



12 May 2017

Dr Peter J Boxall AO
Chair, Review of rent models for social and affordable housing
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

By email: jennifer_vincent@ipart.nsw.gov.au

Dear Dr Boxall

Re: Review of Rent Models for Social and Affordable Housing

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of eleven city and municipal councils covering central and eastern suburbs, westwards to Burwood and Bankstown and southwards to Sutherland. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member Councils cover a population of over 1.7 million, one third of the population of Sydney.

In order to make this submission within the timeframe of the review, it has not been possible for it to be reviewed by councils or to be endorsed by the SSROC, and we will contact you further if any issues arise as it is reviewed.

The details of SSROC comments are as below.

GENERAL COMMENTS

SSROC welcomes the NSW Government initiative in appointing the Independent Pricing and Regulatory Tribunal (IPART) to review the models for rents for social and affordable housing in NSW. We realise that the IPART review focuses on the framework for rent-setting and underlying policies for the allocation of social housing assistance. The aim of the review for social housing services that are affordable and equitable for tenants, assist those most in need, financially sustainable for housing providers and deliver better outcomes for the tenant and the community are well received.

Many of the recommendations of the IPART report are likely to contribute to the objectives of the review. There are other recommendations that need to be revisited and revised to make them responsive to the complex social and affordable housing circumstances in Sydney.

For example, the recommendations of income-based rent contribution and that government pays housing providers an explicit subsidy equal to the gap between the tenant contribution and the market rent are supported. However, the deliberate exclusion of affordable housing rent model from the IPART review, the argument that government housing assistance should only focus on the low and very low income households that need it the most are not supported. Further, the recommendation that there is no role for assisted affordable housing as a pathway to the private market are contestable and not supported. These arguments completely disregard the key worker housing crisis in Sydney and the social and economic implications.

Specific comments are provided below.

SPECIFIC COMMENTS

Exclusion of Affordable housing

The review did not develop a recommendation for a rent model for affordable housing. The reason given was that IPART considers that the government should focus available funding on social housing and alternative assistance for households on the lowest income group.

SSROC is not convinced that affordable housing rent review is not covered in the objectives of the IPART's "Review of rent models for social and affordable housing". For example, some of the aims of the review are to provide "better outcomes for both tenants and the broader community, including ... improving tenant's access to employment, education and training opportunities where relevant and "facilitating socio-economically diverse communities".

Another aim is to recommend changes to the rent framework and policies that support a housing assistance system that is "affordable and equitable for tenants".

There is a scope within these mandates to address the affordable rental rent framework, particularly for key workers in Sydney CBD and inner suburbs.

The case for affordable housing for key workers

Affordable housing is arguably a key part of Sydney's economic productivity and competitive advantage, as the Central and South Districts increasingly compete with regional, inter-state and international centres for talented workers and skilled labour.

SSROC's background paper for a Submission on Affordable Housing to the Greater Sydney Commission shows that the lack of affordable housing affects the quality of life of individual families and has a serious impact on employment growth and economic development. The lack of key workers in lower paid essential service jobs can adversely affect local economies. Affordable rental housing is an important form of community infrastructure that supports community wellbeing and social and economic sustainability and inclusive communities.

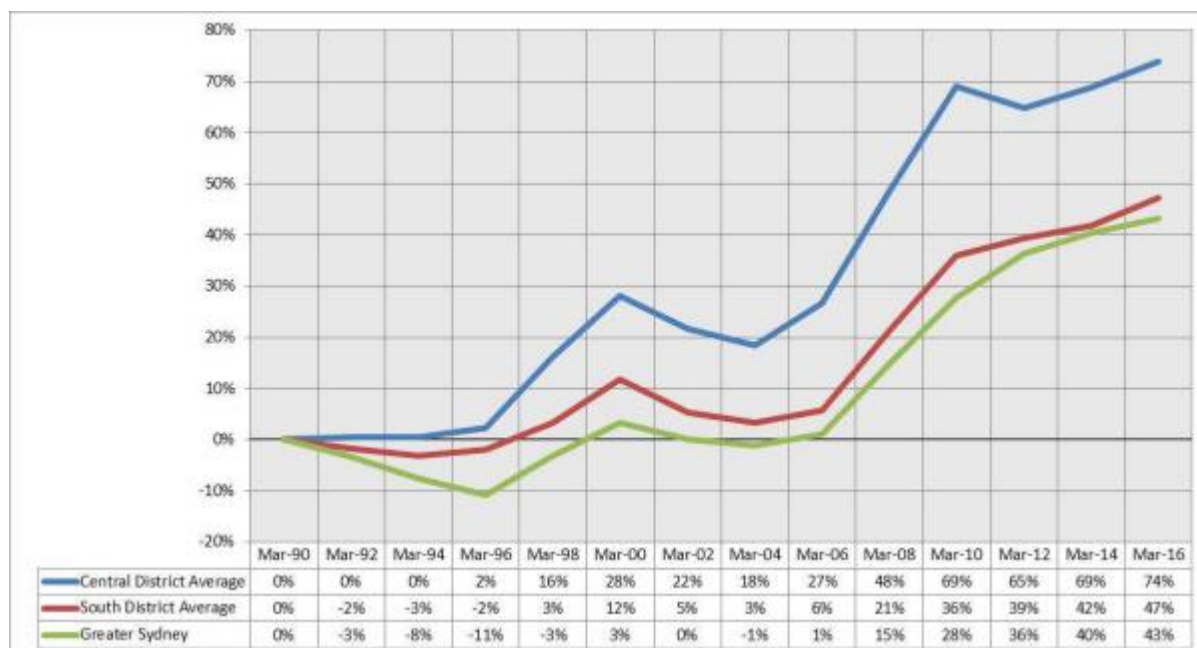
Key workers may include workers on low or moderate incomes in the health, care, education and police sectors. Examples include personal carers and assistants, child carers, and health and welfare support workers, teachers and firefighters.

SSROC's background paper included an analysis of where people who work in each local council in the Central and South Districts live, with an emphasis on lower paid and key workers. More than 50% of workers in each of these occupations live outside of the councils that comprise the Central District.

On the other hand, one of the most critical issues facing the Central and South Districts is the lack of affordable rental accommodation for very low and low income households, many of whom are key workers in retail, community and emergency services, and construction¹.

¹ Judith Stubbs & Associates, *SSROC Affordable Housing Submission: Summary of Background Reports Parts 1 & 2*, 23 August 2016

Many key workers in the CBD commute long distances and others live in severe housing stress. As shown in the graph below, rents in the last one and half decades have increased significantly.



Source: JSA 2016, based on data from Housing NSW Rent and Sales Report Issue 115, ABS Consumer Price Index 2016 (All Groups, Australia)

The IPART review should avoid the mistake of looking at affordable housing from a sectoral, micro and inward-looking perspective, as economic prosperity and social inclusiveness are at stake.

SSROC would ask the IPART review to reconsider its decision to exclude affordable housing and recommendations that NSW Government de-emphasise government-assisted affordable housing solutions.

Income-based rent contribution

The IPART recommendation that an income-based rent contribution “is the best option to keep rents affordable for tenants” and that the 25% of assessable household income that is applicable to most social housing tenants in NSW is appropriate, is generally supported. Any review of the cases where a lower proportion of income is paid as rent should be carefully categorised and approached on case-by-case basis to avoid making the lowest-income households in complex situations severely worse off.

Gap subsidy for housing providers

The review recommended that it is important to place social housing in a financially sustainable position and that the NSW Government should pay the gap between the tenant’s contribution and the **efficient cost** of delivery of social housing services as explicit subsidies to the Community Housing Providers (CHPs). This is supported as financial sustainability is important for the CHP sector. The ‘block model’ approach which is reported as generating figures close to market rents, should be open to scrutiny by CHPs.

Where applicable, and in consultation with CHPs, Councils and other key relevant stakeholders, the implementation of the ‘explicit subsidy’ could be matched by CHP-driven initiatives that improve liveability of social housing and participation in community and society. This could lead to

the creation of social capital and vibrant community, as well as a financially sustainable CHP sector.

Right of return arrangement

The IPART review's recommendation that a 'right of return' arrangement be introduced to encourage social housing tenants to seek and accept employment or opt for private rental, while ensuring their housing security if their circumstances change, is reasonable and supported.

The retention of the 'original application date' for only two years should be revisited and extended for up to 5 years. This is because the limited period of two years could be a disincentive for social housing tenants to enter a job market characterised by casual employment and often part-time job opportunities.

Measures to encourage transition from social housing and the Key Worker question

The recommendation for disincentives for tenants living in social housing whose income is over the threshold for social rental subsidy should be approached with caution to avoid unintended results for key workers in Sydney. The IPART report stated that one of the options is for such a tenant to "stay in the social housing property and pay the full property rent without subsidy (market rent) plus 5% to reflect the security of tenure provided by social housing".

Many social housing tenants within this category in the Greater Sydney Commission's Central District would be key workers. With market rents in the Sydney CBD, Eastern Suburbs and Inner West already financially challenging for key workers, the 5% extra charge would push them out and worsen the key worker crisis.

Continuous leases and changes in the concept of social housing eligibility

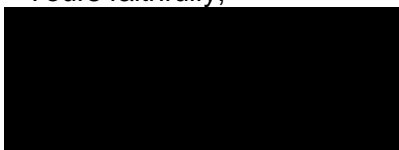
SSROC welcomes IPART draft report recommendation number 16 proposing continuous leases that are reviewed at least every three years to assess whether or not the dwelling continues to meet tenant needs.

Recommendation 17 proposes a formal policy "that a tenant's continued eligibility for social housing means they are eligible for a suitable dwelling that meets their household's needs, rather than a specific dwelling" is not supported for existing tenants.

There is need for provision of specific exemptions for some tenants, such as listed key worker roles for the local area or district. This could be undertaken in consultation with local councils. There is also need for careful consideration of the social and community support networks for tenants who could face social isolation, if they are moved from suburbs they have lived for years to another dwelling and location.

If you have any queries please contact Vincent Ogu, SSROC's Strategic Planning Manager or myself on 8396 3800.

Yours faithfully,



For:

Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils