

## **SYDNEY STAKEHOLDER CONSULTATION, THE EXCHANGE, 17/3/17**

### **Pressured Metro Markets**

There are many commonalities among growth cities e.g. austerity, inequality, tentative reawakening of national governments, sharp drops in homeownership by under 35s, growing homelessness. Cities tell their stories in different ways, related to their brand, culture, opportunities and long-term goals.

Pressured cities sit in regional markets that are often not as dynamic as the city centres. Residents generally look within the wider region for their housing, yet regional housing institutions do not exist. In general, urban centres improve the economic performances of states and countries, but government revenues linked to their growth, (e.g. stamp duties) tend to go to federal and state governments, so these destructive distortions in land value create a windfall for upper tier governments and in turn inequities for growing cities. A fiscal imbalance is emerging. Rather than returning some of these revenues to growth centres, the Australian Government is seeking to fund housing with private money.

But a different conversation has been emerging over the past 18 months. The discussion moved to the fairness of the tax system, not only in how it distributes revenue from growth, but also how it treats homeownership vs other tenure forms. The historic advantage of homeowners in the tax system is now paying huge benefits to some. Lip service is given to fighting inequalities without coming to terms with the mechanisms needed to change the situation. This led to questions around the role of tax, what it is for, who it serves and how to change it. There is a growing consensus around reforming the housing system to produce more equitable outcomes, Government is engaged, public opinion is shifting, yet, we continue to think within the same old parameters. We may want to be bolder in how we use this moment of unprecedented public attention. Governments need to take a significant role in structuring housing markets, and identify mechanisms that will support more equitable outcomes. This should be part of Shaping Futures' messages. Our governments are considering how to increase supply and move planning applications along and the Treasurer suggested building a bond aggregator. Yet, we need a much more fundamental conversation and better information, for example on rental housing starts.

What are the drivers of today's problem? Australia has extraordinary population growth, overlaid with a raft of unlinked policies emphasizing the disequilibrium in the state/ federal system. Politicians must take account of this and consider the whole housing system. States do not have a proper revenue base, so they are always at the mercy of the federal government, which feeds the pressures on our market. What kind of future are we shaping? How can infrastructure strategies be used as a catalyst for change? There is beginning to be a discussion on growing Sydney in a more planned way.

High level convergence on big cities. Does SF look at the *process* of policy change and how it can be achieved? Tax reform is part of it but this requires longer-term staging.

### **Business Diversification for NFP Housing Providers**

How are NFPs viewed by politicians? Who advises them? They don't appear to listen. As a sector, we need to get to the right people to increase our visibility and influence and we need to agree on outcomes. What is the sector's proper role? How does it serve the economic markets and social needs? Should it do both? Focusing attention on other areas can divert from principle mission, unless it serves the mission in some way.

Three NSW regional providers are setting up a separate 'Value Bank' as a collaborative business diversification venture. They now have a legal company and a board. The Bank will be marketed to the private sector who want to demonstrate their social value.

NFPs with real estate talent have begun providing their service for private sector development on the private side. It is a cultural change, as they must go out and find capital. These same talents can be used to re-develop public housing. Some think that because it cannot be done by government, it cannot be done by NFPs, while others think it is a natural role for NFPs that have the right skills in-house. NFPs can be much nimbler than governments. Developers are talking to government about competing against foreign investment. The challenge in getting more affordable housing built is that developers want a very fast return on investment and the fastest way to get a return is with single-family homeownership. Others simply have no experience with mixed development. Some believe that affordable housing is costlier than market housing to build.

## **A New Narrative for the Housing & Economic Story**

*Sydney is a Tale of Two Cities:* Those with huge gains to the value of their homes and the others with rising household debt or no access to homeownership. The community's creditworthiness is wasted on trading an asset that produces no productivity gains. Housing debt reduces consumption spending in other areas. Example of Germany's housing market which stayed relatively flat during the GFC and consumers could spend on things which had a favourable effect on the economy.

More analysis needed to benchmark cities' affordability problems by land ownership (e.g. govt-owned, leasehold)? These issues have detrimental effect on cities' 'brands'. It is critical to understand the effects of supply v demand subsidies. Canadian government is now reconsidering its strategies. The economic story is key in bringing us out of the older arguments around hardship and poverty. The story should focus on how housing policies can be powerful economic tools.

*Better economic story needs 3 things;* evidence, who and how to tell different stakeholders. To get there we need to understand why treasuries think how they do about housing and how to persuade them to think/act differently. Housing needs a magic number that is easy to grasp. D MacLennan currently working with the Sydney commission, UNSW and housing associations to consider these questions and will set up models to analysis the data. Perhaps we will get a good indicator to use.

The housing story can overwhelm with its brutality, we need to focus on positive reform that will improve the picture. We need to tell the stories of the variety of households that have been affected including 25-35 year olds, low income and include the reality of peoples' lives.

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