

Australian local governments and affordable housing: Challenges and possibilities

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Alan Morris

University of Technology Sydney, Australia

Andrew Beer

University of South Australia, Australia

John Martin

La Trobe University, Australia

Sandy Horne

University of South Australia, Australia

Catherine Davis

University of Technology Sydney, Australia

Trevor Budge

La Trobe University, Australia

Chris Paris

Ulster University, UK

Abstract

For an increasing proportion of Australian households, the Australian dream of home ownership is no longer an option. Neoliberal housing policy and the financialisation of housing has resulted in a housing affordability crisis. Historically, Australian housing policy

Corresponding author:

Alan Morris, Institute for Public Policy and Governance, University of Technology Sydney, Broadway, Sydney, NSW 2007, Australia.

Email: alan.morris@uts.edu.au

has afforded only a limited role to local government. This article analyses the results of a nation-wide survey of Australian local governments' perceptions of housing affordability in their local government area, the possibilities for their meaningful intervention, the challenges they face, the role of councillors and councils' perceptions of what levels of government should take responsibility for housing. Almost all of the respondents from Sydney and Melbourne councils were clear that there is a housing affordability crisis in their local government area. We apply a framework analysing housing policy in the context of neoliberalism and the related financialisation of housing in order to analyse the housing affordability crisis in Sydney and Melbourne. We conclude that in order to begin resolving the housing crisis in Australia's two largest cities there has to be an increasing role for local government, a substantial increase in the building of social and affordable housing and a rollback of policies that encourage residential property speculation.

JEL Codes: R31, R21

Keywords

Australia, financialisation, homelessness, housing, housing affordability, housing stress, local government, public housing, real estate versus home ownership

Introduction

For the past 60 years, Australia has been a nation characterised by good-quality housing for all, with a strong 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 (Demographia, 2013), a diminishing stock of public housing (Steering Committee for the Review of Commonwealth/State Service Provision (Australia) (SCRCSSP), 2013), decreased outright ownership (Flood and Baker, 2009), and pockets of poverty and disadvantage in the rental sector (Hulse et al., 2012). Despite government programmes, each night more than 100,000 Australians are homeless (Australian Bureau of Statistics (ABS), 2012), and almost 2 million people live in unaffordable housing (Bentley et al., 2012). Many of Australia's housing problems are increasing – homelessness, poor housing affordability, housing insecurity, reduced outright ownership and the undersupply of new dwellings (ABS, 2012; Beer et al., 2011; Flood and Baker, 2009; Hulse et al., 2012; Morris, 2016; Wood and Ong, 2011).

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 programmes. Conventionally, housing policy in Australia has been the preserve of State and Federal governments (Paris, 1993). In the period 1945–1980, an uneasy accommodation on housing policy and programmes 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 muted, role in the delivery of housing services and urban development (Neutze, 1977). In the 1970s and 1980s, modest 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 programmes. The Local Government Community Housing Program (LGCHP), however, proved to be short-lived, with more established policy instruments favoured from the mid-1980s onwards.

Throughout the 21st century, there has been a consensus that housing affordability is a major issue in Australia, most evidently in the country’s two largest cities, Sydney and Melbourne (Gurran et al., 2018; Reserve Bank of Australia (RBA), 2017). However, there is minimal knowledge of how local governments in Australia perceive and have responded to this issue, both now and in the recent past. This article examines the changing role of local governments in Australia in ensuring the supply of affordable housing, and draws on a national survey of this, the third tier, of government in Australia to draw conclusions on the nature and direction of change. In seeking to develop deeper insights into this set of questions, the article draws upon both the financialisation of housing framework (Aalbers, 2016) and writings on neoliberal housing policy (Beer et al., 2007; Jacobs, 2019; Madden and Marcuse, 2016); the two approaches are used to explain the housing crisis in Sydney and Melbourne and the lack of government action.

Local government and housing affordability in Australia

There is a substantial body of work in Australia that has acknowledged that local governments have the potential to exert a significant impact on the affordability of housing through the implementation of planning codes and the application of infrastructure levies (Australian Local Government Association (ALGA), 2003; Beer et al., 2007; Gurran, 2003; Gurran et al., 2008; Purdon and Burke, 1991; Tiley and Hill, 2010). Research has also found local governments are active in areas of housing policy where their involvement is unexpected: Beer and Prance (2012), for example, noted 65% of councils engage with homelessness, although this often found expression as a series of informal practices rather than acknowledged policies. In addition, almost half of all local governments in Queensland are involved in the direct provision of housing, either as a provider or as a major shareholder in a registered social landlord (Local Government Association of Queensland (LGAQ), 2014). There is, of course, variation: there are 534 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 of the individual local government, its level of development and the state framework within which it sits. The latter is especially important, with Gurran (2003) noting the differences in format and content of planning instruments and regulatory frameworks within and between the Australian states. There is also considerable divergence in the level of autonomy granted by states to local government in the housing domain (ALGA, 2003: 5; Beer et al., 2007).

Australia is one of a number of nations where the relationship between the housing system and local government has changed. In many developed economies, the implementation of neoliberal policies and the financialisation of housing markets have resulted in the sell-off of social housing, and the stigmatisation and residualisation of those who remain in this stock (Watt, 2017). For example, in London, the sell-off of social housing saw the proportion of housing rented from the local authority drop from 18.2% in 1961 to 13.5% in 2011 (Watt and Minton, 2016). The global financial crisis in 2008 and subsequent austerity have led to a virtual halt in the building of social housing in many advanced economies, and an increasing emphasis on shifting management and control from government to housing associations (Jacobs, 2019; Watt, 2017).

Local governments are the least well-funded tier of government within the Australian federation (Brown, 2006), and this resource constraint limits their capacity to take on an active role in ensuring a supply of affordable housing. In 2016–2017, total taxation revenue in Australia stood at AUD488.5 billion of which only AUD17.4 billion (3.6%) accrued to local government (ABS, 2018). In addition, over the past three decades, local governments have felt the impact of ‘cost shifting’ as the national and state governments have transferred some of their responsibilities to local government. Commonly, these transfers have taken place without the reallocation of resources, effectively creating an ‘unfunded mandate’ for local action that can represent a significant cost on local communities (House of Representatives Standing Committee on Economics, Finance and Local Government (Hawker Inquiry), 2003). Local governments have been left to explore new ways of ensuring a supply of housing that is affordable; this has included lobbying state governments to impose a levy on new developments (inclusionary zoning) (Gurran et al., 2018) and the transfer of council land to community housing providers in order to construct affordable housing (City of Sydney, 2015). These endeavours have had some success, but the overall impact has been minimal.

The housing affordability crisis in Sydney and Melbourne

As discussed above, Australia has a housing affordability crisis, with the nation’s two largest cities at the forefront of this challenge. Increasing housing costs in these cities – as with elsewhere in Australia – has been a consequence of the financialisation of housing (Aalbers, 2016) and the application of neoliberal policy settings (Jacobs, 2019). Aalbers (2016) defines financialisation as

the increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households.

The impact of neoliberalism on housing policy has been acknowledged for a considerable period (Beer et al., 2007, 2016) but recently Jacobs (2019) has distinguished between the flexible neoliberal period and the late neoliberal period, the period post the 2008 global financial crisis. Using the work of Aalbers and others he argued that,

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.

These two perspectives allow us to argue that the interplay between the financialisation of housing and neoliberal housing policy in Australia has found expression in five key ways: a shift in the way in which residential property is viewed; the implementation and maintenance of government tax policies that encourage speculation in residential property; easy access to credit; the internationalisation of the real estate market; and the notion that government should minimise its role in the provision of housing (Aalbers, 2016; Jacobs, 2019; Madden and Marcuse, 2016). These characteristics contribute towards what Madden and Marcuse have called the 'hyper-commodification' of housing (Madden and Marcuse, 2016).

A shift in the way housing is viewed

For most households, housing is conceived primarily as a use value. Its main function is to provide comfortable shelter and an adequate, secure home is viewed as foundational for mental and physical health (Clair and Hughes, 2019). However, the way housing is perceived has changed: rather than being viewed primarily as a home and a private space for the nurturing of self and family members, increasingly it is presented in the media (Bouris, 2017) as a preferred means for the accumulation of wealth. This shift in perspective is succinctly described by Madden and Marcuse (2016):

... 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*. (p. 4, italics in original)

This shift towards housing as real estate is illustrated by the substantial proportion of Australian households who are landlords. In 2016, there were 2.03 million individual property investors in Australia, representing 15.7% of all taxpayers, up from 7.4% in 1989/90 and 'investors own 27% of Australian dwelling stock by number and 24% by value' (CoreLogic, 2016). For many, especially those who own their home outright, the determination to become a property investor has been intense. This was driven not only by the perception that property was an attractive investment, but also by the extremely favourable tax regime for property investors.

Government tax policies encouraging the financialisation of housing

While the focus of this article is on the role of local governments in Australia shaping access to affordable housing, analysis cannot overlook the impact of national taxation policy in shifting the way housing is viewed. There have been two key policies that have contributed to this change: negative gearing and a generous capital gains tax for investors. Negative gearing is the term used in Australia to refer to the practice of allowing property investors to lower their taxation by deducting expenses related to the investment property (interest on the loan, depreciation costs, maintenance cost, land taxes,

rates, etc.) from their overall income. This can result in a significant reduction in an individual's taxable income, and comes at a substantial cost to government budgets – estimated at AUD4.5 billion in 2018 (Dawson and Smith, 2018).

The governor of the RBA has argued that scrapping negative gearing and the capital gains tax discounts would enhance housing affordability by lessening investor activity: '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' (cited in Ong, 2017).

Easy access to credit

Relatively easy access to credit for investors and homeowners has been a feature of escalating housing costs across Australia, and especially in Melbourne and Sydney where strong economic conditions have resulted in growing demand for housing. However, low wage growth has been unable to accommodate escalating housing costs. The substantial share of finance devoted to real estate is a global phenomenon. In many contexts it has become the primary activity of the financial sector:

. . . 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 and Haila, 2018: 9)

Improved access to housing finance has operated to the benefit of investors rather than those on modest incomes seeking to buy their first home. In April 2017, the governor of the RBA (Australia's central bank) warned there had been a surge in investor borrowing and that many loans were questionable. He also expressed concern about the high proportion of interest-only loans:

Over the past year, close to 40% of the housing loans made in Australia have not required the scheduled repayment of even one dollar of principal at least in the first years of the life of the loan; only interest payments are required. (Lowe, 2017)

The Reserve Bank's concern found expression in March 2017, when the Australian Prudential Regulation Authority (APRA) instructed banks to reduce the number of interest-only mortgages and to be more restrictive on loans to investors. At this time, investors accounted for more than half the 'nation's loan book' (Bagshaw, 2017). The new rules required banks to limit the flow of new interest-only lending to 30% of total new mortgage lending for residential properties. The restrictions led to a 10.1% decline in new lending to investors in 2017 (Yeates, 2018).

Internationalisation of the real estate market

In the last decade, foreign investment in residential real estate in Australia increased dramatically; this engagement with foreign consumers has added to the financialisation of housing and its transformation from a community of homes to an asset class. In 2008–2009, total foreign investment in residential property in Australia totalled AUD13.8 billion, in 2013–2014, AUD34.7 billion, and in 2015–2016, AUD72.4 billion, representing

a 500% increase in less than a decade (Australian Government, 2019). This increase coincided with the housing boom in Sydney and Melbourne. In 2016–2017 and 2017–2018, there was a spectacular decline in foreign investment in residential property: foreign investment in real estate dropped to AUD30 billion in 2016–2017 and to AUD10 billion in 2017–2018 (Australian Government, 2019). This was due primarily to a tightening up by the Chinese authorities of the capacity of individuals to invest outside of China (Rogers, 2018).

The notion that the market can resolve housing supply and the decline of social housing

In Australia and globally, neoliberal philosophies have promoted the idea that complex social problems can be solved through a reliance on markets, and that this atomistic, transactional approach has the capacity to empower individuals and communities. The adoption of this perspective has meant the rejection of the view that social housing should be expanded to ensure all households are able to access decent, affordable housing (Watt, 2017). Instead, governments have embraced the argument that households should find their own way in the housing market (Jacobs, 2019; Scanlon et al., 2015). However, this focus on markets as the solution to housing for all runs counter to the lived experience of many in Sydney and Melbourne. Income growth in Sydney and Melbourne has not kept pace with rising house prices. Wilkins and Lass (2018) concluded that ‘since 2012 there has been very little growth, and indeed mean and median weekly earnings fell between 2014 and 2015 and only partially recovered in 2016’ (p. 59). The incomes of female workers also flat-lined. In the under 40 age cohort, home ownership fell nationally from 36% in 2002 to 25% in 2017, while in Sydney, the home ownership rate for persons aged 18–39 plummeted from 29.2% in 2002 to 19.7% in 2014 (Wilkins, 2017).

Housing stress

In Australia, households are considered to experience housing stress if they are in the bottom 40% of the income distribution and are paying 30% or more of their income for their accommodation. At the 2016 Census, 22% of Sydney households were in housing stress. However, when outright homeowners were removed from the total, some 33% of low-income households experienced housing stress (Janda, 2017). Robertson (2017) found that in December 2016, after a 25% deposit, mortgage payments accounted for 42% of average disposable income of a Sydney household and 37.1% of a Melbourne household.

Private renters are more prone to housing stress than homeowners. An analysis of rental affordability in Melbourne and Sydney concluded that in mid-2018, in order to avoid rental stress, a household renting a three-bedroom home in the inner areas of Melbourne and Sydney would have to be earning at least AUD130,000 a year in Melbourne and AUD172,467 in Sydney (Kennedy, 2018). SGS Economics & Planning (2018) concluded that the average Sydney household in the private rental sector spends around 27% of their household income on rent. The same report concluded that the ‘median household’ in greater Melbourne in the private rental sector allocates around 24% of their income to pay for accommodation.

Gaining insights into local government and their perspectives on housing

This article seeks to understand the relationship between Australian local governments and housing in the 21st century. In the context of a rapidly changing external environment and new policy drivers within Australia's system of government, it has set out to understand how local governments perceive and endeavour to deal with housing issues within their jurisdictions. The article has also acknowledged that Australia is confronted by escalating challenges with respect to housing, as Australia has: one of the most unaffordable housing markets in the world; falling rates of home ownership; increasing levels of housing stress; an inexorably rising incidence of homelessness; a minimal and diminishing stock of public housing; and pockets of profound poverty and disadvantage in the private rental sector. These concerns 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 programmes.

A survey was sent to all Australian local governments asking for information on the priority they gave to housing issues within their strategies and daily business, the types of policy tools they have applied to housing questions over recent years, their partnerships with other government agencies and the not-for-profit sector in affordable housing, and their aspirations for housing in their community (Beer et al., 2018). The survey was emailed to the 536 local governments in Australia in late September 2017, and the survey closed in February 2018. The CEO, or another relevant person assigned by them, was asked to complete the survey. In total, 213 (39%) of the 536 councils to whom the survey was sent responded to the survey, making it the most extensive survey of local government and housing ever conducted in Australia. After cleaning the data, 178 councils were included in the analysis. We have combined the responses of the 18 Sydney and 13 Melbourne councils who responded and compared the 31 combined Sydney/Melbourne responses to the combined responses of other metropolitan (there were 27 councils in this category), the 63 responses from regional councils and the 57 responses from councils we defined as rural. The Australian classification of local governments was used to classify councils into metropolitan regional or rural (Australian Government, 2015).

This section considers the survey responses and distinguishes the outcomes from Sydney and Melbourne from those from other metropolitan areas, regional centres, and rural and remote areas. It focusses on three key themes: the acknowledgement of the housing affordability challenge; the responsiveness of local governments; and relationships with other tiers of government.

Acknowledgement of the housing affordability challenge

We asked our local government respondents the degree to which their councils considered housing affordability to be a challenge; unsurprisingly, the responses varied by setting (Table 1). What was unexpected, however, was the degree to which acknowledgement of this problem was concentrated in Melbourne and Sydney, where fully 48% of respondents reported that this was a very substantial issue and two-thirds said it was a substantial or very substantial problem in their Local Government Area (LGA). Only one Sydney/

Table 1. In the view of the Council, is there a housing affordability problem in the area?

	Very limited extent (%)	Limited extent (%)	Some extent (%)	Substantial extent (%)	Very substantial extent (%)
Sydney and Melbourne	3	0	29	19	48
Other metropolitan	11	14	44	30	0
Regional	17	25	33	22	3
Rural	20	16	41	18	5
Grand total	14	16	37	21	11

Table 2. What proportion of housing stock within your Council area could be considered affordable?

	5% or less	10%	15%	20% or more
Sydney and Melbourne	68	13	6	13
Other metropolitan	26	30	7	37
Regional	18	19	10	53
Rural	4	20	13	64
Grand total	23	20	10	47

Melbourne council said housing affordability was not a problem, while only one-third of other metropolitan respondents said that housing affordability was a problem to a substantial or very substantial extent, and only one-quarter of the respondents in the regional and rural councils had a similar view.

This question around the perception of housing affordability as a problem was followed by ‘In your estimation, what proportion of housing stock within your Council area could be considered affordable?’. Once again, a rural/global city differentiation was highly evident with 68% of Sydney and Melbourne respondents reporting that less than 5% of their local housing was affordable, compared with 26% in other metropolitan areas. Nation-wide, 43% of councils said that 10% or less of the housing stock in their area is affordable, and just under one-quarter said that 5% or less is affordable. Eight in 10 Sydney and Melbourne councils responded that 10% or less of the housing stock in the LGA was affordable (Table 2) – a view reinforced when respondents were asked ‘How extreme are the challenges, barriers or issues for addressing affordable housing by local governments?’ (Table 3).

Critically, housing affordability has been recognised as a challenge in many parts of Australia, but the problem is most acute in Sydney and Melbourne. Local governments in these two global cities have come to appreciate the depth of the problem, and have a strong sense of the difficulties any government faces in seeking solutions. As other work has shown, poor access to affordable housing is a problem in all parts of Australia. However, it is only in Sydney and Melbourne that it is perceived to be a threat to the labour market, where 61% of local governments were either concerned or extremely concerned about the impact of poor housing affordability on the ability to attract key workers (Table 4). An important outcome of the housing affordability

Table 3. How impactful are the barriers to local government addressing affordable housing?

	No challenges/ barriers/ issues (%)	Limited challenges/ barriers/ issues (%)	Some challenges/ barriers/ issues (%)	Substantial challenges/ barriers/ issues (%)	Very substantial challenges/ barriers/issues (%)
Sydney and Melbourne	3	0	6	65	26
Other metropolitan	4	4	26	48	19
Regional	10	14	40	35	2
Rural	11	13	29	27	21
Grand total	8	10	28	40	15

Table 4. How concerned is your Council about the impact of high housing costs on key workers?

	Not relevant (%)	Not at all concerned (%)	Slightly concerned (%)	Moderately concerned (%)	Very concerned (%)	Extremely concerned (%)
Sydney and Melbourne	3	3	16	16	35	26
Other metropolitan	12	35	15	12	19	8
Regional	11	32	18	26	11	2
Rural	12	30	19	23	7	9
Grand total	10	27	18	21	15	9

crisis in Sydney and Melbourne is that a substantial proportion of workers employed in these LGAs have to live a substantial distance from their work-place and spend a considerable amount of time commuting. In Sydney and Melbourne, 61% of the Councils said they were extremely or very concerned about the issue, and another 16% said that they were moderately concerned about 'the impact of the ability of key workers to live in the local government area due to the high cost of housing'. Just over one-quarter of councils in 'other metropolitan' were very or extremely concerned about the issue.

The City of Sydney Council has voiced its concern that the lack of affordable housing could have adverse economic and social implications for the city:

The housing affordability crisis, coupled with chronic undersupply of community rental housing presents a challenge to Sydney's sustainable growth and productivity. Workers in essential urban services must be able to live in or near the city to support urban productivity and enable the economy to thrive. Businesses must be able to attract and retain a diverse workforce. Failure to address these issues can damage Sydney's reputation as a desirable global city, with broader economic impacts. (City of Sydney, 2015: 9)

Table 5. To what extent is finding ways to provide affordable housing a priority for your Council?

	Very limited extent (%)	Limited extent (%)	Some extent (%)	Substantial extent (%)	Very substantial extent (%)
Sydney and Melbourne	10	16	39	32	3
Other metropolitan	22	37	22	19	0
Regional	25	29	29	14	3
Rural	26	23	37	11	4
Grand total	22	26	32	17	3

Table 6. To what extent do elected members of Council give housing affordability attention?

	Very limited extent (%)	Limited extent (%)	Some extent (%)	Substantial extent (%)	Very substantial extent (%)
Sydney and Melbourne	13	6	52	26	3
Other metropolitan	30	26	41	4	0
Regional	21	37	32	10	2
Rural	23	28	33	14	2
Grand total	21	27	37	13	2

In 2018, Clover Moore, the Lord Mayor of Sydney, 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% – or nine times the average increase in earnings. For essential workers like teachers, nurses and police, it is an effective ‘lock-out’. (Moore, 2018)

The City of Melbourne (2013) has also identified ‘poor access to affordable housing for low-income key workers’ as a major issue.

Responsiveness

How councils and councillors are responding to housing affordability issues is an important question. Are they endeavouring to find ways to respond to housing affordability issues or are they putting the issue in the ‘too hard basket’? Table 5 indicates that in Sydney and Melbourne, despite almost all councils acknowledging there is a housing affordability crisis, only one council said that finding ways to provide adequate housing is a ‘very substantial’ priority of the council. Another 32% of respondents said it was a substantial priority. In the other metropolitan, regional and rural LGAs, fewer than one in five councils said finding ways to ‘provide adequate affordable housing in their LGA was a substantial or very substantial priority’. It is open to debate whether councils do not view housing affordability as a major issue or whether they have concluded they do not have the fiscal or policy capacity to address the issue. This topic will be taken up again in the discussion later in this article.

The response to the question ‘To what extent do elected members of Council give housing affordability attention?’ (Table 6) indicated that even in Sydney and Melbourne

Table 7. Is there an explicit housing affordability goal within your council?

	No (%)	Yes (%)
Sydney and Melbourne	74	26
Other metropolitan	89	11
Regional	88	13
Rural	95	5
Grand total	88	12

addressing housing affordability in many councils is not a major focus of elected members. Just under one-third said that they give housing affordability substantial or very substantial attention. Only one respondent in Sydney/Melbourne said that housing affordability is given very substantial attention by their elected members.

In other metropolitan councils only 3% of respondents said the councillors in their LGA give housing affordability substantial attention. Nation-wide, only 2% of respondents said that their elected members give housing affordability very substantial attention and another 13% said that they give housing affordability substantial attention. The data suggest that for many elected members, more especially in councils outside of Sydney and Melbourne, addressing housing affordability is not viewed as a priority.

A small number of councils had an explicit housing affordability target (Table 7). In Sydney and Melbourne, about one-quarter of councils said that they had an explicit housing affordability target. Nation-wide, the figure was 12%. This result suggests a low level of engagement with housing affordability across the broad range of local governments in Australia. It could also be the case that having a target is not seen as a realistic or effective policy tool.

The difficulty of having a target is exemplified in the case of the City of Sydney. Its affordable housing target is that by 2030, 7.5% of all housing in the LGA should be affordable housing (City of Sydney, 2016). Despite a range of measures and the target being at the forefront of the City's housing policy between 2007 and 2017, the number of affordable rental housing dwellings increased by about 100 homes annually, from 447 to 835 dwellings; another 586 were in the pipeline, making a total of 1451 (City of Sydney, 2017, 2018). By 2030, it is estimated that there will be 148,000 homes in the City of Sydney. Thus, in order to reach the target of 7.5% by 2030, 11,100 affordable homes would have to be built, about 800 a year, about eight times the present rate. The City of Sydney request that the New South Wales state government develop policies that will substantially increase the quantity of affordable housing have been largely ignored (City of Sydney, 2015). In line with neoliberal housing policies, the state government has insisted that the problem around affordability is mainly one of supply, and resolving housing affordability should be left to the market (New South Wales (NSW) Government, 2016).

Relationships with other tiers of government

In our earlier discussion, we noted that, historically, housing policy and programmes have been the responsibility of state and federal governments in Australia, and that these two tiers of government have had both the resources and the constitutional mandate to

Table 8. Who would your Council say is responsible for addressing housing problems in Australia?

	A combination of all levels of government (%)	Local councils (%)	Non-government organisations	The broader community	The federal government	The state government
Sydney and Melbourne	42	0	0	0	13	45
Other metropolitan	41	0	4	0	11	44
Regional	57	2	2	0	10	30
Rural	49	0	2	4	11	35
Grand total	49	1	2	1	11	37

Table 9. How concerned is your Council about the impact of the lack of Federal leadership?

	Not relevant (%)	Not at all concerned (%)	Slightly concerned (%)	Moderately concerned (%)	Very concerned (%)	Extremely concerned (%)
Sydney and Melbourne	3	10	10	16	45	16
Other metropolitan	8	19	27	31	12	4
Regional	10	11	30	20	23	7
Rural	11	21	23	9	16	21
Grand total	9	15	23	17	23	13

address housing questions. This view continues to inform the views of those working in local government across Australia (Table 8) with only one respondent indicating that local government should be responsible for addressing the problems associated with housing. A common view among respondents was that housing is predominantly a state responsibility, with some role – often funding – for the federal government. However, half of all respondents believed that responsibility for housing policy and programmes in Australia sat with the combination of all levels of government, which implies some role for municipalities and shires.

The lack of federal government leadership on the issue of housing was a second pressing concern for local government respondents, with just over 60% of Melbourne and Sydney based councils stating that they were extremely or very concerned (Table 9). The result does indicate the concern around housing affordability in Sydney and Melbourne. Surprisingly, only 16% of other metropolitans felt similarly. In contrast, 37% of rural councils said that they were very or extremely concerned.

Discussion: The role of local government in housing in 21st century Australia

This article set out to examine the changing role of local governments in Australia in ensuring the supply of affordable housing, and has examined how the regional context – whether

a local government is located in a global city, a rural area or other metropolitan region – shapes the awareness of housing problems and the willingness to take local action. Our analysis suggests that across Australia's local governments there is a large, and growing, awareness of housing affordability as a challenge to be addressed. Not all councils accept or acknowledge the nature and depth of this challenge, but there is sufficient engagement with this topic to indicate larger scale action is highly likely in the near future. In addition, local governments operating in Melbourne and Sydney have the greatest awareness of the impact of housing affordability problems on their communities, and may be the most willing to take action. Almost all the councils in Melbourne and Sydney were deeply concerned about housing affordability in their LGA, whereas for most councils outside of these two cities it was not viewed as a serious issue. This is perhaps captured most starkly in Table 1 which illustrates that just under half of Sydney and Melbourne councils said that housing affordability was a very substantial problem in their LGA. In contrast, not one council in the other metropolitan, regional and rural councils had a similar response. This is not surprising considering the massive difference in the median house prices of Sydney and Melbourne compared to the rest of the country.

It is clear from the data presented in this article that the geography of Australia's housing markets has had a critical impact on local government attitudes to housing. But history has also exerted a considerable influence: many of the responses to our survey indicated an equivocal attitude to actions addressing housing affordability; this reluctance appears to reflect the legacy of dependence on state government action. A second factor is the reluctance of some governments to engage with new policy areas – such as housing – for fear of the cost implications for local governments and their communities.

The absence of affordable housing targets and the overwhelming perception that this is a federal or state government responsibility or a combination thereof suggest that councils perceive that they do not have the capacity to resolve housing affordability issues in their LGA. This incapacity is illustrated by the City of Sydney falling well short of its modest target that 7.5% of all housing in the LGA should be affordable housing by 2030. This is despite the City of Sydney being extremely well-resourced and one of the most active councils in the country on the issue of housing affordability.

The data indicate that what is required is a fundamental rethink by government of housing policy; governments need to work together – and with the for-profit and not-for-profit sectors – to find innovative solutions. The resolution of the housing affordability crisis cannot be left to the market; increasing supply will not resolve the problem. Our data and analysis suggest there is a need for substantial federal, state and local government intervention in the housing market, and this intervention needs to be undertaken at a fine geographical scale, making use of all local resources as well as national funding streams. Such action is needed to ensure that all households have the capacity to access affordable, secure and adequate housing, and there needs to be a massive bolstering of social housing. A target of 20,000 new social housing properties annually would make a dramatic impact over time. However, the focus on austerity in government programmes means that social housing programmes remain extremely modest.

Conclusion

This article has attempted to develop a fresh understanding of the role of Australian local governments in addressing housing needs. It has done so in order to better understand the potential for this – the third tier of government in Australia – to contribute to solutions to one of the nation’s ‘wicked problems’. The discussion presented here has grounded the empirical investigation within a wider analytical framework that considers the implementation of neoliberal policies, the financialisation of housing and the interplay between these two large-scale forces. In this article, we have also focussed on the experiences of local governments in Melbourne and Sydney – Australia’s two global cities – relative to other parts of the nation. We found that in the two largest cities, housing market pressures are more acute, contributing to a greater willingness of local governments to acknowledge housing as a significant societal challenge – one that calls upon local governments to seek new, innovative solutions.

Just over 40% of Australia’s population lives in Sydney or Melbourne, and the financialisation of housing has made these two cities unaffordable for low income and even moderate income families. Although not as pervasive, there are other areas that are also struggling with housing affordability. It is evident that the impacts of the financialisation of housing and neoliberal housing policy in Australia have been uneven: Sydney and Melbourne have borne the brunt of massive property speculation brought about by a combination of easy access to credit, an overly generous tax regime, and a widespread perception that investing in residential property was a guaranteed way to accumulate wealth. The failure of social housing construction to keep up with population growth has meant almost all low-income households are forced to rely on the private market for their accommodation. Housing affordability for many of these households is the central stumbling block in their endeavour to lead a decent life.

New public sector investment is needed to provide affordable housing for thousands of families in Australia, and these measures need to be accompanied by measures that address the financialisation of housing. Ideally, policy innovation would reduce the depth of the distortion currently evident while continuing to support existing homeowners and an effectively functioning housing system. Recent experience suggests housing policy reform, not radical reinvention, is needed if Australia is to fully address its housing affordability challenges. The material presented in this article suggests that local governments – working in partnership with the other tiers of government, as well as the private and not-for profit sectors – could be part of that solution. Our results suggest that there is a clear appetite among some local governments to engage in new, more effective ways with housing issues, and that this appetite is most acute in Sydney and Melbourne where the need is greatest.

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Author biographies

Alan Morris is a research Professor in the Institute for Public Policy and Governance at the University of Technology Sydney. His most recent book, *Gentrification and Displacement: The Forced Relocation of Public Housing Tenants in Inner Sydney* (2016, Springer), examines the displacement of public housing tenants in Millers Point, one of the oldest public housing areas in Australia. *The Australian Dream: Housing Experiences of Older Australians* (2016, CSIRO Publishing) examines the impact of housing tenure on older Australians who are dependent on the age pension. In 2015, his book *A Practical Introduction to In-depth Interviewing* was published by SAGE.

Andrew Beer is the Dean of Research and Innovation at the University of South Australia Business School. He is a Fellow of the Regional Australia Institute, a member of the UK's Academy of Social Sciences, and Chair of the Publications Committee of the London-based Regional Studies Association. His latest book, co-authored with Terry Clower, titled *Globalization, Planning and Local Economic Development* is published by Routledge.

John Martin is an emeritus Professor at La Trobe University. He is a public policy and management scholar who has focused on local government across Australia throughout his career. This has included setting the strategic direction of the council, understanding what makes for an effective working relationship between the elected councillors and senior managers. His research and consulting has also included working with water authorities, regional development associations and agricultural industries.

Sandy Horne is a Project Officer at the University of South Australia Business School where she manages an Australian Research Council Linkage Project: Local Government and Housing in Australia for the 21st Century. Her past research has included topics such as housing, homelessness, public housing stock transfer, private rental support programmes, second homes, regional studies and structural adjustment programmes.

Catherine Davis is a researcher and sociologist who was awarded a PhD from The University of Sydney in 2017. Her thesis examined the role that online communities play in the lives of new Italian migrants to Australia. Currently, Catherine is working as a Research Assistant at UTS looking at Local Government and Housing in Australia.

Trevor Budge is the Manager of Regional Sustainable Development at the City of Greater Bendigo and an Adjunct Associate Professor at La Trobe University's Bendigo campus. His research focus is on regional cities, their demography, social and economic setting and the changing nature of the role they play.

Chris Paris is an emeritus Professor of Housing Studies, Ulster University. He has held senior academic posts in the UK and Australia and was a research fellow in the Centre for Housing, Urban & Regional Planning at Adelaide University in 2013 and 2014. He is the author of 30 books, monographs and research reports and over 100 journal publications, mainly in urban studies and housing, including *Affluence, Mobility and Second Home Ownership* (Routledge, 2011).