



**Submission to the Senate Inquiry Into
Housing Affordability**

**From The Northern Rivers Social Development Council
April 2008**

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The Northern Rivers Social Development Council (NRSDC)

NRSDC represents and strengthens communities and services in the Northern Rivers Region of NSW. NRSDC provides peak representation to the community and social welfare sector, delivers high quality services to alleviate disadvantage and partners with services and government to develop responses to social need and provide coordinated social services. Our aim is to promote social inclusion and ensure that the benefits of prosperity are shared equitably across our community. (see Northern Rivers socio-economic summary and Summary Housing Information attachment 1 and 2)

Focus of Inquiry

The focus of this inquiry on affordable home ownership is noted. NRSDC acknowledges the increasing hardship experienced by households seeking home ownership, particularly in view of the high and increasing house prices in this region and the relatively lower income levels of regional home purchasers. We would however encourage a broader focus on the housing system in general and on affordable rental housing opportunities in particular. 'Barriers to accessing affordable and appropriate housing' need to be understood together with the impact of an inadequate supply of such housing on the economic and social development of any location.

Research findings

Research reports access to appropriate housing can:

- Improve ability to attract/retain workforce
- contain upward pressure on wages
- raise workforce participation levels
- improve children's educational performance
- increase family stability
- improve health and well being outcomes
- reduce locational disadvantage

Research also indicates that

- most households in housing stress are in the private rental market
- increasing numbers of working households on moderate incomes now experience housing difficulties (no longer only very low and low income households)
- many households are unlikely to ever achieve or aspire to home ownership
- home ownership is not the most suitable tenure for many households (changing household formation patterns, increased casual and part-time employment)
- an effective housing system requires an adequate supply of social housing (public and community)
- an effective housing system requires affordable and appropriately located private rental housing (this also allows would be home owners to save a deposit)
- land use planning policies impact significantly on housing form, location and cost

NRSDC would also add that data indicates accessing affordable and appropriately designed and located housing is not a problem confined to Australian cities but research continues to focus on urban centres with only brief mention of 'some regional growth areas'. The Northern Rivers is one such growth area and the housing situation is at crisis point, especially in our coastal localities. We are concerned that new initiatives will target metropolitan centres and will not provide solutions to regional communities experiencing acute housing stress.

The Northern Rivers has one of the highest rates of families living in housing stress in Australia (close to 70% of renters in several coastal locations). Median rents in our region as a whole are in line with the national average but the coastal rents are similar to Sydney rents. Incomes however are very much lower. Key workers have difficulty finding accommodation close to work and services and the most disadvantaged households have difficulty finding accommodation at all. There is an acute shortage of public housing in the Region with waiting times reported to be up to a meaningless 18 years and growing numbers of homeless people with extremely inadequate access to assistance.

Lack of suitable housing contributes greatly to regional disadvantage due to the compounding issue of very limited transport systems. The recent publication from the Social Policy Research Centre of UNSW 'Towards new Indicators of Disadvantage: Deprivation and Social Exclusion in Australia examines the critical factors affecting people's living standards and reports that the "*nexus of connections between housing, location and transport* thus emerged as the first factor that played a major role in determining the overall standard of living for many, and the choices and sacrifices that had to be made exerted an influence that spilled over into other areas."

Supply

There is a mismatch between housing supply and demand which is the fundamental driver of housing unaffordability in Australia. An increase in housing supply is therefore essential.

It is also essential to encourage development of more affordable forms of housing. Housing development in this region, like everywhere else, is not occurring at the affordable end of the market. Developers favour high-end development where margins are higher and there are currently no incentives for the private sector to develop affordable housing for rental or purchase.

Various models are currently being used by governments to 'grow' an affordable housing industry but these endeavors are heavily concentrated in metropolitan centres and are able to achieve economies of scale that are difficult in a smaller regional setting. Those that have proven to be successful have also received very significant levels of public investment. It is important that governments develop programs that address housing affordability in regional areas where households are suffering acute housing stress but where existing social housing infrastructure must focus on filling the gross public housing shortfalls (even more scarce in regional areas). These agencies will struggle to extend their services to the growing number of working households on low to moderate incomes who are not able to secure affordable and appropriate housing.

A proposal has been developed to establish a not-for-profit affordable housing development agency in the Northern Rivers to build and operate affordable rental housing for low to moderate income households and enable key workers to remain within realistic commuting distances to work, services and supports in the community. (see Attachment 3)

Points relating to the terms of reference of the inquiry

Housing affordability is driven by numerous factors including:

- household income and formation
- availability of credit
- taxes and levies imposed by government
- provision of incentives/concessions
- cost of infrastructure
- rate and quantity of land release in high demand areas
- planning system requirements
- consumer expectations
- labour availability

a. the taxes and levies imposed by state and territory governments;

Some level of developer fees and charges are necessary to ensure necessary physical and social infrastructure is established areas of new land release. Moderate developer fees do not necessarily lead directly to higher land prices; these charges are part of the housing development framework in Australia and deliver significant social benefits. Excessive developer fees can constrain land supply if they make it uneconomic for developer to bring new land to market. Negative effects of developer charges on housing affordability can be offset by the use of concessions and incentives to encourage desirable social and environmental outcomes within a development. For example, developers should be able to attract significant concession for affordable and adaptable housing development, and encouraging greater housing diversity. The Commonwealth government's new Residential Infrastructure Fund should be deliberately targeted to affordable housing development to help to maximise these outcomes.

b. the rate of release of new land by state and territory governments;

A shortfall in supply of new dwellings is a key reason that housing across all forms of tenure is increasingly unaffordable. Increase rates of land release by government may address this issue to some extent, but it is not guaranteed to solve supply problems.

Rezoning of land for residential development does not guarantee the release of this land for development. In many cases developers are unwilling to release significant parcels of new land in order to reduce overall land prices. It is often more beneficial for developers to 'warehouse' residentially zoned land for significant periods of time progressively releasing small parcels in order to maintain a higher price. 'Drip fed' land release raises demand and therefore cost, and there are no incentives to bring forward release of land. To address this development should occur within a prescribed timeframe from the granting of development approval.

Even timely release of land is not a solution to housing affordability issues if it is not appropriately located for people in housing need, serviced by public transport infrastructure or when the housing type on that land is determined by investment return rather than the housing type that is actually needed. Containing urban sprawl and lowering greenhouse emissions by reducing car dependency are key issues in urban planning. Rising fuel costs disproportionately impact on those households forced to lower cost housing further away from their workplace, services, education and social networks.

c. proposed assistance for first home owners by state, territory and the Commonwealth governments and their effectiveness in the absence of increased supply

Broad-based financial assistance programs, such as grants, co-contributions or stamp duty concessions do not improve on housing affordability. This is demonstrated by the \$7,000 First Home Owners grant which is now priced into the national housing market. These schemes provide windfalls for existing property holders but do not assist entry to the market for people on lower incomes. The new First Home Savers Account scheme has also been criticized for its inflationary impact and because benefits derived from the proposal increase with income due to its link to tax levels.

It would be more effective to concentrate on targeted initiatives for specific market segments where there is particular need and which are unlikely to affect the overall housing market. Examples include; increased investment in social housing, affordable rental housing development for low to moderate income earners in areas of acute housing stress, and schemes to assist home ownership for particularly disadvantaged groups in the housing

market including Aboriginal and Torres Strait Islander peoples. At the very least, home ownership schemes should target those who actually need assistance, tapering as income levels rise.

There are various equity sharing products being trialed in a number of States and a comparison and review of these initiatives could provide some valuable insight into how best to support people to enter or remain in home ownership. It is likely that a range of measures is required to support this tenure.

d. the role of all levels of government in facilitating affordable home ownership;

Significant improvements in housing affordability **for all tenures** will require sustained commitment, planning, collaboration and resources from all levels of government. NRSDC considers the following key roles for each level of government:

Commonwealth

- Leadership and planning – including the development of a national affordable housing agreement
- Significant funding to boost crisis accommodation, social housing supply and to support affordable rental housing development for low to moderate income earners in areas where there are very high levels of housing stress
- Creation of taxation and other incentives to encourage affordable rental housing development
- Provision of appropriately located surplus Commonwealth land for affordable rental housing development
- Direct provision of Commonwealth Rent Assistance and assistance to home owners.

State

- Funding for social housing
- Capital funding for affordable rental housing development
- Oversight of the planning system to ensure that local planning instruments encourage affordable housing development
- Tenancy legislation providing housing security in the private rental sector
- Identifying strategic areas for land release
- Provision of appropriately located surplus government land for affordable housing development.

Local Government

- Ensuring that local planning and development control instruments encourage affordable housing development
- Provision of council land for affordable housing development
- Partnering with housing providers in local affordable housing initiatives.

e. the effect on the market of government intervention in the housing sector including planning and industrial relations laws;

The *Environmental Planning and Assessment Act 1979* (NSW) promotes the establishment of affordable housing measures in local planning instruments but the use of this aspect of the Act has been poorly supported by the NSW State Government. The planning system requires both voluntary and mandatory mechanisms to bring about increased provision of affordable housing.

Planning reforms in other States have included measures viewed domestically as radical but as normal practice by international standards. These reforms have included a mandatory, proportional requirement of affordable housing provision in all significant development projects. The development industry is highly critical of these measures but it is considered by the relevant governments as a reasonable expectation in high yield development sites and in view of the future without such intervention.

f. the role of financial institutions in home lending;

Financial institutions could offer incentives, as a corporate response to community needs, offering investors in social housing a reduction in interest payments and favorable loan conditions. There are a number of overseas examples that can be drawn upon to explore this option.

It is also important that financial institutions adopt responsible lending practices to ensure that borrowers have capacity to repay loans. Easily available low cost credit tends to inflate demand and thus house prices but leads to severe financial stress on households that do not have genuine capacity to pay. One possible option would be to develop a charter of responsible lending practices for financial institutions outlining principles of good practice.

g. the contribution of home ownership to retirement incomes

People continue to use housing to accumulate wealth which results in considerable under occupancy and a continued supply of oversized housing. Greater flexibility to channel these unnecessary housing funds into superannuation would result in more household relevant housing and more affordable housing development generally.

Recommendations

- That the Commonwealth Government work collaboratively with the States and Territories in the negotiation of the National Affordable Housing Agreement and include in this agreement
 - **specific targets for all housing tenures and people who are homeless**
 - **specific targets for affordable rental development in high need regional locations**
- That the Government advocate for **cooperation and shared innovation** across States and Territories and Local Government **and the use of both mandatory and voluntary land use planning measures** to increase the development of affordable and appropriate housing
- That the Government use the COAG framework to **commend and encourage whole-of-government approaches** by State and Territory governments in developing housing affordability solutions
- That the Government target those projects which will **increase the absolute supply** of affordable and appropriate housing through its Housing Affordability Fund and the National Rental Affordability Scheme
- That the Government **require** State/Territory Governments to identify specific regional outcomes and **ensure that high need regional locations benefit** from the Commonwealth Government's housing initiatives
- That the Government support the **establishment of a not-for-profit affordable housing development agency in the Northern Rivers** to build and operate affordable rental housing for people on low to moderate incomes (*summary of proposal at Attachment 3*)

Attachment 1

The Northern Rivers Region of NSW – Summary Profile

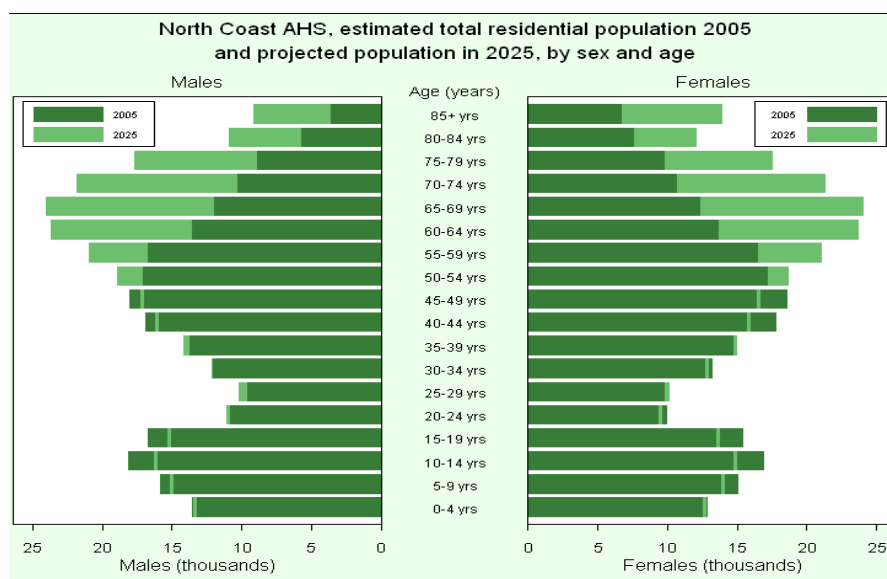
The region covers approximately 21,000 square kilometres of the north-eastern corner of the State. It includes the local government areas of Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley and Tweed. Approximately half the population is concentrated in the town centres of Tweed Heads, Murwillumbah, Ballina, Lismore, Yamba and Grafton while the other half reside in the 300 small villages and localities within the region.

The Northern Rivers is a major national and international tourist destination due to its renowned natural beauty and very favorable climate. The region is also recognized for its strong skill base in an expansive range of creative industries and has a strong and growing reputation in the education sector.

The area immediately adjacent to the Northern Rivers is South East Queensland - the nation's fastest growing region - and this close proximity gives rise to various and complex cross border issues for residents and businesses due to policy and procedural disparities between the NSW and Queensland State Governments.

Demographic and socio-economic summary

- The region has a population of 267,475 (2006 Census) with a population growth rate significantly higher than the State growth rate of 1.1%. (Report of the Chief Health Officer, NCAHS, 2004). The LGAs with the highest projected annualized growth are Tweed (2.2%), Byron (1.9%) and Ballina (1.4%). (Source: DIPNR).
- The age structure of the region's population varies from that of the State with a smaller proportion of the working age group 25-54 years (38% compared to 42%) and a larger 65+ years age group (18% compared to 13%). According to Department of Planning projections, this older age group will form 32% of the region's population by 2031.



(North Coast Area Health Profile, 2006, North Coast Area Health Service)

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- In the 2006 census, 3.3% of residents of the Richmond-Tweed Statistical Division identified themselves as Aboriginal, compared to 2.1 in New South Wales

HOUSING

- Up to 67% of renting households are experiencing rental stress (spending more than 30% of income on housing) This figure is lower for inland locations where it is still over 40%
- Median weekly rents for 3 bedroom housing in the statistical sub divisions of Tweed Heads and Tweed Coast are \$355 p/w (compared to \$310 in the Sydney Statistical Subdivision) (Housing NSW Rent & Sales Report Dec 07). The Rental Vacancy rate for the Far North Coast is 1% (REINSW Nov 2007)
- 10% of rental housing in the region is public housing compared to 15.5% statewide

EMPLOYMENT AND INCOME

- Median household incomes in the region are 62% and 69% of the median household incomes for Sydney and NSW respectively
- Unemployment levels are significantly higher (7.8%) than the State average and only 51% of the region's labour force is employed full-time
- The primary employment sectors are retail, health & community services, manufacturing, education, business services and agriculture providing predominantly labour intensive, low income and often only casual or part-time work opportunities
- Approx 25% of the region's population aged over 15 receive some form of welfare payment or pension.

DISADVANTAGE

- Six localities in the region were listed in the 40 highest ranking postcode areas on the 'disadvantage' factor compiled by Prof. Tony Vinson (see 'Dropping off the edge: the distribution of disadvantage in Australia', 2006) This factor comprises variables such as income level, education and skill levels, access to services, labourforce participation.
- Australian Research Council's publication 'Fault Lines Exposed' cites indicators of disadvantage in this 'rural sea-change region' including low incomes, high mortgage and rent payments, more single-parent families and families with no working parent than average, high general levels of unemployment, high levels of income support and pension payments.
- Two LGAs within the region rank in the bottom 12 scores for the State on the Index of Relative Socio-economic Disadvantage (Source: ABS, SEIFA, 2006).

Attachment 2:

Summary Housing Information For Northern Rivers Region, NSW

(Prepared by Northern Rivers Social Development Council, February 08)

Median Rents (Dept of Housing Sales and Rent Report December Quarter 2007)

	2 b'room Flats units	% change in qtr	3 b'room Sep house	% change in qtr	Vacancy Rate Nov 07 ¹
Sydney Stat Div	350	2.9	310	5.1	
Outer ring	450	4.7	560	-1.3	1.0
Inner ring	300	6.7	390	6.8	1.1
Middle ring	270	3.7	280	3.7	1.1
Rest of GMR (inc.W'gong, Newcastle)	220	4.8	270	3.8	
Rest of NSW	230	4.5	165	3.1	
NSW	300	3.4	270	3.8	
Rural Statistical subdivisions					
Tweed Heads & Tweed Coast	260	2.0	355	1.4	} 1.0
Lismore	175	0.0	260	4.0	
Richmond-Tweed SD Balance	210	5.0	300	4.3	
Clarence	175	2.9	240	6.7	
Coffs Harbour	190	7.0	285	1.8	1.5
Port Macquarie	190	2.7	270	0.0	

¹ Vacancy rates – Real Estate Institute of NSW, Nov 07

Key statistics:

1. Richmond Tweed Separate House rents are highest in State outside of Sydney
2. Vacancy rates - Northern Rivers rate lowest in 'Rest of NSW' and comparable to Sydney

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Income and housing stress (ABS Census 2006)

	Weekly household Income	% households earning <\$500 pw (\$23,600pa)	% of all households in rental stress (see breakdown)	% of all households in purchase stress
Ballina lga	776	24.1 (3,641)	49.0	33.6
Byron	744	25.1 (2,688)	62.6	41.6
Clarence Valley	632	30.8 (5,667)	47.4	29.9
Kyogle	600	34.4 (1,215)	42.8	27.8
Lismore	759	25.7 (4,083)	52.5	30.0
Richmond Valley	645	29.8 (2,404)	48.0	30.7
Tweed	679	27.9 (8,686)	55.8	36.0
Sydney Stat Div	1153	16.7 (237,974)		
NSW	1034	20.1 (467,382)		
Rest of NSW	816	19.4 (175,780)		

Proportion of households in housing stress (%) ABS Census 2006²

	VERY LOW INCOME		LOW INCOME		MODERATE INCOME	
	renting	purchasing	renting	purchasing	renting	Purchasing
Ballina	95	79	71	62	21	40
Byron	96	84	83	61	42	42
Clarence	91	69	44	47	3	23
Kyogle	85	59	19	39	0	20
Lismore	92	73	52	54	9	26
Richmond Valley	92	65	38	41	4	22
Tweed	96	79	74	60	24	43
Sydney Stat Div	97	86	66	72	22	55
NSW	94	81	60	64	18	45
Rest of NSW	91	73	50	53	8	33

- ² Very low income – <50% median income for 'Rest of NSW' households (up to \$21,215)
 Low income – 50%-80% median income for 'Rest of NSW' households (up to \$33,949)
 Moderate income – 80%- 120% median income for 'Rest of NSW' households (up to \$50,924)

**Proportion of Rental and Purchase Stock affordable for very low, low and moderate income households (%)
(June 07)**

	<i>VERY LOW INCOME</i>		<i>LOW INCOME</i>		<i>MODERATE INCOME</i>	
	<i>Rental</i>	<i>for purchase</i>	<i>rental</i>	<i>for purchase</i>	<i>rental</i>	<i>for purchase</i>
Ballina	14	0	36	0	81	11
Byron	7	0	19	0	67	2
Clarence	41	1	82	13	94	49
Kyogle	64	12	93	33	94	70
Lismore	34	1	70	5	93	47
Richmond Valley	48	0	84	15	95	54
Tweed	9	0	30	0	84	10
Sydney Stat Div	11	0	35	2	69	13
NSW	19	2	47	7	76	25

Valuer General & rental bond Board data

Attachment 3

Affordable Housing Development Agency Proposal Northern Rivers NSW

Project Description

NORTH COAST AFFORDABLE HOUSING DEVELOPMENT AGENCY (NCAHDA) is a proposed vehicle to increase and secure growth in the supply of affordable rental housing on the North Coast of NSW using a partnership approach between public, private and community based agencies.

The agency would use a combination of government funding and concessions, developer contributions and private finance to conduct non-profit development and operation of affordable housing projects across the region.

NCAHDA would be established using existing partnerships and linkages across all levels of government, the business sector, the philanthropic community and the non government social housing sector. NCAHDA would build on existing successful affordable housing models including Brisbane Housing Company, the Canberra Housing Company and the growing number of metropolitan based affordable housing development entities. The exact nature of its structure will be determined through negotiations with identified partners and commercial advice however, possible models include:

- a separate not-for-profit development company with formal arrangements with partner agencies or
- a business entity within an existing registered housing provider (e.g. North Coast Community Housing Company)
- a business entity within an existing not-for-profit agency in partnership with a registered housing provider

NCAHDA would draw from the work already commenced by the Northern Rivers Social Development Council's Affordable Housing Project. This project has established a formal partnership with the Northern Rivers Regional Development Board and is forming practical links with a range of community housing organisations, local government, planners, developers, financial institutions and community lead organisations and agencies. It is also working to position the region to benefit from state and national affordable housing initiatives as they arise.

Background

The Northern Rivers is one of the areas of highest housing need in Australia, particularly the coastal areas of Tweed, Ballina and Byron. Affordability has deteriorated alarmingly over the past 5 years due to high growth (almost double the NSW average in coastal areas) which is driving up house prices and rents.

2006 Census data indicate that approx 66% of low income rental households in the Richmond Tweed Statistical Division are experiencing rental stress. Median rents in some locations on our coast are as high as Sydney median rents. This is compounded by comparatively low average incomes (approx. 2/3 state average) and very limited public housing.

The role of NCAHDA

1. Establish the necessary legal structure to maximise the agency's ability to hold and develop property, access concessions and benefits and ensure appropriate governance and accountability mechanisms.
2. Support local government to develop affordable housing strategies including affordable housing planning regulations and incentives and secure urban infrastructure grants available through the Housing Affordability Fund or other programs that may be available
3. Access capital and development funding through federal and state government, developer contributions and in kind contributions to develop affordable housing in the region.
4. identify opportunities to attract housing investment into the region (for example, the Commonwealth government's National Rental Affordability Scheme)
5. Undertake affordable housing development in the region – including: project design and initiation, feasibility and risk assessment, raising public and/or private capital; development and acquisition processes; project management of planning, design and construction stages; setting eligibility and rent structures and, brokering tenancy management arrangements.
6. Establish partnerships with other local and non-local agencies to maximise the agency's skills base, economies of scale and development potential and to build business and civic support for an ongoing program of affordable housing initiatives in the region.

NCAHDA Target Group

The proposed NCAHDA target group is low to moderate income households (up to 120% median income) and specifically those:

- For whom affordable housing would improve access to workforce participation
- In areas experiencing loss of key workers
- Living in inappropriate accommodation
- Seeking to move from public housing to private rental market.

Proposed Coverage

This non-for-profit, partnership-based Agency would service the region encompassing the 7 local government areas of Ballina, Byron, Clarence Valley, Kyogle, Lismore, Richmond Valley and Tweed. This will enable economies of scale, greater coordination and reduced duplication across local government areas. It will also provide greater potential to ease the increasing housing shortage in this growing region.

Benefits

The proposed NCAHDA offers:

1. A unique solution to housing affordability issues in regional Australia
2. Value for money in both establishment and ongoing costs and leverage of private sector input
3. Transferable housing outcomes to other locations and other target groups
4. Housing solutions in an identified area of affordable housing need
5. Broader social and economic outcomes including access to affordable housing for key workers on low to moderate incomes
6. A scalable and sustainable model able to support significant growth over the longer term
7. Significant business and housing industry expertise in both establishment and operational phases
8. Opportunities to strengthen existing and build new regional partnerships across tiers of government and the private and community sectors
9. Immediate implementation.

Finance and Management

Cost effective financing will be achieved through a combination of government investment and private borrowings. The agency would secure project specific partner contributions such as development concessions, land, debt finance, professional services. Development cost savings will also be derived through its not-for-profit status. This will also remove developer margins otherwise required. It is anticipated that capital for future expansion would also be generated through the sale of a proportion of developed units either through shared equity arrangements or direct sales.

The Agency's broad target group (up to 120% median income) would enable a mixed tenant base and provide for higher total rental income than current models of social housing (public/community housing). Rental income would support operational costs and enable additional capital to be reinvested into stock growth.

The agency's Board will be development-oriented and expertise based and formed on the existing partnerships and linkages between the Northern Rivers Social Development Council, the Northern Rivers Regional Development Board, the Northern Rivers Community Foundation, local government,

existing social housing and community service providers as well as the real estate, development and finance sectors.

Costs

Preliminary estimates are that the project would require initial capital and operational funding during Stage 1 of \$1.5m and subsequent development funding of \$8m over 5 years during Stage 2 (summarised below). NRSDC is currently undertaking more detailed financial modelling work with local industry professionals to clarify costings and a more detailed budget is being prepared.

STAGE 1: Agency Establishment and Pilot Phase:

Agency establishment \$500,000

Staffing, operational costs, legal costs, consultancy fees (e.g. financial and business structuring, project modelling), equipment, administration

Pilot \$1,000,000

This amount would provide leverage for \$500,000 in debt finance (6 unit development)

STAGE 2: Housing Development

Approximately 25 units of accommodation. This stage would be contingent on successful agency establishment and pilot phase.

Capital funding \$8m over 5 years *

Operational and development Income sources would include:

- Rental income (including Commonwealth Rent Assistance)
- In kind contributions: land, capital, professional services, concessions, developer contributions
- Potentially some fee for service income and income from unit sales

* This phase will require significant capital investment. Public funding would be negotiated based on pilot outcomes, private finance options and level of partner contributions.