

If you're serious about affordable Sydney housing, Premier, here's a must-do list

Written by The Conversation

So “fixing housing affordability” in Sydney is one of [three top priorities](#) for the new premier of New South Wales, Gladys Berejiklian. It’s good that the state’s new leader recognises this as an intensifying problem that can’t be ignored.

Berejiklian will appreciate the electoral importance of this issue. It’s an especially sensitive topic in western Sydney, which no longer provides Sydney with the large reserve of less-expensive property that it once did. Unless they can draw on family wealth, even middle-income first-home-buyers are now [locked out of huge swathes of Sydney](#) – including areas far from the inner city.

But given she came to the top job from the Treasury portfolio, Berejiklian would also be expected to have a clear understanding that the lack of well-located affordable housing is an economic productivity concern as well as a social problem.

One aspect of this, as shown by [our recent research](#), is that central Sydney’s booming hospitality sector is facing growing pressure to find and retain suitable employees. This is because of workers’ limited ability to find affordable housing within a reasonable distance. To work in the inner city they must weigh up other compromises – such as living in shared housing, or paying a very high proportion of income in rent.

Relying on backpacker labour supply isn’t an ideal business strategy. And, as inner Sydney housing affordability deteriorates further, there’s every possibility other CBD industries will see their lower-income labour market thinning out.

The broader issue is the growing stress caused by the continuing focus of employment creation in inner-city areas. This applies especially to the so-called “global arc” stretching from the airport in the south to Macquarie Park in the north.

In the last few years annual job growth here has been [running at more than 2%, but only 0.5% in western Sydney](#). At the same time, housing market pressures mean more and more people needed to fill these new jobs are having to live in outer western Sydney. The resulting

[traffic congestion](#)

is damaging Sydney's economy.

Nationally, the cost of congestion in 2015 [was A\\$16.5 billion](#) – up by 30% on 2010. Anyone who commutes by car in Sydney will know it is a major part of this problem. Ultimately, some companies may choose to relocate to places where these problems are less severe.

Housing supply is only part of the solution

On the other hand, it must be hoped that Berejiklian will leave behind at Treasury the flawed analysis that fixing Sydney's housing problems is simply a matter of increasing housing supply.

No-one disputes that, with continued population growth, maximising new house-building must be part of the policy mix. But the idea that this can provide any kind of silver bullet for housing unaffordability is shot dead by the experience of the past few years. Record construction rates [have co-existed](#) with unprecedented and ongoing property price hikes.

As premier, Berejiklian should therefore lend support to her ministerial colleague, Rob Stokes, who called it right by [arguing recently](#) that Sydney's housing problems partly result from a market pumped up by excessive tax concessions for landlord investors.

These powers are held at the federal level, not with the states. So Berejiklian can do little more than lobby for such reform.

Adopt the best policies from others

And yet the premier does have important powers of her own that can make a difference.

Recognising that even a moderation of property prices isn't going to provide relief for tens of thousands of hard-pressed renters, the NSW government must take a leaf out of the book of cities like London and New York by using its planning muscle to ensure the [inclusion of affordable rental housing](#)

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in all major new housing developments.

Under the former premier, Mike Baird, a promising initiative in this arena was the [recent proposal](#) by the Greater Sydney Commission to introduce a scheme of this kind. Private housing developments on sites “upzoned” under the planning system should include 5-10% affordable rental housing.

If she is serious about this issue, Berejiklian should back the commission’s move. She can prove her commitment to finding solutions by setting a much higher affordable rental housing target for development on government-owned land. This would ensure that a significant affordable component is locked in for flagship projects such as the [Central to Eveleigh](#) and [Bays Precinct](#) urban renewal schemes. This is a one-off opportunity that must not be squandered.

The new premier should also recommit to the innovative Social and Affordable Housing Fund ([SAHF](#)) created under her predecessor, following his 2015 [commitment to a “billion-dollar fund”](#) for affordable housing.

An announcement on the promised second phase of the SAHF has been long-awaited. Perhaps Berejiklian can pledge to underwrite this by dipping into the huge [stamp-duty bonanza](#) the government has reaped in recent years.

Above all, NSW needs an overarching housing strategy that encompasses much more than just the social end of the spectrum. Recognising the urgency of the problem, Berejiklian should pledge that her officials will get to work on this right away.

Hal Pawson receives funding from the Australian Housing and Urban Research Institute, the Australian Research Council and Launch Housing

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