

National Housing Finance and Investment Corporation Consultation Paper

City of Sydney
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Sydney NSW 2000

City of Sydney Submission

Introduction

The City of Sydney Council welcomes the consultative opportunity provided by the Australian Government in respect of the details of objectives and governance structures of the proposed National Housing Finance and Investment Corporation, first announced in the Budget presented earlier this year.

The City welcomes the Australian Government taking a leadership role in the organisation of the provision of finance for affordable housing through the announced package encompassing:

- The proposed National Housing Finance and Investment Corporation (NHFIC) with a principal focus on housing affordability
- The \$1b. National Housing Infrastructure Facility (NHIF) which will partner with local government in funding infrastructure; and
- An affordable housing bond aggregator (AHBA) as a consolidated financial mechanism to lower operational and capital costs for Community Housing Providers (CHP) and increase both the effectiveness and efficiency of that sector in the provision of affordable housing. Such a mechanism could also increase the supply of institutional funds into housing.

The City of Sydney sees these initiatives as an important initial component of an inter-governmental approach to address the crisis facing Australia with respect to housing affordability and congratulates the government on the quality of the evidence-based research documents released at the same time as the consultation paper.

However, whilst a necessary condition for tackling the issue, the City of Sydney would submit that that it is not a sufficient condition to alleviate the current and increasing burden facing low and moderate income-earning Australians, particularly those residing in our major cities.

Whilst this submission addresses some of the issues raised for discussion within the consultation paper, the broad thrust of this submission is to urge the Australian government to extend this leadership into a broader approach to address the full gamut of issues impacting on housing affordability.

The City therefore welcomes the recognition in the consultation paper of the need for further reforms and the need to develop a new National Housing and Homelessness Agreement (NHHA) “with an increased focus in addressing housing affordability.” (p 7). Such an agreement should involve all levels of government, as well as the private sector.

The City of Sydney is more than willing to work collaboratively in the development of such a broad-based, inter-governmental strategy.

1. The need for co-ordinated integrated action

The time for a mere re-iteration of the extent and impact of the housing affordability crisis is well past.

As the consultation paper itself points out:

- there has been a rapid growth over the past decade in the number of years needed to save a 20% house deposit, particularly in key locations such as Sydney and Melbourne (but not limited to those locations);
- half of low income rental households spend more than 30% of their household income on housing; and
- large numbers of Australians are on the current (and growing) waiting lists for public and community housing dwellings.

In more and more areas, particularly in our major cities, these metrics are even further exacerbated.

Innumerable reports from welfare agencies have documented the effects on individual families and the consequential impact on other necessary expenditures such as food, health and education.

Beyond the social impact, these trends are also adversely affecting Australia's ability to remain globally competitive and attract and retain increasingly scarce skilled labour talent and the availability of key workers in particular locations. This is adversely impacting on Australia's economic performance and its capacity to provide growth and jobs to both the current and future generations.

The most basic tenet of any society is to provide adequate and affordable food and shelter to its inhabitants – particularly the most vulnerable – and currently we are failing collectively our obligation in this regard.

Over the past decade, there have been a number of ad hoc measures by individual governments at all levels to address what was seen as a 'looming' crisis.

We have seen too many simplistic 'silver-bullet' solutions proposed, but little in the form of an integrated package of measures.

However, a failure to address the issue collectively in collaboration has seen these 'piece-meal' measures fail to halt the 'looming' becoming a reality.

The time for words and philosophical mantras is over. It is now a time for action, and urgent action.

2. City of Sydney Housing Issues Paper

In 2015, the City of Sydney produced a consultation paper on Housing Issues to raise awareness of these issues (a copy is attached in Appendix A). The City has also held a number of City Talks on the issue and undertaken stakeholder workshops to identify solutions.

Because of the rapid economic and demographic growth of our local government area, as the global heart of the global city, our current and prospective residents have been amongst the most impacted by this affordability crisis.

This ranges from our homeless, those requiring emergency or crisis accommodation, our social housing tenants, our private renters to our home buyers (who are vulnerable to rising mortgage payments from any upward movement in interest rates). It also includes key workers required to support that economic growth and

adverse international comparisons of affordability can forestall the growth of necessary global labour talent to sustain such growth.

Forced relocation to less accessible areas based on income levels has adversely affected overall levels of inequality within Sydney and raises the spectre of a divided city. Such movements also adversely impact on the diversity and resilience of our local communities and increase the need for supplementary community and social infrastructure, as well as transport and policies to ameliorate amenity-crushing congestion.

The Issues Paper also recognises that 'housing' is more than a mere 'dwelling' but also reflects the locational attributes of place and accessibility not only to necessary services such as schools, hospitals and open space, but also to community facilities and access to jobs and secure employment opportunities.

The Issues Paper points to this diversity of circumstances along the housing continuum and the consequent diversity of policy responses required.

It also highlights that action is required by all levels of government to address this continuum – it cannot be done by one level of government alone.

Given our different responsibilities in policy and planning controls, it highlights the need for integrated, collective, collaborative, inter-governmental co-ordination. We all have a role to play, ranging from the financing co-ordination and taxation measures of the Australian Government, the social and transport infrastructure of the State Governments to the planning, community facility provision and community engagement of Local Governments.

This suggests the need for appropriate and innovative governance arrangements centred around an agreed National Housing Strategy encompassing this continuum of issues, with recognition of, and allowance for, regional variations based on differential drivers and specific issues.

It also suggests the need for mechanisms to engage the innovative skills of the private sector – from land developers and re-developers through to construction efficiencies, financing, and infrastructure provision.

3. The need for a comprehensive, integrated national housing strategy

The reason that a pure supply-side market-based solution will not of itself solve the affordability issue becomes clear when one looks at the make-up of the components of the demand side.

In broad-terms, for the top 30% of income-earning households, the market works well.

However, for the next 20% by income, issues start to arise intermittently reflecting capacity-to-pay fluctuations stemming from wage growth, employment security and private sector financing availability and conditions such as requisite deposit levels. Affordable Housing provided by Community Housing Providers can be an important mechanism to enable affordable rental and then ultimately home-ownership or private rental by choice.

For the next lowest 20% of moderate income earners, the position with respect of capacity to pay becomes more dire stemming from part-time and casualisation of the job market with increased vulnerability of job security and strong sensitivity to interest rate and rent variations.

However for the lowest 30% of the households, particularly within our major cities – home ownership is likely to remain a dream and sporadic engagement in the labour market or a dependence on national welfare payment levels makes choices within major urban areas a limited prospect. Some of these with experience and education may find their relative circumstances improve so that ultimately they have a greater choice of housing tenure. However for many, social housing with income-capped rents represents their one hope of avoiding crippling unaffordable private rent levels or relocation to more ‘affordable’ rental sub-markets often with limited access to services and job opportunities.

The Affordable Housing Working Group report to the Council for Federal Financial Relations calculates that just maintaining social housing at its current proportion of all housing calls for a net increase of 230,000 social rental dwellings over the next 40 years – around 6,000 a year (p8). The Productivity Commission estimates that in recent years the growth in social housing has averaged less than a quarter of this.

Conversely, the supply-side curve of the private housing market is not continuous across all prices. There are fundamental ‘floors’ (usually based upon the cost of land) which mean that below a certain price, nil or minimal supply can be produced by the private sector.

Increasingly, more and more Australian families are being caught by this ‘market failure’.

For that reason, pure supply-side measures that assume that price/rent will fall purely in response to additional supply are doomed to failure.

One has only to ask the empirical question: by how much does supply have to increase for the price/rent of a dwelling in Sydney to become affordable to a household at the lowest 40th percentile of income and/or wealth? The answer is probably well beyond the capacity of the Sydney construction sector.

Certainly, supply increase will help mitigate some ‘unaffordability’ amongst middle-income Australia, but alone it will not solve the affordability crisis.

Australia, and Australian cities in particular, are facing not a broad housing supply problem but an ‘affordable’ housing supply problem.

This requires a mix of directed supply and demand measures and explicit government intervention.

As pointed out above, the governmental responsibility for the full array of housing measures requires the collaborative action of all levels of government in addition to the private sector.

And the success of that collaborative activity depends upon the establishment of an agreed National Housing strategy led by the Australian government with agreement and co-ordination by, and with, other government stakeholders.

The complexity of this task is recognised and is compounded by the absolute and relative housing rent/price differentials between places and within urban areas. As Judy Yates points out in her Overview chapter in the recently released CEDA publication “Housing Australia”, the National Housing Finance and Investment Corporation’s goal to encourage private and institutional investment in affordable housing will only be effective if:

“sufficient resources are available to fund the gap between what lower income households can afford and the cost of providing them with adequate and well-located housing.

Policies need to ensure that affordable housing is provided in locations where it is needed – in locations that provide access to employment opportunities as well as basic services...

However, if this is to be a long-term solution, caveats will be needed to ensure that this form of housing remains affordable, not just for five or 10 years, but in perpetuity.’ (pp25-26)’.

4. Specific issues raised in consultation paper

In addition to a broad response, the consultation paper raises certain specific issues for response by stakeholders. This section of our submission responds directly to these issues/questions:

4.1 National Housing Finance and Investment Corporation (NHFIC)

- **Composition of the Board:**
Given the overview and broad function of the NHFIC and a potential role in government decision-making, it is important that in the design of the governance structure, the independent Board have appropriate policy-making experience across the affordable housing spectrum and not just with regard to the investment function and responsibilities of the body.
- **Resourcing and staff:**
The NHFIC needs to be adequately resourced to ensure that its function of “improving housing affordability” is capable of being delivered. This includes the resourcing for on-going monitoring and stakeholder consultation. Similarly, if it is to assess the viability of specific projects it needs to develop objective criteria for assessment that cover the gamut of affordable housing objectives, including social-mix and community considerations. This requires appropriate monitoring mechanisms to assess outcomes and context.

4.2 National Housing Infrastructure Facility (NHIF)

- **Community facilities as part of eligible infrastructure:**
In addition to basic land servicing infrastructure, local governments provide significant community facilities – libraries, parks, recreation centres, sports facilities, community halls, childcare centres, service centres – that increase amenity and liveability of a dwelling. They are often the connectors between individuals, families and a community. As such this role through appropriate infrastructure should be recognised within the auspices of the NHIF. This requires the development of appropriate innovative and partnership arrangements, including special purpose vehicles.
- **Inclusionary Zoning/ Affordable Housing Development Levies:**
The City of Sydney has long argued that part of the resolution of the ‘affordable housing’ supply problem lies through expanded “inclusionary zoning”. Similar problems in many global cities, including New York and London, have led city governments to take action, requiring as much as 30% of mixed-income developments to be ‘affordable’ housing.

The lack of such a robust target has adversely impacted on key local workers (such as nurses, police officers, child-carers, teachers, firefighters, and

creative workers) being able to locate in affordable housing in the inner-city of our major cities.

The NHIF, as part of its broader housing affordability role could influence the proportion of new housing set aside for affordable and/or key worker housing, using infrastructure funding as a leverage.

Related to this, and appropriate for the NHIF to consider, is the issue of value capture schemes with such developments often occurring following a value uplift from planning control changes.

4.3 Bond Aggregator

4.3.1 Form of finance provided – inclusions and exclusions:

The COAG Affordable Housing Working Group describes an affordable housing bond aggregator as 'designed to aggregate and source large amounts of capital from the bond market so as to provide lower interest, long-term loans to not-for-profit community housing providers (CHPs) developing housing for lower income households .

Thus, the bond aggregator measure provides an important facility for CHPs to access finance with a decreased cost of funds and increase their efficiency, by attracting broader institutional investors such as superannuation funds.

This role would be maximised if the bond aggregator was able to provide construction finance in addition to the envisaged "housing maintenance and turn-key' purchases, but only for affordable housing dwellings.

4.3.2 Government guarantee:

The bond aggregator's role would be similarly maximised if the government provided a guarantee on NHFIC bond issuances to enable that body to raise funds with that backing, subject to appropriate risk mitigation.

5. Conclusion

Whilst this submission has addressed relevant specific questions raised in the consultation paper, the principle thrust of the submission is to support the package presented in respect of the NHFIC, the NHIF and Bond Aggregator as important components of a broader National Housing Strategy and to welcome the leadership on affordable housing investment shown by the Australian government.

However with respect, the City of Sydney believes that this leadership should be extended to include the full continuum of the issues relating to the housing crisis – with the broad range of solutions from the collaboration and co-ordination of the appropriate responses by all levels of government and the private sector.

In relation to Sydney, the City is heartened by the recent recommendations of the Independent Pricing and Regulatory Tribunal (IPART) Report to the NSW State Government, in particular the need for a spatial social housing plan, and the efforts of the Greater Sydney Commission to incorporate affordable housing targets in planning mechanisms.

The City is also encouraged by the willingness of elements of the development industry to incorporate affordable housing targets and incentives in particular developments, because of the benefits of investment certainty for risk analysis.

The City is also heartened by the innovative activity of Community Housing Providers which provide and extend, both locationally and time-wise, the benefits of such affordable housing developments.

The specific policy mechanisms for a collaborative solution seem to be there – the question remains to examine the details and ensure complementary governance measures to implement the range of solutions, with appropriate targets, monitoring and accountabilities.

The key missing aspect to date has been the leadership to commence the development of these arrangements, and the willingness to put the words aside and commence action to address the housing crisis.

Whilst somewhat limited in scope, the NHFIC (along with the NHIF and reform of the National Housing and Homelessness Agreement) represents a potential key component for the development of such a collaborative inter-governmental Housing Strategy, particularly given the emphasis in the Consultation Paper for that body to be “dedicated to improving housing affordability”.

While clearly COAG needs to play a vital role, the governance of such a strategy should include representatives of local government (particularly from the major cities and regions).

The private and co-operative sectors should also be involved – not just the financiers of housing.

Similarly, this body should make use of the academic resources of bodies such as AHURI and university research centres which can and have, conducted significant research into collaborative use of housing policy responses.

To undertake such a broad role (in conjunction with agencies such as the Cities Unit in Department of Prime Minister and Cabinet and the Department of Infrastructure), the NHFIC needs to be properly resourced for such responsibility.

The City of Sydney stands willing to continue consultative engagement if the outcome is a set of actions which begins, in a collaborative governance sense to address through actions, the steps necessary to begin to resolve the housing affordability crisis gripping our cities in particular.

APPENDIX: City of Sydney Housing Issues Discussion Paper



Sydney2030 Green/Global/Connected

CITY OF SYDNEY  

Housing Issues Paper

April 2015

city of villages



Urbanest

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Housing affordability crisis in the city of Sydney

84%
of lower income households are in housing stress



In the last decade...
for dwellings in the city



In a year...
2013-2014

sales prices

for dwellings in the city grew by 11.6%



9x
faster than **average earnings**

Median rental price
for 2-bed unit in 2014

\$720 p/w
in the city

\$480 p/w
in NSW

\$120,000 p/a
gross household income

needed to rent this 2-bed unit in the city to avoid paying more than 30% of your income on housing



59,500
households on **social housing waiting list**
in NSW



Around 1 in 4
of these in the Central Sydney region

28,200
people in NSW **homeless**
in 2011



Foreword

Sydney is in the midst of a housing crisis.

Population growth, the desirability of the inner city to high income professionals, and high demand for investment properties are driving up market prices. This is making it increasingly difficult for middle and lower income households to afford to rent or buy in or near the city. Policy failures by successive governments have exacerbated the situation.

More than 84 per cent of very low to moderate income inner-city households are experiencing housing stress. Lower income earners are being pushed to the city's fringes away from infrastructure and job opportunities. Younger people who have not benefited from the last two decades of rising house prices are increasingly locked out of the market.

Worsening the situation, Sydney has a very limited supply of affordable rental housing for essential workers at below-market rates. The supply of social housing that should provide a safety net for those who cannot afford market housing is also severely constrained.

There are 59,500 households on the waiting list for social housing across the state, which the NSW Auditor-General forecasts will increase to more than 86,000 households by 2016. For our poorest and most vulnerable, homelessness and dangerous overcrowding looks set to increase.

For a global city, a sustainable and diverse housing supply is fundamental to the cultural and social vitality, economic growth, and liveability of the city. It is at the heart of the City of Sydney's Community Strategic Plan – *Sustainable Sydney 2030*.

Housing quality and affordability affect the city's ability to attract and retain a global workforce. Workers essential to the city are being priced out. This includes nurses, teachers, cleaners, bus drivers, administrative, hospitality and tourism sector workers, musicians and artists.

The housing crisis is undermining the quality of life of many of Sydney's residents, and it is threatening Sydney's global

city status. Similar problems in many other global cities, including New York and London, have led city governments to take action.

This paper identifies five key issues that need to be addressed to tackle Sydney's housing crisis.

1. Policy reforms are needed to address declining housing affordability and rental security
2. Affordable rental housing supply needs to grow significantly to ensure Sydney's social and economic sustainability
3. A sustainable model needs to be developed for social housing supply as a vital form of social infrastructure
4. Investment to expand innovative housing models is critical to ending homelessness
5. Housing and infrastructure delivery need to be integrated through Sydney metropolitan planning for sustainable growth.

The City is calling on government policymakers, along with the private and community sectors to work collectively to deal with the housing crisis.

At a state level, the recommendations of the recent NSW Upper House Inquiry into social and affordable housing provide a strong foundation. The White Paper on the Reform of Australia's Tax System due later this year provides an opportunity for the federal government to reconsider the tax environment for housing.

We urge policymakers to develop long-term solutions to ensure a diverse inner-city housing supply – one that meets the needs of the growing population and is well connected to infrastructure and services across the Sydney metropolitan area.

We look forward to your comments on this Housing Issues Paper, which will inform a Housing Policy for the City of Sydney to 2030 and beyond.

Key terms

The housing supply continuum							
Emergency shelters/ crisis accommodation	Transitional/ supported housing	Social housing (including public housing)	Affordable (community rental) housing	Affordable home ownership/ shared ownership	Private market affordable rental housing (including boarding houses and student accommodation, which may be government subsidised)	Private market rental housing	Home ownership
Government subsidised housing (including housing provided by the government and the community sector)			Non-market housing (community housing sector)		Market housing		

Housing diversity

A mix of housing types to meet the needs of a socio-economically diverse community (shown above as a continuum). This includes student housing, boarding housing, affordable rental housing, social (including public) housing and private market housing.

Market housing

Housing delivered by the private sector, including private homes for sale to the broader community, and specialist housing such as boarding houses and student accommodation, which are rented to certain target markets.

Affordable rental housing (also referred to as ‘community rental housing’)

Rental housing delivered and managed primarily by community housing providers for very low to moderate income earners, including key workers essential to a city’s economic sustainability and social diversity. Key workers include:

- Essential service workers eg. teachers, nurses, emergency service workers
- Administrative and other workers in the financial and professional services sectors
- Hospitality and tourism sector workers eg. baristas, waiters
- Essential infrastructure workers eg. bus drivers
- Cultural and creative sector workers eg. artists and actors.

Rent for community rental housing is typically less than 30 per cent of the gross income of very low to moderate income households.

Social housing (including public housing)

Housing for low income earners and people experiencing disadvantage, accessed through the state housing application system. This includes:

- Public housing owned and managed by the state government
- Housing owned and/ or managed by community housing providers
- Housing owned by the Aboriginal Housing Office.

Shared-ownership housing

Housing made affordable for lower income earners through a shared-equity mortgage model, by which the home buyer shares the capital cost of purchasing a home with an equity partner, such as a not-for-profit trust or a community housing provider.

Homelessness

A person is considered homeless when they live in an inadequate dwelling and do not have suitable accommodation alternatives; have no tenure, or a tenure that is short and not extendable; or have a tenure that does not allow them to control and access space.

Housing stress

A household is considered to be in housing stress when it is spending more than 30 per cent of its gross income on housing (rental or mortgage) costs, while earning in the bottom 40 per cent of the household income range ('the 30/ 40 rule').

Very low, low and moderate income households

Income band	Gross household income per week
Very low income	
Less than 50 per cent of the median household income for Greater Sydney	Less than \$724
Low income	
More than 50 per cent but less than 80 per cent of the median household income for Greater Sydney	More than \$724 but less than \$1,158
Moderate income	
More than 80 per cent but less than 120 per cent of the median household income for Greater Sydney	More than \$1,158 but less than \$1,736

Source: Housing NSW Online Housing Kit



01

Tackling the key issues

Why we prepared this paper

The City has prepared this Housing Issues Paper to ignite debate on key issues associated with housing supply diversity and affordability. This will inform the development of a housing policy.

This paper sets out our position, and is a call to action to all levels of government, and the community and private sectors.

There is growing recognition in the community of the need for urgent action to address Sydney's housing affordability crisis. Now is the time to galvanise bi-partisan leadership and collaboration towards solutions.

Other global cities are similarly recognising and tackling housing affordability through proactive policies and strategies, backed by significant funding commitments.

A review of the evidence and critical input from key stakeholders and the community

The preparation of this paper has involved a broad review of the evidence base in both the Australian and international urban housing context; research and analysis of primary and secondary data on Sydney's housing market, and high-level input from key stakeholders.

In addition to drawing on the City's expertise, the paper reflects the outcomes from the Housing Diversity Summit, a major stakeholder event hosted by the City of Sydney on 12 March 2015. This event brought together 140 stakeholders, including key experts from wide-ranging sectors to workshop the critical systemic issues impacting housing diversity and affordability in the city. It was followed by a public City Talk, which extended the conversation to a facilitated panel of experts.¹

We now encourage everyone with an interest in housing to contribute their comments and ideas on the development of the City's Housing Policy by sending submissions during the exhibition period to:

socialstrategy@cityofsydney.nsw.gov.au or by making comments on the website **www.sydneyoursay.com.au**.

The scope of the paper – the key challenges

We look at five big issues that the City considers critical to increasing housing supply and diversity, and to improving social and economic sustainability in inner-Sydney communities.

These issues cover the housing supply continuum – from private market through to community rental housing, social and supported housing – and discuss the broader context of urban renewal and the integration of critical infrastructure such as transportation.

Issue 1: Policy reforms are needed to address declining housing affordability and rental security

Issue 2: Affordable rental housing supply needs to grow significantly to ensure Sydney's social and economic sustainability

Issue 3: A sustainable model needs to be developed for social housing supply as a vital form of social infrastructure

Issue 4: Investment to expand innovative housing models is critical to ending homelessness

Issue 5: Housing and infrastructure delivery need to be integrated through Sydney metropolitan planning for sustainable growth

02

The City's vision

Our vision for diverse housing supply

Sustainable Sydney 2030 sets out the City of Sydney's bold vision for ongoing growth and success, in which a range of housing types and tenures is provided to underpin Sydney's economic productivity, and social and cultural vitality.

The core goals for housing are to ensure:

- The city has an adequate supply of housing to cater for the needs of the growing and diverse population
- The supply of affordable housing continues to grow to meet the community's needs
- The supply of social housing in the inner city is maintained or increased to provide for the needs of very low to low income households.

To help achieve these objectives, the following targets for 2030 have been set:

- At least 138,000 dwellings in the city (including 48,000 additional dwellings compared to the 2006 baseline) for increased diversity of household types, including families
- 7.5 per cent of all city housing will be social housing, and 7.5 per cent will be affordable rental housing, delivered by not-for-profit or other providers.

The table over the page shows what needs to be delivered to meet these 2030 targets for social and affordable rental housing based on supply in June 2014. This highlights how critical it is to at least maintain our current supply of social housing while significantly growing the number of affordable rental homes.

Delivering on our vision – current activities

The City's *Sydney Local Environmental Plan 2012* sets out residential development capacity through zoning and density, while our *Development Control Plan 2012* guides dwelling mix, sizes and design quality.

Our *Affordable Rental Housing Strategy* aims to support the supply of new affordable (community rental) housing to meet the community's needs.

State planning laws affect the ways that local governments can supply housing. The City uses the following planning mechanisms to facilitate supply of affordable housing:

- Securing affordable housing in new developments, including through levies in Green Square and Ultimo-Pyrmont
- Using Voluntary Planning Agreements to negotiate affordable housing provision through major developments
- Selling land at a subsidy for development of affordable rental housing
- Allowing some flexibility on parking provisions to reduce construction costs.

Recognising the importance of working with government and others in delivering its goals, current collaborations include:

- Memoranda of understanding with Housing NSW to work with public housing communities, and UrbanGrowth NSW to help deliver diverse supply
- Partnerships with academic institutions to research key housing issues affecting the city.

The City advocates on key housing issues to federal and state governments, including through submissions to planning policy reviews, inquiries and state-level urban renewal master-planning processes.



The City's housing supply and diversity targets

	City of Sydney LGA housing supply June 2014	Sustainable Sydney 2030 targets for housing	Additional dwellings needed by 2030*
Dwellings	98,012	138,000	40,000
Social housing	9,849 10% of total supply	– 7.5% of total supply	500 approx. 5% growth on June 2014 stock
Affordable rental housing	665 <1% of total supply	– 7.5% of total supply	9,700 approx. 14-15 fold increase on June 2014 stock
Boarding houses (units/rooms)	2,703	No target	N/A
Student housing (units/rooms)	4,892	No target	N/A

*Figures rounded to nearest 100 dwellings

03

Inner Sydney housing in context

The city is the heart of a global economic corridor

Inner-city housing supply issues cannot be considered in isolation. They are tied up with housing and infrastructure issues across the whole Sydney metropolitan area.

The City of Sydney local government area (LGA) is the heart of this region's global economic corridor and Sydney's global city status also has a major impact on the housing market.

New supply is needed to accommodate population growth – but this will not solve the affordability crisis

Sydney is experiencing unprecedented rate of population growth, which is expected to continue.

The city of Sydney's population is forecast to grow by around 50 per cent from just over 183,000 residents in 2011 to approximately 270,000 by 2031. Metropolitan Sydney's population is forecast to grow from 4.29 million to 5.86 million over this period.³ This predicted increase follows two decades of exceptionally strong population and economic growth, which is placing unprecedented pressure on land and infrastructure.

The Sydney metropolitan strategy, *A Plan for Growing Sydney*,⁴ sets a course for population, housing and employment growth. The strategy is focused on private market housing supply. Similarly, the state plan – *NSW 2021* – aims to supply new private sector housing, with an annual target of building 25,000 new homes.

But these policies don't adequately address affordability and tenure diversity issues. They presume that increasing supply in the private sector on its own is sufficient to 'adjust' the market and make buying and renting more affordable. They fail to acknowledge that the market alone cannot deliver housing that is affordable and appropriate for everyone. Increasing supply will have limited impact on

Median property prices (in \$000s) across Sydney Greater Metropolitan Area since 1991²



* Excludes City of Sydney data

inner-city housing affordability without additional government measures, including federal reforms to generous tax concessions that amplify investor demand. Housing supply in the city of Sydney is at record levels but exceptionally strong demand continues to drive price growth.

Housing and infrastructure must support Sydney's role as a global city

Sydney must be globally competitive to secure Australia's economic prosperity. The city of Sydney's economic output accounts for close to a quarter of the NSW economy and approximately 7 per cent of national GDP. It is currently estimated at \$107 billion.

Sydney continues to rank highly in indices of global cities, but very poorly on housing affordability and transport infrastructure quality. Sydney rental affordability ranked almost at the bottom of the list of 27 major international cities in a 2012 survey – below even London and Tokyo.⁵

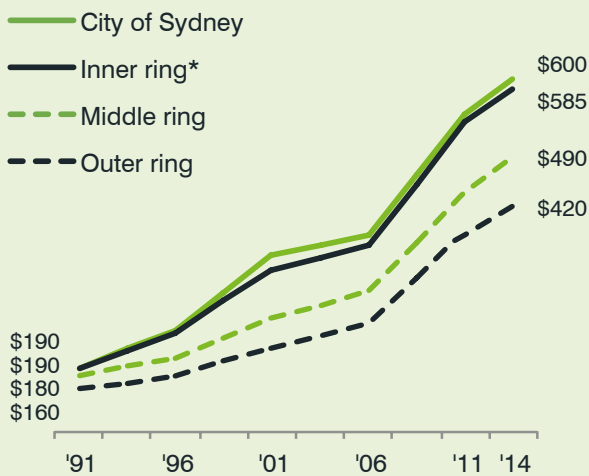
The housing affordability crisis, coupled with chronic undersupply of community rental housing for key workers, presents a challenge to Sydney's sustainable growth and productivity.⁶

Workers in essential urban services must be able to live in or near the city to support urban productivity and enable the economy to thrive.⁷ Businesses must be able to attract and retain a diverse workforce.

Failure to address these issues can damage Sydney's reputation as a desirable global city, with broader economic impacts.

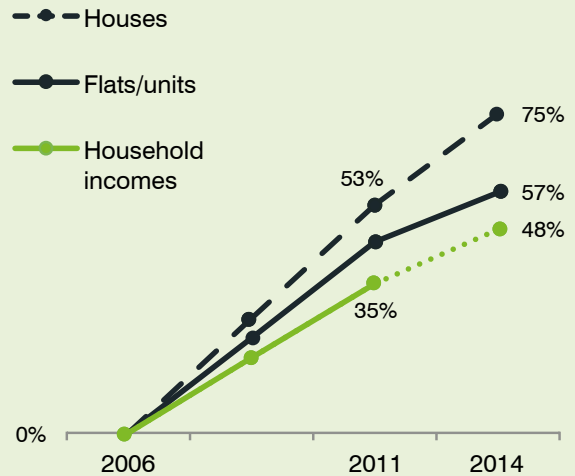
However, there is no clear vision and no targets for diverse and affordable housing at federal or state level. The City welcomes the recent appointment of a state minister for social housing, yet there remains no dedicated state or federal minister with a comprehensive housing portfolio. The abolition of the National Housing Supply Council in 2013 signals that housing has not been a federal priority.

Weekly median rents across Sydney Greater Metropolitan Area since 1991⁸



* Excludes City of Sydney data

Growth in weekly rents is outstripping growth in income in the city of Sydney⁹



The housing crisis in inner Sydney

Housing demand is outstripping supply and diversity

The City of Sydney LGA is tracking well against the job and population growth projections in the *Plan for Growing Sydney* strategy.

From 2012 to 2031, employment in the LGA is forecast to grow by 120,000 workers (27.5 per cent) to reach around 560,000. Housing supply in the LGA is now at record levels, with development application approvals showing a significant and growing rate of increase. There are more than 18,500 dwellings in the pipeline, including around 6,500 under construction. There were 7,500 dwellings approved during 2013-14 alone.¹⁰

But housing supply and diversity are still not meeting demand. Affordability pressures across Greater Sydney are being created by a combination of factors: population and workforce growth, investor demand fuelled by tax concessions and low interest rates, along with constrained land supply.¹¹ These pressures are even more acute in the inner city. During 2013-14, the rate of increase of city dwelling prices – 11.6% – was nine times average earnings growth.¹²

Sydney’s global city status is driving up prices

Currently Sydney is attracting high income professionals, along with domestic and offshore investors looking for capital gains. Residential apartment purchases in the city approved by the Foreign Investment Review Board range from 20 to 40 per cent of total new unit sales.¹³ In some central Sydney schemes, there is evidence that offshore investor purchases are far higher.

Higher income earners, including families, who are being drawn to the inner city are driving the gentrification of traditionally working-class neighbourhoods. Indicative of this gentrification, in the two decades to 2011, the LGA experienced a dramatic rise in the proportion of

households in the highest income quartile (an extra 17,713 households) and residents with higher qualifications. The LGA’s population now has substantially higher incomes than the Greater Sydney average. In 2011, the median individual weekly income in the city was \$888, much higher than the Greater Sydney average of \$619. Long a socio-economically diverse area, the city of Sydney is increasingly a city for the wealthy.¹⁴

Inner Sydney rents are outstripping income rises

While incomes are rising, rents are rising even faster, putting pressure on the 51 per cent of city residents who rent in the private sector.¹⁵ Inner-city vacancy rates are also tight – reported at less than 2 per cent – in an undersupplied Sydney rental market.¹⁶ While dwelling completions in the city are now above long term averages, there is still some way to go to make up for historic undersupply. As a result of this and other market pressures, city residents are now paying much higher rents than across Greater Sydney.

Housing stress is rife among the less well-off

Most very low to moderate income households in the city are experiencing housing stress. This includes two thirds of renters in the moderate income bracket. Evidence is also emerging of people living in overcrowded and poor quality housing.¹⁷

The lack of alternatives to market housing is worsening this situation. There are less than 700 inner-city community rental properties available for key workers.¹⁸ Yet there were an estimated 47,000 essential public- and private sector staff working in the city in 2011.¹⁹

Essential workers are also unable to access social housing, which is now being allocated only to the most disadvantaged members of the community. While social housing supply is above the City’s 2030 target of 7.5 per cent of all dwellings, there were 59,500 households on the waiting list across the state in 2014.²⁰

04

The five big issues





Issue 1: Policy reforms are needed to address declining housing affordability and rental security

The City's position

The City wants to see action on rising inner-city housing costs, the impact of housing stress, and affordability issues for essential workers and first home buyers. The City is particularly concerned about the way investor-driven demand is inflating inner-city house prices, making it almost impossible for young people to get a foothold in the market. For renters, the market offers little or no long term security. We urge federal, state and local governments to develop clear housing diversity and affordability policies and proactively address the barriers to housing affordability and rental tenure security.

Options for action

Develop clear policy frameworks for housing diversity

All levels of government to commit to developing and implementing clear housing policy frameworks that:

- Deliver housing supply diversity to support social and economic diversity
- Tackle housing affordability in the private market
- Ensure delivery of social and affordable rental housing for people who can't afford market housing.

Address inflationary demand pressures in the market

- Investigate taxation reforms to address investor-driven house price inflation, including to negative gearing, capital gains tax, stamp duty and land tax
- Ensure strict enforcement of Foreign Investment Review Board policy and regulations on offshore investment in established residential property.

Deliver innovative lower-cost housing designs and types through the planning system

- Enable smaller housing types, where appropriate and well designed, that provide affordable options
- Deliver housing types without 'added extras' such as car parking spaces, to provide affordable options
- Deliver rental housing models designed to meet the needs of particular markets, such as new-generation boarding houses and student housing that provides smaller private dwellings and communal spaces.

Improve rental tenancies options for those who cannot afford to buy

- Improve the security of rental tenancy – to provide a more attractive alternative to home purchase – through reform of the *Residential Tenancies Act 2010* to provide better protections for tenants and longer term tenancies
- Encourage new models of large scale private rental housing that is delivered through partnerships including private developers, institutional investors, the not-for-profit sector and government.

Deliver more diverse tenure options

- Deliver a greater supply of non-market affordable rental housing to meet the needs of those who can't afford to access the private market
- Deliver shared equity/ part-purchase options to provide a step into home ownership for those who cannot afford a full mortgage, using models delivered in partnership with institutions such as government and community housing providers.



Context

Demand from local and foreign investors and high income earners, along with an historic housing shortage, is driving up the cost of renting and buying in the inner city. This is pricing many essential workers, first home buyers, and young people out of the market.

Of the low to moderate income households that stay in Sydney – either by choice or necessity – the vast majority suffer housing stress. This badly affects people's quality of life, taking money away from other living expenses, including food, clothing, recreation and cultural participation.

This situation will increasingly undermine Sydney's status as a successful global city.

Federal government policies are making it worse

The federal government continues to support residential property market speculation through tax concessions. Around one in seven Australian taxpayers now owns an investment property.²¹

The rate of growth in lending to investors has outstripped growth in lending to owner-occupiers by an increasing margin since June 2012. The value of housing loans to investors in Australia now exceeds the value of owner-occupier loans²² – a situation currently fuelled by low interest rates.

Additionally, it's acknowledged that foreign investors' access to the residential property market is insufficiently monitored and managed through lax enforcement of federal policy and regulations on the purchase of established properties.²³

Government must face up to the crisis

The impact of tax policy on the housing affordability crisis in our cities must be faced. Tax reforms are needed if we are to address the affordability crisis in our cities.

The White Paper on the Reform of Australia's Tax System, due out in late 2015, must include reforms to address housing affordability, through a combination of reforms to capital gains tax, negative gearing, stamp duty, land taxes and development charges.

The Henry review of Australia's Future Tax System (AFTS) made a series of recommendations regarding the housing market in 2010.²⁴ Reforms the federal and state governments did not introduce and which should be reconsidered include:

- Removing land tax-related disincentives to institutional investment in rental housing schemes, including through equal treatment of land tax across all property classes
- Reducing, and ultimately removing, transfer taxes on property
- Reforming capital gains tax
- Neutralising personal income tax concessions associated with rental income from residential investment properties.



Policy reform must address first home buyers' access to the market

Home ownership has long been the 'great Australian dream', and taxes and other policies support this. But first home ownership rates among under-35 year olds have been declining since the 1980s, and more steeply in the last decade.²⁵ The proportion of mortgage finance taken out by first home buyers in NSW reached a historic low of 7.9 per cent in the three months to June 2013.²⁶

These children of the 'baby boomers' who have missed out on the capital gains associated with house price rises over two decades now risk further missing out on the longer-term wealth benefits of home ownership.²⁷ Urgent policy reform is needed to enable the younger generation to buy their homes, or access secure longer term rental alternatives.

Introduce shared home-ownership options in NSW

There is growing demand for shared-ownership models that allow a home buyer to take out a loan on a proportion (typically 70 per cent or more) of the cost of a property, while the equity partner – for example, government or a community housing provider – provides the rest of the capital.

The home buyer has the option of acquiring more equity in the property if and when they can afford it. At the time of sale (or refinancing), the partner recoups their stake plus a share of capital gains.

This model helps to bridge the 'deposit gap' for first home buyers, who provide less – perhaps even half – of the typical deposit. Government-backed shared-equity arrangements that could serve as models are operating in Western Australia (Keystart),²⁸ South Australia (HomeStart)²⁹ and Tasmania.

Facilities and affordability must be balanced

Boarding house and student housing models demonstrate the effectiveness of balancing the provision of private amenities with affordability.

The City is grappling with this issue in the broader market, including encouraging apartment schemes with fewer facilities, such as car parking, *en suite* bathrooms, gyms and swimming pools, in the interests of affordability.

Reduced capital development costs and ongoing costs for residents associated with high maintenance and strata fees is one means of enabling more affordable market-based housing options.

Long-term renting must become a more viable option

Broader policy responses to address the needs of those locked out of buying property involve measures to make long term renting a viable and desirable alternative to purchasing. These models are also well suited to highly mobile communities and global labour markets such as the city of Sydney.³⁰

European residential property markets and models are a good template for policy reform. European countries provide far stronger protections and security for tenants, including through rent controls, and longer tenant lease and notice periods.

Options for long-term, secure leasehold tenures are a key benefit of these European models, which are common and culturally acceptable.

With such models currently lacking in Australia,³¹ there is a serious need for state governments to consider reform of residential tenancy laws and regulations to enable longer term rental options. Additionally, policy and taxation reforms should be investigated to support the growth of a large-scale, long-leasehold private rental sector in Sydney that makes investing in rental housing far more attractive to institutions.

Market rental models provide ownership alternatives

Greater government action is needed to deliver non-market alternatives to home ownership, including social and community rental housing.

The growth in targeted market-based rental housing models, such as new-generation boarding houses and purpose-built student housing, is critical to delivering a range of alternatives to ownership.

New-generation boarding houses are well suited to essential workers on lower incomes and the single person households that make up 40 per cent of households in the LGA.

These dwellings can be more affordable than standard apartments, due to the fact that they consist of smaller self-contained units with communal living spaces, balancing amenity with scale.

There are more than 250 registered boarding houses in the city of Sydney,³² along with more than 4,800 rooms for rent through student accommodation schemes.³³

The growth of these housing models can be supported by government, through policies such as the NSW State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP) and subsidy schemes such as the National Rental Affordability Scheme (NRAS).

The discontinuation of the NRAS from 2016 may impact the supply of boarding houses and student accommodation that is meeting an important need in the inner city and easing pressure on the wider market.



Issue 2: Affordable rental housing supply needs to grow significantly to ensure Sydney's social and economic sustainability

The City's position

There is a significant and growing need for supply of below-market priced affordable rental housing in the inner city and across the Sydney metropolitan area. Increased public and private investment is needed to deliver this.

The City is committed to supporting the community housing sector's growth and ability to access development opportunities to deliver affordable inner-city rental housing, through access to land and supportive planning policies.

Innovative financial and urban renewal models that deliver community rental housing, in collaboration with the community and private sector, are successfully operating in other global cities. They provide diverse housing supply for mixed-tenure communities on urban renewal sites in a way that viably balances developer profit and public benefit.

Policy reform at federal and state level is required in Australia to grow and develop the community housing sector to deliver this supply. Stable, consistent policy frameworks, regulatory reform and support for innovation are needed to facilitate investment.

Evidence of international best practice should be investigated by Australian governments to inform urban renewal approaches and processes. Greater upfront government support for the community housing sector is essential to the success of such models, including through subsidies, levies, divestment of property, guarantees and other mechanisms.

Options for action

Stable, coherent policy frameworks are needed to remove barriers to the growth of the community housing sector

- Provide a stable investment environment through long term clarity, nationally consistent regulation and policy frameworks
- Develop and implement bi-partisan policy frameworks collaboratively and consistently across all levels of government
- Remove regulatory barriers to the growth of the community housing sector.

Government funding and other resources can be used to deliver affordable rental housing supply

- Government land to be dedicated or sold to the community housing sector at a subsidised rate
- Public housing stock to be transferred to the community housing sector to enable it to leverage these assets for growth
- Increase financial subsidies to the community housing sector, including through direct funding and taxation benefits, secured low-interest loans to the sector, and the use of government-backed social bonds to raise funds
- Mandate targets for affordable rental housing supply on urban renewal sites, supported by planning mechanisms to enable delivery.

Planning instruments need to be applied effectively

Enable the delivery of affordable rental housing through the planning system, including:

- Mechanisms to generate funding, such as:
 - Value capture/ shared value approaches
 - Levies on development that can generate funding
- Voluntary Planning Agreements, through which development outcomes may be discussed to deliver affordable rental housing
- Site specific controls for delivery of affordable rental housing
- Schemes that allow affordable rental housing on sites where market housing is not permitted (exclusive permissibility)
- Approaches that enable vacant and underutilised (government and private) property to be developed for affordable housing purposes.

Innovative partnerships and delivery models need to be brokered to facilitate sector growth

- Enable and support cross-sectoral partnerships by clarifying governance structures, delivery pipelines, shared expectations and risks through policy frameworks
- Government to play a direct role in piloting innovative partnership models with the private and not-for-profit sector and sharing learnings
- A coalition of organisations to be established with a commitment to advocate for change and share experiences and lessons learnt.

Private funding models need to be enabled and encouraged

The challenges and barriers associated with attracting institutional investors and financiers to the community housing sector need to be recognised and addressed, including through:

- Greater subsidies and support by government to enable the sector to grow and become self-sustaining in the longer term
- Consistent national regulation to create a more attractive national investment environment
- Government and the private sector working proactively with community housing providers to resolve other barriers to investment associated with sector fragmentation/ scale, risk management, quality of income streams and other issues
- Harnessing the potential of large scale urban renewal projects to pilot models that may attract institutional investors, financiers and developers, including through joint ventures and public/ private partnerships
- Consideration of other ways to enable the upscaling and improved quality of affordable rental housing as an investment product that is attractive and competitive in the market.

Context

Why is non-market affordable housing needed?

The skyrocketing cost of renting or buying in the inner-city has put the area out of reach for many people. Of those who stay, 84 per cent of very low to moderate income households are in housing stress.³⁴



About 47,000 key workers employed in the city of Sydney, including 24,000 who work in public sector jobs such as nursing and teaching, need affordable housing. Lower-paid workers in private service industries such as hospitality and tourism are also essential to the city's productivity and vitality, while artists and musicians provide cultural dynamism, which is so important for global cities.

The importance of providing a supply of non-market housing for those priced out of the market has been recognised and tackled in other global cities, including New York and London.

The community housing sector faces growing challenges

In Australia, community rental housing and increasingly social housing is delivered by the not-for-profit community housing sector. The federal and state governments have reduced their subsidy support for community housing providers in recent years, impacting their ability to deliver inner-city rental housing for essential workers. The shutting down of the NRAS from 2016 will mean even fewer subsidies will be available.

NSW Government policies lack recognition of and consistent approaches towards non-market affordable rental housing. Current urban policy focuses on increasing the housing stock in the private sector to address affordability issues – a policy that doesn't work in the inner city, where prices continue to rise as a result of inflationary demand drivers.

Community housing providers now face reduced subsidies and rising inner-city land and property prices, as well as uncertainty about the future divestment of public housing properties to them. Divestment is core to their business model, as it gives them property assets to leverage for further growth.

As a result of these issues, providers are focusing on middle- and outer-ring suburbs. This trend risks further entrenching inequality across Sydney. In order to access affordable housing options, those on lower incomes are increasingly forced to live further from the city and from convenient access to job opportunities and essential services.

The inner-city needs more community rental housing

Less than one per cent of dwellings in the city of Sydney (665 dwellings) are affordable rental housing,³⁵ but 10,500 such dwellings are needed to meet 2030's 7.5 per cent supply target.

Achieving this target will require focused action by the state government and the City, in collaboration with the community housing sector and private sector.

Urban renewal sites offer important opportunities to deliver community rental housing. The state government needs to commit to delivery in urban renewal corridors such as the railway land between Central and Eveleigh, Redfern, Waterloo and the Bays Precinct.

These large tracts of public land represent a critical one-off opportunity for delivering substantial supply in the inner city. Delivery can be subsidised through leveraging a share of the uplift of the land value that results from renewal and infrastructure investment.

Other ways to support delivery on these sites include:

- Affordable rental housing targets backed by levies
- Direct subsidies to community housing providers, such as discounted land sales.

The City is continuing to investigate and develop new opportunities for affordable inner-city community rental housing. This includes through the Harold Park urban-renewal site and the planning proposal for the city's Southern Employment Lands, south-west of Green Square, which proposes a range of planning mechanisms for this purpose.

Leadership is needed to deliver increased supply

The state government must show strong leadership on driving initiatives that can effectively increase inner-city community rental housing supply, including through the following well-established approaches:

- Providing public land to the sector
- Levies on development in a way that is appropriately targeted and designed to deliver funding to the sector
- Land value capture or ‘value sharing’ models, through which the government and developer share the increase in land value generated when land is rezoned for a higher use or benefits from nearby infrastructure investment, which is then spent on community rental housing or other infrastructure³⁶
- Planning incentives such as floor space bonuses, which provide additional development capacity that can indirectly subsidise affordable housing delivery
- Mixed-tenure urban renewal models, which enable private sector housing in high land value areas to be developed and sold to cross-subsidise affordable rental and social housing – an approach that has been successful in London.³⁷

Vacant land and properties offer opportunities

Vacant inner-city land and properties could help deliver much-needed affordable rental housing by providing opportunities for community housing providers.

The City can identify vacant land and commercial property locally. While it can’t ascertain vacant private residential property, it could explore vacancies voluntarily with the community.

Innovative financing models are needed

Attracting institutional investors and financiers to the community housing sector is critical to enable its growth. To achieve this, government has an important role in resolving risks and barriers to private investment.

In the short to medium term, greater government support and subsidies are needed to enable the growth of the sector to a scale that will attract investors.

A consistent national regulatory environment for community housing providers will also enable organisations to operate nationally more easily. This, in turn, will support the upscaling and consolidation of the sector and its attractiveness to investors.

Government can play a direct role in de-risking affordable rental housing as an investment product and collaborating on new models to encourage private and institutional investment. Ideas for further consideration include:

- Use of social housing guarantees, which are shown to operate successfully overseas and have potential to promote both social and economic benefits³⁸
- Establishing an Affordable Housing Finance Corporation to balance risk and attract the lowest-cost funds³⁹
- Developing government-issued bonds to raise funds for affordable rental housing, which provide low-risk returns for investors.⁴⁰

The tax environment in which the community housing sector operates is critical to its viability. As the sector grows and matures, along with increased demand for socially responsible investments, there will be greater potential for it to attract private and institutional investors seeking new opportunities.



Issue 3: A sustainable model needs to be developed for social housing supply as a vital form of social infrastructure

The City's position

The City urges the federal and state governments to recognise their responsibility to provide social housing as a vital form of infrastructure.

The social housing system is failing to meet needs in terms of stock quality and quantity; the NSW Auditor-General has documented large and rapidly growing waiting lists. At a minimum, the federal and state government must commit to maintaining the current levels of social housing in the inner-city and to grow social housing across the Sydney metropolitan area, not just at the fringes.

Providing inner-city social housing is expensive, but it can be done through innovative urban renewal and subsidy models that enable a sustainable social housing supply to be delivered in the long term.

Options for action

- Increase funding for the social housing system through a combination of mechanisms:
 - Direct government funding
 - Levies on development
 - Cross-sector partnerships and mixed-tenure development models that can attract private finance and deliver cross-subsidies for social housing through private housing sales
- Undertake robust social and economic cost benefit analysis to identify the longer-term impacts and costs of inadequate social housing supply to inform budget priorities

- Improve social housing quality through:
 - Renewal of rundown social housing stock
 - Timely investment in repairs and maintenance
 - Delivering new adaptable and accessible social housing to meet tenants' changing needs over their lifetime
- Review international best practice models for the design, development and financing of social housing to inform future development
- Support the community housing sector to provide social housing supply, including through divestment of public housing assets to the sector to leverage for growth.

Context

Social housing is critical social infrastructure

In post-war Australia, the government has traditionally supplied social housing, based on the understanding that providing safe and secure shelter for the vulnerable and disadvantaged is a critical government function.

Social housing is vital to social and economic wellbeing, and can be likened to fundamental health, education or transport infrastructure.

Inner-city social housing supports social inclusion

The state government must commit to supply public housing, or it must subsidise the community housing sector sufficiently to provide social housing for the poorest and most disadvantaged.

The City acknowledges that providing social housing in the inner-city is expensive, but it is important to prioritise these locations. Reasons include the need to help people who are vulnerable and disadvantaged access to jobs, essential services and public transport. Inner city social housing also supports Sydney's socio-economic diversity.

Social housing supply is falling in the city

The City of Sydney has set a target for social housing to comprise 7.5 per cent of the city's total housing supply by 2030, as part of its overall vision for *Sustainable Sydney 2030*.

In 1991, social housing made up 18.9 per cent of all dwellings in the city of Sydney, but this share has almost halved to 10 per cent as at June 2014.⁴¹ While current supply is above target, at least an additional 500 units must be developed to keep pace with population growth and provide the 10,500 dwellings needed by 2030.

Current estimates (based on the 9,849 social housing dwellings in the city in June 2014⁴²) don't take into account the NSW Government's sale of 293 dwellings underway in Millers Point, Dawes Point and The Rocks, which was announced in April 2014. Many other inner city social housing properties increasingly need upgrading or renewal in the coming years to maintain quality supply.

Unmet demand is growing in NSW

The current state of social housing is grim – and it's getting worse. Once a safety net for low income families, there are now 59,500 households on the waiting list across NSW.⁴³ A recent NSW Auditor-General's report notes that the waiting list will increase to over 86,000 households by 2016.⁴⁴

These figures only reflect households that have registered. Given the length of the waiting list, it is assumed that many other eligible households have not tried. The Auditor General's report estimates that unexpressed demand may be almost double the registered number.

Divestment is eating away at public housing stock

The Land and Housing Corporation (LAHC) has disposed of more properties than it has developed in recent years, with the exception of work done during the National Economic Stimulus package in 2009-12. LAHC projects that it will dispose of twice as many properties as it builds during the four years to 2017.⁴⁵

At the same time, fewer tenants are leaving public housing. The decline over the last five years is blamed on a lack of affordable private housing options; the increasing gap between public and private rents; and the growing proportion of clients with complex needs who are unable to access tenancies in the private market.

Public housing needs maintenance and upgrading

Much of the inner-city public housing stock is old and needs costly upgrades – and funding is inadequate.

The Productivity Commission's Report on Government Services in 2012 found that more than 35 per cent of all dwellings in NSW failed to meet basic standards for working utilities and structural soundness.⁴⁶

Highlighting the huge challenges ahead, the LAHC has estimated the 2012-13 gap between rental income and the operating, maintenance and repair costs for public housing at around \$590 million, including a \$100 million shortfall for repairs and maintenance to bring dwellings up to an appropriate standard.⁴⁷ The annual cost of retaining each dwelling has nearly doubled in 10 years, from \$15,000 to almost \$27,000 per dwelling.⁴⁸

The federal and state governments have underinvested in public housing for decades, causing this deterioration.



Poor quality housing has consequences

Allowing this vital component of social infrastructure to deteriorate to such a degree is unacceptable in a prosperous country, and is evidence of the low priority now placed on public housing in Australia. The current situation is affecting the health of those living in substandard housing. In addition, many ageing dwellings are too small for the needs of the household or have accessibility issues for those with a disability or who are ageing.

Budget consequences should be measured through cost benefit analyses to guide investment decisions

Government investment models must take account of the cost of underinvesting in maintenance and renewal of public housing – such as longer-term health and wellbeing issues, and associated costs to the public health system – when it draws up asset strategies and decides on funding.

Divestment of public housing stock

The NSW Government has continued to dispose of social housing in high land value areas, including in the Rocks, Millers Point and Dawes Point. It blames the high cost of maintaining these properties, and the need to fund the big deficits in social housing system costs.

The lack of adequate federal funding to the states and territories for social housing remains a critical issue. In this environment, innovative models are needed to avoid the continued sale of inner-city assets, and to balance operating deficits with new investment in inner city social housing. It is hoped that LAHC's asset portfolio strategy will be publicly released and will address these issues.

The community housing sector is the future of social housing

The long-term future of Australia's social housing system lies with the community housing sector.

This sector faces similar fundamental financial viability challenges to those of state governments, particularly because rental incomes from social housing aren't enough to support growth or operational viability. The sector will require sufficient government subsidy in the short to medium term, yet has the potential to become largely self-sustaining in the longer term.

Community housing providers benefit from diversified portfolios, including community rental housing for moderate income earners, and they can also generate income through mixed-tenure developments. But the state and federal governments must also commit to supplying housing to our communities' most disadvantaged people.

Collaborative solutions to sustainable supply

All public service agencies, government departments and organisations involved in the housing sector need to create new strategies to revive the sector – and the states and territories must increase their funding.

Successful development and subsidy models that supply social and affordable housing sustainably already exist in other global cities. In London, inner-city estate renewal programs, and community, government and private-sector partnerships have used mixed-tenure models in which homes developed for sale in the private market provide cross-subsidies for the development and management of affordable rental and social housing.



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Issue 4: Investment to expand innovative housing models is critical to ending homelessness

The City's position

Innovative housing schemes providing stable and secure long-term rental tenancies coupled with support services can be effective in breaking cycles of homelessness.

Longer-term housing developments based on this 'housing first' model must be expanded in inner Sydney, in line with the major new NSW policy reforms.

This will require government commitment to funding and developing new schemes, including through innovative partnerships with the community and private sectors.

Options for action

- All levels of government to commit increased funding to deliver long-term supported housing initiatives to reduce homelessness, including in the inner city
- Future development of new housing schemes to be informed by:
 - International best practice models for the design, development and financing of supported housing and social housing
 - Social and economic cost benefit modelling to identify the long term impacts of inadequate supply
 - The findings from the final evaluations of the Camperdown Project and Platform 70 initiatives.

Context

Crisis and transitional housing is temporary

Until recently, the homeless and those at risk of homelessness have been accommodated in crisis based hostels and refuges or low-cost options such as boarding houses. These forms of accommodation are important temporary or emergency shelters for those in need.

Being homeless does not guarantee a person will be prioritised for social housing. People who can't climb out of homelessness may cycle through hospital emergency wards, prisons, crisis accommodation, couches and sleeping rough. This often results in further entrenched individual and community-wide social and economic issues, burdening social services, society and the economy.

Sustainable solutions to homelessness

Major homelessness policy reforms in recent years have focused on long-term solutions to deal with chronic homelessness – rather than relying on temporary accommodation.

This is seen in initiatives delivered under the National Partnership Agreement on Homelessness (2011-13), and is influenced by groundbreaking approaches to chronic homelessness in the United States in the late 80s and early 90s – namely the 'housing first' model developed through Pathways to Housing and the New York City Common Ground projects.⁴⁹

This model is based on the premise that a stable home base is the essential starting point from which a range of social support services, such as help with substance abuse and mental health services, can be delivered to an individual. Services are 'wrapped' around the core shelter and provide support that enables people to maintain their tenancies and deal with complex needs.

Innovative Sydney supported-housing initiatives

Several housing schemes in Australian capital cities have been developed using this model. These initiatives all involve cross-sector partnerships, which are critical to this approach to tackling homelessness.

Two key inner-Sydney examples are the Platform 70 project in Woolloomooloo and the Camperdown Project, which both began in 2011:

- Platform 70 placed rough sleepers in private rental accommodation; it used a ‘scatter site’ approach that focused on individual needs and access to known community supports, with ongoing case management to provide support
- The Camperdown Project involved building new accommodation with on-site support services for people experiencing chronic homelessness, while also providing affordable and social housing for other tenants to encourage social diversity.

These and other new outreach programs contributed to a big fall in the number of rough sleepers in the city of Sydney – around 34 per cent between February 2010 and August 2012.⁵⁰

Announced in June 2014, the new Connect 100 program will provide 100 homeless people with private rental housing leased and managed by community housing providers in suburban and regional locations. They will be supported by specialist homelessness support and other services.

The City of Sydney is providing \$600,000 per annum for three years to Connect 100 for another 25 to 30 tenancies and support services for rough sleepers in the inner city.

Declining affordability directly affects homelessness

Declining affordability in the inner-Sydney private rental market coupled with inadequate inner-city social housing will undermine these achievements unless there is greater investment in these and other housing models.

This point is illustrated by the almost 50 per cent increase in the number of people sleeping rough in the city of Sydney between August 2012 and February 2015 to 365, reversing a previous fall to 246⁵¹ – an improvement that was partly attributed to the success of the Camperdown Project and Platform 70.

While there are a range of complex risk factors associated with homelessness, not surprisingly, financial difficulties (experienced by 44 per cent of clients) and housing affordability stress (experienced by 19 per cent of clients) were key factors for those seeking help from specialist homelessness services in NSW in 2011-12.⁵²

The supply of short-term rental accommodation for rough sleepers and those in crisis is also declining in the inner city. Owning and operating traditional boarding houses, for example, is increasingly unviable as a result of rising property values and the costs of meeting NSW legislative standards.⁵³

The new generation inner-city boarding houses being developed under state affordable housing planning instruments and through NRAS subsidies are largely aimed at those on moderate rather than very low incomes and are not rent-controlled, placing them out of reach of those who are most disadvantaged.



Sector reforms have created uncertainty

The Going Home Staying Home reforms made improving access to safe, secure, and affordable long-term housing for those facing the incidence of homelessness a priority, acknowledging that it was essential to significantly reduce homelessness.

Although \$115 million has been allocated in the 2014-15 Federal Budget to the National Partnership Agreement on Homelessness (NPAH), to continue innovative service delivery in the sector (with matching state and territory funding), no firm commitment has been made for the longer term. Such funding uncertainties are destabilising for the sector.

In June 2014, the NSW Government announced a \$515 million, three-year funding package for Specialist Homelessness Services. Complementary initiatives included \$31.2 million to extend the Start Safely program, which provides stable private rental housing for 1,300 women and children escaping domestic violence, and \$7.5 million for new housing and support programs to help 100 inner-city homeless people find stable homes in suburban and regional areas.

As Homelessness Australia has pointed out, the 2014-15 Federal Budget created one of the biggest challenges for the sector, with sweeping changes to welfare payments, which will affect people's ability to afford basic housing.⁵⁴

As a result, the City expects the number of people on the edge of homelessness to grow without greater action, particularly young people without family support or employment prospects, and older people.





Issue 5: Housing and infrastructure delivery need to be integrated through Sydney metropolitan planning for sustainable growth

The City's position

The state government must apply best-practice approaches that coordinate and balance the delivery of land for housing and the infrastructure needed to support population growth.

This includes spending more on public transport networks across the inner city and wider metropolitan area, and on social and other essential infrastructure. It must also commit to enabling development of high-quality, high amenity housing in areas well serviced by transport and other essential infrastructure.

Coordinated planning, transport, economic development and social services are critical to address inequality between regions and to reduce pressures on inner city land and housing supply. State and local governments must collaborate more effectively to achieve balanced and coordinated growth. This includes through the delivery of the new Sydney metropolitan strategy's goals for housing choice, well-connected communities and world class services and transport development,⁵⁵ through the forthcoming subregional strategies.

Options for action

- Better coordination between state and local governments in the planning and development of housing, employment and essential infrastructure
- Increase investment by state and federal governments in public transport infrastructure to provide faster connections across the metropolitan region to support housing and jobs growth outside the CBD

- Increase investment by state and federal governments in essential social infrastructure, such as schools and hospitals, to support higher density communities
- Apply a range of planning mechanisms to support the delivery of essential infrastructure, including:
 - Value capture/ shared value mechanisms
 - Levies on development
 - Voluntary Planning Agreements
- Recognise the need for a diverse supply of housing types and tenures across the region through metropolitan planning policies
- Prioritise building medium to high-density housing and affordable rental housing close to transport and services through metropolitan planning policies
- Provide a clear and consistent long term approach to planning regulation to create a more stable environment for affordable rental housing investment, through state and local planning strategies.

Context

Integrated housing and infrastructure planning is challenging but essential.

Urban planning approaches that integrate housing and infrastructure strategies underpin the sustainable growth and renewal of cities. Timely investment in infrastructure is vital to achieving liveable high-density environments.

This principle is reflected in the NSW Government's State Infrastructure Strategy,⁵⁶ which sets out priorities for transport infrastructure, along with those for energy and water, and social and cultural infrastructure.



The strategy establishes a framework to guide investment by prioritising infrastructure that:

- Supports economic activity and improves amenity
- Enables the movement of people, goods and information
- Services household needs
- Supports individuals' quality of life and communities' resilience
- Connects individuals, businesses and communities with each other and the rest of the world.⁵⁷

Similarly, the Eastern Sydney and Inner West Regional Action Plan, part of the *NSW 2021* state plan, focuses on improving transport connections, housing options and liveability to achieve local communities that are 'well connected, with reliable transport services and reduced road congestion.'⁵⁸

In practice, delivering these principles is a massive challenge for government. Substantial investment in social infrastructure – including inner-city schools – is urgently needed to meet the demands of Sydney's growing population. Capacity on the city's rail network is also increasingly stretched, as large tracts of former industrial land in the inner and southern city are transformed into high-density residential environments.

The NSW Government's *Sydney City Centre Access Strategy* outlines key transport projects for central Sydney, including light rail.⁵⁹ The CBD and South East Light Rail – jointly funded by the City of Sydney and the NSW Government – will provide critical transport capacity to serve the southern CBD's growing high density populations, including in Haymarket, Surry Hills and Randwick. Although the access strategy (including a new CBD rail line) is a big commitment, dramatic short-term growth must also be accommodated in key inner-

city precincts, including Barangaroo, Green Square and Ashmore. This growth will severely test the capacity of bus and rail networks. In the case of Green Square, planned initiatives offer fairly modest improvements to transport capacity and they focus on the town centre. A light rail is badly needed to serve precincts that depend on the severely overcrowded bus network.

In addition, the City is supporting a move away from car based infrastructure in the Green Square urban renewal area, through cycle networks, walkable neighbourhoods and integrated public transport corridors. On a broader scale, improved public transport infrastructure across the wider metropolitan area could ease inner-city development pressures by increasing the desirability of housing in alternative, accessible locations.

All levels of government need to focus on these issues as inner-Sydney's population growth stretches housing demand to its limits.

Increased densities can enable infrastructure

The flipside to providing more infrastructure to support higher-density housing is the potential for increased densities to enable infrastructure delivery. Density brings economies of scale, making infrastructure more viable to build and run, in turn benefiting local communities.

Concentration of high-density development near jobs and transport and within walking distance of a range of services and facilities bring lifestyle benefits that low density neighbourhoods do not have.

Market drivers are therefore in favour of delivering high-amenity, high-density environments. But good urban planning is critical to achieve an appropriate mix of uses, including social infrastructure. Essentially, good-practice urban renewal and high-density development strategies must balance housing growth with well-timed infrastructure delivery.

05

The way forward

Greater commitment to housing diversity and affordability is urgently needed

This paper highlights the challenges that policymakers and housing providers face in the drive to solve Sydney's housing crisis, and recognises there is no 'silver bullet' for such complex problems.

Leadership, a clear vision, commitment and collaboration are urgently needed – a call for action that was strongly reinforced by all at the City's recent Housing Diversity Summit.⁶⁰ Action must start with a recognition of the fundamental importance of housing supply diversity and affordability to Sydney's liveability and continuing success as a global city.

The City of Sydney calls on the state and federal governments to draw up comprehensive national and state housing policies.

Of critical importance in this process is a strong, ongoing commitment to creative partnerships between all levels of government, the community and private sectors, towards delivering new solutions and directions for social, affordable rental and market housing in our city.

This commitment must be backed by significant government funding and coordination, and the necessary policy reforms to enable a comprehensive response.

Recent and pending state and federal housing inquiries provide policymakers with a rich evidence base, experience and insights from all sectors to draw on to critically inform their decisions.⁶¹

Next steps

The availability and affordability of housing has impacts that reverberate through generations. This underlines the vital importance of housing policies being long term in their vision and centrally integrated with urban infrastructure planning across Sydney's greater metropolitan area.

The City of Sydney is committed to working with other levels of government, and the private and not-for-profit sectors to develop a bold new housing policy for our city – one that helps to deliver our vision of an increased supply of diverse homes to meet the diverse housing needs of a thriving global city to 2030 and beyond.

Guide to making submissions

The City welcomes submissions on this Housing Issues Paper. All submissions will be carefully considered by the City of Sydney in preparing our Housing Policy.

Please provide your name and address or the details of the organisation you represent. We will not distribute your personal information without your consent.

Your submission may be made publicly available and may appear in full or in part on Council's website or in future publications. If you want your submission to remain confidential, clearly state this in writing with your reasons. Submissions will be kept on Council files.

Submissions can be made from **4 May 2015 to 31 July 2015** to:

Manager Social Strategy
City of Sydney, Town Hall House
456 Kent Street, Sydney NSW 2000

Submissions can be emailed to:

socialstrategy@cityofsydney.nsw.gov.au

We also welcome comments here:

www.sydneyoursay.com.au

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