

**Submission  
No 50**

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

**Organisation:** Marrickville Council

**Date received:** 26/02/2014

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## **ATTACHMENT 3: SUBMISSION**

### **INTRODUCTION AND SUMMARY**

Marrickville Council (Marrickville) appreciates the opportunity to make this submission to the NSW Parliamentary Select Committee Inquiry on Social, Public and Affordable Housing. Marrickville is currently reviewing the Marrickville Affordable Housing Strategy 2009-2011, in consultation with Marrickville's communities, and would welcome an opportunity to present to the public hearing in March 2014 and expand on the issues raised in this submission.

Marrickville has one of the highest estimated levels of homelessness in the Greater Sydney Region (ABS 2006 and 2011 Census of Population and Housing), and the traditional diversity of the LGA's communities is diminishing significantly. Council is aware of the pressures faced by disadvantaged and lower-income members of the community who are being displaced through the gentrification of inner-Sydney LGAs such as Marrickville.

The lack of affordable housing in Marrickville is causing families, networks and communities to split, particularly where younger and older people can't find affordable accommodation and have to move away from established community and family networks. Further, accommodation normally available to people who are homeless is being redeveloped, with people on very low incomes likely to be forced away from support networks and out of an area they are familiar with. Without genuine commitment to addressing affordability, by adopting proven planning mechanisms, funding models and appropriate subsidisation these trends will continue. *(Refer to Appendix 1 for relevant demographic and housing data)*

Recent State Government plans and policies include a number of policy statements, and refer to other plans, relevant to the provision of affordable housing. However, Marrickville remains concerned about the lack of progress in the development of firm strategies and actions, beyond merely increasing the supply of housing.

Marrickville encourages the NSW Government to develop strong strategies and actions for the provision of affordable housing, and strong policies and actions that mitigate the social impacts of displacement and homelessness. Marrickville urges the Select Committee to present a report in favour of legislative and policy changes to the NSW Parliament. Council would be pleased to assist by making available the considerable skills of its Affordable Housing Advisory Committee, which includes representatives from Council and other government and non-government social housing policy-makers, managers and providers.

Marrickville believes the most effective and equitable means available immediately are affordable housing contributions based on affordable housing targets and the impact of new residential development, and backed by a local affordable housing strategy. Marrickville also believes further divestment of public housing to category one community housing providers (CHPs) is an imperative and will enable those CHPs to grow their portfolios.

Marrickville would like to see a bipartisan commitment at State level to similar workable mechanisms that achieve affordable housing in inner suburbs of Sydney. A direct reference to planning and funding mechanisms that have proven successful in achieving affordable housing need to be incorporated in State Government documents, and the mechanisms endorsed by legislation. Further Council would like to see recognition of the communities that will be displaced through the further gentrification of inner suburbs, such as Marrickville, and commitment to strategies and actions that will mitigate the social impacts of this displacement.

Marrickville will review the effectiveness of other strategies through the review of its Affordable Housing Strategy, and can provide more information after local consultation.

## **DISCUSSION**

### **Affordable housing contributions**

Marrickville believes that requiring a component of affordable housing as a proportion of the total floor space or monetary/land contribution in lieu thereof, is the most effective planning mechanism for the supply of affordable housing. Justification for imposing contributions as a condition of development consent is based on the value uplift of land that comes from higher densities, rezoning to residential or mixed use, and publicly funded infrastructure such as the inner west light rail. These circumstances generally result in the loss of affordable housing and it is considered equitable that some of this uplift in value should contribute to the provision of the affordable housing lost.

Affordable housing contributions are considered appropriate across a wide section of stakeholders, such as community housing providers, academics and councils. However, the NSW Government restricts use of these mechanisms and denied Marrickville's request to incorporate them in the *Marrickville Local Environmental Plan 2011*.

Affordable housing contributions have been successful in Ultimo-Pyrmont, where over 500 units of affordable housing have been achieved in ten years, and in Green Square. These areas have been given significant potential through change from industrial zoning and

substantially increased density. Other government planning policies, such as the Affordable Housing SEPP, have failed to address retention or provision of affordable housing in the inner suburbs in a meaningful way. In Marrickville these have had unintended consequences, such as the conversion of boarding houses into self contained student accommodation and establishments with 50 to 135 rooms and limited communal space and car parking.

***Marrickville supports the inclusion of affordable housing contributions in the standard Instrument Local Environmental Plan, with backing in the new planning legislation.***

### **Planning Bill 2013**

Only a handful of NSW councils have been able to incorporate affordable housing contributions in their local environmental plans, and there is significant variation between the provisions of each plan. Affordable housing contributions are not proposed as part of the new contributions system under the Planning Bill 2013. Affordable housing is to be addressed through strategic planning policies rather than development consents. Affordable housing aims are to be delivered through Subregional Delivery Plans and a review of the Affordable Housing SEPP. To date there is no indication that affordable housing targets will be included in these Sub Regional Plans or what mechanisms will be available to achieve such targets.

Council's concerns are heightened by the apparent lack of willingness to date by the NSW Government to develop and implement strong affordable housing policies or to release the Affordable Housing Task Force Report. It is understood the Affordable Housing Task Force has drafted a report to the Minister for Planning and Infrastructure on relevant affordable housing initiatives. The report has not been released, however, it is understood the report provided consideration of the use of affordable housing targets (as alluded to in the White Paper) as a means of determining need, and affordable housing contributions as a means of satisfying need.

Marrickville believes mechanisms are needed that allow for councils and/or the NSW Government to require a quantity of affordable housing as part of larger developments, and on land that benefits from higher use, higher density and significant investment in public infrastructure.

Marrickville believes that affordable housing contributions need to be applied through the new planning legislation and across the board rather than ad hoc, so that there is certainty for all stakeholders and consistency with the standard instrument.

***Marrickville supports, in principle, the amendments in relation to affordable housing and housing contributions that the NSW Legislative Council agreed to in November 2013 and that have been referred to the Legislative Assembly for consent.***

***Marrickville supports the public release of the Affordable Housing Task Force Report and consideration of its findings through this inquiry.***

### **Metro Strategy for Sydney**

There is ample documentation on the displacement of lower income households from inner Sydney and the resulting income based spatial segregation of lower income households to western and south western suburbs. The impacts of such segregation are also well documented and include reduced access to employment, education and services, as well as the loss of support and family networks. In addition lower income households are paying greater transport costs given that inner and northern Sydney are still the major employment centres and the lack of public transport provision in outer Sydney.

The Metro Strategy for the Greater Sydney Region reinforces the income based spatial segregation in Sydney and adds to the importance of implementing effective policies that will boost the supply of social and affordable housing in Sydney. Greater density in inner Sydney is consistent with Marrickville's support for a ratio of 20% greenfield to 80 brownfield development and strong consolidation.

Whilst the draft strategy includes a number of relevant policy statements, Council remains concerned about the lack of progress to date in the development of firm actions and policies in this area, beyond merely increasing the supply of housing.

***Marrickville supports reconsideration of the Metro Strategy as it relates to the provision of affordable housing and the inclusion of affordable housing targets in addition to housing and jobs targets.***

### **Community housing providers**

While property development is not the focus of CHPs the divestment of public housing has enabled category one CHPs in NSW to leverage funds and undertake development projects to increase their housing asset. The National Rental Affordability Scheme and injection of

funding through the Nation Building Economic Stimulus Plan has assisted in this process and ensures that the housing asset created remains in the affordable domain.

As CHPs grow they are developing business capability, tenant support programs and property maintenance capabilities that put them in the ideal place to manage the provision of social and affordable housing. A flexible approach to tenancing is enabling some CHPs to generate an income stream that can be invested into achieving the goals of their organisation (such as additional accommodation, better tenant support, and regular maintenance).

For these reasons Marrickville believes that CHPs have a major role to play in the provision of social and affordable housing. Marrickville considers that more support needs to be given to CHPs, through Federal and State Government incentives and subsidisation, in this current establishment period so that CHPs can establish a self generating role in the provision of accommodation.

From its beginnings in 1975 Places for People, a UK Regulated Housing Association, owns and manages over 81 000 properties and demonstrates what can be achieved through corporate responsibility and reinvestment of all 'profit' into the core business of providing affordable housing and support for tenants. Places for People provided training for tenants including education, financial advice and training, as well as health and community support.

***Marrickville believes that support needs to be given to registered CHPs to enable them to establish a business model that can become self generating in the future. Such support could include:***

- ***Incentives such as the NRAS***
- ***Rent assistance for tenants***
- ***Dwellings, monetary or land contribution as discussed above***
- ***Further divestment of public housing properties.***

***Marrickville recommends the Commissioners consider the achievement of overseas social and affordable housing providers and incorporate such achievements into the Inquiry Report.***

## **Specialist homelessness services**

Some of the smaller NGOs in Marrickville have expressed concern to Council staff about the call for tenders by the NSW Government in relation to funding for specialist homelessness services. Concerns about the tendering process and contracting approach include:

- The process is positioning NGOs against each other
- Smaller service providers with very specific clientele may miss out on funding and will not be able to continue to provide specific services or comply with tender requirements to accommodate a broader range of tenants
- Smaller service providers do not have the resources to prepare a tender or compete with larger NGOs.

Many niche service providers, such as Jean's Place, are located in the Marrickville area and provide support and accommodation to niche clients (such as youth only, women and children seeking refuge from domestic violence, and Aboriginal housing).

Jean's Place has been operating in Tempe as a crisis refuge for women and children seeking refuge from domestic violence since 1975 and is concerned they, and other women's and children's refuges in the Marrickville area, will not be able to operate beyond July 2014 if they do not win a tender. In the inner west there is only one package Jenny's Place are able to tender for and the package is also open to seven other services including the large charitable organisations such as St Vincent's, Domestic Violence NSW and Mission Australia.

Jean's Place are also concerned that if they win a tender (either individually or as part of consortium) they will have to assist men and couples with children and provide outreach services to these clients, for which they do not have appropriate shopfront facilities (and have been unable to obtain at affordable cost).

***Marrickville support consideration of the impacts of the current tender process and contracting approach for specialist homelessness services, through consultation with smaller NGOs providing supported accommodation.***

## **Higher density and partnerships**

Marrickville is liaising with CHPs in its area to determine potential projects and has approved in principle the concept of increasing densities, subject to environmental impact, on land owned by CHPs so that they can leverage the value uplift.

Marrickville has also resolved to include an affordable housing requirement on some of its land that is to be redeveloped.

While both of these approaches can be successful, generally they will not be as effective as the contributions and other financial support discussed above. Given the limited amount of land councils have to devote to the provision of affordable housing, the limited amount of property CHPs own or can obtain, and the high cost of land (particularly in the inner west of Sydney) further incentives are needed to establish a critical mass of social and affordable housing in inner Sydney.

***Marrickville supports higher densities where appropriate and use of public land for affordable housing, but acknowledges it is less effective and alone can't achieve the affordable housing provision that is needed in the inner suburbs of Sydney. Such mechanisms should not be considered a solution in lieu of a contributions system and other Federal and State Government support.***

### **Marrickville Affordable Housing Strategy**

Marrickville has adopted the *Marrickville Affordable Housing Strategy 2009-2011* (AHS), which is currently being reviewed. The AHS demonstrates a need for affordable housing in Marrickville, and strategies for the provision of affordable housing including planning mechanisms, advocacy and working with community housing providers and interested parties that can contribute resources (such as land or incentives). The review of the AHS currently being undertaken will identify targets to meet the community's objective towards "A diverse community that is socially just, educated, safe and healthy" embodied in Marrickville's Community Strategic Plan.

Marrickville has developed a discussion paper (refer to Appendix 3) that will be used to inform public consultation on affordable housing and refine Marrickville's priorities, strategies and actions in the area of affordable housing. The strategy will provide all stakeholders with information and certainty about Marrickville's intentions and requirements in relation to affordable housing. The Affordable Housing Strategy provides the evidence required under the Planning Bill 2013 for strategic and statutory planning.

***Marrickville supports the development of affordable housing strategies that demonstrate need and document targets on the basis of this need. Such strategies should be based on substantial data and research that provide justification for any imposition of affordable housing requirements through the development process.***



***Marrickville will be in a better position to comment on housing initiatives when the review of its Affordable Housing Strategy is complete and its communities have been consulted.***

## **Funding and subsidisation**

The provision of affordable housing is greatly influenced by Federal and State policies, in particular through taxation policy and subsidisation. The impact of these was considered in the Grattan Institute *Report Renovating Housing Policy* and provided recommendations on relevant taxation policy and subsidies such as:

- First homeowners grant – that can drive up the price of housing
- Rental Assistance Scheme – that is crucial to many CHPs to continue provision of affordable housing, undertake maintenance and provide support services
- The National Rental Affordability Scheme – that has enabled CHPs to leverage funds for development of affordable housing
- Capital gains tax exemption on family home
- Negative gearing – that can drive up the price of housing and generate competition from superannuation self-funders.

***Marrickville supports consideration of the Grattan Institute Report Renovating Housing Policy and the effects of taxation policy and subsidies on the affordability of housing in NSW.***

## **Financial institutions**

Affordable housing financiers have been established in South Australia and Western Australia by the respective state governments. These finance low income households in shared equity tenure and also back low start loans, until the tenant can develop enough equity to finance the property on their own. Housing SA provides its own housing through the scheme. Both schemes recoup a share of any capital gain if the property is sold at a later stage.

On a larger scale in Britain and Europe both private and government guaranteed businesses are financing affordable housing through private investment. The Housing Finance Corporation is a not-for-profit organisation that makes loans to Regulated Housing Associations providing affordable housing throughout the United Kingdom. The Corporation funds itself through the issue of bonds to private investors and by borrowing from banks. By

acting as a financial intermediary it diversifies risk for those who make funds available, and by reducing the cost and standardising the loan terms for those housing associations that borrow from it. As at June 2013 the Corporation had a 'loan book' of over £3bn and demonstrates what is possible through private investment in social and affordable housing.

***Marrickville supports consideration of private funding and business models through research of overseas successes.***

## **APPENDIX: RELEVANT COMMUNITY AND HOUSING PROFILE**

The diversity of the Marrickville community is strongly related to the affordability of housing. Rising housing costs mean that many people cannot afford to live in the area. The lack of affordable housing makes it particularly difficult for people from the following groups to live in Marrickville:

- older people;
- younger people;
- single parent families;
- people with a disability;
- Aboriginal and Torres Strait Islanders;
- people from culturally and linguistically diverse communities;
- workers on lower incomes.

### **Born overseas**

Marrickville has traditionally been a destination for migrants and from the mid twentieth century for people from non English speaking background (NESB). However, the cultural diversity in Marrickville is decreasing as people from NESB settle in other suburbs, children of culturally and linguistically diverse households move out of the area and people from an English speaking background move into Marrickville.

- In 1991 the percentage of Marrickville's population born overseas was 51%
- In 2011 the percentage of Marrickville's population born overseas was 34% (slightly down from 34.4% in 2006)
- For comparison the NSW percentage in 2011 was 25.7% (up from 23.7% in 2006)
- In 2011, of those born overseas, 18.4% were recent arrivals (arrived in the last 5 years).

### **Non English Speaking Background**

- In 2011 the percentage of Marrickville's population that spoke a language other than English was 30.7% (down from 32.7% in 2006)
- For comparison the NSW percentage in 2011 was 22.5% (up from 20.1% in 2006)
- The percentage of Marrickville's population with poor English proficiency was 7.1% in 2011 (down from 8.5% in 2006)
- For comparison the NSW percentage was 19.2% in 2011.

### **Population growth and movement**

In 2011 there were 76 500 residents in Marrickville (up from 71 816 in 2006). Net migration figures indicate that most of this increase is due to people who have recently arrived from overseas, and that longer term residents are moving out.

At the 2011 census about 41% of Marrickville's population had moved home in the last five years, indicating a relatively fluid population as follows:

- 6445 moved within Marrickville
- Net migration from other parts of NSW was two persons (in conjunction with other demographic changes this indicates that lower income households are moving out and households on higher incomes are replacing them)
- Net migration to other parts of Australia was 713
- Migration from overseas was 5704

A significant proportion of residents are moving to nearby LGAs including Canterbury, Rockdale and Ashfield. This may be because those areas are more affordable than Marrickville and people want to stay in the inner west. Significant in-migration is from nearby LGAs including Sydney, Randwick and Leichhardt that are generally less affordable than Marrickville.

In-migration is significantly comprised of young adults between the ages of 18 and 35, with a net out migration experienced in all other age groups.

### **Population age groups**

In 1991 9% of Marrickville's population was over 65. The percentage increased to 10.6% in 2011 and is expected to be 13% in 2022.

While the percentage of most population groups is remaining relatively stable the number of children is increasing significantly with:

- Increase of 729 in the 0 – 4 age group
- Increase of 476 in the 5 – 9 age group

Indicating consistency with a trend identified in the 2011 Census of couples establishing in the inner city and starting families.

### **Households**

In 1991 the average weekly household income was below the Sydney average. In 2011 it was \$368 above the weekly average for Sydney. Household structure is changing, as is dwelling type and tenure. There has been an increase in the number of units and attached dwellings, and a decrease in

the number of detached dwellings in the last five years. Concurrently there has been an increase in single person, couples only and group households.

In 2011 there were 34 648 dwellings in Marrickville (up from 33 180 in 2006). Forty three percent of dwellings were rented.

### **Housing cost**

Much of the Marrickville area was initially conceived as a more exclusive, and thus expensive, alternative to the historic centre of Sydney. However, with the development of land further from the city centre, and the location in Marrickville of many industrial estates, land prices fell and many of its suburbs were redeveloped with working class housing.

The area remained a relatively affordable location until the regeneration of inner cities began across Australia in the 1970s. The cost of housing means that there is increasing pressure on the area's social and community housing, including the more than 800 public housing dwellings and the estimated 200 or more boarding houses.

Marrickville is now a high cost housing area and the price of most types of dwellings has increased at a greater rate than the rate of increase for greater Sydney, as the following price increases and rent stress figures demonstrate:

	MARRICKVILLE				GREATER SYDNEY			
	JUN QTR 91	JUN QTR 01	JUNQTR 11	%91-11	JUN QTR 91	JUN QTR 01	JUN QTR 11	%03-13
All dwellings	150	245	460	207%	175	260	460	163%
1 BED all	120	180	350	192%	135	250	410	204%
2 bed all	155	250	500	223%	170	260	460	171%
3 bed all	220	350	650	195%	200	260	450	125%
4+ bed all	280	443	850	204%	283	330	580	105%
House all bed	220	340	620	182%	190	250	440	132%
House 2 bed	190	305	550	189%	165	220	370	124%
House 3 bed	220	350	650	195%	190	235	400	111%
Unit all bed	135	210	395	193%	160	265	435	172%
Unit 1 bed	120	180	350	192%	140	250	410	193%
Unit 2 bed	150	230	420	180%	170	265	450	165%

Increase in housing rental cost 1991 to 2011 (Source: Housing NSW Rent Report)

	MARRICKVILLE				GREATER SYDNEY			
	JUN QTR 91	JUN QTR 01	JUNQTR 11	%91-11	JUN QTR 91	JUN QTR 01	JUN QTR 11	%03-13
All dwellings	128	353	618	383%	155	316	530	242%
Non- strata	128	395	800	525%	155	327	600	287%
Strata	104	276	463	345%	137	305	488	256%

Increase in housing purchase cost 1991 to 2011 (Source: Housing NSW Rent Report)

## Housing stress

In 2011 the median monthly mortgage was \$2, 485, and the median rent was \$370. About 43% of households were renting.

In 2011 16.4% of all households were paying more than 30% of gross household income on rent or mortgage (includes all households in Marrickville). Thirty percent is considered a reasonable amount of gross income to pay on accommodation and leave enough disposable income to pay for other household needs. However, the 30% benchmark is less critical for higher income households (above \$65 000 a year) that are likely to have more disposable income).

The great majority of low to moderate income households in Marrickville LGA are experiencing housing stress, whether they are paying a mortgage or renting<sup>1</sup>. The following Table shows estimates of the households with income under \$65 000<sup>2</sup> a year who are paying 30% or more of their income on mortgages or rent.

There is variation of levels of housing stress across the suburbs of Marrickville. However, lower levels of housing stress can indicate a greater lack of affordability and low income households displaced, rather than better affordability. The higher proportion of renting households in stress reflects the smaller proportion of low income households who are buying a home as compared to renting.

Suburb	Mortgage households in stress*	Mortgage households (%)*	Renting households in stress*	Renting households (%)*	Suburb in stress**
Dulwich Hill	200	13%	749	38%	18%
Enmore	36	9%	174	28%	21%
Lewisham	32	10%	165	45%	17%
Marrickville	337	14%	1329	39%	18%
Petersham	89	11%	411	32%	15%
St Peters	55	13%	98	27%	12%
Stanmore	66	7%	350	28%	13%
Sydenham	24	19%	29	39%	26%
Tempe	70	16%	82	35%	13%
Camperdown^	106	12%	385	24%	15%
Newtown^	130	9%	920	29%	17%

\* Households where positive complete income details were provided \*\* Of all occupied dwellings ^Partially in Marrickville

<sup>1</sup> Marrickville Council (2010). *Marrickville Affordable Housing Strategy 2009-2011*

<sup>2</sup> The cut off of \$65 000 was selected using ABS household income ranges. It indicates low to low moderate income households, where median Sydney household income is about \$75 000. An approximation of the 40/30 housing stress formula is used: lowest 40% of the income distribution paying 30% or more on housing.