

City of Sydney Affordable Housing Research Paper

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Executive Summary

This research paper is to inform the preparation of an Affordable Housing Strategy for the City of Sydney. It comprises four parts:

- *Part A* introduces concepts associated with affordable housing and provides examples of Australian and overseas affordable housing initiatives;
- *Part B* outlines the policy and statutory context for the City's Affordable Housing Strategy;
- *Part C* examines housing issues within the City of Sydney; and
- *Part D* discusses what local government can do to facilitate affordable housing and considers a range of measures that could potentially be included in the City's Affordable Housing Strategy.

The focus of the paper is how the City may facilitate and protect affordable housing, namely housing which is appropriate to the needs of low to moderate income households and which does not consume such a high proportion of household income that it leaves households with insufficient money to meet other basic costs. In the context of the City of Sydney, affordable housing will primarily be low cost rental housing, including boarding houses, as well as subsidised housing made available only to very low to moderate income households. The gross income of such households is:

- *Very low income household* – less than 50% of the median household income for Sydney Statistical Division;
- *Low income household* – more than 50% but less than 80% of the median household income for Sydney Statistical Division; and
- *Moderate income household* – more than 80% but less than 120% of the median household income for Sydney Statistical Division.

Households with a gross income below 120% of the median household income and who are paying more than 30% of their household income to meet their mortgage repayments or rent are considered to be in housing stress. In the City, 95%, 76% and 44% of very low, low and moderate income renting households respectively are in housing stress.

Housing costs of not more than 30% of income are generally considered affordable. Thus, a household earning the median income in the City of Sydney (\$1204 per week or \$62,208) can afford to purchase a \$237,000 home or pay \$346 per week in rent. However, in the City the median sale price of a dwelling was \$500,000 (at December 2008) and the average rental price of a 2 bedroom unit was \$545 per week (at March 2008). No household earning less than 120% of median income can afford to purchase a dwelling in the City of Sydney. Low to moderate income households in the LGA must therefore rely on rental housing. As the rental price of housing in the City also causes most of these households to be in housing stress, there is a clear need to increase the stock of affordable housing in the LGA.

Housing affordability is the relationship between the cost of purchasing a home and the ability of a household to purchase a home. The Commonwealth and State Governments are responsible for the various economic, fiscal and commercial factors that shape housing affordability. As such, there are limits on what Local Government can achieve in terms of housing affordability.

Although the issue of housing affordability is discussed for the purpose of defining the existing problems within the LGA, this paper does not seek to address the market cost of housing to all consumers. In the inner Sydney housing market, where the cost of housing is determined by high demand, there can be no certainty that any reductions in development costs would actually be passed onto the housing consumer.

There are a number of affordable housing programs currently operating in the City of Sydney, implemented via inclusionary zoning mechanisms whereby planning controls require developers to make a monetary or in-kind contribution to the provision of affordable housing. Since its establishment in 1994, the Ultimo-Pyrmont Affordable Housing Program has delivered 446 of its target of 600 affordable housing units. The City West Housing 2008 business plan estimates that 220 units will be provided in Green Square. So far the program has delivered 45 units housing 90 people. City West Housing Pty Ltd, a not-for-profit housing company, is responsible for developing and managing these dwellings. Affordable housing contributions are also being collected under the Redfern-Waterloo Authority Affordable Housing Contributions Plan which is expected to deliver around 75 affordable housing units.

Elsewhere other means of facilitating affordable housing are evident. Waverley Council offers a floor space ratio incentive to developers who agree to include affordable housing as part of their development. Canada Bay Council has had some success in entering into planning agreements with developers to ensure the provision of affordable housing for key workers. Brisbane City Council is pursuing a range of initiatives to increase its stock of affordable housing managed by non-profit organisations and to encourage the development and financing of affordable housing by the private sector. The City of Melbourne's Social and Affordable Housing Framework seeks to address the provision of affordable housing through planning and service development, facilitation, advocacy, partnership and community development. Examples from overseas include London, which recently adopted the goal that 50% of all new housing is to be affordable housing, and Vancouver, which since 1998 has required 20% of the units in major residential projects to be social housing.

The context for the City of Sydney's affordable housing strategy includes various Commonwealth, State and local policies such as:

- the Commonwealth State Housing Agreement
- the National Framework for National Action on Affordable Housing
- the NSW State Plan – A New Direction for NSW
- NSW Planning for the Future – Community Housing
- Eastern Region Housing Strategy
- Sydney Metropolitan Strategy
- Sydney Subregional Strategy
- Council of Capital City Lord Mayors Affordable Housing Policy
- City of Sydney Social Plan
- City of Sydney Homelessness Strategy
- Sustainable Sydney 2030

There are also a range of statutory instruments that regulate the provision of affordable housing in various ways.

Analysis of the characteristics of the City of Sydney's population and housing has found that:

- the population of the local government area (LGA) is markedly younger than that of Sydney as a whole;
- the predominant household types are couples without children, lone person households and group households;
- the majority of residents live in medium to high density units;
- rental housing is the main form of tenure;
- the LGA has a high proportion of public housing tenants; and
- public housing is spatially agglomerated within the LGA.

Key issues to be addressed in the City's affordable housing strategy include:

- gentrification - the population of the LGA is becoming more homogenous, with little diversity of income groups;

- loss of low to moderate income earners – if key workers (eg cleaners, clerical workers, nurses, teachers etc) are unable to gain accommodation in or close to the City certain employment sectors will have difficulties recruiting staff;
- loss of low cost accommodation, including private rental housing and boarding houses;
- loss of young families from the City;
- homelessness disproportionately affects the City.

There is a range of mechanisms available to Local Government to facilitate the provision of affordable housing. They can be broadly classified as:

- Planning tools eg developer contributions, planning agreements, zoning tools, impact mitigation and controls relating to dwelling types and mix;
- Strategic partnerships eg with government agencies, not-for-profit organisations and the private sector;
- Financial initiatives eg direct support and financial incentives; and
- Advocacy and community development.

It is the conclusion of this paper that declining housing affordability in the City of Sydney can only be addressed by the direct intervention of government. To meet targets articulated in Sydney 2030, it is essential the City establish a portion of the overall target facilitated/provided *by the City of Sydney*. By adopting a raft of measures, including actions towards developing planning mechanisms, strengthening protection of existing affordable housing and advocating to and working in conjunction with other government and non-government organisations, the City can achieve targets contained in Sydney 2030 and improve housing outcomes for very low, low and moderate income households.

Part A – An Introduction to Affordable Housing

1. Introduction

1.1. The need for affordable housing in the City of Sydney

The City of Sydney is Australia's only Global City. It has an economic presence in the global market place and enjoys investment from international and national businesses. Based on industry-mix and relative occupational wage levels, it is estimated that the total Gross Domestic Product (GDP) generated in the City of Sydney in 2005-2006 was approximately \$68 billion, representing over 8% of the total national Australian gross domestic product (GDP), over 30% of the Sydney metropolitan area GDP and almost 25% of the entire state's GDP.¹

The average income of residents of the City is relatively high and largely attributable to the population's occupation and education profile. According to the 2006 census, the population predominantly work within the information sector, the largest occupation groups being professionals (36.8%), managers (16.2%) and clerical and administrative workers (14%).² The proportion of the population who hold university degrees is higher for the City of Sydney local government area (LGA) than for the Sydney Statistical Division (SSD).

The growing importance of the City economy, the rising importance of the information sector and the consequent resurgence of employment within Central Sydney has seen increasing demand for accommodation in or close to the City. This high demand increases the purchase and rental cost of a dwelling, pushing those less able to afford housing within the City to suburbs just outside of the LGA where again prices rise as demand increases, ultimately leading to a low income creep to the outer suburbs of the Sydney Metropolitan area.

In 2006, 11,117 very-low to moderate income households in the City were paying rent or mortgage payments of more than 30% of their income. This equates to 69% of all very low to moderate income households or 14% of all households as being in housing stress.³ An analysis conducted by the Australian Financial Review in June 2007 found that six of the ten suburbs with the highest incidence of housing stress in the Sydney metropolitan area are within Sydney LGA.⁴

Where people on low to moderate incomes are unable to access appropriate and affordable housing in the City or within reasonable distance of the City it is likely that they will seek employment closer to the homes they can afford. Certain employment sectors that rely on a workforce of unskilled or semi-skilled workers and that service the information sector are likely to experience difficulties in recruiting staff as access to affordable housing declines.

In response to increasing concern about housing affordability, the City of Sydney is developing a LGA wide Affordable Housing Strategy. The Strategy will respond to local affordable housing needs, trends and opportunities as identified in this research paper and will determine key targets and outcomes for increasing the range of housing options in the City.

1.2. Preparation of the City's Affordable Housing Strategy

In 2002 South Sydney Council undertook the South Sydney Housing Needs Analysis which identified a clear need for more affordable housing options in South Sydney and that many groups in the community had unmet housing needs⁵ Using this research, the Draft South Sydney Affordable Housing Strategy 2003-2006 was prepared.

¹ City of Sydney, *Corporate Plan 2008-2011*

² ABS, 2006 Census Quickstats

³ Centre for Affordable Housing 2007, *Local Government Housing Kit*

⁴ Australian Financial Review 29 June 2007 *Housing Stress Hits Home Countrywide*

⁵ City of Sydney, *DRAFT Housing and People: a housing strategy for the City of Sydney 2005 - 2008*

Prior to the endorsement of the Strategy it was announced that the City of Sydney, South Sydney and parts of Leichhardt local government area (LGA) would be amalgamated. The newly amalgamated City of Sydney undertook to rewrite the affordable housing strategy for the entire LGA. Using the Sydney Housing Needs Analysis 2002 and the Draft South Sydney Affordable Housing Strategy 2003-2006 as a basis, a Consultation Draft Housing Strategy for the City of Sydney was prepared in February 2005. Together with the Sydney Housing Analysis Report 2007, the Consultation Draft Strategy has informed this research paper.

In 2007 the City established an internal working group to oversee the development of the Affordable Housing Strategy and to ensure a whole of Council approach. The following business units are represented in the Affordable Housing Strategy Internal Liaison Group (AHSILG):

- City Plan Development – which has primary responsibility for developing the Strategy and coordinating the AHSILG;
- Social Policy and Programs;
- Economic Development;
- Properties;
- City Strategy (Sydney 2030); and
- City Projects.

The Affordable Housing Strategy is being prepared in stages, with the first stage being the research that informs this research paper.

Early in 2007 .id Consulting were commissioned to produce an Affordable Housing Social Atlas (AHSA) and undertake an analysis of housing in the LGA. The consultant's report, which is based on 2001 Census data, was presented to the AHSILG in June 2007. The AHSA has since been incorporated into the City's website (www.cityofsydney.nsw.gov.au) and is to be updated early in 2008 when the 2006 Census data is available. The AHSA will provide a benchmark for monitoring and evaluating the progress of the Affordable Housing Strategy.

Additional background research and an extensive literature review have also informed the Affordable Housing Research Paper. Focus areas included:

- exemplary affordable housing strategies from other LGAs;
- international examples of affordable housing programs;
- the existing policy context in New South Wales; and
- relevant existing research.

As a result of the AHSILG's consideration of this research paper, a draft affordable housing strategy will be prepared for review by the AHSILG before being presented to Council for its endorsement for public exhibition. Community and stakeholder consultation during the exhibition period will provide invaluable feedback for the strategy. The feedback will be included in a consultation report and reported to the AHSILG for discussion and amendment of the draft Strategy.

A final draft strategy and supporting draft action plan will then be developed. The final draft strategy will provide the underlying principles, aim and objectives of the City in relation to affordable housing. The draft action plan will define the actions required for the success of the strategy. Both the strategy and action plan will be subject to peer review before being reported to Council for its endorsement.

1.3. Aims of the Affordable Housing Research Paper

The purpose of this research paper is to inform the AHSILG of current trends and issues and provide background information relating to affordable housing in the City of Sydney. The research paper aims to:

- establish a clear understanding of what 'affordable housing' is and why it is important;

- review examples of affordable housing strategies and initiatives from Australia and overseas;
- outline the legislative and planning context currently surrounding affordable housing;
- clarify the limitations of what local government can achieve in relation to affordable housing;
- provide a detailed understanding of affordable housing need and issues in the City; and
- provide the basis for the development of an affordable housing strategy for the City.

1.4. Report Structure

The Affordable Housing Research Paper is divided into four parts:

- *Part A* introduces concepts associated with affordable housing and provides examples of Australian and overseas affordable housing initiatives;
- *Part B* outlines the current policy and statutory context for affordable housing in the City of Sydney;
- *Part C* examines housing issues within the City of Sydney; and
- *Part D* discusses what local government can do to facilitate affordable housing and presents options to the AHSILG to guide discussion and debate on measures that could potentially be included in the City's Affordable Housing Strategy.

2. What is Affordable Housing?

The term 'affordable housing' has been the subject of numerous definitions in Australia and overseas. In general, research favours a broad and inclusive definition, for example:

'Affordable housing', from a consumer perspective, is housing which is appropriate to the needs of low to moderate income households and does not consume such a high proportion of household income that it leaves households with insufficient money to meet other basic costs.'

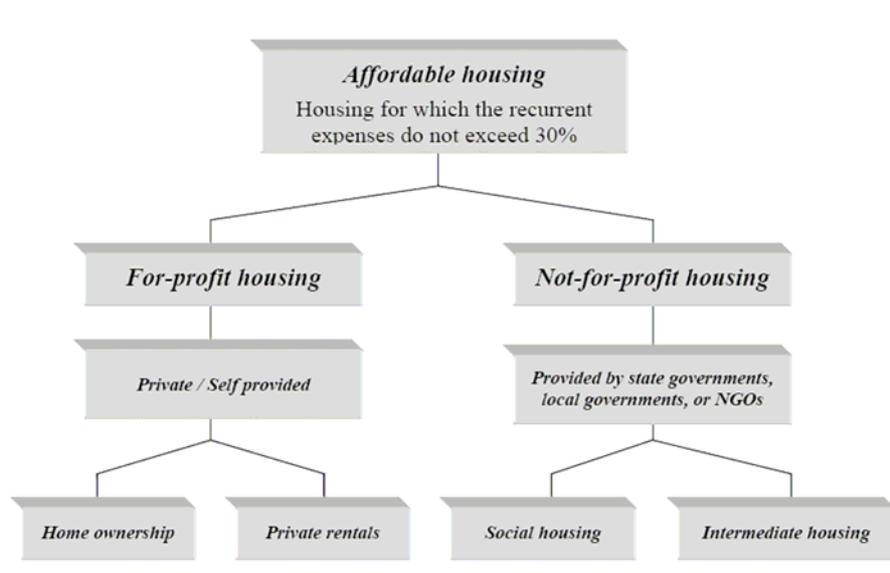
This definition, developed by Ecumenical Housing in 1997, extends the definition of affordable housing developed by the National Housing Strategy in 1992 and provides a useful benchmark from which to define affordable housing in the City of Sydney context.

The City's accepted definition of affordable housing conveys the notion of 'reasonable' housing costs in relation to income and is consistent with the National Housing Strategy approach. Within the context of the Green Square Affordable Housing Program, the aim is to provide dwellings that are affordable to very low, low and moderate income households at a reasonable rental cost. Reasonable housing costs in relation to these households are defined as totalling approximately 25-30% of gross household income. Hence, the Green Square Affordable Housing Development Control Plan (DCP) states that the gross income of eligible income groups is as follows:

- Very low income household – less than 50% of the median household income for Sydney Statistical Division;
- Low income household – more than 50% but less than 80% of the median household income for Sydney Statistical Division; and
- Moderate income household – more than 80% but less than 120% of the median household income for Sydney Statistical Division.

The term affordable housing can relate to a range of housing forms and tenures. Throughout Australia, affordable rental housing is owned by state and local governments, charitable organisations or the private sector. Figure 1 illustrates the types of affordable housing that may be available.

Figure 1 Affordable, Social and Intermediate Housing⁶



⁶ Armstrong, S. 2007, *Local Government Housing and Community Housing Associations*.

Social housing represents the largest portion of rental affordable housing currently available in the City of Sydney. Social housing includes all public housing, community housing, crisis accommodation (with and without ancillary support services) and Aboriginal housing (managed by Housing NSW or by local Aboriginal organisations). This form of housing is primarily targeted to households on very low and low incomes. Vacated housing and new dwellings are allocated to those with the greatest need.

Intermediate housing is housing that is targeted to the low to moderate income earners. Intermediate housing programs are commonly referred to as 'affordable housing' programs. Some affordable housing programs are funded by the Centre for Affordable Housing of Housing NSW. A number of councils in metropolitan Sydney have also initiated affordable housing schemes. Community housing associations, such as City West Housing Pty Ltd are often involved in the management of intermediate housing.

Collectively, social housing and intermediate housing may be referred to as **subsidised rental accommodation**.

Affordable housing may also be private housing, although given median rent prices in the City, private affordable rental dwellings are largely confined to accommodation in boarding houses, though there is some low cost accommodation available on the private rental market.

Demand for affordable housing in the City of Sydney exceeds current available supply. Where the private market does not provide sufficient affordable housing then it is particularly important that some housing be designated specifically for people in the very low to moderate income bracket.

Affordable housing may be for rent or purchase. However, in the Sydney LGA, those with the highest need for affordable housing are not generally able to afford to purchase housing and therefore usually require affordable rental housing. Affordable rents may be based on a set proportion of household income or a discounted market rent.

2.1. What is housing stress?

Home ownership and renting on the private market is becoming increasingly unaffordable for those on very low to moderate incomes. In the 2006 Census, the gross median household income for the City of Sydney was \$62,608. Households categorised as having very low incomes are receiving less than 50% of this gross median income (less than \$31,304). Low income households are those receiving between 50% and 80% of median income (\$31,305 to \$50,086) and households on incomes between 80% and 120% of the median are considered moderate-income earners (\$50,086 to \$75,129)⁷.

Those households who have gross incomes below 120% of the median household income and who are paying more than 30% of their household income to meet their mortgage repayments or rent are considered to be in 'housing stress'. Research generated from the Valuers General Office and the NSW Rental Bond Board found that there was no 'for purchase' dwellings available for very low or low income households in the City of Sydney and only 8% of all 'for purchase' stock was available for moderate income households. Only 5%, 14% and 46% of available rental stock in June 2007 was available for very low, low and moderate income households respectively.⁸ This situation has markedly declined since then.

2.2. The decline in housing affordability

'Housing affordability' is a measure of the cost of housing relative to median income. It is shaped by various economic, fiscal and commercial factors that are primarily controlled by the Commonwealth and State Governments.

⁷ ABS 2006 Census, *Basic Community Profile*

⁸ Centre for Affordable Housing 2007, *Local Government Housing Kit*

Despite a generally favourable period of economic growth, housing affordability, for both renters and purchasers in NSW, has substantially declined. In the 1970's, the cost of an average home was equal to three times the annual average household income, but today the average home costs approximately seven times the annual average household income indicating that, over time, housing prices have increased at a faster rate than incomes.⁹

A range of underlying factors have contributed to the decline in the affordability of housing in Sydney LGA. In particular, very high demand for housing has pushed up the cost of housing in the City. Demand for housing has increased in the City due to a number of factors including:

- increased appeal of the City as a place of residence;
- increasing income (though incomes are not rising at a corresponding rate to housing prices);
- increased appeal of housing as an investment due to capital gains tax exemptions on owner occupied housing;
- increased investment activity, partly facilitated by negative gearing taxation policy;
- the ease with which people may gain access to credit; and
- a long period of low interest rates which has encouraged borrowing and increased competition for housing stock.

Demographic trends have also added to decreasing affordability. An ageing population; an increase in single person households; later marriages; delayed parenting years; and an increase in single-parent households have all contributed to the trend for smaller households, ultimately driving demand for housing upwards.

As the cost of housing has increased wages have failed to augment at a comparable rate. The result has been that home purchase in the City of Sydney is now beyond the capacity of many households. Likewise, rent increase in suburbs close to the City has pushed many people out of areas which were previously affordable and accessible.

2.3. What can the City do about housing affordability?

The Commonwealth and State Governments control the macro-economic and taxation policies that most affect the cost of housing. As such, the ability of Local Government to effectively address the *affordability* of housing is limited.

When governments seek to address 'housing affordability', an immediate and obvious response is to increase the supply of land available for development. However, given the location specific demand for housing, the release of land in Liverpool, for example, would have little if any impact on the cost of housing within inner Sydney.

In the City of Sydney, where there may be potential to promote affordability through increasing supply, any gains are likely to be absorbed by very high investor demand encouraged by the buoyancy of the inner-Sydney housing market. It is unlikely to translate to housing that is considered affordable for very low to moderate income households.

A criticism regularly levelled at councils in NSW is that development fees, section 94 contributions, and costs associated with the NSW planning system contribute significantly to the rising cost of housing. It is argued that if these costs were reduced the savings could be passed onto the purchaser and then to renters. However, a number of leading housing experts reject this argument. They assert that, while the argument may hold merit in situations where supply exceeds demand, in areas where housing demand far outstrips supply, as it does in inner Sydney, the main beneficiary would be the developer who looks to the market for the sale price rather than to the actual costs of developing the land.

⁹ Parliament of NSW. *Interest Rates and Housing Affordability*

The cost of purchase housing in the City far exceeds the capacity of very low to moderate income households to pay (see Section 10). 'Affordable housing' in the City is therefore largely restricted to public housing, housing rented below market value by community-based not-for-profit providers or low cost rental accommodation. By focussing its initiatives on 'affordable housing' provision rather than 'housing affordability' the City may ensure that its efforts directly benefit very low to moderate income households.

2.4. Why facilitate affordable housing?

Affordable housing is not just a concern for those members of the community in housing stress but also for the wider community. Communities that offer a range of household choices for different income groups are more economically and socially sustainable. As affordability decreases it becomes increasingly difficult to support a strong and diverse labour force, community and economy.

Low earning workers such as cleaners, construction workers, garbage collectors, waiters, retail staff, bar staff, transport workers etc. are finding it increasingly difficult to secure affordable housing close to their work places. Over time, and in particular in a high employment environment, there is a risk that these 'key workers' may choose not to work in high cost areas that are too far from the accommodation that they can afford. Key workers are necessary for a strong and vital economy and community and will be a primary target group of the affordable housing strategy.

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.

The provision of affordable housing in the City is a way of assisting people to remain in areas in which they have lived for a long time and allowing them to maintain important social networks during changes in life circumstances.

2.5. The history of affordable housing in the City of Sydney

The City of Sydney has a history in the provision of affordable housing. In 1914, having just gained the power to build public housing, the City was keen to build quality, affordable housing for workers in the LGA. The rationale for such a program was, at least in part, the same as what it is today – namely, that workers need somewhere to live within a reasonable distance from work. The Strickland flats were built in Chippendale in 1914, comprising 71 family flats in a three storey building. The experiment was not considered successful as there were problems with the physical qualities of the building and a general complaint that the rents were too high. Despite this, the Strickland flats have provided 90 years of public housing, although it has not been managed by the City for some time.¹⁰

During the 1960's the City began a program of subsidizing facilities and services. Despite having no access to Commonwealth or State funding, the City ran its own housing program, building new flats for reasonable rentals. By 1965 large scale projects had been completed in Camperdown, Glebe, Paddington, Waterloo, Ultimo and Woollahooloo.¹¹

By the late 1970's there were complaints that housing was consuming the City's resources and there was an attempt to sell the majority of its properties to the State Government at

¹⁰ Butler-Bowden, C. and Pickett, C., 2007 *Homes in the Sky*

¹¹ Fitzgerald, S. 1992, *Sydney 1842-1992*.

market prices. However, the State Government declined the offer. In 1987 the Council Housing Programme ran a deficit of close to \$3 million. It was argued that housing was perhaps not the best use of the City's resources and that it was best operated by large specialist agencies. In 1988 the majority of housing owned by the City was transferred to the State free of charge.¹²

Since that time the City has not attempted to provide social housing directly to the community. However, various attempts have been made to impose development levies to secure the provision of low cost housing. They were largely unsuccessful until the introduction of Section 94(F) and 94(G) of the *Environmental Planning and Assessment Amendment (Affordable Housing) Act 2000* which provided the necessary legal support for the concept of affordable housing contributions.

¹² Golder, H. 2004, Sacked. *Removing and Remaking the Sydney City Council 1853-1988*

3. The roles of different levels of government

The Commonwealth and State Governments have a clear legislative responsibility for ensuring that those members of society who are most in need are housed. Historically, this has been facilitated by the provision of public housing and financial assistance programs. Over time, Commonwealth funding for public housing and programs such as the Commonwealth Rent Assistance Program has steadily decreased, affecting the ability of the States to address the housing needs of certain groups in society.

Housing NSW assists more than 500,000 people on low incomes by providing public housing as well as community and Aboriginal housing programs. As Commonwealth Government capital funding for public housing has declined, it has directly reduced the ability of Housing NSW to build and manage new public housing dwellings. In addition, the community housing sector continues to be under-funded and cannot offer a sufficient number of rental properties to meet demand. Consequently, low income households are increasingly reliant on the private housing market.

The Commonwealth and NSW Governments offer a range of programs to assist households in gaining access to affordable housing in the private market. Examples include:

- Commonwealth Government First Home Owner Grant Scheme – a one-off grant to eligible first homebuyers to assist with purchase costs. The scheme is funded by the Commonwealth Government and administered by the State and Territory Governments;
- Commonwealth Rental Assistance - CRA is an income supplement paid to eligible private renters who are Centrelink clients;
- Rentstart Scheme – Housing NSW Rentstart scheme assists clients to establish a tenancy in the private sector. The Department will pay 75% or more of the rental bond on behalf of the tenant. Those with severe financial difficulties may be eligible for the whole bond and up to two weeks rent in advance;
- First Home Plus Scheme - the NSW Government provides full transfer duty and mortgage duty exemptions for first time buyers that are purchasing dwellings valued up to \$500,000 and partial exemptions for dwellings valued from \$500,000 to \$600,000; and
- Mortgage Relief – Housing NSW offers temporary mortgage relief for home owners who are experiencing short term financial hardship.

The NSW Government, together with local government has also used the planning system to increase the supply of affordable housing in areas such as Ultimo/Pymont, Green Square and Willoughby and to retain existing low-cost housing stock.

Since Commonwealth and State Governments control macro-economic influences on housing affordability such as interest rates and tax policies, the ability of a council to directly affect housing affordability within its LGA is limited. Nonetheless, local councils are well placed to promote better housing outcomes for their communities through regulating the private market via planning processes and social initiatives. These regulating practices may include for example the regulation of housing supply and form, infrastructure planning and pricing policies, rate setting and community service delivery. These policies may create opportunities for additional housing, protect existing affordable housing, guide the form of housing in response to needs, and influence the cost of production and the availability of services. Further, local government authorities may enter partnerships with other Government agencies, with commercial interests or with not-for-profit organisations in order to directly provide affordable housing within a community.

4. Affordable housing initiatives

4.1. Programmes operating in the City of Sydney

The affordable housing programs that currently operate in the City of Sydney generally involve partnerships between different levels of government and the community housing sector.

4.1.1. City West Affordable Housing Program

The City West Affordable Housing Program was established by the NSW Government in 1994 with the aim of ensuring that the Ultimo-Pyrmont redevelopment area retained a socially diverse population representative of all income groups. Its objective is to deliver up to 600 units of affordable rental housing in Ultimo-Pyrmont within 30 years of the programs inception. *Sydney Regional Environmental Plan No. 26 – City West* (the REP) established the planning, funding and administrative arrangements for the program's implementation. The REP provisions have since been incorporated into *Sydney Local Environmental Plan 2005*. They include an inclusionary zoning mechanism whereby new development in Ultimo-Pyrmont must provide an affordable housing contribution either in the form of dwelling unit/s or monetary contributions. Almost all developers have chosen to provide a financial contribution. To date, the program has provided 446 units housing over 930 people in Ultimo-Pyrmont.

4.1.2. Green Square Affordable Housing Program

The implementation of Green Square Affordable Housing Program is facilitated by the *South Sydney Local Environmental Plan 1998* and the *Green Square Affordable Housing Development Control Plan 2002*. The aim of the program is to facilitate the development of affordable rental housing in the Green Square redevelopment through the use of an inclusionary zoning mechanism. Residential development that occurs in Green Square must provide an affordable housing contribution equal to 3% of total floor space. Non-residential development must provide a contribution equal to 1% of total floor space. The contribution can take the form of dwelling units or an equivalent financial contribution. To date, all developers have chosen to provide a financial contribution. City West Housing, the organisation responsible for the development and management of units, estimates in its 2008 business plan that 220 units will be provided in Green Square. So far the program has delivered 45 units housing 90 people.¹³

4.1.3. City West Housing Pty Ltd

City West Housing (CWH) was established in 1994 as a not-for-profit housing company to develop and manage affordable housing in the Ultimo-Pyrmont redevelopment area. Its shareholders include the NSW Minister for Housing and the NSW Treasurer (the only ordinary shareholders) and the City of Sydney (one of eleven preferential shareholders). In 1998, CWHs area of operation was extended to cover the Green Square redevelopment area.

Funding of CWH has been provided from four main sources:

- an initial capital injection of \$50 million by the Commonwealth Government to enable initial development of properties;
- the State Government contributes 4% of the proceeds of the sale of government land in the redevelopment areas to CWH;
- development contributions are collected for all non-exempted developments within the redevelopment areas; and
- rental stream of built units.

¹³ Perkins, R, *Overview of City West Housing Pty Ltd*

CWH does not receive ongoing funding from government sources so must maintain self sufficiency. The tenant mix within the units is made up of approximately:

- 26 per cent on very low incomes - Very low income earners earn no more than \$27,238. Rent collected from very low income earners is 25 per cent of weekly income;
- 44 per cent on low incomes - Low income earners earn between \$27,239 and \$43,622. Rent collected from low income earners is 27.5 per cent of weekly income; and
- 30 per cent on moderate incomes – Moderate income earners earn between \$43,623 and \$73,819. Rent collected from moderate income earners is 30 per cent of weekly income.

Maintaining the tenant mix within the units is critical for:

- ensuring financial targets are met through a healthy rental income stream. Rent revenue is expected to cover all long term management costs of units; and
- maintaining a diverse socio-economic mix.

While CWH has comprehensive reporting requirements to ensure that assets are used for their intended purposes, once the business plan is approved, CWH operates in the same manner as any other private company.¹⁴

4.1.4. Redfern-Waterloo Affordable Housing

The *Redfern-Waterloo Built Environment Plan (Stage One)* provides for an additional 600,000m² of floor space to be generated from the redevelopment of the Redfern-Waterloo Operational Area. The revitalisation of the area is likely to produce upward pressures on property values placing pressures on rental prices and purchasing prices.

The Redfern-Waterloo Authority has prepared the *Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006*. The Plan was endorsed by the Minister in May 2007 and enables the Minister for Planning, when granting consent to development within the area to impose a condition requiring the payment of an affordable housing contribution. The Plan requires a contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of total gross floor area. Based on the estimated development potential in the area, it is estimated that approximately 7,500m² of affordable housing or 75 deliverable units will be provided.¹⁵ Contributions to the value of \$16m are earmarked specifically for the provision of affordable housing for Aboriginal residents of the area.

In addition, the concept plan recently approved by the Minister for Planning for the former Carlton United Brewery (which is outside the Redfern Waterloo Operational Area) requires the developer to contribute to the provision of affordable housing in accordance with the Redfern-Waterloo Authority Affordable Housing Contributions Plan.

4.2. Initiatives of other Sydney councils

4.2.1. Waverley Council

Waverley Council offers a floor space ratio (FSR) incentive to developers who agree to include affordable housing as part of their development. The bonus is calculated using an Affordable Housing Calculator developed by the Council. Included in the calculation is land value, market value, permissible FSR and bonus FSR. Once built, ownership of the units is transferred to the council who engages a community housing manager to ensure that units are let at an affordable rate. The program has yielded 33 units of affordable housing since the program's implementation in 1999.

¹⁴ Perkins, R., *Overview of City West Housing Pty Ltd*

¹⁵ Redfern-Waterloo Authority, *Affordable Housing Contributions Plan 2006*

4.2.2. Canada Bay Council

As large chunks of the Canada Bay LGA have been developed for residential purposes, there was broadly felt concern that key workers, particularly those employed at Concord Hospital, would no longer be able to live in the area.

Canada Bay Council has had some success in entering into planning agreements with developers to ensure that there is affordable housing provided for key workers. In North Strathfield, a developer had purchased land and lodged a DA for 237 units to be built on the site. The developer approached the Council to enter into a voluntary planning agreement in order to add a further 76 units on the site by going beyond the existing built form limits. The final agreement saw the ownership of 15 units being transferred to the Council who contract management of the units to a local community housing provider. Six of the units are to be provided to employees of Concord Hospital.

4.2.3. Willoughby Council

Willoughby Council has partnered with Community Housing Limited (CHL) and the Association to Resource Affordable Housing (ARCH) to undertake a debt equity project for the provision of 28 affordable housing units. The land has been provided by Willoughby Council and development capital is to be provided by the NSW Government, CHL and private financing. Two buildings will be built on the land, the first building will contain 11 units and will be sold to finance the second building containing 28 units for very low to moderate income earners. Nine units will be held in ownership by Willoughby Council and will be managed by CHL. The remaining 19 units will be in ownership of CHL. Rental payments will be used to service debt and provide ongoing management of the units.

4.3. Interstate and overseas initiatives

It is interesting to note some interstate and overseas affordable housing initiatives, though it should be understood they operate in quite different circumstances (eg governance arrangements, fiscal policies, legal systems) to those experienced by the City of Sydney.

4.3.1. Brisbane City Council

Brisbane City Council's (BCC) affordable housing project aims to increase the supply of affordable housing in Brisbane that is managed by non-profit organisations and to encourage the development and financing of affordable housing by the private sector. Various initiatives have been introduced by the Council to meet these ends. Examples include:

- renting of surplus Council properties to various not for profit housing organisations to be utilised as crisis, transitional and affordable housing;
- a comprehensive review of planning controls to ensure that affordable housing is supported by them; and
- the Council is currently in the process of designing a financial incentives package potentially including relief from:
 - DA fees;
 - pre-lodgement fees;
 - ongoing rates;
 - infrastructure charges; and
 - sewerage pedestal charges.

Moreover, BCC encourages the development and financing of affordable housing by the private sector. Examples include:

- allowing a greater plot ratio (ratio of Gross Floor Area to site area) in certain parcels of land i.e. those along arterial roads or close to substantial public transport. The Council will allow for the plot ratio to be increased from 0.6 to 1 in developments including affordable housing i.e. where the plot ratio would have previously only allowed for 6 units, 10 units can now be built. The extra units that result from the increased ratio are subject to a covenant and management plan requiring that the developer to only rent them to people within a specified income bracket for a rent specified by the Queensland Department of Housing (QDoH);
- the Council will reduce the car space minimum in developments where affordable housing will be provided. Extra space may be utilised for extra floor space; and
- in conjunction with Australian Affordable Housing Association (AAHA), a commercial interest with a 'charitable institution' status, BCC will approve a DA with a covenant and plan of management as described above. While the Council does not typically allow for subdivision prior to project completion, in this case, BCC will approve a subdivision, thereby allowing for off the plan purchase by investors, thus creating and income stream for the project. It is important to note that it is *investors* who purchase these units, the actual units themselves are subject to the covenant and plan of management and thus must be rented to specified income groups. Moreover, the QDoH requires that these units are rent for no more than 74.9% of market value. The loss in rent to AAHA is to some extent offset by the Commonwealth Government who refund the GST at the completion of the project given that the project is classified as a 'charitable interest'. AAHA also offer limited social support services for the tenants of the development as well as a 'savings account' arrangement where tenants may save to purchase their unit.

4.3.2. Brisbane Housing Company Ltd.

In 2002, BCC entered a joint initiative with the Queensland Department of Housing to develop boarding houses, supported housing and affordable housing in Brisbane's inner city for people with low-income. In 2002 the Brisbane Housing Company Limited (BHC) was formed as a not-for-profit company with an initial investment of \$50 million from the Queensland Government and \$10 million land and cash investment over four years from the BCC.¹⁶ Shareholders consist of the initial investors and a range of community shareholders. The Council raised funds through the sale of land and by encouraging voluntary contributions from developers.

As is the case with CWH in Sydney, ultimate responsibility for the project rests with BHC Board of Directors who generally experience little interference from government bodies. A further similarity is that BHC was established on the basis that it was to be self sustaining from the rent revenue collected. Rent revenue is to fund the ongoing maintenance and management of the housing and excess funds generated will eventually be utilised for expansion.

To date BHC has properties spread out over numerous suburbs, each containing a mixture of studio, 1, 2 and 3 bedroom apartments and boarding house rooms. At the end of the 2005/2006 financial year BHC had 372 occupied units, 208 units under construction and 221 units in the advanced stages of design.¹⁷ Following an independent evaluation undertaken by KPMG released in June 2006, the BHC model was found to be economically sustainable and performing very well.¹⁸

4.3.3. Melbourne City Council

Melbourne City Council recently unanimously endorsed the City of Melbourne Social and Affordable Housing Framework 2006 – 2009. The strategy draws on a range of best practice

¹⁶ Phibbs, Milligan, Fagan and Gurrans, 2004 *A practical framework for expanding affordable housing services in Australia: learning from experience.*

¹⁷ Brisbane Housing Company 2007 Website

¹⁸ Brisbane Housing Company 2007 Website

solutions and identifies five mechanisms through which Council can facilitate the provision of social and affordable housing:

- Planning and service development;
- Facilitation;
- Advocacy and leadership;
- Partnership; and
- Community development.

A number of strategies are proposed ranging from planning strategies to advocacy and leadership actions. Each strategy is linked to each of the five key mechanisms identified above to achieve Council's vision and goals as stated in Council Plan 2005 - 2009 and the Inner Regional Housing Statement 2005.

Recently the City of Melbourne released a new draft strategic plan, known as *Future Melbourne*. This plan sets a target that at least 20% of new housing is affordable or social housing.

4.3.4. London, UK

The Greater London Area (GLA) has a population of close to 8 million people. The demand for council housing is high and priority is given to those in most need. Currently, 42% of housing stock in the GLA is allocated as 'affordable housing', that is social housing or intermediate housing. The city has set a new goal that 50% of all new housing should be affordable housing. Much of this is to be delivered through planning provisions. Currently, up to 20,000 units per annum are provided via the planning system.

There are 33 London councils, referred to as 'boroughs' in the GLA. The London boroughs are primarily responsible for housing issues within London and own and maintain more than half a million houses and flats - one in six of the total number of homes in London. Each London borough is also required to prepare a Unitary Development Plan (UDP), a document similar to the LEP in the NSW planning system. Amongst other things, the UDP of each Borough specifies:

- the affordable housing trigger level which will define the circumstances when a developer is required to provide affordable housing. In most cases the trigger is 15 or more units;
- the number of units to be provided by the developer (a percentage of the total); and
- what type of housing is needed i.e. social or intermediate housing.

Once built, units that have been identified as affordable housing are given to the trust of a Registered Social Landlord (RSL) in perpetuity. The RSL, also called a housing association, is responsible for administering the units/homes.

4.3.5. Vancouver, Canada

The Vancouver metropolitan region is Canada's most expensive housing market. The scarcity of affordable housing in Vancouver is a persistent issue with nearly half of the population paying over 30% of their income to mortgage repayments. For renters the situation is worse with 42% of renters spending more than 50% of their income on rent.

There are over 21,000 social housing units in Vancouver constituting approximately 8.5% of all housing stock. Since 1998 the City has required that 20% of the units in major residential projects be social/affordable housing. This may be required to be provided as land upon which affordable housing is built. Half of this housing must be designed for and allocated to families. Social housing units in the City of Vancouver are operated directly by the

government or by non-profit housing societies and cooperatives using funds from senior governments.

The Council facilitates the provision of affordable housing in two main ways; by providing financial support to housing developments and through planning initiatives.

4.4. The Private Sector and Affordable Housing

It is essential that there be improved engagement of the private sector to increase the amount of affordable housing available in the City of Sydney. To date, the private sector contribution to affordable housing in the City has largely been in the form of development contributions passed to City West Housing for the development of affordable housing. In Waverley (see section 4.2.1) and Canada Bay (see section 4.2.2) the councils have entered negotiated agreements with developers to include a component of affordable housing in their developments in return for planning concessions or other benefits.

There are a number of examples by which the private sector may be engaged to participate more fully in the delivery of affordable housing, for example, the Listed Property Trust (LPT) model. Yields for LPTs, which may hold affordable housing range from approximately five per cent to seven per cent.

A new LPT could provide 750 new dwellings for very low to moderate income households in the City at a total capital cost of \$350 million. This cost would be funded by equity capital markets, not by Government. Tenants may pay approximately \$300 per week and Government could subsidise by \$200 per week at a total cost to Government of \$7.8 million per year which will equate to \$100 per week per employee, based on a 2 bed apartment. The cost to government could be offset by some potential trade-off against wages.

The model can be replicated many times and altered to support shared equity arrangements whereby tenants could ultimately buy the properties that they are renting. This would encourage responsible tenancy and encourage ownership. Similar schemes could target a broader rental market segment taking into account that almost 50% of existing dwelling stock in City of Sydney LGA is currently rented.¹⁹

¹⁹ Sustainable Sydney 2030, Brendan Crotty

Part B – Context for the Affordable Housing Strategy

5. Policy context

The policies, strategies and plans described below provide the broader context within which the City of Sydney Affordable Housing Strategy is to be formulated.

5.1. Commonwealth State Housing Agreement

The 2003 Commonwealth State Housing Agreement (CSHA) establishes the framework for the provision of housing assistance for the period between 2003 and 2008. The CSHA is an agreement between the Commonwealth Government and the States and Territories. The agreement is designed to provide strategic direction and funding certainty for the provision of housing assistance to those whose needs for appropriate housing cannot be met by the private market. Funding is provided for public and community housing, indigenous housing, crisis accommodation, home purchase assistance and private rental assistance.

5.2. National Framework for National Action on Affordable Housing

The National Framework for National Action on Affordable Housing was endorsed at the Joint Housing, Local Government and Planning Ministerial Conference in August 2005. The framework is a three year plan to promote a national, strategic, integrated and long term vision for affordable housing through all levels of government and seeks wider government engagement in addressing matters relating to affordable housing opportunities through:

- developing the not-for-profit sector;
- exploring the role of planning reform to provide more affordable housing;
- co-ordinating existing subsidy streams through all levels of government; and
- considering other measures, such as tax incentives, to encourage the provision of affordable housing.

5.3. NSW State Plan – A New Direction for NSW

The NSW State Plan recognises that the sustained economic growth that NSW has enjoyed over the past decade has seen the affordability of housing decrease dramatically. The Plan indicates affordable housing as a priority area for action. It sets out measurable targets, primarily concerning land supply and increased housing stock, against which progress can be judged. It does not set targets in relation to the active provision of affordable housing nor does it outline the role that local government will take in providing affordable housing. While the Plan does recognise that there is a growing need for community housing there are no actions specifically stated that will facilitate this growth.

5.4. NSW Planning for the Future – Community Housing

In December 2008 the Minister for Housing launched NSW Planning for the Future: Community Housing, a five year strategy for growth and sustainability in the community housing sector.

This strategy sets clear goals, including an ambitious target to grow the sector from 13,000 to 30,000 homes over the next 10 years. Achieving this will rely on partnerships between Government, community housing providers and other partners, such as local government. Some of this growth will be experienced through transfer of stock while the remainder will be true growth in the sector.

The strategy identifies five distinct themes for action. Three are strategic themes concerned with the delivery of housing while the remaining two are concerned with the critical success factors that providers need to achieve success. The Strategy translates each theme into actions, some of which will be led by Housing NSW and others that will be supported by Housing NSW. The themes are:

- Growth and innovation - Actions are geared towards creating opportunities for community housing to play a greater role in growth through its own investment.
- Diverse and flexible responses - This theme promotes the need for a diversity of housing types, from crisis, to moderate income rental assistance. It also addresses the need for providers to respond flexibly to local circumstances and the needs of different client groups.
- Stronger communities - This theme promotes building and tenant participation in the provision of community housing with a focus on people and communities.
- Capacity and confidence - This theme aims to promote the confidence that government, investors, tenants and all stakeholders have in community housing.
- Viability and sustainability - The objective of this theme is to put in place financing and structural arrangements that achieve long-term business sustainability for providers. This recognises that community housing must have sufficient operating flexibility to cover all of their costs in an efficient way, both today and in the long term.

5.5. Sydney Metropolitan Strategy

The Sydney Metropolitan Strategy was released in 2005. It is the State Government's long-term plan to manage Sydney's continuing economic growth while balancing social and environmental impacts. The Strategy requires councils to undertake a housing market demand and supply analysis to guide LEPs. It also identifies specific actions with regards to affordable housing, including:

- C4.1 – Improve the affordability of housing by:
 - establishing an Affordable Housing Interdepartmental Committee;
 - preparing an initial NSW Affordable Housing Strategy by mid 2006;
 - collaborating with Commonwealth and other State Governments to act on the *National Framework for National Action on Affordable Housing*;
 - encouraging the Commonwealth Government to support affordable housing initiatives; and
 - incorporating housing affordability objectives in urban renewal planning.
- C4.2 – Redevelop and regenerate Housing NSW stock
- C4.3 – Use planning mechanisms to provide affordable housing by:
 - providing advice on the use of negotiated developer agreements;
 - providing advice on the use of density bonus schemes,
 - providing for inclusionary zoning which requires an affordable housing levy from development; and
 - providing for affordable housing as part of the standard LEP.

With projections of a 1.1 million population increase in the Sydney metropolitan region between 2004 and 2031, the Metropolitan Strategy identifies the need for an additional 640,000 dwellings to meet demand. Of these, 55,000 dwellings are to be provided in the City of Sydney.

5.6. Sydney Subregional Strategy

The Metropolitan Strategy identified ten Sydney subregions of which the City of Sydney comprises a sub-region on its own. The draft Sydney Sub-Regional Strategy, released in July 2008, is currently being exhibited for public comment early in 2008. The strategy includes three actions towards improving the affordability of housing including:

- Improve the affordability of housing;
- Redevelop and regenerate Department of Housing stock; and
- Consider potential planning mechanisms to provide affordable housing.

5.7. Inner East Sydney Regional Housing Strategy

The City of Sydney participated with four other Councils (Randwick, Marrickville, Waverley and Botany Bay) in a two year project that resulted in the *Eastern Region Housing Issues Paper* and the *Eastern Region Housing Strategy*, published in 2005. The project, funded by a Local Government Housing Initiatives Program grant, aimed to examine housing affordability issues and to develop a regional approach aimed at supporting and increasing affordable housing in the region. It identified a number of key issues including:

- housing affordability is further decreasing for workers, older people and families on low to moderate incomes (for those earning less than Sydney's median income of \$51,428pa in 2001)
- higher proportions of people aged over 55 years with further increases expected to occur over the next 10 years or so
- greater demand for housing that is accessible and appropriate for those who prefer independent living
- high proportion of people living alone
- large number of chronic or itinerant homeless
- people requiring accommodation with built-in support to assist in maintaining longer term tenancies
- continued shortage of boarding houses and affordable one-bedroom dwelling units.

Although the Strategy was not formally adopted by the City, its findings have informed this research paper.

5.8. Council of Capital City Lord Mayors Affordable Housing Policy

The Council of Capital City Lord Mayors (CCCLM) Affordable Housing Policy recognises that Capital cities have significant involvement in the direct provision of public and social housing, the development and implementation of planning policies, researching and monitoring housing affordability and supporting non-profit organisations in the provision of housing services. Capital cities also facilitate and encourage the provision of housing by the private sector via a range of incentives and play an important advocacy role with all other levels of government.

The CCCLM aims to work closely with each level of government in gaining commitment, cooperation and investment to ensure an adequate supply of affordable housing and a mix of housing types are available in each capital city. To support affordable housing objectives, the CCCLM is committed to several courses of action:

- expanding the stock of public and community housing;
- encouraging partnerships between the public and private sectors;
- pursuing amendments to the planning system and developing planning policies to encourage affordable housing;
- undertaking research to identify housing affordability trends and issues;
- continuing work with State government departments and non-profit housing organisations to provide affordable housing and housing services.
- lobbying of the Commonwealth and State governments to initiate incentives for developers, investors and landlords to provide affordable housing; and
- advocating the implementation of a National Affordable Housing Agreement between the three tiers of government.

5.9. Sustainable Sydney 2030

Sustainable Sydney 2030 is a 25 year strategic document to guide the growth of the City. As a result of extensive community consultation, Sustainable Sydney 2030 identifies housing as a key strategic direction for the City. As such, Sydney 2030 has included 'Housing for a Diverse Population' as a key strategic direction for the City of Sydney.

'Housing for a Diverse Population' looks more broadly to housing in the LGA to 2030 and includes actions towards facilitating supply in the private rental market by maximising land supply, providing infrastructure and streamlining the development approvals process to improve supply. Affordable housing targets included in Sydney 2030 require that by 2030 7.5% of all housing in the City will be social housing and 7.5% will be affordable housing delivered by 'not-for-profit' or other providers. Achieving this target requires that 8612 affordable rental dwellings, that is 20 per cent of all new dwellings to 2030, be provided as subsidised rental dwellings in the LGA to 2031.

As part of its commitments in Sustainable Sydney 2030, the City, in demonstration of how affordable housing may be developed in partnership with other levels of government, the not-for-profit sector and the private sector, will explore a project in partnership with, Housing NSW, City West Housing Company and the private sector to showcase the benefits of affordable housing in the City.

5.10. City of Sydney Social Plan

The City of Sydney Social Plan 2006-2010 identifies the need to provide appropriate and affordable housing within the City of Sydney to support a diverse range of households on a variety of incomes. Diversity contributes to greater economic stability and enhances the vitality of a local community.

The Plan recognises that the City has a social, practical and legislative responsibility to address local housing needs on behalf of the community. The Plan states that the Affordable Housing Strategy that arises from this research paper should outline a range of partnerships, planning, financial and advocacy actions to facilitate affordable housing.

5.11. City of Sydney Homelessness Strategy

The City of Sydney's Homelessness Strategy 2007–2012 was prepared with the aim of ending chronic homelessness within the inner city by 2017. It focuses on four key priorities:

- vulnerable and complex chronically homeless rough sleepers;
- compassionate and balanced public space management;
- supporting innovative, evidence based new models of service provision; and
- establishing target results and measuring outcomes.

The Strategy identifies the need for the development of an affordable housing strategy and a review of boarding house accommodation. It recommends that the affordable housing strategy include specific reference to groups who may be at higher risk of homelessness and who may experience difficulty or discrimination in accessing housing in the general market. These include Aboriginal and Torres Strait Islanders; Gay, Lesbian, Bisexual and Transgender people and people living with HIV/AIDS.

6. Statutory context

The following section describes the statutory context within which the City of Sydney Affordable Housing Strategy is to be formulated.

6.1. Local Government (General) Regulation 2005

The *Local Government (General) Regulation 2005* (clause 200) requires councils to prepare Social Plans that promote the wellbeing of their communities. A key indicator of such wellbeing is diversity of housing to meet community needs, including affordable housing. The City has prepared a Social Plan that recognises the social, practical and legislative responsibility to address local housing needs on behalf of the community. The Plan commits to developing an Affordable Housing Strategy for the City.

6.2. Environmental Planning and Assessment Act and Regulation

The *Environmental Planning and Assessment Act 1979* (EP&A Act) and the *Environmental Planning Regulation 2000* regulate the planning and development assessment functions of councils. The provision and maintenance of affordable housing is a specific objective of the EP&A Act.

The levying of development contributions for affordable housing is limited by Sections 94(F) and 94(G) of the EP&A Act which restrict the collection of development contributions to areas identified in SEPP 70. However, nothing in the Act prevents the imposition of other conditions of development consent relating to the provision, maintenance or retention of affordable housing.

6.3. State Environmental Planning Policies

State Environmental Planning Policies (SEPPs) deal with issues significant to the State and people of New South Wales. They are made by the Minister for Planning. The following are SEPPs that may typically have some effect on the provision of affordable housing.

6.3.1. SEPP 70 – Affordable Housing

Sections 94(F) and 94(G) of the EP&A Act allow conditions of consent be imposed that require monetary contributions or the dedication of land for affordable housing provided the area is identified in SEPP 70. SEPP 70 validates the use of planning instruments as a means of levying developer contributions for the purpose of affordable housing schemes. The SEPP identifies the areas of Green Square and Ultimo/Pymont within the City of Sydney as well as Willoughby LGA as those areas that have need of affordable housing and validates the affordable housing provisions relating to those areas within the existing planning instruments. How SEPP 70 is currently applied within the City of Sydney and how it may be utilised in the future is discussed in section 12.1.1 of this report.

6.3.2. SEPP 10 – Retention of Low Cost Rental Accommodation

SEPP 10 Retention of Low Cost Rental Accommodation provides a mechanism to ensure that people on low incomes have affordable places to rent. The policy applies to buildings that were identified as low-rental buildings as at 28 January 2000 and is triggered when the owner or developer of a low rental residential building wishes to alter or add to, subdivide, change the use of, or demolish the building. When a council receives such a request, it must consider a number of matters set out in the policy, including how the proposal will affect rental stock in the area and the overall impact on current and future residents. Consent may only be given with the concurrence of the Director-General.

In the past, SEPP 10 has been utilised by the Department of Planning (DoP) to enter into a memorandum of understanding (MOU) with developers in order to secure monetary contributions toward affordable housing in the areas in which they are collected. The contribution is collected by the DoP and passed to community housing providers who are required to use the funds to provide affordable housing.

6.3.3. SEPP (Seniors Living) 2004

SEPP (Seniors Living) 2004 relaxes local residential development controls in order to ensure a sufficient supply of accommodation for older people and people with a disability. The SEPP is subject to strict locational and design criteria.

6.3.4. SEPP (Infrastructure) 2007

Amongst other things, SEPP (Infrastructure) 2007 includes provisions relating to the development of group homes. The intention is to facilitate permanent and transitional housing in which disabled persons or socially disadvantaged persons may lead as normal a life as possible by living permanently in an ordinary residential household environment.

6.4. Local Environmental Plans

Local Environmental Plans (LEPs) are prepared by Councils to guide planning decisions in their LGAs and establish the requirements for the use and development of land. A LEP may contain objectives or specific provisions to require, encourage, retain or protect affordable housing within an LGA.

Sydney LEP 2005 and South Sydney LEP 1998 contain affordable housing provisions relating to Ultimo-Pymont and Green Square respectively (as discussed in section 12.1.1 of this report). The City is currently undertaking a review of its planning controls for the LGA. The City Plan will comprise a single LEP and a single DCP for the whole LGA. At this stage, the provisions relating to affordable housing in the current planning instruments are expected to be carried forward into the City Plan without alteration. However, any revised planning controls arising from the Affordable Housing Strategy may be incorporated into the City Plan at a future stage.

Part C – Housing issues in the City of Sydney

This section summarises the key housing issues in the City of Sydney. The summary has been drawn mainly from the following sources:

- .id Consulting *Affordable Housing Social Atlas*;
- .id Consulting *Sydney Housing Analysis for Sydney City Council*;
- .id Consulting *Population Forecasts*
- Department of Housing *Housing Market Analysis Explanatory Notes and Fact Sheet 2007*;
- Department of Housing *Rent and Sales Report March quarter 2007*; and
- Centre for Affordable Housing *Local Government Housing Kit*.

7. People and households

The City of Sydney is Australia's economic capital. It is home to the Australian Stock Exchange, the Reserve Bank of Australia and the Sydney Futures Exchange and as such is Australia's Global City. Additionally, it is a centre for legal and media institutions, companies, world class universities and other tertiary education institutions. It is an international tourist destination, hosting a number of world-renowned cultural and sporting events²⁰.

As well as being of international importance, the City of Sydney has enormous significance for the rest of the metropolitan region accommodating in excess of 341,730 jobs at the 2006 census. Ten per cent of people employed within the City also live there, 90% of its workforce travelling into the CBD to access employment.²¹

At the 2006 census there were a total of 156,572 people living in the City of Sydney LGA²². They comprise a rich mix of people from diverse social, cultural, religious and economic backgrounds and sexual orientations. For example, the city is home to a large community of Aboriginal people (particularly in the suburbs of Redfern, Waterloo and Glebe); people from a diverse range of countries; some of Australia's wealthiest and disadvantaged individuals; and the nation's most vibrant gay, lesbian and transgender community.

The City has the one of the fastest growing residential populations in Australia with the growth rate between 2001 and 2006 at 21% in comparison to 4.2% for the SSD. This growth is mainly attributed to the deliberate planning policies initiated by Council which encouraged residential development in the LGA. By 2021 it is expected that the population of the City will increase by approximately 55,000 people to 215,368 people at an average annual growth rate of 1.99%. Forecasts estimate that total dwellings will increase by 38,000 households during the period, with the average number of persons per household falling slightly to 1.94²³.

In the metropolitan context, the City of Sydney is unique in its housing needs. Residential development and land values are driven by the City's place in the global economy. New dwellings and developments are likely to service the demand that results from more people within the City CBD.

The age structure of people who choose to live in the LGA is significantly younger when compared with the SSD with a greater share in all ages between 20 and 39 years (Graph 1). There is also evidence that the City is beginning to attract some middle-aged smaller housing groups. This group is likely to be formed of individuals and couples who lead a non-traditional lifestyle. They remain in the City because it is a lifestyle choice. Such households tend to have a relatively high level of disposable income and are more likely to take on higher levels of debt.

²⁰ .id Consulting 2007 *Sydney Housing Analysis for Sydney City Council*

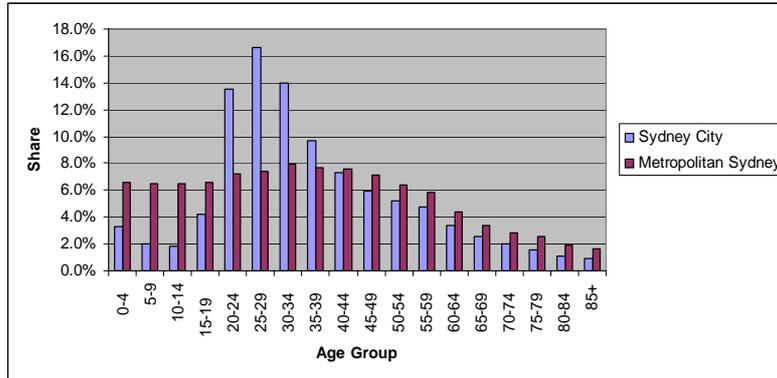
²¹ City of Sydney, *Community Profile*

²² City of Sydney, *2006 Community Profile*

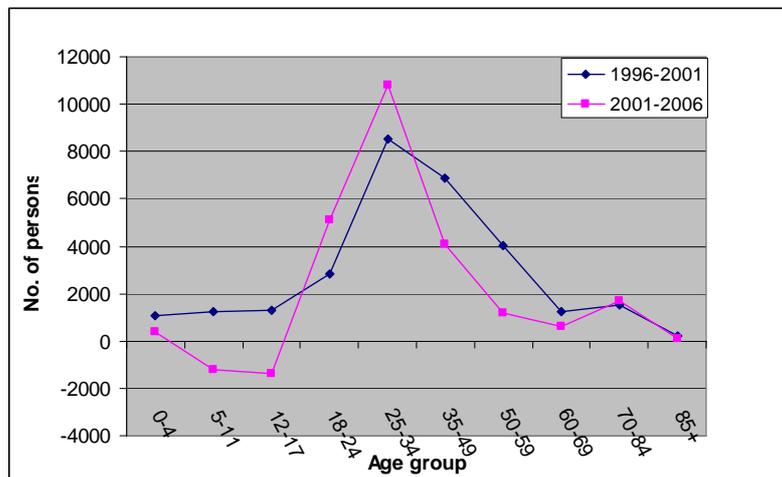
²³ City of Sydney, *Population Forecasts*

Between 2001 and 2006 the City experienced a loss of children aged between five and seventeen.

Graph 1 Comparison of age structure between Sydney LGA and Sydney SD, 2006²⁴



Graph 2 Age specific net migration, Sydney City 1996-2006²⁵



Graph 2 demonstrates that it is younger people who are attracted to the City from regional NSW and interstate for tertiary study, employment opportunities and the 'bright lights'. In 2006, 20% of new residents to the City of Sydney came from within NSW. 14% of the population (over 22,000 people) also migrated to the City of Sydney from overseas. Many of these were students and people on working visas and are likely to be temporary residents. The level of overseas migration is indicative of Sydney's global status and is an important driver of the housing market in the City (Table 1).

The City experienced a net gain of people migrating to the City from other parts of the Sydney Metropolitan Area. Most of this migration occurred between other LGAs within the Sydney Metropolitan area such as Randwick, Woollahra, Ku-ring-gai, Sutherland, Hornsby, Baulkham Hills, Fairfield, Waverly, and Penrith (Table 2). It is likely that many of those moving out of the City to neighbouring locations are employed within the City but are seeking housing opportunity (possibly a greater variety of housing stock) and lifestyle opportunities with close proximity to employment.²⁶

²⁴ ABS 2006 *Basic Community Profile*

²⁵ ABS 2006 *Basic Community Profile*

²⁶ .id Consulting 2007 *Sydney Housing Analysis for Sydney City Council*

Table 1 Previous residential location of current residents in the City of Sydney, 2006²⁷

Previous residential location of current residents in the City of Sydney, 2006	Number	Percent (%)
Residents who did NOT move between 2001 and 2006	37,664	24.1
Residents who had moved within the City of Sydney between 2001 and 2006	13,852	8.8
Residents who moved from another part of New South Wales	30,943	19.8
Residents who moved from another part of Australia (excluding New South Wales)	7,478	4.8
Residents who moved from another country	22,565	14.4
Residents who moved from a 'not stated' area (ie. one they did not state the name of)	869	0.6
Total residents who moved between 2001 and 2006	75,711	48.4
Not stated - Did not state whether or not moved	38,006	24.3
Not applicable	5,193	3.3
Total 2006 usual resident population	156,570	100.0

Table 2 Top 10 LGAs ranked by net gain to the City of Sydney²⁸

	In	Out	Net
Randwick (C)	2,671	1,972	699
Woollahra (A)	2,258	1,617	641
Ku-ring-gai (A)	987	464	523
Sutherland Shire (A)	1,011	504	507
Wollongong (C)	646	294	352
Hornsby (A)	771	433	338
Baulkham Hills (A)	600	273	327
Fairfield (C)	391	138	253
Waverley (A)	1,545	1,309	236
Penrith (C)	341	130	211

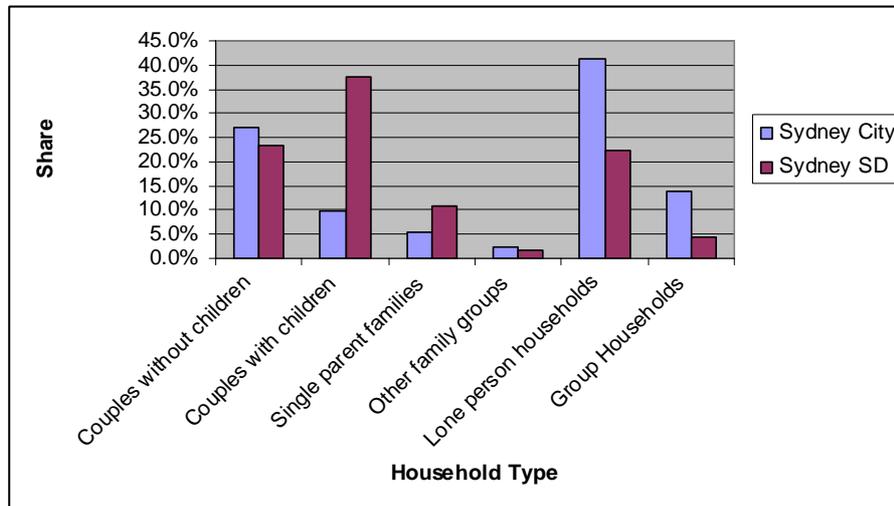
The population of the City of Sydney is highly transient. In 2006 48% of the City's residents had moved address since 2001 and only 9% of these previously resided in the LGA, indicating that the population of the LGA is very fluid with people moving to the City for a short time before moving away. Many young people are following the traditional housing path by taking advantage of renting in the City while they are studying or building a career. They principally live in lone-person, couple without children and group households. As they mature they will form family type households and look to purchase more affordable and appropriate accommodation outside of the LGA.

²⁷ City of Sydney, 2006 Community Profile

²⁸ City of Sydney, 2006 Community Profile

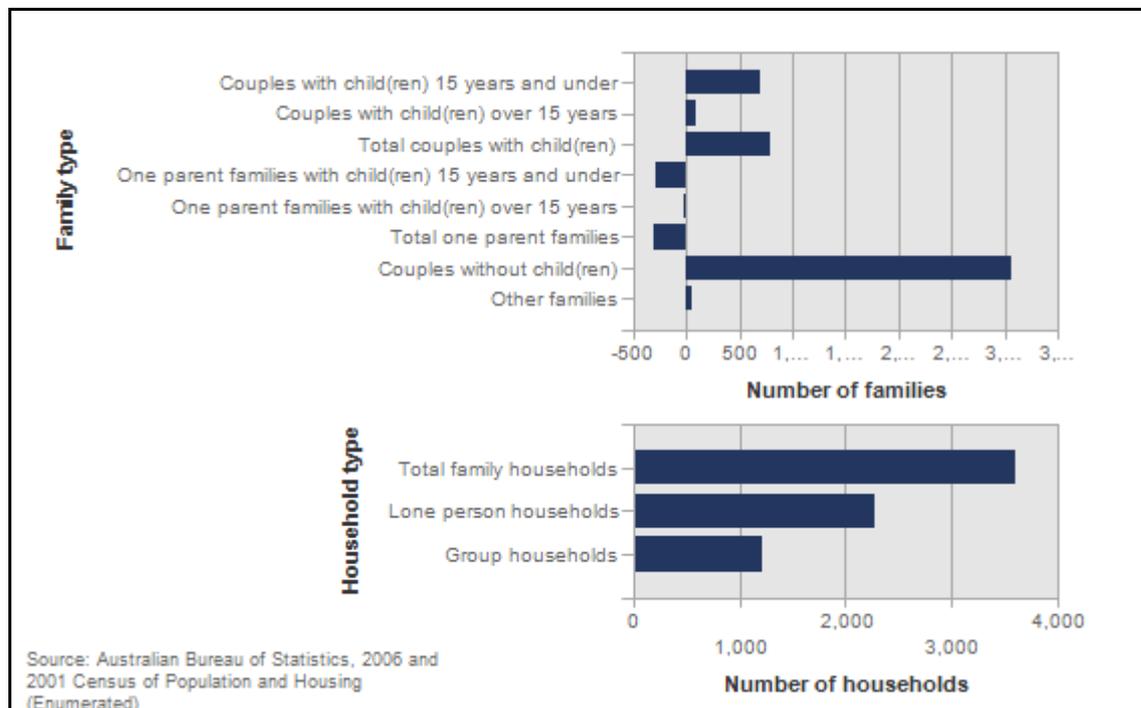
The dominant household types in the City of Sydney LGA are people living alone, groups and couples without children. When compared with the SSD it is clear that the City has a unique role and function as a location housing predominantly younger, smaller households (Graph 3).

Graph 3 Share of household types – Sydney City & Metropolitan Sydney 2006²⁹



In the period over 1996-2006, the City experienced a net increase in all these household types indicating that the role and function of the area to house smaller households has not changed over time (Graph 4). While the trend to smaller households is being experienced throughout the Sydney metropolitan region, the rate of growth being experienced in the LGA is much more extreme.

Graph 4 Net change in household types – Sydney City 1996 – 2006³⁰



²⁹ ABS 2006 *Basic Community Profile*

³⁰ ABS 2006 *Basic Community Profile*

The period from 1996 to 2006 saw a small increase in couples with children moving into the City although the LGA experienced a net loss of children aged five to seventeen between 2001 and 2006. This suggests that mature families may be moving into the LGA. The income of young family households often excludes them from social housing assistance yet the median purchase price of a house in the City is generally beyond their financial reach. Those young families who choose to live in the LGA or who live in the LGA by necessity are therefore forced to enter the rental market or experience mortgage stress.

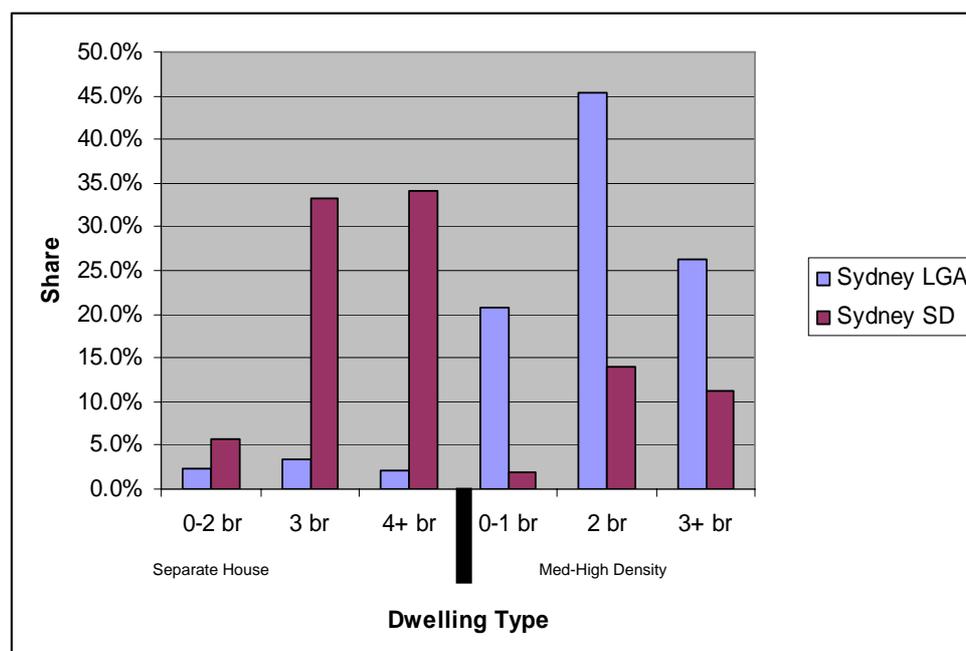
In 2006 the City of Sydney was home to 1,981 persons of Aboriginal and Torres Strait Islander descent, comprising 1.3% of the total population of the LGA. This percentage was slightly higher than that of the SSD with 1.1%. The concentrations of indigenous people vary substantially across the City - in Waterloo/Zetland, 4.1% of the population is indigenous, in Redfern 2.4% of the population is indigenous while in Glebe only 0.2% of the population is indigenous.³¹

³¹ ABS 2006 *Basic Community Profiles*

8. Housing in the City of Sydney

While the typical dwelling type in Australian suburbs is a separate dwelling with 3+ bedrooms, the City of Sydney caters for much younger and smaller household types and its dwelling stock reflects this. Almost 95% of dwellings in the LGA are medium and higher density dwellings with only a residual stock of separate houses (Graph 5) mostly found in the City's south.

Graph 5 Share of dwelling types, 2006³²

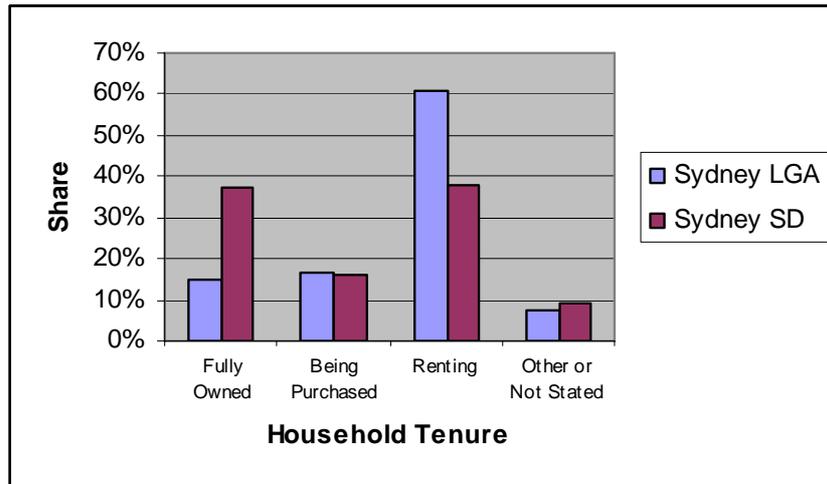


Note: Medium to High Density Dwellings includes semi-detached, row or terrace houses as well as flats, units and apartments

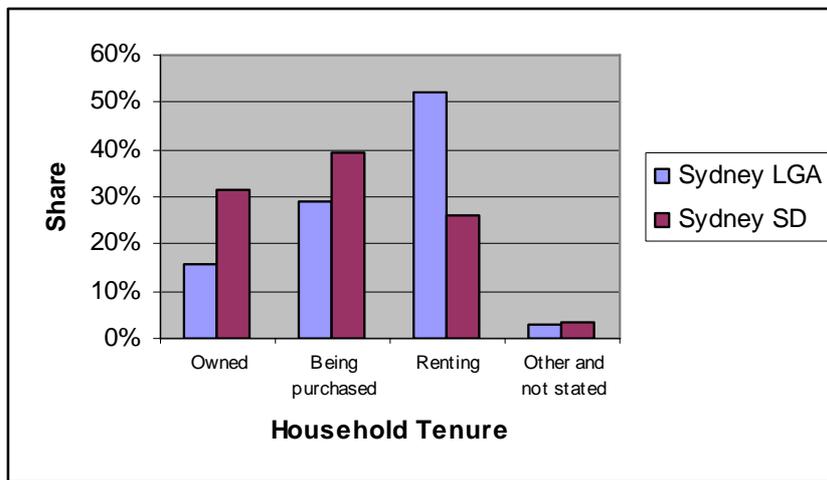
Tenure type reflects the housing market and the type of people moving into the area, for example, low density housing is likely to attract a higher proportion of owner/purchasers to the area while high density areas are attractive to investors and generally appeal to a more transient population. By far the most prevalent tenure in the LGA is renting on the private rental market. This is particularly so for young lone persons (Graph 6), family households (note: this group is largely comprised of young couple without children households) (Graph 7) and group households (Graph 8).

³² ABS 2006 Census *Basic Community Profile*

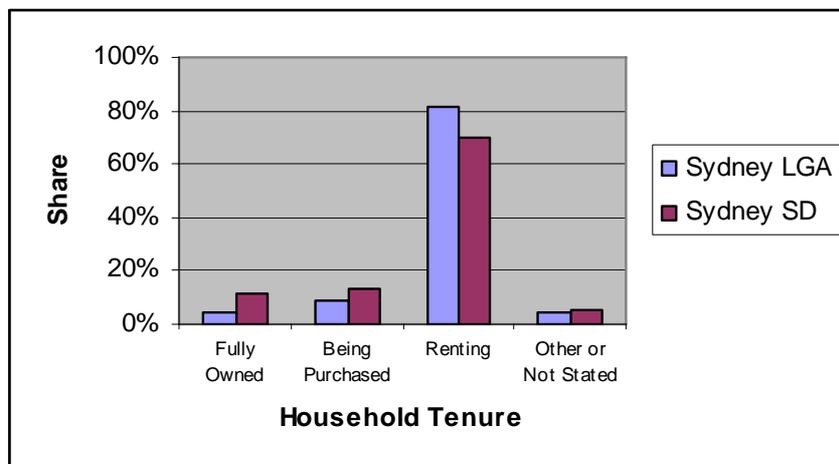
Graph 6 Share of young lone person households by tenure type, 2006³³



Graph 7 Share of family households by tenure type, 2006³⁴



Graph 8 Share of group households by tenure type, 2006³⁵



³³ ABS 2006 Data, 2006 Census Tables

³⁴ ABS 2006 Data, 2006 Census Tables

³⁵ ABS 2006 Data, 2006 Census Tables

8.1. Social housing in the City of Sydney

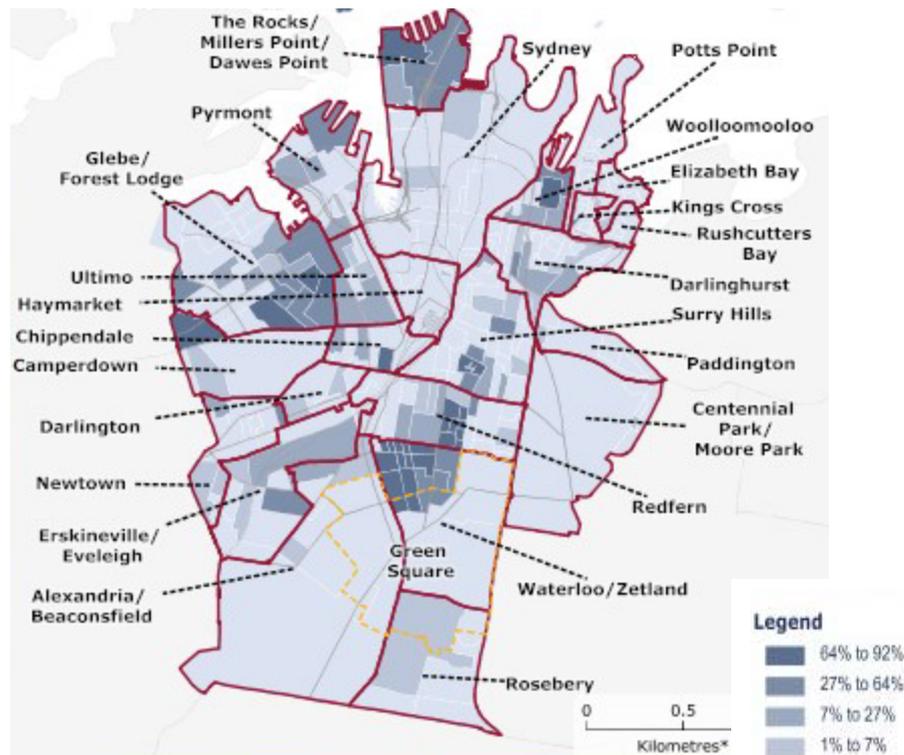
The LGA has a large supply of social housing. This includes all public housing, community housing, crisis accommodation (with and without ancillary support services) and Aboriginal housing (managed by Housing NSW or by local Aboriginal organisations). Most of the social housing stock consists of one or two bedroom units.

Social housing represents the largest portion of affordable housing currently available for rent in the City of Sydney. There are approximately a total of 9397 social housing units (10.4% of all dwellings) in the City of Sydney. This includes:

- 8,774 public housing dwellings³⁶;
- 520 community housing dwellings (excluding dwellings managed by City West Housing); and
- 103 properties managed by indigenous housing providers³⁷.

Public housing is concentrated in certain areas of the LGA, particularly in areas such as Waterloo/Zetland, The Rocks/Millers Point/Dawes Point, Redfern, Woolloomooloo and Camperdown (Figure 2). The demographic of these areas is typically different from the rest of the LGA, with higher proportions of older households and lone parent households and, in some areas, higher proportions of the indigenous population.

Figure 2 Households renting from a government authority³⁸



The single largest group in the public housing system in the City of Sydney is single men. They are more likely to experience homelessness, are more likely to be affected by drug and alcohol addiction and are more likely to be displaced from their family home following family

³⁶ Centre for Affordable Housing *Local Government Housing Kit*

³⁷ Housing NSW

³⁸ City of Sydney Affordable Housing Social Atlas

breakdown. Single men are also often unable to access public housing in their own communities therefore necessitating a move to the City and, in turn, losing localised support.

9. What's changing in the City of Sydney?

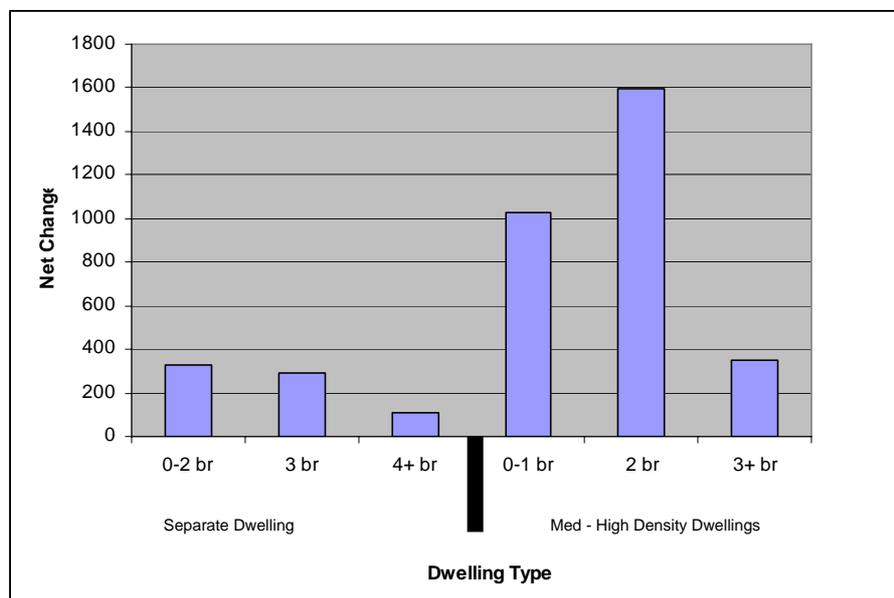
The City of Sydney is expecting significant population growth over the next 20 years. This section of the research paper pays particular regard to the changes that we can expect to see in the LGA over the next 10 years and beyond.

9.1. Housing

It is accepted that the significant population growth that is anticipated over the next 20 years in the LGA will largely be catered for in the areas of Green Square and the Sydney CBD. Green Square, which began development in the late 1990s, is expected to absorb the bulk of the LGA's population growth with the construction of approximately 14,000 apartments during the forecast period. Sydney CBD is also expected to experience large amounts of development with almost 10,000 dwellings expected over the forecast period. Many other suburbs such as Eveleigh and Chippendale will also provide significant levels of development.³⁹ Other areas such as Woolloomooloo, Potts Point and Paddington-Centennial Park are expected to increase only marginally in population as a result of relatively low numbers of additional dwellings expected over the forecast period.⁴⁰

In contrast to the rest of the metropolitan area of Sydney, the single largest net change in dwelling stock for the LGA between 2001 and 2006 was in one and two bedroom medium and high density dwellings (Graph 9).

Graph 9 Net change in dwelling types – Sydney City 2001 – 2006⁴¹



Note: Medium to High Density Dwellings includes semi-detached, row or terrace houses as well as flats, units and apartments

Given the continuing role and function of the City to house younger and smaller households, it is likely that a number of key markets will continue to be targeted by developers:

³⁹ City of Sydney, *Population Forecasts*

⁴⁰ City of Sydney, *Population Forecasts*

⁴¹ ABS 2006 Census *Basic Community Profile*

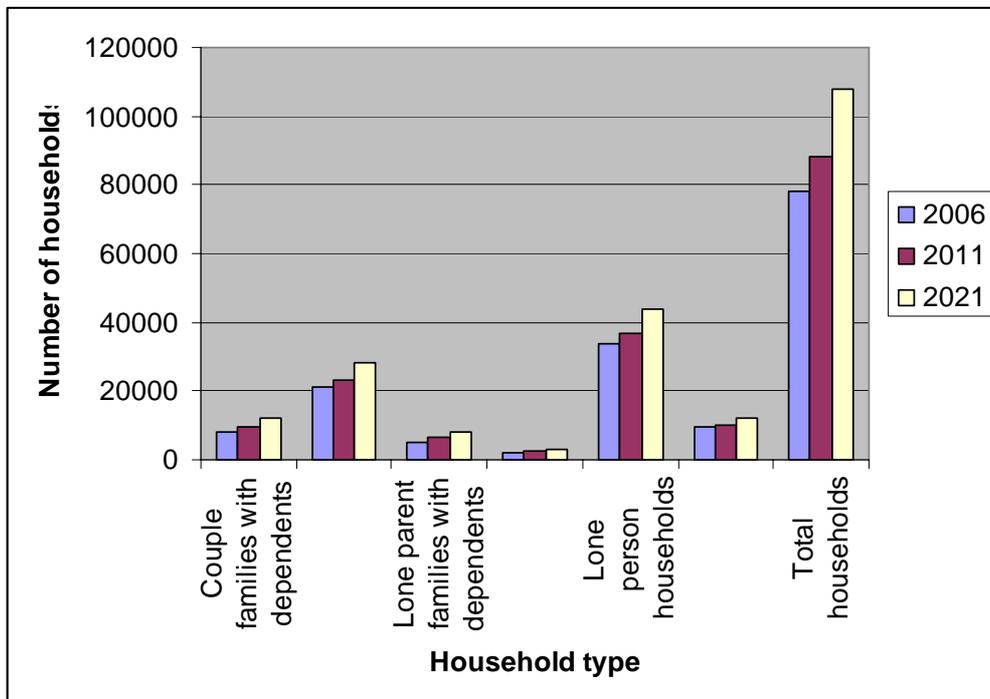
- one bedroom apartments that are mainly aimed at the student market and owned by investors; and
- two and three bedroom apartments that are aimed at young professionals with some investor elements, a part of which is emerging empty nesters and empty nesters providing accommodation for their children while they are studying.

As previously noted, the types of dwellings available essentially shape the population attracted to the area. Urban environments that offer a range of household choices invite the establishment of diverse and vital communities. By encouraging housing that is appropriate and affordable for family type households it is more likely that families will be encouraged to settle in the LGA. Where families settle, service provision, such as health and education facilities is more likely. As these services are provided, more facilities are attracted to the area.

Higher density dwellings are more likely to appeal to investors as rental properties and are more likely to attract a transient population. The loss of 3+ bedroom medium and higher density dwellings and low/medium density dwellings will limit the supply of housing that may be appropriate for family type households with children.

The increasing cost of housing will also reinforce the current demographic trends favouring younger smaller households in rental accommodation who are highly transient. They are unlikely to have any dependents, and are more able to take on higher housing costs or a higher degree of debt. Equally, they are more likely to find other solutions to affordability, such as house shares or taking on lodgers. This ultimately ensures that Sydney retains its role and function as housing younger and smaller households⁴². Graph 10 forecasts the household types that we may expect over the next 20 years.

Graph 10 City of Sydney forecast of household types: 2006, 2011, 2021⁴³



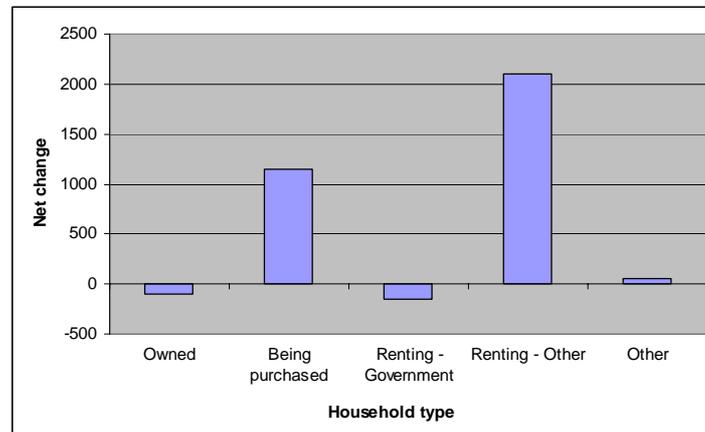
While

⁴² .id Consulting 2007 Sydney Housing Analysis for Sydney City Council

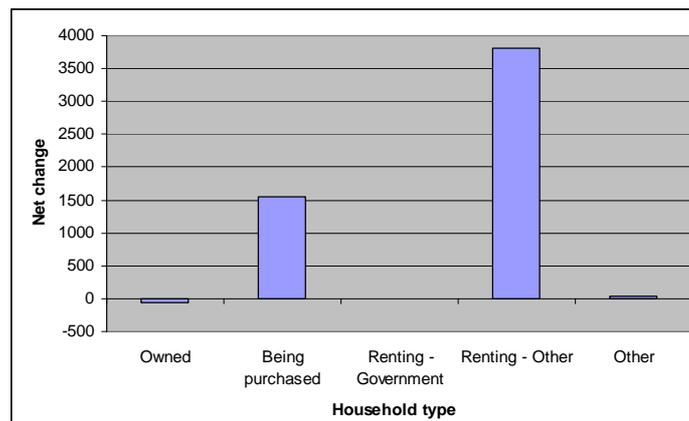
⁴³ .id Consulting 2007 Sydney Housing Analysis for Sydney City Council

Graph 11, Graph 12 and Graph 13 shows that between 1991 and 2006 the City experienced some gains in people purchasing or owning their dwellings, these gains were fairly marginal when compared with the gains in the rental market. There is no indication that predominance of rental tenure in the LGA is likely to change.

Graph 11 Net change: young lone person households by tenure type, 1991-2006⁴⁴



Graph 12 Net change: young couple-without-children households by tenure type, 1991-2006⁴⁵

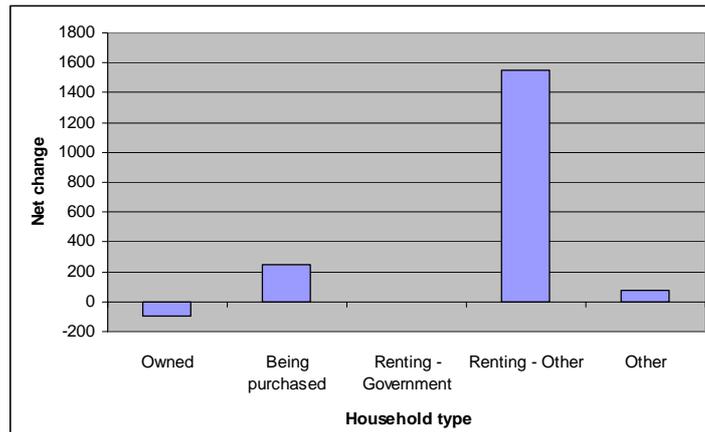


Graph 13 Net change: group households by tenure type, 1991-2006⁴⁶

⁴⁴ .id Consulting 2008 *Sydney Housing Analysis for Sydney City Council*

⁴⁵ .id Consulting 2008 *Sydney Housing Analysis for Sydney City Council*

⁴⁶ .id Consulting 2008 *Sydney Housing Analysis for Sydney City Council*

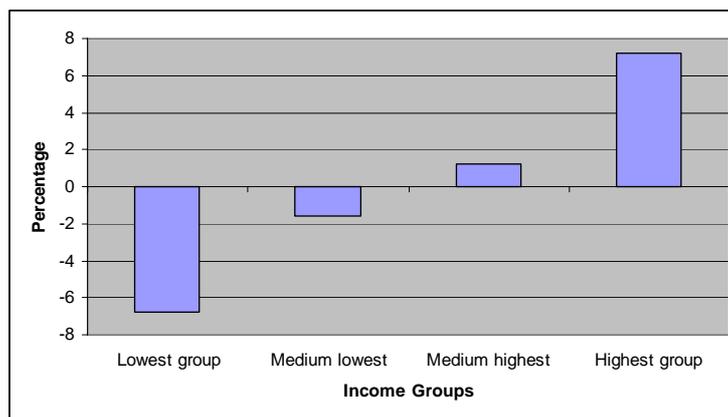


While gains in rental tenure may be taken as an indication of shrinking affordability for young people, it should be noted that the rental market provides a highly flexible tenure that serves the transient nature of much of the population who do not wish to pursue their housing career in the City and will leave it as their circumstances change. It allows individuals to form informal group households, and so ensures that the cost of housing is shared. Younger residents of the City, when ready to purchase a home, may be more likely to purchase a larger family type home in neighbouring areas where there are greater opportunities.

9.2. Gentrification

Over time, the population of the City of Sydney is becoming more homogenous, with little diversity of income groups, particularly in areas where gentrification is well advanced such as Surry Hills, Newtown and Glebe / Forest Lodge. A measure of gentrification can be seen in income levels and how they change over time. Between 1996 and 2006, the proportion of lower households decreased while the proportion of higher income households increased in an ongoing process of gentrification occurring across the LGA (Graph 14).

Graph 14 Change in weekly household income (quartiles), City of Sydney, 1996-2006⁴⁷



This means the population of the City is becoming wealthier over time. This is a trend that is likely to continue and become more extreme as housing costs continue to rise and lower income groups are priced out of the market. The effects of gentrification in the LGA will include:

- loss of lower and lower middle income groups;

⁴⁷ City of Sydney, *Community Profile 2006*

- concentration of lower income households within areas where the price of rental tenure is lower;
- the potential marginalisation of lower income households within public housing estates; and
- loss of larger plan dwelling stock.

The process of gentrification varies considerably at a suburb level. Areas such as Waterloo/Zetland saw an increase in lower income households between 2001 and 2006. The gain is owing to the large proportion of public housing in the area, but also may be indicative of the increases in stock of private rental property, perhaps let at lower rates than the rest of the City. Similarly, in areas such as Haymarket, there was an increase in lower income groups, likely the result of the large student population and the resultant number of group households. These suburbs are maintaining their population profile as well as their role and function.

Other areas which have high proportions of low income households, such as Kings Cross, are losing low income households and gaining predominantly lower middle income groups and high income groups. This is an indication of the increased rental market in these areas and the nature of the resident population which, as noted above, is predominantly younger, highly transient households.

Suburbs such as Glebe / Forest Lodge, Newtown, Surry Hills, The Rocks / Millers Point / Dawes Point, Redfern and Woolloomooloo are areas that are polarised between high and low income households, but over time are losing low income households and becoming wealthier. As time goes by these areas are likely to become wealthier, the lower income groups being represented mainly by households within public housing.

Areas such as Potts Point, Rushcutters Bay, Ultimo, and Elizabeth Bay show a diverse mix of income types. This reflects the high proportion of rental properties in these areas and the type of population they attract. Over time, these areas have attracted households mainly in the upper middle and higher income quartiles. This is indicative of increasing rental rates. The rental rates in these areas are likely to be very sensitive to the economic and commercial drivers within the City.

Finally, there are suburbs like Erskineville / Eveleigh, Alexandria / Beaconsfield, Darlinghurst and Paddington. These are areas that have undergone gentrification, with households predominantly in the highest income quartile and lower numbers in the middle quartiles. Over time, they have gained in higher income households.

If current trends continue unabated, then it is likely that many areas in the City will continue the process of gentrification, with the loss of lower income households and a consequent loss in diversity⁴⁸.

9.3. Income and employment

Research conducted by Judith Yates (one of Australia's acknowledged specialists in housing and housing policy) expresses concerns that low-income workers are increasingly being excluded from the housing markets within city centres where they are employed, posing a number of potential problems including:

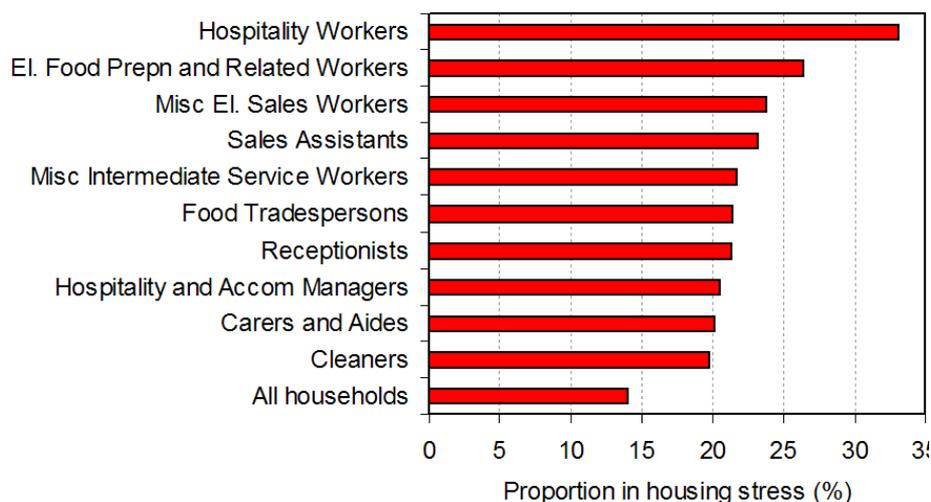
- certain essential employment sectors may expect problems related to recruitment;
- key staff employed within the City do not have an opportunity to participate in the community;
- social, economic and environmental impacts of excessive commuting times; and
- impact on the efficient functioning of the City.⁴⁹

⁴⁸ .id Consulting 2007 *Sydney Housing Analysis for Sydney City Council*

⁴⁹ Yates, J. 2006, *Housing Affordability, Occupation and Location*. Presentation to Shelter NSW Seminar.

Graph 15 shows the occupations with the highest incidence of housing stress in SSD in 2001.

Graph 15 Occupations with the highest incidence of housing stress, 2001⁵⁰



Over the last three decades, the Sydney metropolitan area has experienced all the adverse symptoms of its global status:

- labour markets have changed substantially with increasing casualisation of the workforce;
- manufacturing and industry sector jobs that have traditionally located in Sydney's western suburbs have moved overseas. Loss of these jobs has been offset by substantial growth in the information sector. The increasing importance of this sector has seen corresponding growth in the locational importance of the inner city as an employment destination;
- the gap between the incomes of the wealthy and the incomes of lower and middle income earners is growing further apart and consequently so too is their relative ability to secure appropriate housing in a suburb of their choice.

In its report to the City of Sydney, .id Consulting focused on three groups of workers in the City:

- cleaners and labourers;
- workers classified as clerical and intermediary; and
- nurses and teachers.

Based solely on census data, the report found that there was little indication that the proportion of workers within these specific employment sectors has diminished within the LGA between 1996 and 2001. This may be owing to the large source of casual employees within the City of Sydney. Casual employees are in large supply as a result of:

- the large number of students living in the City; and
- the large number of young temporary residents from overseas who are drawn to the City as a place of residence while they work on various short term visas before returning overseas.

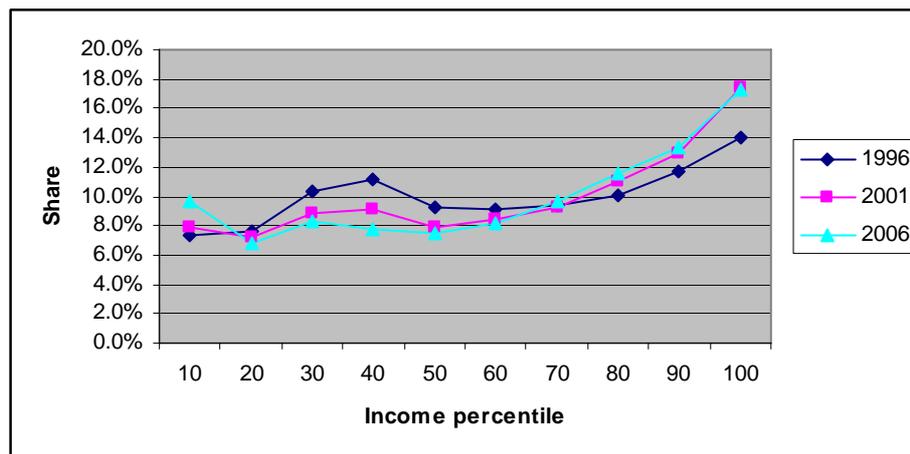
However, the Property Council of Australia (PCA) maintains that 'housing nurses, teachers and low skilled, low-paid service staff in Australia's major cities has moved from being a difficulty to an outright social and economic threat'.⁵¹

⁵⁰ Yates, J. 2006, *Housing Affordability, Occupation and Location*. Presentation to Shelter NSW Seminar.

⁵¹ Perinotto, T 2006 *Housing Shortage and Economic Threat*

Over the past decade the City has experienced a sustained loss of individuals in the third, fourth and fifth income deciles (Graph 16). These decile groups would typically contain unskilled and semi-skilled workers. There is concern that 'Sydney is in danger of losing its economic competitiveness if a generation of hospitality workers, transport operators, sales assistants, hospital workers, cleaners and carers don't have affordable housing options close to work'.⁵² Further, it is unskilled and semi-skilled jobs that are more likely to be casual, part time and low paid thus adding to unstable housing affordability.

Graph 16 Individual income decile of Sydney City population 1996-2006⁵³



Young people and students also play a vital role in the City's workforce. Fifty per cent of the City's young people earn between \$150 and \$599 per week⁵⁴. Students receive only \$174 per week for youth allowance with a maximum of \$52 rental assistance although this income may be supplemented by part-time work or parental assistance. Neither young workers nor students can afford to rent a one-bedroom unit within the LGA without being in rental stress. Most of these young people choose to enter group households to access more affordable housing. However, it may be increasingly difficult for group households to access affordable housing within the LGA if the trend towards 1 and 2 bedroom units continues to increase and the supply of 3+ bedroom medium density housing continues to decrease.

9.4. Loss of low cost accommodation

The sustained loss of boarding houses and other low cost rental accommodation in the City has a profound effect on those at the bottom of the housing ladder, particularly people who are homeless and those at risk of homelessness. In the case of family breakdown, physical or psychological illness, drug addiction, employment loss, eviction or some other personal crisis, low income groups can often drop off the bottom of the housing ladder and into homelessness. Boarding houses are a vital stop-gap between homelessness and other forms of low-cost accommodation.

Once homeless it becomes increasingly difficult to retain links to the community, to gain employment and to obtain appropriate housing. It is essential that these 'at risk' groups have access to at least temporary housing in a boarding house where they are able to reassert a measure of control over their lives, gain access to support services and retain their existing links with the community.

Homelessness is an issue that disproportionately affects large cities. The inner City attracts people who are homeless for a range of reasons, some of which may include the relatively

⁵² Perinotto, T 2006 *Housing Shortage and Economic Threat*

⁵³ ABS 2006 Census *Basic Community Profile*

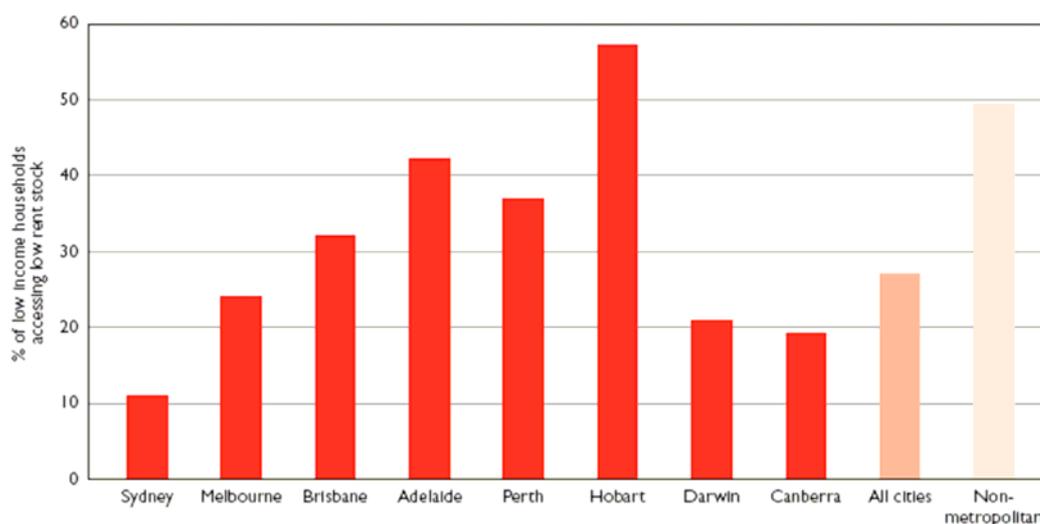
⁵⁴ Note: inclusive of all young people (workers, students and those living at home)

high homeless and accommodation services based in the City and the sense of 'anonymity' that the City may offer. In the 2001 census, 26,676 people were counted as being homeless in NSW. Of this, approximately 4,680 were within the City, Marrickville, Botany Bay and Leichhardt LGAs. So while these areas held only 7% of metropolitan Sydney's population, in combination they held over 30% of its homeless people.⁵⁵

There is an urgent need to ameliorate the decline of private low cost accommodation. This decline in boarding houses has likely resulted not from the demolition of boarding house stock but from conversions into flats or short term tourist accommodation (backpackers hostels, private hotels). Once gone, it is unlikely that the private market, the not-for profit housing providers or the City will be able fill the gap with housing accessible to these most vulnerable groups. The loss of boarding houses places greater strain on crisis accommodation in the City, fewer houses meaning fewer places for people in crisis. Further, loss of boarding houses results in more people in crisis.

Investment in private rental housing together with a continued reliance on the private market to meet the needs of lower income groups has seen the sustained loss of low cost rental accommodation in the City.⁵⁶ A discussion paper based on research conducted by Yates and Wulff (2000) has found that the lack of low rent housing is now particularly acute in Sydney where only 11% of all low-income private renters were accessing affordable housing stock in 2001 (Table 3).⁵⁷

Table 3 Low income private renters accessing low rent stock by Region⁵⁸



While the private rental sector in Australia is growing, the growth is occurring in the moderate-high and high ends of the market. The distribution of housing stock in the low end of the market is in decline despite significant increases in the number of households on low incomes in the private rental sector.

⁵⁵ City of Sydney 2007, *Homelessness Strategy 2007-2012*

⁵⁶ AHURI 2005 *Supply and demand in the low rent private market*

⁵⁷ AHURI 2005 *Supply and demand in the low rent private market*

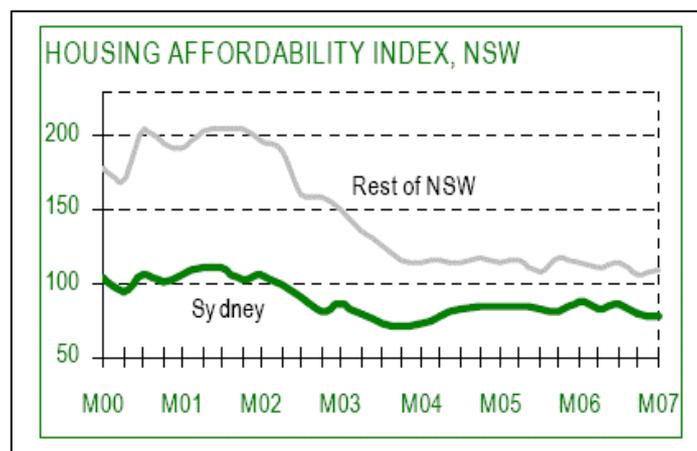
⁵⁸ AHURI 2005 *Supply and demand in the low rent private market*

10. Housing Affordability and Income

While housing affordability is in decline throughout the State, the Sydney metropolitan area has experienced a more sustained decrease in affordability over the past two decades relative to the rest of NSW. More than ever before, available housing options in Sydney do not complement the capacity of many local residents to pay for it.

The Housing Affordability Index (HIA) is released every quarter by the Housing Industry Association. It is a measure of incomes relative to the costs of purchasing a home. The higher the index, the more affordable it is to purchase a home, as the index falls below 100, a household with an average annual income would have less than the income required to service an average mortgage without being in housing stress. Graph 17 compares the HIA in the Sydney metropolitan area to the rest of NSW from March 2000 to March 2007.

Graph 17 Housing Affordability Index⁵⁹



What is 'affordable' housing for a household is primarily determined by income levels. Where the rate of increase in housing costs exceeds the rate of increase in household incomes, housing affordability will decrease. Table 4 outlines what are considered 'affordable' rents and dwelling prices for households earning less than 120% of Sydney's median income.

In the June quarter of 2007, the median sale price of a strata and non strata dwelling in the Sydney LGA was \$430,000 and \$640,000 respectively. This is in comparison to \$372,000 and \$459,000 respectively across the SSD.⁶⁰

Table 5 shows the average rental prices of dwellings in the Sydney LGA and the SSD and also demonstrates rising rental prices over the last three years.

⁵⁹ HIA – Commonwealth Bank, *Affordability Report March Quarter 2007*

⁶⁰ Centre for Affordable Housing *Local Government Housing Kit*

Table 4 Affordable rents and purchase prices as a proportion of household incomes⁶¹

Gross annual household income	Affordable weekly rent	Affordable house price, assuming 5% deposit; 7% interest rate and 30 year loan term
\$20,000	\$115	\$79,000
\$30,000	\$173	\$119,000
\$40,000	\$231	\$158,000
\$50,000	\$288	\$198,000
\$60,000	\$346	\$237,000
\$70,000	\$404	\$277,000
\$80,000	\$462	\$316,000

Table 5 Average rental prices of dwellings in Sydney⁶²

	One Bedroom			Two Bedroom			Three bedroom		
	Mar-06	Mar-07	Mar-08	Mar-06	Mar-07	Mar-08	Mar-06	Mar-07	Mar-08
Sydney SD	\$285	\$300	\$340	\$295	\$320	\$350	\$300	\$315	\$350
Sydney LGA	\$340	\$360	\$400	\$435	\$480	\$545	\$550	\$595	\$680

While recognising that the above tables hide a degree of variability between the different suburbs of the City, it is clear that no household earning less than 120% of the median income can afford to purchase a home without being forced into housing stress. It is also clear that some moderate income households may be able to rent a 1 or 2 bedroom dwelling, however, very low to low income households are unlikely to be able to afford to rent in the City without being in housing stress.

Table 6 shows the proportion of rental and purchase stock in the City that is affordable for low to moderate income households (i.e. loan repayment or rent is less than 30% of household income).

Table 6 Proportion of rental and purchase stock that is affordable June 2007⁶³

	% of rental affordable accommodation			% of purchase affordable accommodation		
	Very low income h'holds	Low income h'holds	Moderate income h'holds	Very low income h'holds	Low income h'holds	Moderate income h'holds
Sydney LGA	5%	14%	46%	0%	0%	8%
Sydney SD	11%	35%	69%	0%	2%	13%

The above table demonstrates a clear need to increase the stock of affordable housing in the LGA.

⁶¹ Centre for Affordable Housing 2007, *Local Government Housing Kit*

⁶² Department of Housing 2008 – *Rent and Sales Report March 2008*

⁶³ Centre for Affordable Housing 2007, *Local Government Housing Kit Database*

11. Housing stress in the City of Sydney

Households who have very low, low and moderate incomes and who are paying more than 30% of their household income to meet their mortgage repayments or rent are considered to be in 'housing stress'.

A discussion paper produced by SGS Economics & Planning that concentrated on housing affordability in Melbourne, uses figures published by the National Centre for Social and Economic Modelling (NATSEM) to demonstrate that most housing stress is concentrated amongst renters in the private sector, that low income households are trapped within the private rental market, and that renters do not have the resources to purchase property and are particularly at risk of housing stress as rental costs rise.⁶⁴

There are a significant number of residents of City of Sydney on low incomes and receiving Commonwealth Rent Assistance (CRA). Of all those receiving CRA in the LGA, more than two thirds are in housing stress. Close to 90% of all those in receipt of CRA and in housing stress are single person households⁶⁵.

The proportion of low and moderate income earners renting or purchasing and paying more than 30% of their income in housing costs within the City is detailed in Table 7.

Table 7 Housing Stress in the City of Sydney⁶⁶

	Very low income households in housing stress		Low income households in housing stress		Moderate income households in housing stress	
	<i>Renting</i>	<i>Purchasing</i>	<i>Renting</i>	<i>Purchasing</i>	<i>Renting</i>	<i>Purchasing</i>
Sydney LGA	95%	90%	76%	77%	44%	63%
Sydney SD	94%	84%	65%	72%	22%	55%

This data indicates that the private rental market in the City of Sydney is not catering adequately for the needs of lower income households.

11.1. Where is housing stress occurring?

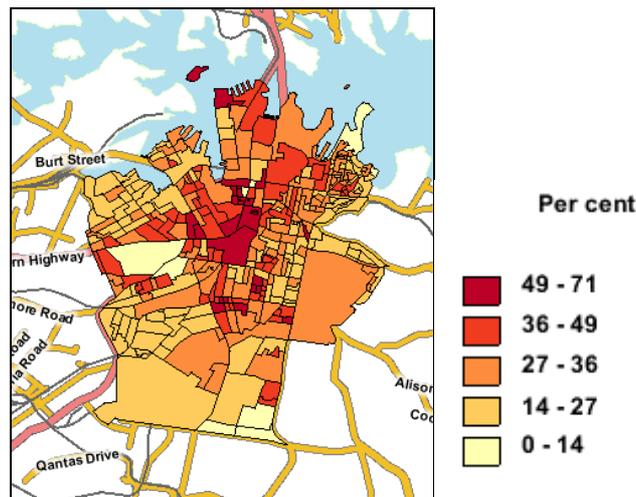
Generally, the northern suburbs of the LGA close to the CBD (eg Haymarket and Central Sydney) have a high proportion of households who pay more than 30% of their income in rent (Figure 3). However, this measure is not necessarily a good indication of whether these households are under threat within a rising housing market. These areas accommodate a high proportion of lone person and group households. Rental accommodation represents a flexible way to organise housing need, and many of these households are highly transient people moving within relatively short periods of time as their circumstances change. Additionally, the market that is being catered for tend to be younger households with no dependents and relatively large disposable incomes. Such households can withstand a high percentage of their income in rent without experiencing housing stress. Group households also represent a way for individuals to afford higher rents, sharing the cost across a number of individuals. Most of these high paying rental households are unlikely to be under threat of losing their home and have a number of housing options from which they can chose.⁶⁷

⁶⁴ SGS Economics and Planning Pty. Ltd. 2007 *Housing Affordability: what are the drivers and how do we fix the problem?* Melbourne Quarterly Seminar

⁶⁵ Housing NSW

⁶⁶ Centre for Affordable Housing 2008, *Local Government Housing Kit Database*

⁶⁷ .id Consulting 2007 *Sydney Housing Analysis for Sydney City Council*

Figure 3 2006 Households paying rent of more than 30% of their income⁶⁸

Areas where households are paying high mortgages such as The Rocks/Millers Point/Dawes Point, Paddington and Woolloomooloo accommodate a significant number of middle-aged and non-traditional households. These areas also have high rates (along with Central Sydney) of households classed in housing stress. Again however, they are not necessarily households that are under threat within a rising housing market. Additionally, many households in these areas fall within the highest income quartile and will nonetheless have substantial resources left despite a high proportion of their income being spent on housing.

Rosebery has a very low proportion of households paying high rent and relatively low proportions paying high mortgages compared with other suburbs, however, it has one of the highest shares of households in rental and mortgage stress. This is an area that showed an increase in middle income groups between 2001 and 2006 and it is possible that middle income households are able to purchase properties and take on the additional risk of servicing higher repayments⁶⁹.

⁶⁸ ABS 2006 *Mapstats Sydney LGA*

⁶⁹ .id Consulting 2007 *Sydney Housing Analysis for Sydney City Council*

Part D – Towards an Affordable Housing Strategy

12. How do Councils facilitate Affordable Housing?

There are a range of levers and means available to Local Government to facilitate the provision of affordable housing. Appendix 2 is a menu of planning controls and initiatives that have been applied by councils in Australia and overseas to secure affordable housing. The following section of this report discusses those tools which are more appropriate for use within the City of Sydney LGA though it should be noted that all tools listed on the menu may be worthy of further consideration.

12.1. Planning tools

12.1.1. Developer contributions

An inclusionary zoning mechanism would include provisions in City Plan to require as part of any development consent, the collection of a contribution to the provision of affordable housing (as physical housing unit/s, land or monetary contributions). This option is consistent with Sustainable Sydney action 8.4.4 to 'investigate opportunities to expand existing 'inclusionary zoning' affordable housing levies to fund the not for profit sector'. Further, the June 2008 Senate enquiry into Housing Affordability in Australia make Recommendation 6.35 that 'state and territory governments introduce enabling legislation for inclusionary zoning to require affordable housing in all new developments, including a proportion of social housing'.

The City may explore a range of legislative options to require developer contributions for the provision of affordable housing, including:

- Environmental Planning and Assessment Act 1979 (EP&A Act), Section 94F and Section 94G;
- EP&A Act, Section 94A
- EP&A Act, Section 94ED; and/or
- City of Sydney Act 1988 (CoS Act), Section 61

EP&A Act, Section 94F and Section 94G

Sections 94F and 94G of the Environmental Planning and Assessment Act 1979 (EP&A Act) allow conditions of consent to be imposed that require monetary contributions or the dedication of land for affordable housing provided the area is identified in State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) (SEPP 70). SEPP 70 validates and enables the use of planning instruments as a means of levying developer contributions for the purpose of affordable housing schemes. The SEPP currently identifies the areas of Green Square and Ultimo/Pymont as those areas that have need of affordable housing and allows for developer contributions to be levied only within the those areas.

Should the City proceed with its intention to levy development for affordable housing by this method in areas beyond Green Square and Ultimo/Pymont, an amendment to SEPP 70 would be needed.

Environmental Planning and Assessment Act 1979, Section 94A

Currently developer contributions are levied in all areas except Central Sydney under Section 94 of the EP&A Act (and are referred to as "direct contributions" under the Environmental Planning and Assessment Amendment Act 2008). This is the "traditional" approach to imposing developer contributions under the EP&A Act and applies only to the creation of new floor space. Alternatively, the City may chose to adopt a Section 94A plan where a levy proportional to the cost of the development is applied to the whole of the LGA (and are referred to as "indirect contributions" under the Environmental Planning and Assessment Amendment Act 2008). Section 94A does not require the Council to demonstrate a direct relationship between the specific development being undertaken and the demands for public facilities, amenities or services arising as a consequence of that development (the "nexus").

Further, Section 94A allows levying where new floor space is created and where additional demand results. When applying developer contributions, the Council can have either a “traditional” Section 94 plan or a “flat-rate” levy Section 94A plan applying to a property. It cannot have both approaches applying to a property.

Should the City proceed with this option, the City would prepare a program for funding affordable housing across the LGA and include the costs applied across the LGA within the Schedule of Works to the Developer Contributions Plan. Contributions levied upon development in accordance with the Section 94A approach could then be spent on providing affordable housing as prescribed by the Schedule of Works.

The rate of contribution for a Section 94A plan is prescribed by the EP&A Regulation 2000. Standard rates are currently as follows:

- Development costing less than \$100,000: 0%
- Development costing between \$100,000 and \$200,000: 0.5%
- Development costing more than \$200,000: 1%

Should the City chose to proceed with a Section 94A plan, any rate exceeding the above would require an amendment to the EP&A Regulation 2000. Moreover, affordable Housing is not prescribed as “key community infrastructure” under the new EP&A Amendment Act 2008. In this case, the City can apply to the Minister seeking the inclusion of affordable housing as “additional community infrastructure”, which can then be levied under a developer contributions plan.

Environmental Planning and Assessment Act 1979, Section 94ED

Section 94EG of the EP&A Act allows the Minister to make, amend or repeal special contribution areas. Section 94ED(1) includes affordable housing as infrastructure that may be levied under this section. A contribution of this nature may be a further layer of contributions and does not interfere with the collection of developer contributions by other means i.e. Section 94 of the EP&A Act unless otherwise directed by the Minister (such as in the Redfern-Waterloo Authority area where a separate contributions plan has been prepared). Central Sydney would need to be treated separately as any development contributions within that area are levied under the City of Sydney Act 1988, not the EP&A Act.

Should the City proceed with this option, the City would request the Minister recognise the LGA as a ‘special contributions area’ and determine a rate for development contributions to be imposed as a condition of consent for all development.

City of Sydney Act, Section 61

Section 61 of the City of Sydney Act 1988 applies only to Central Sydney, being that land subject to the former Central Sydney LEP 1996. The City’s Section 61 plan provides for a 1% developer contribution on any development in Central Sydney with a development cost greater than \$200,000. The initial rationale for a Section 61 plan, as opposed to a “traditional” Section 94 plan, recognised the incremental changes within Central Sydney that made the traditional approach unworkable. Upgrading or augmenting existing public infrastructure is necessary to keep the profile of Central Sydney at a standard commensurate of a high-profile city that is significant to the state, nationally and internationally. However, the “traditional” Section 94 approach meant that the nexus and apportionment tests were hard to demonstrate within Central Sydney due to the incremental changes in demand. This meant that any rate of apportionment applying to new development would have been very small and be unable to capture the changes in development where no increase in the quantity of built floor space was proposed (e.g. substantial office fit-outs where more people were accommodated but no commensurate increase in built floor area).

The rationale adopted by the Section 61 Plan under the City of Sydney Act is a forerunner to the recently implemented Section 94A plans under the EP&A Act. Presently, Central Sydney is not affected by the recent changes to the EP&A Act, and will not be affected unless the City prepares a contributions plan that applies “indirect contributions” (Section 94A) to the Central Sydney area. If the City decides to apply “indirect contributions” under the EP&A Act, the

specific provisions relating to Central Sydney under Section 61 of the CoS Act will subsequently lapse.

While the provisions relating to development contributions under the EP&A Act do not directly impact on a Section 61 Plan, a Section 61 plan requires the concurrence of the Minister for Planning before its approval by the City. This effectively means that any proposals to include affordable housing within the Schedule of Works under the Section 61 Plan will be subject to scrutiny by the Minister; and the potential that the Minister may not grant concurrence.

Should the City consider including affordable housing as a component funded partly by Section 61 contributions, the City will have to advocate this position to the Minister along with any benefits to development within Central Sydney arising from levying development for affordable housing.

12.1.2. Planning agreements

Section 93 of the EP&A Act provides for voluntary planning agreements that may include land dedication and monetary contributions towards a public benefit, which is specifically defined to include the provision and funding of affordable housing.⁷⁰ Planning agreements are used when a change is sought to an environmental planning instrument (rezoning) or at the development application stage. Planning agreements are legally binding agreements that may be used as a way of negotiating positive affordable housing outcomes with developers. They may involve councils offering incentives, such as an increase in FSR or car parking incentives, in return for affordable housing contributions. Incentives that may be offered are likely to vary on a case by case basis and therefore offer great flexibility.

A portion of the City's affordable housing target might be achieved by entering into agreements with developers to provide affordable housing in return for some incentive from Council. This would generally result from a Council supported rezoning of SEPP 1 variation. The developer would then enter a voluntary planning agreement with the Council that details the amount of affordable housing to be provided and the management arrangements for that affordable housing.

To facilitate this, it is proposed the City develop an agreements framework to facilitate the provision of affordable housing. Such a framework may include an affordable housing agreements policy and procedure package to streamline what can be a complex and confusing process. The package is to include:

- A policy outlining incentives for affordable housing including:
 - councils strategic objectives with respect to the use of planning agreements for affordable housing;
 - a methodology for valuing public benefit;
 - how a planning agreement for affordable housing relates to section 94; and
 - the conditions under which a planning agreement can be used;
- Procedure relating to planning agreements such as:
 - negotiation procedures and process;
 - separation of the Council's commercial and planning assessment roles;
 - details of public notification;
 - standard conditions of consent.
 - details of the preparation of the planning agreements; and
 - details of implementation.

12.1.3. Impact Mitigation

Where there is concern that the stock of affordable housing is under threat, it may be appropriate that conditions of consent requiring some form of impact mitigation be attached to

⁷⁰ DIPNR 2005, Development Contributions – Practice notes

approvals that reduce the availability of affordable housing. An example of such a condition may be securing assistance in the relocation of those displaced by the development.

Alternatively, a council may act to protect low cost rental stock by establishing controls on the conversion or demolition of rental housing or boarding houses. This may be facilitated by SEPP 10 - Retention of Low Cost Rental Accommodation which is applicable when the owner or developer of a low rental residential building wishes to alter or add to, subdivide, change the use of or demolish a building that was providing low cost accommodation prior to 28 January 2000. The application of SEPP 10 however is problematic. There is a general lack of understanding of the SEPP between different LGAs and assessing officers within councils. Further, there is often confusion about what buildings the SEPP applies to and what strategies can be used once SEPP 10 approval has been granted.⁷¹ While the City has previously maintained a register of boarding house in operation since that time, the register has not been maintained. Moreover, only boarding houses were listed on the register, meaning other low cost accommodation premises that fall within the purview of the SEPP were not listed on it. Therefore, individual assessors are largely responsible for deciding if the SEPP is to apply to a particular dwelling. The criteria are ambiguous and consequently the application of SEPP 10 is often inconsistent.

Once the City has determined that SEPP 10 does in fact apply to a dwelling then the City must refer the application and supporting information supplied by the applicant to the DoP for final determination. The DoP may approve the change in the dwelling or may enter into an agreement with the developer to offset impacts. Such offsets may include the collection of monetary contributions to be used for the provision of affordable housing within the LGA.

Alternatively, protection for low cost accommodation may be included within a local environmental plan (LEP) that may specifically define low cost accommodation and fashion appropriate development controls for retaining low cost accommodation stock within the LGA.

12.1.4. Housing forms and mix

Planning controls may be formulated to encourage the development of certain housing forms and mix. Adaptable or 'secondary' forms of housing, such as small units above shops, granny flats and bed-sits, may create affordable housing opportunities for moderate income earners. Apartments with dual kitchens and bathrooms that allow a section of the apartment to be used by a separate tenant may provide opportunities for owners to rent a portion of their apartment, thereby providing an affordable rental housing opportunity. Requiring new development to include a certain proportion of 3 bedroom dwellings may stem the declining proportion of these dwellings in the housing stock and increase the housing opportunities for families and for group households sharing housing expenses.

12.1.5. The approvals process

The approvals process can be a time consuming and expensive part of any development, the costs being passed to the end user of the development. Two methods that may be applied to encourage affordable housing through the approvals process are:

- simplifying the approvals process for proposals including affordable housing which may reduce the cost impact of planning delays and therefore the end cost of dwellings; and
- an accelerated approvals process that gives priority to proposals that include affordable housing. 'Fast tracking' can be a successful tool to encourage affordable housing.

12.2. Forming strategic partnerships

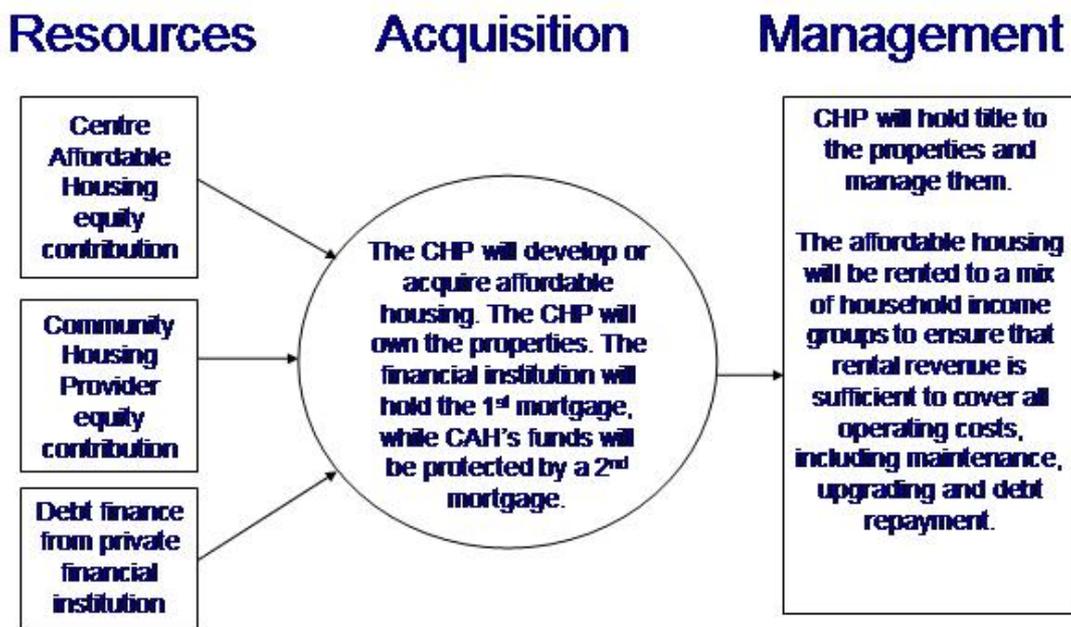
⁷¹ City of Sydney, *DRAFT Housing and People: a housing strategy for the City of Sydney 2005 - 2008*

Councils may establish partnerships in housing funding, provision and management with a range of government and non-government agencies. The affordable housing strategy and action plan should provide a framework for the progression of relationships with Housing NSW, local community housing associations and other non-government stakeholders.

The City may consider an extension of the existing relationship that is currently held with the City West Housing Company or the establishment of partnerships with other not-for-profit non-government housing interests. An example of such a relationship is the Brisbane Housing Company discussed in section 4.3.1 of this report.

A further example of how strategic partnerships are being formed with the not-for-profit sector can be observed in the recent announcement by the Centre for Affordable Housing of a \$49.8 million Affordable Housing Innovations Fund. The program offers funding to community housing providers who bring both debt and equity to projects for which they will own title. While the funding is offered only to community housing providers, providers are free to enter into partnerships with government organisations that may add monetary or land donations (see Figure 4).

Figure 4 Centre for Affordable Housing Affordable Housing Innovations Fund⁷²



The City is in a position to strengthen its partnerships with the private development sector with a view to joint venture housing developments with government and non-government stakeholders. A key area for opportunities of this nature may be found in Green Square. As a significant landholder in the area, the City may identify suitable opportunities for affordable housing developments with a range of partners.⁷³

⁷² Centre for Affordable Housing *Debt Equity Affordable Housing 2006-2007*

⁷³ City of Sydney, *DRAFT Housing and People: a housing strategy for the City of Sydney 2005 - 2008*

12.3. Financial Initiatives

12.3.1. Direct support

It is possible that a council may allocate monies to a non-profit organisation/s or joint ventures for the purposes of providing affordable housing. The funds dedication may take the form of an initial investment or an annual dedication of funds (as in the case of the Brisbane Housing Company as discussed in section 4.3.1 of this report). Funds may be raised through rate income, rent income or income from other levies.

Councils may also provide other material assistance to organisations with a role in affordable housing. For instance, the City provides support to various non-profit housing organisations via its Accommodation Grants Program.

12.3.2. Financial incentives

A range of 'carrot' financial incentives may be offered to developers to encourage the provision of affordable housing. Such incentives may include:

- waiving or reducing development contributions for developments that include affordable housing. This is already possible under the *City of Sydney Section 94 Contributions Plan*;
- spreading charges i.e. infrastructure charges and DA fees, as a way of reducing the up-front costs of development that provide affordable housing;
- rate rebates on properties where affordable housing is to be provided or to rental properties with low income tenants.
- making land available to affordable housing providers through donation or by deferring payment so that the upfront costs of development are lowered; or
- reducing rates or offering rebates for owners of boarding houses so as to provide an incentive for their retention.

Currently, there is no provision requiring the collection of monies from developers for affordable housing outside the areas of Ultimo/Pymont and Green Square. Therefore, there is no mechanism for the collection and distribution of monies collected from developers for affordable housing outside the areas of Ultimo/Pymont and Green Square.

12.4. Advocacy and community development

12.4.1. Advocacy to other levels of government

Councils may advocate to Commonwealth and State Government agencies for greater affordable housing opportunities within the LGA. Key areas of interest for the City include:

- the allocation of funding to Housing NSW and the Aboriginal Housing Office;
- greater investment in the community housing sector;
- the greater dispersal of public housing throughout the LGA in order to promote a healthy social mix and avoid concentrations of disadvantage; and
- the inclusion of the whole of the LGA on SEPP 70 to enable Council to collect development contributions to fund affordable housing.

12.4.2. Community Engagement

Some members of the community view affordable housing in a negative light. There is often fear that concentrations of disadvantaged people may lead to increased alcohol and drug use in an area, increased crime, increased anti-social behaviour and a decrease in the value of property in an area. Councils may work with members of the community to educate them on

the overall benefits of providing affordable housing within the LGA. An example of how this might be done in the City is by a City talk.

Where community members and stakeholders are involved in the planning of affordable housing there is greater opportunity to enhance the general understanding of the importance of affordable housing. Councillors, council staff, members of the community, and various stakeholders may participate in task forces to develop strategies for increasing the supply of affordable housing.

12.4.3. Ongoing research

It is important to monitor housing trends within the LGA and surrounding LGAs so that housing policies can remain responsive to change. To this end, the City has engaged the expertise of .id Consulting to maintain the Affordable Housing Social Atlas to reflect the most recent census data. The Affordable Housing Social Atlas provides a web-based tool for on-going reporting and analysis of affordable housing need and issues and can be accessed on the City's website.

Further, ongoing research of best practice and national and international affordable housing initiatives will inform the ongoing provision of affordable housing within the City.

13. Conclusions

The Commonwealth and State Governments control the macro-economic policies that most affect the affordability of housing in Australia. Further, these tiers of government provide public housing and make financial assistance available. As such, the extent to which local government can address the problem of housing affordability within the City is limited. While the City of Sydney recognises that Local Government is in a unique position to protect, promote and provide affordable housing within the LGA via regulatory processes, forming strategic partnerships, financial incentives and advocacy initiatives, the real solutions to the housing affordability crisis must be driven using a multi level government approach.

It might be argued that housing affordability should not be a concern in the City. That it is reasonable to suggest that low to middle income earners move to neighbouring LGAs and travel in to the City to work. It must be understood however, that LGAs surrounding the City have their own affordable housing concerns. It may be just as difficult for low to middle income earners to acquire housing within neighbouring suburbs. Further, as demand increases and housing costs rise, low to middle income earners may be pushed further away from the City. Affordable housing issues should therefore be considered in a regional context and not as a problem that can be measured in wholly local terms. Where there is close communication and agreed objectives between the City of Sydney and neighbouring LGAs the key issues surrounding affordable housing within the Sydney Metropolitan area may be more fully addressed.

The City of Sydney is Australia's economic capital. In 2005-2006, \$70 billion of Australia's GDP was attributed to economic activity within the City. It is also enormously significant for the metropolitan region, in 2001 providing in excess of 341,000 jobs. Access to affordable housing is a key concern for the growth of the City's economy. No household earning less than 120% of the median income can afford to purchase a home within the City of Sydney without being in housing stress. Further, while households earning less than 120% of the median income may be able to rent a one or two bedroom unit in the City, it is unlikely that those on very low to low incomes may rent in the City without being in housing stress. As dwelling prices rise in response to demand, low and middle income groups find it more difficult to remain in the City. Where low and middle income workers are unable to access affordable housing, there is considerable concern that certain employment sectors will experience problems recruiting staff.

Furthermore, the affordability crisis presents serious social risks to the LGA. The City is a diverse place, known for its mix of people from different social, cultural, religious and economic backgrounds. The extremely wealthy live alongside some of the Australia's poorest people (those who have access to the City's large stock of public housing and those living rough on the streets). Over time, the population of the City is becoming more homogeneous. In areas such as Surry Hills, Newtown and Glebe, where the process of gentrification is advanced, there is little diversity in income groups.

The City of Sydney is facing significant population growth over the next 20 years. There is little evidence that the market will deliver housing that is more affordable in the City without direct intervention from Commonwealth, State and Local Governments. The City may assist this process through the planning process, by offering financial incentives and by other advocacy initiatives. The City may also establish partnerships to fund, provide or manage housing with a range of government and non-government agencies. In combination, the high demand for housing within the LGA, the buoyancy of the rental market and high property values are a particular strength. Investor confidence in the housing market within the City is strong (unlike elsewhere in the metropolitan area) and this provides the opportunity to work in partnership with developers to obtain socially beneficial outcomes.

Sustainable Sydney 2030 establishes an ambitious target that by 2030, of all housing in the City 7.5% will be social housing, and 7.5% affordable housing delivered by 'not-for-profit' or other providers. This target seeks to increase the current proportion of social and affordable

housing in the City by a modest amount. Achieving this target will depend, to a significant extent, on the policies of other levels of government to increase the capacity of the not-for-profit sector and entice the investment of the private sector in affordable housing. Direct provision of affordable housing by Council will have a limited, but important part in achieving targets.

To meet targets articulated in Sydney 2030, it is essential the City establish a portion of the overall target facilitated/provided *by the City of Sydney*. By adopting a raft of measures, including actions towards developing planning mechanisms, strengthening protection of existing affordable housing and advocating to and working in conjunction with other government and non-government organisations, the City can achieve targets contained in Sydney 2030 and improve housing outcomes for very low, low and moderate income households.

Appendix 1 Table of Acronyms

AHO	NSW Aboriginal Housing Office
AHP	Aboriginal Housing Provider
AHSILG	Affordable Housing Strategy Internal Liaison Group
BCC	Brisbane City Council
BHC	Brisbane Housing Company Limited
CAH	Centre for Affordable Housing
CCCLM	Council of Capital City Lord Mayors
CRA	Commonwealth Rent Assistance
CSHA	Commonwealth State Housing Agreement
CWH	City West Housing Company
DCP	Development Control Plan
DoP	NSW Department of Planning
EP&A Act	Environmental Planning and Assessment Act (1979)
GDP	Gross Domestic Product
GLA	Greater London Area
LEP	Local Environmental Plan
LGA	Local Government Area
RSL	Registered Social Landlord (housing association)
SEPP	State Environmental Planning Policy
SSD	Sydney Statistical Division
SLEP	Sydney Local Environmental Plan
SSLEP	South Sydney Local Environmental Plan
UDP	Unitary Development Plan

Appendix 2 A menu of levers and means used by Local Government to promote and provide affordable housing

A menu of levers and means used by Local Government to promote and provide Affordable Housing

Initiative	How does it work?
Planning Tools	
Inclusionary zoning	Zoning requiring the incorporation of affordable housing in approved developments. This may require that developers provide affordable housing as a proportion of the development or that contributions towards an affordable housing fund are collected on behalf of an affordable housing provider.
Site Specific Zoning	A customised zoning regulation applied to specific sites. It gives local governments the flexibility in allocating densities and specifying use.
Zoning allowances	Other zoning tools including housing above shops, small lot zoning, zoning for additional detached dwellings on a lot.
Impact mitigation	Attaching conditions to development approvals that reduce affordable housing stock. This may include developer provision of affordable housing within the site or offsite or a cash contribution to displaced residents.
Regulations	Encouraging new approaches to development that reduces cost while ensuring it remains at an acceptable standard.
Caravan Parks	Encouraging the development of caravan parks and ensuring its worth as a form of permanent housing.
Manufactured home estates	Zoning areas for manufactured home estates. It should be noted however that banks can be reluctant to lend where asset value is not assured.
FSR Bonus	Increase FSR allowances in exchange for the provision of affordable housing.
Bonus Development rights	Offers developers a more intense development if the developer is prepared to include affordable housing in the project.
Protection of rental stock	Recognising the need for rental housing as a means of providing affordable housing, councils may act to protect rental stock by establishing controls on conversion or demolition of rental housing, for example, some councils in Vancouver have required a one-for-one rental stock replacement in situations where developers displace rental accommodation with new strata title units.
Self Build	This allows the development and eventual purchase of a household 'shell' so that low to moderate income earners may fit out the house according to their needs.
The Approvals Process	Simplifying the approvals process for affordable housing to reduce cost impact of planning delays.
Accelerated Approvals	The accelerated approvals process gives priority to proposals that include affordable housing. Since lengthy approval processes can add significant costs to developments 'fast tracking' can be a successful tool to encourage affordable housing.
'Deemed to comply'	Increasing the range of 'deemed to comply' for affordable housing by reducing prescriptive regulation and increasing "deemed to comply" guidelines for affordable housing which do not exclude alternative approaches.
Financial Incentives	
Rates - Rebate	Council may offer rebates on properties where affordable housing is to be provided or to rental properties with low income tenants.
Rates - Collection	Council may use a levy on rates to dedicate funds to affordable housing projects.
Contributions (a)	Reducing development contributions for developers willing to provide affordable housing.
Contributions (b)	Spreading charges as a way of reducing up-front costs of development.
Development costs	Waiving or reducing development fees for developments willing to provide affordable housing.
Strategic Partnerships	
Land Provision	Council may provide land to affordable housing providers through donation or by deferring payment so that the upfront costs of development are lowered.
Direct Financial Support	Local government financial support may be offered to not-for-profit organisations or joint ventures entered into with other government authorities or the private sector to facilitate affordable housing. Funds may be formed with contributions from development cost charges - they provided a permanent source of funding for housing developments that benefit the community.
Partnerships with support providers	Establish partnerships and secure sufficient and stable funding to provide required support services to assist people to access and maintain their housing.
Public developers	Involving public sector developers to encourage competition and introduce a more diverse range of products and prices into the market.
Advocacy	
Lobbying	Advocate to the Commonwealth and State Governments to increase affordable housing opportunities or to increase funding to meet affordable housing needs.
NIMBY Strategies	Develop strategies on how to deal with NIMBYism. Some examples include: <ul style="list-style-type: none"> • education programs; • tools to assist the community in gauging the impact of social housing on property values; • extensive community consultation; and • advocacy and lobbying.
Community Planning Initiatives	Council members, members of the community, social planners and various stakeholders sit on task forces to develop strategies for increasing the supply of affordable housing.