset standard.

The development of 65 new two and three bedroom villa homes on the Bunya Estate in Bungarribee, Western Sydney is an example of properties developed through our leverage targets.



Bridge Housing's Medium Density Homes on the Bunya Estate

³⁸ Family and Community Services Annual Report 2018-19 Volume 2 – Financial statements for the year ended June 2019

³⁹ National Regulatory System Community Housing www.nrsch.gov.au/

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Through this development, Bridge Housing was able to leverage a range of incentives and funding sources to deliver new affordable housing supply. The estate is now home to 250 people, including 150 children.

Based on a joint venture partnership with Lindsay Bennelong Developments, the estate was financed through a mix of debt and equity, with support from state and commonwealth governments via the National Rental Affordability Scheme (NRAS), the Housing Affordability Fund, and subsidised land from Urban Growth NSW. Of the 65 properties, 34 were sold to investors as affordable rentals for 10 years – these are currently managed by HomeGround Real Estate, our not for profit real estate agency. The remaining 31 retained by Bridge Housing. This example highlights the capacity of community housing providers to leverage a range of government incentives in order to deliver new social and affordable housing developments.

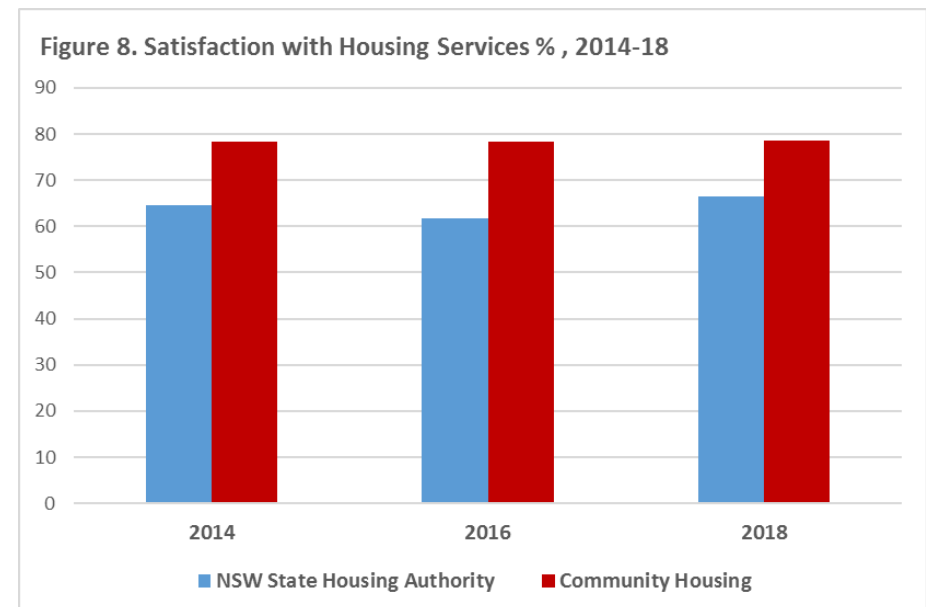
Delivering better outcomes for social housing residents through community housing management

We firmly believe that large scale transfer of management from public housing to community housing providers, including the vesting of assets, delivers better outcomes for residents and the capacity for government to redevelop and renew the social housing portfolio.

Bridge Housing was one of nine community housing providers to win a package under the NSW Government's Social Housing Management Transfer Program (SHMT). We have established a new office on the Northern Beaches and have been driving the establishment of local service partnerships to support our ageing tenants and those with complex needs. We are working with our specialist homelessness service partners and local Council to identify rough sleepers, link them to support and find sustainable housing to move them off the streets permanently.

We have extended our service delivery to include the delivery of a full suite of Housing Pathways products and services and will shortly assume full responsibility for the delivery of repairs and maintenance services. Tenants can now benefit from our lower tenancy management ratio, proactive tenancy management service and range of community and tenant participation initiatives.

Importantly, through our proactive tenancy and property management services, demonstrates that community housing tenants are more satisfied with housing services provided through community housing than the state housing authority. Figure 8 shows the comparative figures for NSW from the biennial National Housing Survey conducted for the Australian Institute of Health and Welfare⁴⁰



⁴⁰ National Social Housing Survey 2018, Australian Institute of Health and Welfare www.aihw.gov.au

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The successful transfer of public housing to community housing providers as demonstrated by the SHMT Program should provide assurance that this is a proven model to deliver better services to tenants. We believe that further large scale transfers offer the opportunity to provide these better services and access to a broader range of partnerships and supports to the public housing tenants across the state. In addition, providing greater scale to NSW community housing organisations, means that we can grow the viability and capacity of the sector to further invest in the redevelopment and refurbishment of the social housing portfolio.

Policy settings to drive affordability

We have explored a range of policy settings to increase the supply of social and affordable housing in section one supply of our submission. Here we will discuss a Bridge Housing initiative our recently establishment of a not for profit real estate agency, HomeGround Real Estate Sydney. HomeGround Real Estate provides specialised property management services for 245 private market and affordable housing properties. We have obtained a tax ruling from the Australian Taxation Office that enables landlords who rent their properties at affordable housing rents, to claim the rent foregone as a charitable deduction.

Importantly directing management through a not for profit real estate agency means that all of our profits are reinvested into more affordable housing. For these reasons we believe that the NSW Strategy could provide a sound platform for policy change that supports more affordable housing.

We believe that the NSW Housing Strategy could mandate that NSW Government agencies use for-purpose real estate agencies like HomeGround to manage residential properties. Our modelling suggests that if just one per cent of private rental properties in NSW were leased through for-purpose real estate agencies, we could generate \$11.2

million per year towards more housing and better services for people experiencing homelessness and in housing need.

Simple changes could be made to current land tax policy settings to provide land tax exemptions for private landlords to use their properties for affordable housing. This could be achieved through the review of the current land tax exemption - Section 10Q of Land Tax Management Act 1956 – Ruling LT 105 - for low cost accommodation to extend the geographical reach across metropolitan Sydney and align the rent setting and eligibility requirements with the NSW Government's Affordable Housing Guidelines.

Private Rental Market Reforms and Build to Rent

In the Supply section of this submission we have noted the increasing number of households in NSW who are renting. Figure six, above, shows that this has increased from 20 per cent in 1995 to 27 per cent at the 2016 census. The private rental market provides housing to households across all income ranges and that there is a decline proportion of rental properties which are affordable for very low and low income households. This rental stress is exacerbated by the fact that it is an insecure tenure.

The Productivity Commission (2019)⁴¹ found that vulnerable households are more likely to be negatively impacted by stress and anxiety because of insecure tenure, an increase in rent, or eviction. Furthermore, vulnerable tenants are greater risk of financial hardship and Homelessness if they are required to move to a new house for involuntary reasons. Children may also experience negative education, physical health, and social and emotional wellbeing impacts if they are moved from their home or school for involuntary reasons.

Research undertaken by Choice⁴² (2018), found that many private renters in Australia are living in poor quality homes and fear requesting repairs in

⁴¹ Productivity Commission 2019, *Vulnerable Private Renters: Evidence and Options* Commission Research Paper, Canberra www.pc.gov.au

⁴² CHOICE (2018) *Disrupted: The consumer experience of renting in Australia*, CHOICE Australia, National Shelter and NATO,

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case of a rent increase or eviction. Private renters are also predominately renting their homes on short-term leases of 12 months or less.

Discrimination in the private rental market can affect the capacity of several different population groups-young people, Aboriginal and Torres Strait Islanders and People from a culturally and Linguistically Diverse Background (including refugees) to successfully secure private rental accommodation, either for the first time or if a household is required to move to a new house for involuntary reasons.

The NSW Housing Strategy will need to ensure the tenancy laws in NSW respond to safeguard the significant number of private rental households. An immediate action is to lengthen the term of leases. Comparatively Australia's and NSW's rental market has much shorter term leases than exists in other countries, Research by Hulse et al⁴³ which examined the private rental systems in 10 countries, concluded that in comparison Australian tenancies were shown to be insecure.

Bridge Housing seeks that the NSW Housing Strategy initiate private rental reform by introducing registrable, longer-term leases with a minimum period of three years or more, with the objective of providing greater tenure security to long-term and lifelong renters.

There are tensions between the needs of tenants for long term secure accommodation and the landlords. The private rental market is dominated by small landlords and with an absence of any large scale institutional investment in residential property because the yields, are much lower than investments in other property classes. Landlord's expectations of lower rental yields is supported by the current negative gearing regime, whereby rental losses can be claimed against other income and with expectation of capital appreciation or gain. The

www.choice.com.au/money/property/renting/articles/choice-rental-rights-report-dec-2018

⁴³ Hulse, K., Parkinson, S. and Martin, C. (2018) *Inquiry into the future of the Private Rental Sector*, AHURI Final Report 303, Australian Housing and Urban Research Institute Limited, Melbourne, www.ahuri.edu.au

behaviour this drives is to support shorter leases in the expectation that the property can be sold and hence a resistance to providing tenants with more security of tenure.

The increased interest in Build to rent sector in the face of lower rates of home ownership and increased number of renting households may provide renters with long term security of tenure and control over their living space, and moving closer to characteristics provided by home ownership.

Bridge Housing supports the expansion of the BTR into the residential rental market and create a supply of rental properties that provide secure tenure for renters that is not currently available in the private rental market. It also is a means by which we can attract institutional investment, particularly Australian superannuation funds, into residential property. Australian superannuation funds have an appetite for investment in BTR sector as is evidenced by their investment into BTR sectors in Britain and the United States⁴⁴. Institutional investors look for long term, income (rental yield) rather than capital gain from buying and selling, they will hold onto assets for a long time. In this way, tenants can be confident that they will not have to vacate their rental due to the sale of the premises.

The major impediments to establishing BTR sector in Australia are to do with tax arrangements specifically the taxation of Managed Investment Trusts (MITs) where income is coming from BTR assets and state government land tax relief for 20 years⁴⁵.

⁴⁴ First State Super backs \$1.4 billion build-to-rent platform
www.investmentmagazine.com.au/2018/08/first-state-super-backs-1-4-billion-build-to-rent-platform/.

⁴⁵ Pawson, H., Martin, C., van den Nouwelant, R., Milligan, V., Ruming, K., & Melo, M. (2019) *Build to rent in Australia: Product feasibility and affordable housing contribution*, Report, Sydney: Landcom

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Bridge Housing supports moves to provide a tax exemptions to kick start the sector, we note the recent decision by the NSW government to halve the rate of land tax on BTR developments.⁴⁶ With a minimum of 50 or more properties under unified ownership

While Build to Rent provides security of tenure and more control over living space, it does not in itself increase the supply of affordable housing. A JLL report⁴⁷ on the UK market indicates that BTR tenants may be paying more than average private rents in the region. One first purpose built BTR developments in Sydney Mirvac's LIV Indigo⁴⁸. The development with 264 units is a premium product with concierge services and high amenity rents for studios and one, two and three bedroom apartments are higher than the surrounding district.

As the market matures and increases BTR competition, rents may fall, however this is some way off, and not reach a level where the product is affordable for very low to low income households. This creates a future of a two tiered private rental market. The first tier is for higher income households who can secure housing through a BTR housing product. The second tier for lower income households who will continue to experience an insecure tenure, lower quality dwellings and fearful of their ability to manage rent increases.

The Land Tax relief is a subsidy through forgone revenue to the NSW Government to help establish a desired housing product. This shows NSW government intent, Bridge Housing seeks the same level of NSW Government support for subsidies directed to the community housing providers to increase the supply of social and affordable housing, a product which the BTR sector will not supply.

⁴⁶ Land Tax Cut to Drive Build-to-Rent Revolution.
www.planning.nsw.gov.au/News/2020/Land-tax-cut-to-drive-build-to-rent-revolution

Community housing providers are experienced BTR managers with a targeted rental housing product. We argue that BTR sector and community housing providers can partner particularly where there is a requirement for either social or affordable housing on site. The NSW governments proposed BTR redevelopment of the Redfern site under the Communities Plus program is one example. Bridgehousing through its aforementioned Home Ground Real-Estate Agency is managing both affordable and private rental units in one development.

Directions for the NSW Housing Strategy

- Establish targets for new social and affordable housing supply to be delivered and managed by community housing providers in order to maximise tax incentives and financing options for new supply
- Set targets for the transfer of Land and Housing Corporation properties to community housing providers to improve service delivery and outcomes for social housing residents
- Consider title transfer for existing properties under management to provide community housing providers with a strong capital base to deliver new social and affordable housing supply
- Audit residential properties held by NSW Government agencies and mandate their management through not for profit real estate agencies, to maximise the social and economic outcomes of property management
- Reform and extend the current NSW Government land tax exemptions available to encourage private landlords to rent their properties at affordable rates.
- Initiate private rental reform by introducing registrable, longer-term leases with a minimum period of three years or more, with objective of providing greater tenure security to long-term and lifelong renters.

⁴⁷ Will tenants pay more rent for amenities?
<https://residential.jll.co.uk/insights/opinions/will-tenants-pay-more-rent-for-amenities>

⁴⁸ LIV Indigo <https://www.livmirvac.com/Build-To-Rent>

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Directions for the NSW Housing Strategy (cont'd)

- Foster the development of a Build to Rent Sector in NSW.
- Develop concurrent strategies to build the development role for CHPs in the Build to rent sector by requiring a CHP affordable housing development partner for future projects initiated by the NSW Government. In addition, the NSW Government introduce a legislative requirement for registered not-for-profit CHPs to manage affordable housing

Response to Theme 4 – Resilience

While Bridge Housing develops high quality, resilient homes to for low income households wherever possible, the majority of our portfolio is managed on behalf of the NSW Government. Much of this stock is ageing and in need of redevelopment or retrofitting to meet contemporary resilience standards.

Community housing providers currently manage a large underutilised and ageing social housing portfolio. It is critically important that we are given the power to redevelop this stock and extract value from this that is commensurate with the redevelopment risk and on ongoing funding risk we will carry. Relying on the community housing sector to redevelop at their cost and risk without a value sharing arrangement is a strategy set to fail.

We believe that providing community housing providers with the ability to extract value commensurate with risk will enable the NSW Government to not only renew the stock but to will lead to an overall increase the amount of social housing without reducing value to the NSW Government.

Ageing stock provides not only higher maintenance costs for community housing providers but it is generally less efficient and more costly to run. This is particularly problematic when it is housing for the most poor and vulnerable in our society. High energy costs disproportionately impact low income households, who do not have same level of access to sustainability measures as home-owners to reduce cost, so the NSW Government needs to focus resources on the lower end of market through support for social landlords.

The World Health Organisation highlights the link between housing and health, with research showing that living in good quality housing is

associated with positive health and wellbeing outcomes. We believe that the NSW Government should consider using the Housing for Health Guidelines and Toolkit to provide a framework for developing and refurbishing properties that drive better health outcomes⁴⁹). Originally designed for use in guiding property development and refurbishment in remote Indigenous Communities, we believe that the toolkit and framework should be more broadly referenced, particularly in the social housing sector, where residents experience poorer health outcomes than the broader community.

Directions for the NSW Housing Strategy

- Support community housing providers to redevelop ageing social housing stock to ensure that it is fit for purpose and flexible to respond to changing tenant demographics and needs.
- Embed Housing for Health principles in the development and redevelopment of social housing that promotes the health and wellbeing of vulnerable residents.

⁴⁹ Housing for Health: www.housingforhealth.com.

Conclusion

Bridge Housing welcomes the opportunity to provide comment on the NSW Housing Strategy Discussion Paper. The Strategy provides an unprecedented opportunity to position community housing providers as a key industry partner to deliver on the NSW Government's agenda to deliver more social and affordable housing that is well managed and flexibly responds to changing demographics and addresses the housing needs of our most vulnerable including those facing homelessness. Importantly the NSW Government has the opportunity to lead the country in the transforming the delivery of better outcomes for residents and better standards of social housing homes through the large scale transfer of NSW Government owned homes to community housing provider management and ownership.

End of Submission