

INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Organisation: Dubbo City Council

Date received: 20/05/2014

20 May 2014

The Hon Paul Green, MLC
Parliament House
Macquarie Street
SYDNEY NSW 2000



MAYOR'S OFFICE

Dear Mr Green

NSW PARLIAMENTARY INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE HOUSING

Council would like to thank the Panel for the opportunity to provide a submission to the Parliamentary Inquiry into Social, Public and Affordable Housing. In preparation of a submission, Council has been cognisant of the Terms of Reference of the Select Committee on Social, Public and Affordable Housing in consideration of housing issues.

Council's submission provides a summary of the current situation in the City including existing Government partnerships, demographic characteristics, the Dubbo Socio-Economic Indexes for Areas (SEIFA), analysis of the Dubbo Housing Market and the National Rental Affordability Scheme.

Council's submission also details current actions and initiatives being undertaken to address housing affordability in the City and an analysis of social and affordable housing requirements to further stimulate the provision of housing in the City.

Council is undertaking a variety of initiatives that aim to ensure the provision of affordable housing is further streamlined in the City. These initiatives are further discussed in the submission. However, Council is not and should not be a provider of social housing in the City.

1. Current Situation

A. Dubbo Housing Market

The following table provides the median rents for one, two, three and four bedroom properties across the Evocities including Dubbo, Bathurst, Orange, Tamworth, Wagga Wagga and Albury for the April 2014 quarter. This table shows significant growth in the median rents for two and four bedroom properties in the City:

	1 Bedroom		2 Bedroom		3 Bedroom		4 Bedroom	
City	Median Rent	Annual Change	Median Rent	Annual Change	Median Rent	Annual Change	Median Rent	Annual Change
Dubbo	\$170	N	\$220	4.80%	\$300	1.70%	\$390	7.60%
Bathurst	\$170	N	\$250	0	\$315	1.60%	\$388	-7.70%
Orange	\$180	N	\$250	0	\$300	-6.30%	\$400	-3%
Tamworth	\$175	9.40%	\$240	2.50%	\$300	3.40%	\$380	7.80%
Wagga	\$220	N	\$240	-4%	\$310	3.30%	\$400	3.90%
Albury	\$150	-3.20%	\$200	2.60%	\$282	0.90%	\$375	2.70%

The following table provides an overall analysis of the Dubbo Property Market and property sales history for 2013. The table shows the growth in the Dubbo Property Market:

	House	Unit
Median price	\$291,000	\$220,000
Number of sales	603	38
3 month growth	1.90%	4.50%
1 year growth	5.10%	13.40%
3 year growth	4.20%	4.50%
5 year growth	4.60%	2.40%
10 year growth	5.20%	6.90%
Days on market	81	67
Gross rental yield	6%	5.90%

As discussed above, the Orana Region of which Dubbo is the major centre, is experiencing a growth in mining activity with numerous projects either in the planning stage, approvals stage or have already been delivered. The City and the Housing Market will be directly impacted by the following projects:

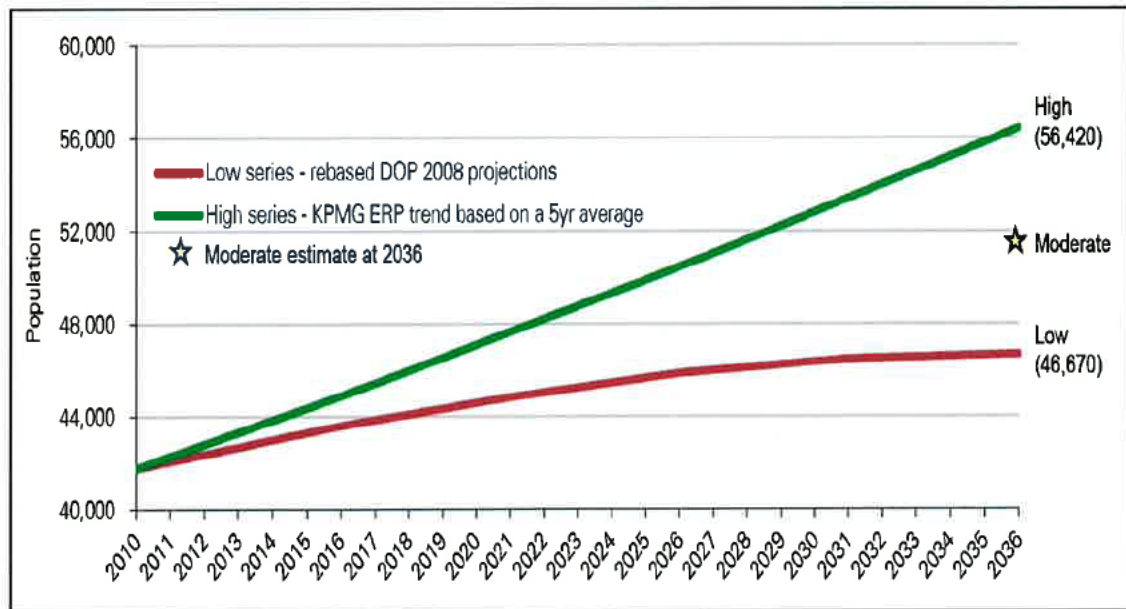
- Dubbo Zirconia Project (Toongi), which is located 25 km to the south of the City (approvals stage);
- Tomingley Gold Project (Tomingley), which is located 50 km to the south-west of the City (currently operating); and
- Cobborah Coal Project (Cobborah), which is located 40 km to the east of the City (approvals stage).

The combined workforce from the three projects could result in an additional 740 workers and their families residing in the Dubbo Local Government Area. Whilst the City would welcome such population growth, this growth must be managed to ensure housing opportunities are provided across the wide spectrum of the Dubbo population.

B. Dubbo Demographic Characteristics

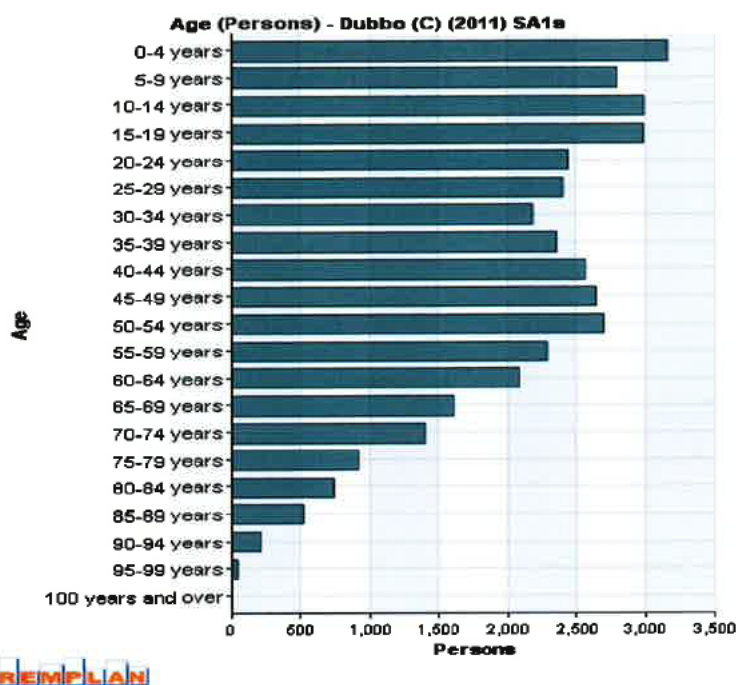
Council engaged the services of consultants KPMG to review demographic information and population projections for the Dubbo Local Government Area. The 'Population Outlook for Dubbo City Council' report prepared by KPMG was provided to Council on 3 February 2012.

The report provides a range of population growth scenarios for the City with a low range growth scenario based on population projects from the Department of Planning and Environment and a high range growth scenario based on an assessment of the five year trend in population growth and taking account of a number of major developments in the Orana Region. The report recommends a moderate population growth scenario of 51,550 persons by 2036, as shown below:



The KPMG report showed that the City is anticipated to continue growing its status as a major inland regional services centre servicing a third of the geographical area of NSW. The City has a number of major population drivers evident including the City being a mining services centre for the Orana Region and Western NSW in the delivery of mining related services, the provision of major health services to the Orana Region and Western NSW, the provision of Government related services and major retail opportunities.

The following graph provides a snapshot of the age spread of the Dubbo population:



This graph shows a significant portion of persons below the age of 20 and also between the ages of 35 and 60. In addition, the median age in Dubbo increased from 33 to 36 in the period between 2001 and 2011.

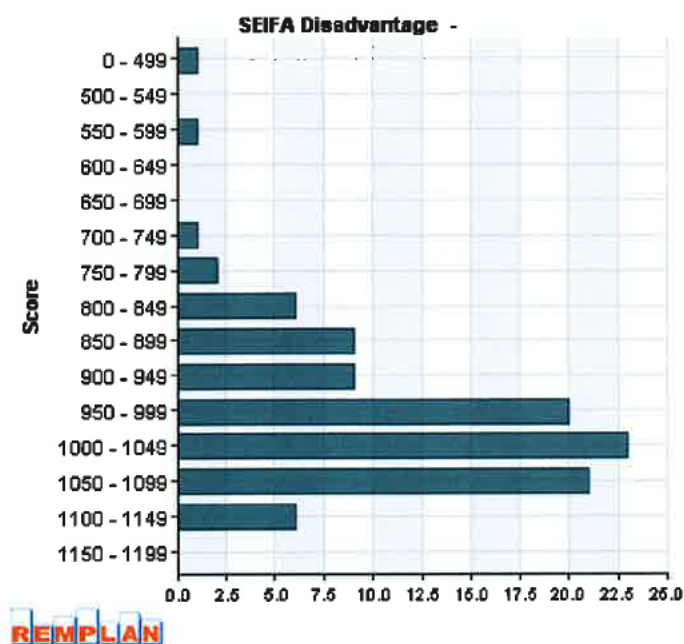
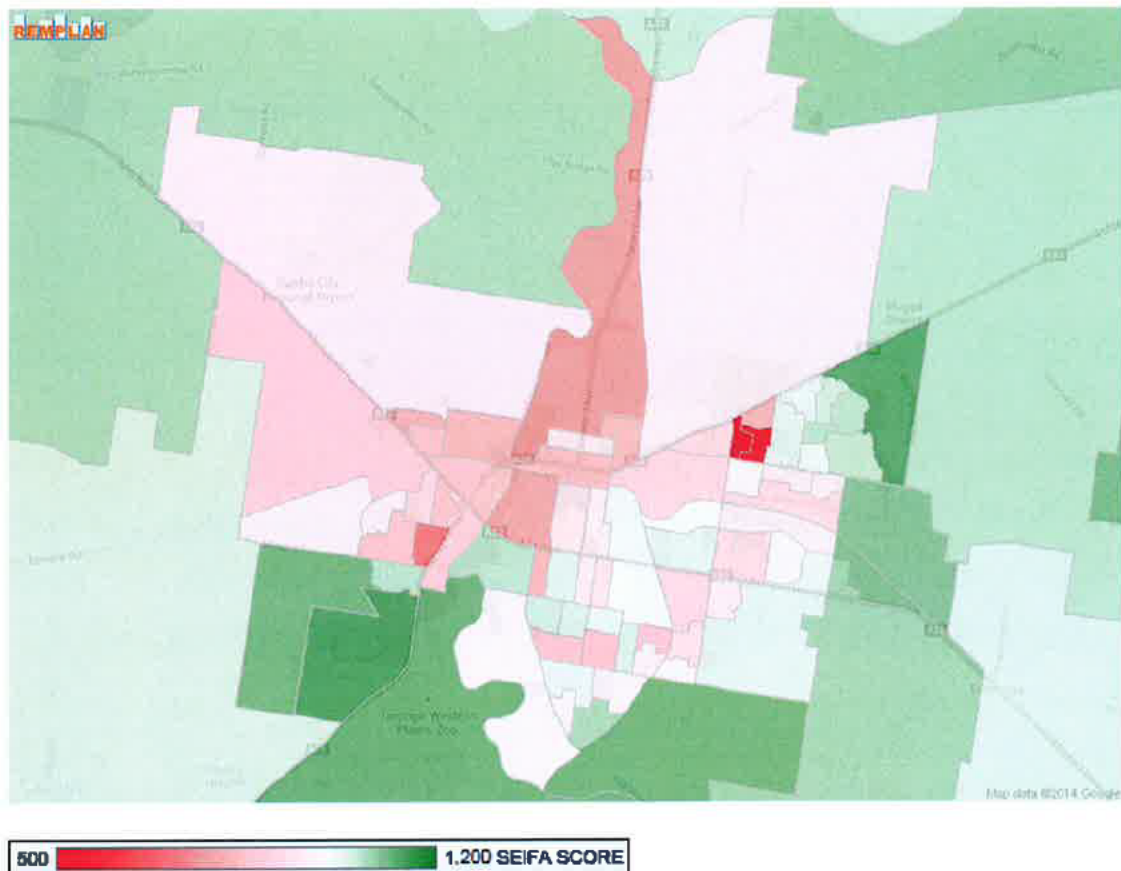
The age distribution shows the importance of the delivery of affordable housing for families and first home buyers in the City. In addition, it reinforces the need for the provision of a variety of housing types to cater for an ageing population, situated adjacent to commercial activities, community facilities, open space and public transport.

C. Dubbo Socio-Economic Indexes for Areas

The Socio-Economic Indexes for Areas (SEIFA) is the combination of a number of measures that allows a combined measurement of advantage and disadvantage to be calculated. SEIFA is based on the following indexes from the Australian Bureau of Statistics Census:

- Index of Relative Socio-economic Disadvantage;
- Index of Relative Socio-economic Advantage and Disadvantage;
- Index of Economic Resources; and
- Index of Education and Occupation.

The SEIFA map and associated results for the Dubbo urban area is provided on the following page:



The SEIFA map shows a range of results across the Dubbo urban area. However, the lowest SEIFA scores are evident in two areas which predominantly consist of social housing. In

addition, the area of the City where the Rosewood Grove Estate is located has seen an increase in the SEIFA score.

D. National Rental Affordability Scheme

At the present time, take up of the scheme in Dubbo has seen a number of licenses issued for developments.

Council supports retention of the Scheme and the advantages it can provide in the delivery of affordable housing and social housing opportunities.

E. Government Partnerships

Rosewood Grove Estate (formerly known as the Gordon Estate)

The former Gordon Estate located in West Dubbo contains over 300 properties and provides housing opportunities for in excess of 1,300 people. The area also had the largest proportion of persons below the age of 14 of any public housing estate in New South Wales. The Estate has a total of 79 properties remaining in public ownership.

In response to increasing levels of crime, vandalism and anti-social behaviour which included a riot in 2005, in 2006, the then Minister for Housing, the Hon Cherie Burton, announced a plan to move all public housing tenants from the former Gordon Estate and embark on a program of re-settlement across a number of areas of the City and other towns.

As a component of this process Housing NSW also embarked on a program of re-vitalisation and re-marketing of the Estate with the new name of 'Rosewood Grove'. As a result of this program the level of social unrest and crime in this area of the City has significantly dropped.

This area of the City has been successful in providing affordable housing opportunities for the Dubbo Property Market. This has included the re-sale of dwellings and vacant land sales. The Estate has provided opportunities for the Dubbo First Home Buyer Market in the delivery of house and land packages in the price bracket between \$280,000 and \$320,000. Land in the Estate has sold for between \$25,000 and \$70,000.

Apollo Estate

The Apollo Estate is a social housing estate situated in East Dubbo comprising of 266 properties of which 185 properties are public housing. On 1 March 2012, the Minister for Family and Community Services, the Hon Pru Goward MP and Local Member for Dubbo, Mr Troy Grant MP visited the Apollo Estate following media attention and community concerns raised in relation to anti-social and criminal behaviour.

Following this visit, the then Minister formed an Action Group (Ministerial Action Group) to consider issues arising from the Apollo Estate and work collaboratively with stakeholders to develop strategies to plan for the future of the Estate. The Ministerial Action Group is a multi

agency group comprising members of Human Service Agencies from Federal, State and Local Government. Council is an active member of the group.

The core purpose of the Ministerial Action Group is to drive a program of reform and change for the community, to respond to issues in the Apollo Estate (and in other social housing areas across Dubbo) and enable improved outcomes for residents living there.

The approach taken by the group is based on a holistic model examining social cohesion and community inclusion along with identifying housing pathways and other means for residents.

In February 2014 the Ministerial Action Group became the 'Dubbo Management Group' with the same focus in considering issues and driving outcomes in the Apollo Estate and other areas.

Housing NSW is currently embarking on a program of re-settlement including the private sale of a number of dwelling houses in the Estate.

2. Council Initiatives and Actions

A. Dubbo Local Environmental Plan 2011

The Dubbo Local Environmental Plan was gazetted by the Minister for Planning and Infrastructure on 11 November 2011. Following completion of the first year of operation, Council commenced the first Administrative Review of the new LEP in 2013.

Council, in undertaking the Administrative Review, received a number of submissions from the public in respect to issues of housing choice, housing affordability and housing availability at a number of price points in the Dubbo Housing Market.

In respect of these housing issues, Council sought an independent review of the Dubbo Residential Areas Development Strategy, 1996 and the supply and demand for residential housing in the City, across a wide range of price points in the Dubbo Housing Market.

Council engaged independent Property and Town Planning Consultants, Hill PDA, to undertake the Review in June 2013. As part of the Review, structured workshops and consultations were held with Dubbo City Councillors, the Real Estate Institute NSW – Orana Division and the Dubbo Development Industry. Extensive quantitative analysis of the residential market in Dubbo was undertaken and a comparison of the current state of the Dubbo market to that of other comparable 'Evocities' was a key component of the Review.

The Review found a number of key core findings, including the following:

- "1. Demand for rental properties far outstrips supply in Dubbo, with vacancy rates the lowest in NSW at 1.4% (April 2013).*
- 2. Growth in housing prices is largely driven by strong growth in the unit prices. By comparison, detached houses' price growth remains moderate.*

3. *Dubbo's median household income is \$1,084 per week, suggesting affordable housing in Dubbo should be pitched somewhere in the \$230,000 price point. Dubbo's current median house price is \$268,500 for a detached dwelling, and \$208,550 for a unit."*

The Hill PDA Review also found that due to the uneven nature of income distribution in Dubbo, the provision of affordable rental accommodation was even more critical than the provision of affordable housing for purchase. Hill PDA found that 46% of Dubbo households fall into the low to very low income bracket (below \$45,093 pa) and will be unlikely to purchase a property without significant government assistance or subsidy. Increasing the supply of affordable rental accommodation provides the most immediate and effective means of relieving housing stress.

Hill PDA in preparing the report also prepared a Household Income Affordability Calculator model of housing affordability in Dubbo. The Model provides a profile of household income levels based on Australian Bureau of Statistics Census Data for Dubbo and consideration of the level of debt or rent each household income could afford to pay dependent on a number of key variables. These key variables include interest rates, deposit availability and the level of household income. The table below shows the level of home affordability across a range of household incomes:

Household Income	Household Income (Weekly)	Rental (% income)	Weekly Rental	Ownership (% income)	Monthly	Principal Loan	Deposit	Home Affordability
\$20,000	\$385	25%	\$96	30%	\$500	\$75,154	\$7,515	\$82,669
\$25,000	\$481	25%	\$120	35%	\$729	\$109,599	\$10,960	\$120,559
\$30,000	\$577	26%	\$150	35%	\$875	\$131,519	\$13,152	\$144,671
\$35,000	\$673	27%	\$182	37%	\$1,079	\$162,207	\$16,221	\$178,428
\$40,000	\$769	28%	\$215	38%	\$1,267	\$190,390	\$19,039	\$209,429
\$45,000	\$865	30%	\$260	40%	\$1,500	\$225,461	\$22,546	\$248,007
\$50,000	\$962	30%	\$288	40%	\$1,667	\$250,513	\$25,051	\$275,564
\$55,000	\$1,058	30%	\$317	40%	\$1,833	\$275,564	\$27,556	\$303,120
\$66,368	\$1,084	30%	\$325	30%	\$1,409	\$211,813	\$21,181	\$232,995
\$66,368	\$1,084	30%	\$325	40%	\$1,879	\$282,418	\$28,242	\$310,660
\$60,000	\$1,154	30%	\$346	40%	\$2,000	\$300,615	\$30,062	\$330,677
\$65,000	\$1,250	30%	\$375	40%	\$2,167	\$325,666	\$32,567	\$358,233
\$70,000	\$1,346	30%	\$404	40%	\$2,333	\$350,718	\$35,072	\$385,789
\$75,000	\$1,442	30%	\$433	40%	\$2,500	\$375,769	\$37,577	\$413,346
\$80,000	\$1,538	30%	\$462	40%	\$2,667	\$400,820	\$40,082	\$440,902
\$85,000	\$1,635	30%	\$490	40%	\$2,833	\$425,871	\$42,587	\$468,459
\$90,000	\$1,731	30%	\$519	40%	\$3,000	\$450,923	\$45,092	\$496,015
\$95,000	\$1,827	30%	\$548	40%	\$3,167	\$475,974	\$47,597	\$523,571
\$100,000	\$1,923	30%	\$577	40%	\$3,333	\$501,025	\$50,103	\$551,128

*Assumptions: 10% deposit, 7% interest rate, 30 year term

The assessment shows that a household with the median income in Dubbo could only afford to purchase a home for \$233,000 (assuming a debt service ratio of 30% of income). If a higher debt service ratio of 40% is applied, a Dubbo household with the median income can afford to purchase a home for \$310,000. The average house price in the City at the end of December 2013 was \$291,000 for a dwelling house and \$220,000 for a unit.

This shows that the City has a significant home affordability issue for the percentage of Dubbo households that can afford a dwelling house. However, the analysis also shows that the City requires further investment in social housing that can deliver housing outcomes for the percentage of the Dubbo population that is unlikely to have the means to afford outright home ownership through either purchase of a dwelling or unit.

B. Initiatives and Actions

Given the results of the Review undertaken by Hill PDA, the characteristics of the Dubbo Rental Market and the Dubbo Property Market, there is a need to significantly increase the investment in quality and affordable rental accommodation in the City.

To assist in this process, Hill PDA provided Council with a number of recommendations in the form of amendments to planning policy and other development initiatives. Such recommendations included:

A. Planning Policy Adjustments

1. Incorporation of further flexibility:
 - Zoning further land in the City for medium density residential development;
 - Reviewing the minimum allotment sizes for subdivision in residential zones;
 - Consideration of further lands for rural residential development; and
 - Provision of zonings to allow for medium density developments in new subdivisions.
2. Land use strategy and strategic planning:
 - Structure planning of new Urban Release Areas for residential development;
 - Amendments to the Dubbo Development Control Plan to introduce requirements for a range of densities and lot size regimes in new subdivisions;
 - Structure planning of a number of significant greenfield sites for residential development; and
 - Review of the Dubbo developer contributions system having regard to the review of the Environmental Planning and Assessment Act, 1979.

B. Other Development Initiatives

A number of initiatives to be pursued by Council in concert with stakeholders to meet changing market conditions, socio-economic factors and residential demand address the following issues:

- Council's dual role as the planning authority and landowner/developer in the City;
- Review of the development timetable of other Council lands;
- Consideration of affordable housing;
- Affordable housing initiatives; and

- Education and awareness of the Dubbo Planning system including the undertaking of an Engagement Strategy aimed at generating development interest from outside Dubbo.

These recommendations have been considered by Council and are currently being pursued.

3. Housing Requirements

The Committee should be aware that the actions currently being pursued by Council aim to assist developers in the provision of affordable housing in the City and especially in the price point between \$280,000 and \$320,000.

It is considered that these actions may address some housing affordability issues for the component of the Dubbo population that can afford home ownership through either ownership of a unit or a dwelling house. However, based on the fact that some 46% of the Dubbo population are unlikely to ever afford home ownership, additional social housing provision will be of paramount importance for Dubbo.

The Committee should also note that the provision of additional affordable housing opportunities and social housing will be of further importance when the various mining and infrastructure projects within the City or the Orana Region are pursued. This will place further strain on the availability of housing and is likely to impact the Dubbo housing and rental markets.

Affordable housing, social housing and public housing opportunities should be integrated with new and existing housing estates in the City through the encouragement of a variety of residential development types and sizes. Provision of these housing types should not follow the pattern of traditional public/social housing estates in the City.

Council looks forward to the opportunity to present our submission to the Committee.

Should you or the Committee require any further information or clarification, please do not hesitate to contact Council's Manager City Strategy Services,

Yours faithfully

Clr Mathew Dickerson
Mayor of the City of Dubbo