



Submission by the NSW Federation of Housing Associations in response to the draft report on the IPART Review of Local Government Rates

October 2016

Overview of key points

The Draft Report

The NSW Federation of Housing Associations (the Federation) is concerned that the Draft Report:

- Overlooks the critical role of community housing as essential social infrastructure which carries with it significant public benefit and instead equates it with the provision of housing by the private market more generally, which it concludes provides essentially private benefits.
- Focuses disproportionately on the impact of rating exemptions on local government and fails to assess the impact of rate increases on the ability of community housing providers to deliver much-needed subsidised housing and related services.
- Does not acknowledge local government's role in facilitating better housing outcomes for local communities or the legitimacy of local government using their rating powers to encourage or support the provision of affordable housing¹ to meet local needs.

Recognition of the Public Benefits of Community Housing

- The central purpose of community housing is the delivery of housing and support services to disadvantaged households who are unable to access satisfactory or affordable housing in the private market.

¹ The term "Affordable Housing" is used here to include social and other forms of housing provided at below-market rates to low income and high need households. Typically this housing is provided by Housing NSW and community housing providers (CHPs) regulated by the Registrar of Community Housing. The focus in this submission is on affordable housing provided by CHPs.

- Thus community housing providers deliver essential public services to communities in the same way as homelessness services, hospitals and schools.
- The delivery of these public benefits is the core purpose of community housing organisations.
- These public benefits should be distinguished from any incidental benefits flowing from land uses which are primarily profit or interest driven.

Benefits to Local Communities

- At a local level, community housing providers provide valuable services to communities and support for this role, in the form of exemptions, is appropriate.
- The provision of community housing not only benefits the direct recipients of housing and support, but contributes to the health and sustainability of the wider community by enabling more inclusive, diverse communities, by alleviating concentrations of disadvantage and the social problems which accompany them, and by ensuring that communities and businesses across New South Wales have access to key workers to deliver essential services.
- There is increasing recognition of the legitimate role that local government can play in facilitating housing outcomes to meet needs in their communities. This includes investigating housing needs and developing strategies to address shortfalls.
- Local government has a limited range of powers it can exercise to achieve better housing outcomes for their local areas. Rate setting is one of this limited range. If councils are to play effective role in encouraging better housing outcomes in their areas, it is important that they have access to the fullest range of options.

Impact of Removing Rate Exemptions

- Community housing providers operate on very slim margins in order to deliver services that are affordable to their clients and, by necessity, set at well below market rates. Providers are increasingly being asked to do much more in terms of community benefit and social outcomes from those slim margins.
- Any additional financial impost upon community housing providers by way of higher rates will reduce their ability to provide housing and related services and directly impact on the number of tenancies they are able to support.
- The State government's plans to transfer the management of some existing public housing to community housing organisations will have no impact on Council's revenue base as these properties will remain in the ownership of the New South Wales Land and Housing Corporation and therefore continue to be subject to rates.

Recommendations

The Federation recommends that:

- 1) Partial rate concessions continue to be available for community housing:
 - in support of the important public benefits provided by community housing as essential social infrastructure;
 - in recognition that it is equitable to provide such an exemption in view of the resource limitations within which community housing providers inherently operate in providing subsidised affordable housing in New South Wales; and
 - in recognition that any increase in rates for community housing will impact on the capacity to provide housing assistance to disadvantaged households in New South Wales.
- 2) Consistent with the principles set out by IPART, consideration be given to the option of partial rate concessions for designated “Affordable Housing Projects” which would include requirements to ensure that such housing provides genuine public benefits.
- 3) Capacity for local councils to use of their rating powers to further local housing policy objectives be retained and enhanced.
- 4) Proposals to allow councils to set differential rates based on the requirements of constituents for services (as outlined in Chapter 5) should be reconsidered in the light of the risk of the inappropriate exercise of this discretion to the disadvantage of certain groups in the community, particularly lower income households.

1 Introduction

The NSW Federation of Housing Associations (the Federation) and its members are keen to see that the review of the Local Government Rating System enhances the ability of local government to respond to the needs of their communities in an efficient and effective manner.

The Federation provided a submission in response to the Issues Paper prepared as part of the IPART Review of the Local Government Rating System. The Federation's Submission acknowledged the important role played by local government in New South Wales in setting strategic directions, in managing growth and change, and in delivering essential services to their communities. The Federation's submission also acknowledged the resource constraints within which local government operates.

In preparing its Submission, the Federation aimed to provide a balanced response to the issues raised drawing upon the input of its members, whilst maintaining an awareness of the key roles and constraints for local government. For example, the Federation's submission accepted that payment of partial rates may be appropriate as community housing residents benefit from local government services and that the choice to continue to levy this level of rating or offer a full exemption, should be with the council concerned.

Having reviewed the Draft Report, the Federation is concerned that, in general, the issues raised in its submission have not been acknowledged and may not have received the same balanced treatment. This is particularly evident as the perspectives expressed in the Draft Report in relation to the rating of affordable housing are solely from the viewpoint of local government.

The Federation is also concerned that the nature of the public benefits delivered through community housing may not be well understood. For this reason, this Submission seeks to highlight the role and importance of community housing in providing essential services to the disadvantaged households in New South Wales and in supporting socially and economically viable local communities.

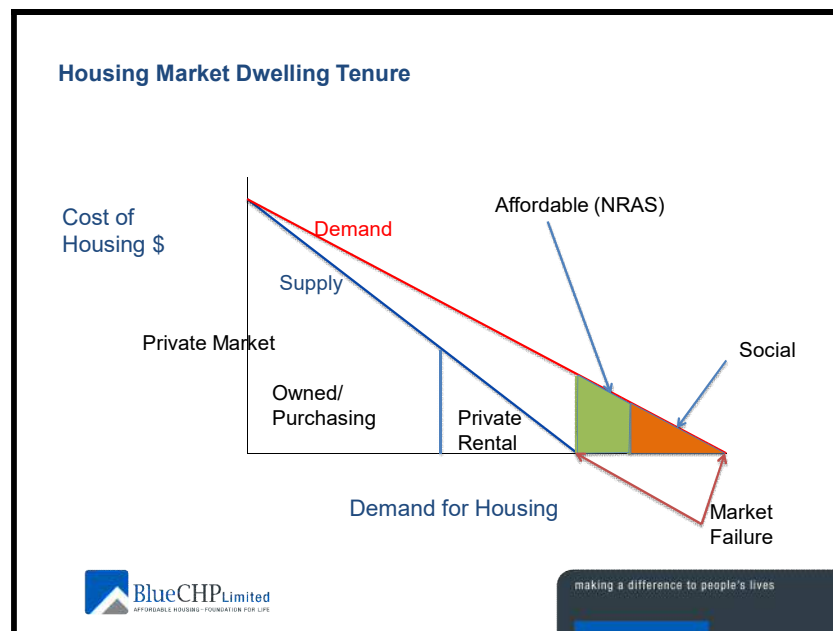
2 Overview of Community Housing

Community housing providers are viable, ethically run businesses driven by strong social missions and values. Community housing providers operate on a not-for-profit basis to deliver housing and related services at below market rates for people who are at risk of homelessness or who are unable to afford suitable market priced housing as a result of their low income and/or high needs. In 2015, community housing providers managed 38,000 tenancies across NSW and owned \$1.7 billion worth of community housing assets.

The attached submission prepared by Link Housing Limited further outlines the role of community housing and the impacts of the rating proposals from the perspective of an individual provider (see attachment 1).

The extent of need for housing assistance in New South Wales is considerable with 60,000 households on the social housing register, a further 171,563 households in housing stress (according to the 2011 Census) and 28,190 people homeless in NSW on 2011 Census night.

The private market is unable to supply the housing needed to fulfil these needs (see diagram below supplied by one of the Federation’s members BlueCHP Limited). In response, community housing providers play a crucial role in addressing the shortfall.



The Federation has sourced advice on the need to address the housing affordability crisis². In 2014-15 there were 139,500 households in social dwellings in NSW, of whom 4,500 were in State Owned and Managed Indigenous Housing (SOMIH) and 26,200 in community housing. In total, these households represented 4.8% of the total number of the 2.9m households in NSW in 2014-15, with 0.2% in SOMIH and 0.9% in community housing. To prevent this share from declining over the next 20 years, a total net addition of 50,000 new dwellings to the social housing stock from its 2011 base is required. This implies a net increase of just over 2,000 dwellings each year for the next 25 years.

Need for affordable (social) housing in addition to these projections is likely to arise from severe affordability pressures faced by lower income households in the private rental market in NSW. To maintain the (occupied) social housing stock in NSW, an additional 2,000 dwellings are needed each year. To ensure lower income households who currently face housing stress in the private rental market are affordably housed, a further 2,900 dwellings are needed each year. A total of 4,900 dwellings is needed each year, or some 100,000 dwellings over the next 20 years.

² Judy Yates, 2015, Addressing the Housing Affordability Crisis: Basis for an estimated need of 100,000 social housing dwelling in NSW over the next two decades, University of Sydney.

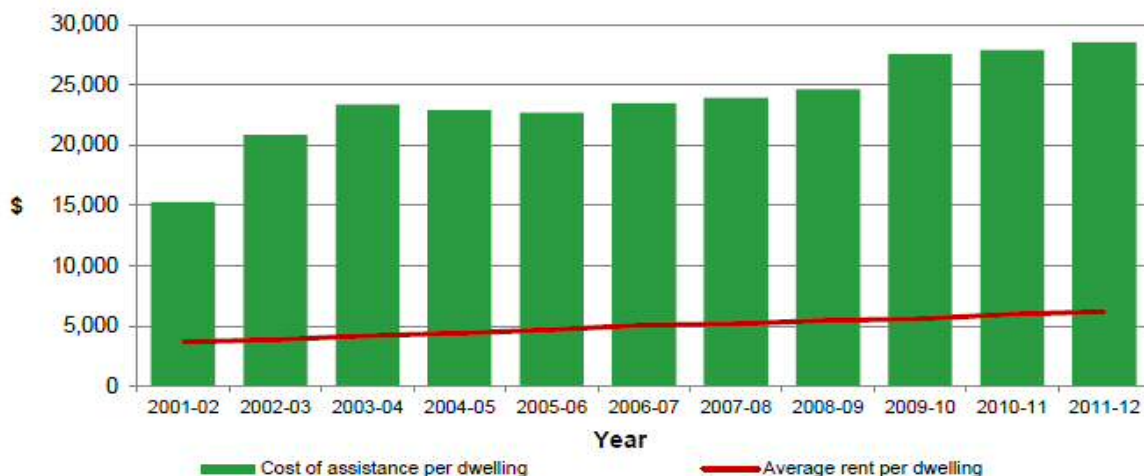
3 Resourcing of Community Housing

The nature of community housing operations means that community housing providers operate with very constrained resourcing and any surplus returns on their properties are reinvested in the provision of affordable housing and support services for residents. Providers aim to maximise the public benefits that can be achieved from the limited resources available to them.

The graph below supplied by community housing provider, BlueCHP Limited, illustrates the gap between income received for social housing and the cost of providing that housing. Whilst the margins achieved by community housing providers may be a little higher than for public housing, the illustration shows the considerable gap between clients capacity to pay and the cost of delivering these services.

NSW FACS Cost of Assistance/Dwelling Compared to Rent

Exhibit 12: Cost of assistance per dwelling compared to average rent, 2001–02 to 2011–12



Source: Compiled by the Audit Office of New South Wales based on information in the Report on Government Services (2013, 2012, 2009 and 2007).

Note: The cost of providing public housing assistance includes user cost of capital, depreciation, repairs and maintenance, employee expenses, council and water rates, and other operating expenses. It does not include expenditure incurred on purchases (such as new building).

4 Public Benefits

Currently community housing providers, as charitable institutions, are partially exempt from payment of rates under Section 556 of the Local Government Act 1993 (LG Act). As identified in the Federation's Submission, this exemption is consistent with the principles identified in the Issues Paper as community housing providers provide a public benefit in the form of affordable housing and related services for low income and vulnerable members of the community.

However, the Draft Report fails to acknowledge the genuine public benefits derived from the activities of community housing providers or to sufficiently differentiate these benefits from the private benefits provided by market housing.

Furthermore, it is important that the genuine benefits provided by community housing organisations are not confused with any incidental benefits that might flow from predominantly profit or self-interest driven pursuits.

Community housing organisations are created and operated for the purpose of delivering public benefits to lower income households struggling to secure adequate and affordable accommodation in the general market or to access public housing because of limited supply and ever increasing need. Furthermore, community housing providers are not only interested in delivering much needed housing to their clients. Providers work closely with their tenants, who are frequently households with complex needs, to offer them support in sustaining their tenancies, to assist in linking with critical services and other supports and, where necessary, to accommodate special needs including the requirements of people with disability, their families and carers.

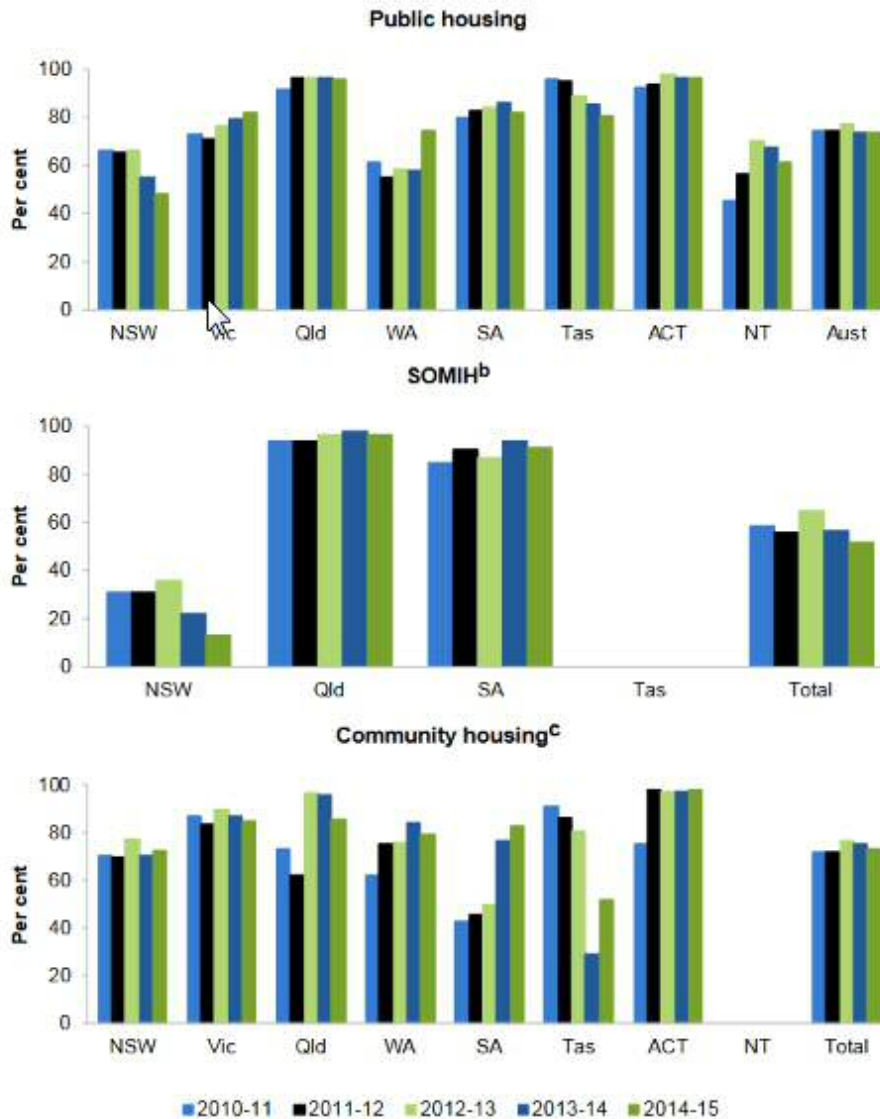
A relevant indicator of the public benefits provided by community housing in New South Wales is found in a 2016 report of the Productivity Commission which showed that between 2009 and 2015, around 70% of new allocations by community housing providers in the state were to people who are at time of allocation are either homeless, in housing inappropriate to their needs, in housing that is adversely affecting their health or placing their life and safety at risk, or that has very high rental housing costs (see extract overleaf from the Report on Government Services 2016 Volume G: Housing and homelessness, Productivity Commission for the Steering Committee for the Review of Government Service Provision).

The public benefits offered by community housing are not the by-product of their business operations, but their core purpose. Moreover, the provision of community housing not only benefits the direct recipients of housing and support but the health of the wider community by enabling more inclusive, diverse communities, by alleviating concentrations of disadvantage, and by ensuring that communities and business across New South Wales have access to key workers (such as cleaners, transport operators and child care workers) to deliver essential services.

Put simply, community housing is a key form of social and economic infrastructure which provides for the needs of lower income households, supports a properly housed workforce and is a determinant of healthy economic growth, in turn promoting the social and economic welfare of the wider community.

Extract from The Report on Government Services 2016 Volume G: Housing and Homelessness, produced by the Productivity Commission for the Steering Committee for the Review of Government Service Provision.

Figure 17.2 New allocations to those in greatest need^a



Source: Report on Government Services 2016 Volume G: Housing and homelessness, the Productivity Commission for the Steering Committee for the Review of Government Service Provision.

* **“Greatest need households”** are defined as *“households that at the time of allocation are either homeless, in housing inappropriate to their needs, in housing that is adversely affecting their health or placing their life and safety at risk, or that has very high rental housing costs”*.

Data derived from AIHW (unpublished) National Housing Assistance Data Repository; tables 17A.9–11.

While local governments are not required to develop such housing themselves, the livelihood of their communities and the availability of essential services workers are dependent on the being a supply of affordable and well located housing infrastructure.

All levels of Government should contribute to the provision of affordable housing. In this context, there is increasing recognition of the legitimate role that local government can play in facilitating housing outcomes to meet needs in their communities. This includes investigating housing needs and developing strategies to address shortfalls.

Local government has a limited range of powers it can exercise to achieve better housing outcomes for their local areas. Rate setting is one of this limited range. If councils are to play effective role in encouraging better housing outcomes in their areas, it is important that they have access to the fullest range of options.

At a local level, community housing providers provide valuable services to communities. Support for this role, in the form of exemptions, is appropriate.

5 Draft Report Analysis

The IPART Draft Report and IPART website do not provide an analysis of submissions received in response to Issues Paper, or the approach taken by IPART in considering submissions and balancing issues. For this reason, it is not evident how issues were evaluated and prioritised, or how competing perspectives were addressed and balanced.

Clearly the overwhelming response to the call for submissions came from local government, but this does not mean that the issues raised by other organisations, such as the Federation, should be given a lesser focus.

Whilst this may not have been the case, the lack of transparency about the process and the failure of the Draft Report to acknowledge any of the issues put forward in the Federation's submission, means it is unclear if the important matters raised were taken into account. Furthermore, there is limited analysis within the Draft Report itself of the impact of its proposals beyond the direct impacts on local government.

The authors of the Report prefer to refer generally to the taxation principles enunciated in the early part of the Draft Report (pages 21-24). However these general principles do not provide a framework for prioritising or balancing issues.

This is a particular concern in relation to Affordable Housing. A key plank of the proposed approach put forward in the Draft Report is to move to a land-use based, rather than ownership based approach to targeting rate exemptions. In principle, this approach is not of concern. However, of concern is that the Draft Report proposes at page 6 of the Executive Summary and Recommendation 10 that "Land used for commercial or residential purposes would not be eligible for exemptions". This categorisation of land uses is far too broad.

It appears the proposal to limit residential uses from rate exemptions is based on the general assumption that residential uses only provide private benefits. As “Section 6.2.1 Land use for residential purposes should be rateable” states, land used for residential purposes ..” generates a private benefit to the resident, rather than a public benefit to the wider community”. This is most certainly not true for affordable housing delivered by community housing providers.

Whilst the Draft Report gives passing recognition of “the private and broader community benefits of social housing” (p 79), it questions why the state’s objectives should be funded by the local community, though quite clearly it is local communities that benefit from affordable housing. There is growing recognition that all levels of government are responsible for addressing housing needs.

The Draft Report goes on to suggest that the existing exemption provides public benevolent institutions with a cost advantage over private providers of social or low-cost housing, without recognising that this is an area where the market is failing to provide and that there are very significant levels of unmet need.

The Draft Report fails to give any real recognition of the significant community need for affordable housing and the public benefits flowing from the provision of such housing. The Report even goes as far as stating in note ‘a’ to Box 6.3 that the definition used for residential purposes is aimed at ensuring that “... ***genuine public good services such as temporary shelters are not considered residential activities for rating purposes.***” The fact that a temporary shelter is considered a genuine public good, whilst longer term accommodation for the same target group is not, is difficult to comprehend.

Moreover, it is vital to recognise that high need households residing in temporary accommodation require alternative housing options to be available to enable them to move on to rebuild their lives and in order to free up short-term accommodation for others in emergency need.

Clearly a spectrum of housing is essential for meeting the needs of the more vulnerable in all local communities. Affordable housing provided by community housing providers is a vital part of such a spectrum.

6 Impact of Rating Changes

A particular concern in relation to the Draft Report is that the impact of higher rates on the ability of community housing providers to provide subsidised housing have not been addressed, whilst the impacts of this on local government have.

The current partial exemption under section 556 of the Local Government Act enables community housing providers to provide more affordable housing and better services for their clients. If this exemption were to be removed, it would have a direct impact on the number of tenancies sustainable.

For example, Hume Community Housing Limited currently manages a stock of 1725 community housing dwellings. The bulk of these are owned by the Land and Housing Corporation (LAHC) and therefore subject to rates, while the remaining 159 properties are in the ownership of the community housing provider. Development projects underway will bring Hume's portfolio to around 250 dwellings by 2020. Hume estimates that, based on the costs of managing each additional social housing dwelling, it could afford to manage up to 37 additional dwellings from the costs saved in lieu of paying full rates in respect to this portfolio.

For a medium sized community housing provider such as BlueCHP Limited with a portfolio of fewer than 650 properties, the financial impact of moving to full rating would be in the order of \$250,000 per annum.

The Draft Report places considerable weight on the premise that any future stock transfers from the State government to community housing providers will impact the rating base for local government. Some further context on the State government's intentions in this regard is relevant here. Community housing providers currently manage 27,000 properties on leases granted by the NSW Government³. In acknowledgement of the value and benefits provided by the community housing industry, the NSW Government has committed to a program of around 14,500 additional management transfers to community housing providers but has elected not to pursue any widespread transfers of stock ownership. As indicated above, social housing properties retained in the ownership of the State government are subject to full local government rates.

Thus, whilst it is acknowledged that the transfer of ownership of the State's social housing assets would impact on the rating base for local government under the current framework, it is important to note that the number of stock transfers to date has been small and no widespread transfers are currently proposed. Furthermore, housing fully funded by the Land and Housing Corporation could always be excluded from any rate exemptions.

Whilst Chapter 6 identifies potential adverse impacts on local government under the current system, the Draft Report does not touch on the impact of the proposed change in the rating system on the viability of community housing providers or the extra income it would generate for local government. For instance in the example provided in Box 6.4, the 350 community housing properties in Campbelltown LGA would be subject to rates under the IPART proposal, thereby generating considerable additional income to Council and a significant additional cost to the local housing providers, which in turn would reduce their capacity to provide housing services to those in need in the local area.

³ http://www.facs.nsw.gov.au/data/assets/file/0009/303030/Social-Housing-in-NSW_Discussion-Paper.pdf

7 Options for Facilitating Affordable Housing Under IPART's Proposed Framework

7.1 Partial Rate Exemptions for Designated "Affordable Housing Projects"

The Federation advocates the continued availability of partial rate concessions for community housing providers in recognition of the important public benefits provided by community housing as essential social infrastructure and the importance of rates relief to the ongoing viability of community housing operations.

A general exemption is strongly preferred over the option of permitting individual local councils to elect to provide rate relief. If the availability of concessions was at the full discretion of local councils, it is unlikely that widespread exemptions would be provided. Nevertheless, as outlined further in section 7.2, it would be appropriate to provide the flexibility for individual councils to provide rate exemptions beyond those provided for in Local Government Act to facilitate housing that meets requirements set out under their local housing strategies.

If the current exemptions for community housing are to be reconsidered in order to ensure consistency with the land-use based approach to rating proposed in the Draft Report, it is recommended that a partial exemption be applied to designated "Affordable Housing" which houses eligible low income/high need households on a non-profit basis at a subsidised rental. This approach will enable the targeting of projects which deliver genuine public benefits. Housing currently or previously owned, or fully funded by the Land and Housing Corporation could be excluded.

This approach could assist in facilitating new "Affordable Housing" whilst ensuring assistance is targeted to genuine projects. [The same framework could be used for other forms of local government assistance or facilitation for "Affordable Housing Projects" such as fast track planning approvals or exemption from section 94 contributions under the Environmental Planning and Assessment Act.]

The Federation would welcome the opportunity to be involved in the development of a suitable definition and guidelines for designated "Affordable Housing", should further consideration of this approach be supported.

7.2 Rate relief as a lever of Local Housing Policy

It is critical that local government maintain continuing capacity to choose to partially or fully exempt affordable housing in keeping with local housing strategies. Local government has a limited range of powers it can exercise to achieve better housing outcomes for their local areas. Rate setting is one of this limited range. If councils are to play effective role in encouraging better housing outcomes in their areas, it is important that they have access to the fullest range of options.

If applied in a transparent and equitable way, there are clear benefits for councils having capacity to use powers in this area to further housing policy objectives. This could include, for example, generally exempting affordable housing provided by non-profit organisations, levying higher rates for vacant properties or lower rates for forms of accommodation in short supply for example bedsitters or multiunit housing in regional areas.

7.3 Differential rates for areas with different demand for services

Caution is raised in relation to the proposals in Chapter 5 to allow councils to set different rates based on the requirements of constituents for services. If used in the way flagged in diagram 5.1 on page 61, this proposal could have the effect of enabling affluent residents of strata developments with high levels on-site facilities to pay lower rates than their less well off counterparts who are unable to afford to live in such luxury developments.

The proposal on page 64 that “Councils should have the flexibility to provide incentives for strata developments to offer these private services” undermines the fundamental premise that the costs of public services are rightly borne across the broader community. Furthermore, the proposal is not in keeping with the equity principals enunciated at page 23 of the Draft Report. There is also a risk that anti-development councils could use differential rates in a way that discourages development.

8 Recommendations

The Federation recommends that:

- 1) Partial rate concessions continue to be available for community housing:
 - in support of the important public benefits provided by community housing as essential social infrastructure;
 - in recognition that it is equitable to provide such an exemption in view of the resource limitations within which community housing providers inherently operate in providing subsidised affordable housing in New South Wales; and
 - in recognition that any increase in rates for community housing will impact on the capacity to provide housing assistance to disadvantaged households in New South Wales.
- 2) Consistent with the principles set out by IPART, consideration be given to the option of partial rate concessions for designated “Affordable Housing Projects” which would include requirements to ensure that such housing provides genuine public benefits.
- 3) Capacity for local councils to use of their rating powers to further local housing policy objectives be retained and enhanced.
- 4) Proposals to allow councils to set different rates based on the requirements of constituents for services (outlined in Chapter 5) should be reconsidered in the light of the risk of the inappropriate exercise of this discretion to the disadvantage of certain groups in the community, particularly lower income households.

9 Attachments

- 1) Submission on the Draft IPART Report prepared by Link Housing Limited
- 2) The Federation Submission to the Issues Paper prepared as part of the IPART Review of the Local Government Rating System

Attachment 1:
Link Housing Limited Submission

SUBMISSION – 12 October 2016**REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM****RESPONSE TO DRAFT REPORT (AUGUST 2016)****INTRODUCTION**

Link Housing Ltd (Link Housing) is a Tier 1 Registered Community Housing Provider (CHP). We provide compassionate, client-centred service for people who are at risk of homelessness or are unable to afford market priced private rental.

We work with clients along every step of the journey, from placing tenants into their new home, coordinating support services, all the way through to managing sustainable tenancies.

Link Housing provides affordable rental accommodation to people on very low to moderate incomes. We manage approximately 1,400 homes with 2,500 customers across Northern and metropolitan Sydney. We are fully committed to increasing housing opportunities in the region.

Link Housing is a sustainable, ethically run business driven by strong social mission and values. The provision of social and affordable housing, coordinated support services, tenant and asset management including ongoing maintenance comes at significant cost. These costs need to be acknowledged as providing significant public benefit to those most in need in our local communities and those institutions that rely on key workers.

OUR SUPPORT PARTNERS

Link provides accommodation and works with support partners including:

- Burdekin – Youth Homelessness
- Manly Women's Shelter – Domestic Violence
- Mission Australia – Early Intervention to Homelessness
- Partners in Recovery – Mental Health Signposting Organisation
- Community Care Northern Beaches – Disability Support
- Bobby Goldsmith Foundation – HIV Support
- Catholic Community Services – Hoarding and Squalor
- Catholic Care Diocese of Broken Bay – Family Support services
- Northern Sydney Area Health Service – Mental Health
- Sunshine Homes – Disability Support
- Taldumande Youth Services – Youth Homelessness
- Manly Warringah Women's Resource Centre – Family Homelessness
- Sunnyfield Disability – Disabled Households

CHARITABLE ORGANISATIONS

Link Housing operates on a charitable not-for-profit basis, we should receive the same explicit rates exemption as other Public Benevolent Institutions (PBIs) that relieve poverty and distress. Link Housing would support a full exemption from the payment of rates on the basis that we provide access to housing for those households on low to moderate incomes and access to a range of services to improve the health and wellbeing of our tenants.

RECOGNITION OF THE SUBSTANTIAL PUBLIC BENEFIT DERIVED FROM AFFORDABLE HOUSING

Link Housing maintains that all levels of government should contribute to the delivery of affordable housing. Housing across all Local Government Areas (LGAs) needs to cater to all incomes levels, ensuring that low to moderate income households can live close to employment and support networks. Affordable Housing is vital in promoting the social and economic welfare of the community and access to affordable housing should not be geographically constrained.

Affordable housing is a key element of social and economic infrastructure that provides significant public benefit, and as such, an explicit exemption for affordable housing should be recommended, for the term of provision by registered community housing providers.

As an observation, the draft report defines schools and hospitals as activities that provide substantial public benefit, but fails to identify the housing of teachers and nurses and other key workers as important activities that provide public benefit in support of those institutions.

SUSTAINABILITY, EQUITY AND ABILITY TO PAY

As a Community Housing Provider we operate with very constrained financial resources. The draft report identifies that it is equitable to provide an exemption where there is a limited ability to pay. Link Housing's annual surpluses are reinvested into delivering more affordable housing and support services for those most in need, increasing rates expense reduces our ability to sustainably provide housing and services.

The draft report has a disproportionate focus on the impact on Councils. Of concern is the lack of analysis in the draft report of the impact of rates increases on community housing providers and their ability to sustainably provide subsidised housing.

Link Housing currently contributes to water, sewer and waste management across the various LGAs. For some LGAs Link Housing receives both full and partial rates exemptions, in other LGAs Link Housing receives no rates concessions. It is important for our ongoing operations that surplus revenues are not eroded by increased rates, and we would welcome a consistent approach to managing rates expense where affordable housing is provided.

Link Housing supports, as a minimum, the continuation of partial rates exemption across all LGA's to ensure the social and economic benefits derived from affordable housing and support services are sustainable, but more importantly assists in sector growth to match the increasing demand from the community.

NSW LAND AND HOUSING CORPORATION MANAGEMENT TRANSFERS

Link Housing acknowledges that the NSW Land and Housing Corporation (LAHC) has in the past transferred ownership of social housing assets (stock transfers) to PBIs and the impact this has had to the revenue base of LGAs where there is a large proportion of social housing.

Furthermore, with the NSW Government's 'Future Directions' social housing policy announcement the vesting of social housing assets in PBI's has ceased and the ownership of these assets will remain with Government, preferring management transfers to PBIs as opposed to stock transfers. Link Housing accepts that providing an

explicit rates exemption to large numbers of social housing properties managed on behalf of the NSW Government may not be appropriate because of the impact the Local Government revenue.

Link Housing understands the need of LGA's to ensure there is sufficient revenue to provide services to the community, in the case of LAHC management transfers, Link housing supports the continuation of partial rates exemption to ensure service provision to the community is equitable and sustainable.

PROVIDING MORE RATING CATAGORIES

The current system includes four rating categories, i) residential, ii) business, iii) farmland and iv) mining. There is limited appreciation amongst some Councils of the substantial public benefit provided by community housing providers.

RECOMMENDATION

In recognition of affordable housing being a key component of social and economic infrastructure, Link Housing would support a recommendation to subcategorise residential land to include a minimum level of rates exemption for community housing providers. Providing certainty would encourage urban renewal to meet the community's housing needs and also provide LGAs certainty of income for assets which derive a community benefit.

Thank you for the opportunity to review and provide a submission for the Review of the Local Government Rating Sydney Draft Report – August 2016.

If you have any queries or require further information, please do not hesitate in contacting me.

Regards,

Paul Hunt | Development and New Business Director

Link Housing Limited - "A better future for those in need, through safe, affordable housing"

P: [REDACTED]

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Attachment 2:
Federation Submission to the IPART Issues Paper

**IPART REVIEW OF THE LOCAL GOVERNMENT RATING SYSTEM:
RESPONSE TO ISSUES PAPER**

INTRODUCTION

The NSW Federation of Housing Associations (the Federation) welcomes the opportunity to participate in the Review of the Local Government Rating System published in April 2016.

At the outset the Federation would like to acknowledge the important role played by Local Government in New South Wales in setting strategic directions, in managing growth and change, and in delivering essential services to their communities. The Federation also acknowledges the resource constraints within which Local Government operates and the importance of rates as a central part of Councils' revenue base.

In recognition of this context, this submission aims to provide a balanced response to the issues raised in the Review, drawing on input provided by the Federation's members and maintaining an awareness of the key roles and constraints for Local Government.

THE FEDERATION AND THE COMMUNITY HOUSING INDUSTRY

The NSW Federation of Housing Associations (the Federation) is the industry peak body for community housing providers in NSW. Since 1993 the organisation has provided leadership, support and resources for the further development of the industry, and has represented the aspirations and interests of the industry to all other stakeholders – government, partners, business and the wider community.

The Federation's purpose is to support the development of a not-for-profit rental housing sector which compares favourably to any around the world, and which makes a difference to the lives of lower income and disadvantaged households across the state. The Federation seeks to ensure that community housing providers are active in all housing markets, providing a full range of housing products.

Community housing providers are viable, ethically run businesses driven by strong social missions and values. In 2015, community housing providers managed 38,000 tenancies across New South Wales and owned \$1.7 billion worth of community housing assets. Income sources include rent, subsidies, and fees from services. The demographic of tenants living in community housing is similar to those of living in public housing, as tenancy allocations by community housing providers and Family and Community Services (FACS) are made from the common Housing Register.

COMMUNITY HOUSING AND THE LEVYING OF LAND RATES IN NEW SOUTH WALES

Community housing providers recognise the important role of Local Councils in delivering services to their areas. They also recognise the limitations on resources available to local government. At the same time, community housing providers are seeking acknowledgement of the important public services they provide in delivering affordable housing and related services to those in need in local communities.

Currently community housing providers, as charitable institutions, are partially exempt from payment of rates under section 556 of the Local Government Act 1993 (LG Act). This exemption is consistent with the principles identified in the Issues Paper as community housing providers provide a public benefit in the form of affordable housing and related services for low income and high need residents.

Note that, despite the provisions of the Local Government Act under section 556, some Councils have in the past sought to levy rates in respect to community housing owned properties. Such instances prompted one of the Federation's members, Community Housing Limited, to take legal action against six Local Councils seeking to apply rates to its properties. The action ultimately resulted in a successful appeal by Community Housing Limited to the New South Wales Supreme Court (see Community Housing Limited v Clarence Valley Council [2015] NSWCA 327).

Following the successful challenge, the Federation undertook a survey of its members in late 2015 to ascertain current practices and views in relation to the levying of council rates. Members were consulted again in the context of the current Review. This submission draws on input provided through each of these processes.

Not surprisingly, given the diversity of community housing providers, the input provided through these two rounds of consultation expressed a range of viewpoints. Nevertheless, there is clear convergence amongst most on several relevant matters:

- Strong and cooperative working relationships between Local Government and community housing organisations are vital;
- Community housing provides important public benefits to local communities and should be recognised as vital community infrastructure;
- Community housing organisations operating on a charitable basis should receive the same benefits as other charitable institutions;
- The nature of community housing operations means that providers operate with very constrained resourcing and any surplus returns on their properties are reinvested in the provision of affordable housing and related services; and
- Community housing residents benefit from local services.

The consultations also revealed:

- Strong support for maintaining at least partial rate exemptions in view of the important public benefits provided by community housing providers and the limited resources within which they operate;
- Some willingness amongst community housing providers to trade-off rate concessions with the provision of services for their clients, with one provider being prepared to pay full council rates in return for full access to council services for its clients and to facilitate outcomes across a range of areas;
- Under the current framework under Section 556 whereby community housing providers pay water and sewerage charges, waste management and other levies, it has been estimated that community housing providers pay roughly 50% of the regular contribution amount;
- Recognition that, should the implementation of the State Government's plans under "Future Directions for Social Housing in NSW" result in significant property transfers to community housing providers, this would impact on the rating base for local government in the future.

RECOGNITION OF COMMUNITY HOUSING AS ESSENTIAL COMMUNITY INFRASTRUCTURE

Public assets and facilities which are integral to the operation of a healthy community and economy should be treated as infrastructure. When managed as a portfolio of assets, Community Housing is a key item of social and economic infrastructure which provides for the needs of local lower income households within the communities, supports a properly housed workforce and is a determinant of healthy economic growth, in turn promoting the social and economic welfare of the community.

While local governments are not required to develop such housing themselves, the livelihood of their communities and the availability of essential services workers is dependent on the availability of affordable and well located housing infrastructure.

All levels of Government should contribute to the provision of affordable housing in the community. It is clear is that the charitable sector provides valuable services to communities and great value to society and therefore requires help in the form of exemptions support these.

The Federal Government provides national funding at a limited level and tax exemptions. State Governments administer funds and manage public housing and NSW is seeking to expand affordable housing through current policy initiatives. They also provide tax exemptions to community housing providers.

Currently, NSW Government land which is leased for private purpose is not exempt from rates as per section 555(1)(a) of the Local Government Act (the 'Act'), however properties held by community housing providers which are also charities are exempt under section 556(1)(h) of the Act. This enables community housing providers to provide more affordable housing and better services for their clients.

RESPONSE TO THE REVIEW

Drawing upon input received from community housing providers, the Federation's responses to the key matters of concern addressed in the Review relating to community housing are set out below under the following headings:

- 1 Continued availability of rate exemptions for properties held by CHPs with charitable status
- 2 Availability of exemptions for affordable housing properties managed but not owned by community housing providers
- 3 Continuation of exemptions on current basis or discretion for Local Government to vary/lower the level of rate exemption
- 4 Rate exemptions versus rebates
- 5 Encouraging urban renewal/valuation method
- 6 Commercial versus residential rates for boarding houses
- 7 Capacity for local government to use rating powers as one of a suite of housing policy instruments

1. Continued availability of rate exemptions

As indicated above, there was almost unanimous support amongst community housing providers for retaining a level of rate concessions in respect to properties they own in recognition of the significant public benefits of affordable housing and the constrained financial circumstances of providers.

Nevertheless, it was accepted that the clients of community housing providers benefit from the availability of services provided by Local Government and that the existing arrangements for partial payment of rates were not unreasonable.

Furthermore, the view was put that, as the clients of community housing providers make use of the many services provided by Local Councils, some further contribution towards this through rates could be appropriate and may allow providers to have some leverage over the type and quality of services delivered by Local Government. In addition, as one provider put it, they see themselves and their clients as being part of the local community and therefore consider it appropriate that they contribute to the community.

Federation's response: The continued availability of partial rate concessions for community housing providers is strongly supported in recognition of the important public benefits provided by community housing as essential social infrastructure and its crucial role in the ongoing viability of community housing providers.

2. Availability of exemptions for properties managed but not owned by CHPs and used for affordable housing

The practical difficulties of providing rate concessions for properties managed, but not owned, by community housing providers are acknowledged. It is also accepted that it may not be appropriate for rate concessions to be extended to social housing properties owned by the Land and Housing Corporation, as this may have a significant impact on revenue base of some Council. Furthermore, it may discourage support for the transfer of properties to community housing management.

As an alternative, there would be merit in considering the option of providing partial rate concessions for designated “Affordable Housing Projects” which house eligible low income households on a non-profit basis at a subsidised rental. Housing currently or previously owned, or fully funded by the Land and Housing Corporation could be excluded from this.

This approach could assist in facilitating new “Affordable Housing Projects” whilst ensuring assistance is targeted to genuine projects. The same framework could be used for other forms of assistance or facilitation for “Affordable Housing Projects” such as fast track planning approvals or exemption from section 94 contributions under the Environmental Planning and Assessment Act.

The current approach used for providing land tax exemptions for boarding houses providing affordable housing could be used as a reference in developing such an option.

Federation’s response: The Federation proposes consideration be given to the option of partial rate concessions for designated “Affordable Housing Projects” and would welcome the opportunity to be involved in the development of a suitable definition and guidelines for designated projects.

3. Continuation of exemptions on current basis or discretion for Local Government to provide a lower level of rate exemption.

Providers expressed mixed views on whether discretion should be given to Local Government to vary the level of rate concessions.

Strong concern was raised that the vast majority of Councils are unlikely to grant concessions to community housing providers if given the discretion not to do so. The example of the reluctance of many Councils to exempt community housing providers from levies, fees and other charges was cited as evidence of the limited appreciation of amongst some Councils of the public benefits provided by community housing.

If Councils were to be given discretion in this area, it was generally agreed that it must be on the basis that it be exercised in a transparent, equitable way across all charitable institutions, and not just applied to community housing organisations. It was also considered that there should be a minimum level of concession provided.

A high degree of discretion and flexibility could result in greater administration costs, and would be contrary to the principle of simplicity. The right balance between allowing some discretion, but also providing community housing providers with certainty, is important.

Federation's response: The Federation acknowledges that the provision of exemptions from rates should be linked with the accompanying public benefits. If Local Councils are to be given greater discretion in this area, clear guidelines and criteria should be developed to establish public benefits and minimum levels of targeted rate relief should be provided. This will allow for a greater level of scrutiny (ensuring that the relief granted is consistent with the intention) without imposing an enormous administrative impost on Councils. It will also provide community housing providers with certainty and transparency and help to avoid inequitable outcomes. Safeguards need to be put in place to ensure that valid applications are not erroneously rejected by Local Councils and similarly to prevent lobbying and pressure being applied to approve applications that are not valid.

4. Rate exemptions versus rebates

In general community housing providers are not as concerned with the manner in which concessions are delivered, as the need for certainty and consistency. If policies and formulas for providing rate concessions vary between Local Council jurisdictions, this will create uncertainty for community housing providers and be administratively costly. Thus transparency, accountability and the potential administrative burden to both Councils and providers are key considerations.

Caution is also raised about any framework which would make it easier for Councils to avoid rate concessions for providers of genuine public benefits.

Federation's response: The use of rebates would require the establishment of clear eligibility criteria and minimum relief provisions. If delivered in response to an application, a framework of rebates rather than blank concessions would expose the process to greater scrutiny, which could help to ensure an equitable outcome whereby relief is provided to appropriate organisations. However, there is a risk that such a process would be administratively onerous and, without strong supporting structure and accountability, it could potentially be unfair.

5. Encouraging urban renewal /valuation method

The Issues Paper at 4.6 deals with policies to encourage urban renewal and, as part of this, points to the capacity for Local Government to levy special rates to deliver additional services, facilities or activities to ratepayers. The value of such provisions in assisting to support essential infrastructure is recognised and supported, as is the ability of Local Governments to partner with other levels of government in developing and funding local infrastructure projects.

Earlier at 4.1.3, the Issues Paper refers to options for the valuation method to establish the rating base. Whilst this section refers to the efficiency principle, it does not directly acknowledge the impact of the valuation base on urban renewal. The use of unimproved value as a base is much preferred in this context, as the alternative of capital improved value acts as a disincentive for the redevelopment of land in accordance with the planning framework and objectives.

Also a switch to capital improved values would disadvantage community housing providers who, by the nature of their operations, generally hold multi-unit stock.

Federation's response: The capacity to utilise special rates to deliver services and infrastructure to local communities undergoing urban renewal allows appropriate responses to the special needs of areas undergoing change and is supported.

Caution is raised over any switch from unimproved to capital improved values as the basis for setting rates as this would act as a disincentive to urban renewal and disadvantage managers of much-needed multiunit housing, including community housing providers.

6. Commercial versus residential rates for boarding houses

Currently owners of boarding houses located in commercial zones can apply to their Local Council to have a commercial rate base varied to residential in recognition of the use of the property as genuine affordable housing (as opposed to backpacker accommodation for instance). It is important that the capacity to vary the rate base in such circumstances is retained.

Federation's response: The capacity to vary the rate basis from commercial to residential for eligible boarding houses should continue to be provided.

7. Capacity for local government to use rating powers as one of a suite of housing policy instruments

Local Government has a limited range of powers it can exercise to further better outcomes for their local areas. Rate setting is one of this limited range. If Councils are to play effective role in encouraging better housing outcomes in their areas, it is important that they have access to the fullest range of options.

If applied in a transparent and equitable way, there are clear benefits from Councils having capacity to use powers in this area to further housing policy objectives. For example, currently Local Governments with high levels of unoccupied housing stock are precluded from setting higher rates for vacant properties.

It would also be useful to facilitate the use of rates to encourage desirable forms of accommodation in short supply for example bedsitters or multiunit housing in regional areas.

Federation's response: Recommend consideration be given to supporting the use of Council's rating powers to further local housing policy objectives.

INVOLVEMENT IN STRATEGIC DIALOGUE

The Federation looks forward to engaging further in the Review process. In particular, we would welcome the opportunity to be involved in developing any proposals which would give Council's greater discretion in determining rate concessions in relation to community housing and in any consideration of other options put forward in this submission such as rate concessions for designated "Affordable Housing Projects".

Further, the implementation of the State Government's plans under "Future Directions for Social Housing in NSW" will result in changed arrangements for social housing. Potentially this may include the transfer of management and possibly ownership for a substantial portion of social housing stock, together with initiatives to provide additional housing opportunities. Changes of this order could substantially improve the financial capacity of, at least some, community housing organisations. Furthermore, a number of providers consulted in the context of this Review have indicated that should wider stock transfers proceed, there would be a basis for revisiting current rate concessions or for excluding transferred properties from any concession framework.

It would be appropriate in this context for the community housing industry to work with State and Local Government to ensure viable and equitable arrangements for setting local government rates. The Federation would welcome the opportunity to maintain a strategic dialogue in relation to this and other issues arising from this review.

Thank you for the opportunity to provide a submission to the Review of the Local Government Rating System and for agreeing to accept our submission on 27 May 2016.

For further information, please contact Adam West, on 02 9281 7144 or by email Adam

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Yours sincerely,

Wendy Hayhurst
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NSW Federation of Housing Associations