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Local government and housing in the 21st century: A discussion paper

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Executive summary

This Discussion Paper reviews the major themes in policy, public debate and the published literature on the role of local governments in the housing sphere in Australia in the 21st Century. It has been produced as one output associated with the Australian Research Council's Linkage project, Local Government and Housing in the 21st Century (LP LP150100160) and is intended to inform discussion with our industry partners and other stakeholders on the priority issues for further investigation as the project progresses over the next two and a half years.

There are many factors recasting the relationship between housing and local governments in Australia. Key issues for policy attention and potential action by local governments include:

- declines in housing affordability resulting in greater pressure on local governments to plan for the provision of low-cost affordable housing;
- the need to engage in urban regeneration in regions where the housing stock and built environment have passed their economic life;
- the desire to find new ways to plan for housing in order to promote economic growth; the need to accommodate older persons; and,
- the impact of new patterns of housing consumption – such as the growth in second home ownership (Paris and Thredgold 2014).

Our analysis of government reports, the media and consultations with stakeholders suggests that there are limited number of policy domains which deserve greater attention when considering the relationship between housing and local government in Australia in the 21st Century. These are:

- Affordable housing
- Land use planning
- Governance of housing
- Housing policy
- Intergovernmental relations regarding housing
- Housing of people with special needs
- Housing and population change.

Through this discussion paper we ask some key questions:

- What are the most significant priorities for local government with respect to housing?
- What elevates these priorities to their level of significance?
- How best can the research project deliver the answers local government is looking for with respect to housing, and how should this information be delivered?
- How do these challenges vary by location, and who is most affected?
- Where is innovation in this policy space most evident?
- How can local governments reshape policy and public debates to deliver outcomes that better meet their needs while also providing housing that is affordable and appropriate?



Introduction

This Discussion Paper reviews the major themes in the literature examining the role of local governments in the housing sphere in Australia in the 21st Century. It has been produced as one output associated with the Australian Research Council's Linkage project, Local Government and Housing in the 21st Century (LP LP150100160) and is intended to inform discussion with our industry partners and other stakeholders on the priority issues for further investigation as the project progresses over the next two and a half years.

The research project is shaped by the goals that led to its establishment, namely to:

- Develop a detailed understanding of the interplay between housing and local government in Australia in the 21st Century.
- Map the governmental, demographic, social and economic processes currently reshaping that relationship.
- Identify new ways in which local governments – and the communities they represent – can meet their housing aspirations.
- Identify and develop a suite of policies and actions for use by local governments across Australia in metropolitan, rural and regional settings.

The research clearly includes both academic goals intended to advance our knowledge of this important sector within the Australian system, and practical objectives to assist local governments achieve better outcomes for their residents and other stakeholders.

For the past 60 years Australia has been a nation characterised by good quality housing for all (Paris 1993), with a public housing safety net for those unable to compete in the private market. Australians have enjoyed high housing standards with most attaining the 'The Great Australian Dream' of home ownership (Badcock and Beer 2000).

However, Australia is increasingly confronted by escalating challenges with its housing: it has one of the most unaffordable housing markets in the world (Cox and Pavletich 2017; OECD

2016), a diminishing stock of public housing (SCRCSSP 2013), decreased outright ownership (ABS 2015; Flood and Baker 2010), and pockets of poverty and disadvantage in the rental sector (Hulse et al 2012; Morris 2016). Despite government programs, each night more than 100,000 Australians are homeless (ABS 2012), and almost 2 million people live in unaffordable housing (Bentley et al 2012).

Australia's housing problems are increasing – homelessness, poor housing affordability, housing insecurity, reduced outright ownership and the undersupply of new dwellings (ABS 2012, 2015; Wood and Ong 2011; Beer et al 2011; Flood and Baker 2010; Hulse et al 2012; Morris 2016). These changing conditions have fuelled a search for new policy solutions in housing, and the desire to recruit a new range of actors – including local governments – into the formation of housing policies and programs.

Any discussion of the relationship between housing and local government in the 21st Century needs to acknowledge that Australia's system of government continues to evolve and change. This fact was highlighted by the Abbott Coalition Government and its proposed White Paper on the Australian Federation (PM&C 2014). Over the last 20 years the balance of responsibilities and powers has shifted between the three tiers of government as a consequence of vertical fiscal imbalance through the restructuring of the tax base, the growth of some forms of social expenditure – especially health outlays – and the work of the Council of Australian Governments. These changes have had profound significance for local governments who have been subject to cost shifting from the more senior tiers of government (Hawker Inquiry 2003), increasing financial pressure as a result of local resistance to higher rates combined with escalating costs, and a growing expectation for local governments to work in new ways with the private sector and community groups. In some instances, state government legislation has directly transferred the costs of supporting social housing from state governments to local government (Beer and Thredgold 2014).

The implications for society flowing from changes in the way Australian federalism is enacted are substantial: while local government is often labelled the third tier of government it is a major institution in its own right, controlling over \$28bn in assets and employing around 180,000 Australians (Dept of Infrastructure 2012). Local government is responsible for the maintenance of much of the nation's community infrastructure, as well as the management of rural and urban neighbourhoods and the delivery of essential services. In many parts of rural and regional Australia it is effectively the only tier of government with an observable presence, providing face-to-face services and delivering the programs of the other tiers of government. Changes that impinge upon its ability to achieve its mandate will have a profound impact on all Australians.

Conventionally housing policy in Australia has been the preserve of State and Federal governments (Paris 1993). In the immediate post-War period an uneasy accommodation on housing policy and programs emerged with the Australian Government establishing macro-policy settings for housing via interest rates and the provision of finance for social housing, while state governments served as 'reluctant landlords' (Hayward 1996). Little attention was paid to local governments (Stilwell and Troy 2000) despite their significant, but often overlooked, role in the delivery of housing services and urban development (Neutze 1977). In the 1970s and 1980s some attention was given to the potential for greater local government

involvement in the direct provision of housing. For a short time, the Whitlam Labor Government's experiments with 'New Federalism' appeared to provide a platform for direct Federal support for local government programs. The Local Government Community Housing Program (LGCHP), however, proved to be short-lived, with more established policies and programs favoured from the mid-1980s onwards (Hannaford 1989).

Over recent years the broad landscape of housing policy in Australia has been transformed. Where once governments across Australia used publicly-owned housing to meet their social housing objectives via relatively large stocks of government owned dwellings (Beer and Paris 2005), over recent years they have sought to realise these goals through a range of other policy instruments, including the expansion of Commonwealth Rent Assistance (CRA), (Morris 2009) and the promotion of community-owned housing. The Rudd Government's National Affordable Housing Agreement (NAHA) replaced the Commonwealth State Housing Agreement (CSHA) that stood for more than 50 years. It emphasised the expected growth of community housing over more conventional public housing and in many jurisdictions this process was accelerated through large-scale stock transfers (Beer et al 2014).

Despite these historical setbacks and uncertainties, a number of authors (Gurran 2003; Beer et al 2007; Gurran et al 2008; Tiley and Hill 2010) have argued that local governments have the potential to exert a significant impact on both the affordability and type of housing built. This influence comes about through their implementation of planning codes and the application of infrastructure levies (ALGA 2003; Purdon and Burke 1991). Recent research has found local governments are active in areas of housing policy where their involvement is unexpected: Beer and Prance (2013), for example, noted that 65 per cent of councils engage with the practical realities of managing homelessness, although this often found expression as a series of informal practices rather than acknowledged policies. Almost half of all local governments in Queensland are involved in the direct provision of housing, either as a provider in their own right or as a major shareholder in a registered social landlord (LGAQ 2014).

There are 539 local governments in Australia and it would be misleading to suggest there is a single relationship between housing and local government. Rather, this relationship varies by geography – rural, regional, metropolitan – the size and capacity of the individual local government, its level of development and the legislative and policy framework of the state government within which it sits. The latter is especially important, with Gurran (2003) arguing that there is considerable variation in the format and content of planning instruments and regulatory frameworks within and between jurisdictions. There is also substantial divergence in the level of autonomy granted by states to local government in the housing domain (ALGA 2003 p 5; Beer et al 2007).

As the discussion above shows, there are many factors recasting the relationship between housing and local governments in Australia. Key issues for policy attention and potential action by local governments include:

- declines in housing affordability resulting in greater pressure on local governments to plan for the provision of low-cost affordable housing;

- the need to engage in urban regeneration in regions where the housing stock and built environment have passed their economic life;
- the desire to find new ways to plan for housing in order to promote economic growth; the need to accommodate older persons; and,
- the impact of new patterns of housing consumption – such as the growth in second home ownership (Paris and Thredgold 2014).

At a conceptual level, recent writing on governments and how they are changing across the developed world (Brenner 2004; Allmendinger and Haughton 2009) indicates that there is a need to focus our research on:

- the relationship between local government and other actors in the housing sphere, including state and Federal government agencies;
- the process of change and how the solutions available to local government evolve over time;
- the role of both formal and informal processes in the search for policy solutions;
- the processes through which particular options ‘harden’ into outcomes; and,
- the impact of history, or path dependency, on the emergence of new policies.

Scanning the horizon

Data collection has been undertaken by the project targeted at contemporary themes in the discussion of housing and local government. This information was collected through:

- An analysis of media reporting over the period October 2016-March 2017;
- The collection of relevant ‘grey’ or informal literature – eg state and local government reports, the outputs of peak organisations et cetera; and,
- Discussions with industry partners.

It is clear from this review that Australian local government plays an important role in assisting in the provision of fit-for-purpose housing across the nation. While the Federal, State and Territory governments play a central role in housing provision through, for example, taxation policy and the establishment of metropolitan-scale land use plans, the overall design of Australian cities and towns is a complex arrangement of roles and responsibility across the three levels of government. These arrangements are constantly being negotiated. The review of these sources has resulted in the identification of a large number of questions/topics and challenges relevant to local government and housing in Australia in the 21st Century. These include:

- Affordable housing;
- Governance;
- Planning;
- Social housing provision;
- Homelessness;
- Second homes (including population mobility – seasonal movements);
- Urban regeneration;

- Gentrification;
- Insecure tenure;
- Changing relationships with other tiers of government (including Grants Commission funding);
- Changes in state and federal policy settings (including stock transfer);
- Housing for special needs (aged care, disabled);
- Housing for special groups (Aborigines, migrants, refugees);
- Sustainable housing/environmental issues;
- Relationships with non-governmental housing providers;
- Population issues (decline, growth);
- Land use planning;
- Managing local housing stock;
- Airbnb and similar new forms of commerce;
- Unoccupied dwellings; and,
- Housing density (urban sprawl or accommodation plans for high density).

This lengthy list of issues can be shortened into a number of broad categories that are of concern to local governments – and probably Federal and state/territory governments. These themes are not mutually exclusive and intersect in interesting ways. They are offered as discussion points with industry partners and other key stakeholders. They are in no particular order of priority.



Affordable housing

The need to find new ways of providing affordable housing is a consistent theme in academic literature, local government reports, Federal and State Government policies and in the social and formal media. This is a major concern in the capital cities and their surrounding areas,

but it is a topic that has increasingly garnered public attention in regional and remote parts of Australia also. Housing affordability is an issue with an acute tenure dimension, as the greatest levels of housing stress are to be found in the private rental market.

Our analysis of documents from local governments found that:

- Primarily urban-based councils had spent resources on addressing issues of housing affordability and have specific documents related to this issue.
- It is worth noting that many of the councils had considered housing affordability an issue – however they often did not have public documents specifically on housing. Rather this information was contained in their operational plans, in local planning strategy documents, and/or in the council meeting minutes as an issue to be addressed in the future.
 - In a few cases councils displayed this information on their website on a specific page dedicated to explaining how they are addressing, or will address housing affordability as an issue. This information on their website was often not located in a specific document on housing.
- Often state legislation is the impetus for councils to address housing affordability. Many are spurred to action by state-based legislation, and the need to either comply with this legislation, or formulate particular responses to state-based requirements.
- In terms of translating policy into action, councils are developing local housing reference groups, zone land for affordable housing and – to some extent – building affordable housing (often in partnership with local community housing groups/private organisations);
- There are a small number of multi-council housing projects that focus on housing affordability in particular regions. We have included these under the ‘Misc’ category.

Land use planning

The design and physical layout of our cities and towns influences the quality of life in communities. Planners have experimented with various urban designs over the decades and these arrangements influence the nature of places over many generations. Land use planning is often held responsible for:

- Increasing the cost of housing;
- Slowing the supply of new dwellings when demand rises; and,
- Encouraging the provision of housing that does not meet the needs of an increasingly heterogeneous population.

However, land use planning has also contributed to suburbs, urban precincts and towns of high quality with strong appeal to many in the community. Over recent years a number of State Governments have further restricted the planning capacities of local governments, through limiting their ability to reject developments and by removing elected officials from planning bodies and/or assessment panels. In addition, an improved understanding of land

supply and the mechanisms in place is required to ensure an adequate supply of sites for development or redevelopment.

Governance of housing

The way in which housing associations and similar community-based housing associations operate can impact the quality of housing in communities. At the same time, increasing attention is being paid to the ways in which local governments interact with new, and or emerging, models of housing provision. A number of local governments across Australia have established separate legal entities – such as the Brisbane Housing Company, the Gold Coast Housing Company et cetera – to fill a gap in the supply of low cost rental housing. Elsewhere, local governments and housing associations are looking to forge new partnerships, with the potential to deliver better outcomes for vulnerable households. The Building Code of Australia represents an additional, and very influential, factor in the regulation of housing in Australia and very much shapes what can be permitted by local governments. In addition, there is increasing attention being paid to new forms of commerce that span into residential development, including Airbnb, and its impacts and regulation.

Our analysis of ‘grey literature’ documents from local governments found that:

- Many council websites had links to local service-based organisations that could assist with housing affordability concerns, and potentially provide shelter and housing assistance to residents.



Housing policy

All levels of government in the Australian federation have policies that, to varying degrees, exert an impact on the quality and cost of housing. Taxation policy, most notably negative gearing and capital gains tax, and its impact on the housing markets has attracted recent

attention. In addition the Federal Government and State governments have a range of fees and charges that shape housing costs and outcomes. State Governments also have the legislative capacity to influence local housing, and delegate some of these powers to local governments. The National Partnership Agreement on Homelessness (NPAH) and the National Affordable Housing Agreement (NAHA) are substantial policies directed to meeting the needs of households at greatest risk in their housing. Both sets of policies involve both the Federal and State Governments, and have substantial implications for local governments.

Importantly, many policies that affect housing are not 'branded' or presented as housing policies: the policies and regulations that shape urban development in our cities and regions, for example, are often labelled 'planning' policies despite their substantial impact on housing supply.

Intergovernmental relations regarding housing

The relationship between the three tiers of government exerts an undeniable impact on Australia's housing system. The Australian Constitution places responsibility for most areas of housing and urban development with state governments, but their financial weakness relative to the national government undermines their capacity to be effective. Local governments have a range of responsibilities allocated to them, which vary by jurisdiction and include a considerable portfolio of infrastructure to be maintained, responsibility for the implementation of urban planning and the development of local communities.

Housing of people with special needs

It is often the most vulnerable and dependent people in our communities who need careful consideration with respect to their housing. Stability and assurance is a key factor in deciding on housing arrangements. Critical groups include:

- the older population;
- persons with a disability or long term health condition;
- refugees and other humanitarian arrivals;
- Aboriginal and Torres Strait Islanders; and,
- the long-term unemployed.

Some of these groups are substantial in number and in the future will represent a significant challenge for local governments as they plan for services and housing. For example, 22 per cent of the Australian population aged under 65 currently has a disability or long term health condition, while older Australians could represent about 20 per cent of the population by 2030. Councils and shires need to understand how the ageing of the population will affect them and the housing stock over the coming years. At the same time, major policy initiatives such as the National Disability Insurance Scheme have the potential to generate new demands for housing – and services – that could challenge local governments in some regions.

Our meta-analysis of local government websites concluded that:

- For a small number of the councils the focus of their housing plans were targeted at particular sub-sections of the community, such as younger people or ageing residents, who were seen as more vulnerable.



Housing and population change

Population change carries with it the possibility for significant shifts in the demand for housing, both with respect to the total quantum of housing required and the types of housing demanded. Population change may also result in tenure shifts. In many parts of metropolitan Australia on-going growth in residents continues to fuel demand for new housing, while the decline of some country towns has resulted in homes becoming ‘stranded assets’ in communities where jobs and economic activity has contracted. Elsewhere, the ‘seachange’ phenomenon has kick-started the growth of small country towns and resulted in significant investment in new, high quality, dwellings.

Our review of local government documentation found that:

- Many councils in rural/regional areas were concerned with focusing on attracting people to their region and/or about farming or rezoning land. Often this meant housing affordability was not seen as an issue for these councils.

Zeroing in on the key questions

Our main focus in this research project is the role of local government in the provision of affordable and appropriate housing. In order to understand current conditions and the direction of change evident at the national and regional levels we need to agree to a detailed research agenda that:

- provides answers to the practical and broader questions confronting local governments across Australia;
- allows for the development of new conceptualisations that will feed into academic papers;
- offers a solid basis for action by local governments in the short, medium and long term;
- represents a solid foundation for the training of doctoral students;
- adds to the stock of knowledge on housing and local government in Australia;
- advances media and public debate in this important area; and,
- encourages policy innovation by all tiers of government in order to deliver affordable, secure and adequate housing to those in greatest need.

Some key questions therefore need to be answered around the most pressing issues in the relationship between housing and local government in Australia in 2017. We need to know:

- What are the most significant priorities for local government with respect to housing?
- What elevates these priorities to their level of significance?
- How best can the research project deliver the answers local government is looking for with respect to housing, and how should this information be delivered?
- How do these challenges vary by location, and who is most affected?
- Where is innovation in this policy space most evident?
- How can local governments reshape policy and public debates to deliver outcomes that better meet their needs while also providing housing that is affordable and appropriate?



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