

Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

INQUIRY INTO AFFORDABLE HOUSING IN AUSTRALIA

Ref: MP/KJ SF 4964 Document No: 16771/2014

Tamworth Regional Council would like thank you for the opportunity to make comment in relation to the *"Inquiry Affordable Housing in Australia"*. The submission which follows reflects Council's views on a number of issues in relation to housing affordability and provides comments in relation to a number of matters listed in the Senate Economics Reference Committee's "Terms of Reference".

Council would like to emphasise our commitment toward housing affordability with the endorsement of the Tamworth Regional Affordable Housing (TRAH) Strategy in 2011 in response to increasing interest from government agencies toward affordable housing initiatives for the Tamworth Local Government Area. The Strategy aims to build upon existing relationships and activities between government agencies and local stakeholders while investigating new initiatives and approaches to better target existing resources and inform new partnerships for future housing development.

It is considered that housing affordability could potentially impact on Council's wider aspirations for the Region. Without sufficient affordable housing it will be difficult to attract additional business and industry to the region with limited affordable housing to accommodate employees. A number of contributing factors toward the supply of affordable housing were identified throughout the community consultation process held during the exhibition of the Strategy and included:

- lack of transport services in specific areas and localities;
- lack of employment opportunities;
- rising cost of living and taxation benefits;
- reluctance by home owners to rent to low income earners;
- first home owner incentives with a high number of first home buyers taking up lower priced housing;
- perception that renting is high risk;
- private rental market does not offer types of property most in demand;
- cost of land, development costs and increase in trade costs; and
- supply has not kept up with demand.

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Based on this information the TRAH Strategy has identified three fundamental objectives that aim to address affordable housing issues within the Tamworth Region and include the:

- facilitation of partnerships between Government, private sector and community sector partners to increase the affordability of housing opportunities;
- engaging in an affordable housing policy, consulting with appropriate stakeholders to identify and develop opportunities to increase the availability of affordable housing; and
- seeking to improve Council's systems, procedures and frameworks to facilitate better affordable housing outcomes.

Council understands that it has an important role to play in affordable housing provision and that planning for local housing can have significant social, economic and environmental benefits and outcomes for the community.

The following comments highlight the issues that need to be investigated by the Committee and addressed at a Federal and State level to instigate change for future affordable housing provision.

(i) Policy initiatives and legislative changes

A national goal should be set for achieving a specified reduction over a specific period of time regarding the number or proportion of households in unaffordable housing and should be related to occupancy rather than merely to supply. The national goal should include indicative milestones where progress can be measured. Corresponding goals should also be set at state, regional and local levels.

A national approach to housing affordability should include action at the Federal Level that includes cooperation between Federal, State and Local governments. The cooperation between the Federal and State governments has a major positive and negative impact on the availability of low-cost housing. This applies to national and state housing agreements and policies in relation to home purchase assistance, taxation, and regional development. The role of Local Government however is currently limited with many of the key housing affordability levers being controlled by Federal and State Governments.

Direct subsidies for first home buyers in its current format has a tendency to inflate house prices and does not provide sufficient support for appropriate recipients. This type of investment should be reconsidered in regard to payment methods and/or the reinvestment of this funding back into affordable housing schemes.

Housing price inflation has also been driven by the exemptions of owner-occupied property from capital gains and land taxes, and by tax deductibility for investors in rental housing. The exemptions were intended to maximise home ownership but instead have sent prospective home buyers with modest finances into unequal competition with wealthy investors resulting in greater tax benefits. The tax deductibility system has the potential to inflate house prices and rents. One option would be to cap exemptions to encourage entry into home purchase for mid to low income households.

(ii) Planning law changes and reform

Local government is becoming increasingly concerned about the adverse impacts of high housing costs on the lives of residents and community development. These include shortages of locally-based labour for essential services and expanding business, as well as families with young children and the elderly being unable to afford housing. There is a strong need to encourage state and local governments to include in the planning process of large residential developments with conditional approval when providing a specific proportion of affordable housing. This approach should be applied broadly rather than fixed separately for each development.

Planning law changes and reforms are required to protect existing sources of affordable housing, promote housing diversity, affordability and the production of affordable housing. Planning instruments should contain overall planning objectives to promote affordable housing. Such objectives are legally useful and could provide a basis for councils to encourage applications that contribute to affordable housing or housing choice within an area.

(iii) Market mechanisms and incentives

The supply of affordable housing in the rental housing market is inadequate, despite expenditure by the Commonwealth Government's rent assistance. Vacancy levels are low, rental costs are rising and investment in new rental housing has declined, particularly at the lower end of the market. A further issue relating to lower rental stock is that these properties are not occupied by lower income households as some landlords and estate agents may discriminate against the selection of tenants. This situation may worsen as a result of low vacancy rates and increasing competition between potential tenants.

Demand for government housing has increased due to growing numbers of vulnerable families and people. This is evident in regional areas such as Tamworth and in many instances very few people can obtain public housing unless they have very low incomes or social problems. This affects the quality of life and opportunities in many housing areas and estates, the cost of managing tenancies and the rent which public housing authorities can reasonably charge.

Although interest rates affect housing affordability, this issue in recent times has been replaced by the cost of living. These increasing living costs coupled with possible interest rate rises in the future affect those sourcing affordable housing and future developers. The failure to manage the shortage of affordable housing will damage long term economic development, transport, family cohesion, retirement security and economic and social strength of rural communities.

A proportion of the government and non-government housing could be managed by non-profit housing organisations rather than government agencies. This would provide greater opportunities for innovation and flexibility, as well as attracting financial contributions and other support from charitable sources. Unfortunately, most of the non-profit housing organisations are small and lack expertise, structure and the processes to handle large volumes of affordable housing. The state government could be instrumental in encouraging the growth of these types of organisations that would be best suited to manage this housing initiative. International examples have indicated that this is a successful way of increasing the supply of low-cost housing stock.

To increase both affordable housing and rental property, incentives such as grants could be allocated to developers who are prepared to generate a percentage of their development toward affordable housing. These types of financial incentive coupled with planning mechanisms have the potential to increase affordable housing in regional areas such as Tamworth.

(iv) Ongoing funding partnerships with Federal and State Governments

Tamworth Regional Council was able to secure Federal Government Funding through the Building Better Regional Cities (BBRC) Program in 2011. Council has engaged in a collaborative approach with Housing NSW towards the rationalisation and provision of affordable housing to deliver positive housing outcomes for Coedale and the Region as a whole. The Coedale Urban Renewal Master Plan initiated by Housing NSW is a key initiative that promotes change to revitalise the area to improve infrastructure, increase transport access, and promote housing affordability including new and existing housing stock. Programs and partnerships of this nature should be encouraged to allow

each level of government to contribute to housing affordability, in particular affordability within rural and regional areas.

Conclusion

Council considers that the key priorities that need to be addressed to reduce the shortage of affordable housing in rural and regional areas include:

- Reduction of taxation distortions which inflate housing costs;
- Strengthening of regional development and planning systems;
- Improved funding for existing levels of government and non-profit housing;
- Develop non-profit housing organisations.

These actions would seek to reduce the distortions in the housing and rental markets, the provision of better information and predictability, and strengthen the contribution in neglected sectors. It also recognises that purchasing a home is likely to remain desirable and achievable for most people, however a growing proportion will be accommodated in rental housing for longer periods, whether by choice or necessity. This sector of the community will continue to pay excessive rental costs.

Council will continue to support the future initiatives to improve affordable housing and the move towards a greater emphasis on long term strategic planning and commitment toward the provision of this type of housing.

Should you wish to discuss this submission, please do not hesitate to contact the Council's Director of Planning and Community Services, Jackie Kruger

Yours Faithfully

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1 February 2014