



## Senate Standing Committees on Economics

# Affordable Housing

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### The Challenge of Affordable Housing in Regional and Remote Communities

This submission is made within the context of affordable housing issues and challenges within rural, regional and remote communities of Western Australia. There has been considerable analysis of the challenges and potential solutions for unmet urban housing problems and demands, but there is very limited analysis of housing and accommodation demand or understanding of the diversity of housing need in rural, regional and remote locations, not only in Western Australia, but non-metropolitan Australia more generally.

#### Context

In Australia housing is the single biggest potential cost of living pressure. Housing stress is a useful indicator of both local housing and labour markets and wider economic, environmental and social forces. Appropriate and affordable housing underpins community stability and economic welfare, and it is especially important in non-metropolitan locations, where, according to Costello (2009, p. 220), “housing in rural areas is considered to be vital, not just as an indicator of economic sustainability but also for maintaining rural liveability and community wellbeing”. Housing and the provision of infrastructure and services are key determinants for the attraction and retention of skilled and professional staff and their families in rural, regional and remote areas. Research (Beer et al., 2011; Haslam McKenzie & Rowley, 2013) has shown that inadequate or inaccessible housing is a ‘push’ factor, motivating people to move to other places where housing is more accessible.

Western Australia has experienced exponential economic and population growth over the last decade in response to strong Asian, mostly Chinese, demand for resources. The Pilbara and Kimberley regions where many of the resource projects are located have borne considerable growth pain due to significant pressures on the labour market and local





communities which have struggled to meet the demand for appropriate accommodation and adequate services. The shortage of housing has pushed prices to unprecedented levels, marginalising those who cannot compete with the resources companies for scarce labour and accommodation, and effectively creating a mono-economy, consequently increasing the dependence on the resource sector and shutting out other industry sectors. The impacts of housing shortages and high accommodation costs (including the cost of rental accommodation) in the Perth metropolitan area and remote resource hubs have rippled out to communities in rural communities which have had relatively affordable accommodation for the last two decades as they have struggled with de-population. The competition for housing elsewhere has caused the cost of accommodation in even these communities to increase and marginalise those who cannot compete regardless of their attachment and local tenure, or trap people in housing which is no longer appropriate but which they cannot afford to leave.

### **Assessment of Housing Stress and Affordability**

As noted by Haslam McKenzie and Rowley (2013) and Beer et al. (2013) housing stress (as measured by the proportion of low-income households paying costs above 30 per cent of their gross income) is a flawed measure of housing poverty and inadequate accommodation because it does not account for those who cannot afford to access housing. There are many in remote communities in particular who cannot access housing. In the resource boom towns highly inflated housing markets such as Port Hedland and Karratha in the Pilbara region, there are many who are excluded from accessing local accommodation. There are also others who are paying more than 30 per cent of their gross income, but they are not necessarily experiencing housing stress because their resource industry salaries are sufficiently high, they can afford to live in these communities. Housing stress does not measure the proportion of households that want to but are unable to afford housing, i.e. those in housing need. Price:income ratios provide a better indication of the difficulties of households within various income bands to access median priced housing.

Measures of housing stress in the rental sector provide a much clearer indication of affordability in the housing market. This group of households have fewer if any other accommodation options. Higher levels of expenditure on housing do not reflect discretionary investment, but instead are a product of the forced expenditures of vulnerable groups in the population. And, it is important to acknowledge that, across Australia, housing stress is much more common in the private rental sector than among owner-occupiers (Beer et al. (2011).





### Responsiveness to market demand for accommodation – the delivery process

The dominant approach of the Australian governments, especially over the past three decades, has been to rely on market forces to deliver housing outcomes with minimal direct government intervention. However, in remote Australia, there is considerable policy ambiguity because much of the land in remote Australia is administered by the Crown (government) and consequently, **government controls land release**. In Western Australia, the **State government has taken on the role of developer** through Landcorp. Land has traditionally been released by the government as a reaction to market signals, such as large price rises, rather than as a result of a policy delivering a steady supply of developable land. However companies and private sector entities and governments, even market oriented government organisations such as Landcorp, operate on entirely different timeframes and within unlike governance structures. Corporations must be responsive to market needs and environmental conditions or risk commercial failure. Governments on the other hand, respond to a widely divergent range of ideas, concepts and approaches, shaped by policy and decision-making processes with the accompanying influences, challenges and constraints of a democratic government. They are deliberative, negotiative and networked. Consequently, Landcorp has not been able to hasten delivery of land or developments and it certainly has not achieved affordable housing for many in rural, regional and remote areas.

Until the 1990s, the Western Australian government had a policy of **land banking**, thereby preparing suitable land for development, in line with strategic planning and future municipal needs, with the necessary zoning and services and keeping it in reserve until such time it was required, thus minimising the time for development. Land banking by government limits the impact of private speculative behaviour and demands a co-ordinated strategic plan to be in place.

The process of rezoning the land is time consuming and onerous. In Western Australia, **planning decisions are sequential**, rather than simultaneous, requiring the involvement and co-ordination of multiple government departments and agencies; hence, land supply is slow and simply cannot respond to market signals in an efficient manner. Land supply in the northwest of WA, for example, occurs within the context of native title rights and mining exploration and buffer zone compliance. Native Title is recognition by the Australian law that some indigenous people have rights to their land based on traditional laws and customs. Negotiations to extinguish prior rights take time and considerable resources. Without 'land banking' it can take at least seven years for Crown Land to be released to the market and available for housing and commercial development. Such delays are critical when housing markets are required to respond to very rapid employment growth scenarios.





Land is not the only area where government is involved in the development process in rural, regional and remote areas of Western Australia. Government has a critical role in the provision of key infrastructure such as power, water and waste management and without timely connection and maintenance housing and health is compromised. The delivery of these services to small, and especially remote communities is often compromised by budgetary considerations and the lack of economies of scale.

In periods of high labour demand across a range of industry sectors, skilled and experienced employees in a wide range of occupations are regularly ‘poached’ as has been the case in the building industry where many ‘tradies’ have been lured to the high paying resource industries with broad impacts in metropolitan and non-metropolitan areas. **Labour shortages are then experienced causing supply bottlenecks** across a wide spectrum of occupations.

**Local government authorities often do not have the capacity, experience or resources to respond to high land and housing demand, or deliver responsive local planning policies** which are innovative or capable of addressing a diversity of housing challenges. Local government is further inhibited by lack of scale – NRAS for example, requires a level of scale to ensure viability at a local level and for some small, remote communities, this will never be achieved. In many regional and remote jurisdictions, planning for housing and/or land development has not been a strategic priority and consequently, the necessary planning for appropriate supporting infrastructure and head works is absent.

As noted in Beer et al. (2012), Australia’s Indigenous housing population is over-represented in regional housing markets and many of the problems associated with Indigenous housing—overcrowding, poor standards, inadequate infrastructure, low incomes, and the impact of cultural practices—are most evident in regional, not metropolitan, housing markets. Current policies towards the abolition of ‘homelands’ and the creation of new housing options based on the lease of Indigenous-owned lands **have not met the diversity of need or demand** in many locations.

For many communities **the lack of economies of scale** in rural, regional and remote locations, prohibits the delivery of affordable housing. Furthermore, the ongoing skilled labour shortages contribute to the cost of affordable housing delivery.





### Rental Supply

Not all communities in rural, regional and remote areas have a rental market. Social housing is therefore very important, especially within an increasingly competitive private rental market. The rate of housing stress is much greater in the rental market than in home purchase. Even with Commonwealth Rent Assistance (CRA), the cheapest rents in many regional towns are out of reach of many low-income families and such families are often outbid or excluded due to their household characteristics. NRAS does not deliver units in areas suitable for many low-income families that rely on public transport.

### Responses to Housing Un-Affordability

As noted by Beer et al., (2011) housing affordability is a major challenge for particular groups in rural and regional Australia. The geography of housing affordability and unaffordability is highly variable and this must be taken into account in policy responses for addressing affordability problems across the country. Many communities have limited planning resources, capacity or expertise to respond to housing schemes or policy opportunities such as NRAS or HAF.

In some remote communities, government-provided housing represents virtually the entirety of the housing stock, and there is no functional housing market. The liveability of those houses after a relatively short period of time is dependent on experienced housing maintenance skills, of which there is a dearth across all markets, and most especially in remote communities and/or resource boom towns.

The National Affordable Housing Agreement (NAHA) has had marginal impact on affordable housing in rural, regional and remote communities. Only a minority of locations throughout Australia received funding for properties under the Social Housing Initiative. In many communities, there is no social housing and they were therefore not eligible for a range of the grants offered. Schemes such as appeared to be premised on metropolitan scales and capacity, further excluding government-sponsored housing opportunities for smaller, non-metropolitan communities.

Similarly, the National Rental Affordability Scheme (NRAS) does not have a substantial profile in rural, regional and remote of Western Australia. Again, the scheme is premised on a level of demand and therefore scale derived from economic efficiency.

If programs such as NAHA and NRAS were to have any impact in rural, regional and remote communities, the structure of the programs would have to change significantly. Local





agencies do not have the capacity to coordinate or manage the processes for these schemes. Many communities do not have a functioning housing market. The application process, the level of compliance required and the necessary, coordinated planning scheme is often beyond local capacity. Furthermore, many communities do not have the necessary level of infrastructure to absorb additional housing or population.

Community housing has been offered as a solution but their viability is dependent on volume and scale, which many non-metropolitan communities cannot offer. Furthermore, the cost of building in remote communities in particular makes the start-up costs unaffordable at the outset.

### Concluding Remarks

The issue of housing interconnects with economic, socio-cultural and environmental indicators, such as health, education, the natural and built environment and social connectedness, which have important bearings on the quality of life determinations of healthy, liveable and sustainable communities. Access to appropriate housing is therefore very important. However, affordable housing is difficult to achieve in a buoyant economy which has experienced unprecedented rates of population and demand for skilled and experienced labour of all descriptions. In small communities where there is high demand for accommodation, the corporate sector will often outbid other accommodation aspirants, and this has especially been the case in resource boom towns. Distance, remoteness and small population centres exacerbate housing affordability. In addition, lags in planning, unresponsive agencies, slow reactions to market signals and a lack of established housing markets in many areas have intensified the pressures on accommodation during this period of significant growth in Western Australia.

Despite the best of intentions, government through Landcorp and the Department of Housing has not been able to deliver sufficient appropriate or affordable housing in much of rural, regional and remote areas of Western Australia. It appears that the differences between those who can afford housing and those who cannot are intractable. As a result, housing demand outstrips supply in resource communities, marginalising many, and creating overcrowding, poor living standards and inadequate infrastructure (see Haslam McKenzie, 2013; Haslam McKenzie, Rowley, Phillips, Birdsall-Jones, & Brereton, 2009).

Similarly, there are substantial differences between metropolitan and non-metropolitan housing milieus. The recent government solutions to housing affordability have had some impact in metropolitan jurisdictions but influence beyond has been limited. Without a housing market, or even an immature market, NRAS, NAHA and community housing







initiatives are unlikely to achieve their aim at reducing the cost of accommodation. To make a difference will require entirely different intervention strategies, and the presumption that all non-metropolitan communities will respond to interventions in the same way would be naïve.

- Incentives to invest in long term community-based housing should be investigated.
- Initiatives such as NRAS and NAHA must take into account small, isolated rural and remote communities as well as regional centres, and their guidelines modified accordingly to attract investment in rural, regional and remote communities.
- Incentives to encourage building skills development, industry sponsorships and apprenticeships in rural, regional and remote communities.
- Corporate housing and accommodation construction, maintenance and equity sharing initiatives be considered as part of corporate social license to operate and corporate social responsibility programs suite of options.
- Incentives to encourage local government authorities and other government jurisdictions to limit bureaucratic compliance and promote sequential approvals processes.
- Incentives to encourage resource royalties to be invested in innovative housing and infrastructure and long term housing sponsorship.
- Recognition and acceptance that some communities will depend upon social housing and timely government investment is necessary.
- Relaxation of quarantining of accommodation for sectors such as tourism (for example, the City of Busselton requires that approximately 25 per cent of housing be restricted to temporary occupation of no more than 90 days, shutting out many [potential] local residents).





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