

# Lord Mayor of Sydney

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SOCIAL ISSUES COMMITTEE

30 JUL 2009

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28 JUL 2009

Ms Glenda Baker  
Secretariat  
Legislative Council Standing Committee on Social Issues  
NSW Parliament  
Macquarie Street  
Sydney NSW 2000

Dear Glenda

## **Inquiry into Homelessness and Low Cost Rental Accommodation**

I refer to your letter requesting addition information.

I enclose a response to the Questions on Notice from the Committee, and a table outlining the methods of achieving the affordable housing targets identified in the City's *Draft Rental Affordable Housing Strategy*.

The City and my Electorate Office staff would be pleased to help the Committee prepare its report on the inquiry.

If you would like the City's help, you can contact Tye McMahon, Planner – Social/Affordable Housing on 9265 9333 or at [tmcmahon@cityofsydney.nsw.gov.au](mailto:tmcmahon@cityofsydney.nsw.gov.au). If you would like help from my Electorate Office staff, you can contact Roy Bishop, Electorate Officer on 9360 3053.

Yours sincerely

Clover Moore MP  
**Lord Mayor of Sydney**

Encl

city of villages

## Responses to Questions

1. **In your submission you advise that the Council, through its Affordable Rental Housing Strategy, aims to achieve a goal of 15% of all housing being affordable social or community housing (Submission p4). Can you please summarise the methods the Council is proposing to use to achieve that goal?**

See attached.

2. **What do you see as the advantages and disadvantages of a national regulatory system for the provision of affordable housing?**
  - a. **What effect, if any would it have on your Affordable Rental Housing Strategy 2009- 2014?**
  - b. **What measures do you think should be included?**
  - c. **Do you think there is a need for additional legislative measures or reforms to go with a regulatory system?**

From the perspective of local government, it is important that any national framework take into consideration what works, and where. While the levy that we have proposed in the City has been shown to have negligible impact on housing cost and supply in the local government area (LGA), it would likely impact very differently in other parts of Sydney. A one size fits all approach is not appropriate. The same could be said for any land use and planning mechanism that would impose a blanket response to what is a complex land economics problem.

The City has experienced significant barriers by the State Government to facilitating affordable housing in the LGA. The Council Capital Cities Lord Mayors (CCCLM) group has advocated for a more active role by Federal Government in ensuring there is sufficient social housing and affordable housing. We have of course seen the beginning of these changes in the National Rental Affordability Scheme (NRAS) and Housing Affordability Fund (HAF) funding and the stimulus package – although the NRAS program in particular needs some adjustment before it is an effective mechanism to attract significant funding into inner City areas.

The Federal Government can also provide seed funding for not-for-profit groups to provide both social housing as well as affordable housing for low and medium income workers. An excellent example of a program that has been successful due to seed funding is the City West Housing Program in Ultimo/Pymont. City West Housing was provided with an initial investment of \$50 million and also benefits from additional funding through a proportion of the sales from State Government owned land in the area as well as ongoing income from an affordable housing levy on all development in Ultimo/Pymont. City West housing has now provided almost 500 dwellings in the Ultimo/Pymont area. This is a wonderful example of what can be achieved when Government works with not-for-profits to achieve housing outcomes

### **3. What do you regard as the biggest barriers to:**

#### **a. growth in the number of low-cost rental accommodation properties**

There is significant concern at the local government level that the NSW State Government has not provided adequate leadership in providing affordable housing and social housing. While the importance of affordable housing is recognised in the Metropolitan Strategy and the Subregional strategies, there are no targets and no planning mechanisms supported by the Department of Planning that are widely available for Councils to utilise to address the lack of affordable housing in their planning instruments. A case in point is the recent proposal by the City that an affordable housing levy be extended across the whole local government area. Despite rigorous independent research that demonstrates a negligible impact on supply and cost over the next 20 years as well as a very successful case study in City West Housing, by all indications the State Government will not be supporting our levy for inclusion in our planning controls.

Other barriers include:

- a lack of funding for affordable housing projects;
- difficulties in attracting funding i.e. super-funds and banks are not yet used to affordable housing models and they have yet to prove themselves as a worthwhile investment product. Moreover, super-funds would typically look to larger scale investment projects. This scale is not yet being achieved in Australia; and
- little success in protecting existing stock – State Environmental Planning Policy 10 Retention of Low Cost Rental Accommodation (SEPP 10) is a weak instrument that has been inconsistently applied with little success. The decision is an economic one and there is a lack of incentives for the retention of low cost rental accommodation.

#### **b. the speed of delivery of new low-cost rental properties**

- The City already has a very impressive assessment timeframe for development applications. We work with applicants to make sure the information that is provided to us is the information that we need. The City does not support the 'fast-tracking' of applications to the detriment of a proper environmental and social impact assessment.

#### **c. How can these be addressed?**

The NSW State Government should:

- amend State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes) (SEPP 70) to facilitate the collection of an affordable housing levy across the whole of the City of Sydney LGA, as well as other appropriate LGA's;
- approve the proposal by the City of Sydney for a schedule of sites to be included in its planning instruments that would identify sites where an affordable housing levy would apply. Such sites would be identified during the rezoning process. The benefit of this is that a proportion of the unearned value

increase in land that results from a rezoning will be captured to provide affordable housing. This will require an amendment to SEPP 70.

- The Minister, by Ministerial decree or instrument could enable the City of Sydney (and other inner Sydney councils) to negotiate for affordable housing in Voluntary Planning Agreements (VPAs) so that they do not require individual Ministerial consent. The Department of Planning should also provide advice to Councils in the form of a policy on Affordable Housing Planning Agreements.
- Ensure affordable housing is integrated as an essential component on large scale development sites, particularly those in which LANDCOM is the primary development organisation.

**4. What role do you see the not-for-profit sector playing in the provision of affordable housing?**

- The Federal Stimulus plan, NRAS and HAF are likely to increase the role that the not-for-profit sector plays in the provision of affordable housing. This role will take multiple forms including:
  - the continuation of their role as affordable housing managers / operators but with vastly increased levels of stock;
  - an increased role as project developers and managers of affordable housing projects; and
  - a combination of the first two roles.

Round One of NRAS has resulted in an increased number of not-for-profits entering the affordable housing market space and several have become owners of property for the first time. Not-for-profit agencies are often well placed to take on this role and should be encouraged and supported through appropriate resourcing and funding.

**a. What effect would the transfer of title of public housing properties to the not for-profit housing association sector have on the provision of low-cost housing in NSW?**

- With no plans to increase the number of public housing dwellings in the State, this would result in is the same demands and simply a transfer of management and liability.
- The State Government should work with community housing providers, local government and the private sector to redevelop sites which have not achieved development potential. Stock should create a mix of public, social and private accommodation. Development capacity should be shared and the process streamlined.
- If public housing were to be transferred to community housing providers then the appropriate level of subsidy should be provided by the State to complete maintenance and repairs on the properties into the future.
- If public housing were to be transferred to community housing providers then an improved allocation policy should be advanced. The policy should reflect a local knowledge of the social environment by community housing providers.
- Tenancy agreements in place and connections to communities should be respected in the case of tenants being relocated as part of this process.

**5. What improvements/ changes can be made to the planning legislation to assist local governments in providing affordable housing?**

See response 3(c).

**6. What is the Council's view on the impending changes to the developer contribution system with relation to affordable housing? (The new Part 5B of the EP&A Act yet to be commenced)**

- a. How will these changes impact on local government's ability to provide public/community infrastructure?**
- b. How does the new system compare to the existing system of section 94 contributions and voluntary planning agreements in delivering affordable housing?**

*Currently:*

- VPAs – Currently, if the City wanted to enter into a VPA for affordable housing, in most cases we would require a State Environmental Planning Policy 1 Development Standards (SEPP 1) variation to support a variation to the LEP for increased floor space or height ... this is the carrot. The City would then be free to prepare a VPA for any public purpose, including affordable housing. This has not occurred for the purposes of affordable housing in the City of Sydney, though it is happening in other LGAs, such as Canada Bay.
- Affordable Housing Levy – We currently levy under section 94F (not via our s.94 plans). The levy is enabled by SEPP 70 which identified the City of Sydney as areas with an identified need for affordable housing. A Local Environmental Plan (LEP) then prescribes the rate for a levy towards affordable housing.

*Changes:*

- Part 5B of the changes to the *Environmental Planning and Assessment Act 1979* (EP&A Act) is essentially a cleanup of various parts of the Act relating to contributions (both section 94 and VPAs). It does make some significant changes around affordable housing and VPAs. It classifies affordable housing as public infrastructure, which can not be levied through a contributions plan or a VPA by a Council. The changes will add an additional layer of complexity by requiring that the Minister approve the provision of public infrastructure being provided via VPA.
- With regards to levies – there are no significant changes. In essence it retains existing provisions that allow a levy so long as it is identified on a SEPP (SEPP 70) and a condition of consent is required by way of an LEP.

*What needs to change?*

- See response 3(c).

**7. Your submission also indicates that affordable housing levies are considered the most appropriate method to achieve affordable housing targets (Submission p27). There are mechanisms already in legislation through**

**section 94 (EP&A Act) developer contributions and voluntary planning agreements. What changes would you recommend to the current system?**

- With regards to affordable housing levies, the mechanisms are very limited and allow an affordable housing levy to be applied in only very specific parts of the LGA. An affordable housing levy is the most preferable mechanism because:
  - to date bonus density schemes have only resulted in a modest yield of affordable housing;
  - planning instruments would require affordable housing is provided as part of new developments. It is not subject to choice and therefore allows the City to plan for and achieve set targets;
  - it is transparent and allows developers to 'factor in' affordable housing into feasibility; and
  - it does not rely on the City to offer 'bonuses' for affordable housing.
- VPAs require the City to offer an incentive of some description (usually a bonus density). There are a range of concerns where development incentives (where Council would support an increase in the amount of developable space in return for the provision of affordable housing) are broadly used to yield affordable housing, including:
  - they undermine planning principles by seeking to increase development beyond the environmental limits of a site;
  - it results in a largely ignored cost to the broader community in terms of amenity and stress on infrastructure;
  - there is no motivation for developers to seek lower land prices (as is the case where an affordable housing levy applies). Therefore, both the land owner and the developer receive their respective price and profit, while the broader community bear the costs;
  - as a result of additional density there is an increase in the need for physical and social infrastructure in an area;
  - the process typically occurs outside the bounds of planning instruments and in that sense is not transparent; and
  - when participation in the scheme is not mandated, there is no assurance that developers would chose to participate in the scheme.
- Also see response 3(c).
- Local Government needs more guidance on planning mechanisms to substantially increase affordable housing.

**8. Developer peak bodies, such as the Property Council suggest that affordable housing levies will in effect reduce the amount of development in a local government area, unless incentives are provided to developers. What are your views in relation to this suggestion?**

- Prior to the proposal to introduce a levy, the City engaged an independent consultant of very high standing to prepare an impact analysis of the levy to 2030. While the research recognised that there would be some short term impact, and that impacts would be higher in time of economic downturn and would be lower in times of economic boom, that in the long term there would be negligible impacts.
- Local Government is not funded to provide developers with monetary incentive to develop affordable housing.
- In terms of development incentives – please refer to response 7.
- NRAS should be structured to ensure that there is sufficient incentive for the development of affordable housing by the private sector.

**9. The submission mentions the need for retention of existing affordable rental accommodation and suggests the review of SEPP10 – Retention of Low Cost Rental Accommodation due to its limited success (Submission p28). Can you please explain what changes you would suggest be made to SEPP10 to increase its effectiveness?**

- To date, SEPP 10 has had limited success in mitigating the loss of low cost rental accommodation in the inner Sydney ring. Common issues with the SEPP include:
  - a limited understanding of the SEPP by Council planners resulting in a reliance on the expertise and decision making capacity of the Department of Planning;
  - a limited number of rejections by the Department of Planning for conversion of low cost rental into an alternative development;
  - the assessment of development applications seems to be based almost completely on financial factors with limited scope given by the Department of social planning considerations;
  - there are some issues with the rental figures that are used to determine whether a building is in fact low-cost rental accommodation. If a building is charging rents above the median for the LGA then the Department deems that it is not low cost rental accommodation. For example, the median rent for a "low-cost" one bedroom flat in the City in the current quarter is \$340 a week.
- The City recommends that the NSW State Government review SEPP 10 in consultation with Local Government to incorporate significant changes in relation to median rent calculation, social planning considerations and assessment advice for planners.

**10. What do you regard as necessary elements for the creation and maintenance of cohesive communities? What needs to be done to sponsor these?**

- Lack of affordable housing may also lead to concentrations of low income earners in areas of high affordability and concentrations of high earners in areas of low affordability. Local communities develop enclaves of advantage and disadvantage resulting in social and geographic segregation in and between suburbs. This spatial polarization between communities undermines social cohesion and may lead to community breakdown, loss of connectedness and a potential increase in anti-social behaviour. Further, spatial divides will potentially inflame existing local government concerns with regards to homelessness, aged care and declining health and in turn substantially increase the cost of delivering support services.

*Boarding houses*

- Whilst boarding houses often provide an important 'stop gap' affordable rental option, depending on the location, boarding houses can often attract a particular social group which may be distinctly different from those occupying the surrounding area with occupants often managing complex issues including:
  - drug dependency;
  - re-integration into the community after periods of incarceration;
  - addiction issues;
  - mental health issues; and
  - other health issues.

- Therefore, a blanket planning approach which would facilitate planning consent for the development of boarding houses in all residential zones is problematic.
- Measures aimed at increasing the number of boarding houses should take into account local planning considerations, including social impacts, and mitigation strategies should be developed to ensure that the development does not have an adverse impact on the community. Further, boarding houses should, where possible be located in close proximity to transport and employment hubs along with other social and health support services to meet the often complex needs of people residing in them.
- The City recommends the NSW State Government ensure that local planning considerations and community expectations are taken into account in relation to the location of new boarding houses and should encourage the development of boarding houses that are in close proximity to employment, transport, health and social services.

#### *Housing Mix*

- New affordable housing developments should seek to create a diverse population mix that reflects the diversity of the broader community. Creating a good housing mix that encourages different income ranges, different life stages and household composition can encourage a more sustainable community. It is important that new developments also take into account approaches such as universal housing design which would enable the use of the accommodation for the various life stages of an occupant.
- The City recommends the NSW State Government encourage the development of affordable housing projects which foster the development of a social mix that reflects the composition of the wider community and encourages universal housing design principles.

#### *Community Development*

- A cohesive community cannot be developed simply through the provision of infrastructure alone. Funding therefore, needs to be provided for the implementation of community development and social support services which seek to engage residents in community capacity building activities. Resilient and sustainable communities are ones in which residents feel connected, supported and safe and therefore a significant investment should be made in implementing projects focused on these outcomes.
- The City recommends the NSW State Government provide resources and funding for the provision of community development programs in affordable housing projects to support the development of resilient and sustainable communities.

#### *Security of tenure*

- Cohesive communities are communities in which people feel connected and participate. Often people living in low cost rental accommodation feel great stress and anxiety in relation to housing security. They are forced to move often as rents escalate, properties are sold or their circumstances change. As a result they often become transient, living in a variety of areas and are unable to establish significant foundations in the communities in which they reside. A focus should therefore be placed on measures which ensure housing tenure for tenants in low cost rental accommodation to encourage residents to establish foundations and participate in the community.



- The City recommends the NSW State Government include provisions for housing security for tenants in affordable housing projects that encourage tenants to participate in the community in order to help develop sustainable and cohesive communities.

*Urban renewal and gentrification*

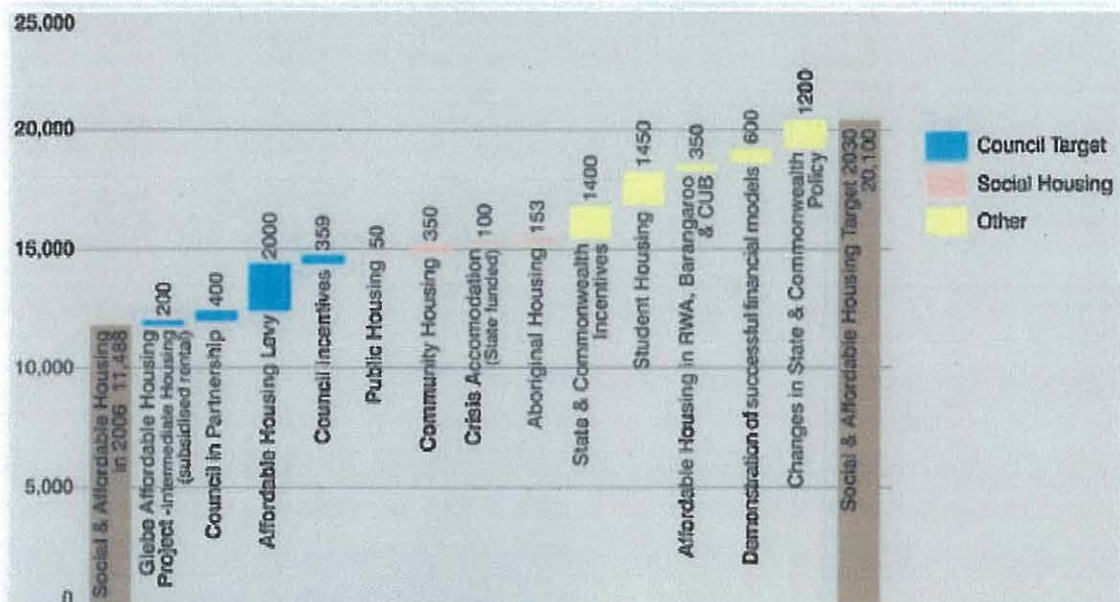
- Large scale urban renewal and gentrification projects can create significant benefits for communities in relation to the provision of new infrastructure and services. Often these projects however, result in a loss of affordable housing as areas increase in value and lower end housing stock diminishes. These are often areas which are also occupied by homeless 'rough sleepers'. It is vital therefore that the social impacts of urban renewal and gentrification processes take into account the housing needs of low income existing renters and homeless people residing in the area. It is important to recognise that these residents often form an important part of the character and identity of a suburb and as long term residents form an important part of its social fabric and sense of cohesiveness. Many urban renewal projects have resulted in the dislocation of these residents and a loss of community identity.
- The City recommends the NSW State Government ensure urban renewal and gentrification projects adequately consider the housing needs and established community connections of existing homeless people and residents of low cost rental housing.

**11. Do you think it is possible to provide sufficient low-cost rental accommodation without creating 'pockets of disadvantage'? If so, how?**

- Creating public and social housing 'ghettos' or 'slums' has been an experiment tried and tested by Governments all over the world over the last hundred years that has proven not to work. Public housing in Waterloo, Woolloomooloo and other locations in the City reflect the complex social challenges that congregations create.
- Scattering of tenants in a 'salt and pepper' manner throughout developments has been demonstrated as a model that would assist in this issue.
- In respect to the provision of affordable housing (not social/public) housing, the existing model in the City i.e. City West Housing, offers subsidised rental accommodation to a range of income groups including very low income groups (those eligible to apply for social housing), low income groups, and moderate income groups, all of which are defined by the EP&A Act. Each group broadly makes up a third of City West Housing tenants. This allows City West Housing to manage its rental income and it also facilitates an improved social mix to the traditional social housing models.
- The Draft Rental Affordable Housing Strategy identifies a range of housing types including public, social, student accommodation, aboriginal and crisis accommodation that should be developed in various locations, in a staggered manner without creating high concentrations in any one location.

Affordable housing targets expressed in Sustainable Sydney 2030 and in this strategy will require a significant increase in the amount of affordable housing currently provided in the City of Sydney. Below is a scenario of the steps the City might take to achieving affordable housing targets. There are a number of ways the City might achieve this target, with each 'step' expanding or shrinking at need.

### Steps to Achieving affordable housing targets



**Glebe Affordable Housing Project Intermediate Housing (subsidised rental) (200 dwellings, 2%)** – The amount of subsidised rental accommodation that will be provided as part of the Glebe Affordable Housing Project is contingent on feasibility.

**Council in partnership (400 dwellings, 5%)** – This is an area of growth that Council may directly affect. The Glebe Affordable Housing Project is an example of such a partnership.

**Affordable Housing Levy (2000 dwellings, 23%)** – This scenario assumes developer contributions are applied across the LGA. It is envisaged that these dwellings would house a mix of very low, low and moderate income households.

**Council incentives (359 dwellings, 4%)** – This is an area of growth that the Council may directly affect. Council may offer 'bonuses' to developers who are willing to provide affordable housing as part of new developments.

**Public Housing, Community Housing, Crisis Accommodation and Aboriginal Housing (50, 350, 100, 153 dwellings, 1%, 4%, 1%, 2% respectively)** – Based on current trends, it is not expected that there would be any substantial growth in the amount of public housing within the LGA to 2030. With regards to community housing, crisis accommodation and Aboriginal housing, this scenario has adopted a conservative estimate of the amount to be provided to 2030.

**State and Commonwealth incentives (1400 dwellings, 16%)** – This refers to *direct* incentives offered by the State and Commonwealth Governments for the provision of affordable housing by the not-for-profit sector or other providers. An example of this is the recently announced National Rental Affordability Scheme (NRAS).

**Student Housing (1450 dwellings, 17%)** – It is likely that both the University of Sydney and the University of Technology Sydney will continue to directly invest in the provision of subsidised rental accommodation for its students.

**Affordable Housing in RWA, Barangaroo and CUB (350 dwellings, 4%)** – The City will advocate for affordable housing outcomes in State controlled urban renewal sites.

**Demonstration of successful financial models (600 dwellings, 7%)** – The Glebe Affordable Housing project will build the knowledge capacity of not-for-profit providers and other providers in the delivery of affordable housing. This City expect significant flow-on benefits from this project.

**Future State and Commonwealth incentives (1200 dwellings, 14%)** – Future policy responses may range from direct incentives, such as government grants or a change in the NSW planning regime that would allow Councils to 'require' affordable housing be provided in new developments, or it may include less direct methods such as a favourable tax environment for affordable housing that entices greater participation by the private sector.