

**Submission  
No 90**

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

**Organisation:** Wyong Shire Council

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**NSW Parliamentary Inquiry into Social, Public and Affordable Housing**  
Wyong Shire Council Submission  
February 2014

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## **Introduction**

Provision of affordable housing is identified as a key consideration for all levels of government in the Region over the next 20 years. Referencing the NSW State Plan, two key groups are identified – first homebuyers for whom home purchase is increasingly difficult; and the most vulnerable households including the frail aged, people with disabilities and people at risk of homelessness who ‘face poor health, educational or other social outcomes due to high housing costs’.

Key actions noted in the Central Coast Regional Strategy (CCRS) include increasing diversity of housing choice for older people and smaller households on the assumption that this will increase ‘affordability’; facilitating competitive land release; increasing density within and around centres at appropriate radii; and considering a range of affordable housing strategies including forms of low cost housing, suitable zonings and development controls to improve housing choice, and specific schemes. It notes that such strategies will ‘need to be incorporated into the Councils’ principal Local Environmental Plans.

The Wyong Shire Affordable Housing Study (2012) undertaken by Judith Stubbs and Associates (JSA) represents part of the engagement in that process by Council. The aim of the study was to develop evidence-based planning provisions and controls to support housing affordability and choice in Wyong Shire. The study area includes all future residential lands identified under the draft North Wyong Shire Structure Plan (NWSSP), as well as existing zoned urban land likely to undergo a relevant change of use or zoning in the Wyong LEP 2013. It was partly funded through the NSW Planning Reform Fund.

The Wyong Shire Affordable Housing Study (2012) reports and appendices can be viewed on Council’s website at <http://www.wyong.nsw.gov.au/my-community/housing-choice/> or the attached disk.

The study was reported in two stages.

Stage 1: Background Report provides:

- Relevant demand-side analysis including demographic characteristics, changes and projections, and the characteristics of those who are likely to need affordable housing now and in the future, and the amount and type of affordable housing likely to be required;
- Housing supply-side analysis including detailed housing market analysis, the location, type and nature of stock that is currently ‘affordable’, and opportunities and constraints for future supply;
- The legislative, policy and funding context to the current and future provision of affordable housing in the Shire of Wyong; and
- Exploration of options for affordable housing retention and creation including suburbs and sites where different types of strategies and mechanisms may be feasibly employed.

Stage 2 Report builds on the data and information contained in the Background Report and explores these options further including:

- A summary of key findings from the Stage 1: Background Report and
- Recommendations for the range of affordable housing strategies and mechanisms that are likely to be most effective in Wyong, the way in which these strategies and mechanisms may be practically applied, and a clear rationale for the strategies and mechanisms recommended.

## Study Definitions

**'Affordable housing'** is an umbrella term that describes all housing for very low, low or moderate-income earners where rental or purchase costs do not exceed 30% of gross household income. Very low-income households are those households earning less than 50% of the Median Gross Household Income for Sydney Statistical Division (SD), low-income households are those households earning between 50% and 80% of the Median Gross Household Income for Sydney SD, whilst moderate-income earners are those households earning between 80% and 120% of the Median Gross Household Income for Sydney SD. This definition is consistent with NSW State Government legislation and policy.

**'Social housing'** is rental housing provided through the public, not-for-profit or community sector where rental costs are generally no more than 25% of gross household income. Social renters are generally on low- or very low-incomes and will often have other special needs.

**'Discount market housing'** or 'key worker housing' is housing where a subsidy is provided to a low- to moderate-income household to achieve a discount to the purchase or rental costs that would normally apply. This would normally be a discount of at least 20% on normal market rent, or some form of purchase discount arrangement to reduce entry costs (e.g. shared-equity, where the cost of purchase is shared with an equity partner such as a community housing provider. Housing is kept 'affordable' in perpetuity through contractual arrangements that provide for a buy-back at an appropriate equity and capital gain share by the equity partner when the low- to moderate-income purchaser wants to sell).

**The National Rental Affordability Scheme (NRAS)** is a long term commitment by the Australian Government in partnership with the States and Territories, to invest in affordable rental housing.

The Scheme, which commenced in 2008, seeks to address the shortage of affordable rental housing by offering financial incentives to persons or entities such as 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 per cent below the market value rent.

NRAS aims to:

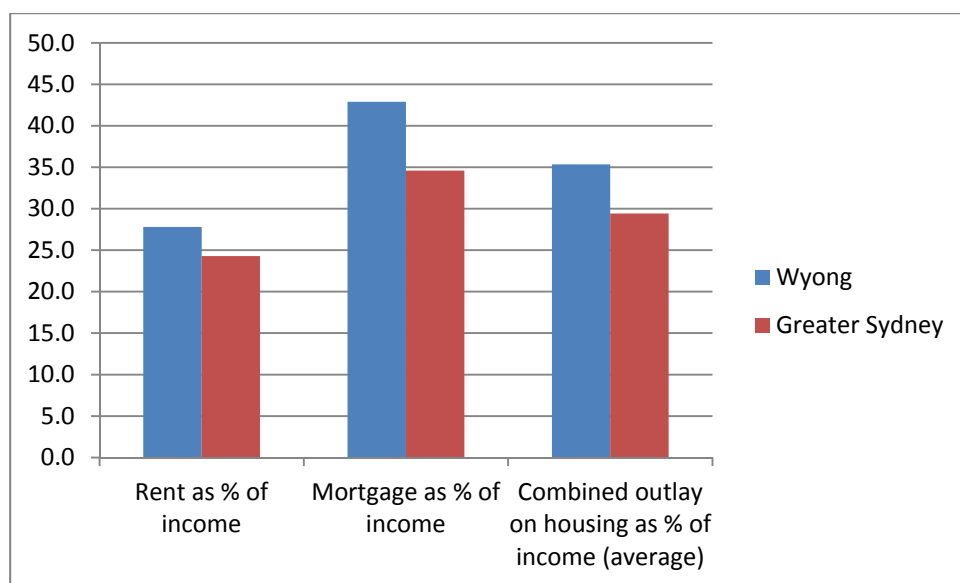
- increase the supply of new affordable rental housing
- reduce rental costs for low and moderate income households
- encourage large-scale investment and innovative delivery of affordable housing.

## Executive Summary

Wyong Shire Local Government Area (LGA) has traditionally provided more affordable housing opportunities for a range of different income groups and households, including retirees and low to moderate income families moving from less affordable areas of Gosford and greater Sydney. It continues to provide purchase and rental housing well below the cost of that of metropolitan Sydney.

However, there is evidence that the area is changing. The profile of those migrating into the area is becoming more advantaged, and the sale price of housing in new release areas and high amenity suburbs is increasing, in some cases significantly. In particular, the cost of private rental accommodation, stable in real terms for more than a decade before 2001, has increased since that time, accelerating rapidly since 2009. This is making the range of households for whom the current rental and purchase markets are affordable far more constrained.

Although local housing is cheaper than that of Greater Sydney, incomes are only two-thirds, so that housing price to income ratios are in fact *less favourable* for local residents than for residents of Greater Sydney on average. Further, the Wyong LGA as a whole is slightly more disadvantaged than the NSW average according to SEIFA Index of Socio-economic disadvantage, there are pockets of extreme disadvantage, generally coinciding with high concentrations of social housing, lower cost private rental and caravan parks and Manufactured Home Estates.



Median Housing Costs as a % of Median Household Income

Source: Australian Bureau of Statistics, Census of Population and Housing 2006 and 2011. Compiled and presented by id, the population experts.

In addition the cost of transport must be added to housing costs for the high proportion of workers commuting to work from Wyong to Sydney's southern metropolitan areas or other regional employment centres. The cost of transport for lower income purchasers is likely to be onerous when considering their relative housing costs.

There is also a common misconception that 'affordable housing' means 'social' (public or community) housing. Although these are included on a broad continuum of affordable housing for very low, low and moderate income households, many residents facing affordability problems in Wyong LGA would fall outside the eligibility criteria for social housing, and require other affordable housing products to rent or purchase.

In Wyong LGA at the time of the 2011 ABS Census of Population and Housing, there were approx 55,900 households. Of these households, 15,800 (28%) were renting and 19,000 (34%) were purchasing their home.

Housing stress data indicates that there is a critical need in Wyong for both affordable rental and purchase stock, particularly for low and very low income households. Overall an estimated 14,000 very-low, low and moderate-income households in Wyong LGA were in housing stress in 2011. This represents 25% of all households.

By 2031 housing stress in Wyong LGA is projected to be around 20,000 very low, low and moderate income households, with around 80% being very low and low income households. At least 85% of this housing is unlikely to be delivered through the market without active planning intervention.

Key drivers of Wyong's housing market include increased pressure from the Sydney Metropolitan housing market as well as the impact of periodic 'bubbles'; links with the Sydney labour market; strong in-migration of 'cashed up' retirees from Sydney seeking lifestyle opportunities and/or more affordable housing options, and of families seeking more affordable housing within commuting distance to Sydney and regional employment centres.

Also, very few additional rental dwellings are entering the more affordable end of the market in net terms through market provision, there has been a significant increase in real rents in more recent times, and a considerable shortfall is projected for such stock in the future.

While it is possible for the market to deliver affordable purchase stock in Wyong LGA, this is dependent on the degree to which developers construct smaller separate houses and strata developments. In general, there is an apparent mismatch between the size of stock being created and the need for greater diversity and affordability of stock.

The relatively low incomes of local residents makes it difficult for many to compete in the local housing market without falling into housing stress, and displacement of very low and low income renters and other more vulnerable groups is increasingly likely.

The need to address growing affordability issues to ensure that the area continues to accommodate a wide range of age, income and employment groups as a matter of economic and social sustainability, is acknowledged in the Central Coast Regional Strategy, which provides a key strategic framework for substantial future urban development in the Wyong LGA. Hence support of affordable housing will further the objectives of the Regional Strategy, in particular those related to creating and maintaining affordable housing at the local level.

The Wyong Shire Affordable Housing Study (2012) provides a compelling case for active involvement by Governments to facilitate affordable housing in Wyong Shire, and it is likely that there is a need to use a range of mechanisms and strategies to create and protect affordable housing for very low-, low- and moderate-income earners over the next 20 years.

Council supports a coordinated effort from all levels of Government working collectively to address and respond to housing affordability issues and develop an overall policy position towards housing. Provision of Affordable Housing through planning mechanisms alone is limited without broader policy support, which is why all levels of government need to co-ordinate their responsibilities and objectives to improve housing affordability through a range of solutions.

Whilst having responsibility for regional planning strategies and State-level policies the NSW Government also has a key role in influencing drivers such as investment in transport and social infrastructure, land release and providing incentives to locate major new employment opportunities in Wyong Shire to enhance overall economic development, job opportunities / incomes of residents thereby leading to improved housing affordability.

## Rental Stress

Renters in Wyong LGA are more likely to be in housing stress than are home purchasers. Half of renting households are in housing stress in Wyong, compared with approximately one third of purchasing households. This is also the case for Greater Sydney Greater Capital City Statistical Area (GCCSA), where 43% of renting households are in housing stress, compared with 27% of home purchasing households.

Of the 15,800 renting households, it is estimated that approximately 7,900 (about half) were in housing stress (i.e. paying more than 30% of gross household income on their rental or mortgage costs), with 3,300 (21%) of renting households in severe stress (paying more than 50% of gross household income on their rental or mortgage costs). Of the 19,000 purchasing households, it is estimated that approximately 6,300 (about one third) were in housing stress, with 2,400 (13%) of purchasing households in severe housing stress.

Approximately three quarters of households in rental stress in Wyong are very low income households, and 22% are low income. Only 4% are moderate income households. In the income profile for households in severe rental stress, the representation of very low income households is approximately 97%, with the remainder being mainly low income households.

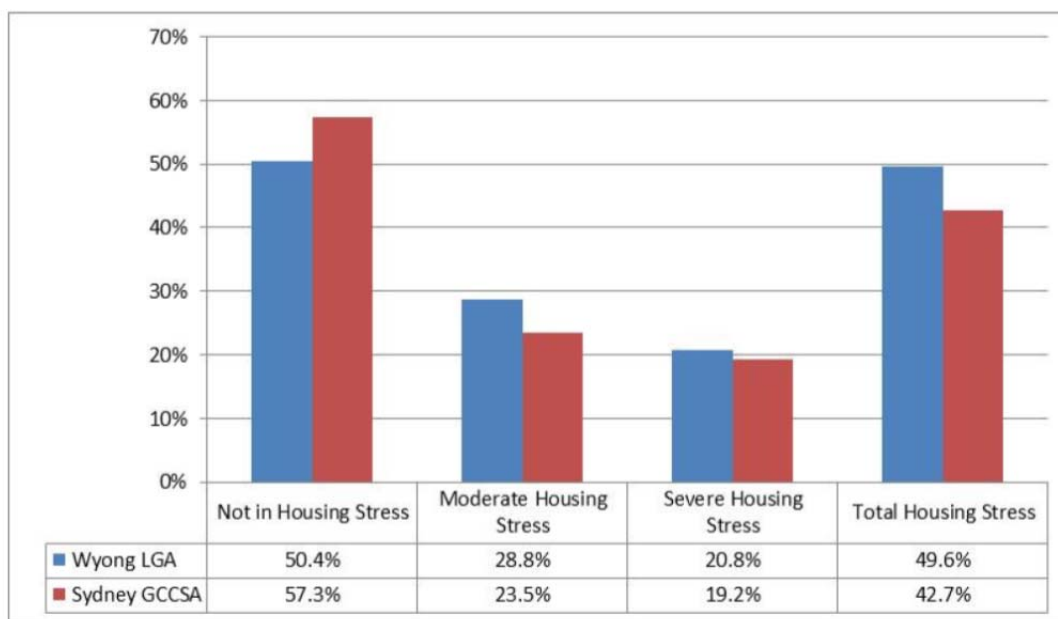


Figure 3: Total Renting Households by Rental Stress

Source: JSA 2012, using data from ABS Census of Population and Housing 2011, special data order

Of renting households in housing stress in Wyong LGA, single parent families and lone person households are most strongly represented (about 36% of households in rental stress for each household type, or a combined proportion of 72%), while couple families with and without children make up a combined proportion of 23%. Single parent families and lone person households are even more strongly represented in the profile of households in severe stress, with each household type making up approximately 40% of households in severe stress (a combined proportion of 81%).

## Home Purchase Stress

The representation of incomes in the home purchase stress profile is quite different to the rental stress profile. There is a substantial representation of moderate income households (37% of households in home purchase stress) and low income households (35%), and a substantially lower representation of very low income households (28%).

In the severe home purchase stress profile, however, the largest representation is from very low income households (55%), with low income households making up 29% of households and moderate income households making up 16%.

In the household composition profile for households in home purchase stress, 40% are couple families with children, with the remainder being mainly lone person households (22%), single parent families (18%) and couples without children (18%). In the severe home purchase stress profile couple families with children are again the most prominent (31% of households in severe purchase stress), though lone person households make up a larger proportion (27%), as do single parent families (22%). Couple families without children make up 16% of households in severe purchase stress.

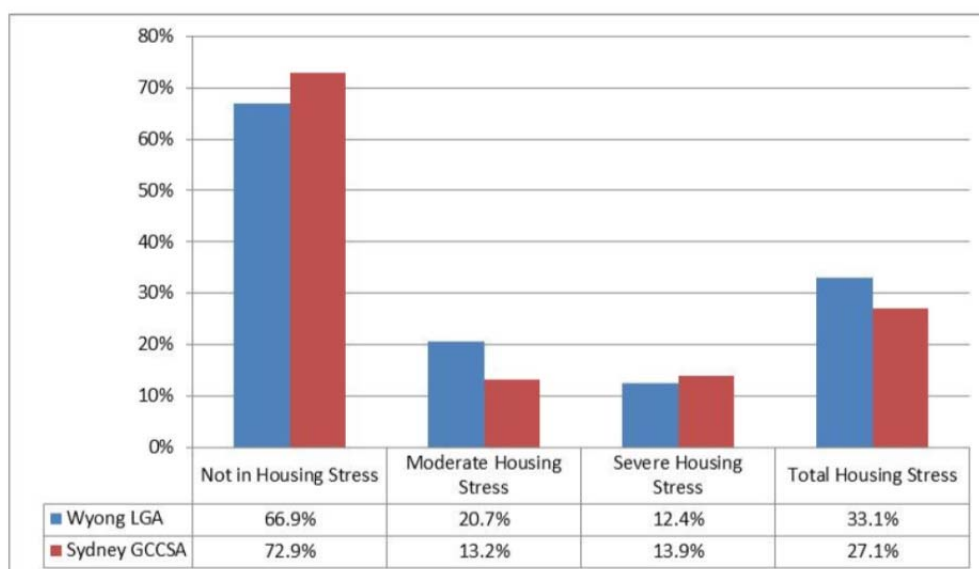


Figure 10: Total Home Purchasing Households by Rental Stress

Source: JSA 2012, using data from ABS Census of Population and Housing 2011, special data order

The Social Planning District (SPD) with the highest level of purchase housing stress was Warnervale/Wadalba, where 68% of moderate income earners and 84% of low and very low income earners paid more than 30% of their gross household income on mortgage repayments. Interestingly, Ourimbah/Rural South had a high proportion of moderate income earners experiencing purchasing stress (above the LGA levels), whilst the proportion of low and very low income earners in stress was found to be the lowest in the LGA. It is likely that this is due to more expensive newer development, with lower income households priced out of this market. Areas with lower levels of purchasing stress included Northern Lakes, Gorokan and The Entrance SPDs, likely due to the more established nature of some of these markets and the propensity for purchasing housing outright (or with a high capital base) by some older people moving to the area.



## The Housing Market

Overall, an estimated 14,000 very-low, low and moderate-income households in Wyong LGA were in housing stress in 2011. This represents 25% of all households. The situation has worsened between 2001 and 2011. On current trends, around 20,000 households are projected to be in housing stress by 2031, with half of these needing smaller (studio, one and two-bedroom accommodation), and the other half needing family accommodation.

The study indicates the importance of the local Wyong housing market to smaller, including older, low income families as well as family households on low to moderate incomes, which is likely to continue given the aging of the population and the continued in-migration of families and retirees to take up housing options in new release areas and consolidating centres. It also plays a crucial role in housing very low income residents and special needs groups who have historically lived in the area, but are at risk of exclusion in a competitive housing market. This situation is exacerbated by the ongoing loss of permanent residential accommodation in lower cost Caravan Parks and Manufactured Home Estates (MHEs), progressive redevelopment of older, private rental accommodation, and the relative under-supply of public and community housing in the LGA.

The current private rental market in Wyong LGA provides compelling evidence for the need to create affordable housing stock across the spectrum, from special needs and social rental for very low and low income households, and to a lesser extent, affordable rental accommodation for moderate income workers, as well as protecting existing stocks of affordable and low cost rental where possible. Unlike the purchase market, strong intervention through the planning system and significant government subsidies (in cash or through contribution of land or the like which reduces the cost of construction or operation) are likely to be required to protect and create the type and amount of affordable rental housing required by the relevant target groups.

Dwelling size, type and amenity are found to have a significant impact upon affordability in the local market, and there could be a benefit in actively facilitating or mandating smaller multi-dwelling housing (the most efficient product in the local market) particularly in new release areas, such as Warnervale / Wadalba. This would mainly benefit renters and purchasers at the top of the low income range and moderate income households generally.

National Rental Affordability Scheme credits are likely to be available through some Community Housing Providers who have the capacity to partner with Council on development and management partnerships. This provides some of the more significant opportunities for direct provision. However, such subsidies tend to favour moderate income households, at least in the short-term.

## Affordable Housing Strategies

Given the growing affordability issues facing Wyong Shire, it is likely that the need for affordable housing could affect anyone in the community at some stage in their lives. The inclusion of affordable housing as a component of all new urban development and redevelopment supports the objectives of government with regard to social sustainability and inclusion, and is thus also a matter in the public interest. In particular, affordable *rental* housing provided in perpetuity is an important form of community infrastructure that supports community wellbeing and social and economic sustainability, a diverse labour market and economy, and strong and inclusive communities.

In November 2013, Wyong Shire Council reviewed the strategies and corresponding recommendations contained in the study and resolved to implement the following strategies:

- Adopt relevant **definitions and benchmarks** for “affordable housing” so that there is clarity regarding the meaning of the term in the planning and assessment process
- Strengthen “affordable housing” as a **planning consideration** by including definitions, benchmarks, objectives and performance measures in relevant planning instruments including Wyong Local Environmental Plan 2013; and develop policies to support affordable housing mechanisms and strategic goals
- Removing **impediments** to the delivery of “affordable housing” in Council’s planning documents by extending R1 General Residential zoning in key centres; by permitting multi-dwelling housing in R2 Low Density Residential zoning where an affordable housing outcome can be demonstrated; permitting mixed use residential development in relevant Business zones; by developing affordable housing provisions in WDCP2013
- Creating “affordable housing” (in suitable locations close to centres) through **development incentives** such as the provision of additional Floor Space Ratio with associated DCP concessions for the construction of smaller multi-dwelling housing
- Direct involvement in the development of “affordable housing”, in **partnership** with a registered Community Housing Provider

This provides a broad overview of the strategies adopted for implementation by Wyong Shire Council. Refer to the Wyong Shire Affordable Housing Study (2012) for the full set of recommendations.

## Conclusion

Council supports a coordinated effort from all levels of Government working collectively to address and respond to housing affordability issues and develop an overall policy position towards housing. Provision of Affordable Housing through planning mechanisms alone is limited without broader policy support, which is why all levels of government need to co-ordinate their responsibilities and objectives to improve housing affordability through a range of solutions.

The role of the NSW Government in providing for the needs of the most vulnerable in the community and for affordable housing more broadly is also recognised in its funding and policy role, including how relevant initiatives can be applied to the Central Coast.

The NSW Government needs to take an active role in the research and development of planning policy to address affordable housing needs, strategies and mechanisms for application.

Mechanisms developed by the NSW Government could include:

1. Develop guidelines on affordable housing strategies, including actions and targets to be implemented through a range of planning provisions, which can be incorporated by local government in the development of strategic and statutory planning documents.
2. Working with the Federal Government and others to develop indicative/sample guidelines that illustrate a range of quality affordable housing principles to assist and guide the development industry
3. Investigate and promote innovative business models for the provision of affordable housing
4. Working with the Federal Government to investigate tax incentives, involvement of superannuation schemes, national affordable housing targets and other incentives to increase the availability of affordable housing
5. The NSW Government and Federal Government has a key role in influencing drivers such as investment in transport and social infrastructure, land release and providing incentives to locate major new employment opportunities in Wyong Shire to enhance overall economic development, job opportunities / incomes of residents thereby leading to improved housing affordability. To this end, increased funding for infrastructure at both levels of Government would encourage development of major affordable housing projects