



10 December 2010

Our Ref:
Your Ref:

Dr Brian Gordon
Principal Research Officer
Community Development and Justice Standing Committee
Parliament House
PERTH WA 6000

Dear Dr Gordon

Inquiry into the adequacy and future directions of social housing in Western Australia.

I refer to the invitation to contribute the current inquiry being undertaken by the Community Development and Justice Standing Committee into social housing in Western Australia.

Local Governments are particularly aware of the adverse trends in housing affordability in Western Australia over the past decade. In many Local Government areas a large proportion of residents could not afford to move into the area, if they were not already property owners in the market. As individual's circumstances change, their ability to find appropriate housing within the same area so as to maintain social, family and work connections may be extremely limited. This lack of affordable housing options spills over into other parts of the housing continuum, namely social housing and ultimately homelessness.

The WA Local Government Association has prepared a number of submissions and papers concerning housing matters in recent years. For the Committee's information, we have attached submissions to the:

- Social Housing Taskforce concerning the Report "More than a Roof and Four Walls" and "Housing 2020: Future Directions for Affordable Housing." (December 2009); and
- Housing Affordability Fund consultation paper (June 2008)

Also attached is a brief paper highlighting current impediments and disincentives to more effective direct and indirect engagement of Local Governments in delivering affordable and social housing outcomes in Western Australia. We trust that you find this material of value in your deliberations and would welcome the opportunity to brief the Committee further and respond to any questions.

For enquiries please contact Ian Duncan, Economist, on telephone 9213 2040 or iduncan@walga.asn.au in the first instance

Yours sincerely

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Community Development and Justice Standing Committee**Inquiry into the adequacy and future directions of social housing in Western Australia****INTRODUCTION**

The decline in housing affordability across most of Western Australia in the past decade and a steady decline in real funding for social housing and homelessness (until 2008/09) is well documented (e.g. More than a Roof and Four Walls, 2009 Social Housing Taskforce¹). This has placed increased pressure on demands for social housing.

The inter-related nature between elements of the affordable housing continuum from crisis accommodation, through social housing, private rental and home ownership provides an important framework for considering the role and opportunities for governments and Local Government in particular in addressing the fundamental human need for housing. Lack of affordable private rental or purchase options makes it impossible for people to transition out of social housing.

Local Governments have not traditionally had a large direct input on social housing policy or delivery, but the indirect impact is being increasingly recognised along with some exemplars of direct involvement. A small but growing number of Local Governments are taking a more significant role in addressing this complex issue.

Housing needs differ across Local Government jurisdictions (inner city, outer metropolitan, regional centres etc) and the involvement of local level leadership provides the opportunity to tailor approaches and engage stakeholders at the local level.

Federal and State Governments are in the process of repositioning their involvement in the development and management of social housing.

This brief paper seeks to highlight the strategic issues from a Local Government perspective and proposes some potential actions to address these issues.

TAKING ACTION

During 2009 Local Governments along with a wide range of stakeholders contributed to the development of a comprehensive report (More than a Roof and Four Walls²) prepared by the Social Housing Taskforce in response to a series of specific questions raised by the Government. The Association also took the opportunity to respond to the invitation to provide feedback to Government on this report.

¹ Accessible at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf

² Accessible at: www.dhw.wa.gov.au/Files/SocialHousingTaskforce_FinalReport.pdf

However, eighteen months after this report was presented, despite verbal advice indicating that an announcement was imminent, the State Government is yet to release its much awaited Social and Affordable Housing Strategy. Consequently activities by stakeholders, including Local Governments, proceed in ways that potentially do not maximise the opportunities to align with contemporary State Government policy and future intentions.

PLANNING POLICY

Arguably the greatest impact of Local Governments on housing affordability and therefore indirectly on the demand for social housing is through land use planning policies.

Local Governments can and do make an important contribution to addressing housing needs through:

- Identifying the range of local demands for housing;
- Identifying and fostering local housing initiatives;
- Contributing to the development of regional housing strategies;
- Aligning regional housing strategies and the local regulatory framework to ensure effective implementation;
- Partner with State Government to address the multi-dimensional affordable living issues (as opposed to addressing affordable housing in isolation); and
- Assisting new residents to effectively integrate into their communities.

The land use planning policy in Western Australia is quite centralised. While some key activities such as sub-division approvals are co-ordinated by the WA Planning Commission (WAPC), for most planning issues Local Governments are required to prepare and implement plans consistent with State Planning Policies and approved by the WAPC. The previous requirement for Local Governments in Western Australia to prepare a Local Housing Strategy according to the Guidelines provided by the WA Planning Commission has recently been rescinded and replaced with the requirement to prepare a Local Planning Strategy that includes housing and requires consideration of the State, regional and local planning context including the State Affordable Housing Strategy. The depth of Local Housing Strategies can be assessed by reviewing a sample of them including City of Stirling³ and City of Wanneroo⁴.

These Local Housing Strategies and Local Planning Strategies seek to address housing affordability as one of the planning outcomes. A number of Local Governments have developed strategies specifically targeting housing affordability and in so doing contribute indirectly to relieving the demand for social housing as well as facilitating the provision of social housing. Examples of this include the City of Perth Affordable Housing Mapping and Incentives Project⁵ and the Town of Vincent Affordable Housing Strategy⁶

The potential for Local Governments to use their local planning scheme provisions to encourage the provision of affordable housing should be actively supported.

³ Accessible at: <http://www.stirling.wa.gov.au/NR/rdonlyres/AA3C66D3-B673-495C-9F9F-E964590934D/0/LocalHousingStrategy2010.pdf>

⁴ Accessible at: <http://www.wanneroo.wa.gov.au/cproot/4305/3/Local%20Housing%20Strategy.pdf>

⁵ Accessible at <http://www.perth.wa.gov.au/web/Council/Plans-and-Projects/Current-Plans-and-Studies/>

⁶ Accessible at: <http://www.vincent.wa.gov.au/cproot/4087/46/Affordable%20Housing%20Strategy.pdf>

The implementation of the Multi Unit Housing Code should have a positive impact on affordable housing outcomes with its attempt to reduce the disincentives for smaller dwellings in favour of increased diversity of housing. This would be further facilitated by the proposal to review the R-Codes in favour of minimum densities.

URBAN RENEWAL

Key State-wide strategic planning documents including Directions 2031 are important in influencing the location and nature of housing provided in the Perth – Peel region. However, while an adequate supply of affordable housing (potentially including the social housing subset) is a stated objective of the strategy, there is no guidance included as to how this is to be achieved apart from the general principle of providing a diversity of housing.

The only mention of affordable housing occurs in the draft Central Metropolitan Perth Sub-Regional Strategy and there is not a single section dealing with affordable housing outcomes in the draft Outer Metropolitan Perth and Peel Sub-Regional Strategy. Better alignment is needed between planning policies to ensure housing affordability outcomes continue to be considered.

Directions 2031 identifies the important contribution of in-fill redevelopment in meeting the housing needs of the Perth region over the next twenty years. However, research by inner city Local Governments highlights that current market forces result in decreasing housing affordability as a result of implementing urban renewal with higher population densities in inner city areas and in transit oriented developments. The intense level of gentrification (population characteristic change characterised by higher income people including professional couples and singles moving in and a diverse range of young singles and couples, middle income families and pensioners moving out) has and continues to characterise the nature of residential development in inner-city areas of Perth.

LOCAL GOVERNMENT ENTERPRISES

One of the recognised strengths of the community housing sector in the delivery of housing solutions to low and middle income groups is its flexibility. Relative to State and Local Governments, it has the capacity to deal with different income levels of tenants, housing types, housing allocation, tenant placement, financial sources and development models. For Local Governments this flexibility facilitates joint venture partnerships on projects with an agreed set of mutually beneficial outcomes. There are good exemplars of such partnership arrangements involving Local Governments both in Western Australia and other Australian jurisdictions.

However, unlike any other Australian jurisdiction there is currently a blanket prohibition in Western Australia on Local Governments use of corporate governance structures which in some instances would be more suited to the development of partnership arrangements with community housing providers and private developers. While improved commercial efficiency and reduced risk to ratepayers are the key drivers of reform to the governance arrangements for Local Government enterprises, the ability to form appropriately structured commercial

vehicles offers the potential to allow Local Governments to engage with community housing providers and developers in innovative ways.

CHARITABLE RATING CONCESSIONS

Consistent with the strategic directions recommended by the Economic Audit Committee⁷, trends in other jurisdictions and recent State Government announcements⁸ it is apparent that the State Government will continue to place the responsibility of an increasing proportion of social housing stocks with community housing organisations.

While the identified benefits of this approach are acknowledged, depending on the nature of the entity providing the social housing there can be significant impacts on Local Government revenue raising strategies. Social housing residents typically access the range of public goods and services funded through Local Government rates and traditionally the Department of Housing has paid rates on properties it owns. However, most community housing providers claim exemption from rates on the basis of their charitable status. Consequently the cost of local public services provided is spread amongst the smaller base of remaining ratepayers.

While the Department of Housing has a policy of spreading social housing uniformly across the metropolitan area, as a legacy of historical practices social housing remains more concentrated in some areas and almost absent in others. Ratepayers within jurisdictions with higher than average numbers of community housing disproportionately shoulder the additional cost of these public services, rather than the costs being spread across the entire community.

Furthermore there are opportunities for innovative partnerships to be established between Local Governments, community housing providers and private developers in providing a range of social and affordable housing within diverse developments. However, the fact that the cost of rates concessions is borne by those within the immediate community acts as a disincentive to pursue these opportunities and build community support for them.

In the same way that the State Government provides rates concessions for eligible aged pensioners, the rate concessions provided by legislation to not-for-profit housing providers should be funded by the State Government such that the burden is spread across the community.

Recommendation

The cost of rates concessions provided to charitable community housing providers should be borne by the State Government to deliver improved equity across the community and eliminate a disincentive to Local Governments developing affordable and social housing projects in partnership with community housing providers.

⁷ Putting the Public First October 2009. Accessible at: www.dpc.wa.gov.au/Publications/EconomicAuditReport

⁸ WA NFP's to Provide Social Housing June 2010 Accessible at:
<http://www.probonoaustralia.com.au/news/2010/06/wa-nfps-provide-social-housing>

HOUSING IN REGIONAL CENTRES

The housing and social housing issues in regional centres have a different nature to the metropolitan area, and are diverse between regional areas. Local Governments in regional areas identify the need for strategic responses to:

- Housing needs for indigenous Australians, clearly in partnership with the Commonwealth Government;
- Key worker housing needs, particularly but not exclusively in areas underpinned by strong growth in mining and resource development activity;
- Appropriate services and support for social housing tenants in regional towns including medical, educational, mental health and social development services.

In a significant number of regional centres prohibitive headworks costs for electricity supply, water and waste water services makes development of additional housing financially difficult without direct public intervention such as that undertaken by Landcorp.

Clarification is needed in regards to the status of the proposed changes to the legislative framework for community housing. The impacts on Local Government community housing provision need to be clearly understood in moving towards a tiered approach. WALGA has previously undertaken work on cross-sectoral approaches between Local Government and the non-government sector in community development.⁹ The Productivity Commission has also undertaken research into the contribution of the not-for-profit sector which could provide further background in this area.

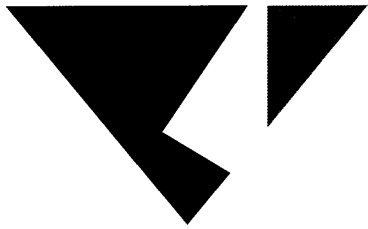
With the focus on the issue of homelessness at the national level, through the Council of Australian Governments, the role that some Local Governments play in the provision of homeless shelters should be acknowledged.

Finally, there has been some concern expressed with the suggestion that social housing tenants in metropolitan Perth could be relocated to regional areas. Access to social support networks for these tenants is fundamental to the successful integration of social housing tenants into the regional community, and should not be a decision made solely on the availability of a dwelling.

⁹ Cross-Sectoral Frameworks for Community Development in Western Australia. November 2007. Available at: http://www.walga.asn.au/about/policy/community_development/documents/community/

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WALGA

**Interim Submission
December 2009**

**'More Than a Roof and Four Walls' & 'Housing 2020:
Future Directions for Affordable Housing'**

Social Housing Taskforce

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EXECUTIVE SUMMARY

The Western Australian Local Government Association (WALGA) is the united voice of Local Government in Western Australia. The Association is an independent, membership-based group representing and supporting the work and interests of all 139 Local Governments in Western Australia, plus the Christmas Island and Cocos (Keeling) Island Councils.

The Association provides an essential voice for almost 1,400 elected members and over 12,000 employees of the Local Governments in Western Australia. The Association also provides professional advice and offers services that deliver financial benefits to Local Governments and the communities they serve.

In December 2008, the Minister for Housing appointed a Social Housing Taskforce with a mandate to investigate strategies to achieve an 'aspirational' target of 20,000 more social housing dwellings by 2020.

The release of the Social Housing Taskforce's final report was accompanied by the release of *Housing 2020 – Future Directions for Affordable Housing* which seeks to provide an initial blueprint for a State Affordable Housing Strategy.

it is essential that clear strategies are put in place to provide a framework to address these issues. WALGA commends the State Government on the release of the Social Housing Taskforce Report which it regards as an important and timely. While it is clear that any future strategy will need to be flexible enough to address the wide range of different housing challenges across the State, WALGA believes Local Government has a great deal to contribute to the process and looks forward to actively working with the State Government to give effect to the recommendations of the Report.

RECOMMENDATIONS

1. That WALGA commends the State Government on the release of the Social Housing Taskforce Final Report. WALGA regards this as an important and timely initiative and looks forward to actively working with the State Government to give effect to the recommendations of the Report.
2. WALGA believes that the establishment of a joint State Government/Local Government Committee through WALGA would assist in the further development of a State Affordable Housing Strategy and ensure its effective implementation.
3. It is WALGA's view that given the particular housing challenges faced by the regions and the strong recent increases in land values in the metropolitan region meeting the housing challenge in Western Australia will require active intervention by the State Government in the housing market. The traditional approach of concentrating lower income families on cheaper land without adequate services and facilities on the urban periphery is no longer a viable solution. However, the required intervention will need to be adequately resourced if it is to be effective.
4. WALGA believes that in seeking to effectively tackle the housing challenge in Western Australia it is critical that the State Government provides 'homes' rather than simply 'houses'. WALGA actively supports the principle that social and affordable housing should be distributed and integrated into every community. If we are to deliver socially sustainable communities, however, both the location of housing and supporting services (transport and social facilities) will need to be given careful consideration. It will also require that the social integration of residents is actively addressed. WALGA believes that Local Government is well placed to assist in responding to these particular challenges.
5. WALGA would argue that the effective delivery of housing diversity (both in terms of block sizes and housing types) will require a considerable strengthening of current regulatory provisions.
6. That the State Government investigate the implications of introducing amendments to the Residential Design Codes and Local Government planning policies, before changes are made.
7. WALGA is strongly supportive of the intention to develop Regional Housing Strategies. In developing such Strategies however a number of important prerequisites need to be addressed:
 - The State Government needs to establish a logical 'macro' policy framework in terms of locational distribution, indicative targets and mechanisms of delivery which can form the starting point for the development of Regional Housing Strategies.
 - Within the Metropolitan Region strategies should be developed with groups of Local Authorities defined in partnership with Local Government. In the regions the Strategies should be undertaken through the Regional Development Commissions.In addition it is important that clear mechanisms of delivery are established for the range of initiatives included in Regional Housing Strategies.

LOCAL GOVERNMENT CONTEXT

Local Government Capacity

Local Government in Western Australia is facing a number of financial constraints, identified both at the national, state and local level. These must be taken into consideration with the development and implementation of Australian and State policy positions by Local Government.

The capacity constraints facing Local Government in Western Australia are symptomatic of the issues facing the Local Government Sector nationally. At a national level, The House of Representatives Standing Committee on Economics, Finance and Public Administration Report, *Rates and Taxes: A Fair Share for Responsible Local Government* (the Hawker Report) found that escalating costs and constrained funding along with growing community expectations and a funding gap threatens the future of an efficient and responsive Local Government.¹

As part of the Australian Government response to the Hawker Report, the Productivity Commission was asked to examine the capacity of Local Government to raise revenue from their own sources. The draft report, *Assessing Local Government Revenue Raising Capacity*, indicates that despite calls for increased funding from the Australian and State Governments, most Local Governments appear to have some limited capacity to raise more revenue if they and their communities wished to do so. More importantly, the findings outlined in the final report *Local Government Revenue-Raising Capacity* qualifies these concerns highlighting that a significant number of Councils, particularly in rural (87 per cent) and remote (95 per cent) areas, would remain dependent on grants from other spheres of government to meet their current expenditure (Finding 5.5).

When considering any additional responsibilities that Local Government might be asked to undertake, it is worth remembering that the cost-shifting spectre from Australian and State Governments to Local Government is estimated to be costing local communities, through their Council rates, in excess of \$1 billion per year.

With 139 Councils spread across our very large State, ranging from the Shire of Murchison (population: 111, revenue: \$3m) to the City of Stirling (population: 188,881, revenue: \$156m), local governments vary tremendously in resources, roles and attitudes. WALGA's Systemic Sustainability Study, *The Journey: Sustainability Into the Future* (2008) identified the key issues for local governments as being:

- increasing difficulties in securing the numerous skill sets, many of them required as a prerequisite for delivery of services and functions stipulated by law
- the mounting pressures surrounding service expectations in the communities to which councils have primary loyalty
- the capacity of local government to meet its obligations for delivery for a wide range of services of high quality – with the revenue-raising capacity of the sector at the core of this.

¹ House of Representatives Standing Committee on Economics, Finance and Public Administration (2003), *Rates and Taxes: A Fair Share for Responsible Local Government*, Canberra, p 11.

Local Government Landscape

Local governments' responsibilities have broadened considerably to include town planning, building, health, and community services (libraries, youth services, seniors, health, sport and recreation), and more recently heritage, tourism and economic development.

Major reforms are currently underway in both the planning and local government sectors. Local Government is directly impacted by the Department of Planning's broad, overarching reforms to the planning system, as outlined by the document *Planning Makes It Happen: A Blueprint for Planning Reform* and the consultation paper *Building a Better Planning System*.

The Local Government reform process continues with the recent release of the Local Government Advisory Board Interim Report. Key recommendations of the interim report are:

- to acknowledge that nine Councils have volunteered to merge into three new entities
- a transition process be created for Councils that wanted to volunteer to further explore amalgamations
- a collaborative model of regional shared services for Councils for which amalgamation is not appropriate

Adoption of a regional shared services approach by local governments was a key component of WALGA's Systemic Sustainability Study report released 15 months ago and was the model local governments were working towards prior to the announcement of the State Government reform process last February. The concurrent Local Government and planning reform processes provide an opportunity to achieve the necessary synergies for housing affordability and availability.

Local Government's Role in Housing

Local governments across WA experience and deal with many different housing issues of varying range and scale. One size doesn't – and won't – fit all: some councils will reflect community attitudes in relation to experience with social housing, while others have encountered problems with attracting key workers due to a shortage of affordable housing suitable for them, and in country areas some councils with limited resources have had to significantly subsidise delivery of essential services such as local doctors by paying for medical facilities, housing etc.

Many of the activities undertaken by local governments are directly, or indirectly, related to the housing sector. In broad terms these activities fall into three areas:

- Statutory or mandated roles required by legislation.
- Economic and social welfare initiatives.
- Supporting services which have a direct/indirect relationship to activity in the housing sector.

WALGA believes that in examining these broad issues, Local Government can make an important contribution to addressing housing in the following areas:

- Identifying the range of local demands for housing.
- Identifying particular local opportunities for housing initiatives.
- Contributing to the development of effective Regional Housing Strategies.

- Aligning Regional Housing Strategies and the local regulatory framework to ensure effective implementation.
- Ensuring that housing initiatives are optimally located and new residents are effectively integrated into their local communities.

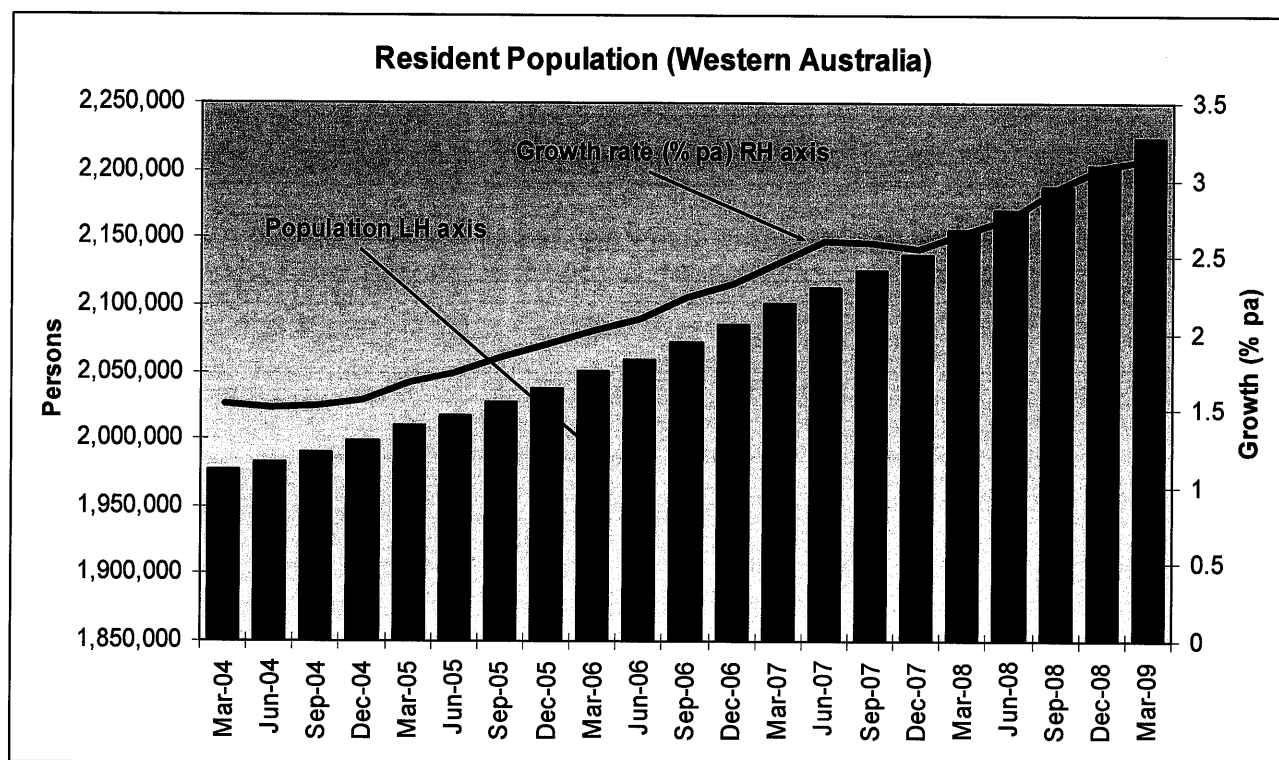
Recommendation 1

That WALGA commends the State Government on the release of the Social Housing Taskforce Final Report. WALGA regards this as an important and timely initiative and looks forward to actively working with the State Government to give effect to the recommendations of the Report.

BACKGROUND

The population of Western Australia is projected to grow by 32% by 2026. This will require the construction of approximately 380,000 additional dwellings over the period. The provision of this housing will however occur in the context of rapidly increasing cost pressures which are already impacting on affordability.²

The most recent population estimates show that the Western Australian population grew 3.1% in the year to March 2009, the highest rate of any State or Territory and well above the national average of 2.1%. Importantly the rate of growth is continuing to climb. A new research organisation, Australian Institute for Population Aging Research has recently published projections for a 65% growth in Australia's population by 2049 (reaching 35 million).



Source: ABS Cat No 3101.0 Australian Demographic Statistics

Net overseas migration provided over 64% of the population growth in Western Australia, creating particular demands for community services and facilities. High levels of population growth are an important consideration for local governments in planning and in negotiating agreements where demand and costs are strongly related to population.

Lower birth rates in the 1960s and 1970s, accentuated by increasing life expectancy, have changed the age structure of the Australian population. The statistics are not new, but they are stark. The

² ABS Cat No 3101.0 Australian Demographic Statistics

proportion of the population aged 65 and over has increased from 8% in 1969 to 13% today and is forecast to be over 22% by 2049.

This is now coupled with new population forecasts which indicate that the Australian population will be 25% higher by 2049 than previously anticipated as a consequence of higher net overseas migration and the increased fertility rate of Australian women. Western Australia is likely to see higher than average population growth rates as a result of resource-based employment opportunities.

All spheres of government have a role in ensuring that this profound population expansion and structure change is achieved without compromising the environmental, social and economic aspirations of the community. Where will these people live and how will existing cities cope with expansion? Where and how will the public infrastructure be provided? Will the footprints of our cities expand accordingly?

The State Government will need to provide updated population projections alongside recent planning documents such as *Directions 2031* and provide population projections for regional centres. The long term plans of Local Government need to demonstrate how development and re-development will set the direction for meeting the accommodation needs of a larger and demographically different population to that of today.

As a major employer, Local Governments will need to consider the sorts of work that needs to be done, and how this will be achieved. The aging population has resulted in a growing participation rate (number of people available for employment out of the total population) over the past 30 years. However, this has now peaked. How will Local Governments innovate in order to increase the employment participation rate, or will services be delivered in different, less labour intensive ways?

While the focus on the housing requirements of Aboriginal people is an important step forward in the development of an Affordable Housing Strategy, it is important to also consider the specific needs of people with disabilities and young people. As mentioned in the Report, a recent study by the Disability Services Commission projected an 84 per cent increase in the number of people aged over 65 with a disability between 2008 and 2023 (compared with a 16 per cent increase over other age groups). Despite the successful introduction of the First Home Owner's Grant, continued support is needed to provide affordable housing options to young people. These problems are exacerbated in the regions, and require greater attention from the State.

Historically, the cost and availability of housing in Western Australia has been the envy of most of the other States and Territories in Australia. In this context, the private sector has been very effective in meeting the majority of housing demand and the role of the State Government, while it has been important, has remained fairly minor in terms of overall numbers (the public housing sector comprises 4.5% of the total WA housing stock). However, the State Government has also played an important role in developing housing land to provide affordable housing. The private sector has provided rental accommodation which currently comprises 19% of the market, and while there is clear evidence of housing stress in this sector (24% spent more than 30% of their income), the majority has historically been 'affordable'.

However, the strong recent economic growth shown by the Western Australian economy, rapidly increasing land prices in the metropolitan region, regional demand 'spikes' associated with resource project development, and substantial increases in government taxes and charges are putting the cost of private sector housing beyond the means of an increasing number of Western Australian families.

These pressures are reflected in the metropolitan region where lower income families are 'pushed' to the decreasing number of suburbs on the urban periphery that still provide dwellings they are able to afford.

In regions such as the Pilbara they are reflected in limited land supply, lack of rental accommodation, substantial construction premiums and serious 'spikes' in demand associated with resource development cycles. Housing affordability issues are exacerbated by high construction costs, the lack of availability of private rentals across the regions, and the need for more one- and two-bedroom dwellings for singles and couples.

The towns in the Great Southern face headworks costs which make the development of land (and much needed population increases that would go along with them) difficult to achieve. In coastal areas tourism and the Seachange phenomenon are pushing up the cost of housing while an appreciable proportion of the existing housing stock is empty at any one time.

It is of some concern that the Department of Housing continues to rely on the public housing waiting list as the means of forecasting medium to longer term demand for social housing, and rely on it as the primary driver of decision regarding location and type of social housing providing. WALGA supports the need of a more robust framework for understanding immediate and long term social housing needs, particularly in the needs of specific demographic groups. Understanding the need for social and affordable housing is critical in developing appropriate stock in areas needed, and informing plans to achieve the required outcomes.

In this context, it is essential that clear strategies are put in place to provide a framework to address these issues. WALGA commends the State Government on the release of the Social Housing Taskforce Report which it regards as an important and timely. While it is clear that any future strategy will need to be flexible enough to address the wide range of different housing challenges across the State, WALGA believes Local Government has a great deal to contribute to the process and looks forward to actively working with the State Government to give effect to the recommendations of the Report.

Recommendation 2

WALGA believes that the establishment of a joint State Government/Local Government Committee through WALGA would assist in the further development of a State Affordable Housing Strategy and ensure its effective implementation.

HOUSING AFFORDABILITY

Historically, social housing has often been developed in locations where costs (particularly land costs) could be minimised, thereby maximizing the number of houses that could be provided within particular budgetary constraints. An outcome of this approach was the imposition of external costs on the occupants through, for example, increased transport costs.

The locational imperatives of affordable and priority needs housing should tie in closely with the local planning system and, in metropolitan Perth, with the State Government infrastructure program, and the recent *Directions 2031* initiative. As suggested in the Report, strategies to improve housing diversity and density should not be restricted to the metropolitan and Peel regions, and similar strategies may prove appropriate in regional centres where more diverse and affordable housing types are required.

The State Government should also actively encourage the contribution of the private sector in the provision of affordable housing. This will require the prior provision of both physical and social infrastructure to lever private sector investment. It would also logically include private/public sector partnerships.

In this regard, it should be recognised that the degree to which housing meets the requirements of its occupants is critical dependent not only on the adequacy of the housing itself but on its location and the level of access this location provides to the facilities and services used by the occupants. This aspect is far more critical for lower income and priority needs residents than for those better off residents within the community. David Harvey's observation that the rich are able to overcome space while the poor are trapped by it provides an illustration of this phenomenon. And in this context accessibility to local shops, public transport, employment and social services will all be critical. In this context it is important to seek to provide housing choice, particularly for lower income families. This should include both the option of better services and facilities in the outer suburbs and locations within areas of inner city revitalisation.

Related to the locational and planning requirements for different housing needs is the issue of social integration. Historically social housing, particularly where it dominated particular suburbs and the management regimes were less sophisticated than they are today, was often stigmatized by sections of the community. Overcoming this historical legacy will require that the social integration of the residents of affordable and priority needs housing is proactively tackled as an integral component of the early planning of housing initiatives.

In addressing both the locational imperatives of affordable and priority needs housing, and in ensuring the effective integration of their residents within their local communities, Local Government with its detailed knowledge of the local context can make a critical contribution to ensuring the success of housing initiatives.

Housing affordability varies considerably between suburban areas. Anthony (2006/7) mapped the change in affordability over time for metropolitan suburbs that were affordable in June 2003.³ He used the 30/40 measure of affordability.⁴ The checked boxes indicate suburbs deemed affordable where the income required to purchase a median price dwelling was calculated assuming a deposit of 10% of the median property value plus 5% costs, average standard variable loan over 25 years with repayments at 30% of household disposable income.

Suburb	2003	2004	2005	2006	Suburb	2003	2004	2005	2006
Armadale					Leda				
Balga					Lockridge				
Banksia Grove					Lynwood				
Beckenham					Maddington				
Beechboro					Medina				
Bellevue					Merriwa				
Brookdale					Middle Swan				
Bullsbrook					Midland				
Calista					Midvale				
Clarkson					Mirrabooka				
Cooloongup					Parmelia				
Craigie					Orelia				
East Cannington					Queens Park				
Eden Hill					Rockingham				
Forrestfield					South Lake				
Girrawheen					Stratton				
Gosnells					Swan View				
Heathridge					Two Rocks				
High Wycombe					Waikiki				
Hillman					Wanneroo				
Huntingdale					Warnbro				
Kelmscott					Wattleup				
Koondoola					Westfield				
Koongamia					Westminster				
Langford					Wescombe				

Source Anthony (2007)

Anthony's findings are consistent with those of the UDIA who undertook a similar study which included an assessment of regional property markets. It found that only whilst housing in all regional centres in the State was affordable in 2001, only Geraldton and Kalgoorlie remained affordable in 2006.

³ J. Anthony, (2006) The State of Affordable Housing in WA. Shelter WA Occasional Paper 2006 – 1, Available from: <http://www.shelterwa.org.au/publications/resandproj/Shelter%20Affordable%20Housing,%202006%20Final%20Master%20Copy.pdf>

⁴ The 30/40 measure of affordability is a commonly used measure in housing research and policy: housing is 'affordable' when a low income household (defined as one in the bottom 40% of the needs adjusted or equivalised disposable income distribution) pays no more than 30% of its gross household income on housing costs.

BankWest (2008) provided a useful context for affordability when they considered access to the Perth Metropolitan housing market by key workers – teachers, police officers, fire fighters and ambulance officers. BankWest used the years of income required to purchase a median priced house in a local government area. They found that nurses, teachers, fire-fighters ambulance officers were all priced out of the Perth metropolitan single detached housing market – that is none of the twenty nine local government areas that make up the housing market were affordable to these occupations. Police officers could afford to purchase in two local government areas – the City of Armadale and the Town of Kwinana.⁵

WALGA is of the firm view that Affordable Housing should be dealt with as an integral component of Regional Housing Strategies. There are a number of reasons for taking this view:

- Housing should be dealt with holistically and tackle the full range of housing needs.
- Affordable housing is politically sensitive and Local Government should be actively involved as an active stakeholder in addressing the issue.
- In broad terms the same set of implementational mechanisms (public intervention or planning initiatives) are likely to be used to deliver both ‘housing’ and ‘affordable housing’ outcomes.

The provision of Affordable Housing provides a particular challenge in high land value locations. There are, however, a number of reasons for seeking to deliver affordable housing in these locations:

- High land value locations should not simply reinforce polarized city structures in which the ability to buy or rent moves beyond the reach of low and moderate income families. This is particularly so in the context of inner city ‘revitalisation’ where considerable public sector resources are invested to attract private sector interest (Spiller 1992).
- The presence of semi-obsolete industrial uses or available government land provides a ‘one-off’ opportunity for the acquisition/provision of affordable housing without a significant loss in housing productivity (Spiller 1992).
- *Directions 2031* and *Planning Makes It Happen – A Blueprint for Planning Reform* places considerable emphasis on establishing mixed use centres which provide the opportunity for people to live and work within the same area. As a significant proportion of the jobs which will be generated in such centres will be in lower paid occupations (personal services, cleaners etc) this suggest the need for a significant local stock of affordable housing. The extra community costs associated with them commuting to work may outweigh the additional costs of providing affordable housing in such centres.
- In coastal regions, the Seachange phenomenon and tourism are increasing the cost of housing and generating a strong demand for service employment. The levels of remuneration in service economy employment increasingly means that these ‘local’ workers are unable to afford housing in the areas in which they work.

Addressing these issues will require a range of innovative approaches which could include initiatives to reduce the cost of housing production (planning standards, cost effective building technologies, infrastructure contributions), ‘conserving’ affordability through ‘capital gain sharing’ or cooperative

⁵ BankWest used the years of income required to purchase a median priced house in a local government area.

ownership tenure, or subsidising housing through public ownership, the provision of planning bonuses, traded development rights or inclusionary zoning (Spiller 1992).

As the Social Housing Taskforce Report recognises, many of the recommended strategies will require changes to planning and development policies. The extent of these required changes should not be underestimated.

While current planning policy generally encourages a 'diversity of housing' these aspirations are not be delivered on the ground. While block sizes have fallen somewhat the size of residences has increased markedly. The introduction of the Residential Planning Codes in fact narrowed the range of housing types being built in Western Australia. In addition the fact that density codes establish a maximum density rather than a minimum density has seen a substantial proportion of urban land developed well below its theoretical capacity under the current planning provisions. Alternative construction methods have never been fully explored, and remain uncommon in new housing developments. These problems are exacerbated by the conservatism of the local housing industry which is nervous about the 'marketability' of alternative housing types outside established 'inner city' markets.

This suggests that fairly fundamental changes are required to the planning system and that these would need to far more prescriptive in terms of required outcomes than the current provisions. This will require active participation from the Department of Planning in the development of Regional Housing Plans and a willingness by the Western Australian Planning Commission (WAPC) to implement the required changes.

In this context the potential of Local Authorities to use their local planning scheme provisions to encourage the provision of affordable housing should be actively supported. Such initiatives could include density bonuses, the more extensive provision of 'ancillary accommodation', affordable housing levys, and encouraging the retention of non compliant residential developments which provide affordable housing opportunities.

Recommendation 3

It is WALGA's view that given the particular housing challenges faced by the regions and the strong recent increases in land values in the metropolitan region meeting the housing challenge in Western Australia will require active intervention by the State Government in the housing market. The traditional approach of concentrating lower income families on cheaper land without adequate services and facilities on the urban periphery is no longer a viable solution. However, the required intervention will need to be adequately resourced if it is to be effective.

Recommendation 4

WALGA believes that in seeking to effectively tackle the housing challenge in Western Australia it is critical that the State Government provides 'homes' rather than simply 'houses'. WALGA actively supports the principle that social and affordable housing should be distributed and integrated into every community. If we are to deliver socially sustainable communities, however, both the location of housing and supporting services (transport and social facilities) will need to be given careful

consideration. It will also require that the social integration of residents is actively addressed. WALGA believes that Local Government is well placed to assist in responding to these particular challenges.

Recommendation 5

WALGA would argue that the effective delivery of housing diversity (both in terms of block sizes and housing types) will require a considerable strengthening of current regulatory provisions.

Recommendation 6

That the State Government investigate the implications of introducing amendments to the Residential Design Codes and Local Government planning policies, before changes are made.

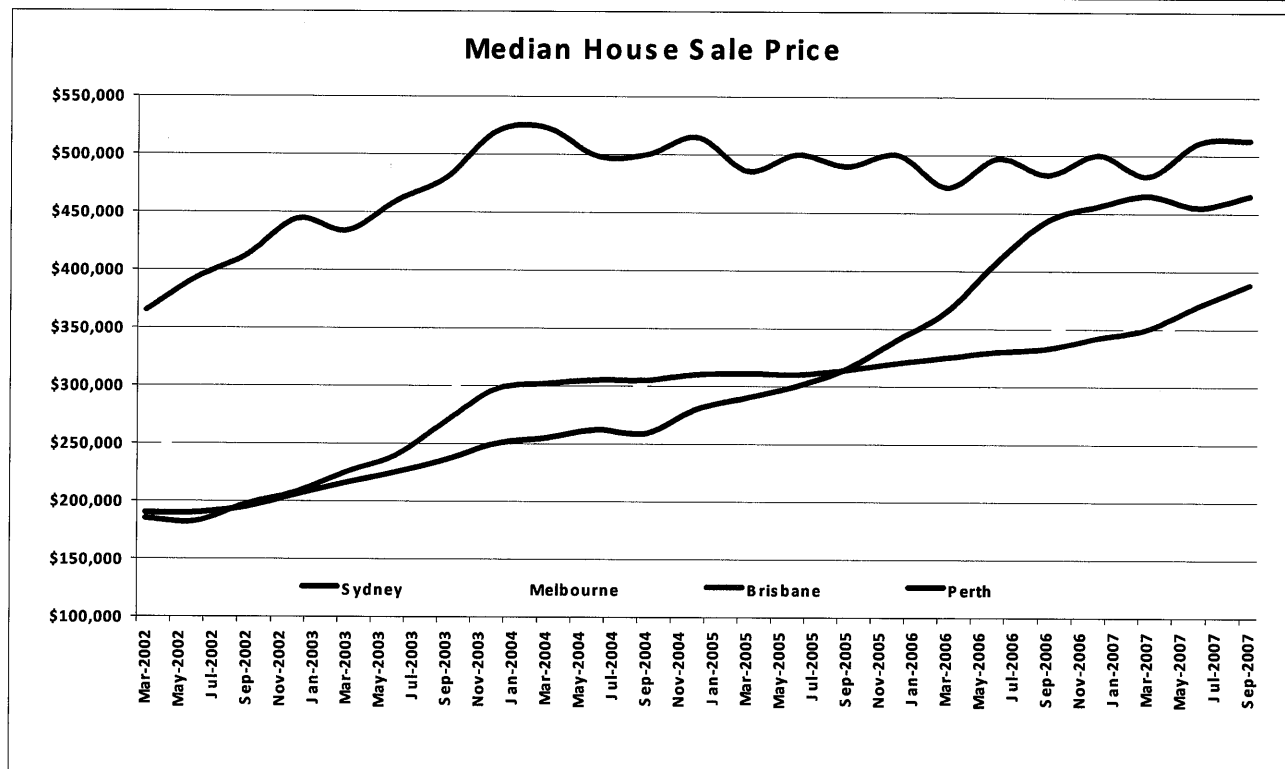
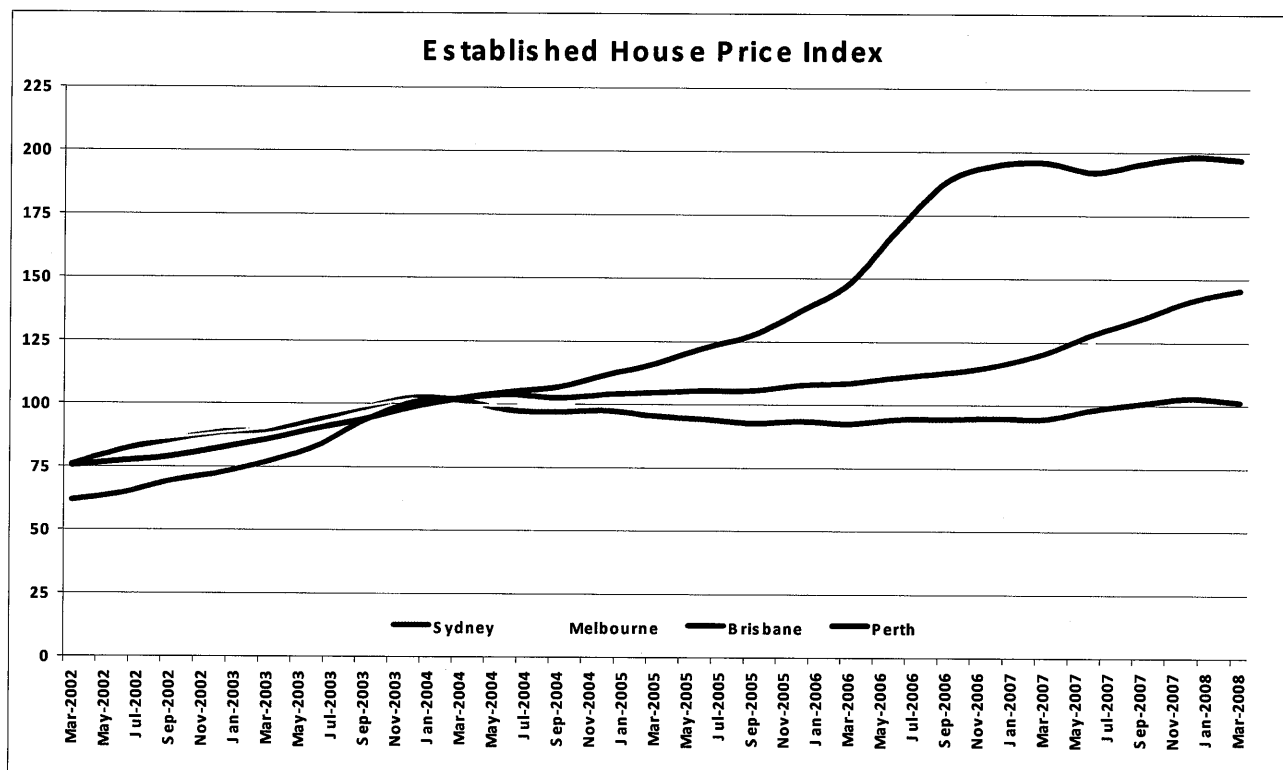
Median House Prices

There has been an overall trend towards decreasing housing affordability throughout Australia. According to BankWest (2008), house prices have increased by 66% since 2002. ABS data on median established house prices for selective capital cities is shown below. Sydney clearly has the highest median house price. However, the growth in Perth's median house price has outstripped that of Melbourne and Brisbane. There are signs that the property market has at least levelled out in the major capital cities.

Real Estate Institute of Australia data for the March 2008 Quarter supports this with most major cities experiencing falling house prices.

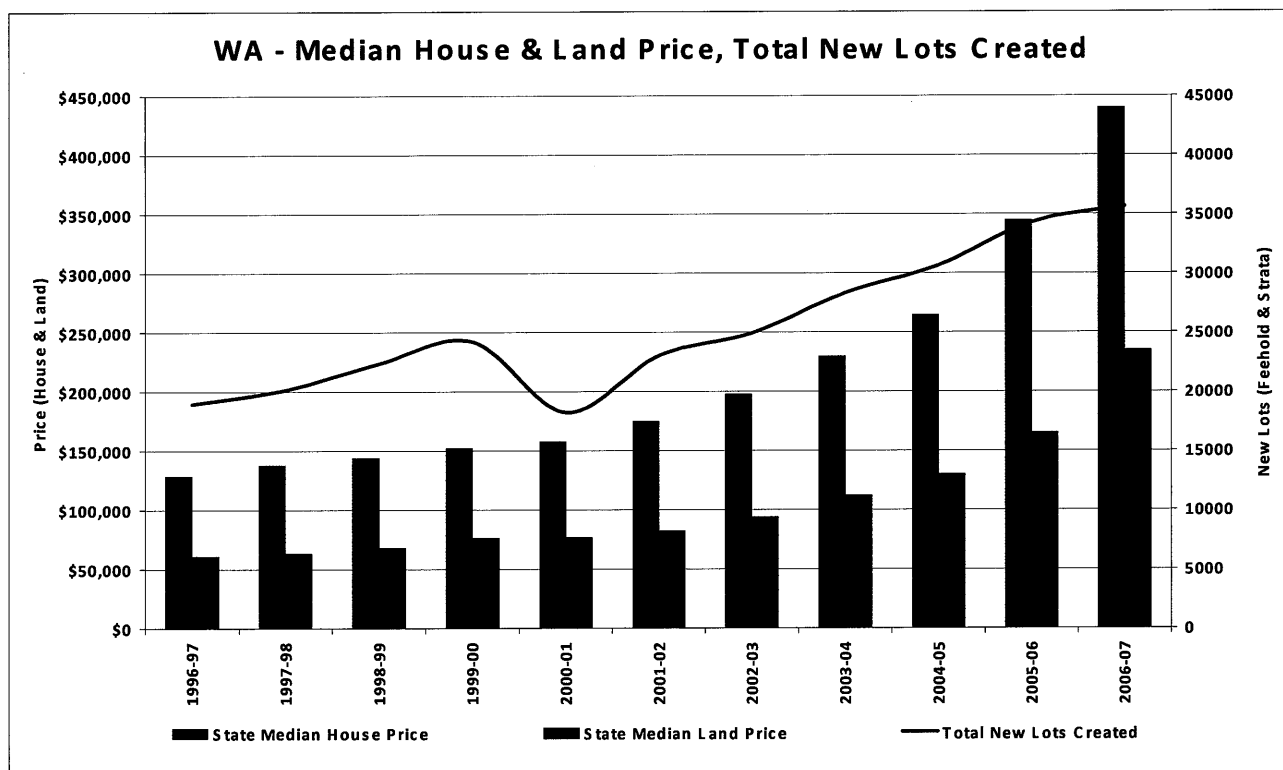
City	Median House Price	Fall over Previous Quarter
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The ABS Median Established House Price Index shows the rate of change in median house prices between major capital cities in Australia when the median house prices are standardised. This illustrates how much more rapidly house prices have grown in Perth than in other capital cities.



Source: ABS Cat. No 6416 House Price Inde3x: Eight Capital Cities (both graphs)

It is possible to compare the median price for an established house in Western Australia with the median price for a block of land. In 1996-97, the median house price for Western Australia was \$129,000 (\$135,000 for the metropolitan area). by 2006-07, this had risen to \$440,000 (\$470,000 for the metropolitan area). Median land prices have risen from \$61,000 to \$235,000 over the same period.



Source: Landgate Website

The ratio between median house prices and median land prices has remained relatively constant at 2:1 regardless of the number of new lots created.

HOUSING SUPPLY

Availability of Land Suitable for Urban Development

The development of land for housing in Western Australia relies on land being assessed as suitable for urban development and zoned accordingly. Currently, it is claimed that there is a twenty five year supply of land zoned urban. Whilst this appears, on the face of things, to be true, there is a concern by industry groups such as the Chamber of Commerce and Industry and the Urban Development Institute of Australia (Western Australian Division), that this is not the case. Their concerns stem from amendments to the Environmental Protection Act (1986), made in 1996, which required all land use or zoning changes to be approved by the Environmental Protection Authority. This requirement was retrospective and land that was already zoned was not exempt from this requirement. This has led to significant areas of "urban" and "urban deferred" land, rezoned prior to 1996, not having final clearance and not being available for land development.

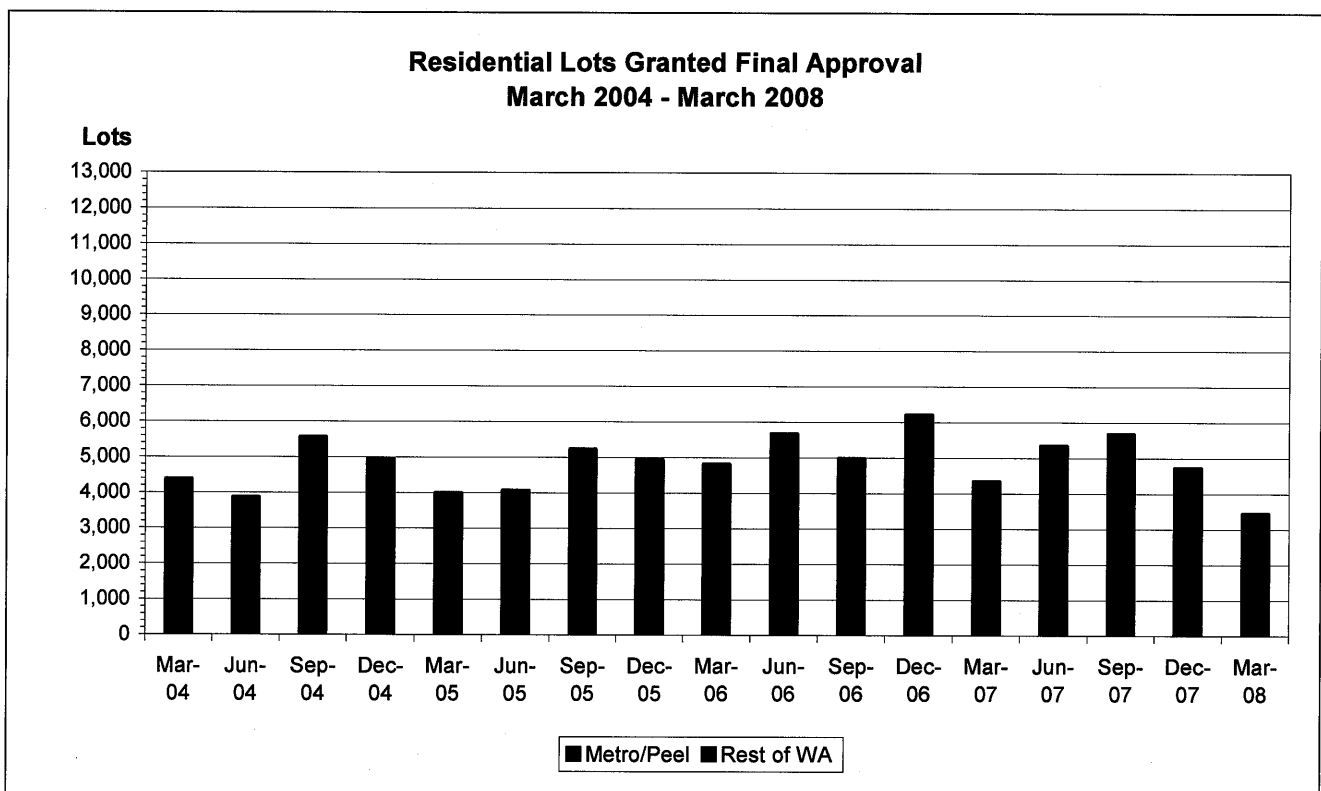
There are also a number of more requirements on land than there were in the 1990s. These include protection of wetlands, ground water area and rare and endangered species. In addition, there are requirements to address issues such as acid sulphate soils. These may all be appropriate considerations in the current development environment but they will reduce the availability of land for urban development.

Final Approval

Residential lots granted final approval throughout the State and in Metropolitan Perth/Peel are at their lowest level in over four years. Final approvals declined for the second consecutive quarter in WA to record 3,455 lots in the March quarter 2008 representing a decline of 27% when compared with the December quarter total of 4,742 lots.

In the metropolitan Perth/Peel region there were 2,635 final approvals granted to residential lots, a decline of 22% from the December quarter. The fall was felt in the regions, which recorded a decline of 40% from 1,368 in the December quarter to 820 in the current quarter. These declines reflect a reduction in activity from developers seeking final approvals due to reduced market demand and relatively higher stock levels.

After residential subdivision activity peaked during 2005/06 and 2006/07, three-quarter figures suggest that 2007/08 will see final approvals weakening in the aftermath of these boom years.



Source Department of Planning and Infrastructure

Land Development Processes and Policies

The State Government has adopted *Directions 2031* as its principle planning policy for urban growth in the Perth Metropolitan and Peel Regions. It provides an approach that focuses on urban consolidation, activity centres, activity corridors, transport oriented development and increased housing choice. Previously, Network City had been slow to translate into an overall strategic direction and plan for the City and surrounding areas and had not been translated into a statutory framework. As a consequence much of the statutory approvals process relied on government planning policies and guidelines that had the potential for inconsistencies with the intention of Network City. The hoped that the new planning policy will provide clarity, and prevent unnecessary costs and delays to developers.

Roles and responsibility in the planning and approvals system are not clearly defined. The Land Release Coordinator (2007) Found that there were problems with the management and coordination of the planning process including:

- Lack of responsibility for achieving final approvals;
- Absence of timeliness;
- Multiplicity and complexity of conditions;
- Uncertainty in responsibility of clearing agencies;
- Lack of coordination amongst clearing agencies;
- Rapid change of, and inconsistent policies and objectives;
- Lack of clarity and consistency in guidelines and standards;
- Lack of consistency in advice to developers; even from the same clearing agency; and
- Inefficiencies in tracking the approvals process.

Cost of Construction

The annualised Project Home Price Index for Perth increased by 5.9% in calendar year 2007 over the previous year, which was much below the increases of over 15% in each of the two previous years but was still above the average for the Eight Capital Cities and the all groups Consumer Price Index for Perth.

The MBA/Grant Thornton Survey of business conditions noted in its April report that *"construction times have improved considerably as on-site bottlenecks have eased and productivity improved."*

The building industry estimates that 5 Star Plus, with implementation of energy efficiency and water reduction measures in all new homes approved for construction since September 2007, could add an extra \$3-4,000 to the cost of building a new home⁶. Any upfront costs, however, will be offset by energy and water cost-savings over the life of the dwelling.

Infrastructure Costs

Infrastructure costs relating to the provision of utilities have two components – headworks charges which relates to the capital development and upgrading requirements for the main arterial system

⁶ It should be noted that other States have also increased sustainability requirements on new homes.

including power supply, sewerage treatment works, water supply etc and the cost associated with extending these services to the newly created lot or dwelling. In addition, many States have a system of development contributions which may require developers to make a contribution towards physical and social infrastructure. Some of systems appear to include development contributions towards schools, hospitals and primary roads.

Western Australia has a relatively modest regime of development contributions. To date these have only been applied by local governments where there is a need to coordinate the planning and development of areas with multiple ownership and have only apply to infrastructure items which would traditionally have been paid for by the developer(s). There is no development contribution system which includes specific levies for infrastructure that is the responsibility of the State.

A State Planning Policy was released in November 2009 which will extend local government's ability to apply development contribution charges for community infrastructure. Contributions can only be sought for capital works and the principle of need and nexus must be clearly demonstrated. Unlike some of the other states, local governments in Western Australia are not responsible for the provision of any utilities.

Availability of Skilled Labour

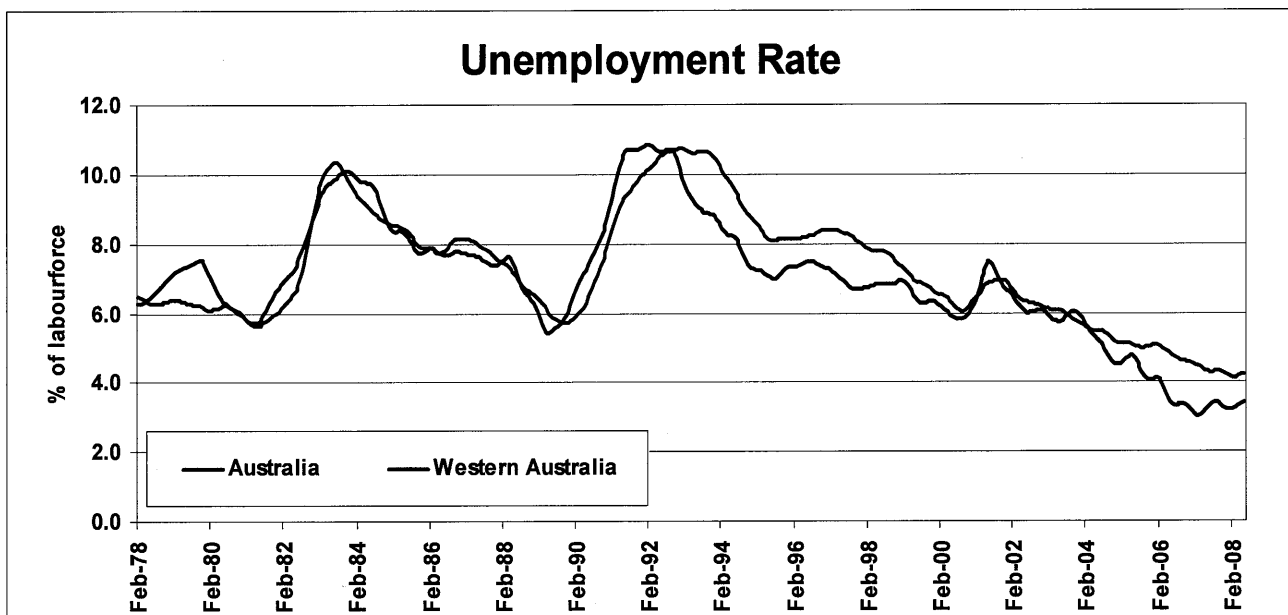
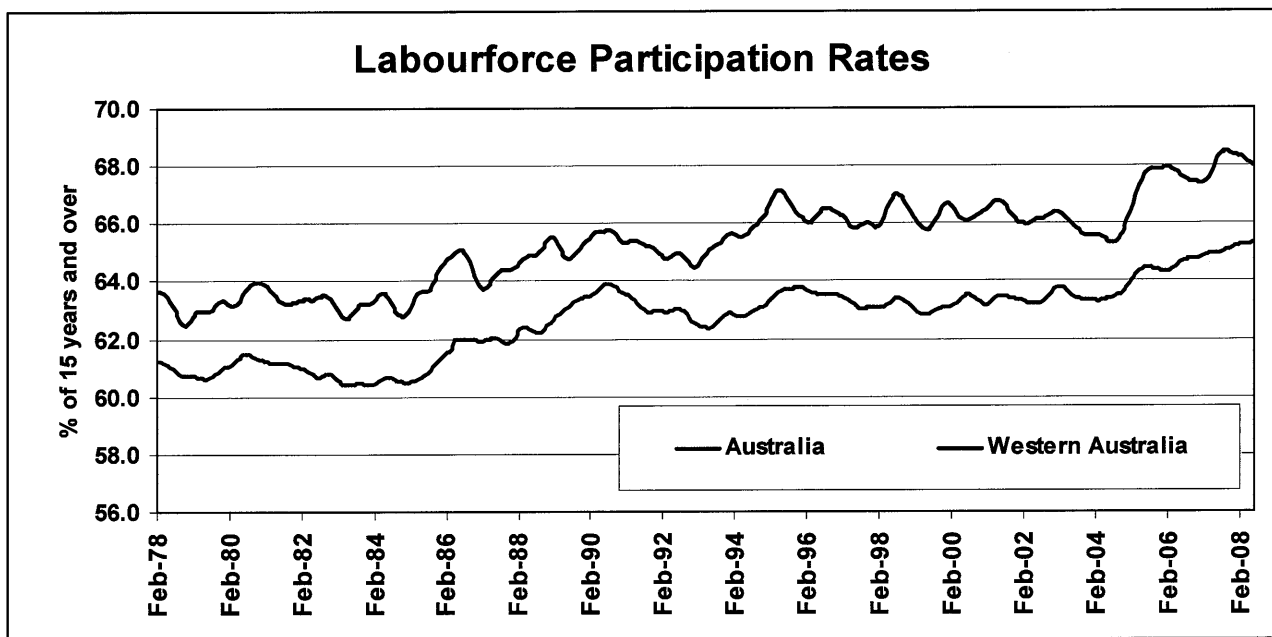
Many Western Australian businesses have identified the lack of skilled labour as an area of growing concern. Western Australia has consistently high levels of workforce participation and is experiencing record low levels of unemployment.

In 2005, ABS examined the Western Australian labour market. It found that recent strong demand for skilled labour, relative to the demand for unskilled labour, supports the existence of a labour shortage that is more skilled than general in nature. Further analysis of labour market indicators reveals that shortages are most concentrated in the occupations of Tradespersons and related workers, Professionals, Labourers and related workers, Intermediate production and transport workers and Managers and administrators; and the industries of Construction, Manufacturing, Property and business services, Mining and Health and community services. The current shortage of skilled labour in Western Australia is cyclical (due to an insufficient supply of labour), reflecting the recent strong growth in the State's economy.⁷

A recent discussion paper by the Chamber of Commerce and Industry (CCI) (2007) suggests that Western Australia's current economic expansion will continue for a number of years. This will require a significant increase in the workforce to facilitate such growth. It is expected that an additional 400,000 workers will be required in the WA economy over the next 10 years. These additional labour requirements cannot be met on the basis of the current labour market and population trends. In the absence of measures to grow the workforce sufficiently, it is estimated that there will be a shortfall of 150,000 workers in Western Australia by 2017.⁸

⁷ ABS (2005) Western Australian Statistical Indicators (Cat. No 1367.5)

⁸ CCI WA (2007) Building Human Capital: A Discussion Paper Business Leader Series



Source ABS Cat. No 6202.0 Labour Force (both graphs)

REGIONAL HOUSING STRATEGIES

A number of the initiatives proposed in the Social Housing Taskforce Report rely on the active support of Local Government if they are to be effectively implemented. The need to develop Regional and Local Housing Strategies, and more particularly to amend local District Town Planning Schemes to incorporate the outcomes of such strategies are two of the more critical examples.

In this context it is critical for the State Government to inform, to involve, and to establish an active and ongoing partnership with Local Government. WALGA is therefore proposing the establishment of a joint State Government/Local Government Housing Committee. It is intended that this Committee

would have a strategic rather than an operational focus. It would however, provide an overview, assist in identifying priorities, provide an co-ordinating function and ensure information sharing among local governments both in Perth and the regions.

The development of Regional Housing Strategies is seen as the implementational backbone of the new State Affordable Housing Strategy. This is entirely logical given the very different demands and pressures which impact on the housing sector in the various regions across the state. However, in developing such Strategies however a number of important prerequisites need to be addressed.

The State Government needs to establish a logical 'macro' policy framework within which Regional Housing Strategies can be developed. Such a framework should establish a clear policy position in terms of locational distribution, indicative targets (such as the percentage of social housing required) and a potential range of housing responses or programmes. The State Government should also establish a 'template' to assist in Regional Strategy development and identify potential mechanisms of delivery. Such a framework will be essential in establishing a logical starting point for the development of Regional Housing Strategies.

Within the Metropolitan Region strategies should be developed with groups of Local Authorities the composition of which could be negotiated through the suggested State Government/Local Government Housing Committee. It is important however that the technical staff include representation from both planning and community services. It is also important that the primary focus should be on the 'demand' drivers if Regional Housing Strategies are to be effective in addressing the range of current housing challenges which impact across the various regions.

In addition, Regional Housing Strategies should include proactive initiatives which better inform local communities of the housing challenges within their areas and actively seek to influence community perception of social and rental housing. This will be a critical factor in gaining community support for housing initiatives proposed under Regional Housing Strategies.

The recent *Directions 2031* by the Western Australian Planning Commission will involve the establishment of both population and employment targets within the metropolitan region. It is important that the more specific housing targets developed by the Department of Housing for both social and affordable housing will be integrated with this broader strategic framework.

Finally, it is questionable whether the State's future community infrastructure and services needs can be adequately planned and delivered without the individual local governments understanding population growth and movement trends and projections, and hence there is a case for the preparation of housing strategies under each council's town planning scheme to become mandatory under the Planning Act. WALGA would fully support the Department of Housing and the Department of Planning working with WALGA and the Regional Development Commissions to develop effective Local and Regional Housing Strategies (Recommendation 40).

Recommendation 7

WALGA is strongly supportive of the intention to develop Regional Housing Strategies. In developing such Strategies however a number of important prerequisites need to be addressed:

- The State Government needs to establish a logical 'macro' policy framework in terms of locational distribution, indicative targets and mechanisms of delivery which can form the starting point for the development of Regional Housing Strategies.
- Within the Metropolitan Region strategies should be developed with groups of Local Authorities defined in partnership with Local Government. In the regions the Strategies should be undertaken through the Regional Development Commissions.

In addition it is important that clear mechanisms of delivery are established for the range of initiatives included in Regional Housing Strategies.

CONCLUSION

The State Affordable Housing Strategy must however provide genuine flexibility and autonomy for Local Government to make considered policy decisions regarding their broader involvement in housing at the local level in response to community needs. In the context of recently signed intergovernmental agreements, it is inappropriate for the State Government to transfer any responsibility to Local Government without funding that responsibility. Thus any transfer of mandates to Local Government must be fully funded. Furthermore, it should also not place restrictions on the responsiveness of Local Governments to their communities.

Overall, Local Government in Western Australia has been working towards promoting social housing development which incorporates:

- Choice
- Greater quality of life
- Best practice in urban design
- Ecological sustainability
- Appropriate protection and enhancement of heritage character as well as local and cultural identity

A new State Affordable Housing Strategy needs to set out the overall strategic objectives and provide adequate resourcing and inter-governmental support to enable local governments to develop and implement this strategy. Genuine flexibility and autonomy for Local Government to make considered policy decisions regarding their broader involvement in housing at the local level would strengthen Local Government responsiveness to their communities.

In this context, it is essential that clear strategies are put in place to provide a framework to address these issues. WALGA commends the State Government on the release of the Social Housing Taskforce Report which it regards as an important and timely. While it is clear that any future strategy will need to be flexible enough to address the wide range of different housing challenges across the State, WALGA believes Local Government has a great deal to contribute to the process and looks forward to actively working with the State Government to give effect to the recommendations of the Report.

SUBMISSION

on

**Housing Affordability
Fund
Consultation Paper**

July 2008

by

Western Australian Local Government Association



WALGA

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INTRODUCTION

Affordable home ownership has been a traditional pillar of Australian society. The vast majority of Australian households either own their own home or are paying it off. Australia. Home ownership rates have been higher in Australia than in many other affluent countries. Home ownership is about more than just financial security, it provides a sense of security (both physical and emotional). The Productivity Commission (2004:p3) suggested that home ownership provided:

*"a foundation for family and social stability, and contributes to improved health and educational outcomes and a productive workforce. Thus it enhances both economic performance and 'social capital'."*¹

Recent studies on housing affordability have all concluded that housing affordability has deteriorated over the past decade. Findings from the Australian Housing and Urban Research Institute (2007: p 1) are outlined below.

- *Housing affordability is a widespread problem.*
- *Housing affordability is a structural problem.*
- *Causes of affordability problems are complex and diverse. Major driving factors can be found both within the housing system and beyond it.*
- *Housing affordability problems are predicted to increase in the first half of the 21st century as a result of anticipated demographic and housing market changes.*
- *Affordability problems have specific spatial and cyclical dimensions.*
- *Households most at risk of facing the multiple problems that arise from a lack of affordable housing are lower-income households in the private rental market.*
- *Housing markets have failed to provide an adequate supply of affordable housing for lower-income households.*
- *Individual households experience and address housing affordability problems in different ways.*

¹ Productivity Commission (2004) First Home Ownership

- *While housing provides shelter, it also influences a raft of non-shelter outcomes for individual households, such as workforce participation, access to jobs and services, family stability and educational attainment.*
- *Declining affordability has implications for economic performance and labour market efficiency, social cohesion and polarisation of cities, environmental considerations and the creation and distribution of wealth through home ownership.* ²

The Select Committee on Housing Affordability (2008: p1) found that:

"Currently there is a significant problem with housing affordability in Australia. In certain regions of the country the problem is particularly acute.

On some measures, housing affordability is at a record low:

- *the average house price in the capital cities is now equivalent to over seven years of average earnings; up from three in the 1950s to the early 1980s.*
- *only one third of transacted dwellings would be accessible to the median young household in 2006-07, compared with a long-run average of almost half.*
- *around two-thirds of households in the lowest 40 per cent of the income distribution with a mortgage or renting were spending 30 per cent of their income on housing, the established benchmark for 'housing stress'.*

Other calculations suggest that the problem may be less widespread.

- *a low income household that in 1996 was devoting 30 per cent of its disposable income to mortgage repayments would today be able to devote 47 per cent of its disposable income to servicing debt while maintaining the same standard of living. Only around five percent of households have low income and spend more than half of it on housing.* ³

² AHURI (2007) Housing Affordability: A 21st Century Problem

³ Senate Select Committee on Housing Affordability in Australia (2008) A Good House is Hard to Find: Housing Affordability in Australia

Purpose of the Submission

This Submission focuses on affordable homeownership. It is recognised that access to affordable rental accommodation (both public and private), and issues of homelessness are also extremely important areas of consideration. It is assumed that these issues will be addressed through other forums.

The Submission considers the definitions of housing affordability and how they relate to the current Western Australian housing market. It looks at the factors influencing housing affordability and provides comment on how these impact on affordability from a Western Australian perspective.

It provides comment on the scope of the Housing Affordability Fund, along with comments on the eligibility criteria, assessment process and performance measures.

Finally, some preliminary information is provided on projects that may address housing affordability issues in Western Australia.

Where possible, Australian Bureau of Statistics data has been used. It is recognised that there are some differences between the median house prices quotes by other sources such as the Real Estate Institute of Australia and the Housing Industry of Australia. However, it is considered that the ABS provides the most consistent source of data particularly when considering differences between states.

DEFINITIONS OF HOUSING AFFORDABILITY

As has been noted in many of the recent studies, affordability is usually measured as the proportion of household income spent on meeting housing costs. The 1992 National Housing Strategy established affordability benchmark based on the notion that the proportion of household income spent on housing should be reasonable and leave sufficient income to meet other basic needs such as food, clothing, health, education and transport. Households at the lower end of the income distribution (bottom 40%) who pay more than 30% of their income towards housing costs are considered to be in housing stress.

The UDIA/Matsui (2007: Part 3:p8) measure provides a spatial context and classifies housing as:

Affordable – when the average household can afford to buy more than 51% of the housing for sale in their local area (using the 30% of household income with a 10% deposit)

Some constraints – when the affordable proportion is between 31% and 51% of total sales.

Seriously constrained – when this proportion is between 16% and 30%.

Unaffordable – when less than 15% of the sales at the time cannot be purchased by the average household in the area. ⁴

A recent report by BankWest(2008: p2) classified local government areas as unaffordable if their median house price was more than five times the average annual income level of households.⁵

These measures focus on the entry cost of home ownership. Housing affordability should also take into account the cost of living in that housing including the cost of transport to work and to access other services as well as the cost of utilities and the cost of maintaining that housing.

⁴ UDIA(2007) An Industry Report on Affordable Home Ownership in Australia

⁵ BankWest(2008) Key Worker Housing Affordability Report : BankWest Financial Indicator Series

HOUSING IN WESTERN AUSTRALIA

Overview of Characteristics and Factors Affecting Housing Affordability

Housing affordability in Western Australia has deteriorated dramatically over the past five years. Perth has high median house prices (second only to Sydney) and, in 2007, there were no suburbs in the Perth Metropolitan Area where houses could be considered to be affordable.

Houses in metropolitan local government areas are no longer affordable for key workers including nurses, teachers, police, ambulance officers and fire fighters.

Housing markets in regional areas are also unaffordable, particularly in areas such as Karratha and Broome.

There is some evidence that the market is levelling off.

The proportion of first home buyers in the residential market is falling.

On average, first home buyers borrow the same amount to enter the housing market as other home owners.

Western Australia has gone through a period of rapid population growth. This growth is likely to continue over at least the short to medium term. Much of this growth is fuelled by overseas migration.

The rate of household formation in Western Australia will continue to increase. Lone person households will make a significant contribution to this increase.

Western Australia has experienced an increase in the level of investment in housing with the ratio of owner occupied to investment finance increasing from 1: 0.66 in 2004-05 to 1:0.82 in 2006-07.

There are concerns within the development industry that there is a shortage of development ready land in Western Australia.

The Western Australian planning system has become cumbersome. There are concerns about inefficiencies, duplication of effort and lack of clarity about the roles and responsibilities of agencies involved in the approvals system. These concerns are not helped by the shortage of appropriately qualified staff.

Residential lots granted final approvals are at their lowest level in the last four years.

There have been some significant increases in the Project Home Price Index. Costs have fallen but the index still remains above the 8 Capital Cities.

Western Australia has a relatively modest development contributions regime. There is a proposal to extend this to include contributions for community infrastructure.

The skills shortage has impacted on the construction industry. It has also had a considerable impact on the availability of professionals to fill key local and state government positions, particularly in planning and engineering fields.

It is anticipated that the skills shortage will result in increases to construction costs associated with wage pressures and increases to holding costs for both development and construction associated with delays in approvals processes (due to a shortage of professional staff).

The Western Australian Housing Market

Median House Prices

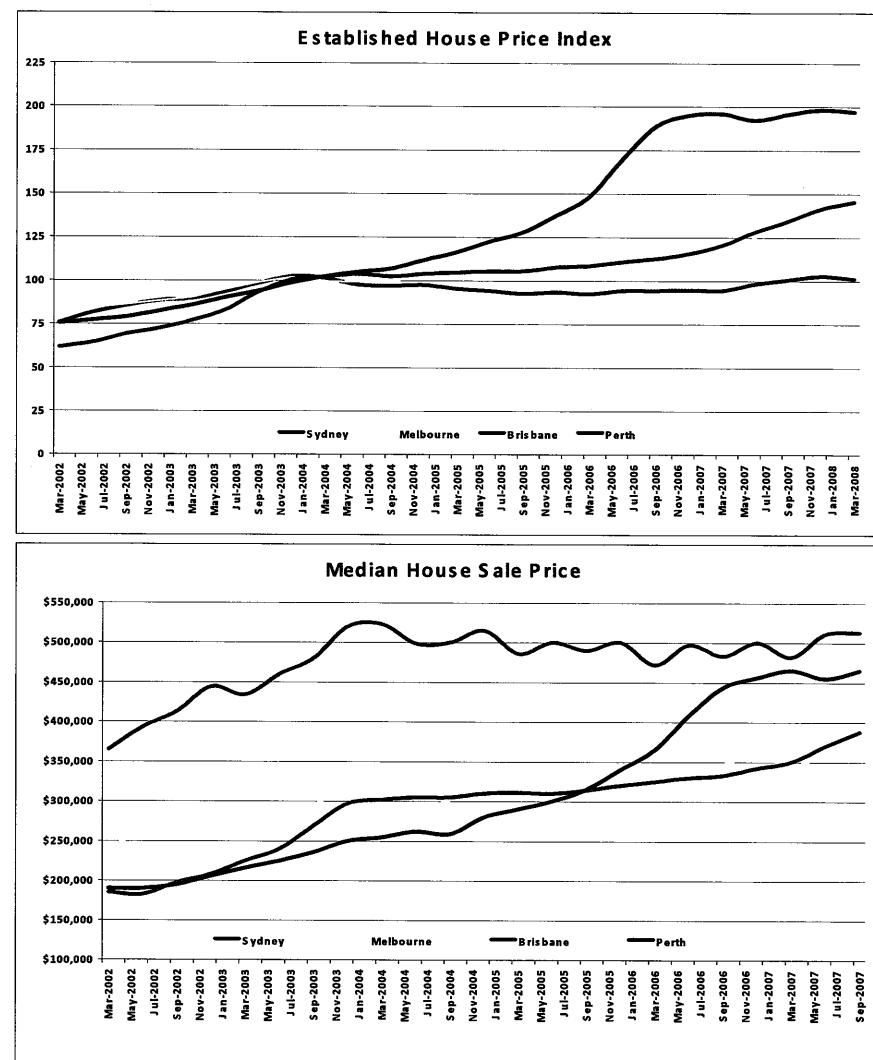
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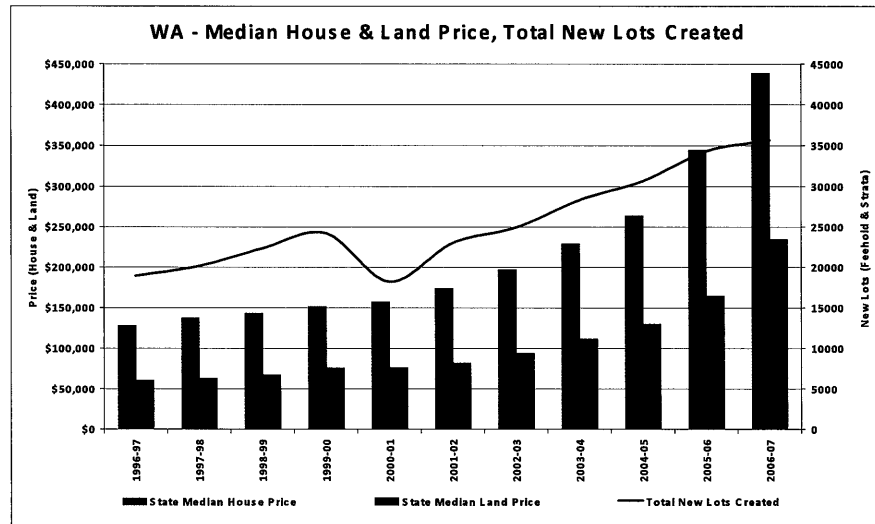
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Source: Landgate Website

The ratio between median house prices and median land prices has remained relatively constant at 2:1 regardless of the number of new lots created.

Housing Affordability

Housing affordability varies considerably between suburban areas. Anthony (20067) mapped the change in affordability over time for metropolitan suburbs that were affordable in June 2003. He used the 30/40 measure of affordability.⁶

Suburb	2003	2004	2005	2006	Suburb	2003	2004	2005	2006
Armadale					Leda				
Balga					Lockridge				
Banksia Grove					Lynwood				
Beckenham					Maddington				
Beechboro					Medina				
Bellevue					Merriwa				
Brookdale					Middle Swan				
Bullsbrook					Midland				
Calista					Midvale				
Clarkson					Mirrabeeka				
Cooloongup					Parmelia				
Craigie					Orelia				
East Cannington					Queens Park				
Eden Hill					Rockingham				
Forrestfield					South Lake				
Girrawheen					Stratton				
Gosnells					Swan View				
Heathridge					Two Rocks				
High Wycombe					Waikiki				
Hillman					Wanneroo				
Huntingdale					Wambo				
Kelmscott					Wattleup				
Koondoola					Westfield				
Koongamia					Westminster				
Langford					Wescombe				

Source Anthony (2007)

Anthony's findings are consistent with those of the UDIA who undertook a similar study which included an assessment of regional property markets. It found that only whilst

⁶ Anthony, T (2006) The State of Affordable Housing in WA. Shelter WA Occasional Paper 2006 - 1

housing in all regional centres in the State was affordable in 2001, only Geraldton and Kalgoorlie remained affordable in 2006.

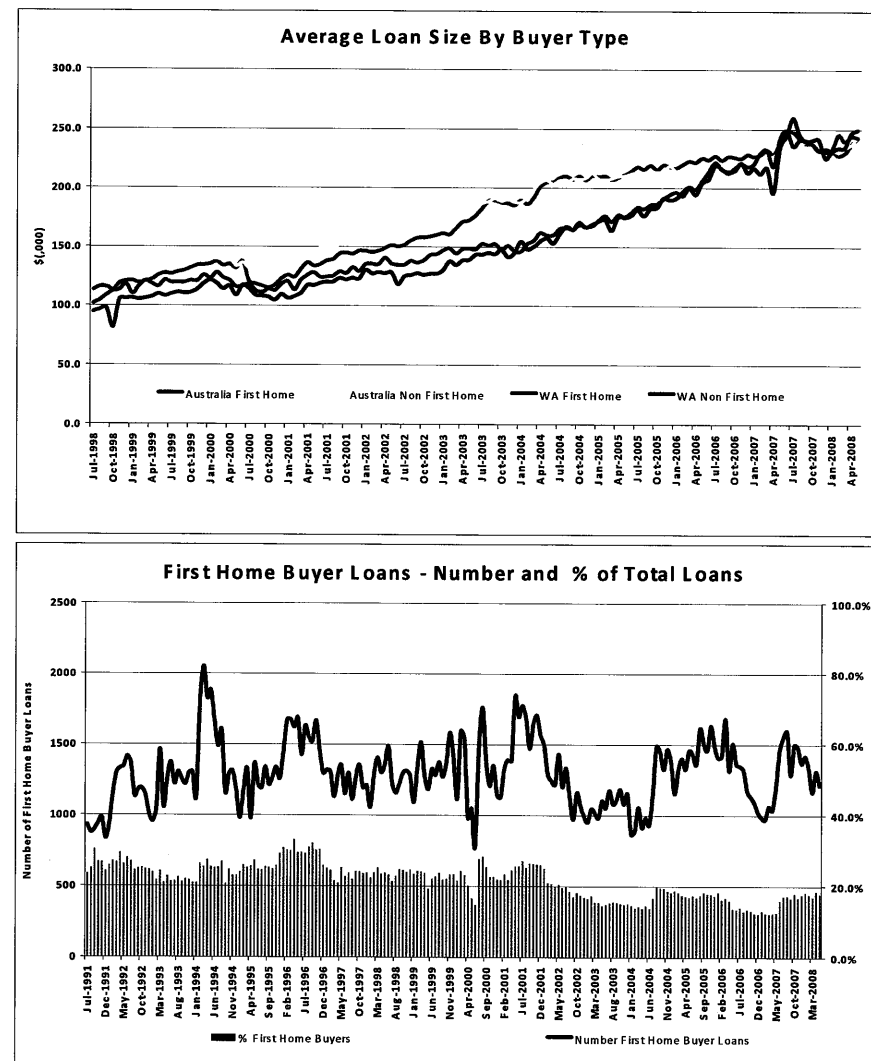
BankWest (2008) provided a useful context for affordability when they considered access to the Perth Metropolitan housing market by key workers – teachers, police officers, fire fighters and ambulance officers. BankWest used the years of income required to purchase a median priced house in a local government area. They found that nurses, teachers, fire-fighters ambulance officers were all priced out of the Perth Metropolitan single detached housing market – that is none of the twenty nine local government areas that make up the housing market were affordable to these occupations. Police officers could afford to purchase in two local government areas – the City of Armadale and the Town of Kwinana.⁷

First Home Buyers

A particular area of concern is the impact that rising house prices have on the ability of first home buyers to enter the property market. The level of first home buyer activity in the Western Australian housing market shows significant quarter by quarter variation in the number of loans given to first home buyers. In spite of this “noise”, the average number of first home buyers has remained remarkably constant. However, there is a significant downward trend in the proportion of first home buyers to total home loans.

Over the last decade the level of loans to Western Australian first home buyers has generally been below that of other home buyers and those of non first home buyers although by mid 2003, the level of home loans for Western Australian first home buyers was equivalent to that of other home buyers but still below the Australian average. By mid 2007, Western Australian first buyer loan levels were equivalent to the average Australian loan and, in the following quarters, these levels sometimes exceeded the Australian average for both first home buyers and other home buyers. It is significant that first home buyers have to borrow as much as other home buyers to enter the property market.

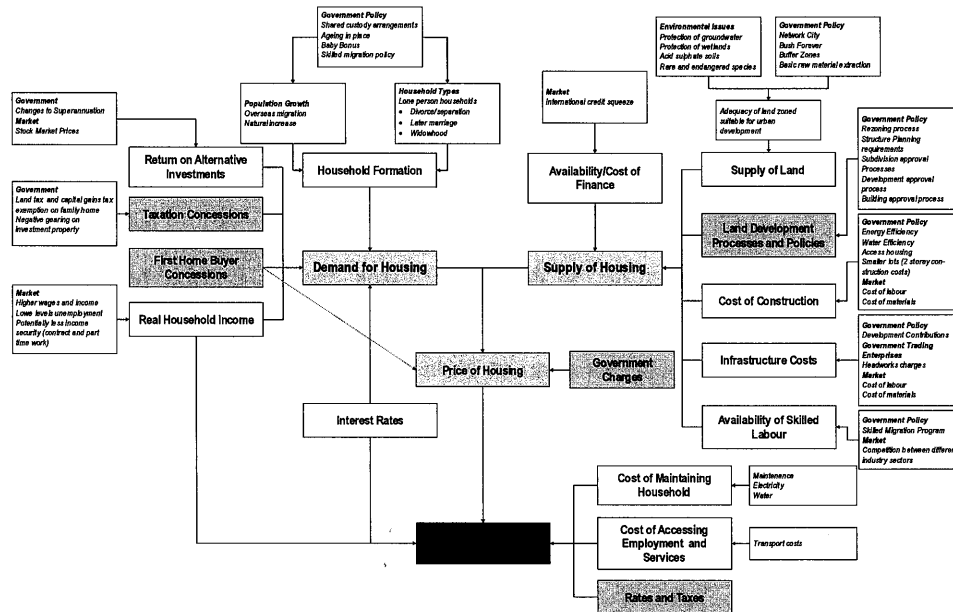
⁷ BankWest used the years of income required to purchase a median priced house in a local government area.



Source ABS (2008) Cat No 5609.0 Housing Finance (both graphs)

FACTORS THAT CONTRIBUTE TO HOUSING AFFORDABILITY

There is a wide range of factors that contribute to housing affordability. Some of these are within the control of the different spheres of government whilst some reflect local, national and international market forces. These are summarised below. More detailed comments on some of these factors in relation to the Western Australian housing market follow.



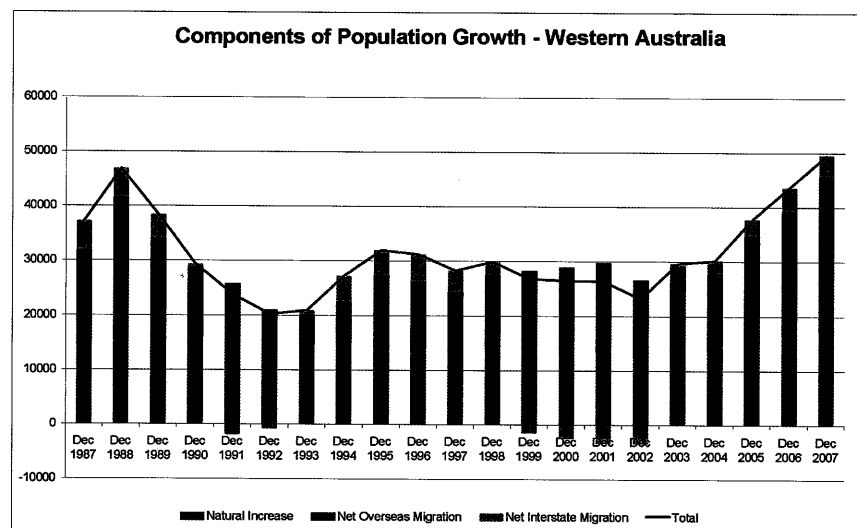
Comments on Some Factors Influencing Housing Demand

Household formation

• Strong Population Growth

Western Australia's estimated residential population grew by 41,436 residents to 2.13 million in December 2007. This represented an annual growth rate of 2.4% over the year to December 2007, making Western Australia the fastest growing Australian State or Territory. It comprised:

- a natural increase (births less deaths) of 16,833 ;
- net overseas migration (arrivals less departures) of 25,194; and
- net interstate migration (arrivals less departures) of 7,151.



Source: ABS Cat. No 3218.0 Regional Population Growth

One of the implications of having such a large proportion of the population increase occurring through immigration is that it creates an immediate housing need.

Western Australia has some of the fastest growing local government areas in Australia with eight local governments in the top 20 through out Australia. These include the Cities of Perth and Wanneroo and the Shires of Ravensthorpe, Serpentine-Jarrahdale, Dardanup, Capel, Broome and Chittering.

The Western Australian population is projected to continue to grow. Based on ABS projections, Western Australia will increase its share of the nation's population from 9.8% at June 30 2004 to 11.2% at June 30 2051. By this time, Western Australia will have a population of 3.164 million people, with 77.5% of these people living in the Perth Metropolitan Area.

Based on the Western Australian Planning Commission (WAPC) WA Tomorrow population forecasts, much of the State's population growth (up to 76%) will occur in the outer metropolitan local government areas. The growth areas are the local government areas of Wanneroo (22% of total growth), Swan (13%), Rockingham (10%), Cockburn (9%), Mandurah (9%) and Armadale (6% of total growth).

• Changes in household structure

The relative portion of lone person households has been steadily increasing in Western Australia as shown in the table below.

	1996	2001	2006
Number of Households	604,067	659,664	703,164
Family (% of Households)	73	72	72
Lone Person (% of Households)	23	24	25
Group (% of Households)	4	4	4

Source: ABS Census Data Community Profile Time series

The ABS forecast that there will be 1 -1.2 million households in Western Australia by 2026. They attribute the increase in household numbers primarily to the increase in lone person households which are anticipated to account for between 179,000 and 226,000 with significantly more female than male single person households. It is

anticipated that 35% residents over the age of seventy five will be living alone. Females account for three quarters of these households. Couples without children are projected to be the fastest growing family household type.

Level of investment

The level of investment in housing will have an impact on the demand for housing and its supply. In general, changes to superannuation conditions and/or changes to the return on other investments will influence the amount of funding that is invested in property. The table below shows the level of finance in the housing market with a distinction between finances relating to owner occupied dwellings and those associated with investment.

The ratio of owner occupied to investment finance in Western Australia has risen from 1:0.66 in 2004/05 to 1:0.82. This ratio is now higher than the overall Australian ratio

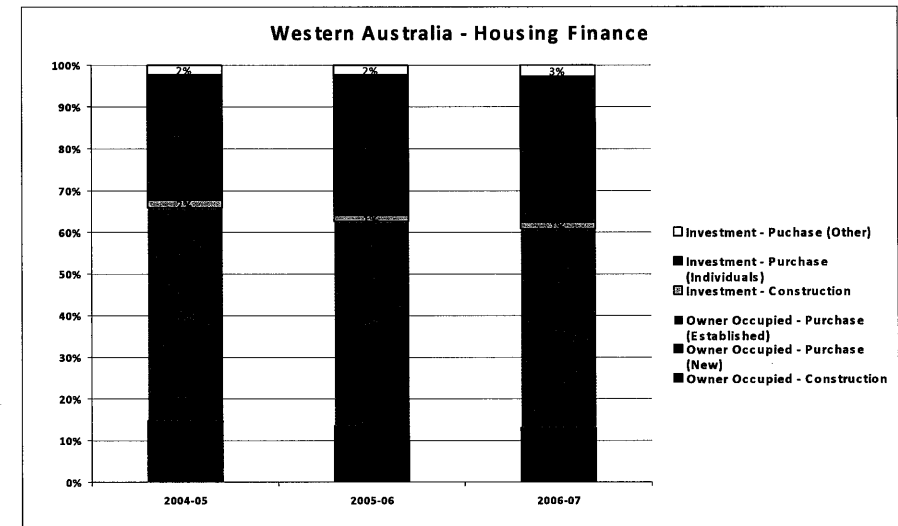
Category	2004/05		2005/06		2006/07	
	WA	Australia	WA	Australia	WA	Australia
Owner Occupied - Construction (\$m)	2,171	11,541	2,403	11,948	2,311	13,078
Owner Occupied - Purchase (New) (\$m)	506	5,763	980	7,850	1,225	8,841
Owner Occupied - Purchase (Established) (\$m)	9,250	80,543	12,358	93,725	12,973	103,798
Total Owner Occupied (\$)	11,927	97,846	15,741	113,523	16,509	125,717
Investment - Construction (\$m)	321	7,107	362	6,838	404	6,505
Investment - Purchase (Individuals) (\$m)	5,424	54,841	8,452	57,368	9,512	61,573
Investment - Purchase (Other) (\$m)	401	5,447	577	5,364	717	7,473
Total Investment (\$)	6,145	67,395	9,392	69,570	10,633	75,551
<i>Ratio Investment to Owner Occupied</i>	<i>0.66</i>	<i>0.84</i>	<i>0.76</i>	<i>0.74</i>	<i>0.82</i>	<i>0.73</i>
Grand Total	18,073	165,241	25,132	183,093	27,142	201,268

Source ABS (2008) Cat No 5609.0 Housing Finance

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⁸ Refinancing data has been excluded from both the table and the graph

The increase in investment as a relative proportion of the total housing finance market in Western Australia can be seen below. The relative value of owner occupied construction has fallen over the past three years as has the value of owner occupied purchase of established homes. There has been a rise in the relative value of owner occupied purchase for new homes.

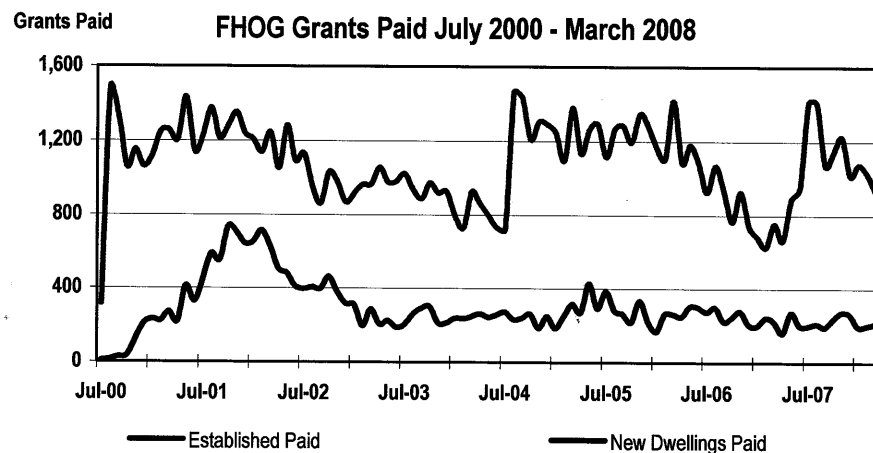


Source ABS (2008) Cat No 5609.0 Housing Finance

First Home Owner Grant Scheme

Just over 12,700 grants were paid under the First Home Owner Grant scheme in 2006/07, a 28% decline on the number of grants paid out in the previous financial year. However, the number of grants paid so far this financial year to the end of March 2008 is 28% above the year-to-date figure for 2006/07, which supports the improvement reported by REIWA.

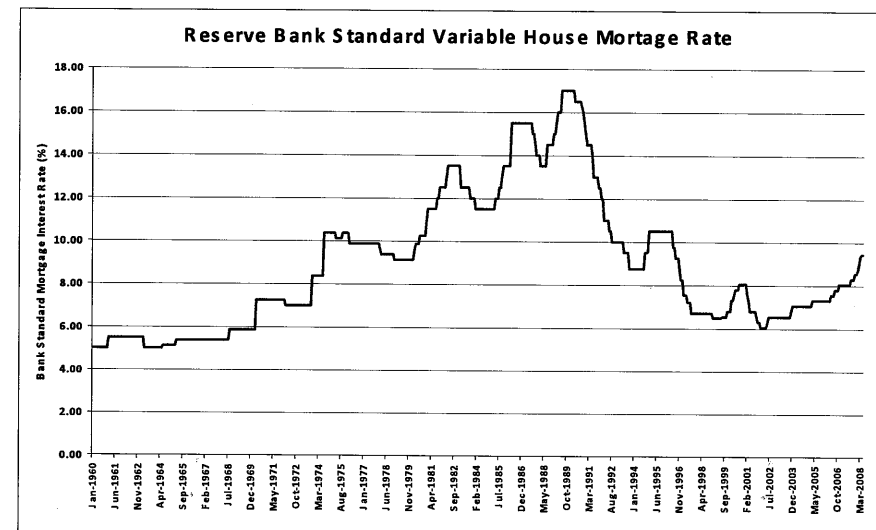
Established property grants represented 80% of year-to-date grants paid and were slightly higher than the 78% figure in 2006/07 but below the long term average of 81.4% since 2000.



Source WA Office of State Revenue

Interest Rates

Although there have been a number of increases in interest rates in recent times, they have been at significantly lower levels than in previous decades. Lower interest rates give borrowers the capacity to borrow more to enter the market and encourage more purchasers into the market.



Source RBA 2008 Indicator Lending Rates

Comment on Some Factors Affecting Housing Supply

Availability of Land Suitable for Urban Development

The development of land for housing in Western Australia relies on land being assessed as suitable for urban development and zoned accordingly. Currently, it is claimed that there is a twenty five year supply of land zoned urban. Whilst this appears, on the face of things, to be true, there is a concern by industry groups such as the Chamber of Commerce and Industry and the Urban Development Institute of Australia (Western Australian Division), that this is not the case. Their concerns stem from amendments to the Environmental Protection Act (1986), made in 1996, which required all land use or zoning changes to be approved by the Environmental Protection Authority. This requirement was retrospective and land that was already zoned was not exempt from this requirement. This has led to significant areas of "urban" and "urban deferred" land, rezoned prior to 1996, not having final clearance and not being available for land development.

There are also a number of more requirements on land than there were in the 1990s. These include protection of wetlands, ground water area and rare and endangered species. In addition, there are requirements to address issues such as acid sulphate soils. These may all be appropriate considerations in the current development environment but they will reduce the availability of land for urban development.

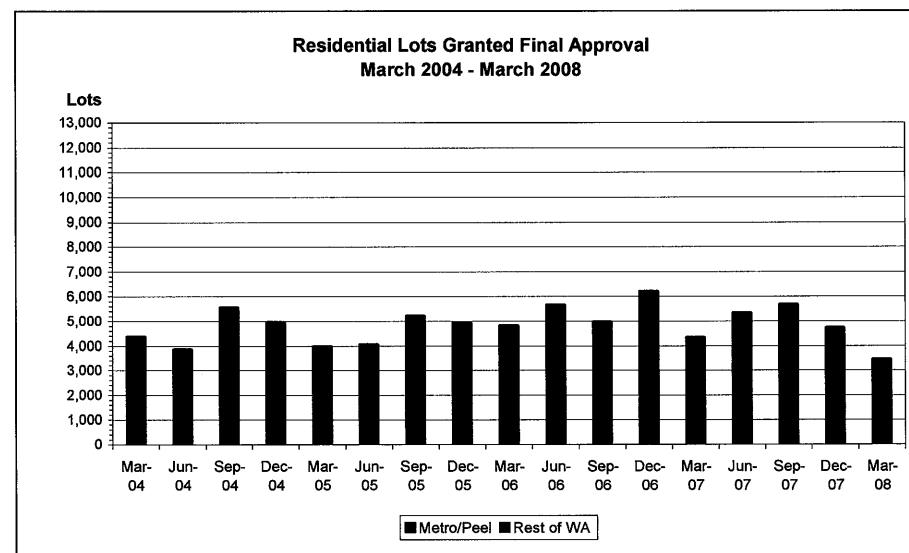
- **Final approval**

Residential lots granted final approval throughout the State and in Metropolitan Perth/Peel are at their lowest level in over four years. Final approvals declined for the second consecutive quarter in WA to record 3,455 lots in the March quarter 2008 representing a decline of 27% when compared with the December quarter total of 4,742 lots.

In the metropolitan Perth/Peel region there were 2,635 final approvals granted to residential lots, a decline of 22% from the December quarter. The fall was felt in the regions, which recorded a decline of 40% from 1,368 in the December quarter to 820 in the current quarter.

These declines reflect a reduction in activity from developers seeking final approvals due to reduced market demand and relatively higher stock levels.

After residential subdivision activity peaked during 2005/06 and 2006/07, three-quarter figures suggest that 2007/08 will see final approvals weakening in the aftermath of these boom years.



Source Department of Planning and Infrastructure

Land Development Processes and Policies

The State Government has adopted Network City as its principle planning policy for urban growth in the Perth Metropolitan and Peel Regions. It provides an approach that focuses on urban consolidation, activity centres, activity corridors, transport oriented development and increased housing choice. Unfortunately, this has been slow to translate into an overall strategic direction and plan for the City and surrounding areas and has not been translated into a statutory framework. As a consequence much of the statutory approvals process relies on government planning policies and guidelines that may inconsistent with the intention of Network City. The lack of clarity in the current system is likely to result in unnecessary costs and delays to developers.

Roles and responsibility in the planning and approvals system are not clearly defined. The Land Release Coordinator (2007) Found that there were problems with the management and coordination of the planning process including:

- Lack of responsibility for achieving final approvals;
- Absence of timeliness;
- Multiplicity and complexity of conditions;
- Uncertainty in responsibility of clearing agencies;
- Lack of coordination amongst clearing agencies;
- Rapid change of, and inconsistent policies and objectives;
- Lack of clarity and consistency in guidelines and standards;
- Lack of consistency in advice to developers; even from the same clearing agency; and
- Inefficiencies in tracking the approvals process.

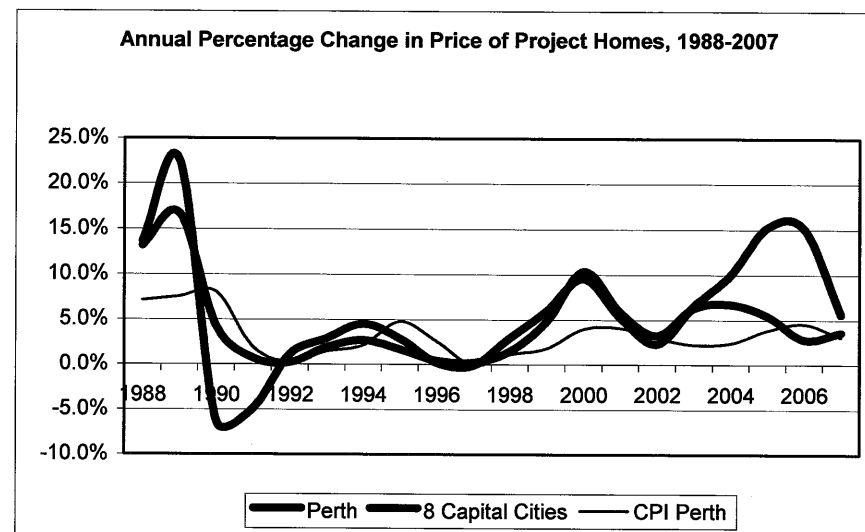
Cost of Construction

The annualised Project Home Price Index for Perth increased by 5.9% in calendar year 2007 over the previous year, which was much below the increases of over 15% in each of the two previous years but was still above the average for the Eight Capital Cities and the all groups Consumer Price Index for Perth.

The MBA/Grant Thornton Survey of business conditions noted in its April report that *"construction times have improved considerably as on-site bottlenecks have eased and productivity improved."*

The building industry estimates that 5 Star Plus, with implementation of energy efficiency and water reduction measures in all new homes approved for construction since September 2007, could add an extra \$3-4,000 to the cost of building a new home⁹. Any upfront costs, however, will be offset by energy and water cost-savings over the life of the dwelling.

⁹ It should be noted that other States have also increased sustainability requirements on new homes.



Source: ABS Cat Nos 6401.0 Consumer Price Indexes and 6427.0 Producer Price Indexes

Infrastructure costs

Infrastructure costs relating to the provision of utilities have two components – headworks charges which relates to the capital development and upgrading requirements for the main arterial system including power supply, sewerage treatment works, water supply etc and the cost associated with extending these services to the newly created lot or dwelling. In addition, many States have a system of development contributions which may require developers to make a contribution towards physical and social infrastructure. Some of systems appear to include development contributions towards schools, hospitals and primary roads.

Western Australia has a relatively modest regime of development contributions. To date these have only been applied by local governments where there is a need to coordinate the planning and development of areas with multiple ownership and have only apply to infrastructure items which would traditionally have been paid for by the developer(s). There is no development contribution system which includes specific levies for infrastructure that is the responsibility of the State.

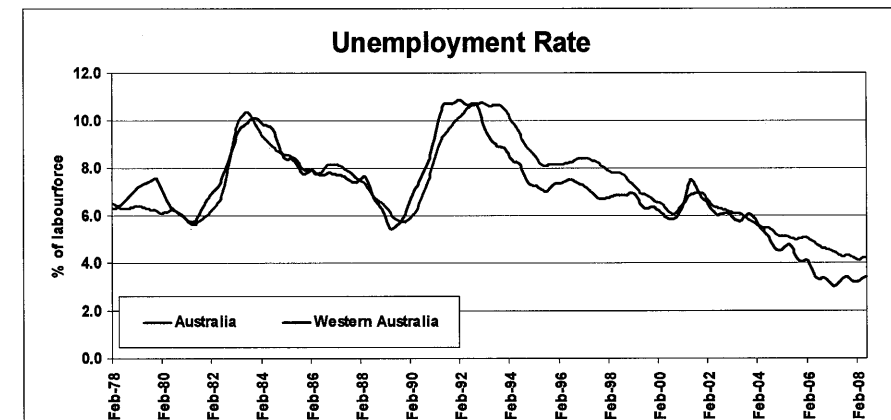
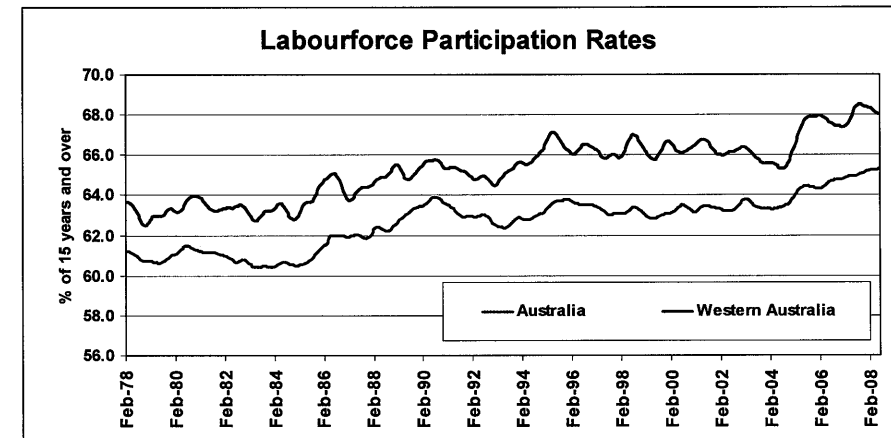
Currently there is a draft State Planning Policy which will extend local government's ability to apply development contribution charges for community infrastructure. Contributions can only be sought for capital works and the principle of need and nexus must be clearly demonstrated. Unlike some of the other states, local governments in Western Australia are not responsible for the provision of any utilities.

Availability of Skilled Labour

Many Western Australian businesses have identified the lack of skilled labour as an area of growing concern. Western Australia has consistently high levels of workforce participation and is experiencing record low levels of unemployment.

In 2005, ABS examined the Western Australian labour market. It found that recent strong demand for skilled labour, relative to the demand for unskilled labour, supports the existence of a labour shortage that is more skilled than general in nature. Further analysis of labour market indicators reveals that shortages are most concentrated in the occupations of Tradespersons and related workers, Professionals, Labourers and related workers, Intermediate production and transport workers and Managers and administrators; and the industries of Construction, Manufacturing, Property and business services, Mining and Health and community services. The current shortage of skilled labour in Western Australia is cyclical (due to an insufficient supply of labour), reflecting the recent strong growth in the State's economy.¹⁰

A recent discussion paper by the Chamber of Commerce and Industry (CCI) (2007) suggests that Western Australia's current economic expansion will continue for a number of years. This will require a significant increase in the workforce to facilitate such growth. It is expected that an additional 400,000 workers will be required in the WA economy over the next 10 years. These additional labour requirements cannot be met on the basis of the current labour market and population trends. In the absence of measures to grow the workforce sufficiently, it is estimated that there will be a shortfall of 150,000 workers in Western Australia by 2017.¹¹



Source ABS Cat. No 6202.0 Labour Force (both graphs)

¹⁰ ABS (2005) Western Australian Statistical Indicators (Cat. No 1367.5)

¹¹ CCI WA (2007) Building Human Capital: A Discussion Paper Business Leader Series

Affordability of Housing Beyond the Purchase Price

The entry cost of housing is one component of the ongoing affordability housing issue. The cost of the housing loan is a primary concern, particularly in a climate of rising interest rates. In addition, the costs associated with maintaining a dwelling (including the lifecycle cost of materials and the adaptability of a dwelling to meet the needs of residents throughout their lives) are important considerations.

Housing that meets the needs of the occupants is likely to be more affordable for the resident. In an era of decreasing household size, the market seems to be focused on increasing dwelling size. A significant proportion of new households are likely to be single person households and households without children. Households are likely to be older and require some degree of modifications to their dwelling to enable them to live at home for as long as possible.

Last home buyers (older people) are likely to be living on fixed incomes with limited opportunities to grow these incomes. The cost of living in their existing residences is likely to consume a significant proportion of their disposable income. Entrance costs are a significant barrier to first home buyers but the cost of maintaining a house becomes a significant barrier to older residents.

Most State governments have introduced programs that promote energy efficiency and water savings. These programs may add to the initial cost of the house (and therefore act as a potential barrier to first home buyers) but this should be counter balanced by savings in water and electricity costs.

Transportation costs are also likely to significantly add to household costs. Rising petrol prices will continue to be a characteristic of the current economic landscape. Whilst these costs are not directly related to the cost of a dwelling, they are directly related to the location of that dwelling and opportunities to access employment, education and services. Affordable housing should be integrated with good access to public transport. In addition the traditional journey to work paradigm which sees employment areas separated from living areas, need to be challenged.

RESPONSES TO QUESTIONS RAISED IN THE CONSULTATION PAPER

Question 1

Is the high growth target too restrictive?

The targeting of high growth areas is one way of insuring that the fund is addressing a component of the demand for housing. However, Western Australia would be concerned if the fund required local governments to demonstrate that their growth was significantly higher than the average growth in new dwellings in the State as Western Australia has a higher growth rate than all other States.

There are two aspects of growth:

- **Magnitude** - the proportion of the State's growth that is occurring in a local government area
- **Impact** - the rate at which an individual local government is growing. Some local governments may have small base populations and modest increases (in terms of actual numbers) will result in high average annual growth rates.

Consideration needs to be given to the capacity of a local government to deal with growth. Pressures on fringe metropolitan, peri-urban and sea change local governments, where their development character is changing from rural to urban, are likely to be under considerably more pressure than established urban local governments.

Caution also needs to be exercised in areas where housing is unaffordable for low income purchasers and growth is rapid but there is a strong second home market (e.g. sea change areas). Efforts to improve affordability may only benefit those who are looking for a second home.

Question 2

What types of projects should be suitable for funding and what level of saving may be generated?

The Paper identifies two main project areas:

1. Infrastructure

- connecting infrastructure projects including water, sewerage and roads;
- site remediation
- community infrastructure

2. Reform relating to improving the efficiency of the development assessment process.

WALGA favours projects that result in long term savings to the industry in general or those that focus on the affordability of housing and the creation of sustainable communities in the long term.

One off subsidies to specific costs of development, such as power water and sewerage, that will only impact on the entry cost of housing and may not result in significant savings to those who purchase those dwellings are not supported. These subsidies may distort the market and may even draw resources to projects that are essentially unviable. The provision of funding for essential infrastructure should be addressed in a strategic manner and form part of an overall infrastructure strategy.

It will also be very difficult to ensure that these one off subsidies are captured in the long term and do not just result in a windfall gain to the first purchaser.

On the other hand, providing subsidies for community infrastructure will result in the development of infrastructure that supports the householder, particularly where it results in the reduction of travel costs to employment and other services. Consideration should be given to projects that can demonstrate good employment and transportation links (including access to public transport). The level of savings to the first purchaser may be less than the development infrastructure subsidy, but some of the benefits will accrue to subsequent householders through the reduction of their ongoing living costs.

WALGA is particularly supportive of funding of reforms to the planning and development system. Savings in these areas will be more difficult to quantify. However, they will be long term and result in potential savings across all developments.

WALGA believes that it will be difficult for applicants to demonstrate the level of savings generated for any of the possible options. It would appear from the current market that the price of a house or land is not determined purely by the costs of development and construction. It will be even more difficult to quantify saving associated with reform. However, reforms to the planning and development process will result in greater certainty for developers and the reduction in processing times will ensure that there are no bottlenecks in the system resulting in scarcity in the market and associated price pressures.

Question 3

Are the mandatory criteria appropriate and will applicants be able to provide evidence without substantial cost burden?

The two staged process will ensure that applicants do not waste a lot of time on proposals that do not meet the mandatory criteria. The mandatory criteria are relatively straight forward and should not result in unnecessary burdens on local government.

Question 4

Are the weighted criteria appropriate and will applicants be able to respond without a substantial cost burden? How should criteria be weighted?

Demonstrating that a proposal meets the weight criteria will be quite complex.

- **Value for money** – local governments will have difficulty in demonstrating either evidence of, or level of savings to householders when they are not directly involved in the provision of the housing. For projects which focus on reform this will be even more difficult. This is even more problematic when considering benefits to households through time.
- **Leading Practice Planning Models** – this criterion should be relatively straight forward to demonstrate.
- **Savings on moderately priced homes** – This criterion seems to be a subset of the value for money criterion. The same comments apply.

- **Additional support** – whilst it is appropriate to consider whether a proposal has additional elements of support, particularly in-kind contributions, some of the suggested examples such as the reduction of tax and regulatory burdens have significant may be considered anti competitive as they would apply to a specific development rather than across the board.
- **Accessibility and environmentally sustainable outcomes** – this are important considerations for the long term affordability of housing. It should be relatively easy to demonstrate that proposals meet this criterion. However, it may result in a higher entry cost for dwellings. Ongoing savings to householders would be harder to quantify.

In addition to these criteria, proposals should be asked to demonstrate that they provide good access to public transport and/or employment, retail, education and community services. This would help to determine the long term sustainability of the proposal and would also help to reduce household living costs.

The Fund need to allow fro flexibility whilst ensuring the evaluation criteria are applied in a manner that fits the scale of the project and that the funding decisions are transparent. This implies a focus on qualitative rather than quantitative criteria.

Question 5

Will the funding available enable a sufficiently wide range of innovative projects to be developed?

The funding level is modest. The ability to demonstrate innovation across a wide range of projects is likely to be limited and will depend on the type of projects that are funded and the level of funding.

Question 6

What performance measures should be used to assess the ability of applicants to deliver savings?

The effectiveness of performance measures, including those that appear in the Paper, depends on the ability to find an appropriate independent measure which needs to be capable of being audited. There needs to be a benchmark to measure change against and

the ability to track changes through time. It is important to measure outcome, not just workload or timelines.

The outcomes of some proposals (especially those that look at reducing long term housing costs or focus on reforms to existing systems) will not be able to be measured in the short term.

Question 7

Are the timelines adequate for proposal development?

The timelines are challenging particularly when proposals require commitments from partners and may require quite complex technical support. It is important that local governments consider the long term implications to their area before finalising a proposal.

Question 8

Does the information requested at the first and second stages assist in keeping costs of submitting proposals to an acceptable level?

The two stage process will assist with keeping costs down. The second stage data requirements are difficult to determine without seeing the guidelines. There should be no significant cost implications if the data is readily available.

POTENTIAL PROJECTS

WALGA believes that the best way to secure long term affordability outcomes throughout Western Australia is to fund projects that support reform in planning and development processes and projects that consider the long term cost of living for residents.

Reform Projects

Improving the Development Approvals Process

WALGA believes that there is a need to review the Western Australian planning system to address issues including:

1. Lack of an overall strategic direction;
2. Confusion of roles and responsibilities between the WAPC, the EPA and local government;
3. Opportunities for process improvement in the development assessment process.

Resolution of these issues would improve developer certainty and reduce the time it takes to convert raw land into houses. This should reduce risk to developers and reduce holding costs.

WALGA would be an active participant in these reforms. It will be submitting a proposal for funding to assist local governments to adopt the leading practice model for development assessment and introducing electronic development assessment processes that can be integrated into the State's planning system.

Addressing long term housing affordability

AS has been stated previously, WALGA is concerned that proposals that look at reducing the cost of extending essential infrastructure to development areas will not result in any changes to long term housing costs. There are two areas that WALGA would like to see the Fund concentrate on.

- **Diversifying housing stock**

One of the areas that should be considered is the need to provide for a diverse range of housing to meet housing needs. AS has been discussed above, some of the greatest forecast change in household types is the increase in lone person households, particularly for older women. The Western Australian housing market has traditionally produced single detached houses (3 bedroom/2 bathroom). A consideration for housing affordability is the provision of appropriate housing stock to meet housing needs. However, very few local governments have clearly articulated and integrated housing strategies that include targets for diversity and affordability.

WALGA would seek funding to support the development of housing strategies at a local level.

- **Projects that address long term cost of living**

WALGA believes that projects funded through the Fund should ensure that savings to households are captured beyond the sale of property. It believes that the best way to do this is to focus funding on projects that support community infrastructure and are integrated with employment and transport opportunities.

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