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An impossible task? Neoliberalism, the financialisation of housing and the City of Sydney's endeavours to address its housing affordability crisis

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Abstract

The high cost of accommodation in the City of Sydney local government area (LGA) makes it difficult for low-income and even moderate-income households to retain their accommodation or move into the area. In response, the City of Sydney has set a target that 7.5 per cent of housing (approximately 11,000 homes) should be affordable housing by 2030. Drawing primarily on City of Sydney and New South Wales (NSW) government publications, the article examines the endeavours by the City of Sydney to increase the quantity of affordable housing in the LGA. The paper reviews the policies adopted by the City of Sydney and the challenges it faces. It shows that the overriding challenge is the reluctance of the NSW government to put in place policies that would substantially increase the quantity of affordable housing in the City of Sydney LGA. A central argument is that the NSW government's rigid adherence to the neoliberal/financialisation of housing perspective outlined in the paper, makes it extremely difficult for the state government to put in place the policies required.

Keywords

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Introduction

Over the last two decades accessing affordable housing has become a major challenge for a substantial proportion of Australian households due to increases in house prices far outstripping increases in income, more especially in Sydney (population 5 million) and Melbourne (population, 5 million), Australia's two major cities (Birrell & McCloskey, 2015; Coates, Daley & Wiltshire, 2017). Sydney is now viewed one of the most expensive cities in the world and there is consensus that it has a housing affordability crisis (Birrell & McCloskey, 2015; Gurran et al., 2018; Morris, 2018; Pawson, Milligan & Martin, 2019).

The City of Sydney, one of 29 local government areas[i] (LGAs) in greater Sydney (see Figure 1), encompasses the primary business area and also adjoins the harbour. As a result, it is one of the most sought after and expensive areas in Sydney and Australia.

Figure 1: Map showing City of Sydney Local Government Area

The lack of affordable housing in its LGA is viewed by the City of Sydney as a critical issue, economically and socially. In a 2016 submission to the Council of Federal Financial Relations Affordable Housing Working Group, the City estimated that about eight in ten lower-income earners living in the LGA and two thirds of renters in the moderate income bracket were in housing stress, defined as using more than 30% of their gross income to pay for accommodation. Further, only around 750 inner-city affordable community rental properties were available for key workers, ‘despite an estimated 47,000 essential public and private sector employees working in the city [City of Sydney] in 2011’ (City of Sydney, 2016a, p. 3). In 2018, Clover Moore, who has been Lord Mayor of the City of Sydney since 2004, noted that less than 1% of total housing in inner Sydney, can be classed as affordable for essential workers:

> It is a social and economic disaster. In 2013-14 alone, the price of homes in the city grew by 11.6 per cent – or nine times the average increase in earnings. For essential workers like teachers, nurses and police, it is an effective “lock-out” (Moore, 2018).

In the decade to June 2018, house prices in the City of Sydney increased by around 93% (Kusher, 2018). For example, in Surry Hills, a City of Sydney neighbourhood, the median price of a house increased from around $970,000 in July 2013 to $1,700,000 in January 2018 (Homesales, 2018). Historically, a large proportion of households in the City of Sydney have been low-income private renters. However, the gentrification of the area over the last three decades has resulted in a massive increase in house prices and rents. Thus, between 2005 and 2015 rents increased by 70% , and most low-income households who were dependent on the private rental sector for their accommodation have had to leave the LGA (City of Sydney, 2015a; Gurran, Gilbert, Zhang & Phibbs, 2018). The low-income and even moderate income households that have remained, are struggling to cope with the high cost of their accommodation.

In response to the crisis, the City of Sydney set a social and affordable housing target - by 2030, 7.5% of residential properties in the City of Sydney were to be affordable housing and 7.5%, social housing[ii] (City of Sydney, 2019a). Despite its substantial income (see below) and councillors in control of the Council being avidly committed to increasing the provision of affordable housing, the City of Sydney's social and affordable housing stock have grown minimally over the last decade. From 2007 to 2017, the social housing stock, almost all of the social housing stock in the City of Sydney LGA was built prior to 1990, increased from 9,397 to 9,561 dwellings. In the same period, the number of affordable rental housing dwellings increased from 447 to 835 dwellings and another 586 were in the pipeline (City of Sydney, 2017a; City of Sydney, 2018a). It is projected that by 2030 there will be around 148,000 dwellings in the LGA, up from 98,012 in 2014 (City of Sydney, 2018a). Thus, in order for the City of Sydney to achieve its affordable housing target of 7.5%, about 10,000 additional affordable rental homes will have to be built - just under 1,000 annually. In this article I examine what policy mechanisms were put in place by the City of Sydney to augment the supply of affordable housing in the LGA and the ways in which the City's endeavours were severely frustrated by the New South Wales (NSW) state government. The article also scrutinises the NSW government's affordable housing policies and its contribution or lack thereof to the City of Sydney's affordable housing target.

The article is reliant primarily on City of Sydney reports and statements on its efforts to boost affordable housing and the challenges it faces. New South Wales (NSW) government reports on its affordable housing policy were also scrutinised as were media articles. The City of Sydney documentation is extremely detailed and provided ample data. The affordable housing policy of the NSW government is clearly set out in policy documents and a decision was made that interviewing state government personnel would not necessarily add to the analysis. A senior City of Sydney planner was interviewed to ensure that my presentation of the policy framework in place around affordable housing is accurate. The rich documentation provided ample data to analyse the prevailing NSW government policies around affordable housing and the challenges the City of Sydney faces.

Neoliberal housing policy (Jacobs, 2019; Madden & Marcuse, 2016) and the financialisation of housing frameworks (Aalbers, 2016) are drawn on to explain the failure of the state and federal government to deal with the housing affordability crisis in the City of Sydney (and elsewhere). A primary argument of the paper is that in order for local governments to address a housing affordability crisis in their LGA, they need strong support from higher tiers of government. However, if the state and or federal government approach to housing policy is shaped by a neoliberal and financialisation of housing perspective, there is little possibility that the housing affordability crisis will be addressed.

Next the setting is outlined. I then briefly review local government and housing. A framework for understanding the crisis and the lack of government intervention is then outlined. This is followed by an analysis of the City of Sydney's endeavours to boost the supply of affordable housing and the ways in which it has been thwarted. The state government's policies to boost the social and affordable housing are then examined. The final section analyses the lack of meaningful intervention by the state and federal governments.

The setting

Although the City of Sydney is one of the smallest LGAs in Sydney (see Figure 1), it covers only 26.15 square kilometres, its estimated resident population in June 2017 was 232,926 (City of Sydney, 2018b). It is one of the densest and fastest growing LGAs in Australia; between 2006 and 2016, the population grew by 36.2%, 59,614 people (City of Sydney, 2018b). In contrast, in the same period, the population of Greater Sydney grew by 18.2%. More than half (54.9%) of the City's population was born overseas. In 2016 about 37.3% of households were sole person households compared to 21.6% in Greater Sydney (City of Sydney, 2018b). Nearly half, 47.3%, of the households in the City of Sydney, were private renters compared to 27.6% in Greater Sydney (Idcommunity, 2018).

The City of Sydney is almost certainly the wealthiest LGA in Sydney and perhaps Australia. In the year ended June 2017, its revenue was just under $722 million[iii] and the surplus was $144 million , up from revenue of around $679 million for the year ended June 2016, when the surplus was $111.5 million (City of Sydney, 2017b ; City of Sydney, 2016b). Economic activity in the council area is considerable. In 2011 (latest figures available) about 437,000 people worked in the City of whom 372,000 (85%) lived outside of the LGA (City of Sydney, 2018b). In the 12-year period, from 2004 to 2016, the City's economy grew by 80% or $50 billion and $26 billion worth of development was approved (City of Sydney, 2016c). Since 2004, the City of Sydney has invested $1.2 billion in infrastructure and community facilities. The approximately 250 projects include libraries, playgrounds, childcare centres, pools, community spaces, cycleways and even theatres (City of Sydney 2016c). It is estimated that the City of Sydney LGA contributed around $118 billion to the Australian economy in 2015/16, up from $73 billion in 2006 (City of Sydney, 2018b).

Local government and social and affordable housing

Although there had been some social housing provision in the early part of the 20th century, post World War 2 saw a massive expansion of the sector in many European cities (Scanlon Fernández Arrigoitia, & Whitehead, 2015: van der Heijden, 2002;Watt, 2017). The funding was provided in the main by central government, however local governments played an important role in the planning, provision of attendant infrastructure and management. As Scanlon et al. (2015: 2) conclude, 'In most countries local authorities were heavily involved, either building municipal housing themselves or creating the conditions for independent social landlords to do so'. By the 1970s, social housing constituted a substantial proportion of the housing stock in many major northern European cities (Ball, Harloe & Martens, 1988; Harloe 1995; Scanlon et al., 2015). Those countries with a strong social democratic tradition were more likely to view the large-scale provision of affordable housing as an intrinsic part of creating a more just society (Kemeny, 1992; Scanlon et al., 2015). In these countries, for example, Austria, the Netherlands, Sweden, Denmark, Finland, France and Britain, social housing was not confined to lowest-income households (Harloe, 1995; Kemeny, 1992; Watt, 2017). Rather, 'social housing took on a "mass" rather than a residual form' (Watt, 2017: 2). However, despite this major expansion, housing has always been the 'wobbly pillar' of the welfare state (Torgersen, 1987). Unlike education, health and social security, it has never been viewed as a universal right. In some countries, most notably the United States, Canada, New Zealand and Australia and countries in Southern Europe, social housing was a residual form of housing provision from the outset in that it was targeted at low-income households (Harloe, 1995; Watt, 2017).

In November 1945, the Commonwealth State Housing Agreement (CSHA) was signed between the six state governments in Australia and the federal government. The CSHA made provision for the granting of cheap loans by the federal government to the state governments for the building of public housing and between 1945 and 1956 close to 100,000 public housing dwellings were built (see Hayward, 1996). In the decades following World War 2 there was little pressure on local governments in Australia to be involved in the direct provision of housing. Home ownership expanded rapidly post 1945 reaching 72% in 1962, up from 47% in the late 1940s (Paris, 1993; Yates, 2015). About 90% of households became homeowners at some point in their lives (Beer, Kearins & Pieters., 2007; Paris, 1993). For very low-income households, public housing was usually a possible alternative; the public and community housing (social housing) stock reaching a high of 7.1% of all housing in 1991 (AHURI, 2017a). Nationally, social housing now constitutes only 3% of the housing stock (ABS, 2019).

Although there is nothing in the legislation that prevents local governments from providing social or affordable housing, historically the expectation has been that the provision thereof is the remit of state and federal governments. The role of local government has thus been minimal (Grant & Drew, 2017; Gurran, 2003). The capacity of local governments is regulated by legislation passed by the State government. State legislation defines the ‘policy, administrative, procedural and financial responsibilities’ of local government (Gurran, 2003, p. 393). In the realm of housing, state governments are responsible for establishing policy and the building of social housing using funds allocated by the federal government (Gilbert & Gurran, 2018; Gurran, 2003; Paris, 1993).

Local governments have explored ways of increasing the supply of affordable housing. This has included lobbying state governments to impose a levy on new developments (inclusionary zoning) (Gurran et al., 2018). In NSW, the state where Sydney is situated, the state government also determines in which areas inclusionary zoning can be imposed and the extent of the levy.

Besides being legally the remit of state and federal government, the limited resources of local government means that they do not have the resources to meaningfully intervene in the provision of affordable housing. In 2016-2017, total taxation revenue in Australia was $488.5 billion of which only $17.4 billion, 3.6% of all taxation revenue, was accrued by the over 500 local governments in Australia (ABS, 2018a).

Almost all of the funding provided by the federal government over the last seven decades has been for social rather than affordable housing. An exception was the National Rental Affordability Scheme (NRAS) introduced by the federal government in 2008. The aim was to supply new rental accommodation at 20% below market value by offering financial incentives to approved housing providers. The scheme was scrapped by the newly elected conservative government in the 2014-15 budget and capped at 38,000 properties (Australian Government, 2019).

A framework for explaining the housing affordability crisis in Sydney and the lack of state government response

The majority of City of Sydney councillors and the Lord Mayor are deeply committed to retaining social mix and lessening the housing affordability crisis in the LGA. However, the council's endeavours are constrained by the affordable housing policies of the NSW state government. The state government has minimised interventions that would substantially increase the quantity of affordable housing. Jacobs (2015), utilising a political economy approach to housing policy, and noting the lack of government intervention to alleviate the growing housing affordability crisis concludes that housing scholars need to dispose of the notion that government will ultimately do what is necessary to address the crisis. He argues that certainly in Australia, the interests of homeowners and investors are primary for government:

> … the systemic causes that shape the current affordability crisis is less of a priority for governments than the main objective of protecting the wealth and opportunities for homeowners and investors (Jacobs, 2015, p. 55).

It is evident that Australian government policy has fuelled massive speculation in residential real estate, especially over the last decade and intensified what Aalbers (2016) has labelled the financialisation of housing. Aalbers views investment in housing as a pivotal feature of financialisation: 'A global wall of money is looking for High-Quality Collateral (HQC) investments, and housing is one of the few asset classes considered HQC. This explains why housing is increasingly becoming financialised …' (Aalbers in Aalbers & Haila, 2018, p. 1827).

Drawing on the political economy and the financialisation of housing frameworks, I argue that neoliberalism (Aalbers, 2015; Beer et. al., 2007; Berry, 2014; Jacobs, 2019) has played a crucial role in shaping housing policy in Australia and the response of the NSW state government to the City of Sydney's endeavour to increase the proportion of affordable housing. Although there is much debate around what neoliberalism actually constitutes and its impacts (see Pinson and Morel Journel, 2016), it is evident that an essential feature is the increasing and comprehensive dominance of the market. Wendy Brown's definition of neoliberalism captures the intense marketization associated with neoliberalism: She concludes that neoliberalism is

> a governing rationality through which everything is "economized" and ... human beings become market actors and nothing but, every field of activity is seen as a market, and every entity (whether public or private, whether person, business, or state) is governed as a firm (Brown, 2015).

There is little doubt that in the realm of housing policy, the market is supreme in Australia. Although the impact of neoliberalism on housing policy in Australia has been recognised for well over a decade (Beer et al., 2007; Beer et al., 2016), Jacobs's (2019) recent intervention has sharpened the debate in regards to the impacts of neoliberalism on housing policy. He draws a distinction between what he calls the flexible neoliberal period and the late neoliberal period. The latter refers to the period post the 2008 global financial crisis. Drawing on the financialisation of housing literature, he concludes,

> The 'flexible neoliberal' period was one in which governments retreated from supply side programmes and encouraged homeownership, deregulation, and privatisation strategies. The 'late neoliberal/post crisis' period, according to Aalbers, was one in which governments prioritised quantitative easing and

> austerity measures as a response to the GFC. The choices made by governments create opportunities for speculative investors, which in turn accentuates inequality (Jacobs, 2019, p. 12).

Jacobs argues that in the realm of housing policy, late neoliberalism

> has served to validate a reduction of subsidies for social housing, to create lucrative opportunities for profiteering, and to justify payments to banks who lost money because of their sup-prime lending practices in the period leading up to the GFC (Jacobs, 2019, pp. 12-13)

I identify five inter-related key features of neoliberal housing policy and the financialisation of housing in Australia (and many other contexts) – a shift in the way housing is viewed, the loosening of credit, the creation by government of a favourable tax regime for investors, the entry of foreign capital into residential real estate and a diminishing role for social housing. These components fundamentally shape the NSW government's approach to the various endeavours by the City of Sydney to increase the quantity of affordable housing in the LGA and go hand-hand with a state and federal government that firmly believes in strengthening the role of the market and capital and diminishing the role of government wherever possible (see Levy, 2012). The features of housing policy in Australia reflecting the dominance of a neoliberal / financialisation of housing perspective are discussed in turn.

A shift in the way housing is viewed

Although housing for most households is still primarily driven by the desire to have security, control over personal space and protection against poverty in retirement, increasingly it is treated as a source of accumulation.

> Housing is under attack today … Most immediately, there is a conflict between housing as lived, social space and housing as an instrument for profitmaking-a conflict between housing *as home* and *as real estate* (Madden & Marcuse, 2016, p. 4, italics in original).

Certainly, in Australia, housing has become a source of considerable speculation and profitmaking. In 2016, there were 2.03 million landlords in Australia, representing 15.7% of all taxpayers and 'investors own[ed] 27 per cent of Australian dwelling stock by number and 24 per cent by value' (CoreLogic, 2016).

The loosening of credit and the primacy of housing finance

Over the last three decades governments and financial institutions have played a central role in accentuating the financialisation of housing or what Madden and Marcuse (2016) have called the 'hyper-commodification' of housing. Housing finance has increased dramatically and in many countries housing has become the primary activity of the financial sector:

> … the lion's share of bank's lending activities these days is in real estate … housing is not simply yet another domain of financialisation. In terms of size and impact, it is the key domain of financialisation (Aalbers in Aalbers & Haila, 2018, p. 9).

In Australia, housing finance has grown spectacularly over the last two decades, more especially, investor loans. The investor share of housing finance in NSW increased from about 32% in 2001 to about 60% in 2014 (RBA, 2015). Despite the decline in Sydney's housing market, in the year ending July 2018, more money was lent to property investors in NSW, about $65 billion, than to owner-occupiers, about $61 billion (ABS, 2018b; Owen, 2018).

The creation by government of a favourable tax regime for investors

Linked to the reconceptualization of housing and the easy access to credit, has been the creation of a tax regime by successive federal governments which has encouraged rampant speculation in the residential property market. A key tax concession for investors in residential property is 'negative gearing'. It allows investors to deduct expenses on their property (depreciation costs, the interest on the loan required to buy the property, rates and maintenance costs) from the income they receive as rent and from other income such as salary. Negative gearing goes hand in hand with a generous capital gains tax for investors. When an investor sells a property s/he is taxed on only 50% of the nominal capital gain/ profit. These concessions encourage investors to take out larger loans and pay higher prices for properties then they would otherwise, more especially in a low interest environment, and this in turn drives up the cost of housing and makes it difficult for non-investors, especially first-time home buyers, to compete. Much to the government's chagrin, the governor of the Reserve Bank of Australia (RBA) argued that scrapping negative gearing and the capital gains tax discounts would enhance housing affordability: "It's likely that it would reduce demand for a while, and if you have less demand for a while, you'd have lower prices and that would take the heat off the housing market" (in Ong, 2017).

A global real estate market

A central feature of the financialisation of housing has been the creation of a global real estate market: 'Residential real estate may be fixed in place, but it is increasingly dominated by economic networks that are global in scope' (Madden & Marcuse 2016). The strong demand for housing in the City of Sydney LGA is linked to population growth and the inward movement of well-paid young professionals who prefer the lifestyle that the inner-city offers. However, the role of local and foreign investors is also viewed as a central factor.

> Demand from local and foreign investors and high income earners, along with an historic housing shortage, is driving up the cost of renting and buying in the inner city. This is pricing many essential workers, first home buyers, and young people out

> of the market ... The federal government continues to support residential property market speculation through tax concessions (City of Sydney 2015a, p. 13).

In the City of Sydney, foreign investment in new apartment developments has been substantial. Wong (2017, p. 113) concludes,

> Whilst Chinese purchasers made up a small proportion of overall property sales in Australia, they caused [a] disproportionate impact in certain locations such as Sydney.

The weakening of the social housing sector

A key feature of the neoliberal approach and financialisation of housing in Australia, is the weakening of the social housing sector. In NSW, between 2011 and 2016, the number of households in public housing declined from 111,448 in 2011 to 108,637 in 2016 and in the same period the number of households in community housing increased from 24,298 to 26,897 (Australian Government, 2018), an overall decline of 214 dwellings. In the same period, Sydney's population increased by 432,000.

It is evident that the NSW government is reluctant to allocate monies from general revenue to social housing (NCOSS, 2018) and that the building of any new social housing is primarily dependent on revenue generated from the sale of public housing on the private market or the sale of land on which public housing is located to developers. The former scenario is what has happened in three City of Sydney areas, Dawes Point, Millers Point and The Rocks, where since March 2014, all of the nearly 600 social housing tenants have been relocated and 340 social housing properties sold, raising over $750 million (see Morris, 2019). By June 2019 the money raised had been used to build 1379 new social housing dwellings and another 332 were under construction. (NSW Government, 2019a). Only 20 of these new dwellings were in the City of Sydney LGA.

The City of Sydney's endeavours to increase the supply of affordable housing

The City of Sydney's goal is to deliver '… a range of affordable and social housing options that reflects the diversity of ages, family relationships, socio-economic backgrounds and employment fields in the local population' (City of Sydney, 2011, pp. 1-2). There is a realisation that the market will not be able to achieve this and substantial government intervention is required. The City has used the following overlapping mechanisms to increase the supply of affordable housing in the LGA – levies on developers /inclusionary zoning, Planning Agreements and selling council land at a subsidy. These are discussed in turn as are the challenges.

Developer levies / inclusionary zoning

Developer levies or inclusionary zoning is a key mechanism used by the City of Sydney to increase affordable housing in the LGA. In NSW, an LGA can only be party to inclusionary zoning provisions if it is named in the State Environmental Planning Policy No 70 – Affordable Housing (Revised schemes) (SEPP 70). Historically, the state government has used SEPP 70 to limit the possibility of inclusionary zoning to only two LGAs in Sydney, the City of Sydney and Willoughby. Within the City of Sydney, SEPP 70 was limited to only three areas - Pyrmont-Ultimo, Green Square and the Southern employment lands.

Developers are allowed to choose between providing actual affordable housing in the development or nearby or making a monetary contribution in lieu. The potential of developer levies to make a significant difference has been severely curtailed by the state government historically restricting the City's capacity to collect levies to only the three City of Sydney areas mentioned and by limiting the levy to a maximum of 3% of the total residential floor space.

In Pyrmont Ultimo, the levy contribution is restricted to 0.8% of the total floor area for residential use and 1.1% for non-residential use. The population of the area increased dramatically from around 900 in 1990 to close to 22,000 in June 2016. Deindustrialisation from the 1960s onwards had resulted in a massive decline in population, prior to considerable government intervention to redevelop the area from the early 1990s (Bounds and Morris, 2006). Despite the massive increase in population only about 450 affordable homes have been built in Pyrmont Ultimo through implementing the levy (City of Sydney, 2019b). The ultimate target is 600 affordable homes.

The Green Square development in the City of Sydney LGA is one of the largest urban redevelopment projects ever embarked on in Australia. It is a $13 billion high density urban renewal project, 3.5 kilometres from Sydney's primary business district. The goal is to provide 30,500 new residential dwellings on the 278- hectare site by 2030 (City of Sydney, 2017c). Historically, it was a manufacturing area. However, deindustrialisation since the 1970s has resulted in many of the manufacturing outlets in the area closing down or relocating (City of Sydney, 2012). The Masterplan developed for Green Square in 1997, highlighted that the provision of affordable housing in the area was a key objective:

> A fundamental objective for the renewal of Green Square is to retain a socially diverse population as the area gentrifies and undergoes significant renewal. This can be achieved by ensuring that there continues to be housing available to a wide cross section of socio-economic groups. From an economic perspective it is also vital that key workers can continue to live in the area (City of Sydney, 2018c).

At the outset there was a realisation that the area's inner-city position would mean that the area would be gentrified and the resultant high property prices would ensure that the area would be out of reach for low and moderate-income households. In order to have some social mix, modest inclusionary zoning was put in place. Inclusionary zoning was premised on all of the land in Green Square having a substantial uplift in value as a result of being rezoned, combined with the public investment in infrastructure in the area. However, as mentioned, the inclusionary zoning mechanism set by the state government requires developers of new residential developments in Green Square to dedicate only 3% of floor space to affordable housing on-site or make a monetary contribution. Noteworthy, is that almost all of the developers in Green Square opted to make a monetary contribution, rather than provide affordable housing. The monies collected are handed on to a community housing provider. Despite the immense scale of the Green Square development and the massive uplift in the value of the land due to rezoning, the 330 affordable homes that will be provided by 2030, will represent only about 1% of residential properties in the area.

The 'Southern employment lands' refers to an area between the airport and the city that historically has been dominated by traditional manufacturing industries. Over the next 20 years it is envisaged that much of this area will be rezoned for a diverse range of businesses and will result in an increase in the number of workers, including lower paid workers in the area, and an increase in demand for affordable housing (City of Sydney 2015b, p. 3).

By mid-2018, developer levies had yielded 739 affordable rental dwellings in the City of Sydney LGA. A further 314 were expected to be completed by the end of 2019 (City of Sydney, 2018a). By 2030, it is hoped that the developer levy in these three areas (Pyrmont Ultimo, Green Square and the southern employment lands) will have yielded 2,300 affordable homes.

The Lord Mayor of the City of Sydney has urged the State Government to extend the developer levy as a proportion (beyond the 3%) and spatially, arguing that 'it was a tremendous missed opportunity' that the government had not allowed the levy city-wide (see

Brown, 2016). She has advocated for a 30% affordable housing target for public land and 15% for developments on private land (see Burke, 2017).

A significant suggestion in the proposal put forward by the City of Sydney is when permission is granted to rezone a space so as to extend the existing floor space and there is value uplift as a result, it is proposed that the proportion of additional floor area to be used for affordable housing be 12% in the west and south precinct and 24% in the eastern precinct of the City. In the Central Sydney area, the City of Sydney will seek 50% of any increase in land value that occurs as a result of a change in planning controls (City of Sydney, 2018a). These rates are in addition to other contribution requirements.

In April 2018, SEPP 70 was expanded to include five additional councils and in February 2019, SEPP 70 was expanded to include all councils in NSW (NSW Government, 2019b). However, prior to any affordable housing provisions being passed, councils have to develop an affordable housing contribution scheme which has to be approved by the state government. At the time of writing (mid-2019), local governments were still waiting to hear whether their ‘affordable housing contribution scheme’ had been approved by the NSW government.

Planning Agreements

Planning agreements, commonly referred to as Voluntary Planning Agreements or VPAs, were introduced to the NSW planning system in 2005 and are part of the NSW government’s Planning Act, the Environmental Planning and Assessment Act 1979. Under this agreement, a developer can agree to fund affordable housing, which can be made through ‘the dedication of land, monetary contributions, construction of infrastructure [and] provision of materials for public benefit and/or use’ (NSW Government, 2017a). The limitation of the VPA is that any contribution from a developer is dependent on their willingness to make a contribution. If they refuse, there is little the LGA can do. In the planning proposal process (where council will consider changes to planning controls), there is some opportunity for a LGA to negotiate for the public benefit.

In respect to affordable housing, by mid 2019, the City of Sydney has had only three affordable housing projects premised on a VPA. A VPA for a massive $1.1 billion development comprising 1250 residential properties in Forest Lodge, a City of Sydney area, involved the developer agreeing to dedicate land to the City for affordable housing. The land was then sold to a community housing provider, resulting in 76 affordable rental apartments for very low, low and moderate-income earners (City of Sydney, 2019c). The proceeds of the land sale have been placed in the City of Sydney's 'affordable housing fund to be allocated as grants to help other affordable rental housing projects …' (City of Sydney, 2019c). The two other VPA agreements have in 27 affordable housing dwellings, 19 in the one project and eight in the other (personal communication from senior planner, City of Sydney).

It is evident that VPAs will not make a substantial impact on the quantity of affordable housing available in the City of Sydney LGA. The fact that it is a voluntary contribution means that the City of Sydney's capacity to use VPAs to resolve the affordable housing crisis in the LGA is severely limited.

Selling of council land at a subsidised rate to community housing providers (CHPs)

A central strategy adopted by the City of Sydney is the selling of council land at a subsidised price to a CHP. The land is sold with the proviso that it be used solely for affordable housing in perpetuity. In 2014, a disused hospital site was sold by the City to City West Housing and the CHP built just over 100 affordable housing units on the site. In 2017, the City sold 8,900 square metres of land in an inner-city suburb to two CHPs. The one CHP plans to build 200 homes on the northern part of the site. On the southern side of the same site, another CHP will build 100 affordable homes. A City of Sydney spokesperson commented, ‘The subsidised sale price of about $85,000 per affordable dwelling represented a significant reduction on land and housing values in the Alexandria [a City of Sydney suburb] area' (Bieby, 2017).

At the end of 2017, the City sold a block of land in Redfern, a suburb in the City of Sydney, to St George Housing, a CHP. St George is building an 18-storey block containing 160 units on the site. More recently, the City sold a parcel of land to a CHP in Green Square. The CHP plans to build 80 affordable homes on the site. Overall, it is estimated that the land the City has sold to CHPs over the last decade has been discounted to the tune of around $20 million and has yielded close on 500 affordable homes (in Visentin, 2018).

Other ways in which the NSW government could increase the supply of affordable housing in the City of Sydney LGA

Use of state owned land for affordable housing

UrbanGrowth NSW, the NSW state government’s main urban transformation agency, is developing substantial tracts of land within the City of Sydney LGA. However, almost all of the envisaged new housing is geared towards middle and high-income households. The first UrbanGrowth project in the City of Sydney LGA involves building 600 to 700 new apartments. Not one will be a social or affordable housing property (Saulwick, 2016). The Chief Executive of City West Housing, on establishing that UrbanGrowth NSW was not planning any affordable housing units in its first major project in the City of Sydney LGA, commented, ‘At the end of the day affordable housing is so needed it shouldn't even be a discussion point. We have people with jobs on our waiting lists who are sleeping in cars' (in Saulwick, 2016).

The 'Communities Plus' plan

A central plank in the NSW government's social and affordable housing strategy is a program called 'Communities Plus' (NSW Government, 2017b). Communities Plus is an exemplar of neoliberal affordable housing policy. The program involves private developers developing existing social housing land and creating social mix by providing private dwellings, affordable housing and replacing current and building new social housing. The program aims to deliver 40,000 private housing dwelling and 6,000 new and 17,000 replacement social housing properties over a 25-year period (NSW Government, 2017b; Pawson, 2018). Despite the considerable scale of the project, if social housing is excluded, only 500 affordable homes are planned (NSW Government, 2017b). Remarkably, the $22 billion program involves no government expenditure:

> As each development is completed, new social housing properties are handed over to LAHC [Land and Housing Corporation] for the land, making the program entirely self-funding (NSW Government, 2017b).

The most substantial development envisaged as part of Communities Plus is the redevelopment of the Waterloo social housing estate which has 2,012 social housing dwellings at present. Waterloo is situated in the City of Sydney LGA. The NSW government's masterplan for Waterloo involves the construction of 6,800 new homes of which 2,380 (35 per cent), will be social or affordable housing (NSW Government, 2017b).

The City of Sydney has been heavily critical of the state government's plan for Waterloo. The Lord Mayor commenting, 'If you can't build social and affordable housing on public land, where can you?' The City's alternative plan for Waterloo proposes a smaller number of new homes (5,000 to 5,300) and that 50 per cent be social housing, 20 per cent affordable and 20 per cent private (City of Sydney, 2019d).

The 'Social and Affordable Housing Fund' (SAHF)

It is envisaged that the NSW government's Social and Affordable Housing Fund (SAHF) will deliver 3,400 homes over a 25-year period. All the homes will be built by CHPs. The breakdown as to how many homes will be social housing and how many will be affordable housing, is unclear. Again, a primary government objective is to minimise expenditure from general revenue:

> The SAHF has been set up with over $1.1 billion in seed funding from the [NSW] Government. This seed capital was invested in the market by the Government's investment arm, NSW Treasury Corporation. Market returns from this investment will be applied to funding SAHF projects (NSW Government, 2017c).

The 3,400 homes envisaged represent about 6 per cent of the 55,000 households currently on the waiting list for social housing in NSW and will thus have a negligible impact on the housing affordability crisis. Further, the high cost of land in the City of Sydney LGA and surrounds, means that few, if any, SAHF funded homes will be built in the inner-city areas.

Explaining the state government's reluctance to meaningfully intervene

An internalisation of a neoliberal and financialisation of housing perspective means that there is strong support for developers, the federal government's tax regime and the hyper-commodification of residential property. The policies adopted by the NSW government in respect to limiting the supply of affordable housing in the City of Sydney LGA, are premised on a determination not to intervene in the market in a way that will curtail the capacity of developers to maximise profit. This perhaps explains the refusal to increase the developer levy.

Electorally, the dominance of homeowners means that any policy that may have an impact on residential property prices is resisted. Also, increasing house prices are crucial for the economy, under-pinning consumer confidence and spending. Further, a strong housing market is a major source of revenue for the state government. Stamp duty, a tax that purchasers of property have to pay to the state government, (it a percentage of the purchase price), is a central source of income for the NSW government. Thus in 2016-17, at the height of the property boom in Sydney, stamp duty yielded $9.7 billion for the state government – about 12.5% of revenue. The recent decline in Sydney house prices, combined with a concession for first time home buyers, if they purchase a property under $650,000 they do not have to pay stamp duty, saw revenue from stamp duty drop to $7.5 billion in 2018-19 (NSW Government, 2019c).

The NSW state government has adopted a market orientated narrative to explain the lack of affordable housing. It argues that the lack of affordable housing is primarily due to an historical under-supply of housing and an increase in housing supply will resolve the housing crisis: ‘However, the legacy of past policies and economic conditions has led to an accumulated undersupply of around 100,000 dwellings in New South Wales’ (NSW Government, 2016). In 2016, the then treasurer of the NSW state government, Gladys Berejikilian (she is now the premier) stated, ‘The most effective way we can tackle housing affordability is to increase supply’ (in Ting, 2016). This argument was echoed by the then Prime Minister, Malcolm Turnbull: ‘Now this is how you address housing affordability.

Housing affordability is the result of there being insufficient supply of housing. You need to have more supply of housing' (in Ting, 2016). There is little possibility that increasing housing supply will lead to a meaningful increase in the supply of affordable housing. An Australian Housing and Urban Research Institute (AHURI) research brief concluded,

> While increasing house supply is important (as it serves to stop house prices shooting up astronomically), it doesn't cause house prices to drop to levels that are affordable to lower income households (AHURI, 2017b).

The research brief showed that nation-wide, despite housing supply outpacing population growth, between 2011 and 2016, 'the mean value of residential properties rose by 36.5%, from $490,800 in 2011 to $699,700 in March 2017'. The briefing concluded that new housing is 'overwhelmingly priced in the higher price deciles' and that 80% of approvals for new housing between 2005-06 and 2013-14 were for dwellings in the more expensive 6 to 9th price deciles, where 1 is the cheapest and 9 the most expensive.

The refusal by the NSW state government to meaningfully intervene in the residential property market, not only results in minimal or no pressure being put on developers to provide affordable housing, it also results in an extreme reluctance to spend any money on social or affordable housing. In the 2019-20 budget, total expenditure by the NSW government was $83.3 billion of which $1.06 billion (1.3%) was allocated towards housing (NSW Government, 2019d). As illustrated, a major source of funding for public housing involves selling existing public housing and or land in gentrified areas and using the funds accrued to build new social housing. Much of this new housing is in peripheral areas (NSW Government, 2019a).

The City of Sydney is well aware of the constraints of the policy environment in which it is working. The reports its research department produces regularly refer to how the policies of the state and federal governments are shaped by a neoliberal / financialisation of housing perspective and that these limit the capacity of the City of Sydney to meaningfully address housing affordability. There is a clear realisation that '… The Commonwealth Government and the state governments … control the macro-economic and taxation policies that most affect the cost of housing' (City of Sydney, 2009, p. 5). In another document, it is emphasised how 'State planning laws affect the ways that local governments can supply housing' (City of Sydney, 2015a, p. 9).

There is no doubt that any increase in the supply of affordable housing in the City of Sydney and more widely in NSW, does require substantial intervention by the NSW state government. However, it is evident that the four primary interventionist affordable housing policy initiatives of the NSW state government - inclusionary zoning, building affordable housing on government owned land, Communities Plus and the Social and Affordable Housing Fund (SAHF) – in their present form will have a minimal impact on increasing the supply of affordable housing in the City of Sydney LGA and beyond.

Conclusion

The City of Sydney is committed to substantially increasing the quantity of affordable housing so as to ensure that essential workers and low-income households are able to reside in the LGA and the area has a decent level of social mix. Relative to other local governments, the City of Sydney has certainly been successful assisting with the construction of 835 new affordable dwellings (July 2019 statistic) since 2004 (Murphy, 2019). However, there is no possibility of the City of Sydney reaching its affordable housing target of 7.5% or around 11,000 homes by 2030, unless there is a fundamental shift in policy by the state and or federal government. A substantial increase in the number of affordable housing dwellings in the City of Sydney LGA will require that the developer levy is extended to all of the City of

Sydney's 33 suburbs. Also, the levy will need to be boosted. On government owned land, the proportion of housing built that is affordable or social housing, needs to be substantially increased. Finally, a substantial increase in the federal and NSW government budgets for affordable and social housing is required and an adequate proportion of these dwelling need to be located within the City of Sydney LGA.

Unfortunately, there is little possibility of the federal or state government changing direction around affordable housing. In a recent study analysing local government planning documents in Australia, Gilbert and Gurran (2018) found that very few local governments had specific affordable housing mechanisms. They concluded that this was not because local governments were not interested in increasing the supply of affordable housing, but that state governments were concerned that substantial endeavours to augment affordable housing would have an impact on overall development.

The analysis of the challenges faced by the City of Sydney in augmenting the stock of affordable housing in its LGA certainly has broader relevance. It illustrates that what is required is a reconceptualisation of housing by governments. Adequate, secure and affordable housing needs to be viewed as a human right. Further, it reveals that in order to ensure that low-income households can retain a footing in a sought after urban area, it is crucial that local governments are given ample support by state and federal government. The upper tiers of government have to provide the resources and policy frameworks to guarantee an adequate supply of affordable housing. However, in Australia and many other contexts, a neoliberal and financialisation of housing perspective is so entrenched, that it is highly unlikely that there will be the necessary perceptual and policy shifts.

[i] Australia has three levels of government – local, state and federal. The legislative capacity of local governments is determined by the state government.

[ii] The City uses a standard definition of affordable housing; it is defined as 'housing that does not absorb more than 30% of a very low, low or moderate household's gross income' (City of Sydney 2016a). Very low income is defined as 'less than 50 per cent of the median household income for Sydney Statistical Division'. Low household income is defined as 'more than 50 per cent but less than 80 per cent of the median household income for Sydney Statistical Division' and a moderate household income is defined as 'more than 80 per cent but less than 120 per cent of the median household income for Sydney Statistical Division' (City of Sydney, 2009, p. 3). Affordable housing is rented out at below the market rate and its main target are low-income employed workers. Rent is usually set at 30% of income. Social housing in Australia is constituted by public housing supplied and managed by state governments and community housing which is managed by non-profit housing providers. Rent is set at 25% of income.

[iii] All the dollar amounts are Australian dollars. In mid-2019, one Australian dollar was equivalent to around 70 US cents.

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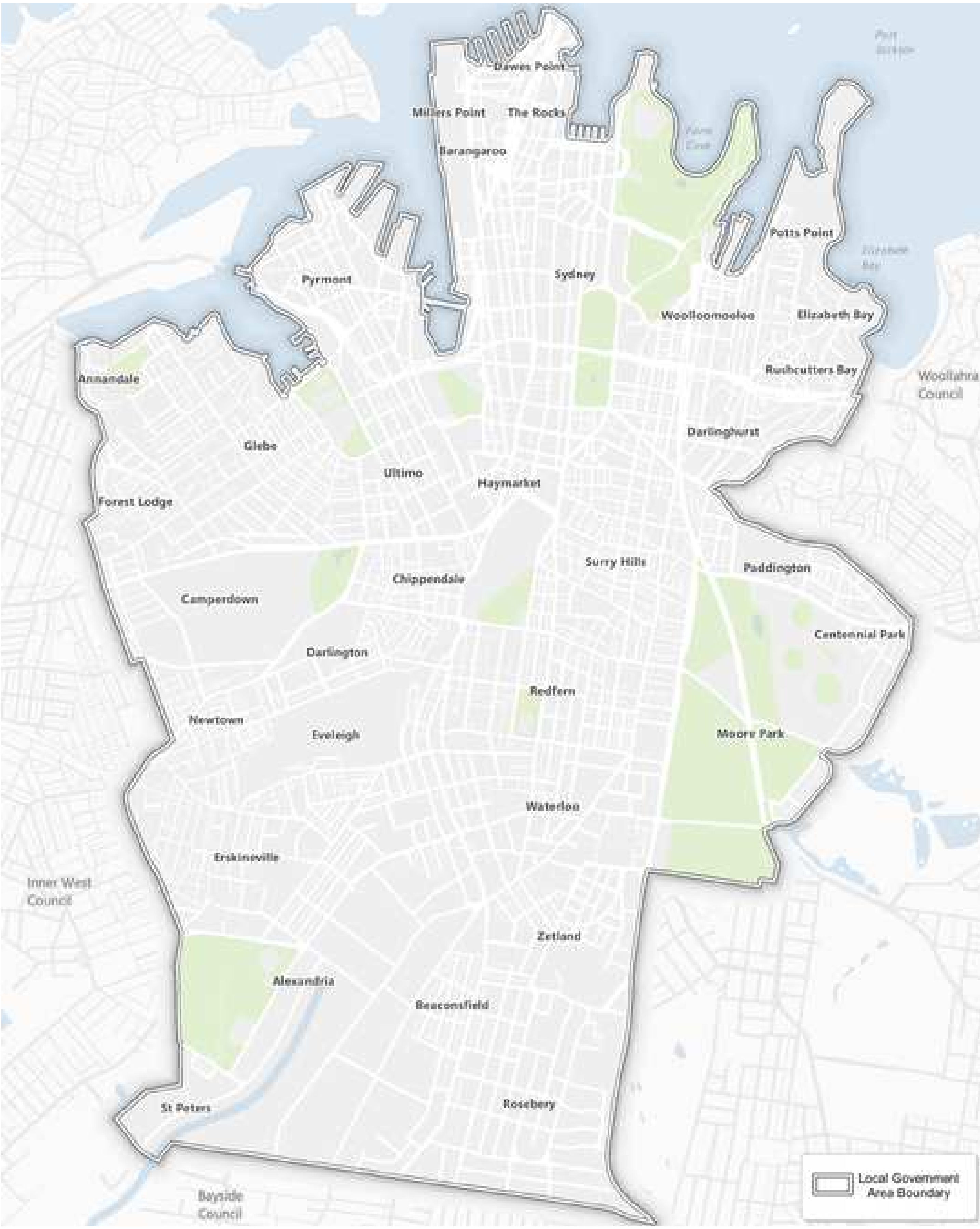
Figure


Dawes Point
Millers Point
The Rocks
Barangaroo
Pyrmont
Sydney
Potts Point
Woolloomooloo
Elizabeth Bay
Rushcutters Bay
Woollahra Council
Annandale
Darlinghurst
Glebe
Ultimo
Haymarket
Forest Lodge
Surry Hills
Paddington
Chippendale
Camperdown
Centennial Park
Darlington
Redfern
Newtown
Eveleigh
Moore Park
Waterloo
Erskineville
Inner West Council
Zetland
Alexandria
Beaconsfield
St Peters
Rosebery
Bayside Council
Local Government Area Boundary