

**Submission
No 156**

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

Organisation: Williamson Building Corporation

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The Director
Select Committee on Social, Public and Affordable Housing
Parliament House
Macquarie Street
Sydney NSW 2000

To The Director,

We at Williamson Building Corporation write in our capacity as a Developer, Builder and Real Estate Agent who specializes in the development of affordable housing for the community in the greater Sydney metropolitan area.

We have been operating in the Affordable Housing space since the implementation of the 2009 SEPP for Affordable Rental Housing. We were one of the first applicants to take a Development Application (DA) for a New Age Boarding House in Concord to the Land and Environment Court (LEC) in 2009 and have since taken a second DA to the LEC in 2010 for another New Age Boarding House in Bankstown.

We specialize in the interpretation and application of the Affordable Rental Housing SEPP with the intent to achieve good design and development outcomes whilst maximizing the yield of potential development sites, particularly with infill and isolated sites. This is evident with the two above mentioned sites as well as many others which we have provided advice as Development and Design Consultants for other developers and investors.

Reasons why we have chosen to focus on the Provision of Affordable Rental Housing:

We are cognisant of the below facts:

Fact 1_ Sydney is Australia's most expensive city and the world's second least affordable city to buy or rent a home. ¹

Fact 2_ Increased house prices have led to first home buyers staying in the rental market longer, competing for properties and pushing up rentals. ²

Fact 3_ Over the past 5 years to September 2011, Sydney rental rates have increased at an average annual rate of 6.8% for units (twice the rate of inflation). ³

Fact 4_ the BAS forecasts that couple-only families will overtake couples with children by 2014. By 2031, couples-only are projected to comprise up to 60% of couple relationships. ⁴

Fact 5_ Sydney has completed only around 60% of the dwellings needed to avoid a deeper housing affordability crisis over the last 5 years. ¹

1. Will the housing affordability crisis in Sydney get better? 2012 – The McKell Institute
2. Consumer Price Index, June 2011 – Australian Bureau of Statistics
3. Quarterly Review, Residential Property Market, November 2011 – RP Data
4. Australian Bureau of Statistics 2011

A range of factors such as the following will continue to drive demand for affordable housing:

1. Shortfall in housing construction since 2001
2. Change in household composition trends
3. General population growth pressures
4. Ageing population

As the gentrification of the boarding house accommodation industry continues, the demand for this type of accommodation increasingly includes students, single women, young working singles, and couples seeking affordable rental housing close to services and employment, hence placing further pressure on limited supply.

We have identified the demand in the market place for small, quality, affordable housing located close to amenities and have responded by providing affordable housing in the form of New Age Boarding Houses as we feel it best addresses the nature of the housing affordability crisis.

CHALLENGES we have experienced which have slowed down the delivery of much needed affordable housing to the marketplace:

1. Community and Council Objection

Strong community objection against affordable housing projects (particularly Boarding Houses), and lobbying of councilors by the community resulting in compliant Development Applications being refused for approval thus leaving developers with no choice, but to either scrap affordable housing projects or to appeal at the LEC.

The lack of community and council support results in a delay and / or reduction in the supply of much needed affordable housing and an increase in the costs associated with the development of Affordable Housing projects.

2. Funding and Valuations

Affordable housing projects are often valued at a lesser value than their Residential Flat Building (RFB) counterparts (and have a negative stigma associated with them) resulting in making affordable housing a less attractive investment option.

Boarding Houses / New Age Boarding Houses are considered by lenders as specialized security and therefore have a more stringent lending criteria, rendering many projects unviable.

Furthermore as there are very few comparable sales of New Age Boarding houses (as they are a new product), valuations are coming in between 30% to 50% below market, thus making it even more unviable to develop such properties.

The inability to sell off components of a boarding house project to investors adversely impacts valuations as the projects tend to be more suited to long term rental / institutional investors and are therefore difficult to sustain for standard developers who finance on the basis of pre-sales or sales upon completion.

3. Availability of Land

The high cost and lack of availability of land in suitably located areas within close proximity to essential services and amenities has and will continue to impact the viability of new affordable housing projects.

4. Interpretation and Application of the SEPP

There are too many interpretations still being applied to the SEPP rules. For example:

- a) Character Test: can be subjective and can therefore be used by councils to refuse otherwise compliant DA submissions.
- b) Parking Requirements: The parking requirements double where just over 400m to a bus stop or 800m to a train station. I.e. An adjoining property which is 810m away from a train station would require double the parking than an adjoining property at 790m to the station or bus stop.

In some instances the SEPP parking requirements are more onerous than council's requirements.

5. Negative stigma associated with the labels “Boarding House” and “Affordable Housing”

The negative stigma affects people's perceptions and therefore increases the community and council resistance towards such developments. The stigma also reduces the likelihood of these types of projects being considered for development due to the increased resistance and risk (time and money) associated with being able to achieve Development Approval.

The negative stigma can also affect the quality and type of tenants using boarding houses. Traditional occupants are of middle aged males and therefore boarding houses are perceived as being more dangerous than residential flat buildings and therefore may not appeal to females.

We strongly believe that the NEW generation of Affordable Housing and Boarding House Projects should be considered as a NEW product class, asset class or sub-category of Residential Flat Buildings. As such, they deserve a NEW name or label fitting of the new and innovative designs and solutions that they provide to the community, thus improving community and council perception and increasing acceptance of these types of development.

Whilst these projects are providing a much needed service to the community they need to also be perceived as adding value to the local area and not the other way round.

EXAMPLES of Past Projects and Challenges Faced

We bring these two cases to your attention to highlight the challenges we have faced in order to provide the end consumers – the community in their respective Local Government Area's desperately needed affordable housing.

Case 1. 26 Studio Room New Age Boarding House Development in Concord

Address: Ada Street, Concord NSW 2137

LGA: City of Canada Bay Council

Duration: (4.5 years) Time from DA submission to completion of construction

DA & LEC Challenges

The project was initially refused by council due to heavy lobbying by the residents. The subsequent LEC Appeal caused significant delays to the project and increased the DA and holding costs affecting the overall viability of the development.

Finance Challenges

Once the project was approved by the LEC, the challenge was to obtain finance for the construction of the project. Despite the property being un-encumbered we were unable to obtain construction finance as the Bank Valuations came in very low.

After speaking with all of the major four (4) banks, second and third tier lenders, we were given very little opportunity to borrow money to build the New Age Boarding House and in the rare instances where the banks were interested the loan to value ratio's offered made borrowing money from the banks not a viable option as their proposed LVR's ranged from 50% to 60% of the valuation price which was already approximately 30-50% below market, which meant that we as the developer would need to fund more than 50% of the development costs rendering the project unviable. As a result, we sold the property at Auction to a developer who had private funding and was able to develop the property.

Case 2. 38 Studio Room New Age Boarding House Development in Bankstown

Address: Weigand Avenue, Bankstown NSW 2150

LGA: Bankstown City Council

Duration: (5 years) Time from DA submission to proposed completion of construction

DA & LEC Challenges

The DA approval process took approximately 20 months to complete including the LEC appeal.

The DA was refused by the councilors, after the DA was first proposed for approval on two separate occasions by the Council staff and the council General Manager.

The project was ultimately approved by the LEC.

Finance Challenges

Similar obstacles were experienced as with Case 1.

SUMMARY

- There is a strong demand for affordable rental housing.
- The SEPP ARH provides good incentives for developers to increase the yield from the proposed sites.
- Local councils generally don't support affordable housing projects under the SEPP ARH resulting in many LEC cases which add to the cost of the developments and reduce the number of Affordable Housing Projects actually built.
- Time taken to develop affordable housing is increased due to the following factors:
 - a. Difficulty in finding suitable sites
 - b. Difficulty in obtaining DA's from council and subsequent LEC appeal process
 - c. Conservative bank valuations
 - d. Difficulty in obtaining finance due to stringent lending criteria and low LVR's for specialised security

As a result of the above challenges noted it has taken approximately 4 to 5 years to complete the two sample projects outlined above. A more realistic time frame for the size of the project would be 2 to 3 years.

SUGGESTIONS

- ✓ Allow Private Certifiers to assess and approve affordable housing developments submitted in compliance with the SEPP ARH (CDC).
- ✓ Amend the SEPP so that council planning controls would apply where they are less onerous than the SEPP controls.
- ✓ Flexibility to parking requirements where developments are located just outside the 400m / 800m from bus stops and train stations respectively (as per SEPP requirements).
- ✓ Allow for studios within New Age Boarding Houses to be strata titled in order make the projects more viable and attract more investment into the sector, therefore achieving an increase in supply of affordable rental housing.
- ✓ Rename Affordable Housing projects and New Age Boarding Housing projects to something that creates a more positive perception.

I.e. Create a completely NEW label / brand / category that does not use perceived negative words such as “Boarding House, Social Housing, Affordable Housing, Lodging...etc”.
- ✓ Public / Private Joint Venture Partnerships.
- ✓ Non-for profit / Private Joint Venture Partnerships.
- ✓ Government to provide finance to developers at commercial rates but with higher LVR's for the development of Affordable Rental Housing (i.e. short to medium term loans of between 5 to 10 years).

