

**Submission  
No 66**

## **OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES**

**Organisation:** Orange City Council

**Date Received:** 13 September 2024

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13 September 2024

Dear Alex Greenwich MP

## **SUBMISSION – INQUIRY INTO ESSENTIAL WORKING HOUSING IN NSW**

The NSW Planning System is designed to deliver essential worker housing through the provision of affordable housing. The *Environmental Planning and Assessment Act 1979* and the *Environmental Planning and Assessment Regulation 2021* provide a clear pathway in which affordable housing is defined and managed through the *State Environmental Planning Policy (Housing) 2021*. Council support continued exploration and innovation in the delivery of essential worker housing through the lens of affordable housing.

### **Affordable Housing**

Affordable housing generally refers to housing (other than public housing) that is accessible to people on very low, low or moderate household incomes<sup>i</sup>. Housing is considered to be affordable when it is priced so that these households are able to pay for housing while meeting other basic living costs, such as food, clothing, transport, medical care and education. As a rule of thumb, housing is considered to be affordable if it costs no more than 30% of the household's gross household income. Where very low, low or moderate income households are required to pay more than 30% of their gross household income on housing, they are considered to be in housing stress and at risk of 'after-housing poverty'<sup>ii</sup>.

Within NSW, affordable housing is considered to be a form of essential social infrastructure<sup>iii</sup>. It can come in a range of physical forms, tenures and governance models. Affordable housing is, however, most often provided in the form of affordable rental housing. The lower-than-market rent paid by tenants of affordable rental housing means that it is often constructed and maintained on a not-for-profit basis as community housing by a registered community housing provider (CHP)<sup>iv</sup>.

Affordable housing is an inherently hybrid and adaptable category. Due to its variety of applications, it often overlaps with other types of specialist housing. Depending on the circumstances, affordable rental housing can comprise subsidised rental housing, special needs housing (including group homes and crisis and transitional accommodation), social housing (other than public housing), community housing or essential worker housing.

Affordable purchase housing can include assisted or subsidised purchase housing (including rent-to-buy housing and shared equity housing)<sup>v</sup>.

Affordable housing is essential to, but distinct from housing affordability. The latter refers to the accessibility of housing within a given geographic area or housing market based on people's capacity to pay for it. Affordable housing, on the other hand, is a particular category of housing products that are defined by their affordability for very low, low and moderate income households. In this respect, the provision of affordable housing should be understood as an essential, but by no means the only, means of ensuring a sustainable level of housing affordability within a given place.

### **Diverse housing**

Diverse housing generally refers to housing that contributes to a place's housing diversity and social mix. It normally refers to housing that, by way of its type, tenure, investment model and ownership, provides an alternative to traditional rental and ownership tenures. Diverse housing comprises, but is not limited to, a range of overlapping housing types and provider models including:

- a) build-to-rent housing
- b) co-living housing
- c) community housing
- d) group homes
- e) key worker housing
- f) rent-to-buy housing
- g) secondary dwellings
- h) seniors housing (including specialist disability accommodation)
- i) shared equity housing
- j) social housing
- k) student housing; and
- l) supportive accommodation.

Diverse housing is closely related to, and often overlaps with, affordable housing. Both are essential preconditions for sustainable place-making and social inclusion (including provision for 'ageing in place', the fostering of social capital and social mobility, the creation of diverse and robust markets for local shops and services, and ensuring a diverse social mix that optimises the collective consumption of public spaces, assets, facilities and infrastructure).

In short, affordable housing aims to make itself accessible to people of very low, low or moderate incomes based on their capacity to pay; diverse housing aims to respond to people's different life circumstances and associated housing needs, particularly where these exist outside the 'norm' of mainstream housing and tenure types.

### **Redmond Place Precinct**

Redmond Place is a new residential neighbourhood that is being developed in collaboration with Landcom and Orange City Council<sup>vi</sup>. The project will unlock 24.2 hectares of Council-owned land at Orange's eastern entrance to deliver 300+ homes with a mix of housing types and at least 20% of homes to be set aside as Affordable Housing. The project is designed with innovation, sustainability, and liveability in mind, aiming to set the standard for contemporary new housing in Orange and Central West NSW. Landcom is seeking to gain minimum 5-Star ("Australian Excellence") with the aim of achieving 6- Star ("World Leadership") certification under the Green Building Council Australia's (GBCA's) Green Star - Communities rating scheme. The project is the first to be accepted under the new state-led rezoning pathway for social and affordable housing.

The project has arisen from the lack of affordable and diverse housing, which in turn has an impact on the City's employment growth and economic development. Lower income households forced out of the market may move away which has been demonstrated to lead to skilled labour shortages, increases in social disadvantage, and can reduce social cohesion in communities. The ongoing loss and non-replacement of affordable housing through gentrification and re-development, in conjunction with the current unmet housing need across NSW provides a strong rationale for intervention.

Current levels of housing stress in the Orange Local Government Area demonstrate that the open market (private rental and housing for sale) is unable to meet the affordability needs of large numbers of these households, and the "affordability gap" between incomes and housing costs has widened steadily as the price of housing has continued to rise much faster than income<sup>vii</sup>. The decline in housing affordability, and the inability for people to access housing that is affordable, is having an increasing impact on socio-economic diversity in Orange.

In addition to this a larger proportion of separate houses are occupied by couple-only and lone person households collectively (52%). This reflects limited housing options as opposed to housing preferences. The lack of housing diversity within Orange is leading to inefficient and unsustainable use of land.

To date, Council's efforts to encourage private developers to provide diverse and affordable housing within their projects have achieved only moderate success. This is due to a variety of reasons, including:

- land banking and lack of cooperation between private landholders,
- physical constraints on the servicing and housing potential of new greenfield urban release areas,
- poor apprehension within the City's development sector of the benefits and value of urban design, housing diversity and place-making at the precinct or neighbourhood scale,
- local industry inexperience in the delivery of diverse and affordable housing, particularly in relation to the construction and delivery of innovative and medium density housing typologies,
- development business models geared towards the supply of 'traditional' detached housing, focusing on the sale and disposal of individual residential lots from moment to moment rather than the accumulation of composite 'place values' over time and across multiple development stages and sites,
- general misapprehension of the role and character of affordable housing, with stakeholders often mistakenly equating this to "public housing",
- the limited, albeit rapidly growing, capacity of the community housing sector within the City, with this sector yet to achieve a significant share of the housing market.

### **Recommendations**

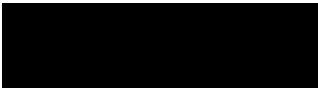
Council supports the ongoing identification of opportunities to enhance planning tools and reforms, incentives for development on privately owned land, the investigation of reform to promote fiscal sustainability, innovation and affordable housing in perpetuity, ensuring this is supported through:

- Data collection and monitoring across the state, annual reporting on performance to monitor impact of policy/legislation change,
- Strategic planning leadership across NSW in terms of quantitative targets that response for affordable housing and diverse housing including benchmarking,
- Availability of grants to support the delivery of infrastructure that contributes to the delivery of diverse and affordable housing that would otherwise be constrained by the cost of providing infrastructure to service land,
- Acknowledgment that planning incentives are an important aspect, however evidence that the amount of affordable housing provided by these means in relatively small<sup>viii</sup>
- Investigating legislative mechanisms to reduce land banking, and incentivise the development of land once it has been rezoned,
- Increased guidance and support for diverse housing suppliers and community organisations looking to deliver housing in response to local needs,

- Increased provisions for state-local government partnerships in regional areas for the delivery of affordable housing (like Redmond Place that demonstrates to industry emerging housing models (and tenures) that de-risk innovation),
- Mandatory provisions for inclusionary zoning where require a percentage or number of dwellings to be provided for as affordable housing, and
- Fast tracked mechanisms where affordable and diverse housing is being proposed as part of a rezoning and development application.

If you have any questions, please feel free to contact Council’s Senior Strategic Planner on [REDACTED] or [REDACTED]

Yours sincerely



Alison Weir

**SENIOR STRATEGIC PLANNER**

<sup>i</sup> NSW Affordable Housing Ministerial Guidelines 2023/24 (‘Definition of key terms’).

<sup>ii</sup> NSW Local Government Housing Kit data indicates that in 2021 48.7% of very low income households, 39.8% of low income households and 19.4% of moderate income households who rented their housing within the City of Orange were experiencing housing stress. The same data indicates that 39.9% of very low income households, 27.7% of low income households and 14.1% of moderate income households who owned or were purchasing their housing within the City of Orange in 2021 were experiencing housing stress (Source: <https://www.facs.nsw.gov.au/resources/nsw-local-government-housing-kit/chapters/local-government-housing-kit-database>)

<sup>iii</sup> NSW Department of Planning, Industry and Environment 2021, Housing 2041: NSW Housing Strategy, p. 32

<sup>iv</sup> The Community Housing Industry Association NSW estimates that there are currently 383 community housing dwellings provided within the City of Orange (out of 47,221 provided across NSW). Of these, 369 (or 96.3%) are provided by a single registered CHP, Housing Plus (Source: <https://communityhousing.org.au/our-impact/data-dashboard/>)

<sup>v</sup> Examples of shared equity schemes include the NSW Government’s Shared Equity Home Buyer Helper and the Australian Government’s proposed Help to Buy scheme.

<sup>vi</sup> [Redmond-Place-Master-Plan.pdf \(nsw.gov.au\)](#)

<sup>vii</sup> In 2021, 37% of households with a mortgage were paying >\$2,000 per month in mortgage repayments. This was however when interest rates were at record lows. Today (2024), the proportion of households paying >\$2,000 per month is expected to be much higher than 37% given the interest rate movements over the last 24 months. In 2021, 13% of households who rented were paying >\$500 per week in rent. In September 2021, the median dwelling rent in Orange was \$450 per week. Today, the median rent more than 10% higher at \$500 per week (March 2024, DCJ). Therefore, the proportion of households paying >\$500 per week in rent is expected to be higher than 13%. Source: Redmond Place Economic and Social Impact Assessment (June 2024)

The housing affordability issue is not unique to Orange. It is widely accepted that this is a

<sup>viii</sup> Planning Institute of Australia research indicates that planning incentives for affordable housing equate to less than 1% of new supply in NSW, Source: Planning Institute of Australia Discussion Paper: Role of Planning in Housing – 2022),