



**public interest**  
ADVOCACY CENTRE

## **Transforming our housing system towards housing for all**

### **Submission to A Housing Strategy for NSW Discussion Paper**

**Final submission 31 July 2020**

## About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in Sydney.

Established in 1982, PIAC tackles barriers to justice and fairness experienced by people who are vulnerable or facing disadvantage. We ensure basic rights are enjoyed across the community through legal assistance and strategic litigation, public policy development, communication and training.

Our work addresses issues such as:

- Reducing homelessness, through the Homeless Persons' Legal Service
- Access for people with disability to basic services like public transport, financial services, media and digital technologies
- Justice for Aboriginal and Torres Strait Islander people, through our Indigenous Justice Project and Indigenous Child Protection Project
- Access to affordable energy and water (the Energy and Water Consumers Advocacy Program)
- Fair use of police powers
- Rights of people in detention, including equal access to health care for asylum seekers (the Asylum Seeker Health Rights Project)
- Transitional justice
- Government accountability.

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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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## **EXECUTIVE SUMMARY**

Everybody in our community should have access to a secure, affordable dwelling that meets their needs. The recent COVID-19 emergency has highlighted the critical importance of a place to call home, and the benefits to the community as a whole when this right is afforded to everyone. Unfortunately, in our state many people continue to be excluded from this universal basic need, and NSW has the highest rate of homelessness in Australia except for the Northern Territory.

PIAC congratulates the Minister for Water, Housing and Property on leading on the development of NSW's first housing strategy. We believe a whole of government strategy is necessary to address the challenge of ensuring an appropriate level of housing to everyone in our community. In our view, a comprehensive, end-to-end housing strategy for the state has the potential to drive positive change in our housing system and to help address our homelessness crisis.

Barriers to adequate housing often involve complex and intertwined issues. These require systemic responses. It is essential that the NSW Housing Strategy brings together the various policies and frameworks that form the existing policy context. These include existing strategies related to the long term use of social housing stock, approaches to residential tenancies across the rental market, and homelessness policies.

In this submission, we outline the need to plan for 'Good Growth' – that is, strategically targeted housing supply delivering benefits for all people and communities. We also identify opportunities for improved management and optimal use of social housing stock and public land over the long term. We propose a revised plan for delivering enough social housing to meet the diverse needs of people who are unable to access the private rental market, and to end homelessness. Delivering stability and security in the private rental market is also essential to build strong communities, provide true security of tenure, relieve pressure on social housing and homelessness systems, and ultimately reduce the incidence of homelessness.

Finally, we outline how a health and wellbeing framework could help deliver homes in NSW that keep people safe from extreme weather, maintain a healthy thermal environment and support good health, while making a substantial contribution to the NSW Government meeting its goal to reach net zero emissions by 2050. These systemic reforms will require highly integrated and collaborative work with the Minister for Family and Community Services, The Minister for Better Regulation and Innovation, the Minister for Planning and Public Spaces, and the Minister for Energy and Environment, as well as community and industry stakeholders.

To effectively drive reform and innovation in complex policy areas, it is vital to collaborate with the many stakeholders who will be involved in creating change. As we embark on the development of NSW's first housing strategy, we believe it will be essential to engage extensively with experts and community stakeholders at each stage of the process. We particularly urge the Government to identify opportunities to engage with community services, non-market housing providers and the homelessness services sector. This will be critical to the ultimate success of a NSW Housing Strategy.

## Summary of recommendations

### **Recommendation 1 – Set clear targets and metrics**

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*Set clear targets and metrics to assess the progress of NSW Housing Strategy, including targets related to new social housing for metropolitan, rural and remote areas, homelessness, and levels of housing stress, as well as specific targets for groups with specific needs such as Aboriginal and Torres Straits Islander people and people with disability.*

### **Recommendation 2 – Review Future Directions for Social Housing in NSW**

---

*Review Future Directions with a view to develop a social housing strategy, sitting under the umbrella of the NSW Housing Strategy, that will deliver enough housing to meet the needs of people living in NSW who are unable to access adequate housing through the private market, especially people on lower incomes.*

### **Recommendation 3 – Implement a mandatory inclusionary zoning mechanism**

---

*Implement a mandatory inclusionary zoning mechanism mandating that at least 15% of new floor space or cash equivalent is set aside for the purpose of social and affordable housing where rezoning occurs across Greater Sydney, and in other areas in NSW where this does not unduly affect development feasibility.*

### **Recommendation 4 – Review current delivery programs compared to current unmet need and future projected need**

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*Review current delivery programs including Communities Plus and the SAHF with a view to identify whether it delivers adequate levels of additional social housing compared to need, and whether there are alternative delivery models that allow to retain public land (such as capital grants for social housing renewal and delivery).*

### **Recommendation 5 – Amend the State Environmental Planning Policy (Affordable Rental Housing) 2009**

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*Amend ARH SEPP 2009 to introduce an affordability requirement for dwellings delivered under this planning pathway to be let at a price affordable to lower income households.*

### **Recommendation 6 – Work with local government to implement better universal design standards**

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*Work with local government to harmonise Development Control Plans towards better universal design standards in all local government areas.*

### **Recommendation 7 – Lead the way by implementing universal design in all social housing**

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*Commit to building all new social housing including major renovations to meet at least the gold level of Liveable Housing Guidelines.*

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**Recommendation 8 – Implement the Family Is Culture Review recommendations 32-34 and 111**

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*Commit to implementing the recommendations made by the Family Is Culture Review relating to the impact of housing insecurity on vulnerable Aboriginal families, particularly those facing domestic violence.*

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**Recommendation 9 – Increase culturally appropriate crisis accommodation**

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*Increase investment in culturally appropriate, stable and secure crisis accommodation for families at risk of involvement in the child protection system. Divert families from the requirement to move constantly between temporary accommodation providers in times of crisis, including parents whose children have been recently removed.*

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**Recommendation 10 – Increase investment in social housing with a focus on vulnerable families**

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*Increase investment in social housing which can be made available to families at risk, particularly Aboriginal families in regional areas.*

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**Recommendation 11 – Improve coordination between NSW housing and child protection services**

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*In consultation with Aboriginal and community stakeholders, develop and publish guidelines to improve coordination between housing officers and child protection caseworkers working with families that have intersecting housing and child protection issues.*

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**Recommendation 12 – Advocate to the Commonwealth for a ‘fair go’ for first home buyers**

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*Advocate to the federal government for reform of the taxation settings that disadvantage first home buyers such as CGT exemptions and discounts, and negative gearing.*

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**Recommendation 13 – Reform ‘no-grounds’ evictions with a range of ‘reasonable grounds’**

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*Current provisions in the Residential Tenancies Act 2010 allowing evictions for ‘no grounds’ ( s 84 and s 85) should be removed and replaced with a range of ‘reasonable’ grounds for ending a tenancy agreement.*

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**Recommendation 14 – Investigate mechanisms to ensure landlords are aware of their obligations and responsibilities**

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*Investigate a licensing scheme and/or information campaigns and capacity building programs so landlords are aware and understanding of their obligations and responsibilities when deciding to provide an essential service such as housing in the pursuit of financial profit.*

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**Recommendation 15 – Improve rights and protections for boarding houses residents**

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*Improve rights and protections for boarding houses residents by mandating for security deposits to be lodged with Fair Trading NSW, longer notice periods for boarding houses proprietors to terminate occupancy agreements, and for proprietors to provide a reasonable explanation for ending occupancy agreements. Other measures should also be considered as part of the review of the Boarding Houses Act 2012, including discontinuing the Act by integrating it into the Residential Tenancies Act 2010 to provide adequate rights and protections for all people who pay for an exclusive or non-exclusive right to occupy premises for residential purposes.*

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**Recommendation 16 – Consider improved ways to regulate the boarding houses sector**

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*Investigate the best ways to regulate the boarding houses sector, including through an improved registration and accreditation scheme, increased funding for local councils and/or Fair Trading to investigate and enforce compliance with the Act and other relevant legislation.*

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**Recommendation 17 – Discontinue reviews of continuing eligibility**

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*Discontinue reviews of continuing eligibility and offer all public housing tenants security of tenure through periodic, continuing leases either after their fixed term expires or immediately upon entry in social housing.*

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**Recommendation 18 – Review and reform the rent setting framework to eliminate work disincentives**

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*Review the rent setting framework and reform rent setting policies in order to eliminate disincentives to workforce participation for public housing tenants.*

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**Recommendation 19 – Develop an ambitious social housing delivery plan to end homelessness and housing stress**

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*As part of the elaboration of NSW Housing Strategy, develop a plan in consultation with peak bodies and the housing and homelessness sector to end homelessness and housing stress by delivering enough social housing homes to meet the needs of people in the first two income quintiles within the next twenty years.*

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**Recommendation 20 – Consider how to provide greater integration and flexibility between social and affordable housing tenures**

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*Investigate how social and affordable housing tenures can be better integrated and how can residents move between tenancies without physically having to move. This should be considered in close collaboration with CHPs as they would have input on how to manage portfolios dynamically.*



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**Recommendation 21 – Housing First as a guiding principle for homelessness policy in NSW**

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*Adopt ‘Housing First’ as a guiding principle for addressing homelessness in the NSW Housing strategy, and develop a plan to deliver enough social housing as exit points in line with recommendations 2,4 and 19.*

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**Recommendation 22**

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*The NSW Government set an enforceable target for all NSW residential buildings to perform at or above 7.5 NatHERS stars or equivalent by 2040.*

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**Recommendation 23**

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*The NSW Government require all NSW residential buildings to disclose their efficiency performance at point of sale or lease, using a performance format equivalent to NatHERS, no later than 2023.*

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**Recommendation 24**

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*The 2040 performance target be implemented in stages and signaled in advance, in conjunction with disclosure and information provision requirements.*

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**Recommendation 25**

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*The implementation of minimum performance standards for rental properties be prioritised, commencing no later than 2023.*

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**Recommendation 26**

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*An ‘as built’ assessment of building performance be adopted in implementation of the 2040 target strategy. An approach allowing specification of required minimum elements should only be allowed in specified circumstances, where equivalent outcomes can be demonstrated.*

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**Recommendation 27**

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*The NSW Government audit of all social housing as the first stage of a program to accelerate the upgrade or replacement of all NSW social housing to meet appropriate energy efficiency performance standards set through the Housing Strategy.*

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**Recommendation 28**

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*The NSW Government work with the Australian Government to accelerate responses outlined in the NLEPP, and implement or expand programs that ensure that low income household upgrades are prioritised.*

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**Recommendation 29**

*The expansion of the Energy Savings Scheme, as part of the NSW Energy Security Safeguard, support the NSW Housing strategy 2040 target and the upgrade of NSW housing energy efficiency performance.*

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**Recommendation 30**

*The NSW peak demand reduction scheme prioritises the inclusion of households.*

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**Recommendation 31**

*New gas housing connections be paused as part of a long term strategy to minimise household reliance upon gas, and household exposure to gas network cost recovery.*

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**Recommendation 32**

*Existing gas consumers should be assisted to switch their appliances from gas to efficient electric and disconnect gas where practical and cost effective. Supports should protect low income households from any additional costs.*

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**Recommendation 33**

*Existing appliance replacement programs be substantially expanded and extended to include fixed appliances, as well as other high energy use appliances that are important in sustaining household health.*

## **Introduction – A vision for Housing in NSW**

PIAC's Homeless Persons' Legal Service (HPLS) seeks to reduce homelessness by helping people who are homeless, or at risk of homelessness, to access and maintain appropriate, stable housing. We also support the human rights of people currently experiencing homelessness, including rough sleepers. We achieve this through practical legal assistance and policy advocacy.

We commend the proposed vision for the NSW Housing Strategy for its focus on 'security, comfort and choice for all people at all stages of their lives'. We support a vision for housing that is well-located, diverse, enduring and resilient. The vision outlined in the discussion paper is, however, quite long and complex, and includes a mechanism to achieve the vision: '**achieved through supply** that meets the demand for diverse, affordable and resilient housing' (emphasis added).

PIAC suggests that the vision for housing in NSW should be clear and simple, and avoid prescribing mechanisms to achieve outcomes. It should also be underpinned by an equity-based approach. While we commend the commitment to provide support and opportunity to all people, it is important to consider that people who live in NSW have very different circumstances and

housing situations. The needs of people who are currently experiencing homelessness, housing stress, or otherwise live in housing that is inadequate to their needs should be given the highest priority, given the extent of their need.

PIAC therefore suggests a vision that is more focused on people and their wellbeing rather than on housing itself, such as:

**‘All people at all stages of their lives have access to a safe, secure, affordable home that supports their health and wellbeing.’**

## **1. Housing supply in the right location and the right time**

Planning for consistent, stable, and diverse housing supply is a key aspect of successful urban planning strategies. Housing supply interacts with housing demand in a number of ways, as do other goods. It is not the case, however, that housing affordability issues can be resolved simply, or primarily, through increased general housing supply.

There are a number of reasons for this. Some are related to the specific character of land as a good, notably that residential land cannot be produced except through change in land use and under the form of airspace. Others relate to special characteristics of housing markets such as developers controlling supply, and in the case of Australia, a strong tendency for rising prices to fuel rather than temper demand. Broader factors such as population growth, the financialisation and globalisation of housing markets, and historically low interest rates, combined with a taxation system that mitigates negative yields (negative gearing) and magnifies potential capital gains (Capital Gains Tax (CGT) exemptions and discounts), make for very high elasticity if not virtually unlimited demand. Considering that housing supply is a very limited lever on total housing stock (yearly supply equates to about 2% of total stock),<sup>1</sup> it is clear that delivering significant improvements in housing affordability through general, non-targeted supply, is extremely unlikely even with planning approvals and dwelling delivery at record levels.<sup>2</sup>

Housing supply has not delivered affordability, security or quality for a significant amount of NSW households, in spite of record levels of supply in recent years. In fact, the situation has worsened for many. The number of people experiencing homelessness has increased 37% between 2011 and 2016, exceeding the rate of population growth.<sup>3</sup> The number of people assisted by Specialist Homelessness Services (SHS) has grown 43% in only 3 years between 2013-14 and 2016-17.<sup>4</sup> Rental stress is a severe issue, particularly for very low- and low-income households (**lower income households**). Less than 10% of properties are affordable across Greater Sydney for very low-income earners, and less than a third for low income earners.<sup>5</sup> This is before considering housing needs as measures included in the discussion paper focus on properties

<sup>1</sup> ABS Data, comparing [number of dwellings commenced](#) (around 50,000/year in strong supply years) to [total number of dwellings](#) in Australia (over 10 million).

<sup>2</sup> For further discussion see for example Professor Peter Phibbs and Professor Nicole Gurrán (2017) Why housing supply isn't the only policy tool politicians should cling to, *The Conversation*, accessible [here](#).

<sup>3</sup> NSW Department of Planning, Industry and Environment (2020) Discussion Paper: A housing strategy for NSW (**Discussion Paper**), page 63.

<sup>4</sup> *Ibid.*

<sup>5</sup> See the Discussion Paper, page 59-61.

offered at the lowest rents, the bottom 25% of price points.<sup>6</sup> This would not include properties with large numbers of bedrooms that are needed by large families, for example.

A successful housing strategy for NSW must recognise that the private market has very limited capacity to deliver safe, secure, affordable housing for a significant proportion of NSW households, particularly those in the first two income quintiles (**lower income households**). NSW Government must lead on delivering housing for these people and families.

Planning for housing supply should include significant amounts of supply that is targeted towards lower and moderate-income households, in other words non-market housing, through a variety of mechanisms.

First and most importantly, government should seek to deliver enough social housing to meet the housing needs of lower income households. The current programs, mainly Communities Plus and the Social and Affordable Housing Fund (SAHF), fall short of delivering enough social housing dwellings to meet the need. Indeed, Communities Plus is mostly an urban renewal program, with over two thirds of dwellings delivered under the program estimated to be replacement rather than additional social housing dwellings.<sup>7</sup> The SAHF contribution is important, with 3,400 dwellings in total,<sup>8</sup> but too limited compared to need. Combined, these two programs can be expected to deliver about 10,000 social housing dwellings.

This is much needed supply, but it remains clearly insufficient compared to the need for 213,000 dwellings between 2016 and 2036 based on current unmet need and projected future needs.<sup>9</sup> This is especially true considering the 6,500 or so additional social housing dwellings delivered under Communities Plus will be over a 15 year to 20 year timeframe. While this situation is the result of decades of under-investment in social housing<sup>10</sup> rather than a reflection of the performance of current NSW Government, it is urgent to address it by developing an ambitious strategy to deliver social housing at scale.

The second mechanism that can contribute to targeted housing supply is mandatory inclusionary zoning (**MIZ**). MIZ is a value sharing planning mechanism that captures a percentage of the significant amounts of additional land value that result from rezoning. PIAC supports the recommendations of housing and homelessness peak bodies that at least 15% of new floor space should be set aside for the purpose of social and affordable housing. While the number of dwellings delivered through MIZ is relatively small compared to the need,<sup>11</sup> it accomplishes two important functions. First, it delivers new social and affordable housing as the city grows, mitigating the impact of gentrification and limiting displacement of lower income households and

<sup>6</sup> Ibid, page 60-61.

<sup>7</sup> Estimates from Professor Hal Pawson, City Futures Research Centre UNSW (2018) NSW is overselling its social housing commitment, *The Fifth Estate*, available [here](#). PIAC would welcome release of data by LAHC regarding the exact numbers of replacement and additional dwellings delivered under Communities Plus.

<sup>8</sup> Department of Communities & Justice (2019) Overview of the SAHF, available [here](#).

<sup>9</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report No. 306, Australian Housing and Urban Research Institute Limited, Melbourne, URL, doi:10.18408/ahuri-5314301.

<sup>10</sup> As acknowledged by the Discussion Paper, page 62, social housing has fallen to historically low proportions of total stock, 4.1% of total stock in NSW.

<sup>11</sup> Phibbs, P, King L. A. (2018) Potential affordable dwelling yields from a NSW Inclusionary Zoning Scheme, Report prepared for Shelter NSW, The University of Sydney, Sydney. Accessible [here](#).

key workers. Second, by capturing a proportion of uplift, it makes corruption and speculating on the potential rezoning of land to high density less attractive.<sup>12</sup>

We reiterate the importance of a strategy focused on direct supply by government of social and affordable housing dwellings. The community housing sector is already significantly leveraged and can only grow so far with current initiatives. The Social Housing Management Transfer program transfers management of dwellings rather than creating new ones, and so far National Housing Finance Investment Corporation (NHFIC) bonds have been used for refinancing rather than delivering new built, reflecting the relatively high levels of debt of many Community Housing Providers (CHP). Planning mechanisms such as SEPP 70 can only deliver limited amounts of new affordable housing due to competing priorities in development contributions, and the intrinsic aspect of capturing a relatively small amount of market led supply, which is itself a small amount of total stock as previously discussed.

Investment in social housing (community or public) that responds adequately to the need will require investment from both State and Commonwealth. This could be done through the National Housing and Homelessness Agreement (NHHA). AHURI research has shown a capital grant model supported by efficient financing to be the most cost-efficient delivery model in Australia.<sup>13</sup> We support this approach.

The need for targeted supply is not only about income. The issue of affordability is compounded by the specific needs and/or discrimination faced by some cohorts. NSW Government must work on delivering increased levels of non-market housing for these groups. For example, Aboriginal people living in regional areas may have difficulties in accessing the private rental market due to discrimination. HPLS clients have reported a significant problem in some regional communities with private real estate agents effectively refusing to show or lease properties to prospective Aboriginal tenants. Similarly, families with children at risk of involvement in the child protection system often have specific housing needs they may struggle to meet in the private rental market. This includes housing that can accommodate multiple children, is close to family support services and available in a timely manner to prevent child removal or support family reunification.

In the same way that policies and regulation ensure there is a sufficient supply of diverse housing, for example housing designed to ensure older people are able to age in place, there needs to be a strategy to ensure sufficient supply of housing targeted at lower income households and other cohorts whose needs the private market is unable to meet.

### ***Recommendation 1 – Set clear targets and metrics***

*Set clear targets and metrics to assess the progress of NSW Housing Strategy, including targets related to new social housing for metropolitan, rural and remote areas, homelessness, and levels of housing stress, as well as specific targets for groups with specific needs such as Aboriginal and Torres Straits Islander people and people with disability.*

<sup>12</sup> See for example Marcus Spiller, SGS Economics & Planning (2020) An economic fix for planning scandals, accessible [here](#).

<sup>13</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report No. 306, Australian Housing and Urban Research Institute Limited, Melbourne, URL, doi:10.18408/ahuri-5314301.

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**Recommendation 2 – Review Future Directions for Social Housing in NSW**

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*Review Future Directions with a view to develop a social housing strategy, sitting under the umbrella of the NSW Housing Strategy, that will deliver enough housing to meet the needs of people living in NSW who are unable to access adequate housing through the private market, especially people on lower incomes.*

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**Recommendation 3 – Implement a mandatory inclusionary zoning mechanism**

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*Implement a mandatory inclusionary zoning mechanism mandating that at least 15% of new floor space or cash equivalent is set aside for the purpose of social and affordable housing where rezoning occurs across Greater Sydney, and in other areas in NSW where this does not unduly affect development feasibility.*

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**Recommendation 4 – Review current delivery programs compared to current unmet need and future projected need**

---

*Review current delivery programs including Communities Plus and the SAHF with a view to identify whether it delivers adequate levels of additional social housing compared to need, and whether there are alternative delivery models that allow to retain public land (such as capital grants for social housing renewal and delivery).*

## **2. Diverse housing for diverse needs**

### **2.1 Towards a broader understanding of housing diversity: Encouraging both diversity of tenure and built form**

In recent years, housing strategies and policies in NSW have focused on encouraging greater housing diversity, understood as diversity of built form including more medium and high density precincts. While this is a laudable objective in its own, given that Australian cities are some of the least dense<sup>14</sup> and most car-centric urban environments in the world,<sup>15</sup> a wider understanding of the concept of housing diversity could deliver better outcomes for residents of NSW.

Housing diversity should include support for diversity of tenures in addition to diversity of built form. This means evolving our housing policy framework towards a tenure neutral approach, where all tenures provide safe, secure, sustainable and affordable homes. As discussed in the first part of this submission, this involves delivering more social and affordable housing so non-market housing ceases to be a marginal tenure. This would contribute to reducing stigma, allow social mix and greater cross subsidy of the social housing portfolio by relaxing stringent eligibility criteria, and to an extent compete with the private market at low price points, encouraging landlords to 'up their game' in the quality of the dwellings and the tenancy management services they provide.

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<sup>14</sup> Charting Transport (2016) Comparing the densities of Australian, European, Canadian and New Zealand cities, accessible [here](#).

<sup>15</sup> For modal share data see for example Journeys (2014) Passenger Transport Mode Shares in World cities [here](#) or Charting Transport (2019) Update on Australian transport trends [here](#).

It is also a recognition that strategies to encourage delivery of more diverse housing (mostly smaller, multi-dwelling housing and residential flat buildings) have not delivered affordability for the first two income quintiles. While small dwellings located close to public transport do respond to a need in the housing market, they are not suitable for larger families and unaffordable for most lower income households. This is because newer, well located stock tends to be more expensive than existing unaffordable stock, or inaccessible because prospective low income tenants are in competition with higher income applicants, who are more likely to be selected by the landlord as they can afford rent more comfortably. Delivering 'diverse housing' also means delivering enough non-market housing that is suitable for the needs of the lowest income and most vulnerable people.

*How can the NSW Government best support councils and industry to deliver housing for people with disability and other complex needs such as mental health, domestic violence and substance abuse? ('For Discussion', Discussion Paper p49)*

There are measures that can be taken so private housing is more accessible to people with disability and other complex needs, as described further in section 2.3. It is important to note, however, that local government has limited capacity to deliver housing that meets the needs of people with disability and other complex needs, and the private rental market even less so. People with disability continue to experience discrimination. As a consequence, they tend to have higher unemployment rates and lower incomes. 48% of working age people with disability are employed compared to 79% of people without disability. The income of people with disability is more likely to come primarily from income support, compared to wages or salary for people without disability.<sup>16</sup> Given the very low levels of the Disability Support Pension (DSP) and other income supports sources, and the unaffordability of the private rental market, it is very difficult for many people with disability to access an adequate, affordable dwelling. Similar issues exist for people with complex needs such as mental health, domestic violence and substance abuse for different reasons. As indicated above, families involved or at risk of involvement in the child protection system are another group with complex needs that must be considered in the creation of the NSW Housing Strategy.

The majority of people in these cohorts will require social housing. This is a responsibility of State government that it is neither realistic nor desirable to shift to the private market and/or local government.

By limiting access to the affordable housing delivered under the Affordable Rental Housing Targets to very low- and low-income households,<sup>17</sup> the Greater Sydney Commission (GSC) has introduced some confusion around the definitions of social and affordable housing, and the roles of local and state government in housing specific cohorts. PIAC does support greater flexibility and further integration of social and affordable housing as discussed further in section 3. This must be done, however, through upwards harmonisation - by delivering sufficient supply to allow for a diversity of people on varying incomes to live in social and affordable housing. It should not result in further restricting access to affordable housing to people with high and complex needs

<sup>16</sup> Australian Institute of Health and Welfare (2019) People with disability in Australia. Accessible [here](#).

<sup>17</sup> Greater Sydney Commission (2018) Greater Sydney Region Plan: A Metropolis of Three Cities, Objective 11: Housing is more diverse and affordable, accessed through the [GSC webpage on Objective 11](#).

on the lowest incomes, effectively shifting responsibility to deliver and manage social housing to local government.

*There are a range of actions we could take to support housing diversity. Which ones should be prioritised in the NSW Housing Strategy? ('For Discussion', Discussion Paper p49)*

## 2.2 Ensuring ARH SEPP 2009 delivers on its objectives

As described in the discussion paper, the State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARH SEPP) allows for the development of diverse housing types such as secondary dwellings and boarding houses. There is strong evidence that ARH SEPP should be amended to ensure it meets its objectives, that is the delivery of housing that is affordable to people on lower incomes.

ARH SEPP has done very little to add to the private rental market stock affordable to those on the lowest income. Most of the dwellings delivered under the generous provisions of ARH SEPP (reduced parking requirements, preventing council from refusing development consent when certain conditions are met, equal or higher Floor Space Ratio (FSR) than for residential housing in Local Environment Plans (LEPs)) can be characterised as 'new generation boarding houses' (NGBH). Most of the people living in these dwellings occupy a self-contained room, under a residential tenancy agreement, and their socio-economic profile is more similar to students and young professionals than it is to marginal renters.<sup>18</sup> While numbers of NGBH have greatly increased, the number of boarding houses claiming a land tax exemption, meaning that they provide rooms under a certain price point affordable to low income households, has remained stable.<sup>19</sup>

ARH SEPP should be reformed in order to link its generous planning provisions to an affordability requirement, ideally a specific price point that is affordable to people on lower incomes or at least a mandated discount to market rate. This is a low-cost reform that will ensure the SEPP delivers on its objectives and is supported by peak bodies, academics and some local governments.<sup>20</sup> The question of whether there should be planning pathways for developers to deliver self-contained, micro-apartments smaller than the provisions of the Apartment Design Guide/SEPP 65 should be considered separately.

While boarding houses play a role in the housing system, they can only represent a small and medium-term part of the response to homelessness and housing stress. Boarding houses fundamentally lack privacy and security of tenure, and too often safety and comfort as well. Ensuring affordable housing for people on lower incomes therefore requires a commitment to the social and affordable housing system.

<sup>18</sup> City Futures Research Centre UNSW for Shelter NSW (2019) Boarding houses in NSW: Growth, change and implications for equitable density, Shelter brief no. 64. Accessible [here](#).

<sup>19</sup> Ibid.

<sup>20</sup> Shelter NSW (2019) Summary and policy implications of Shelter brief no. 64 Boarding houses in NSW: Growth, change and implications for equitable density, accessible [here](#). Troy, van den Nouwelant, Randolph (2019) Occupant Survey of recent boarding houses developments in Central and Southern Sydney, City Futures Research Centre UNSW research report for Southern Sydney Regional Organisation of Councils (SSROC), accessible [here](#). Inner West Council (2020) Local Housing Strategy, page 58, downloadable [here](#).



### ***Recommendation 5 – Amend the State Environmental Planning Policy (Affordable Rental Housing) 2009***

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*Amend ARH SEPP 2009 to introduce an affordability requirement for dwellings delivered under this planning pathway to be let at a price affordable to lower income households.*

## **2.3 Better homes for all**

PIAC strongly supports the statement made in the discussion paper that ‘People with disability should have housing choice, amenity, affordability and stability, as well as independence and dignity.’<sup>21</sup> In principle, we support incentives in the NSW Housing Strategy to support NDIS funded housing as well as planning controls facilitating the development of Specialist Disability Accommodation (SDA) housing.

There should also be requirements for homes to be accessible to everyone. NSW Government should work with local government as part of the implementation of the NSW Housing Strategy so universal design requirements are implemented by councils through their Development Controls Plans (DCP) for all new housing including residential flat buildings and detached houses. It is important that these standards allow a person with disability to both live in a house as well as visit.

Using the Liveable Housing Guidelines standards,<sup>22</sup> for example, this means targeting the Gold level as a minimum, and not the Silver level (the current standard for some Communities Plus projects such as Waterloo) which allows people with disability to visit and facilitates future retrofitting rather than providing them with an immediately available housing option. Dwellings using a universal design approach not only allow people with disability to have housing choice and amenity, but they are more suitable and usable by all, including older people - a very positive outcome in the context of an ageing population.

NSW Government should lead the way in delivering amenity, affordability, stability, independence and dignity for people with disability by committing to building all new social housing dwellings, including major renovations to at least the Gold level of the Liveable Housing Guidelines.

### ***Recommendation 6 – Work with local government to implement better universal design standards***

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*Work with local government to harmonise Development Control Plans towards better universal design standards in all local government areas.*

### ***Recommendation 7 – Lead the way by implementing universal design in all social housing***

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*Commit to building all new social housing including major renovations to meet at least the gold level of Liveable Housing Guidelines.*

In developing its Housing Strategy, PIAC also urges the NSW Government to consider the unique housing needs of families and children involved or at risk of involvement in the child protection system, particularly Aboriginal families and children who are overrepresented in this category.

<sup>21</sup> Discussion paper page 49.

<sup>22</sup> Liveable Housing Australia (2017) Liveable Housing Design Guidelines, Fourth Edition. Accessible [here](#). Liveable Housing Australia also offers accreditation services.

Inability to access suitable housing can have serious consequences for the ability of families to safely care for their children.

The recent *Family Is Culture Review* of Aboriginal children and young people in out-of-home care in NSW highlighted the importance of stable accommodation to ensure the safety of children, identifying lack of access to appropriate housing as a key driver for child removal as well as a barrier to the restoration of children to their families following removal.<sup>23</sup> The Review noted the particular intersection between housing issues and domestic or family violence, highlighting the need for increased temporary accommodation as well as longer-term investment in social housing to increase the availability of housing for vulnerable Aboriginal women and their families.<sup>24</sup>

Urgent access to safe accommodation is essential when families face crisis situations, however the instability of the current temporary accommodation system (which requires families to constantly move between providers) increases stress at a critical time and often represents a barrier to parents engaging with child protection services or complying with Departmental or court-ordered requirements to ensure child safety. Lack of transparency or consistent eligibility criteria across Specialist Homelessness Services can leave vulnerable families unable to access more stable and supported short-term accommodation in crisis situations. Increasing the availability of culturally appropriate crisis accommodation, particularly for women fleeing domestic violence situations, is essential to addressing the housing needs of this vulnerable group.

Further, families at risk often struggle to access long-term accommodation that is both affordable and suitable for their needs, including housing that can accommodate multiple children or is located close to family or support services. These difficulties are intensified in regional areas. In many cases, the housing needs of at-risk families will not be met in the private rental market and will require increased investment in social housing as well as improved coordination between housing and child protection services.

The *Family Is Culture Review* highlighted how onerous requirements imposed on parents seeking priority social housing frustrate their efforts to secure stable accommodation for their children in times of crisis.<sup>25</sup> Similarly, extended wait times for social housing are at odds with the speed of child protection decision-making, increasing the risk of child removal where families are experiencing housing instability and are unable to access housing in the private rental market.

Given the seriousness of these issues and the consequences for the children and families involved, the NSW Housing Strategy should prioritise actions to address the particular needs of families at the intersection of the child protection and housing systems.

<sup>23</sup> *Family Is Culture: Independent Review of Aboriginal Children and Young People in Out-Of-Home Care*, Final Report (2019) 171-2 and 359-360, available online <<https://www.familyisculture.nsw.gov.au>>.

<sup>24</sup> *Ibid*, Recommendation 34.

<sup>25</sup> *Ibid*, 359.

### **Recommendation 8 – Implement the Family Is Culture Review recommendations 32-34 and 111**

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*Commit to implementing the recommendations made by the Family Is Culture Review relating to the impact of housing insecurity on vulnerable Aboriginal families, particularly those facing domestic violence.*

### **Recommendation 9 – Increase culturally appropriate crisis accommodation**

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*Increase investment in culturally appropriate, stable and secure crisis accommodation for families at risk of involvement in the child protection system. Divert families from the requirement to move constantly between temporary accommodation providers in times of crisis, including parents whose children have been recently removed.*

### **Recommendation 10 – Increase investment in social housing with a focus on vulnerable families**

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*Increase investment in social housing which can be made available to families at risk, particularly Aboriginal families in regional areas.*

### **Recommendation 11 – Improve coordination between NSW housing and child protection services**

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*In consultation with Aboriginal and community stakeholders, develop and publish guidelines to improve coordination between housing officers and child protection caseworkers working with families that have intersecting housing and child protection issues.*

## **3. Housing with improved affordability and stability**

The New South Wales housing system does not deliver affordability and stability for many of the residents of our State.<sup>26</sup> As acknowledged by the discussion paper, home ownership is out of reach for very-low- and low-income earners.<sup>27</sup> For moderate income earners, home ownership is extremely difficult to attain, requiring close to ten years of savings to put down a deposit, followed by years of severe mortgage stress. The private rental market is unaffordable and insecure, and there is a severe shortage of social housing, causing some to fall through the cracks and become homeless, and many others to suffer severe housing stress affecting their lives and opportunities.

Business as usual measures will not work to address these serious issues. We must rethink our housing system and implement ambitious policy and law reform measures in order to deliver a secure home for all.

<sup>26</sup> We note that the 27% of households who rent (ABS 2016 Census data) do not have security of tenure and that the housing market is unaffordable for people in the lowest two income quintiles (40% of the population) and most of those in the third quintile (close to 60%). This would not include young people who are forced to continue living with their parents due to lack of affordability and/or stability. This allows to reasonably assume that a majority of people do not have affordability and/or stability.

<sup>27</sup> Discussion paper, table 4 and 5, page 56.

### 3.1 Moving away from supporting home ownership at all cost

There are no intrinsic health and wellbeing benefits from owning your own home. The benefits that come from home ownership in Australia, such as stability and the possibility to make significant modifications to your home, amongst others, are the consequence of public policy choices. They could be attained by private tenants and people in social housing as well, as they are in many other OECD countries with similar living standards.

Support for first home buyers (FHBs), like other demand side subsidies, tends to be absorbed into dwellings prices to a significant extent, either through the seller increasing the asking price, or by FHBs bidding against each other based on the grants to which they have access. First home buyers who access these schemes, which are costly to government, tend to be households who were going to access home ownership at some stage anyway. A significant proportion of beneficiaries from first home buyer support schemes put forward a purchase they were already intending to make, or use the scheme to purchase a more expensive property.

Policy levers that could make a real difference for first home buyers reside with the Commonwealth. Reform of CGT exemptions and discounts, and negative gearing, would level the playing field on the housing market and allow FHBs to access the market at more reasonable prices. We acknowledge that this is outside the scope of this consultation, but would encourage the NSW Government to advocate to the federal government for reform of these taxation settings.

Additional support for first home buyers, particularly in Greater Sydney should be, at best, a secondary priority for the NSW Housing strategy in the midst of a homelessness and housing affordability crisis.

#### ***Recommendation 12 – Advocate to the Commonwealth for a ‘fair go’ for first home buyers***

*Advocate to the federal government for reform of the taxation settings that disadvantage first home buyers such as CGT exemptions and discounts, and negative gearing.*

### 3.2 Stability for people who rent their home

Instability and the inability to make significant modifications or obtain repairs is not intrinsic to renting. It is the consequence of NSW tenancy legislation.

The percentage of NSW residents who rent their home is increasing, with close to 30% of NSW households renting currently, and over 40% in areas such as Eastern Sydney.<sup>28</sup> While renters used to be primarily younger people, there are now many more families and older people, of whom many are likely to be ‘life-long’ renters.<sup>29</sup>

Support for housing diversity (in terms of both tenure and built form) also requires legislation that provides security of tenure for people who rent their home. PIAC agrees with DPIE analysis that the dominance of small scale, amateur landlords in NSW contributes to ‘rental instability, as

<sup>28</sup> NSW Housing Strategy Discussion paper, page 50, page 53.

<sup>29</sup> See for example Hulse, K., Parkinson, S. and Martin, C. (2018) Inquiry into the future of the Private Rental Sector, AHURI Final Report 303, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/303>, doi: 10.18408/ahuri5112001.

owners can end tenancies quickly, may neglect necessary repairs and contribute to landlord/tenants conflict'<sup>30</sup> and that 'this lack of stability can increase pressure on social housing and negatively impact personal and community wellbeing.'<sup>31</sup> As outlined in the discussion paper, involuntary moves (evictions) disrupt individual and family lives, communities, and represent a financial and wellbeing burden for people affected. This level of insecurity permeates tenants' lives, undermining an individual's ability to establish themselves in a community and plan for the future. This inhibits the development of strong, prosperous, productive communities.

NSW Government has the capacity to address these serious issues at very little cost. The main issue affecting people who rent their homes is the existence in NSW legislation of 'no-grounds' evictions, as provided for by s 84 and s 85 of the *Residential Tenancies Act 2010*.

Australia is one of the few OECD countries where no-grounds evictions exist.<sup>32</sup> These provisions mean that people who rent their homes can be evicted without the landlord having to provide a reason. They also undermine every other right they may have under the Act. Indeed, there is always a possibility tenants will be served an eviction notice if they assert their rights, and while there are provisions against retaliatory evictions in the legislation, they are very difficult to prove. 'Disrupted', a research report about the experiences of tenants in Australia, has found that 44% of renters are concerned a request for essential repairs could lead to them being evicted.<sup>33</sup> HPLS clients commonly report retaliatory evictions following complaints about landlords. Existing provisions against retaliatory evictions in the *Residential Tenancies Act 2010* (section 115) are weak and do not provide adequate protection.

It's time to modernise our tenancy legislation to provide greater security and stability to the growing numbers of people who rent their home. NSW Government should address these serious issues by reforming 'no-grounds' evictions in line with the recommendations of the '[Make Renting Fair](#)' campaign. We also recommend that NSW Government investigate a licensing scheme and/or information campaigns and capacity building programs so landlords are aware and understanding of their obligations and responsibilities.

We recommend that these reforms be implemented in consultation with the Tenants Union of NSW, a community legal centre with significant expertise in residential tenancy and associated legislation.

***Recommendation 13 – Reform 'no-grounds' evictions with a range of 'reasonable grounds'***

*Current provisions in the Residential Tenancies Act 2010 allowing evictions for 'no grounds' ( s 84 and s 85) should be removed and replaced with a range of 'reasonable' grounds for ending a tenancy agreement.*

<sup>30</sup> NSW Housing Strategy Discussion Paper, page 57.

<sup>31</sup> Ibid.

<sup>32</sup> For an in-depth discussion of Australian regulatory protections compared to other countries from an Australian perspective, see Martin, C., Hulse, K. and Pawson, H. with Hayden, A., Kofner, S., Schwartz, A. and Stephens, M. (2017) The changing institutions of private rental housing: an international review, AHURI Final Report No. 292, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/292>, doi: 10.18408/ahuri7112201.

<sup>33</sup> CHOICE, National Shelter, Nato (2018) Disrupted: The consumer experience of renting in Australia, page 7. Available [here](#).

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**Recommendation 14 – Investigate mechanisms to ensure landlords are aware of their obligations and responsibilities**

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*Investigate a licensing scheme and/or information campaigns and capacity building programs so landlords are aware and understanding of their obligations and responsibilities when deciding to provide an essential service such as housing in the pursuit of financial profit.*

### **3.3 Improve protections for vulnerable renters**

The NSW Housing Strategy should include an agenda for reform of occupancy laws, including the *Boarding Houses Act 2012*. There are opportunities to improve regulation of the boarding houses sector, in particular through

- better definitions of lodgers, boarders and boarding houses,
- developing an accreditation system for boarding houses operators based on the type of services that they provide to occupants, and
- increasing rights and protections for occupants of boarding houses.<sup>34</sup>

PIAC looks forward to the outcomes of the current review of the *Boarding Houses Act 2012* and is ready to provide further advice based on our experience assisting vulnerable people living in boarding houses through our Homeless Persons Legal Service.

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**Recommendation 15 – Improve rights and protections for boarding houses residents**

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*Improve rights and protections for boarding houses residents by mandating for security deposits to be lodged with Fair Trading NSW, longer notice periods for boarding houses proprietors to terminate occupancy agreements, and for proprietors to provide a reasonable explanation for ending occupancy agreements. Other measures should also be considered as part of the review of the Boarding Houses Act 2012, including discontinuing the Act by integrating it into the Residential Tenancies Act 2010 to provide adequate rights and protections for all people who pay for an exclusive or non-exclusive right to occupy premises for residential purposes.*

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**Recommendation 16 – Consider improved ways to regulate the boarding houses sector**

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*Investigate the best ways to regulate the boarding houses sector, including through an improved registration and accreditation scheme, increased funding for local councils and/or Fair Trading to investigate and enforce compliance with the Act and other relevant legislation.*

### **3.4 Creating stability and community through social and affordable housing**

The discussion paper identifies an increase in social housing stock and improvements in the way social housing is managed as areas of focus for the NSW Housing strategy. In PIAC's view,

<sup>34</sup> See for example Shelter NSW (2019) Submission to the Statutory review of the Boarding Houses Act 2012, accessible [here](#).

greatly increased supply of social housing combined with broader eligibility criteria and flexible tenancy management has the potential to support strong, stable, and diverse communities.

Lack of investment in social housing has led to severe under-supply and poorly maintained, low quality stock. In NSW, there are 51,000 people on the social housing waiting list, with wait times exceeding ten years in many areas and for most types of properties.<sup>35</sup> The current overarching policy framework, 'Future Directions for Social Housing' is based on the assumption that the majority of people who are currently housed in social housing may be able to exit into the private rental market. The discussion paper acknowledges, however, that demand for social housing will increase, even if the broader housing system supports reducing demand for social housing.<sup>36</sup>

'Residualisation' of the social housing system - the idea that social housing should be a tenure of last resort from which people should exit when their circumstances change - does not reflect the reality facing those in need of social housing.

Few social housing tenants have the capacity to exit social housing into the private rental market. Often they lack the financial resources, employment stability, rental history, or simply the physical and mental capacity to exit towards the private rental market. These are often the same reasons they needed to access social housing in the first place. And for those who may be able to exit social housing to the private market, there are significant disincentives built into the system that discourage them from doing so. As previously discussed, the private rental market in NSW is extremely unaffordable for people on lower incomes, of poor quality, and insecure. Tenants do not have certainty about their long-term rental costs, nor do they have security of tenure beyond the term of their initial lease. It unrealistic to expect people in relatively affordable housing with secure tenure to give this up for more expensive, insecure private housing. Policies that focus on encouraging exits from the social housing system will not succeed if people feel coerced rather than supported into pursuing opportunities, and if the alternative is clearly less secure and more expensive.

There are also major issues from a systemic perspective with residualisation. Increasingly restrictive eligibility policies lead to concentration of disadvantage and reduced social diversity, with potential neighbourhood effects, with reduced social mobility, increased stigma, and 'baked-in' reliance on the welfare and social housing system. Preventing entry into the social housing system of people with some waged work, or encouraging their exit, also starves the system of funds further by reducing the number of people who pay market rent or close to it, reducing cross-subsidisation across the portfolio.

Programs such as Communities Plus do not solve these issues. Financing social housing renewal and a limited increase in stock through increased density and the sale of public land only exacerbates this trend. It essentially exchanges an appreciating asset, land, for a depreciating asset, dwellings, which will lead to the system being even further under-resourced in the long term. There is also limited evidence that 'social mix' (the sudden arrival of private renters and home owners in 'renewed' social housing communities), will deliver significant socio-economic benefits to social housing tenants.<sup>37</sup>

<sup>35</sup> As of 30 June 2019, NSW Housing Register. Recovered from [DCJ website](#).

<sup>36</sup> See Discussion paper page 64.

<sup>37</sup> See for example the only comprehensive Australian book on social mix, Arthurson (2012) Social mix and the city: challenging the mixed communities consensus in housing and urban planning policies.

It is possible to support social housing tenants to pursue employment opportunities while creating a more socially diverse and financially sufficient social housing system. It can be achieved through addressing work disincentives for social housing tenants, introducing more flexibility and permeability between social and affordable housing tenures, and broadening eligibility criteria to create more diverse communities. All of these policies, however, require government to address the severe undersupply of social housing so there are enough dwellings available to move away from an allocation policy primarily concerned with prioritisation based on need (see recommendation 2 and 4).

In PIAC's view, the community would benefit most from a broader-based social housing system that provides good quality housing to a significant proportion of the population, bringing together both people with high needs who are unable to access the private market and people on lower incomes.

This means we need to re-think affordable housing as part of a broad non-market/social housing system, and not as a separate sub-market housing product.

### **3.4.1 Supporting social housing tenants to pursue opportunities**

There are two main policies that act as work disincentives for tenants in public housing in NSW to pursue work opportunities. While policies applied by individual CHPs vary for community housing tenants, they tend to have similar effects where they are similar policies.

The first policy is the review of eligibility of tenants at the end of their fixed term lease. This is inefficient, as considerable resources are required to conduct these reviews, while a very small number of tenants are found to have non-continuing eligibility.<sup>38</sup> This also acts as a disincentive for tenants to pursue additional or better paid work, as it might endanger their eligibility for social housing, and thus their ability to stay in their home and remain connected to their community, if their income increases past the moderate-income band. As previously mentioned, the prospect of being pushed into an unaffordable and insecure private rental market creates a significant disincentive for tenants who may otherwise be keen to pursue opportunities to increase their income.

The second policy is the change in rent-setting when a tenant moves from the very low- or low-income bands to the moderate-income band, going progressively from 25% to 30% of their income depending on the change. Because this increase in rent applies to total income rather than to the proportion of income that falls within the moderate-income band, this can represent a significant proportion of the additional income potentially secured through additional or better paid work. When adding in other factors that contribute to effective marginal tax rate (EMTR) such as income tax and impact on social security payments, this can represent a significant work disincentive. Calculations from Dr Chris Martin from UNSW showed in some cases an EMTR of 77 to 88%, meaning every dollar of additional income would only represent an extra 12 to 23 cents of additional disposable income once these consequences are considered.<sup>39</sup>

<sup>38</sup> Less than 2% of tenants were found ineligible according to the NSW Auditor General as quoted by Chris Martin (2016) Future Directions must address public housing work disincentives, City Futures Research Centre Blog, UNSW. Accessible [here](#).

<sup>39</sup> Chris Martin (2016) Future Directions must address public housing work disincentives, City Futures Research Centre Blog, UNSW. Accessible [here](#).



These disincentives have worked to undermine the intention of these policies: exits from public housing have slowed since their introduction, despite having been introduced as part of a policy framework designed to encourage people to move out from public housing.<sup>40</sup>

These policies must be reformed so public housing tenants are supported and encouraged to pursue opportunities, not trapped in a cycle of unemployment and poverty.

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***Recommendation 17 – Discontinue reviews of continuing eligibility***

*Discontinue reviews of continuing eligibility and offer all public housing tenants security of tenure through periodic, continuing leases either after their fixed term expires or immediately upon entry in social housing.*

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***Recommendation 18 – Review and reform the rent setting framework to eliminate work disincentives***

*Review the rent setting framework and reform rent setting policies in order to eliminate disincentives to workforce participation for public housing tenants.*

### **3.4.2 Working towards a large and broad social housing system**

The NSW housing policy framework and tenancy legislation are not delivering good outcomes for the people who live in our state, especially people facing disadvantage. In our view, the NSW Housing Strategy should focus on delivering enough non-market housing to meet the housing needs of people in the first two income quintiles as a priority, and of people in the third income quintile (moderate income earners).

This is an ambitious objective given the historic under-supply of social and affordable housing. Remedying this deficit requires at least 5,000 social housing dwellings to be built each year for the next ten years, as well as an equivalent amount of affordable housing dwellings. While it is ambitious, it can be achieved within the next twenty years and would transform our social housing system for the better.

With a large and broad social housing system, loosening eligibility criteria can be considered, moving away from a system where new entrants tend to have high and complex needs towards a social housing system where social housing communities are diverse and include people from all walks of life including key workers with full time employment. This would have clear benefits for the long-term financial stability of the system, with higher levels of cross subsidy of the portfolio than currently, but also broader benefits that are more difficult to quantify such as increased social mix, and informal mentoring and support networks.

A large and broad social housing system also acts as competition for the private rental market, especially at lower price points. It would also create a more equal ground for negotiations between landlords and potential tenants, and a more fair private rental market, if renters can reasonably expect to access the social housing system if they are unable to find a suitable private rental market property.

<sup>40</sup> Ibid.

## ***Recommendation 19 – Develop an ambitious social housing delivery plan to end homelessness and housing stress***

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*As part of the elaboration of NSW Housing Strategy, develop a plan in consultation with peak bodies and the housing and homelessness sector to end homelessness and housing stress by delivering enough social housing homes to meet the needs of people in the first two income quintiles within the next twenty years.*

### **3.4.3 Greater flexibility between social and affordable housing tenures**

PIAC also urges more flexibility between social and affordable housing tenures in order to support people as their circumstances change. We note that the distinction between social and affordable housing as different tenures is relatively new, and that to an extent, the public housing system used to perform the functions of both housing products until it became residualised. Integrating affordable housing into the social housing system could deliver greater cross subsidy across the portfolio, greater social diversity, and overall a stronger, more resilient and viable social housing system.

There is considerable confusion around affordable housing arising from the difference between 'housing that is affordable' to people on lower incomes, and 'affordable housing' as a specifically defined housing product, typically with rent set as a proportion of market value. Further confusion arises from the fact that 'affordable housing' definitions can differ depending on policy documents, guidelines, planning instruments, etc.

The main issue with many of the housing products delivered as 'affordable housing' is that they are not actually affordable to very low- and low-income households. National Rental Affordability Scheme (NRAS) properties had the possibility to set rents up to 80% of market rent.<sup>41</sup> Many CHPs set rents of affordable housing properties at 74.9% of market rent in order to access GST-free tax provisions based on an Australian Tax Office (ATO) ruling.<sup>42</sup> A 25.1% discount to the median weekly rent in Greater Sydney of \$480<sup>43</sup> still leave a weekly rent of \$359.<sup>44</sup> NSW Affordable Housing Guidelines 2019, for a single adult, sets the income band cap for a moderate income household of a single adult at \$66,300.<sup>45</sup> Someone on a \$55,000 annual income, whose income is the halfway point of the moderate income band, cannot afford to pay a weekly rent of more than \$317, as this represents more than 30% of their income before tax.<sup>46</sup> This means 'affordable housing' products are not affordable to two whole groups, and close to half of the third group, for whom affordable housing is intended, as defined by s 1.4 (1) of the *Environmental Planning and Assessment Act 1979*.

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<sup>41</sup> The scheme is being discontinued, however more information can be found on Department of Social Services (2019) About the National Rental Affordability Scheme (NRAS) accessible [here](#).

<sup>42</sup> Australian Tax Office, NAT 7633, 'GST and non-commercial activity rules for fringe benefits', accessible [here](#).

<sup>43</sup> Department of Communities and Justice, Rent and Sales report no. 131, March Quarter 2020, Table 1 Weekly rents for new bonds, weekly median rent. It is interesting to note that at the time of writing this submission weekly rent has significantly declined due to economic restrictions associated with COVID-19 but remains severely unaffordable to lower income households. Accessible [here](#).

<sup>44</sup> Author calculations.

<sup>45</sup> NSW Family and Community Services (now DCJ) (2019) NSW Affordable Housing Ministerial Guidelines, accessible [here](#).

<sup>46</sup> Based on a \$55,000 annual income, meaning a weekly income of \$1,057 before tax and using the max 30% rule for rent. It is important to note that housing costs such as energy are not included.

This example is based on a single person but holds true for the huge majority of low income households. It means that sub market products are unaffordable to both very low and low income households, as well as half of moderate income households.

While sub-market rental housing is an important part of diverse supply that meets the needs of some moderate income households, it is not affordable to lower income households. This is even more so for newer, well-located stock in Greater Sydney metropolitan area.

We note that there is no requirement for government to set rents based on the market, or even on a cost recovery basis. Much government activity does not operate on a cost-recovery basis. It is important that the NSW Housing Strategy does not focus on delivering more 'affordable housing' at these sub-market price points at the expense of the much needed refoundation and reinvestment in our social housing system. If anything, 'affordable housing' should become more integrated into a large and broad social housing system, with rents set at a reasonable proportion of tenants' income such as 25%.

Further integration of social and affordable housing dwellings should allow people to change between tenures, without having to move physically, if there are changes in their circumstances. In the current system, moving between social and affordable housing means that the tenant is required to move properties, most often moving to a different suburb, separating them from their neighbourhood where they often have created strong ties to the community and the place they call home.

In a social housing system that delivers enough properties to house both people on very low incomes and those on moderate income, tenants are able to 'move' between social and affordable housing, freeing up capacity in the most subsidised properties ('social housing') to make way for incoming tenants. Accordingly, they are able to 'move back' to social housing, it would alleviate the fear of sourcing appropriate, affordable accommodation if their needs or income changes in the future. This would support tenants to pursue opportunities including employment. Rent would change according to people's incomes, being set at 25% of their income with a cap at 80% of market rent representing the aim of the policy to deliver non-market housing. This would encourage people to pursue opportunities knowing that they have secure housing, and allow greater cross subsidy of the portfolio through a more dynamic allocation between 'social' and 'affordable' housing.

Such an approach requires a greatly increased supply of social and affordable housing to ensure there are 'affordable housing' dwellings to 'convert' into a social housing dwelling when someone 'moves' to an affordable housing tenure from a social housing tenure. Some CHPs, such as City West Housing, already have such policies in place.

***Recommendation 20 – Consider how to provide greater integration and flexibility between social and affordable housing tenures***

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*Investigate how social and affordable housing tenures can be better integrated and how can residents move between tenancies without physically having to move. This should be considered in close collaboration with CHPs as they would have input on how to manage portfolios dynamically.*

### **3.5 Implement a ‘Housing First’ response to homelessness supported by sufficient social housing stock**

A comprehensive housing and homelessness strategy should focus on Housing First responses, in line with international best-practice. This requires adequate supply of social housing so that people with high and complex needs are not pushed into relatively insecure arrangements such as head leasing programs, and have the stability and security of tenure to establishing meaningful foundations for recovery.

Initiatives such as ‘meanwhile use’, while uncontroversial with the public and supported by parts of the development industry, do very little to address the systemic causes and levels of homelessness. It also goes against the Housing First approach. More temporary crisis accommodation is not what is most needed to make a difference to the lives of people experiencing primary homelessness. The accommodation delivered may be inappropriate, for example when mattresses were installed in a car park for use by homeless people.<sup>47</sup> By definition, ‘meanwhile use’ makes no systemic or long-term difference. Given the very low impact of such a strategy, ‘meanwhile use’ should not be prioritised by the NSW Housing Strategy, if considered at all.

Housing products such as transitional housing and community housing leasing programs are welcome initiatives in the context of increasingly restricted new supply of social housing. Building social housing through capital grants, however, would be more cost efficient<sup>48</sup> and provide greater security of tenure to people exiting homelessness. The ‘Together Home’ programme recently announced by NSW Government provides a good case study in that regard.

‘Together Home’ is a \$36 million-dollar head-leasing program where CHPs lease properties from the private market and then sub-let them to individual tenants for a period of two years. Half of the funding is dedicated to wrap-around supports to be provided to participants for a two-year period. It is expected that the vast majority individuals who have been provided temporary accommodation throughout the COVID-19 pandemic will be offered a ‘Together Home’ package as a means of exiting temporary accommodation. While this is a very welcome announcement that will make a difference to the lives of participants, housing provided through such programs is relatively insecure for a variety of reasons, and does not align with ‘Housing First’ best practice.

First, when head-leasing properties from the private rental market, the discrimination that some individuals face in the private market can persist. HPLS is well aware that people with high and complex needs often face multiple terminations from successive head-leasing agreements due to breaches of tenancy agreement for issues such as nuisance. These breaches are far more likely to occur when a complex and high needs tenant lives in a property under a head-leasing agreement rather than in social housing, as the latter can be more flexible in its anti-social behaviour response.

<sup>47</sup> For further discussion about why this is a fundamentally flawed model see Cameron Parsell (2019) Beds in car parks don’t solve Australia’s rough sleeping problem, *The Conversation*, available [here](#).

<sup>48</sup> Lawson, J., Pawson, H., Troy, L., van den Nouwelant, R. and Hamilton, C. (2018) Social housing as infrastructure: an investment pathway, AHURI Final Report 306, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/306>, doi:10.18408/ahuri-5314301.

Secondly, the time-limited period common amongst transitional housing approaches means the tenant is put under pressure to exit into the private market at the end of this period. For most people eligible for such a program, it is unlikely that they will be able to secure and/or maintain a private rental market tenancy. In order to facilitate recovery, housing-first approaches recognise that security of tenure is essential in providing a stable base on which healthy and balanced lives can be built. For some of the people facing a two-year deadline, the pressure of this alone can undermine efforts to achieve stability and recovery. Lack of clear pathways into stable, affordable housing (usually social housing) at the end of transitional programs exacerbates cyclical homelessness for some people in high needs cohorts.

While the focus of 'Together Home' on securing properties for rough sleepers as far as possible through head leasing arrangements is understandable in the context of a severe public health crisis, it is important that this program is only the first step in implementing a Housing First response to homelessness. It must be part of a broader Housing First strategy to deliver enough social housing and fund specialist services so people experiencing homelessness can be offered safe, secure, stable accommodation complemented by wrap around support services.

***Recommendation 21 – Housing First as a guiding principle for homelessness policy in NSW***

*Adopt 'Housing First' as a guiding principle for addressing homelessness in the NSW Housing strategy, and develop a plan to deliver enough social housing as exit points in line with recommendations 2,4 and 19.*

## **4. Responsive and resilient housing**

As outlined in the discussion paper in 'Theme 4 – Responsive and resilient housing', it is fundamental that 'people, communities and their homes are safe, comfortable and resilient'.

Good housing is essential for the physical and mental health and well-being of people and communities, and PIAC regards a health and wellbeing focus as key to developing an effective strategy for responsive and resilient housing.

Housing must keep people safe from extreme weather, support good health and provide a sustainable basis for productive engagement in the community. The NSW Housing Strategy should seek to achieve this through policy and regulatory frameworks guaranteeing minimum standards for health, safety and energy and water efficiency and incentivising the NSW property development and building industry to contribute to meeting and outperforming those minimums.

This will enable housing and associated energy and water use to be more affordable and sustainable for people in NSW<sup>49</sup>. It will also deliver additional systemic benefits such as reduced and more flexible demand on generation and 'poles and wires' and make a substantial contribution to the NSW Government's goal to reach net zero emissions by 2050.<sup>50</sup> Indeed,

<sup>49</sup> See for example Australian Sustainable Built Environment Council & ClimateWorks Australia (2018) Built to perform: an industry led pathway to a zero carbon ready building code, Final Report, Building Code energy performance trajectory project. Available [here](#).

<sup>50</sup> State of NSW and Office of Environment and Heritage (2016) NSW Climate Change Policy Framework. Available [here](#).

meeting this target is likely to be impossible without a step change in the efficiency of housing and building stock across the board.

## **4.1 Setting a path to healthy and comfortable homes**

The development of the NSW Housing Strategy today is a crucial part of the step change needed in expectations of how homes should function in 20 years.

The Strategy, and the policy and regulatory framework to implement it, must provide certainty and transparency in interim expectations of minimum standards and long-term objectives and targets. It is crucial to signal future targets to market participants well in advance. This approach allows long term investment planning, minimises market distortions, rewards first movers and market innovators, and helps to ensure objectives are achieved within set timeframes.

This is comprised of three elements.

### **4.1.1 Set an overall, performance-based efficiency target for all housing in NSW**

The strategy should set an enforceable objective for all residential buildings in NSW to perform at or above the equivalent of NatHERS 7.5 stars by 2040. This target is what is required to ensure healthy and safe homes, which are resilient to increasing temperature extremes. It significantly reduces the burden on energy systems and reduces greenhouse gas emissions, with homes performing at this level or higher regarded as 'zero carbon ready'. These benefits to energy system efficiency and sustainability persist long past the initial life of the Strategy.

Transforming NSW housing to meet this target in the next 20 years is a realistic, economically sustainable objective providing stimulus to the economy through building construction and upgrades.

#### ***Recommendation 22***

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*The NSW Government set an enforceable target for all NSW residential buildings to perform at or above 7.5 NatHERS stars or equivalent by 2040.*

### **4.1.2 Implement enabling measures providing information and incentives to the market**

While a clear, ambitious target is essential to set expectations, it is important to recognise that buildings are long lasting assets, and that upgrading and replacing residential dwellings takes time and substantial investment commitments.

The target and minimum performance standard objective of the strategy should be complemented with strong incentives to the market, to harness private investment and improve the quality of housing before 2040. The strategy should include implementation of standardised, mandatory disclosure of efficiency performance standards at point of sale and lease. Such a disclosure scheme provides:

- Crucial information to potential buyers and renters regarding the performance of a potential home and its ability to sustainably and affordably support their ongoing health and wellbeing.
- A transparent mechanism for identifying and disclosing the current state of housing stock, identifying which stock is performing below standard and in need of upgrade. This information will better enable both public and private investment
- A powerful incentive to owners, builders and the market at large, to improve performance standards beyond, and in advance of any minimum standard requirements, in order to capture potential market premiums.

To provide a strong incentive to the market early, implementation could be staged with voluntary disclosure until 2023, then becoming mandatory. The certainty provided by staged targets with clearly signalled lead-times incentivises performance beyond current standards, reward early movers and affords time for all investors and other parties to prepare for future minimum energy efficiency standards.

### ***Recommendation 23***

*The NSW Government require all NSW residential buildings to disclose their efficiency performance at point of sale or lease, using a performance format equivalent to NatHERS, no later than 2023.*

#### **4.1.3 Coordinated staged implementation of requirements and incentives towards the end target.**

The certainty provided by the 2040 target is best implemented in clear stages, where increases to minimum standards are well preceded by incentive measures. This should include minimum energy efficiency standards for all housing from 2025. and the implementation of disclosure at point of sale and lease. Commencing with standards that target the lowest performing housing, this standard should then be increased in clearly signalled stages, aimed at achieving the overall end target of 7.5 stars by 2040.

This approach will require existing poorly performing dwellings to be retrofitted relatively rapidly. However, housing performing at or below 2 star equivalent compromises health and wellbeing for occupants and represents the greatest opportunity for household, environmental and economic benefit.

Stages in this approach should be aligned with NSW Housing Strategy reviews, allowing for fine tuning of the requirements depending on market performance and other factors including consumer demand, opportunities to accelerate climate policy, and the impact of other enabling policies. An example of the structure of staged target implementation could be as follows:

- 2021-2022: Voluntary disclosure of energy rating at point of sale or lease.
- 2023 onwards: Mandatory disclosure of energy rating at point of sale or lease.
- 2023-2026 : Mandatory minimum health and efficiency standards for rental properties equivalent to 3 stars.
- 2025-2029: Minimum rating 3 NatHERS stars or equivalent for existing homes, requiring energy efficiency improvements for the worst performing residential buildings.
- 2027-2036: Mandatory minimum health and efficiency standards for rental properties equivalent to 6 stars.

- 2029-2033: Minimum rating 6 NatHERS stars or equivalent, bringing all residential buildings to the energy efficiency level of current new builds.
- 2033-2037: Minimum rating 7 NatHERS stars or equivalent.
- 2037 onwards: Mandatory minimum health and efficiency standards for rental properties of 7.5 star or equivalent.
- 2037-2040: Minimum rating 7.5 NatHERS stars or equivalent.

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### **Recommendation 24**

*The 2040 performance target be implemented in stages and signaled in advance, in conjunction with disclosure and information provision requirements.*

Early implementation of minimum standards for rental properties recognises that owners and investors have a responsibility to provide safe and healthy housing. Renters have less control of the standard of their housing and are more likely to live in poor housing stock than owner-occupiers, with less options to move to alternative housing. Rental dwellings, in particular those available to households with lower incomes, tend to be those in most urgent need of an energy efficiency upgrade.<sup>51</sup> Flagging minimum rental standards well in advance allows those owners and investors not willing or able to undertake the required investment (even with any enabling policy incentives) to better plan to return their property to the market for other potential home owners or investors.

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### **Recommendation 25**

*The implementation of minimum performance standards for rental properties be prioritised, commencing no later than 2023.*

Implementation mechanisms should be performance based and ‘as-built’. These should measure actual, in practice efficiency rather than theoretical standards prior to construction, as this delivers superior overall outcomes. An alternative may utilise elements based minimum standards in specific, limited circumstances where a performance based approach is not practical, provided the equivalent energy efficiency outcomes are able to be clearly demonstrated.

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### **Recommendation 26**

*An ‘as built’ assessment of building performance be adopted in implementation of the 2040 target strategy. An approach allowing specification of required minimum elements should only be allowed in specified circumstances, where equivalent outcomes can be demonstrated.*

## **4.2 Supporting measures**

The following supporting measures should be committed to as part of the Housing Strategy to help meet the Strategy goals.

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<sup>51</sup> Low quality housing disproportionately affects low income households. See a short summary on Shelter NSW website [here](#) or the full research report: Shelter NSW, UNSW City Futures Research Centre (2019) Shelter Brief no. 63, Poor quality housing and low income households, review of evidence and options for reform. Available [here](#).



#### 4.2.1 Embrace best practice in NSW Government owned housing

As of 30 June 2019, there are over 150,000 social housing dwellings in NSW.<sup>52</sup> As the largest single proportion of housing and a substantial asset, these dwellings represent an opportunity for the NSW Government to commit to best practice performance for these dwellings while recognising that the most vulnerable people require the most support for health and wellbeing. In doing so the NSW Government will provide the rest of the housing market with a benchmark and a demonstration of the benefits of high-performance housing (for instance in scope for innovation and new energy market participation).

PIAC recommends that an energy audit be undertaken for all social housing dwellings to understand their energy efficiency performance in line with the standards framework in the Strategy. This would allow the NSW Government and other social housing providers, such as Community Housing Providers and Aboriginal housing organisations, to determine which energy efficiency upgrades need to be prioritised and when re-builds should be considered. Where a re-build is required but will not be done immediately, there should be a commitment that worst performing housing meets a basic standard for habitation. Simple measures (such as weather sealing and insulation) should be implemented to reach a safe minimum standard and to help improve health, well-being and energy affordability for the occupants.

A policy to prioritise best practice in social housing would contribute to the goals of the COAG Energy Council's Trajectory for Low-Energy Buildings.<sup>53</sup> PIAC supports co-investment from the NSW and Australian Government in energy efficiency upgrades for all social housing properties as part of the Healthy Affordable Homes coalition proposal for a National Low-Income Energy Productivity Program (NLEPP).<sup>54</sup> Assuming equal investment from the NSW and the Australian Governments, indicative costings show that upgrading all 150,000 social housing homes in NSW with "a combination of more efficient hot water, heating/cooling, lights, gap sealing and insulation"<sup>55</sup> would cost the NSW Government \$285 million, averaging \$71.25 million a year over a four year period.<sup>56</sup> Investing in this initiative could create thousands of jobs and greatly improve efficiency of social housing dwellings in NSW.

PIAC notes that some budget to improve the energy efficiency of social housing may already have been allocated as part of the Home Energy Action Program (Energy Hardship Assist and Social Housing Upgrades). Existing knowledge and budget from these programs could support rapid expansion of social housing upgrades to be undertaken effectively.

Given the social, health and economic benefits of better quality social housing, and potential cost savings to Government in terms of maintenance, reduced rent arrears, and longer lifespan of dwellings, this represents an extremely cost-effective investment for NSW Government in the longer term.

<sup>52</sup> DCJ Statistics (2019) Social housing residential dwellings dashboard. Available [here](#).

<sup>53</sup> COAG Energy Council (2018) Trajectory for Low Energy Buildings, Commonwealth of Australia 2018. Available [here](#).

<sup>54</sup> ACOSS, PIAC and 48 organisations (2020) Joint proposal for economic stimulus, Healthy and affordable homes: national low income energy productivity program, available [here](#).

<sup>55</sup> Ibid.

<sup>56</sup> Original calculations for NSW based on Healthy Affordable Homes coalition cost estimate of \$3800 per dwelling, Ibid, page 3.

### ***Recommendation 27***

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*The NSW Government audit of all social housing as the first stage of a program to accelerate the upgrade or replacement of all NSW social housing to meet appropriate energy efficiency performance standards set through the Housing Strategy.*

#### **4.2.2 Provide incentives to improve the poorest performing properties**

As outlined in the NLEPP, PIAC proposes that the NSW and Australian I Governments work together “to coordinate access to energy efficiency audits, energy efficiency upgrades and solar PV installations for low-income owner occupiers.” “Funding of up to \$5,000, based on the outcome of energy audits, would be provided [for the worst performing properties] to install energy productivity measures that would include (but not be limited to), reverse cycle air conditioners for heating and cooling, more efficient hot water (heat pumps), draught sealing, ceiling fans, efficient thermal building envelope, lighting and solar PV.”<sup>57</sup>

PIAC also recommended in the NLEPP that in order to “stimulate jobs and upgrade the poorest performing rental properties, the Australian Government could provide time limited grants to landlords to support energy productivity improvements”. It is proposed that all landlords would be entitled to free energy audits (this would support COAG Energy Council’s goal to build a database of dwellings and test rating tools). Homes that underperform would then be eligible to access a grant of up to \$5,000 to upgrade the energy performance of the home based on recommendations of the energy audit. The program would be delivered in partnership with organisations experienced and competent in delivering home energy services. As this is a voluntary scheme, there is a risk that rents could be increased making renting more unaffordable to people on low income. To mitigate against this, a requirement to ensure tenants benefit financially from the upgrade should be implemented and tied to receiving and retaining the grant.”<sup>58</sup>

This would be a time limited scheme designed to support the targets of the NSW housing strategy and incentivise landlords to improve the worst performing rental properties through deep efficiency upgrades, while the NSW Government works on implementing mandatory minimum energy efficiency standards for all rental properties to ensure all rental homes are safe and contribute to the health and wellbeing of their occupants.

### ***Recommendation 28***

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*The NSW Government work with the Australian Government to accelerate responses outlined in the NLEPP, and implement or expand programs that ensure that low income household upgrades are prioritised.*

#### **4.2.3 Energy Savings Scheme**

Many of the energy efficiency upgrades required for existing buildings can potentially be facilitated through the proposed expanded Energy Saving Scheme, which will be a component of the Energy Security Safeguard. In the existing Scheme, the NSW Government places an energy

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

saving liability on electricity retailers, certain generators and large users to reduce energy usage through energy efficiency measures.

While details of the expanded Scheme have not yet been released, energy saving targets that are more ambitious and a broadened scope of activities would help existing homes to meet the NatHERS minimum standards we propose.

The upfront cost required to participate in the Scheme is a barrier to some households. To bridge this gap, additional financial support could be included for participants who need it. Access to No Interest Loans or a similar scheme could be used to repay upfront costs in manageable ways.

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### ***Recommendation 29***

*The expansion of the Energy Savings Scheme, as part of the NSW Energy Security Safeguard, support the NSW Housing strategy 2040 target and the upgrade of NSW housing energy efficiency performance.*

#### **4.2.4 Distributed Energy Resources**

Distributed Energy Resources (DER) are likely to be a prominent feature of the energy system in 2040, and enabling their equitable and efficient deployment in our homes should be a key part of the Housing Strategy. The 2040 target recommended for the NSW Housing strategy provides the platform for carbon neutral housing across NSW. However, realising the target of zero-carbon performance in all housing will involve schemes to optimise the deployment of DER, particularly in housing unable to reach the highest standards for building efficiency, social housing, and housing situated in certain geographic locations.

Current schemes, such as the Empowering Homes Program, must be evaluated to identify the appropriate suite of policies aimed at providing equitable access to DER and optimising their deployment. Despite this, the universal deployment of DER is not an appropriate objective, and could lead to material excess costs and inefficiencies that impact household energy affordability.

A peak demand reduction scheme will be implemented as part of the Energy Security Safeguard. PIAC recommends that this prioritises the inclusion of households, to provide opportunities for housing in NSW to be 'smarter', enabling effective demand management whilst achieving system benefits. Eligible residential activities could include smarter control of home batteries, pool pumps, electric water heaters, appliances (eg washing machines and clothes dryers), air conditioners and electric vehicles.

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### ***Recommendation 30***

*The NSW peak demand reduction scheme prioritises the inclusion of households.*

#### **4.2.5 Stand Alone Power Systems**

Small communities and individual properties, particularly those which are remote, on the edge of the grid or are surrounded by difficult terrain, are particularly vulnerable to prolonged power outages as a result of bushfires and other natural disasters such as flooding and severe storms.

The future resilience of the energy supply for many of these communities and properties could be improved through the use of Stand-Alone Power Systems (SAPS).

A modern SAPS will typically comprise of a solar system to generate the majority of the electricity required, a battery system to store the electricity, a backup generator (typically diesel-powered), and power electronics to convert energy and manage the system.

As well as providing reliable power for essential community services during extreme events such as floods and bushfires, SAPS can be a cheaper solution than maintaining a network connection to the grid, particularly in large, sparsely populated remote areas of NSW.

SAPS can either replace or support a network connection but are more effective at reducing cost and fire-start risk as a network replacement option. By helping to ensure a more resilient energy service, SAPS help to support community response to bushfires and other disasters by ensuring continuous access to communications and water infrastructure. This also helps ensure vital health, emergency response, and transport connections are maintained.

A number of recently completed and current processes, in NSW and nationally, support changes to regulatory and other arrangements to facilitate SAPS being deployed in place of energy networks.

The Electricity Distribution Reliability Standards Review being undertaken by the Independent Pricing and Regulatory Tribunal (IPART) will help guide where SAPS will be optimal in NSW. The Review is considering solutions for unplanned outages on distribution networks. A draft report (due in September) is expected to define the types of events distribution networks must plan for and how they can meet reliability standards.

In addition, the Australian Energy Market Commission (AEMC) recently completed the Review of the Regulatory Frameworks for Stand-Alone Power Systems and is developing the detailed rules necessary to incorporate it into the national electricity frameworks.

PIAC supports distribution network service providers being able to transfer existing customers onto SAPS supply where it is a more efficient and preferable option to retaining traditional grid-connected supply. PIAC generally supports the new regulatory frameworks, but recommends the AEMC allow networks to provide a SAPS without the involvement of an energy retailer (when a consumer agrees to this) and adopts a framework for consumer protections informed by a harm-based approach

Further insights into the potential role of SAPS can be gained by referring to PIAC's responses to the AEMC's Review:

- PIAC's response to Priority 1 which considered how existing grid-connected customers may be transitioned to SAPS-supply by their DNSP: <https://piac.asn.au/2018/10/12/submission-to-review-of-the-regulatory-frameworks-for-stand-alone-power-systems-issues-paper/>
- PIAC's response to Priority 2 which considered customers choosing to transition to SAPS-supply themselves or with a third party: <https://piac.asn.au/2019/08/28/review-of-the-regulatory-frameworks-for-stand-alone-power-systems-priority-2-draft-determination/>

## 4.2.6 The future of gas appliances in homes

In the residential sector, gas is becoming more expensive while alternatives improve in cost and effectiveness. Importantly, the fixed network costs for gas have a substantial impact upon household energy affordability. As a fossil fuel, gas is unlikely have a major role in an affordable, zero-emissions energy system and has a limited long-term future. As costs for the maintenance and upgrade of both electricity and gas networks increase, the efficiency of dual network connections in the long term needs to be reconsidered now, in advance of further investments that risk burdening households unnecessarily.

All electric homes can maximise efficiency and support the necessary infrastructure for emissions reduction as generation switches to renewable technology. Efficiently all-electric households also present maximum opportunity to benefit from DER, and participation in peak demand management schemes, where the benefits are not diluted by fixed gas network costs.

Pausing or ceasing the connection of new housing estates to the gas network should be considered. Where the option of new gas connection is presented these connections should only be made with full cost recovery from those developing and connecting the housing, rather than socialising the costs through subsidised new connections. New homes should not be fitted with gas appliances unless efficient electric appliances (such as induction cooktops, reverse cycle heaters and heat pump water heaters) are unsuitable, such as in some high-density developments. This should be implemented alongside consumer education, including a cost comparison of having electric only and a dual fuel home.

Switching appliances from gas to efficient electric and disconnecting gas where practical and cost effective should be considered for existing housing in NSW. Such a conversion scheme could be included in measures implemented through the Energy Savings Scheme, helping to maximise the benefits to households, the energy system and the wider economy.

However, as consumers disconnect from gas and the cost of the gas network is spread across fewer consumers, the costs for those remaining on the network will likely rise. Supports to pay energy bills (for example in the form of rebates) and financial assistance to replace gas appliances with electric appliances should be implemented to protect low income and vulnerable households from any additional costs.

### ***Recommendation 31***

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*New gas housing connections be paused as part of a long term strategy to minimise household reliance upon gas, and household exposure to gas network cost recovery.*

### ***Recommendation 32***

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*Existing gas consumers should be assisted to switch their appliances from gas to efficient electric and disconnect gas where practical and cost effective. Supports should protect low income households from any additional costs.*

#### 4.2.7 Support low income households to upgrade their appliances

The NSW Appliance Replacement Offer<sup>59</sup> is a program supporting some low income households to replace old and inefficient appliances. It is working well and should be expanded to all households who can demonstrate they are on a low income.

PIAC also recommends expanding the list of approved appliances to include replacing old, inefficient heating and cooling appliances, hot water systems, washing machines and dryers with energy efficient ones. As outlined in the NLEPP proposal, “the appliance replacement offer would stimulate jobs in community services, retail, local manufacturing and supply chain (transport and handling).”

This initiative would quickly contribute to addressing immediate energy efficiency needs during COVID-19 social restrictions, reducing energy bills and increasing disposable incomes to be spent elsewhere in the economy. It would also improve the health and wellbeing of millions of people who are spending more time at home as result of COVID -19 measures.”<sup>60</sup>

#### **Recommendation 33**

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*Existing appliance replacement programs be substantially expanded and extended to include fixed appliances, as well as other high energy use appliances that are important in sustaining household health.*

<sup>59</sup> [Read more](#) about NSW Appliance Replacement Offer.

<sup>60</sup> ACOSS et al, op. cit. page 5.