

**INQUIRY INTO SOCIAL, PUBLIC AND AFFORDABLE
HOUSING**

Organisation: City of Sydney

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Our Ref: 2014/065079

Committee Chair
Legislative Council Select Committee on Social, Public and Affordable Housing
By email socialhousing@parliament.nsw.gov.au

Dear Chair

Inquiry into Social, Public and Affordable Housing

I write to provide you with a copy of the City's submission to the Legislative Council Select Committee Inquiry into Social, Public and Affordable Housing inquiry.

Providing residents with secure, appropriate and affordable housing is a critical priority for a sustainable, liveable, efficient and culturally vibrant city. In Sydney, particularly in the inner city, there is a significant and growing shortage of social and affordable housing and an urgent need for policy responses.

The City welcomes the inquiry and the opportunity it presents to identify measures to protect and maintain existing social and public housing, and to facilitate the increased provision of affordable housing in our local council area.

The City has prepared a submission to the inquiry that responds to its Terms of Reference, outlines the City's social and affordable housing position and recommends reforms that the NSW Government could undertake to increase the supply of affordable housing and improve service integration and management of existing social and public housing stock.

The City has set its own targets of 7.5% of all housing in our local council area to be affordable housing and 7.5% to be social housing by 2030. These targets can only be achieved with a comprehensive package of reforms and policy framework implemented across all levels of government in partnership with the private and community sectors. We look forward to working with the NSW Government to meet the demand for the sustainable supply of social and affordable housing in inner Sydney.

Should you wish to speak with a Council officer about the City's submission, please

Yours sincerely,

Monica Barone
Chief Executive Office

city of villages

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1. Introduction

Shelter is one of the most fundamental human needs, and it is a fundamental role of government to ensure all members of society have access to it. People need housing they can afford to own or rent, while social housing should be provided for the most vulnerable in our community.

Unfortunately, housing affordability in inner Sydney is dire. As Chair of the COAG Reform Council, Paul McClintock, said in his 2012 report on housing affordability for the City of Sydney:

“The Commonwealth, State and Territory governments all committed to make housing more affordable,” he wrote.

“Unfortunately, none of the indicators we are able to report, show any progress toward achieving this objective.”

Private housing in the inner city is becoming virtually inaccessible to those on low to moderate incomes. Due to the soaring cost of private housing and declining access to social and affordable housing, rising numbers of people are facing housing stress or crisis (spending 30-50% of their income on housing), and associated problems such as overcrowding and food sacrificing.

Social housing, once a safety net for the most disadvantaged in our community, now has more than 55,000 people on its waiting list across the state, and the Auditor-General projects there will be more than 86,000 by 2016. Existing social housing residents, often facing mental, health or other issues, are not receiving the social supports they need to help them exit the welfare system and living in deteriorating housing.

Inadequate social and affordable housing supply has increasingly serious social, economic and environmental impacts. Social polarisation is occurring within the inner-city (between those in private housing and public housing estates) and across Sydney (as low and middle-income earners are increasingly forced out of the inner-city).

The labour supply of essential workers for the City like teachers, nurses and cleaners, and lower-paid workers in private hospitality and tourism, is becoming increasingly problematic as low to middle income households are forced into outer suburbs. Many of these workers are now undertaking longer journey to work times, with higher transport congestion and emissions.

Successive governments have failed to provide for a sustainable supply of affordable and social housing that is needed for diverse, harmonious and vibrant communities, and an efficient, productive city.

Unfortunately, affordable housing remains a low priority on the political agenda. There is currently no Minister for Housing in the NSW or Federal Governments, no affordable housing targets in the Draft Metropolitan Strategy for Sydney to 2031, and the National Housing Supply Council was abolished in November 2013.

The City's Sustainable Sydney 2030 strategy has a target for 7.5% of all housing in the City to be social housing and 7.5% to be affordable housing. The City's *Affordable Rental*

Housing Strategy will help provide 3,000 of the 8,000 affordable housing dwellings that need to be built to reach the target.

The supply of affordable housing in the City of Sydney is concentrated in urban renewal sites such as Green Square, delivered through affordable housing levies. However, the City has been blocked by previous NSW Governments from applying an affordable housing levy across the LGA, and the proposed NSW planning reforms further constrain the limited mechanisms that are available to local government, such as voluntary Planning Agreements.

City research has found an affordable housing levy could be used across the LGA without impacting on broader housing prices, and international experience bears this out. Far less affordable housing is currently delivered through urban renewal in Sydney in comparison to other global cities such as New York, Vancouver, and London, which have achieved significant supply through mandated levy schemes. In recent years, affordable housing contributions in Greater London were set at up to 50% of dwellings, whereas urban renewal schemes in inner Sydney rarely achieve even 3% of development.

The underlying assumption of current government policy is increasing private market supply will alone deliver affordable housing. The City of Sydney is actively supporting increased supply of residential housing and higher density living within the inner city – almost 40,000 new dwellings are projected to be added from 2011 to 2021. However, increased private market supply alone will not deliver affordable housing in the inner city due to the exceptionally high level of demand, underpinned by tax concessions which fuel local and foreign investor demand.

All governments must work together to create a sustainable supply of affordable and social housing. This must start from a recognition that the private market alone will not meet the housing needs of all sectors of society, that a sustainable supply of social and affordable housing is necessary to meet the needs of lower income earners in the inner city, and socio-economic diversity across the City is essential to its social and economic sustainability. The collaboration must begin now to prevent a future of entrenched intergenerational inequality and the inevitable adverse economic and social impacts.

The City recognises the challenges in delivering effective policy responses to these complex issues. The Auditor-General has demonstrated the existing approach to social housing in NSW is financially unsustainable; rental income from public housing is insufficient to fund the costs of the maintenance and capital improvement that are now required, and covering funding shortfalls through property sales and deferred maintenance is not sustainable.

New financial models, such as mixed tenure, need to be investigated to fund investment in the renewal of rundown estates and new supply. Arresting the decline in Commonwealth Grants and increasing subsidies through schemes such as the National Rental Affordability Scheme is also required to increase the amount of affordable rental housing especially in inner city areas.

Our submission is made in a spirit of collaboration. We hope the NSW Government takes the opportunity of this inquiry to make affordable housing a priority and investigate new models. We look forward to working with the NSW Government to find new solutions to deliver adequate affordable housing in the inner city.

2. The City of Sydney's policy positions underpinning this submission

The City of Sydney (City) is critically concerned with housing issues affecting Sydney's social and economic sustainability and the wellbeing of its communities. The following policy positions underpin the City's submission to this Inquiry:

- Housing – as shelter – is a fundamental human need, which governments at all levels have a responsibility to proactively address with regard to the welfare of those within the community who are unable to afford to access adequate shelter through the private market.
- A sustainable supply of social housing should be recognised as core infrastructure required to underpin a sustainable and equitable society and economy, comparable to health and education infrastructure.
- As a critical shelter “safety net” for the vulnerable and disadvantaged, social housing should be treated comparably with regard to government fiscal policy, ie expected to require investment/expenditure by government and not expected to operate on a cost neutral basis. This investment is balanced against the improved longer term social and economic outcomes for individuals and families in secure housing, through enabling them to participate more fully in the city's economy.
- Adequate supply of diverse housing – in terms of housing types and tenures – fundamentally underpins Sydney's social and economic sustainability and development.
- Ensuring all community members have access to the benefit of the city's economic growth requires targeted efforts, the lack of which risks sectors of the community being left behind and estranged from their local neighbourhood.
- The private market will not effectively deliver housing supply to meet need/demand across all sectors of society – in part due to policies that have led to the commodification of housing as investment.
- Increasing supply of market housing across the Greater Sydney Metropolitan Area has not resulted in reduction in house prices in inner Sydney, nor private market housing subsequently becoming affordable (for rent or purchase) to low to very low income earners, the vulnerable and disadvantaged. Effective housing policy must acknowledge the distinctiveness of lower demand (outer Sydney) housing markets and high demand (inner city) markets.
- Non-market (social and affordable) housing supply is required to meet the needs of key sectors of the population, including low to very low income earners and those who are socially and economically disadvantaged.
- A sustainable supply of affordable housing requires greater recognition, leadership and support from all levels of government.
- High quality design of social and affordable housing (in terms of architecture, urban design and environmental sustainability) should be prioritised through NSW Government policy, in light of its potential to have direct positive impacts on tenants' lives and wellbeing, including through impacts on cost of living.

- The social housing system in NSW is currently failing to function effectively and is in need of substantial reform with a view to ensuring a sustainable ongoing supply is available to those in need.
- A series of key policy questions need to be urgently resolved by all levels of government in a reform of the social/public housing system with a view to enabling sustainable supply, including:
 - Resolution of the question of whether social housing is primarily intended as a permanent housing solution for those in need, or as a transitional form of housing – or both;
 - The commitment of state and local governments to sustain and increase the supply of social housing across all parts of the Sydney Metropolitan Area – including the inner city and not just on the fringes where land is cheaper;
 - The willingness of all levels of government to explore and invest in innovative approaches to increase supply of social and affordable housing, and to address entrenched socio-economic disadvantage within public housing communities;
 - The commitment to creating affordable housing opportunities through multiple strategies (including levies and land dedication) on government urban renewal sites.

Definitions of social, public and affordable housing applied in this submission

Social (including public) housing

The City of Sydney defines social housing as housing primarily accessed through the State Government housing application system. This includes public housing owned by NSW Land and Housing Corporation (LAHC) and managed by Housing NSW, as well as social housing managed (some of which is also owned) by community housing providers (CHPs).

These housing types comprise the primary supply of social housing in the LGA, although the definition of social housing also includes housing owned by the Aboriginal Housing Office, which may be managed by Housing NSW or a CHP. Social housing is generally available only to those on very low incomes.

Affordable housing

Definitions of affordable housing vary. For example, the Commonwealth's *National Rental Affordability Scheme* (NRAS) defines this as dwellings rented to eligible low and moderate-income households at a rate that is at least 20% below the prevailing market rates for a 10 year period.

The City of Sydney defines affordable housing through its *Affordable Rental Housing Strategy 2009-2014* (ARHS), as housing that does not absorb more than 30% of a very low, low or moderate income household's gross income. These households are defined in the *Environmental Planning and Assessment Act 1979*.

The City's Strategy excludes affordable rental dwellings delivered through the private market, such as boarding houses and student accommodation.

Affordable housing is open to a broad cross sector of the community including public sector key workers, single income households, and lower paid private sector workers.

It is important to note that with regard to the NRAS requirement that affordable housing be rented at 20% below market rate, such housing is still typically unaffordable for low income households in the City of Sydney, given current rental rates in the inner city.¹

Very low, low and moderate income households

Very low, low and moderate income households are defined in the *Environmental Planning & Assessment Act 1979* as follows:

Very low income	Less than 50% of the median household income for Sydney Statistical Division
Low income	More than 50% but less than 80% of the median household income for Sydney Statistical Division
Moderate income	More than 80% but less than 120% of the median household income for Sydney Statistical Division

¹ Definitional and classification issues are further discussed on pages 39-40 of this submission.

3. Executive Summary of recommendations

Social and affordable housing supply and demand forecasts

It is recommended that:

- The NSW Government explicitly recognises through policy that the private market will not meet the housing needs of all sectors of society, and that a sustainable supply of non-market (social and affordable) housing is necessary to meet the needs of lower income earners in the inner city.
- Aligned with this recognition, the NSW Government develops specific policies and strategies – including targets – to ensure a sustainable supply of social and affordable housing across NSW, including in the inner city.
- The NSW Government investigate, develops and implements innovative approaches to renewing and increasing social housing supply in the inner city, including through innovative financing models, and active leveraging of State owned assets through mixed tenure urban renewal models.

Links between social, public and affordable housing and indicators of social disadvantage

It is recommended that:

- The NSW Government explicitly recognises the clear links between the lack of appropriate social, public and affordable housing and indicators of social and economic disadvantage, through policies and strategies aimed at increasing supply and access.
- The NSW Government further investigates these issues and establishes addressing social and economic disadvantage as a primary driver for decision making, including decisions on increased investment in the social and affordable housing sectors.
- The NSW Government appropriately balances social and economic costs and benefits in decision making, through application of appropriate cost benefit analysis models. That these models be applied to take into account the longer term costs of inadequate supply of social and affordable housing on society, including those associated with poorer health, education and employment outcomes in the community.

Housing design approaches to support tenant livelihoods and wellbeing

Facilitating high quality social and affordable housing design

It is recommended that:

- The NSW Government encourages, enables and directly delivers high quality social and affordable housing through applying best practice in design and sustainability balanced with flexibility and value for money considerations, including through public housing development and renewal schemes.
- Additionally, the NSW Department of Planning & Infrastructure develops and promotes quality design guidelines for social and affordable housing, similar to the guidelines available to support the quality of design of residential flat buildings delivered through State Environmental Planning Policy No 65 – *Design Quality of Residential Flat Development* (SEPP 65).

Improving the effectiveness of housing and estate management

It is recommended that:

- The NSW Government develops and implements specific strategies to support community connection to place, including through providing opportunities for residents to contribute to how their environment is designed, improved and maintained.
- The NSW Government develops and implements strategies to provide local area health services through access to unused spaces in public housing precincts, to enable them to take primary healthcare to the community.
- The NSW Government improves strategies to address crime and safety in public housing precincts, including through Crime Prevention Through Environmental Design (CPTED).
- The NSW Government develops and implements strategies to improve service delivery to social housing tenants, including through investing in community development workers and undertaking inductions for new residents.

Applying successful housing design approaches

It is recommended that:

- The NSW Government, in collaboration with other levels of government, invests in further exploration and piloting of models (both through direct development and funding of third party providers), such as the Common Ground housing first model, which have demonstrated innovative and effective responses to integrating housing supply and service provision to achieve positive social and economic outcomes.

Maintenance and capital improvement costs and delivery requirements

It is recommended that:

- The sale of public housing assets to fund operational expenditure be recognised as fundamentally unsustainable and ineffective in delivering increased social and affordable housing supply to meet housing need. That strategies be put in place to effectively bring an end to this approach in an appropriate timeframe.
- New models for estate renewal and improved maintenance and capital improvement programs be investigated as a priority for the NSW Government through partnerships with other levels of government, the community and private sectors, including consideration of international examples of successful approaches to this issue.

Criteria for selecting and prioritising areas for affordable and social housing

Commitment to sustainable supply of social and affordable housing in the inner city

It is recommended that:

- The NSW Government explicitly recognises through policymaking the strategic importance of supply of social and affordable housing in the inner city to Sydney's ongoing social and economic sustainability.
- The NSW Government makes an unequivocal commitment to an ongoing sustainable supply of social and affordable housing in the inner city. That it investigates delivery and financing models that will support this supply in the longer term, including through subsidies and incentives.

- The NSW Government works collaboratively with local government to deliver affordable housing in the inner city through identifying land supply opportunities, opportunities for joint ventures and facilitating infrastructure delivery to government sites for affordable housing.

Additional locational criteria for social and affordable housing

It is recommended that:

- Criteria for the location of new supply of social and affordable housing prioritise proximity to transport, social infrastructure and employment.
- Models to determine appropriate locational criteria for new supply of social and affordable housing are based on appropriate weighting of both social and economic factors. That models applied in decision making take account of longer term, as well as shorter term social and economic costs and benefits.

Prioritising locations for supply through affordable housing targets

It is recommended that:

- Targets for affordable housing are established through the NSW Government's *Draft Metropolitan Strategy for Sydney to 2031* to demonstrate a commitment to increasing supply of affordable housing, alongside overall housing supply.
- These targets are established at a regional level through collaboration between state government and local government authorities required to deliver on them, enshrined in regional plans and enabled through state planning legislation.
- A monitoring and evaluation system is developed, linked to targets, and that progress on targets be reported by the NSW Government at regular intervals.

Prioritising supply of affordable housing on major urban renewal sites

It is recommended that:

- Mechanisms to support the delivery of affordable housing on major urban renewal sites – including through levies and inclusionary zoning – are investigated and supported through policy and legislation, including through the proposed NSW planning system reforms.
- The NSW Government sets a fixed percentage affordable housing target on all State and non-State major urban renewal projects at the rezoning stage to provide leadership around facilitating affordable housing supply.
- The NSW Government supports the delivery of affordable housing as part of any urban renewal of the Central to Eveleigh corridor. The amount and type of affordable housing should be established in consultation with the City of Sydney to ensure state and local affordable housing objectives align.

Policy initiatives and legislative change, including planning law reform

Evidence base for effective policymaking

It is recommended that:

- The NSW Government establishes an accurate centralised online database of numbers of social, public and affordable housing, with data available at a state and LGA level. That this database is regularly maintained and is made publicly available.
- Definitions of social (including public) and affordable housing are agreed at State and Commonwealth Government level, enshrined in policy and legislation at all levels of government, and consistently applied, including through the ABS Census.

Opportunities presented through proposed NSW planning system reforms

It is recommended that the NSW Government strengthens its commitment to enabling the delivery of affordable housing by amending the NSW Planning Bill to strengthen local councils' ability to deliver through local markets by:

- Permitting local councils to prepare new affordable housing contribution schemes, on the proviso that financial impacts on development are maintained within acceptable levels;
- Permitting Voluntary Planning Agreements to include affordable housing not identified in a strategic plan and to provide land dedication for affordable housing;
- Including a new zone overlay that exclusively permits affordable housing as the only permitted residential use in certain lands rezoned from industrial or other non-residential uses, where suitable.

Proposed repeal of the *State Environmental Planning Policy (Affordable Rental Housing) 2009*

It is recommended that:

- Any incorporation of the provisions of the *State Environmental Planning Policy (Affordable Rental Housing) 2009* (ARHSEPP) into Local Plans, as is proposed through planning legislative reform, is supported by a review of the effectiveness of the ARHSEPP, including through consultation with local councils.

Market mechanisms and incentives

Affordable housing levies

It is recommended that:

- Proposed planning system reforms do not restrict the ability of councils to update or amend the small number of existing affordable housing contributions schemes in place across NSW, enabling them to be continued beyond their current expiry dates.
- The NSW Government considers incorporating affordable housing contributions as part of infrastructure contributions, such as fixed-rate local infrastructure contributions or fixed-rate regional infrastructure contributions.

Voluntary Planning Agreements and capital value capture mechanisms, including land dedication

It is recommended that:

- The NSW Government examines Voluntary Planning Agreements (VPAs) and capital value capture schemes as an effective means to deliver affordable housing, including through international case studies.

- The NSW Government recognises capital value capture schemes as a key policy tool and amends the Planning Bill to facilitate the expansion rather than restriction of such schemes; allow VPAs to provide affordable housing not identified in a strategic plan, and to provide land dedication for affordable housing.
- The NSW Government develops a NSW affordable housing land value capture scheme and guidelines, to provide a guiding framework for local government authorities implementing these schemes.

Ongoing funding partnerships with the Commonwealth Government

National Rental Affordability Scheme

It is recommended that:

- The NSW Government advocates to the Commonwealth Government for the continuation of the NRAS initiative.
- The NSW Government advocates to the Commonwealth for consideration to be given to the establishment of differentiated local eligibility criteria under the NRAS that reflect the circumstances of local housing markets and private tenants within those markets.

4. The City of Sydney Council

Background context

The City of Sydney Council is the authority for the City of Sydney Local Government Area (LGA), NSW (“the City”). The City comprises central Sydney (Sydney CBD), The Rocks, Millers Point, Ultimo, Pyrmont, Surry Hills, Woolloomooloo, Kings Cross, Elizabeth Bay, Rushcutters Bay, Darlinghurst, Chippendale, Darlington, Camperdown, Forest Lodge, Glebe, Alexandria, Beaconsfield, Centennial Park, Erskineville, Newtown, Redfern, Rosebery, Waterloo and Zetland.²

There are a total of 100,984 dwellings in the City.³ This includes an estimated 9,868 social housing dwellings and 665⁴ affordable housing dwellings. Social housing dwellings are generally concentrated in precincts located in Surry Hills, Redfern, Waterloo, Woolloomooloo, Glebe, the Rocks and Millers Point.

More than 183,000 people live within the City’s boundaries, which cover 26.15sq.km, sharing the space with about 22,000 businesses. The median age of City residents is 32. The median household income of City residents is \$1,639.

With an annual increase of about 1.5%, the City’s population is forecast to reach approximately 269,000 by 2031 – more than double its 2001 population. Notably, existing construction and approvals indicate that much of the residential population growth is expected to occur within the next seven years as the Green Square redevelopment project gains further momentum.

Employment is also forecast to grow by a further 120,000 workers (27.5%), to reach around 557,760 by 2031. Currently, an estimated 24,000 workers in the City – or 6.2% of the total workforce – are in key public sector occupations, including teaching, nursing, police and community services.⁵

The City is central to the economic success of NSW and Australia. In 2011-12, economic output in the LGA was forecast to be \$100.8 billion. This represents approximately 7% of the Australian economy and almost a quarter of the NSW economy.

Social (including public) housing supply has remained relatively stable as a proportion of overall housing supply in the city since 2006, with numbers increasing slightly. The City’s *Affordable Rental Housing Strategy* (2009) (ARHS) forecasts that if present circumstances continue, without specific government interventions and initiatives there will not be any substantial growth in the amount of public housing within the LGA to 2030.

Figure 1 over page shows the breakdown of household tenure types in the LGA, as at the 2011 ABS Census.

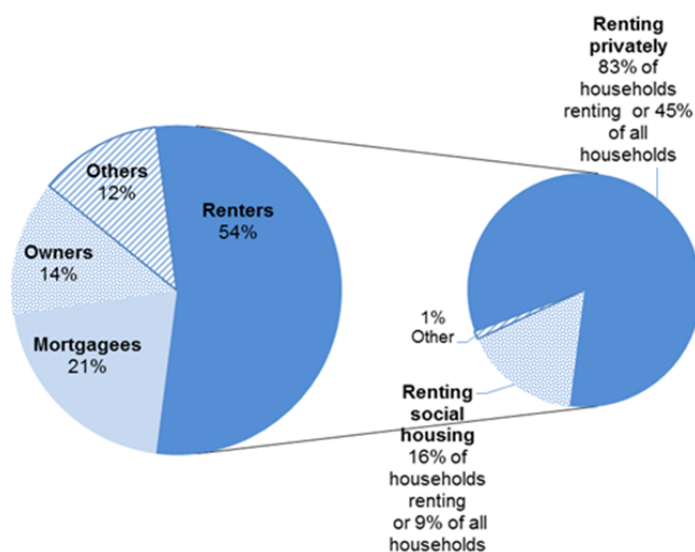
² Refer to map on page 28.

³ Source: City of Sydney Floorspace and Employment Survey 2011 and City data on residential development completions (quarterly). Figures current as at June/July 2013.

⁴ This figure excludes boarding houses and student housing delivered through the private market, for consistency with the definitional parameters of the City of Sydney Affordable Rental Housing Strategy.

⁵ These preliminary figures have been collated from the 2011 ABS Census as part of the City’s current investigations into affordable housing, utilising a definition of “key worker” comparable to that applied by the UK Government for its 2011 Key Worker initiative. UK Studies suggest a similar key worker proportion result in London.

Figure 1: Household tenure in City of Sydney as at 2011 ABS Census⁶



Source: ABS Census 2011 (Dwellings, location on census night data set)

The City currently is one of the highest ranked local government areas in terms of absolute numbers of social housing tenants. According to the 2011 ABS Census data, more than half of the City's resident households are in rental dwellings, and by the City's estimation, approximately 10% of these are social housing properties.⁷ This is equivalent to nearly 9,900 social housing tenancies.

Like all NSW councils, the City has responsibilities and roles identified under the *Local Government Act of NSW 1993*. The City also has responsibilities under other NSW laws including the *Environmental Planning & Assessment Act 1979*, and the *Public Health Act 2010*. Council also has the authority to make its own regulations and by-laws. The City of Sydney's functions include to:

- Provide for development in the local area;
- Provide for local services and facilities that benefit ratepayers, residents and visitors;
- Protect health and provide for the welfare, wellbeing and interests of the local community;
- Represent and promote the interests of ratepayers and residents;
- Establish and support organisations and programs targeting the local community;
- Protect the environment and improve local amenity;
- Attract and provide infrastructure for commerce, tourism and industry;
- Manage, improve and develop resources available to Council.

The City also has core responsibilities under the *City of Sydney Act 1988*, which among other things, governs the operation of the Central Sydney Planning Committee.

⁶ Note: "Others" include in nearly equal proportions "Not stated" and "Not applicable" Census responses.

⁷ The ABS Census may underestimate social housing. It has been speculated that this occurs because social housing tenants are reluctant to self-identify.

As part of these responsibilities, the City has a role in influencing and facilitating the increase in supply of affordable rental housing and the protection of social housing. The City is committed to addressing housing affordability for very low to moderate income households and homelessness for residents and has implemented a number of strategies to do so.

Why social, public and affordable housing supply is important to the City

The City of Sydney's social and affordable housing targets

An adequate and diverse supply of housing of a range of types and tenures – both market and non-market – critically underpins Sydney's social and economic sustainability.

The City has recognised this issue through its Community Strategic Plan – *Sustainable Sydney 2030*. A key direction of the strategy aspires to housing for a diverse population.

The City has embedded targets for 7.5% of total housing supply (dwelling numbers) as social housing, and 7.5% affordable housing to 2030. Currently, housing supply in the LGA comprises 9.8% social housing and 0.7% affordable housing⁸.

Impacts of inadequate social and affordable housing supply in inner Sydney

The City currently faces a range of challenges in achieving its strategic goals for diverse housing to meet the needs of the community. If not addressed, these issues risk entrenching relative inequality and socio-economic disadvantage in the inner city, undermining the city's social and economic sustainability and liveability.

Declining housing affordability and the lack of non-market (social and affordable) housing supply available to meet demand from those who cannot afford private housing is affecting broad sectors of Sydney's communities. From vulnerable households on the public housing waiting list, to those in the private rental market, and for those families whose children can no longer afford an adequate and nutritious diet due to housing costs, or who can no longer afford to live in the city in which they were born.

Socio-economic impacts

Rising land and property prices, driven by a range of factors including population growth, constrained land supply and Commonwealth fiscal policy, have resulted in declining housing affordability across the city. This is expected to have increasingly detrimental impacts on the socio-economic diversity of the inner city.

Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. The market is becoming virtually inaccessible to those on very low to moderate incomes. This issue also has a dimension of generational inequality, as younger people (typically first home buyers) are increasingly priced out of the market.

This trend is coupled with inadequate new supply of social housing and affordable housing in the inner city, both of which are necessary to mitigate market affordability impacts in maintaining accessibility of inner city housing to socio-economically diverse communities. There is a growing disconnect between affluent households able to afford private market housing and highly socio-economically disadvantaged households living in inner city public housing estates.

The majority of households on low to moderate incomes who are remaining in the city are increasingly now living in housing stress or crisis in the private market – spending more than 30% to 50% of their gross income on rental costs.

⁸ These are rounded figures that add to 10.4%.

Areas of housing stress in the LGA are shown in Figure 2 on page 5. This highlights concentrations of housing stress in CBD areas, as well as in the southern parts of the city, around the Green Square urban renewal area.

There is anecdotal evidence that some households in the inner city are living in substandard and overcrowded housing, as a result of affordability pressures. Some family households are sacrificing household spending on food in order to cover housing costs, resulting in food insecurity. Those living in rental stress in the City of Sydney represent the second largest at-risk group in terms of food security (after low income earners – ie those on benefits) – an estimated 21,791 people or representing 4.2% of the total population.⁹

For those living in public housing tenancies, gentrification brings with it an underlying assumption that public housing estates are to be phased out in the inner city. This is currently a very real concern for the city's communities. Many public housing residents are uncertain of the security of their tenancies, particularly in light of the sale of social housing properties at Millers Point in recent years.

Economic impacts on the City and NSW

Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic as well as social impacts.

The City is concerned that the growing loss of low to middle income households from inner Sydney may result in essential employment sectors finding it increasingly difficult to fill employment vacancies and staff shifts, hampering business productivity and economic growth. This issue is a research focus area for the City of Sydney at present.¹⁰

An estimated 47,000 key workers across the public and private sectors currently work in the City of Sydney.

Public sector key workers are estimated at 24,000, comprising 6.2% of the city's total workforce. This includes teachers, nurses, police and community services workers, ambulance and public transport drivers.¹¹ In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6% in 2006 to 8.4% in 2011.

The proportional excess percentage of local residents (8.4%) over local employment (6.2%) reflects the current and traditional diversity of population in the City. But notably this differential has declined from 2.6% to 2.2% in just five years. This finding is aligned with anecdotal evidence that suggests that lower paid key workers are increasingly being forced out of the city, relocating to outer suburbs and commuting further distances to employment.

In terms of private sector key workers, City employers in the tourism and hospitality industries have expressed concern at the increased difficulty of attracting and retaining low income workers in hospitality occupations, particularly skilled casual workers. Other businesses more generally have identified similar problems with attracting and retaining low-

⁹ City of Sydney internal research, adapted from: ABS (2011) Census of Housing and Population; Rosier K., 2011, *Food Insecurity in Australia: Practice Sheet 9 - Communities and Families Clearing House Australia (CAFCA)*, accessed at <http://www.aifs.gov.au/cafca/pubs/sheets/ps/ps9.pdf>; Browne, J., Laurence, S., & Thorpe, S., 2009, *Acting on food insecurity in urban Aboriginal and Torres Strait Islander communities: Policy and practice interventions to improve local access and supply of nutritious food*. Accessed at www.healthinfonet.ecu.edu.au/health-risks/nutrition/other-reviews

¹⁰ The City is planning research into this issue, in partnership with UNSW City Futures Research Centre, through the Australasian Housing and Urban Research Institute (AHURI).

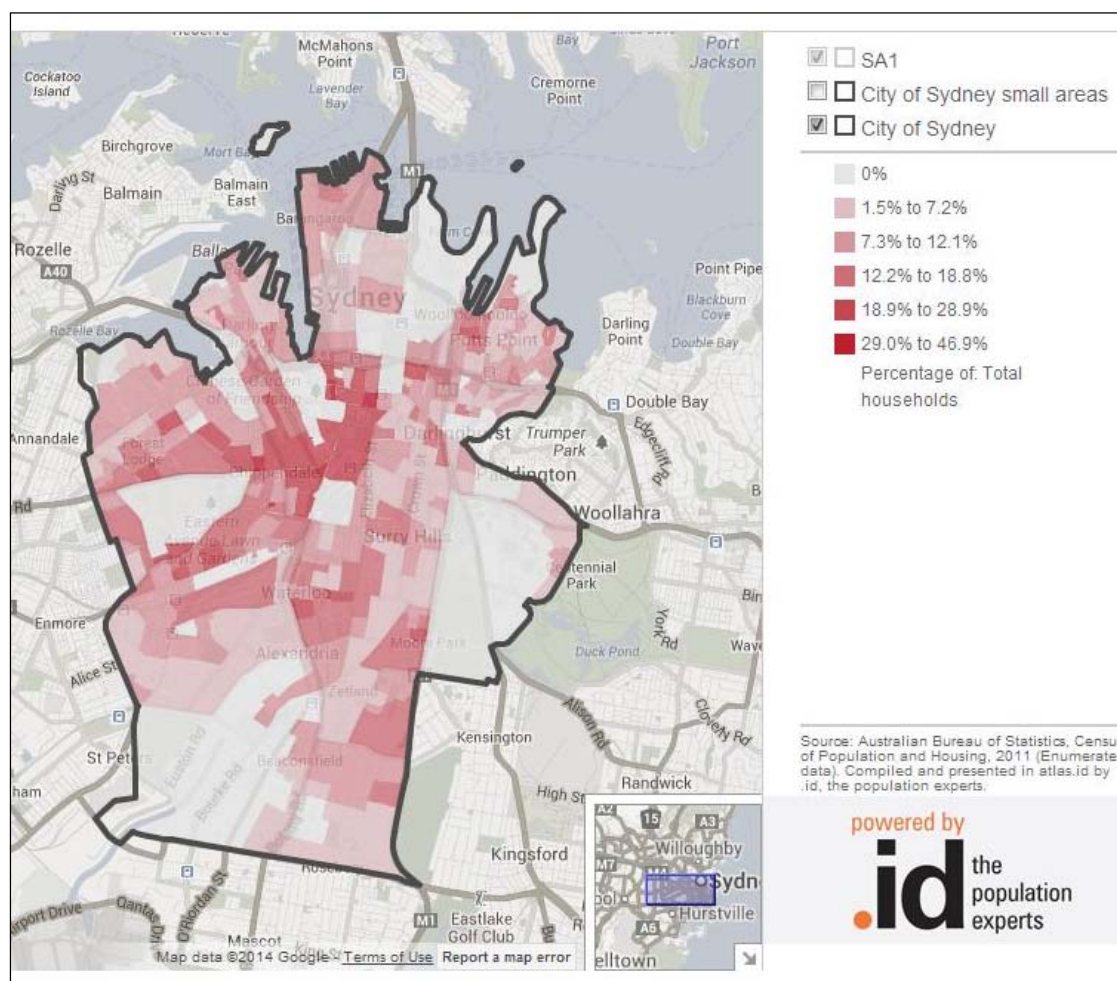
¹¹ These preliminary figures have been collated from the 2011 ABS Census as part of the City's current investigations into affordable housing, utilising a definition of "key worker" comparable to that applied by the UK Government for its 2011 Key Worker initiative. UK Studies suggest a similar key worker proportion result in London.

income cleaning and maintenance staff or contractors. Census data indicates that the City's employment includes approximately 23,000 in these occupations. Note that this figure does not include retail sales assistance nor critical IT and telecommunications support. Whist lowly-paid, these occupational employees play a critical or key role in ensuring the overall profitability and success of City business.

Additionally, the City is concerned with the impacts of declining housing affordability on the lower income workers who are not traditionally classified as "key workers" but who are essential to the social and economic diversity and cultural vitality of the city. This includes the artists and musicians who play a vital role in the success of Sydney's cultural and community life.

These issues represent a significant risk to Sydney's economic productivity and success as a global city. Further, given Sydney's role as Australia's economic capital, this situation poses broader risks to the economic development of the state and nation. The impacts of housing affordability concerns on international students seeking to live near Sydney's key universities, for example, represents an implicit risk to the success of Australia's \$6 billion international education export industry.

Figure 2: Distribution of households in housing stress (%) in the City of Sydney



Source: Forecast ID applying data from ABS Census 2011

The City's responses to current challenges

The City's strategies aim to protect the large number of social housing dwellings in the City and facilitate new rental affordable housing for households on very low to moderate incomes. These aspirations are enshrined in *Sustainable Sydney 2030* targets for social and affordable housing.

The City is currently tackling these challenges through a range of approaches:

- The City is currently preparing a **Housing Position Paper** to inform its range of strategic, operational and advocacy approaches to addressing housing choice, affordability and diversity issues affecting the City's communities. As part of this work, the City is commissioning research on inner Sydney housing market dynamics, including levels of overseas investment in the inner city market and associated impacts on the accessibility of this market to local buyers, including first home buyers. This research will be available in the coming months and the City would be pleased to share findings with the Inquiry in due course.
- The **Affordable Rental Housing Strategy 2009-2014** (AHRs) adopts a suite of planning, partnership, financial and advocacy actions that can have an impact on the supply of affordable rental housing and protection of social and low cost rental accommodation. Through activities such as offering land, site-specific changes to planning controls and seeking negotiated benefits on major development sites, the AHRs estimates that the City has the potential to directly facilitate delivery of around 2,900 affordable rental housing dwellings. This represents 34% of the City's overall affordable and social housing targets.

The AHRs also recognises that addressing decreased housing affordability in Sydney, or ensuring an adequate supply of affordable rental housing, requires engaging all levels of government as well as the expertise and support of the community and business sectors.

The AHRs commenced in 2009 and was conceived as a five-year plan. Continued commitment and improvement of existing strategies is needed to respond to the growing community concern about the long term decline of housing affordability and to drive positive change towards housing for a diverse population. A forthcoming review of the AHRs will strengthen the City's capacity to effectively respond.

- Further strategies, including the City's **Homelessness Strategy 2007-2012**, and **Economic Development Strategy** support delivery of affordable housing and appropriate social housing and services to support the community.
- The City provides a range of social services and programs focused on addressing homelessness.
- In 2009, the City of Sydney and Housing NSW signed a Memorandum of Understanding (MOU) to **establish protocols for collaborative planning and service delivery to public housing and surrounding communities**. This supports activities such as master planning; recycling and waste collection; monthly high level government meetings; regular meetings and forums with tenants; establishment of alcohol restriction areas and community events.
- The City is committed to developing a robust evidence base to support its policy responses through undertaking research, often in partnership with key Sydney institutions. For example, in April 2010, the City entered into an MOU with the Faculty of the Built Environment at the University of New South Wales (UNSW), in order to align research activities concerning the built environment of the city with the needs of the City of Sydney and to co-ordinate research into city planning, architecture and development, with affordable housing policy as a key area for consideration. In

addition to the market research to be undertaken to inform the Housing Policy Position Paper, research projects relevant to this Inquiry include:

- **Research to be undertaken in 2014 in partnership with City Futures and the Australasian Housing and Urban Research Institute (AHURI), to examine housing affordability, central city economic productivity and the lower income labour market.** This project will investigate how affordable housing availability impacts on labour market outcomes and economic productivity in central city areas, using the City of Sydney as a case study. It will build on previous AHURI research¹² on the link between the lower income labour markets and housing affordability. This research will be the first of its kind in Australia. It will inform issues raised in *Sustainable Sydney 2030*, *Affordable Rental Housing Strategy 2009-2014* and, more recently, in the *Economic Development Strategy 2013* and the future Housing Position Paper by the City. Along with filling an important knowledge gap, the research will contribute to evidence-based decisions by the City in this policy area. It will enable greater collaboration with the business and wider community on the impacts of housing affordability and enhance the City's advocacy efforts.
- **Research undertaken in 2011 in partnership with City Futures and AHURI that reviewed and compared emerging approaches to planning for affordable housing.**¹³ This project focussed on urban renewal models in Brisbane, Adelaide and Sydney that sought to deliver increased affordable housing supply, examining how planning and affordable housing policy can more effectively combine to deliver increased affordable housing supply.
- **A research survey of social housing residents about their safety and wellbeing undertaken in late 2013 in collaboration with UNSW.** This project aimed to capture experiences of residents across different social housing locations in the City of Sydney LGA. The research identified that residents: feel less safe after dark with their sense of safety reduced by drug and alcohol use in the local community; were not accessing resources and services aimed at improving wellbeing and safety; and had limited engagement with their neighbours. This research is informing the development of a *Social Housing Wellbeing and Safety Action Plan* by the City.
- The City of Sydney **actively supports the wellbeing of tenants in its inner city public housing estates** and has specific policy objectives for social housing communities that reflect the complexity and diversity of a changing social housing population. The City is committed to ensuring that the levels of amenity, safety and services available to social housing residents are equal to those afforded to private housing residents. Through its policies, the City also recognises that ensuring all community members can benefit from economic growth requires targeted efforts.
- In response to the recognition of the growing physical and social demarcation between public and private housing, **the City has employed a specialist social housing project manager** to channel resources into achieving basic levels of safety and wellbeing for residents. Many public housing residents live in properties that are not adequately maintained and report a lack of prompt, accountable and effective tenancy services. As well as impacting on residents' health, this can give the

¹² Yates, J., 2004, for AHURI, Housing affordability, occupation and location in Australian cities and regions, accessed at <http://www.ahuri.edu.au/publications/projects/p60279> (February 2014)

¹³ This research report can readily be provided to the inquiry.

message that tenants are not valued and should accept lower standards – issues that the City's social housing project manager is working to address.

- The City is also currently working with tenants, state government services and the non-government sector to develop a ***Social Housing Wellbeing and Safety Action Plan***. The Action Plan aims to develop a sense of place; create a connected, cohesive and empowered community; ensure access to health services and healthy choices; build a safe and liveable local neighbourhood, and coordinate accountable, integrated, service delivery and local governance.

5. Responses to key Inquiry terms of reference

The City welcomes the NSW Select Committee's raising of the range of issues which are addressed in the Inquiry Terms of Reference, and the opportunity to provide the City's perspectives on these issues through the following sections of this submission.

Social, public and affordable housing supply and demand to 2030

Current and targeted supply of social, public and affordable housing in the City of Sydney

The supply of social and affordable housing in the City is currently estimated as follows

- 9,868 social (including public) housing dwellings¹⁴
- 665 affordable housing dwellings¹⁵

The City of Sydney has a stated target of 15% of all overall supply of housing (ie total dwelling numbers) being social and affordable housing (7.5% each) by 2030.

Between 2006 and 2012 the actual number of social housing dwellings increased from 9,515 to 9,868. However, because the population and overall housing supply also grew, growth in targeted housing sectors was insufficient to produce any notable progress towards the 15% target.

The City's targets relate to 2030, and the data provided here is on the basis of this timeframe.

Current social and affordable housing supply estimates, as well as targeted growth in supply to 2030 as a proportion of total supply is shown in Figure 3 over page and Table 1 on page 11.

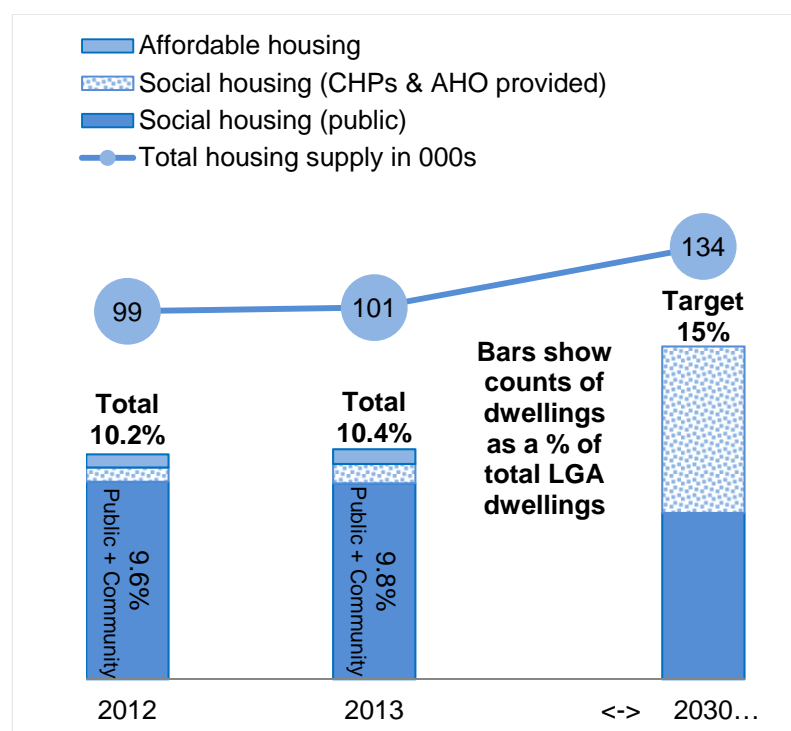
Table 2 on page 12 shows the current supply of affordable housing (including new development and properties divested to the sector from State Government), along with new supply in the pipeline.

Table 3 on page 12 shows National Rental Affordability Scheme-subsidised housing delivered in the LGA.

¹⁴ This comprises public housing, community housing and Aboriginal Housing as of June/July 2013. Data obtained from HNSW and CHPs directly in June/July 2013.

¹⁵ Housing for low to moderate income households in line with the NSW Affordable Housing Guidelines. Data obtained from CHPs directly and from the City's Development Application monitor. These figures represent the best estimates available as at June/July 2013. Figures include new development and divested properties.

Figure 3: Social, public and affordable housing supply in the City of Sydney – current and targeted to 2030¹⁶



Source: City of Sydney 2011 Floorspace and Employment Survey, City of Sydney quarterly Residential Development Monitor and telephone interviews with Community Housing Division, Housing NSW and with community housing providers (June/July 2013).

In order to meet its targets for social and affordable housing supply established in *Sustainable Sydney 2030*, going forward from 2013, the supply of social housing will need to increase by 182 dwellings and the supply of affordable housing will need to increase by 9,385 dwellings by 2030 (see Table 1 over page).

Achieving the social and affordable housing targets set out in *Sustainable Sydney 2030* is forecast to require a 2% growth in social housing, but a more than 14-fold increase in the supply of affordable housing, equivalent to almost 30% of all new residential property growth to 2030.¹⁷ This is given projected growth in overall dwelling numbers in the LGA to 2030 – an estimated 33,016 by 2030.

¹⁶ All proportions are calculated using the City of Sydney 2011 Floorspace and Employment Survey data and cumulative completions of residential developments that the City monitor quarterly. These figures represent a “running total” as at June 2013.

¹⁷ Data on the staging of this increase, by 2020, is not currently available. Further data is being developed for the City’s Housing Position Paper, which can be made available to the Inquiry in due course.

Table 1: City of Sydney housing growth targets, including social and affordable housing

	2006 figures	2013 current figures	City of Sydney 2030 target	Remaining growth to 2030
Total dwellings	89,764	100,984	134,000	33% (33,016 dwellings)
Social housing dwellings	9,397 (10.9% of total dwellings)	9,868 (9.8% of total dwellings)	10,050 (7.5% of total dwellings)	2% (182 dwellings)
Affordable housing dwellings	491 (0.5% of total dwellings)	665 (0.7% of total dwellings)	10,050 (7.5% of total dwellings)	1,411% (9,385 dwellings; approximately 14 x increase)

Notes to table:

Total dwellings are assessed using the City of Sydney 2011 Floorspace and Employment Survey data on the number of private residential dwellings in the LGA.

Residential dwelling counts are updated quarterly as completions of residential developments occur.

Proportions of social and affordable housing have been calculated using social and affordable housing dwelling counts provided by Housing NSW and community housing providers in telephone interviews conducted in June/July 2013, as well as data from the City's Development Application monitor.

Affordable housing supply is not on target and faces particular barriers

Currently, supply of affordable housing in the City of Sydney is concentrated in the areas of Green Square and Ultimo-Pyrmont, where affordable housing levy schemes are operating. To date, these schemes have delivered 102 new affordable housing units in Green Square and 446 in Ultimo-Pyrmont.

A range of registered community housing providers (CHPs) operate in the City of Sydney. These include larger not-for-profit operators such as CityWest Housing, Bridge Housing, St George Community Housing and Mission Australia. Other examples include co-operatives and church based organisations, such as, Common Equity, Eccelsia and Uniting Care.

Despite affordable housing initiatives operating in the LGA, the proportion of affordable housing relative to population growth in the LGA remains low (0.66% of overall supply). The gap between actual supply of affordable housing and the targets set out in *Sustainable Sydney 2030* is increasing.

This situation is exacerbated by not-for-profit community housing providers (CHPs) being unable to compete with private developers in the open market, given land prices and constrained supply in the inner city. Addressing this situation by facilitating and promoting the growth of the community housing sector is an objective of *Sustainable Sydney 2030*.

The City supports the state regulatory framework within which CHPs work, as it supports the City's objectives towards providing a form of affordable housing that is genuinely affordable in the long term. The City supports the NSW Government's initiative to grow the community housing provider sector.

Table 2: City of Sydney affordable housing dwelling supply: current and in the pipeline

	Current supply as at Dec 2013 (dwellings/ units)	New supply in the development pipeline (dwellings/ units)	Forecast percentage increase in supply
Total affordable housing supply (dwellings/ units) excluding boarding houses/student accommodation*	665**	282 ⁺	42%

* If boarding house units/rooms in the pipeline (646) and student accommodation units/rooms in the pipeline (4,505) were included in this count, the total figure is 5,433 units in the pipeline. These numbers also do not include social housing in the pipeline (262 units).

Notes to table:

Source data: City of Sydney Development Application (DA) monitor, as at December 2013.

*Figures exclude student accommodation dwellings (ie units/rooms) and boarding house dwellings (units/rooms) delivered by the private market, in line with the current definitional parameters of the City's *Affordable Rental Housing Strategy*.

**Current supply includes new development and properties divested from the NSW Government to community housing providers.

+ "In the pipeline" refers to dwelling units that are subject to a current DA but not yet approved/determined, as well as dwelling units subject to an approved DA and works yet to commence or under construction. Future supply of properties divested from the NSW Government to community housing providers cannot be forecast.

Table 3: National Rental Affordability Scheme (NRAS) subsidised housing: current and in the pipeline

	Current active supply as at June 2013	Proposed supply in the pipeline**	Forecast percentage increase in supply
NRAS subsidised supply (dwellings/ units)*	157	1,183**	754% ⁺

Notes to table:

Source data: Australian Government National Rental Affordability Scheme Monthly Performance Report, June 2013 (the most recent available published report).

*Figures include student accommodation and boarding house dwelling (units/rooms) delivered through the private market. The City is currently undertaking further analysis to extract numbers of NRAS subsidised affordable housing that excludes these tenure types, in line with the current definitional parameters of the City's *Affordable Rental Housing Strategy*.

**Figure represents NRAS subsidies reserved but not yet taken up as dwelling units are not yet rented or available for rent.

+ NRAS was introduced in 2008 – a key factor in explaining the large differential between current and forecast supply.

The City works with the sector to identify barriers and opportunities to deliver affordable housing in the LGA. Key challenges and barriers to delivery that the sector has conveyed to the City include:

- Determining an acceptable level of “perpetuity” with Councils who strategically seek to maintain the existing social and affordable housing stock in their LGA for their residents, whilst ensuring flexibility to dispose their property to renew and grow their portfolio. This is an issue particularly where the City is capturing affordable housing public benefits as part of Voluntary Planning Agreements, which may ultimately be owned by a community housing provider. The issue also arises with regard to NRAS-subsidised supply, for which subsidies expire after 10 years. Typically, affordable housing acquired through the planning system will involve the use of caveats to protect the City’s and the community’s interest in the long term;
- The sector operating under the constraints of a lack of suitably priced inner urban land. The likelihood of take up of affordable housing development in the City is likely to be low without mechanisms to “level the playing field” in terms of cost delivery in various localities. Because of the converging pressures of relatively high land values and developments costs in the City, and the drive for CHPs to leverage off existing assets, CHPs will seek to provide affordable housing in more affordable areas outside of the City;
- The government’s “silence” on affordable housing in current policy and legislation effectively deterring financial institutions from backing new affordable housing schemes.

Given these barriers, achieving *Sustainable Sydney 2030* targets will depend, to a significant extent, on the support and 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.

Specific planning and other interventions towards the provision of affordable housing in the inner city are also increasingly required. Current affordable housing programs, which were conceived in the early 1990s and developed in the mid-90s, need to be reviewed to respond more effectively to present circumstances.

Far less affordable housing is currently delivered through urban renewal in Sydney in comparison to other global cities such as New York, Vancouver, and London, which have achieved significant supply through mandated levy schemes. In recent years, affordable housing contributions in Greater London were set at up to 50% of overall dwelling development.¹⁸ Urban renewal schemes in inner Sydney, on the other hand, rarely achieve even 3% of total development capacity (in terms of Gross Floor Area or dwelling numbers). This is given the rare occasions that contributions are levied at all.

A greater commitment by State Government to deliver increased supply of affordable housing through levies and other mechanisms is urgently needed, in line with comparable global cities. Specific planning and market mechanisms to enable increased affordable housing supply are discussed elsewhere in this submission.

¹⁸ Although this proportional levy is no longer in operation, the Greater London Authority has an explicit target for 55,000 new affordable homes to be delivered between 2011 and 2015, through collaboration with individual London boroughs whose local targets are determined by local housing need. (Accessed at <http://www.london.gov.uk/priorities/housing-land/increasing-housing-supply>)

Demand for social, public and affordable housing in the City of Sydney

Over the last decade the City has experienced significant population growth, making it the fastest growing local government area, not only in the Sydney metropolitan area, but also in NSW. Between 2001 and 2012, the city residential population increased by almost 58,000 people— both the largest and fastest (44.7%) increase amongst LGAs in the entire state.¹⁹ Strong demand for social, public and affordable housing in the City of Sydney, and in inner Sydney more broadly, is expected to continue to grow. This is a result of a combination of demand factors adversely impacting the affordability of private market housing, including:

- Strong population growth – of both residents and workforce – resulting in increasing competition for private housing, pushing up prices beyond the means of growing numbers of low to moderate income earners;
- Continuing strong economic and associated employment growth in the Sydney CBD, making it a desirable location to live and exacerbating competition for private housing – consequently pushing up prices;
- Increasing demand from investors for inner Sydney properties, encouraged by rising residential property prices and supported through current taxation policy; and
- Increasing demand for inner Sydney properties from overseas investors, supported through current Commonwealth Government policy.

Lower income earners increasingly priced out of the market or in housing stress

The above demand factors have driven significant house price increases – a situation which is effectively excluding very low and even many moderate income households from purchasing property in the inner city. According to RP Data, Sydney recorded the strongest yearly growth across capital cities, with an annual rate of 14.5% in 2013. The recent upturn in the Sydney market is being led by inner Sydney, which outperformed Sydney's overall median growth.²⁰ Since late 2012, median inner Sydney dwelling prices grew by \$70,000.

The inner Sydney median dwelling price is now at a high of \$750,000 and compares with the NSW median dwelling price of \$468,000.²¹ The inner and middle ring of Sydney is now at a considerable premium compared to other parts of NSW. The proportion of housing that is affordable for purchase for very low, low and moderate income households is extremely low. Figure 4 over page shows the proportion of lower income households in mortgage stress in inner Sydney.

Those who choose to stay in the city and rent are now facing significant rent rises. The inner Sydney median weekly rent for all dwellings is \$560 compared with the NSW median weekly rent of \$460.²² Within the Sydney LGA, the median weekly rent for all dwellings is \$570. This represents a 16% increase from the median weekly rent in 2009 of \$490 for the LGA. The median weekly rent for a two bedroom flat in the Sydney LGA is \$700.²³ Consequently, households on very low to moderate incomes in inner Sydney, which are increasingly represented in a private rental market, are increasingly experiencing housing stress. Figure 5 over page shows the proportion of lower income earners spending more than 30% of their income on rent.²⁴

¹⁹ ABS Regional Population Growth, Australia, 2012 - Catalogue No. 3218.0

²⁰ NSW Parliamentary Research Service, 2014, *House prices, ownership and affordability: trends in NSW. Briefing Paper No 1/2014*

²¹ Ibid.

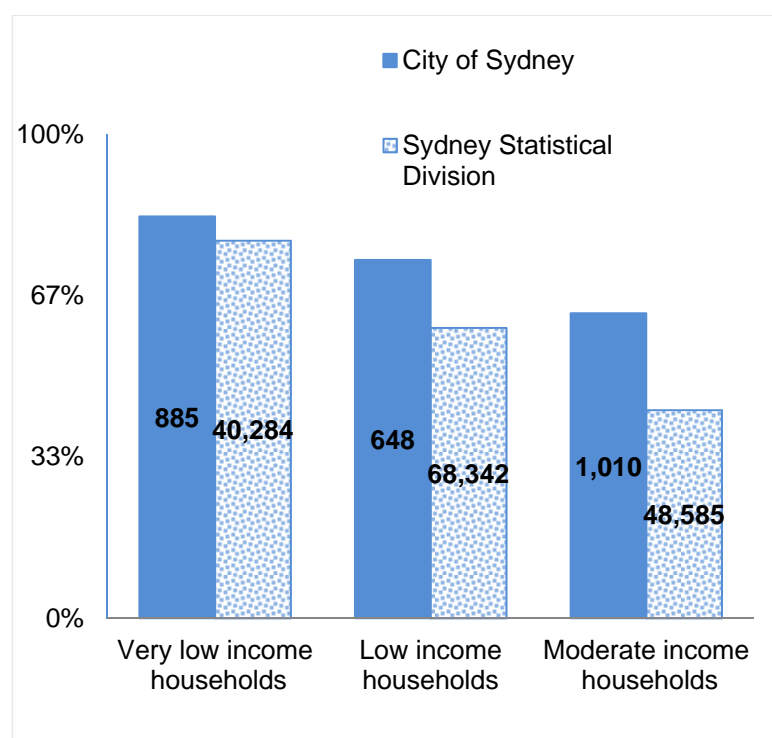
²² NSW Rent and Sales Report, 2012, Greater metropolitan region, time series of median weekly rents, Mar Qtr 1990 to Dec Qtr 2012.

²³ NSW Government, Rent and Sales Data, June Quarter 2013.

²⁴ Housing NSW, Local Government Housing Kit – ABS Census 2011.

Figure 4: Households in mortgage stress

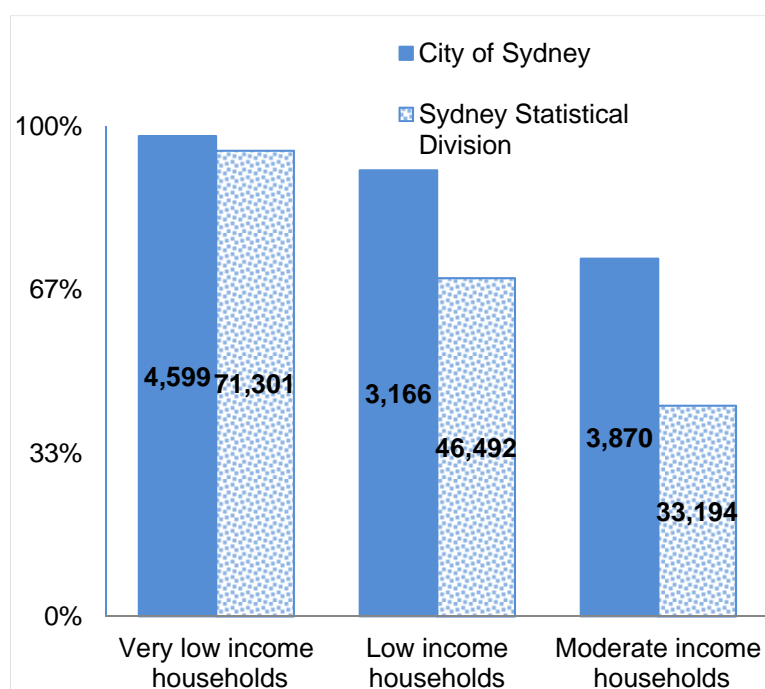
Bars show percentages of households in mortgage stress by income; labels show number



Source: Housing NSW, Local Government Housing Kit – ABS Census 2011

Figure 5: Households in rental stress

Bars show percentages of households in rental stress by income; labels show numbers



Source: Housing NSW, Local Government Housing Kit – ABS Census 2011

The urgent need for greater social and affordable housing to address declining affordability in the private market

This data clearly shows that the inner Sydney private housing market is not meeting the housing needs of very low to moderate income earners. Despite increasing housing supply, housing affordability is not improving for these households. This is in part understood to be the result of new housing increasingly being taken up by investors – both local and overseas – rather than first home buyers.²⁵

As a result of these investment drivers, which are intensifying market housing affordability pressures, demand from purchasers is increasingly unrepresentative of housing *need*. The situation indicates the critical importance of a supply of non-market (ie social and affordable) housing in the inner city.

Supply of social and affordable housing would mitigate the impacts of declining housing affordability on very low to moderate income households who are currently either priced out of the private market altogether, or experiencing housing stress by remaining – primarily as renters.

As has been discussed in this submission, the socio-economic diversity of inner city is essential to its social and economic sustainability. An increasing supply of non-market housing is essential to maintaining this diversity and avoiding the loss of very low to moderate income households from the inner city to its fringes, and avoiding the detrimental social and economic impacts of increasing households in the city being in housing stress or crisis.

It is recommended that:

- **The NSW Government explicitly recognises through policy that the private market will not meet the housing needs of all sectors of society, and that a sustainable supply of non-market (social and affordable) housing is necessary to meet the needs of lower income earners in the inner city.**
- **Aligned with this recognition, the NSW Government develops specific policies and strategies – including targets – to ensure a sustainable supply of social and affordable housing across NSW, including in the inner city.**
- **The NSW Government investigates, develops and implements innovative approaches to renewing and increasing social housing supply in the inner city, including through innovative financing models, and active leveraging of State owned assets through mixed tenure urban renewal models.**

²⁵ This issue is to be investigated through market research being undertaken in the preparation of the City's Housing Position Paper, which may be shared with the Inquiry in the coming months.

Links between the lack of appropriate social, public and affordable housing and indicators of social disadvantage

The City recognises housing – as shelter – as a fundamental human need, with profound social outcomes attached. As part of the preparation of its Housing Position Paper, the City is currently gathering data on the links between the lack of appropriate social, public and affordable housing in NSW and indicators of social disadvantage, which can be shared with the Select Committee in due course.

Positive social impacts associated with stable and secure housing tenancy

The strength of the links between stable, secure and high quality housing and a range of positive social and economic outcomes, including health, education and employment, are well evidenced.

The Camperdown Project in the City of Sydney LGA is an example of a housing model established to effect positive social and economic outcomes for the long term homeless, through the combination of secure long term tenancies with appropriate social services support.²⁶

The “housing first” model applied through the project explicitly recognises – and demonstrates – that stable secure housing is the first priority when addressing the multiple aspects of disadvantage experienced by those who are homeless or at risk of homelessness, including access to employment opportunities. Conversely, adverse social impacts associated with insecure tenancies are a key issue for the City’s communities at present, given the rise in low and very low income households unable to access social or affordable housing in the inner city and who are experiencing housing stress and crisis in the private rental sector. These households are particularly vulnerable due to the lack of support structures available to them, to which social housing tenants have access.

If the supply of social and affordable housing in the inner city does not increase, these issues are expected to become more acute, with increasing numbers of households experiencing housing stress, crisis and associated health and wellbeing impacts, including food vulnerability. Recent research by the City of Sydney shows that within the LGA, people living in rental stress represent the second largest at-risk group in terms of food security (after low income earners) – an estimated 21,791 people or representing 4.2% of the total population.²⁷

Adverse social impacts of lack of supply of social and affordable housing

There are a range of immediate adverse social impacts associated with rapid gentrification and inadequate non-market (social and affordable) housing supply to mitigate the impacts of rising market housing prices on very low to moderate income earners.

These include forced relocations outside the city of households unable to afford private property prices, and associated social dislocation and loss of community ties. Those who

²⁶ The scheme, opened in 2011, was jointly funded by Commonwealth and State Government agencies and developed in partnership with Mission Australia Housing, which manages the tenancies. It provides 104 social housing dwellings for people who were formerly homeless, affordable housing for low income workers, and a range of services including 24 hour concierge, and on-site support services. (NSW Government, Housing NSW, The Camperdown Project: Questions and Answers, 2010 (October), accessed at <http://www.housing.nsw.gov.au/NR/rdonlyres/D3217787-ADB2-4111-B5B0-E385AE9F25C0/0/CamperdownProjectQA.pdf>)

²⁷ City of Sydney internal research, adapted from: ABS (2011) Census of Housing and Population; Rosier K., 2011, *Food Insecurity in Australia: Practice Sheet 9 - Communities and Families Clearing House Australia* (CAFCA), accessed at <http://www.aifs.gov.au/cafca/pubs/sheets/ps/ps9.pdf>; Browne, J., Laurence, S., & Thorpe, S., 2009, *Acting on food insecurity in urban Aboriginal and Torres Strait Islander communities: Policy and practice interventions to improve local access and supply of nutritious food*. Accessed at www.healthinfonet.ecu.edu.au/health-risks/nutrition/other-reviews

choose to stay face increasing rates of housing stress and crisis, and their well-documented adverse impacts on wellbeing. Longer term impacts of inadequate supply of non-market (social and affordable) housing to maintain housing supply diversity are more subtle, though equally well documented. These include:

- Increasing “ghettoisation” of existing public housing estates, due to competition for housing associated with shortage of supply resulting in only the very acutely disadvantaged gaining access – an issue observed in the City of Sydney;
- This “ghettoisation” of public housing further entrenching socio-economic disadvantage of public housing residents, and leading to stigmatisation, social exclusion and isolation from the broader community – a trend that tends to become acute in heavily gentrified areas, such as the inner city;
- Growing levels of overcrowding in the private rental sector as a means for individuals and households to mitigate rising housing costs;
- Overcrowding adversely impacting on health (both mental and physical) and education outcomes, including the education outcomes for children – which in turn is evidenced to impact on longer term life success outcomes;²⁸
- Increasing numbers of people becoming homeless or at risk of homelessness – again with the well documented longer term adverse social and economic impacts that homelessness entails, including poor health, education and employment retention outcomes.

Once a family faces insecure housing tenancy and homelessness, many of these impacts risk becoming intergenerational. Recent Australian research examining the prevalence of intergenerational homelessness in Australia found that almost half of those currently receiving homelessness assistance had parents who themselves experienced homelessness at some point in their lives.²⁹

What is more, given the importance of housing equity as a form of superannuation and inherited wealth within the current Australian economic system, for families that cannot afford to buy housing, intergenerational wealth inequality is perpetuated.

Increasingly geographically entrenched relative inequality in inner Sydney

Figure 6 on page 20 shows the Index of relative Socio-economic Advantage and Disadvantage (IRSAD) applied to the City of Sydney.³⁰ This map clearly demonstrates the current socio-economic diversity of the population of the LGA.

The City considers this diversity to be a positive attribute of inner Sydney, which supports social and economic prosperity and sustainable growth, and which is highly valued by the city's communities. Maintaining this diversity is a key stated goal of *Sustainable Sydney 2030*, and one that is increasingly challenged by the gentrification of the inner city associated reduction in lower income households able to afford to live in the city.

Associated with this trend is the map's indication of geographically entrenched relative inequality in the city, as socio-economic disadvantage is concentrated in public housing estates. Lower scores (dark red) on the map represent areas of disadvantage and generally correspond to the location of public housing estates in Redfern Waterloo, Glebe, Millers

²⁸ AHURI Evidence Review 005, Does affordable housing help children thrive, accessed at http://www.ahuri.edu.au/housing_information/review/evrev005, February 2014.

²⁹ Flatau, P., Intergenerational homelessness and the use of homelessness services, 2008, accessed at <http://www.ahuri.edu.au/publications/projects/p80516>, February 2014, AHURI.

³⁰ Indicators of social disadvantage incorporated in the IRSAD, which is one of the four indices that comprise the SEIFA Index (Socio-economic Indexes for Areas), include education and employment.

Point and Woolloomooloo – highlighting the relative level of disadvantage of public housing tenants compared to the wider community.

This linkage is in no way surprising, given current figures on public housing waiting lists – estimated to be 55,000 in NSW³¹ – resulting in only the most disadvantaged members of the community achieving access to the limited available supply of public housing. In this way, the inadequate supply of public housing is directly leading to increasingly entrenched concentrations of socio-economic disadvantage. This situation is well evidenced to result in poor social and economic outcomes in communities over the short and longer term.

Further issues for examination

The City is currently concerned with the following additional issues associated with the link between the lack of appropriate social, public and affordable housing and indicators of social disadvantage, and recommends that these be further considered through this Inquiry:

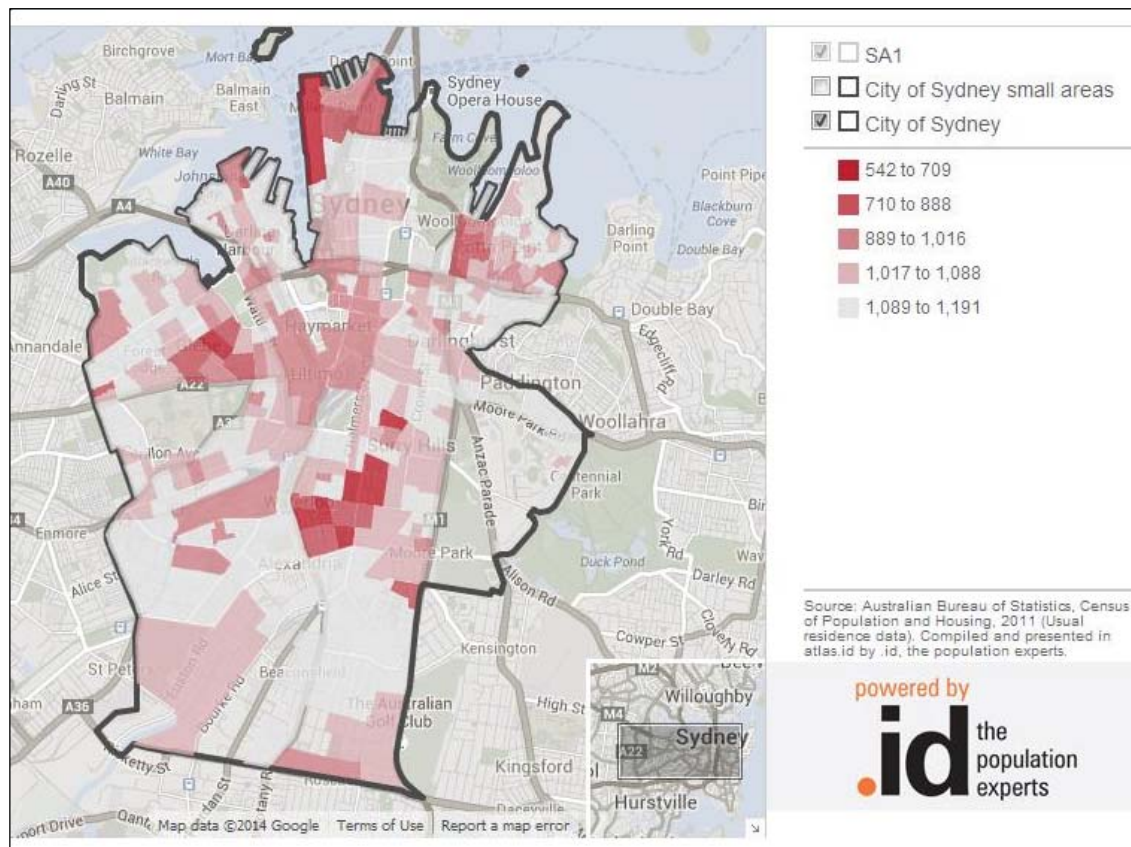
- Impacts on the social wellbeing of public housing tenants due to the uncertainty about potential divestment of public housing in inner city areas, such as Millers Point;
- Impacts on the social wellbeing of inner city public housing tenants forced to relocate due to public housing divestment or redevelopment, and associated dislocation and loss of established social ties;
- The social and economic impacts of increasingly lengthy journeys to work, associated with members of the city's workforce (particularly lower paid essential service sector workers) who are forced to move out of the city due to the rising cost of private housing and lack of access to social or affordable housing;
- The social and economic impacts on members of the community forced to relocate to areas poorly served by transport and social infrastructure, as a result of the rising cost of private housing and lack of supply of social and affordable housing in areas well served by such infrastructure;
- The levels of – and impacts of – overcrowding in the inner city rental housing sector, driven by rising costs of private housing and lack of commensurate supply of social and affordable housing;
- Appropriate supply of social and affordable housing of a high standard, and appropriate and accessible to people with a disability, and people who are ageing.

It is recommended that:

- **The NSW Government explicitly recognises the clear links between the lack of appropriate social, public and affordable housing and indicators of social and economic disadvantage, through policies and strategies aimed at increasing supply and access.**
- **The NSW Government further investigates these issues and establishes addressing social and economic disadvantage as a primary driver for decision making, including decisions on increased investment in the social and affordable housing sectors.**
- **The NSW Government appropriately balances social and economic costs and benefits in decision making, through application of appropriate cost benefit analysis models. That these models be applied to take into account the longer term costs of inadequate supply of social and affordable housing on society, including associated with poorer health, education and employment outcomes in the community.**

³¹ New South Wales Auditor-General, 2013, *Making the best use of public housing: Performance Audit*, Audit Office of New South Wales

Figure 6: Index of Relative Socio-economic Advantage and Disadvantage applied to the City of Sydney LGA



Source: Data from ABS Census 2011³²

³² Land at Barangaroo is shown as home to a highly disadvantaged population due to this land being counted within the ABS statistical small area encompassing Millers Point.

Housing design approaches and service integration necessary to support tenant livelihoods and wellbeing

Facilitating high quality social and affordable housing design

High quality housing design is well evidenced to support residents' health and wellbeing. Good design does not necessarily cost more.³³

In recognition of these issues, the NSW Government has the potential to take a leadership role in facilitating high quality social and affordable housing through urban design, architectural, accessibility and environmental sustainability standards, applied directly and indirectly. This should include universal housing standards and provisions to support ageing in place.

Improved housing design may be facilitated by NSW Government through measures including:

- Providing leadership directly through applying best practice in public housing design and sustainability, through public housing development and renewal schemes; and
- Developing design best practice guidelines for affordable rental housing, to be applied by the community and private sectors, similar to the Design Guidelines associated with State Environmental Planning Policy No 65 – *Design Quality of Residential Flat Development*.

It is recommended that:

- **The NSW Government encourages, enables and directly delivers high quality social and affordable housing through applying best practice in design and sustainability balanced with flexibility and value for money considerations, including through public housing development and renewal schemes.**
- **Additionally, the NSW Department of Planning & Infrastructure develops and promotes quality design guidelines for social and affordable housing, similar to the guidelines available to support the quality of design of residential flat buildings delivered through State Environmental Planning Policy No 65 – *Design Quality of Residential Flat Development* (SEPP 65).**

Improving the effectiveness of housing and estate management

Effective housing and estate management is critical to providing a healthy, safe and valued physical environment for public housing tenants. A lack of adequate services such as basic maintenance, waste collection and security can contribute to negative perceptions of public housing and stigmatisation of public housing tenants living in neglected precincts.

As acknowledged by Crime Prevention Through Environmental Design (CPTED) approaches, there is a strong link between a physical environment and the behaviour of those who use it. A well maintained environment can foster a sense of ownership of the space, while a neglected and underutilised area can attract antisocial activity and encourage accidental or malicious damage.

³³ These issues are currently being researched by the City in the preparation of its Housing Position Paper, and further evidence can be provided to the inquiry in due course.

The City of Sydney is concerned about the effective implementation of good practice CPTED principles in public housing precincts in the city. In some situations the City has taken direct action to address issues on a public housing estate in the interest of the tenant community.

For example, aligned with recognised CPTED good practice, the City of Sydney has actively worked in partnership with NSW Land and Housing Corporation (LAHC) to address a lack of sharps waste management through the provision of special bins in public or shared areas of public housing precincts.

This key safety issue to manage the impacts of injecting drug use would reasonably be expected to be the role of the management authority, LAHC. The City supports a service provision model that requires LAHC to take increased responsibility for managing its community sharps programs and other estate maintenance issues.

Supporting community wellbeing and capacity

Currently, public housing estates are primarily managed through division of asset and tenancy management, the responsibilities of which are divided between agencies – LAHC and Housing NSW respectively. A case management approach to high-needs tenants does not adequately address whole of community wellbeing, which could be better supported through improved community engagement and community capacity building programs on behalf of state government.

More work is needed in this area to support the potential for social and economic development among public housing residents, offering the potential for improved outcomes and routes out of poverty and dependence on benefits.

More immediately, the NSW LAHC and Housing NSW have the potential to be a strong advocate for the communities they accommodate and to promote the contribution of their residents to neighbourhoods, emphasising public housing as an asset to the whole community and addressing stigmatisation of residents.

It is recommended that:

- **The NSW Government develops and implements specific strategies to support community connection to place, including through providing opportunities for residents to contribute to how their environment is designed, improved and maintained.**
- **The NSW Government develops and implements strategies to provide local area health services through access to unused spaces in public housing precincts, to enable them to take primary healthcare to the community.**
- **The NSW Government improves strategies to address crime and safety in public housing precincts, including through Crime Prevention Through Environmental Design (CPTED).**
- **The NSW Government develops and implements strategies to improve service delivery to social housing tenants, including through investing in community development workers and undertaking inductions for new residents.**
- **The NSW Government, in collaboration with other levels of government, invests in further exploration and piloting of models (both through direct development and funding of third party providers), such as the Common Ground housing first model, which have demonstrated innovative and effective responses to integrating housing supply and service provision to achieve positive social and economic outcomes.**

Improving the interface between public and private housing through design and maintenance

Poor management and maintenance of public housing precincts in inner Sydney is resulting in growing physical distinctiveness of these precincts in relation to surrounding gentrified communities. The demarcation between public and private housing visibly and socially divides the City's neighbourhoods and communities. This issue needs to be urgently addressed through investment in estate renewal.

Aside from improved maintenance of public housing precincts, mixed tenure renewal models are central to addressing this issue. Not only do these models offer improved financial viability, through cross-subsiding public housing through private housing sales, they also reduce the physical and associated social (and, to a degree, socio-economic) barriers between public and private housing communities.

This model is well demonstrated in the UK and across parts of Sydney as having provided improved outcomes with regard to social connectedness of social and private housing residents. High land value estates in the inner city offer great potential to successfully implement such models.

The City supports mixed tenure renewal models on the basis that clear arrangements are in place to relocate existing social housing tenants nearby, and where possible that new dwellings are built before tenants are moved. The City understands the need to refurbish and renew social and affordable housing stock. However, there should be no overall loss of stock within the LGA to preserve the existing quantum of social and affordable housing stock and ensure sufficient housing diversity.

Maintenance and capital improvement costs and delivery requirements

As is discussed above, investment in maintenance and capital improvement within existing social housing precincts is urgently needed in the inner city. Current and historic underinvestment has resulted in:

- Adverse impacts on the health, wellbeing and other social outcomes for tenants;
- Rising tensions between social housing tenants and the wider community, exacerbated by the poor maintenance of estates highlighting the distinction between public housing and surrounding – increasingly gentrified – neighbourhoods;
- Growing uncertainty among public housing tenants over loss of inner city tenancies, and concern that ongoing underinvestment in repairs and maintenance in some precincts is connected with plans to divest of properties.

The current situation is acute. As is well documented in the recent NSW Auditor-General's 2013 performance audit of the sector,³⁴ rental income from public housing is insufficient to fund the costs of the maintenance and capital improvement that is now required, following ongoing underinvestment.

Raising funds through property sales is not sustainable and new financial models need to be investigated to fund investment in the renewal of rundown estates and new supply. These may include:

- Mixed tenure estate renewal models effectively applied in the UK, through which estates are redeveloped to provide a mix of social, affordable and private housing, the latter providing cross-subsidies for the former; and
- Models that support the leveraging of institutional investment in the social and affordable housing sectors.

A good example of a successful mixed tenure approach is the redevelopment of the public housing estate in Bay Street, Glebe, by the NSW Government in collaboration with the City of Sydney. The City amended its planning controls to facilitate the redevelopment, which includes the upgrade and expansion of existing social housing from 134 to 153 dwellings, and the development of 90 new affordable rental and 250 private market dwellings.

It is recommended that:

- **The sale of public housing assets to fund operational expenditure be recognised as fundamentally unsustainable and ineffective in delivering increased social and affordable housing supply to meet housing need. That strategies be put in place to effectively bring an end to this approach in an appropriate timeframe.**
- **That new models for estate renewal and improved maintenance and capital improvement programs be investigated as a priority for the NSW Government through partnerships with other levels of government, the community and private sectors, including consideration of international examples of successful approaches to this issue.**

³⁴ New South Wales Auditor-General, 2013, *Making the best use of public housing: Performance Audit*, Audit Office of New South Wales

Criteria for selecting and prioritising areas for affordable and social housing development

A clear commitment to maintaining and increasing the supply of social and affordable housing in the inner city must be a priority for NSW Government.

The City supports social and affordable housing developments that are well located for public transport and services within existing urban footprints. The benefits of this approach include reduced development costs from lower parking requirements in highly accessible areas, reduced energy consumption and greenhouse gas emissions, reduced car travel and more efficient use of public transport and reduced capital expenditure costs on urban infrastructure.

With regard to additional priority locational criteria for affordable and social housing development across the state, it is proposed that the locational criteria set out in the Affordable Rental Housing SEPP offer a good starting point.

This includes proximity to transport infrastructure, and social infrastructure and services. Such locational criteria again highlights the appropriateness of increasing supply in the inner city, rather than fringes of the city where limited such infrastructure exists.

Proximity to employment centres and transport infrastructure are critical issues. If inner city workers can only access affordable housing in the outer ring of Sydney, increased journey to work times and increased pressure on transport infrastructure results. Conversely, affordable housing in inner city areas with good dedicated transport provides opportunities for a diverse workforce to live within a reasonable distance of their place of work. This brings attendant social and economic benefits, including increased time available to spend with their families and in local communities, supports social sustainability more broadly.

Locational criteria for social and affordable housing supply must be focused on supporting the social and economic wellbeing of housing tenants, as much as on pure financial models to which the basic cost of land is primary. Modelling of priority criteria must provide an appropriate weighting of social and economic criteria in supporting good decision-making, which will in turn support sustainable longer term outcomes. Such approaches have the potential to drive innovation in the development of new financial and delivery models to support increased supply.

It is recommended that:

- **Criteria for the location of new supply of social and affordable housing prioritises proximity to transport, social infrastructure and employment.**
- **Models to determine appropriate locational criteria for new supply of social and affordable housing are based on appropriate weighting of both social and economic factors. That models applied in decision making take account of longer term, as well as shorter term social and economic costs and benefits.**

Prioritising locations for supply through affordable housing targets

The City supports a regional approach to the provision of affordable housing, addressed through regionally determined targets – developed in collaboration with local government and delivered at a local level. This approach should take account of both regional and local market conditions.

Targets assist in ensuring long-term commitments and enabling monitoring against progress. In seeking to address the chronic shortage of affordable housing in Sydney, the NSW

Government must provide meaningful targets for affordable rental housing and demonstrate how these targets may be achieved.

This is similar to the approach taken in the City of Sydney's Community Strategic Plan and *Affordable Rental Housing Strategy*, which enshrine social and affordable housing targets,³⁵ providing a concerted focus for action to increase supply.

The City's strategies set out a range of principles and actions to achieve these targets, including direct planning interventions, partnerships and advocacy to encourage improved State and Commonwealth Government policies to facilitate the supply of affordable housing.

Similarly, the Draft Metropolitan Strategy should include a broader range of targets, addressing more than just housing and jobs. Targets should reflect supply and demand issues at a local government level, as well as strategically across the state and its regions, in determining priority locations for targeted supply to be delivered.

These targets should be set in collaboration with local government authorities, and should be effectively promoted through planning policy and legislation. Key concepts that are crucial to address at a local level in the effective delivery of affordable housing are location; household diversity and household size; density; integration with transport; economic and environmental policies; tenure, and the local planning system.

The inclusion of regional targets specifically for affordable housing in regional plans is important to ensure strategic and coordinated action. Where there is close communication and agreed objectives between all levels of government, affordable housing is more likely to be addressed. Identifying targets also provides synergy with Commonwealth funding programs such as the National Rental Affordability Scheme.

Monitoring progress on targets

Measuring the proportion of existing and new affordable housing should be included as part of a strategic framework for social and affordable housing supply at NSW Government level.

Social housing should be measured as a separate item given the important and distinct role it plays in housing needs and options for people on very low, low and moderate incomes.

Social and affordable housing supply should be regularly (potentially, annually) monitored against targets established under the overarching framework to provide the basis for effective accountability of the implementation process. Monitoring has the potential to highlight situations where the reality of development and delivery is diverging from the aspiration, and where concerted policies and strategies may be required to increase delivery.

It is recommended that:

- **Targets for affordable housing are established through the NSW Government's *Draft Metropolitan Strategy for Sydney to 2031* to demonstrate a commitment to increasing supply of affordable housing, alongside overall housing supply.**
- **These targets are established at a regional level through collaboration between state government and local government authorities required to deliver on them, enshrined in regional plans and enabled through state planning legislation.**
- **A monitoring and evaluation system is developed, linked to targets, and that progress on targets be reported by the NSW Government at regular intervals.**

³⁵ *City of Sydney Affordable Rental Housing Strategy*, Feb 2009, <http://www.cityofsydney.nsw.gov.au/vision/city-wideprojects/affordable-housing>

Prioritising supply of affordable housing on major urban renewal sites

The planning reforms currently proposed will add further barriers to the provision of affordable housing in urban renewal areas instead of creating opportunities. This is an issue of significant concern to the City, and one it is hoped this inquiry will directly address.

The City supports the provision of affordable housing on major renewal sites, whether they are controlled by the government or the private sector. The City seeks to secure affordable housing, where appropriate, on major renewal sites where it is the consent authority. This is achieved through land dedications, planning functions and EOI processes.

In the absence of an overarching framework from the NSW Government, the City has still been able to achieve affordable housing on urban renewal sites or sites seeking development capacity increases through Voluntary Planning Agreements (VPAs), for example:

- The Harold Park urban redevelopment at Forest Lodge, near Glebe is \$1.1 billion project including 1,250 new residences that will be home to around 2,500 people. Through the VPA, the developer will transfer 1000sqm of land to accommodate 5000sqm of affordable housing.
- 87 Bay Street, Glebe is a privately-owned site that sought increased development capacity to accommodate a new mixed used development on the site. Through a VPA, 7.5% of the site will be delivered for affordable housing, constructed by the developer and operated by a registered community housing provider.

The Government's *Draft Metropolitan Strategy for Sydney to 2031* contains an action that seeks to "accelerate new housing through Urban Activation Precincts and in greenfield release areas." However, this does not include affordable housing.

By this omission, the Draft Strategy fails to recognise the significant (and in many cases, one-off) opportunities that are available through these sites. It also fails to recognise the significant challenges affordable housing developers face in providing a viable affordable housing product under "normal" market conditions. State governments in South Australia³⁶ and Western Australia³⁷ currently require affordable housing to be provided on such sites.

A fixed affordable housing target on all state and non-state major urban renewal projects would provide much-needed leadership and certainty around facilitating affordable housing supply. The benefits of such an approach is that by taking a portion of the unlocked potential on these sites for the delivery of affordable housing, the cost to developers is minimised and is built into the land realisation value.

In terms of opportunities available to the NSW Government in this context, the urban renewal opportunities presented by the Central to Eveleigh corridor identified in the draft Metropolitan Strategy provides significant opportunities for affordable housing provision. By leveraging the opportunities presented by this urban renewal site, the NSW Government has the potential to support innovative development models, including financing models, for affordable housing on a significant scale.

Opportunities available to the City in this context include proposed changes to planning controls for the Southern Employment Lands (former industrial areas in the south of the LGA), which are currently being investigated. The substantial growth in employment in this area makes a compelling argument that as a result of the change to planning controls, housing for lower income workers to service this growth should be ensured.

³⁶ 15% affordable housing requirement is mandated for all new state significant developments and is increasingly being applied to urban renewal projects

³⁷ 15% affordable housing quota on all government land and housing developments.

In recognition of the issue of lower income workers, such as cleaners, baristas, administrative clerks, healthcare workers and child care workers who earn incomes below the level of at which good quality affordable accommodation in the city can be readily found, studies are underway to support planning changes in this locality, to determine how the City can “factor in” the provision of affordable housing and other infrastructure requirements at the point of its rezoning.

It is noted that any proposal by the City would require the State’s approval. However, the proposed NSW Planning System reforms have indicated a limited capacity for local government authorities to deliver affordable housing through the future planning framework, including the ability of local governments to implement local tailored solutions.

It is recommended that:

- **Mechanisms to support the delivery of affordable housing on major urban renewal sites – including through levies and inclusionary zoning – are investigated and supported through policy and legislation, including through the proposed NSW planning system reforms.**
- **The NSW Government sets a fixed percentage affordable housing target on all State and non-State major urban renewal projects at the rezoning stage to provide leadership around facilitating affordable housing supply.**
- **The NSW Government supports the delivery of affordable housing as part of any urban renewal of the Central to Eveleigh corridor. The amount and type of affordable housing should be established in consultation with the City of Sydney to ensure state and local affordable housing objectives align.**

6. Further key recommendations on State reform options that may increase supply and improve service integration and management of existing stock

The following section summarises further recommendations for reform options for increasing social and affordable housing supply and addressing the issues discussed in this submission. Given the national, regional and local consequences of inadequate supply of social and affordable housing, it is essential that all levels of government cooperate jointly in developing an integrated framework, strategy and actions to address this issue.

There are no simple solutions to resolve decreased housing affordability in Sydney, nor simple solutions to ensure an adequate supply of well-located affordable housing that is available to very low to moderate income workers. This requires a comprehensive package of measures engaging all levels of government as well as the expertise and support of the private and community sectors.

Key recommendations on specific policy measures are set out in this section of the submission. The two specific issues outlined below represent key barriers to effective policymaking which need to be addressed as a starting point to effective strategic reform.

Evidence base for effective policymaking

The role of state government in data gathering and dissemination

There is currently a lack of meaningful comparability of data on social and affordable housing supply across the state and individual LGAs, and a perceived lack of reliability of the data that is available. This issue urgently needs to be addressed.

It is recommended that:

- **The NSW Government establishes an accurate centralised online database of numbers of social, public and affordable housing, with data available at a state and LGA level. That this database is regularly maintained and is made publicly available.**

Establishment of clear and agreed definitions of housing tenure types

A further key barrier to effective policymaking at all levels of government is the current lack of clarity and agreement among a range of stakeholders on the definitions of particular housing tenure types. These include social housing, public housing, community housing, and affordable housing.

A clear and consistent set of definitions is required to be agreed for use by all levels of government as well as the Australian Bureau of Statistics through the Census. Education and awareness-raising is required to establish these definitions within the government and non-government sectors and within the wider community.

It is recommended that:

- **Definitions of social (including public) and affordable housing are agreed at State and Commonwealth Government level, enshrined in policy and legislation at all levels of government, and consistently applied, including through the ABS Census.**

Policy initiatives and legislative change, including planning reform

The City supports a whole of government approach for social and affordable housing, as this will enable the achievement of shared goals and an integrated response to key policy elements and issues impacting LGAs across the state.

The 2013 NSW Auditor-General's report on the public housing sector³⁸ specifically highlights the need for close collaboration amongst organisations towards addressing the complex and cross-border issues associated with social and affordable housing.

Opportunities presented through proposed NSW planning system reforms

The City is concerned that the impact of the proposed new state planning legislation will be to significantly curtail the supply of affordable housing in the inner city, contrary to the City's and the NSW Government's broader policy objectives.

The NSW Government's White Paper³⁹ and Planning Bill 2013⁴⁰ are intended to provide a new framework for a more strategic and streamlined planning system that facilitates sustainable economic growth and upfront community participation.

The City supports the White Paper attempting to address structural problems in the planning framework that would in turn improve the delivery of affordable housing, including an approach whereby there is a conceptual distinction in scales of intervention in planning for affordable housing (ie, regional, sub-regional and local).

However, the reduction of planning mechanisms for affordable housing will affect the City of Sydney and other inner city councils more detrimentally than others. The subject mechanisms are fundamental to delivery of affordable housing in these areas.

The proposed reforms fail to recognise the role of inner city councils to housing supply in high need and high cost areas and the need for certain planning mechanisms to provide for affordable housing supply. They also fail to recognise that facilitating increased housing supply more broadly will not necessarily address housing affordability for those most acutely affected in these areas.

The White Paper accompanying the reforms, which proposes that affordable housing be addressed through "strategic planning," provides a lack of discussion or detail about the NSW Government's priorities towards affordable housing or how these might be achieved.

The proposed planning mechanisms, within Local Plans under local council jurisdiction, pose significant barriers to the future provision of affordable housing for the City. Under the current terms of the proposed planning reforms, councils will not be able to develop any new affordable housing contributions schemes and the small number of existing council schemes in place across NSW will not be able to be updated or amended or continued beyond their current lifespan.

Affordable housing contributions schemes are one of the most important policy tools available to address affordable housing and the White Paper's proposal to curtail and ultimately extinguish this policy tool is strongly opposed.

Additionally, the proposed planning reforms curtail opportunities for affordable housing to be delivered through Voluntary Planning Agreements. The White Paper proposes that only affordable housing previously identified in strategic plans, such as local infrastructure plans,

³⁸ NSW Auditor-General, 2013 (July), Performance Audit: *Making the best use of public housing*, Audit Office of NSW

³⁹ NSW Government, 2013 (June), *A New Planning System for NSW White Paper*

⁴⁰ *Planning Bill 2013 – Exposure Draft and the Planning Administration Bill 2013 – Exposure Draft*

can be delivered in a Voluntary Planning Agreement. It also proposes to exclude land dedication from agreements, including land dedication for affordable housing.

The current flexibility of Voluntary Planning Agreements to secure land dedication for affordable housing and deliver affordable housing not previously identified in a council's strategic plan has delivered significant affordable housing across the Sydney LGA. Given this, the draft legislation's removal of these existing policy levers will further erode opportunities for affordable housing and is strongly opposed by the City of Sydney.

The City does not support a reduction in the number of zones in Local Plans. In fact, an additional zone exclusively admitting affordable housing in a non-residential zone is recommended. The City of Sydney LGA can be considered one of the more challenging areas to deliver affordable housing in NSW due to high land values and development costs.

The City proposes that the planning reforms provide the opportunity for the NSW Government to show leadership through:

- Setting affordable housing targets at the both state and sub-regional level;
- Enabling a variety of mechanisms in Local Plans, including the possibility of mandatory provisions for affordable housing inclusion in a certain scale of new developments;
- Maximising delivery of affordable housing through Planning Agreements via mechanisms such as land dedication; and
- Facilitating market-led solutions through zoning definitions.

It is recommended that the NSW Government strengthens its commitment to enabling the delivery of affordable housing by amending the NSW Planning Bill to strengthen local councils' ability to deliver through local markets by:

- **Permitting local councils to prepare new affordable housing contribution schemes, on the proviso that financial impacts on development are maintained within acceptable levels;**
- **Permitting Voluntary Planning Agreements to include affordable housing not identified in a strategic plan and to provide land dedication for affordable housing;**
- **Including a new zone overlay that exclusively permits affordable housing as the only permitted residential use in certain lands rezoned from industrial or other non-residential uses, where suitable.**

Proposed repeal of the *State Environmental Planning Policy (Affordable Rental Housing) 2009*

The importance of tailoring planning responses to the local housing market is more apparent since the State Government's introduction of the state-wide State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP), which has had limited effectiveness in delivering affordable housing in inner Sydney.

In any case, the proposed reform of the planning system involves repealing of the ARHSEPP and its provisions being incorporated into Local Plans. Under these legislative changes, councils will not be able to amend these provisions in the Local Plan or insert provisions that are inconsistent with them.

The draft legislation provides little detail of how development guides will provide guidance on affordable housing types, such as boarding houses, to facilitate their delivery during the development approval process.

The ARHSEPP is designed to increase the amount and diversity of affordable housing in NSW through floor space bonus incentives and non-discretionary standards, encouraging the delivery of new affordable housing and mitigating the loss of existing affordable housing.

Given that a key platform of the ARHSEPP is bonus floor space to incentivise affordable housing development, it is unclear how the provisions of the ARHSEPP will be incorporated into Local Plans. If, as is proposed, Local Plans cannot include floor space ratios, such an incentive cannot be applied.

The City is concerned that the inability to amend the provisions of the ARHSEPP will act as a barrier to improving the effectiveness of existing affordable housing schemes and achieving the SEPP's objectives. In addition, any transposing of the ARHSEPP provisions to Local Plans should include a review of it, as alluded to in the *Draft Metropolitan Strategy*.

In 2011, the City prepared a submission to the Department of Planning in relation to the ARHSEPP Review. The submission included a number of specific recommendations to improve the effectiveness of the SEPP, which can be provided to this Inquiry. It is recommended that any review of the SEPP be undertaken in consultation with local councils including the City of Sydney.

The Affordable Housing Taskforce's review of the State Environmental Planning Policy (Affordable Rental Housing) 2009 must also be made public and feed into appropriate provisions in Local Plans. It is premature to state that amendments or insertions to affordable housing provisions of Local Plans will not be allowed.

It is recommended that:

- **Any incorporation of the provisions of the *State Environmental Planning Policy (Affordable Rental Housing) 2009* (ARHSEPP) into Local Plans, as is proposed through planning legislative reform, is supported by a review of the effectiveness of the ARHSEPP, including through consultation with local councils.**

Market mechanisms and incentives

Addressing barriers to the growth of the affordable/community housing sector

Enabling growth of the affordable housing sector in the inner city will require a range of market and sectoral support. The community housing sector is central to delivering affordable rental housing but continues to face significant barriers to growth, as is discussed earlier in this submission.

The following key strategic directions of the City's *Affordable Rental Housing Strategy* are intended to support the growth of the community housing provider sector to increase the supply of affordable housing in the inner city:

- Identifying suitable economic models for the City to deliver affordable housing in partnership with the Commonwealth Government, the NSW Government, the not-for-profit sector, the financial sector or the private sector;
- Identifying suitable Commonwealth and NSW Government and City owned sites that may be appropriate for the development of affordable housing and collaborate with other levels of government as well as other councils to deliver appropriate infrastructure to identified sites;
- Identifying opportunities for joint ventures with the Commonwealth Government, the NSW Government, the not-for-profit sector, the financial sector and the private sector.

The City believes that closer collaboration in these areas could have a positive impact on the sector. In addition, greater Commonwealth and State Government commitment to increasing affordable housing supply made explicit through policy and legislation – as is discussed throughout this submission – has the potential to attract increasing institutional investment into the sector to support its growth.

The City considers the following additional planning and market mechanisms and incentives provide the potential to support increased supply.

Tailoring planning mechanisms for affordable housing delivery to local markets

The current planning system does not recognise the need for a variety of planning levers for affordable housing in local areas or effectively enable Councils to facilitate the provision of affordable housing. Planning mechanisms must be tailored to local markets.

Not all mechanisms are equal in their ability to maximise affordable housing delivery at an appropriate scale. International case studies support the proposition that mandatory affordable housing requirements (through affordable housing contributions) have delivered a far greater affordable housing outcome than voluntary schemes based only on incentives or concessions (Planning Agreements) in terms of number of dwellings created.⁴¹

Planning intervention towards the provision of affordable housing is increasingly required in the City of Sydney, given inner city market conditions with their attendant high land values and development costs. In this environment, the City has delivered a number of local programs that suit the local housing market and built form conditions through Local Environmental Plans. These include applying differential density controls for the Glebe Affordable Housing Project site, and utilising a planning agreement for the Harold Park redevelopment to secure affordable housing public benefits.

⁴¹ Gurran, Milligan, Baker, Bugg & Christensen for AHURI, 2008, New directions in planning for affordable housing: Australian and international evidence and implications

Affordable housing levies

The City has long advocated for an affordable housing levy to be applied across the LGA. The City's research has shown that an affordable housing levy would increase affordable housing supply with little to no impact on the cost of housing or the supply of housing in the long term.⁴²

It is the City's view, as evidenced by the affordable housing programs in Green Square and Ultimo-Pyrmont, that affordable housing levies are highly successful and have resulted in, and will continue to result in, a significant contribution to the stock of affordable housing in the inner city. In addition to the City's two schemes, there are also other schemes such as the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 and a fourth by Willoughby Council through their Local Environmental Plan.

The City's two affordable housing contributions schemes have resulted in the delivery of approximately 548 of affordable housing units since the early 90s. The City intends to review its two affordable housing contributions schemes so they can continue beyond their current expiry as a key outcome of the City's *Affordable Rental Housing Strategy 2009-2014*.

Given these outcomes, the City strongly recommends that the Planning Bill be amended to permit levies to be applied by local authorities. The City supports moves by the NSW Government to maintain local councils' ability to implement affordable housing contribution schemes, as a way to facilitate an increase in affordable housing supply. It is noted that amendments to the Planning Bill proposed by the Legislative Council in December 2013 had this effect.

In maintaining the ability of councils to seek affordable housing contributions, it is recommended that the merits of incorporating affordable housing contributions as part of the infrastructure contributions framework be considered. This would allow affordable housing contributions to be attached to an existing state-wide scheme that is well known and mature. This may provide significant transparency, administrative streamlining and efficiency benefits.

In doing this, an option that could be considered is for a portion of the indirect fixed rate local infrastructure contribution to be allocated to affordable housing. The current Section 94A indirect fixed-rate infrastructure contribution is 1%. The Urban Development Institute of Australia (UDIA) has recommended this be increased to 2.5%. Part of this 1.5% increase could be allocated to affordable housing.

An alternative option is to include affordable housing in fixed rate regional infrastructure contributions, with associated funds to be allocated on a regional basis in consultation with councils and in accordance with councils' local affordable housing strategies.

It is recommended that:

- **Proposed planning system reforms do not restrict the ability of councils to update or amend the small number of existing affordable housing contributions schemes in place across NSW, enabling them to be continued beyond their current expiry dates.**
- **The NSW Government considers incorporating affordable housing contributions as part of infrastructure contributions, such as fixed-rate local infrastructure contributions or fixed-rate regional infrastructure contributions.**

⁴² Hill PDA, November 2008, *City of Sydney Affordable Housing Levy – Peer Review*; PPM Consultants, November 2008, *City of Sydney Affordable Housing Levy – Impact Analysis*.

Voluntary Planning Agreements and capital value capture mechanisms, including land dedication

Achieving capital value capture at a local government level

The property value uplift and windfall gains for developers from urban renewal and up-zoning in particular, present unique opportunities for land dedication or monetary contributions to be secured to deliver affordable housing supply.

Currently, local government authorities typically do not take full advantage of the significant increase in value created when up-zoning land or permitting significant increases in development capacity (floor space) for the benefit of the wider community. Insufficient affordable housing is supplied through redevelopment scenarios compared to other cities such as New York, London and Vancouver, where percentages are mandated on up-zoned land. Such mechanisms should be further investigated and supported through NSW Government policy and legislation to achieve increased affordable housing supply, rather than restricted as is currently proposed through planning system reforms.

A formalised approach to such delivery mechanisms is applied in various other jurisdictions including South Australia, Western Australia and British Columbia, Canada.⁴³ The Community Amenity Contribution (CAC) system applied in Vancouver has successfully delivered substantial affordable housing supply, and is worth investigating through this Inquiry. The scheme is similar to the City of Sydney's voluntary Planning Agreement approach to achieving public benefits through development and density increases when land is up-zoned.

In addition to density bonuses to achieve certain social/ affordable housing, Vancouver City has several other key policy approaches to achieve affordable housing through development activity. The City of Sydney considers the following to represent innovative means to substantially increased affordable housing supply, which warrant investigation by the NSW Government:

- A policy requirement that all major projects set-aside 20% of the development potential, in either land or airspace, for social/public housing construction. The developer is not required to build the social housing, but must set the potential area aside for its construction by either the Province of British Columbia or another party. In some cases, rather than waiting for the Province to fund such construction, the City will negotiate further with the developer to construct the social housing in return for additional density.
- Implementation of an inclusionary policy along a key transit corridor, the Cambie Corridor, which establishes that within individual rezoning applications, 20% of units must be provided for affordable rental housing.
- Implementation of a policy that permits density increases through rezonings along arterial corridors, where all proposed units in the development are provided as either affordable rental housing, or housing for purchase priced at 20% below market rates.

Unlike various incentive schemes that promote development above established development controls, such as the ARHSEPP, a capital value capture approach allows planning to be

⁴³ In Canada's British Columbia, including its capital city of Vancouver, a total of 21,000 affordable housing dwellings have been delivered since 2001 under the BC *Homeowner Protection Act*. This has been achieved through developer contributions associated with density bonuses associated with land rezonings that are regulated by the local council. The investment in affordable housing since 2001 is in the order of CAD \$3.2 billion. Housing delivered through the scheme is managed by BC Housing, which provides emergency shelter and housing for the homeless, transitional supportive and assisted living, independent social housing, and rent assistance in the private market. (<http://www.bchousing.org/aboutus/activities>)

established at their environmental limits and affordable housing to be required inside those limits.

Importantly a capital value capture approach is transparent and consultative, requiring open and frank discussions with the community about proposed planning controls and the appropriateness of the proposed public benefit.

The City has previously undertaken research into successful approaches to capital value capture mechanisms at a local government level.⁴⁴ This research suggested the following considerations to guide councils in capturing a proportion of land value increase resulting from planning uplift for the purposes of providing affordable housing:

- Achieving affordable housing through the current NSW planning system is complex and provides little opportunity for land owners or proponents; simplification is needed;
- Value uplift resulting from planning uplift should be, in part, distributed to the wider community; this requires the availability of appropriate planning mechanisms to local government;
- If, in increasing planning potential on a site, value capture for affordable housing is to become more mainstream for local government, then clear principles must be articulated, enabled and supported at State Government level;
- Proposals for affordable housing should be assessed on merit, not just compliance with numeric standards; some flexibility is required to enable affordable housing in most cases;
- Recognition is needed of the fact that affordable housing developed in areas where there is a lack of public transport results in greater need for on-site parking, which in turn adds to housing construction costs and reduces affordability; assessing the impacts of planning controls on the financial feasibility of development has a place in the strategic planning process.

It is recommended that the study findings be considered by this inquiry in considering new policy initiatives and legislative change to support delivery of affordable housing. The study and associated practice guide can be readily provided to the Inquiry.

Supporting capital value capture through NSW planning reforms

The proposed planning reforms fail to recognise that many opportunities for affordable housing cannot practically be identified at the “front end” strategic planning stage. Rather, opportunities for affordable housing, including through capital value capture, are often only identified at the planning proposal stage, when a developer seeks a rezoning and densification of a site.

Given this, under the terms of the new planning system, the Minister would be required to amend the local infrastructure plan and possibly Local Plan to support a new affordable housing opportunity identified at this stage. This process is cumbersome and creates significant additional red tape for no obvious benefit.

City of Sydney approaches taken through urban renewal schemes in Harold Park, and at 87 Bay Street Glebe are examples where affordable housing or land dedication not previously identified in a strategic plan has successfully been secured through a voluntary Planning Agreement. Such opportunities would be lost under the proposed planning reforms, which require reviewing in this context.

⁴⁴ The City was granted funding from the Federal Government’s Housing Affordability Fund (HAF) to conduct research on behalf of the councils participating in the Inner City Mayors Forum. The resulting study, *Facilitating Affordable Housing Supply in Inner City Sydney: A Case Study of 22 Inner City Sites* was produced in October 2010 and can be readily made available to this inquiry.

It is recommended that:

- **The NSW Government examines Voluntary Planning Agreements (VPAs) and capital value capture schemes as an effective means to deliver affordable housing, including through international case studies.**
- **The NSW Government recognises capital value capture schemes as a key policy tool and amends the Planning Bill to facilitate the expansion rather than restriction of such schemes; allow VPAs to provide affordable housing not identified in a strategic plan, and to provide land dedication for affordable housing.**
- **The NSW Government develops a NSW affordable housing land value capture scheme and guidelines, to provide a guiding framework for local government authorities implementing these schemes.**

Enabling land dedication

The dedication of land for affordable housing has substantial potential as an efficient and effective policy lever.

Land dedications have been achieved through Voluntary Planning Agreements. In that application, the dedication of land is considered to be an effective mechanism improving certainty that affordable housing will be delivered. It would be a valuable addition to current statutory contributions mechanisms, namely:

- Monetary contributions; or
- Dwelling contributions, through which completed dwellings are built and delivered (also known as in-kind contributions).

Currently, the former alternative is adopted by developers as the significantly less costly option.

As an alternative, a land dedication mechanism helps address the most widely recognised barrier to delivering affordable housing within the Sydney LGA: the lack of availability of land suitable for affordable housing and at a price which community housing providers can afford to pay (ie in the context of the maximum rents which they are permitted to charge tenants).

A key issue to be resolved in implementing a land dedication mechanism is the method for determining the quantum of land to be delivered. The options are for the quantum to be assessed as a value equal to either, the statutory monetary contribution, or, the value of the required in-kind contribution ie the dedication of completed dwellings.

The issue to be considered arises from the marked disparity between the value of a monetary contribution and the value of an in-kind contribution. Provided the values were able to be satisfactorily reconciled (and this should not pose any difficulty) there would be no financial disadvantage to any existing or future affordable housing program.

Including land dedications in the suite of statutory affordable housing contribution mechanisms warrants further investigation by NSW Government in seeking to increase affordable housing supply.

Ongoing funding partnerships with the Commonwealth Government

National Rental Affordability Scheme (NRAS)

The City supports the Commonwealth Government's National Rental Affordability Scheme (NRAS),⁴⁵ in that it seeks to address the shortage of affordable rental housing. The City particularly commends the scheme in that it provides an incentive for private financiers to invest within a financial model based on collaboration with the not-for-profit sector and other levels of government, including local government. Such an approach, seen as part of a national and multi-government strategy to address the need for affordable rental housing, provides one of the critical measures in ensuring its success.

NRAS allocations to affordable housing dwellings delivered in the City of Sydney and additional allocations in the pipeline are shown at Table 2 on page 21.

There is currently a lack of certainty regarding whether the scheme will be continued beyond the current funding round. This uncertainty should be resolved, and it is recommended that the scheme be continued.

The City is concerned about two aspects of the NRAS scheme, however, and their impact on the supply of affordable rental housing:

- The incentives expire after 10 years, at which time developers are permitted to opt out and increase rents to market rates or sell the dwelling unencumbered. This is expected to result in the eventual loss of affordable housing stock delivered through the scheme, despite affordability pressures expected to remain.
- Consideration should be given to the establishment of differentiated local eligibility criteria. Ensuring such criteria reflect the circumstances of local housing markets and private tenants within those markets would make the scheme more effective in the inner city.

It is recommended that:

- **The NSW Government advocates to the Commonwealth Government for the continuation of the NRAS initiative.**
- **The NSW Government advocates to the Commonwealth for consideration to be given to the establishment of differentiated local eligibility criteria under the NRAS that reflect the circumstances of local housing markets and private tenants within those markets.**

⁴⁵ Introduced in 2008, the scheme provides financial incentives, in the form of a Refundable Tax Offset or payment for up to 10 years, to the business sector and community organisations to build and rent dwellings to low and moderate income households at a rate that is at least 20% below prevailing market rates.