

CITY OF SYDNEY DRAFT AFFORDABLE RENTAL HOUSING STRATEGY AND AFFORDABLE HOUSING TARGETS

FILE NO: S059651

SUMMARY

Sustainable Sydney 2030 has identified housing as a key 'strategic direction' for action by the City. The strategic direction document, titled 'Housing for a Diverse Population' identifies the need for more affordable housing within the LGA.

In conjunction with Sustainable Sydney 2030, the *City of Sydney Draft Affordable Rental Housing Strategy* (the draft strategy) at **Attachment 'A'** has been developed. The findings of the *City of Sydney Affordable Housing Research Paper* (the research paper) at **Attachment 'B'** have guided the development of the draft strategy.

The overriding philosophy of the draft strategy is that lack of affordable housing in the City represents an economic and social risk to the community and that by adopting a suite of planning, partnership, financial and advocacy initiatives and actions, Council may act to protect existing rental affordable housing and to facilitate the provision of new rental affordable housing for households on very low to moderate incomes. The draft strategy has been prepared with reference to Sustainable Sydney 2030 to ensure consistency of data and policy direction.

An explanation of affordable housing targets within Sustainable Sydney 2030 and the draft strategy, together with a guide to how Council may achieve such targets is included in this report. However, achieving the 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. Direct provision of affordable housing by Council will have a limited, but important part in achieving targets. For example, current legislation allows the City to levy developer contributions on all new developments in Ultimo-Pyrmont and Green Square. To date, the programs which deliver this affordable housing have provided 446 units housing over 930 people in Ultimo-Pyrmont and 45 units housing approximately 90 people in Green Square.

RECOMMENDATION

It is resolved that:

- (A) Council endorse the draft *City of Sydney Draft Affordable Rental Housing Strategy* shown at **Attachment A** for public exhibition for a period of 28 days;
- (B) Authority be delegated to the Chief Executive Officer to make any minor drafting changes, prior to public exhibition, arising from the Council's consideration of the draft *City of Sydney Draft Affordable Rental Housing Strategy Attachment A*; and
- (C) Council note the draft *City of Sydney Affordable Housing Research Paper* shown at **Attachment B**.

ATTACHMENTS

Attachment A: *City of Sydney Draft Affordable Rental Housing Strategy*

Attachment B: *City of Sydney Affordable Housing Research Paper*

Attachment C: *Step chart scenario - Achieving Affordable Housing Targets*

Attachment D: *Outcomes of Key Stakeholder Workshop*

Attachment E: *Summary of pre-exhibition submission - Association to Resource Co-operative Housing (ARCH)*

BACKGROUND

1. Sustainable Sydney 2030 poses an agenda beyond the immediate and looks to City's long term goals. Its effective implementation relies on partnerships being established with the NSW Government, the Commonwealth Government, other local councils, business and the community. Sustainable Sydney 2030 has included 'Housing for a Diverse Population' as a key strategic direction for the City of Sydney.
2. Sydney 2030 'Housing for a Diverse Population' looks broadly to housing in the LGA to 2030 and includes actions towards facilitating supply in the private rental market by maximising land supply, providing infrastructure and streamlining the development approvals process to improve supply.
3. In conjunction with Sydney 2030, the *City of Sydney Affordable Housing Research Paper* and the *Draft City of Sydney Affordable Rental Housing Strategy* have been developed under the guidance of the Affordable Housing Strategy Internal Liaison Group (AHSILG).
4. To ensure a whole of Council approach to the development of an affordable housing strategy, the AHSILG comprises members from the following business units:
 - (a) City Plan Development – which has primary responsibility for developing the Strategy and coordinating the AHSILG;
 - (b) Social Policy and Community Support;
 - (c) Economic Development;
 - (d) Properties;
 - (e) City Strategy (Sydney 2030); and
 - (f) City Projects.

Definitions

5. **Affordable housing**, conceptually defined, is housing which is appropriate to the needs of low to moderate income households and does not consume such a high proportion of household income that it leaves households with insufficient money to meet other basic costs. Reasonable housing costs in relation to these households are defined as totalling approximately 30% of gross household income. Given the cost of purchasing housing in the LGA, 'affordable' housing for very low to moderate income groups generally means rental housing and in most cases rental housing that is subsidised below the market rate. Therefore, where the term 'affordable housing' is used in the draft strategy, it refers to housing that is subsidised below the market rate (such as City West Housing, housing managed by not-for-profit providers and rented to very low to moderate income households at a subsidised rate, student housing, or housing resulting from the National Rental Affordability Scheme (NRAS)). It does not refer to private rental affordable housing dwellings such as boarding houses or studio apartments nor does it include housing that is made available for purchasers below market cost (such as housing resulting from the Housing Affordability Fund) or by alternative purchase

arrangements that promote affordability (such as co-operative housing or debt equity schemes).

6. **Housing affordability** is a measure of the cost of housing relative to median income. As the cost of housing increases at a faster rate than an average income, housing affordability decreases.
7. **Social Housing** comprises public housing, community housing, crisis housing and Aboriginal housing managed by the Aboriginal Housing Office.
8. **Key-workers** may include workers from a broad range of industries such as retail, hospitality, clerical workers and others who contribute the efficient functioning of the City's economy. Key workers earn very low to moderate incomes.

N.B. Households in Sydney receiving less than \$31,600 are said to be in receipt of very low incomes. Those receiving less than \$50,600 are categorised as low income earners. Households on incomes less than \$75,900 are considered moderate income earners. Source: Housing NSW – Centre for Affordable Housing.

9. **Housing stress** occurs when households who have very low, low and moderate incomes are paying more than 30% of their household income to meet their mortgage repayments or rent.
10. **Low cost rental accommodation**, for the purposes of this report and the draft strategy, refers to private rental accommodation that is appropriate for and available to very low to moderate income households, without such households being in rental housing stress. In the City such housing is typically found in boarding houses.
11. **Affordable housing levy** is a levy applied through planning instruments to development for the purpose of providing affordable housing. An affordable housing levy is also frequently referred to as 'inclusionary zoning'.

The Affordable Housing Research paper

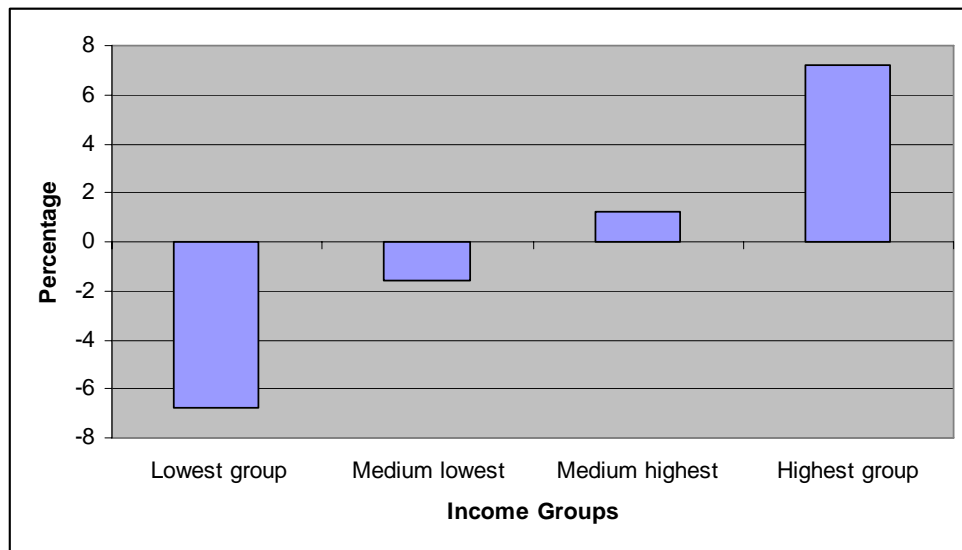
12. The research paper has informed the preparation of the draft strategy. The research paper comprises four parts:
 - (a) Part A introduces concepts associated with affordable housing and provides examples of Australian and overseas affordable housing initiatives;
 - (b) Part B outlines the policy and statutory context for the protection and facilitation of affordable housing in the City;
 - (c) Part C examines housing issues within the City of Sydney; and
 - (d) Part D discusses what local government can do to facilitate affordable housing and considers a range of measures that could be included in the affordable housing strategy.
13. The research paper has been prepared with reference to:
 - (a) Expertise within the AHSILG;
 - (b) City of Sydney Housing Analysis 2008;

- (c) Sustainable Sydney 2030;
- (d) Centre for Affordable Housing, Local Government Housing Kit;
- (e) Current academic research;
- (f) A review of national and international examples of affordable housing policies and programmes; and
- (g) Australian Bureau of Statistics, 2006 Census data.

14. The research paper identified five broad housing 'issues' in the LGA:

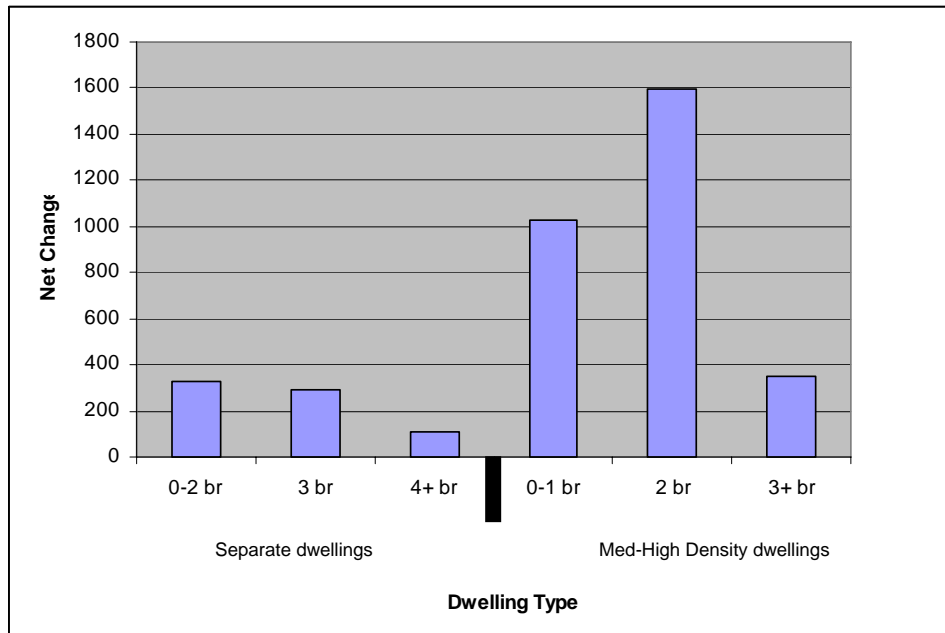
- (a) *Loss of key workers from the City* – Over the last decade the City has experienced a sustained loss of low to moderate income households (see Graph 1 below). These households are typically our baristas, cleaners, clerical workers, shop assistants, and their loss represents a direct risk to the City's economy. Moreover, as these households leave the City the community becomes more polarised, retaining its poorest and wealthiest households in different areas of the City.

Graph 1 – Change in weekly household income (quartiles), City of Sydney, 1996-2006



- (b) *Loss of housing diversity in the City* – While the typical dwelling type in Australian suburbs is a separate dwelling with 3+ bedrooms, the City of Sydney caters for much younger and smaller household types and its dwelling stock reflects this. Over the last decade, new dwelling stock was overwhelmingly one and two bedroom dwellings (see Graph 2 below). The loss of 3+ bedroom medium and higher density dwellings and low/medium density dwellings will limit the supply of housing that may be appropriate for family type households with children. Moreover, it does not allow for group households to form in order to achieve housing that is affordable.

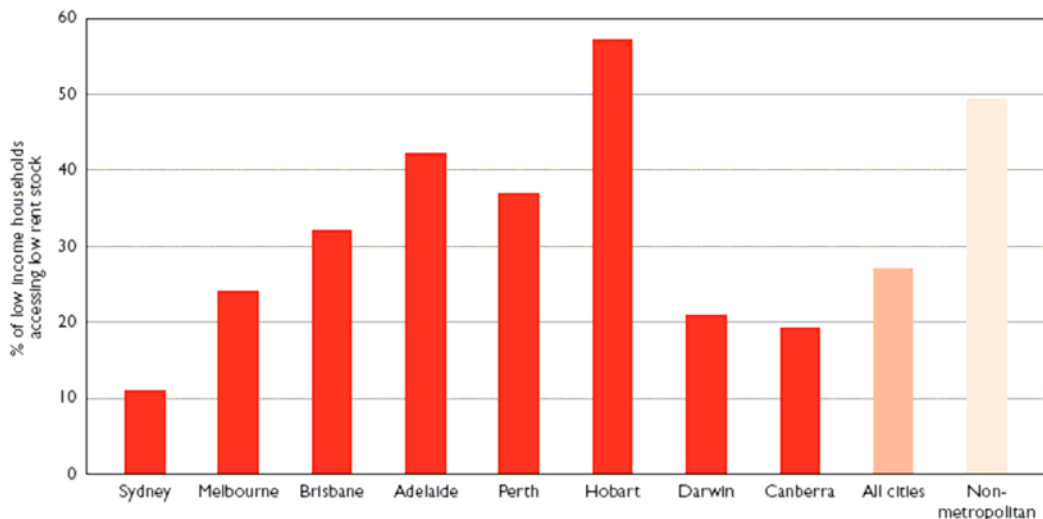
Graph 2 – Net change in dwelling types – Sydney City 2001-2006



Note: Medium to High Density Dwellings includes semi-detached, row or terrace houses as well as flats, units and apartments

- (c) *Loss of low cost rental accommodation such as boarding houses - The sustained loss of boarding houses and other low cost rental accommodation in the City has a profound effect on those at the bottom of the housing ladder, particularly people who are homeless and those at risk of homelessness. Boarding houses are a vital stop-gap between homelessness and other forms of low-cost accommodation. Once homeless it becomes increasingly difficult to retain links to the community, to gain employment and to obtain appropriate housing. Graph 3 below shows how a lack of low rent housing is now particularly acute in Sydney where only 11% of all low-income private renters were accessing affordable housing stock in 2001 (Source: AHURI 2005, *Supply and demand in the low rent private market*).*

Graph 3 – Low income private renters accessing low rent stock by Region



- (d) *The complexity of housing issues in the LGA is such that it can not be addressed exclusively by the City* – Housing affordability and the provision of affordable housing is a complex issue. It is essential the City engage with the Commonwealth and the State governments, other councils, the finance sector, the not-for-profit sector and the private sector to jointly address housing issues in inner-Sydney.

Note: A step chart scenario to achieving housing targets has been included as **Attachment “C”**. The step chart scenario presents an example of how affordable housing targets can be achieved in the City. This scenario proposes that the City of Sydney is to directly facilitate / provide 2,959 affordable housing dwellings. The remaining 5,653 affordable housing dwellings (to meet Council's targets) are to be facilitated / provided by other levels of government.

- (e) *Affordable rental housing and social housing is shrinking as a proportion of total dwelling stock in the City* – With little or no action to provide more social and affordable housing in the City, the proportion of social and affordable housing available in the LGA will drop from its current rate of 13 percent to less than 9 percent in 2030. Such a fall is likely to have a significant impact on the City's economy and community.

The Draft Affordable Rental Housing Strategy

15. The draft strategy was produced to address issues outlined in the research paper. The overriding philosophy of the draft strategy is that lack of affordable housing in the City represents an economic and social risk to the community. By adopting a multi-pronged approach, Council can act to protect existing low cost rental accommodation and facilitate the provision of new rental affordable housing for households on very low to moderate incomes.
16. The draft strategy does not seek to directly reduce the cost of private housing (rental or for purchase) in general. While it is recognised that some measures may be taken by the City to reduce the cost of developing housing, it is considered unlikely that such measures would reduce the cost of private housing so much that it would be considered 'affordable' for the target group, being very low to moderate income earners. The draft strategy specifically looks to protect existing low cost rental accommodation and facilitating the provision of new rental affordable housing.
17. The draft strategy works towards creating a planning and knowledge environment that will facilitate the protection and provision of more affordable housing in the City. Implementation of the draft strategy will create the conditions in which the Sustainable Sydney 2030 target may be achieved given a favourable legislative environment. Affordable housing targets will be addressed in more detail later in this report.
18. Local government has a range of levers and means to protect existing low cost rental accommodation and facilitate the provision of new affordable housing, including:
- (a) Planning tools – there are a number of planning mechanisms that may be used to protect existing affordable housing and facilitate additional affordable housing in the LGA, such as:
- (i) An affordable housing levy – Council may act to introduce an affordable housing levy to be used for the development of affordable housing;

- (ii) Bonus schemes – Council may adopt planning mechanisms that allow the collection of contributions in return for development bonuses, such as extra Floor Space Ratio (FSR); and
 - (iii) Impact mitigation – Council may take a more rigorous approach to protecting existing affordable housing through its planning controls.
- (b) Strategic partnerships – Council may develop partnerships with other councils, other levels of government, the not for profit sector and the private sector to facilitate or develop affordable housing. An example of such a partnership is the Glebe Affordable Housing Demonstration Project.
 - (c) Financial incentives – Council may allocate funds to facilitate additional affordable housing either directly or by offering incentives to encourage development of affordable housing.
 - (d) Leadership and advocacy – Council may advocate to other levels of government for improved housing outcomes in the LGA and in the inner Sydney region.
19. The draft strategy includes a number of actions that utilise the above levers and means and provide a roadmap towards achieving the six primary objectives of the draft strategy. Each objective is in response to a specific 'issue' identified in the research paper. Objectives include:
- (a) Increasing the amount of affordable housing;
 - (b) Protecting the existing stock of low cost accommodation;
 - (c) Encouraging a diverse housing stock;
 - (d) Collaborating with other councils to regionally address housing issues;
 - (e) Advocating for improved housing outcomes; and
 - (f) Implementing, evaluating and monitoring the affordable housing strategy.
20. While the target group of the draft strategy has been broadly stated as very low to moderate income earners, there are a number of groups that may be disproportionately affected by decreasing housing affordability. The draft strategy includes a number of actions towards protecting, facilitating or advocating for affordable housing for these groups, including:
- (a) Key workers and low income earners;
 - (b) People who are homeless or at risk of homelessness;
 - (c) Young workers and students;
 - (d) Indigenous households; and
 - (e) Young family households.

KEY IMPLICATIONS

Affordable Housing Targets

21. Sustainable Sydney 2030 establishes an ambitious target that by 2030, of all housing in the City 7.5% will be social housing, and 7.5% will be affordable housing delivered by 'not-for-profit' or other providers. This target is predicated on retaining the proportion of subsidised rental housing currently available within the City and increasing it by a modest amount.
22. Achieving this target requires that 7,959 affordable rental dwellings and 653 social housing dwellings be provided to 2030. Therefore, 18% of all growth to 2030 will be provided as affordable housing and 1% of all growth to Sydney 2030 will be provided as social housing*.

City of Sydney Housing Targets			
	2006	2030	Growth to 2030
Total dwellings	90,000	134,000	44,000
Social Housing	9,397	10,050	653 (1% of growth)
Affordable Housing	2,091	10,050	7,959 (18% of growth)

Note: This target is consistent with several other cities. For example, the City of Melbourne sets a target that at least 20% of new housing is affordable or social housing. The City of London has set a goal that 50% of all new housing should be affordable housing. Since 1998 the City of Vancouver has required that 20% of the units in major residential projects be social/affordable housing. The City of San Francisco sets a target that at least 40% of new housing construction should be affordable to low and very low income households, and 32% affordable to households of moderate means. The City of Seattle has a policy that at least 20% of expected housing growth to be affordable to households earning up to 50% of median income, 17% affordable to households earning between 51%-80% of median income and 27% affordable to households earning between 81%-120% of median income.

23. Achieving this target will depend, to a significant extent, on the 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. Direct provision of affordable housing by Council will have a limited, but important part in achieving targets.
24. A step chart scenario to achieving housing targets has been included as **Attachment "C"**. The step chart scenario presents an example of how affordable housing targets can be achieved in the City. This scenario proposes that the City of Sydney is to directly facilitate / provide 2,959 affordable housing dwellings, mostly by introducing an affordable housing levy. Council may chose instead to achieve the same amount of affordable housing by another means, such as by implementing a bonus system for new development. The remaining affordable housing dwellings are to be facilitated / provided by other levels of government. While it should be noted that Council has no direct control over achieving these benchmarks, it is the role of the City to advocate to other levels of government to achieve affordable housing targets.
25. Research to determine the likely impact of an affordable housing levy on the City housing market has been prepared and will be reported to Council in due course.

BUDGET IMPLICATIONS

26. Funding for projects and programs within the draft strategy will be sought in future budget planning.
27. It is expected a number of projects and programs identified in the draft strategy will be funded in partnership with other levels of government, other councils, the private sector and the not-for-profit sector.

RELEVANT LEGISLATION

28. *Environmental Planning and Assessment Act 1979*
29. *Environmental Planning and Assessment Regulation 2000*
30. *State Environmental Planning Policy 10 – Retention of Low-cost Accommodation*
31. *State Environmental Planning Policy 70 – Affordable Housing (Revised Scheme)*

PUBLIC CONSULTATION

32. A consultation was held with key stakeholders in February 2008 together with an invitation to participate in a three hour workshop. The following key stakeholders participated in the workshop:
 - (a) Housing NSW;
 - (b) NSW Aboriginal Housing Office;
 - (c) Office of Community Housing;
 - (d) Landcom;
 - (e) Centre for Affordable Housing;
 - (f) North Sydney Council;
 - (g) Marrickville Council;
 - (h) Randwick Council;
 - (i) Leichhardt Council;
 - (j) Urban Development Taskforce;
 - (k) Property Council of Australia;
 - (l) Association to Resource Co-operative Housing (ARCH); and
 - (m) South West Inner Sydney Housing (SWISH).
33. Generally, there was widespread support for the objectives and actions contained within the draft strategy. A table of significant issues, concerns and suggestions that were identified at the workshop has been produced at **Attachment 'D'**. Given

the informal 'working group' nature of the workshop, no individuals or organisations have been identified within this table.

34. While the City did not call for submissions following the key stakeholder workshop, one submission was received by ARCH. A summary of this submission is at **Attachment 'E'**.
35. If Council adopts the recommendation of this report the draft strategy will be placed on public exhibition for a period of 28 days. A further report will be presented to Council detailing the results of this exhibition.

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