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Dominic Perrottet MP  
NSW Treasurer

### **Churches Housing Inc 2021-22 Pre-Budget Submission**

Dear Treasurer

We are writing to invite the NSW Government to consider our Pre-Budget proposal for 2021 *A just housing recovery program*. It aims to assist people to keep their jobs in those parts of the NSW housing construction industry just starting to be ravaged by the impacts of the COVID pandemic. Critically it will also provide an ongoing legacy for families and other households who find themselves in desperate housing need.

Churches Housing Inc represents the faith-based housing sector in NSW with membership from most mainstream church organisations who are engaged in affordable and social housing provision. Our vision is to empower and enable churches to provide well managed, secure and affordable rental housing to the vulnerable and marginalised so they can make a home and fully participate in our communities and economy.

#### ***A crisis facing apartment builders***

Over the next five years based on the Department of Planning annual housing supply forecasts the number of new dwellings is now predicted to significantly fall especially in Sydney. This drop will chiefly take the form of new apartments. It will soon put tens of thousands of construction-related jobs at risk. Ominously it also implies a real risk of a wave of bankruptcies for a raft of Sydney's apartment construction firms.

Despite the recent expansion of house building on Sydney's outer fringe primarily for homeowners, everyone including the NSW Government is predicting a deterioration of apartment construction numbers as the population slow down hits Greater Sydney and surrounds. This will undoubtedly scare off many property investors and financiers of multi-unit developments. Increasingly proponents will struggle to meet

financing thresholds for sales off the plan. As you will be aware, investors pay around 1% higher than an owner occupier and rely on good capital appreciation especially in the initial years to keep their investment commercially viable and their equity from turning negative.

These new planning forecasts show that the Government knows there is a serious problem and that it now needs to avoid slipping into the complacency of a business-as-usual approach<sup>1</sup>. We are inviting the NSW Government to take on this challenge to help fill this gap and adopt a strategy that provides greater business certainty. We believe this can be achieved with relatively little financial pain or risk to the Government’s Budget bottom line.

*Sydney Housing Supply Forecasts<sup>2</sup>*

Previous forecast	Revised forecasts
<i>38,210 pa (early 2020)</i>	26,500 pa worst case
	31,000 pa base case
	34,240 pa high growth

The apartment building arm of the construction industry needs to be supported meaningfully over this hiatus of a deep 5-year downturn.

The bankruptcies of construction firms especially of those building apartments and the flow on to their downstream subcontractors and suppliers risks imposing a major drag on the NSW recovery, increasing insurance costs for everyone and creating unwelcome new spikes in local unemployment.

It will also undermine the building industry reform efforts recently embarked on by the NSW Building Commissioner to improve construction industry standards and practices. These have been chiefly directed to remedying problems with new apartments.

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<sup>1</sup> Sydney Morning Herald, *New homes forecast for Sydney over next five years stuck in slow lane* Matt O’Sullivan, 6 February 6 2021  
<https://www.smh.com.au/national/nsw/new-homes-forecast-for-sydney-over-next-five-years-stuck-in-slow-lane-20210203-p56z8n.html>

<sup>2</sup> Department of Planning Industry and Environment, 2020 Sydney housing supply forecast  
<https://www.planning.nsw.gov.au/Research-and-Demography/Sydney-Housing-Supply-Forecast>

It will also help to avoid a boom-bust skills shortage in the near future, as building apprenticeships dry up due to a prolonged market downturn.

NSW needs the construction industry to emerge from this recession strongly to resume Sydney's growth trajectory. A bold initiative now needs to be grasped. Keeping jobs and the construction firms employing them intact is soon to become a pressing priority.

We believe the solution can be linked to meeting another pressing problem - that of the NSW 50,000 social housing waiting list where most of its households languish for over 10 years waiting to be housed.

NSW now needs the construction industry to emerge from this recession strongly to resume its growth trajectory. A bold initiative now needs to be grasped that involves new and more flexible delivery of social and affordable housing.

### ***2021 Just housing recovery program***

In addition to NSW funding for new social housing and homelessness programs already being provisioned for in the NSW Budget, this proposal seeks to facilitate and add to this effort. It is not intended to be a replacement or substitute for these important measures.

Our proposal aims to recognise and respond to our Government current economic circumstances especially the constraints on new expenditure over the forward estimates.

Unavoidably social and affordable housing is a high-cost commodity that has to compete with many other government priorities. To overcome this, our proposal seeks to take out of the funding challenge equation the upfront cost of land and the intense funding call on government funds on to the budget bottom line for related construction costs. Rather these are to be spread over the life of the dwelling and service contract, by using annual subsidy streams and the proponents' access to private finance.

### ***A program with two arms***

Our proposal is for a single program with two arms, where land is contributed by government and or by the successful proponent. With government leadership, other parties are much more likely to join. An accelerated planning of the program will help to ensure timely delivery, and this will be critical to maintaining jobs.

Firstly we are proposing a SAHF Phase 3, building on the past achievements of the previous funding rounds where the successful proponents usually contributed land

that was then matched by a government subsidy stream linked to improved client outcomes (using provisions under the *Social and Affordable Housing NSW Fund Act 2016*). Many of CHI members were successful under rounds 1 and 2<sup>3</sup> and now have tenants successfully housed and receiving support<sup>4</sup>.

The second arm of *Just housing* involves urban renewal on parcels of existing social housing land that is rezoned and ripe for redevelopment. Proponents would commit to rehousing public housing tenants; and provide an increased amount of affordable and social housing. This would be in exchange for the transfer of land (using stewardship provisions under *the Community Housing Providers (Adoption of National Law) Act 2012* and granting permission to sell some new units to cover development costs and create mixed income communities.

It is anticipated that registered Church based community housing providers (CHPs) and Aboriginal Land Councils and other generalist CHPs would become strong and enthusiastic participants in such a program, especially if it is accompanied by a streamlined and cost effective EOI and select tender processes.

With the fall in market demand that reflects the dramatic halt to overseas migration and flat-lining population growth, there is a ready opportunity to make the most of ultra-low interest rates currently available to community housing providers, idle under-utilised social housing land occupied by housing assets that have long past reached the end of their useful economic life, and undiminished demand for sub market housing that can actually operate with no or low ongoing state subsidies where mixed incomes and mixed tenures increase the rental revenue, investment feasibility and result in appealing inclusive communities.

A 2021 *Just housing recovery program* of 4,000 pa affordable housing or 16,000 homes by 2025 will be able to remove the worst impacts of the migration induced market slump in new supply and ensure that NSW continues to have a vibrant construction industry to provide the diverse housing Sydney needs. It will facilitate business continuity for many apartment builders. In so doing the new program will assist vulnerable households still struggling to find rental housing that is affordable.

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<sup>3</sup> The program provides integrated service packages for the social and affordable housing sector for up to 25 years. It involves the provision of integrated services, including access new social and affordable dwellings in metropolitan areas and regional areas of NSW, along with asset management services, tenancy management services, tailored support coordination services and performance and data reporting. An investment \$1.1 billion was allocated by the NSW Government to deliver the Social and Affordable Housing Fund that is delivering 3,400 new social and affordable housing dwellings Phase 1 and 2) with support over the next 25 years.

<sup>4</sup> BaptistCare NSW & ACT (SAHF 1), Anglican Community Services (SAHF 2), St Vincent de Paul Housing. (SAHF 1), Uniting (NSW.ACT) (SAHF 1 & 2)

In the long term, it will help to provide much needed secure affordable housing necessary for stimulating a more productive economy and grow the NSW community housing sector's capacity to meet present and future housing needs.

Spreading the majority of the program between the 20 Tier 1 and 2 CHPs providers operating in Greater Sydney, Newcastle and Wollongong will make this task eminently achievable following the success of recent SAHF and Future Directions projects and programs.

Over 30 years many large and medium size private construction firms have worked successfully and securely with regulated CHPs on their medium scale medium density housing projects de-risked of concerns of off-the-plan sales and underpinned by unsatisfied demand expressed in a 50,000 strong social housing waiting list. Medium density housing - the missing middle of Sydney's housing can spring up to become a real choice and be delivered with strategic government leadership without any sense of unwelcome pressure upon the property industry. The demonstration effect is likely to be profound.

We would welcome the opportunity to discuss this initiative with you or your delegates at an early opportunity of your choosing. Please do not hesitate to contact me through Churches Housing Inc on 02 9633-5999 or via our CEO, Philippa Yelland [philippa.yelland@churcheshousing.org.au](mailto:philippa.yelland@churcheshousing.org.au)

Your faithfully



Rob Burnelek  
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