

Comments on Promoting Housing Diversity in our Growth Centres

14 October 2013

Southern Sydney Regional Organisation of Councils

The Hon. Brad Hazzard MP
Minister for Planning and Infrastructure
By email: community@planning.nsw.gov.au

Dear Minister

Thank you for the opportunity to provide feedback on planning changes to deliver greater housing diversity and more affordable housing in the North West and South West Growth Centres of Sydney.

SSROC supports the NSW Government's plan to provide appropriately mixed housing in Sydney's Growth Centres. Access to housing is a basic physiological human need. In social terms, a secure home provides a strong framework for resilient, diverse and healthy communities and individual health and wellbeing. Yet, according to the 9th Demographia Housing Affordability Study (2013), Sydney is the third most expensive housing market in the world, following Vancouver and Hong Kong.

SSROC considers that diverse, affordable housing supply needs to be considered in the context of a broader strategic plan for the development of these Growth Centres that also provides consideration for liveable places, integrated transport infrastructure, environment-based strategies (including waste, water and energy management) and opportunities for employment.

While these issues are largely the responsibility of Government, the supply diverse and affordable housing is left to market forces. There is ample evidence to demonstrate this is not working.

While the Promoting Housing Diversity in our Growth Centres paper identifies planning mechanisms by which housing diversity can be encouraged, it still cannot provide any guarantee that the desired outcomes – liveability, affordability, sustainability and safe, quality design - will be achieved.

The primary planning mechanism by which more diverse housing is proposed in the Growth Centres is through the provision for minimum lot sizes. SSROCs concern is that, in setting only minimum lot sizes, there is no way to ensure a mix of lot sizes will result. The over-provision of small lots may please developers, but it does not lend itself to affordability or socio-economic diversity.

Landcom's recent series of residential development guides promote a mix of housing types and note that *"it is important that smaller homes should not be grouped in only one location in a development, but 'salt and peppered' in a variety of locations. There may be localised 'clustering' of housing types, however, this should not be to an extent which clearly identifies an area as being different to otherwise similar areas. The secret to successful housing diversity is to normalise it."*¹

SSROC suggests that whilst a small lot size may be permissible, a lesser net density should also be a requirement.

¹ <http://www.landcom.nsw.gov.au/news/publications-and-programs/residential-density-guide.aspx>

While the complex policy levers that influence housing cost are controlled mostly at national and state government levels, the economic, social and environmental impacts of poor housing affordability are felt largely at the local level. This impacts residents, businesses and workers and therefore is of great significance to local government.

In mid-2013 SSROC developed a position paper on affordable housing supply which identified strong and proven potential for the planning regime to more effectively equip Councils to facilitate affordable housing supply.

The inclusion of provisions within the planning instruments facilitating the dedication of dwellings (or the monetary equivalent) for the purpose of affordable housing as part of new residential developments capturing value uplift would provide important potential to help address the shortfall of affordable housing supply in Sydney. The position paper is attached for your information.

The North West and South West Growth Centres are vital to Sydney's economic future, and SSROC urges the NSW Government to take a holistic and integrated approach. This requires less faith in market forces and more faith in local government and state government policy to deliver the desired outcomes.

We thank you for the opportunity to comment on the *Promoting Housing Diversity in our Growth Centres* policy and hope you find these comments useful.

Yours sincerely



Alan Northey
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Southern Sydney Regional Organisation of Councils

Attachment: SSROC Position on Affordable Housing for Key Workers

14 October 2013

Southern Sydney Regional Organisation of Councils

1 Introduction

This position paper on affordable housing recommends that the SSROC take a proactive approach in lobbying and advocating for its increased provision with a view to improving supply for key workers in lower-paid professional, skilled and non-skilled essential services employment.

2 Key Issues

2.1 Secure Housing

Access to housing is a basic physiological human need. It is at the very base of Maslow's hierarchy of human needs. In social terms, a secure home provides a strong framework for resilient, diverse and healthy communities and individual health and wellbeing.

2.2 Housing Costs – Sydney

Following Vancouver and Hong Kong, Sydney is the 3rd most expensive housing market in the world according to the 9th Demographia Housing Affordability Study, 2013. With high levels of accessibility, amenity and employment, the SSROC region therefore comprises some of the most expensive real estate in the world.

2.3 Affordable Housing

Affordable housing is defined as housing that is appropriate for the needs of a range of very low to moderate-income households priced to ensure that families are able to meet other essential living costs. As a general rule, housing is considered to become unaffordable when housing costs exceed one-third of gross income.

For example, based on current interest rates a \$500,000 loan requires a weekly payment of \$707.² Using the above formula, a weekly household income of \$2,121 week, or an annual gross income of \$110,000 would be required to service the loan.

2011 Census figure indicate that over half the families in SSROC region have a household income of less than this figure. Clearly, single-income earners, younger people and young families have little hope of achieving an income that could service a mortgage on even a very modest home.

Affordable housing considerations should also encompass issues such as housing quality – safety and liveability – along with accessibility to employment, services and facilities, and sustainability of tenure.

² Based on an interest rate of 5.5% payable over a 25 year term.

While the complex policy levers that influence housing cost are controlled mostly at national and state government levels, the economic, social and environmental impacts of poor housing affordability are felt largely at the local level. This impacts residents, businesses and workers and therefore is of great significance to local government.

2.4 The Loss of Affordable Housing – Impacts

Shortages in the supply of affordable housing can have considerable individual and broader social and economic impacts, including:

1. Depletion of a range of workers from the region, including:
 - a) Lower paid professional staff including nurses, police and childcare staff;
 - b) Essential services workers including retail, hospitality and trade staff; and
 - c) Non-skilled personnel including cleaners and labourers.
2. Costs to the individual and society of forced housing-related migration, including the fragmentation and depletion of critical social and familial support networks.
3. Costs to business of hiring labour from outside the region to perform essential business and social services.
4. The broader social, economic and environmental costs of excessive commuting, especially for lower income workers.
5. Increased pressure on older people living long-term in rental accommodation to keep pace with rental increases as they move on to fixed incomes and government pensions.
6. A city divided by social and economic marginalisation resulting in a downward spiral of enclaves of disadvantage on the fringes of the region.

2.5 Affordable Housing – Where Diversity Adds Value

The provision of affordable rental housing can enable:

- Young professionals to gain a foothold in the region enabling them to save sufficient funds for a deposit in new housing developments. Equally, low-skilled but essential workers can still access sustainable and secure housing, ensuring a supply of labour in low skilled but critical occupations.
- The rapidly expanding proportion of older people within the region - some of who have rented all of their lives in the private sector - can be assured of long term housing in the communities they have grown up in, maintaining critical family and community connections and reducing demand on the not-for-profit community services sector.
- Integrating affordable housing in thriving communities provides opportunities and economic advantages for all - at the local and regional level, and contributes to sustainable social and economic development opportunities.
- Diverse and sustainable housing models translate to diversity in the local economy as residents drive demand-responsive retail and service provision.
- An upward spiral of change and opportunity

3 Increasing the Supply of Affordable Housing – Options

The NSW Government Metropolitan Strategy projects increasing residential densities in existing areas, notably in the SSROC region.

Much of the region is highly accessible by private and public transport and is supported by vital community infrastructure in the form of libraries, recreational and sporting fields and community centres that provide for diverse cultures and stages of life - from child care to aged care.

It is not surprising then, the SSROC region is split between high demand and moderate high demand areas for affordable housing supply³:

- a) High need areas: Bankstown, Canterbury, Marrickville, Randwick, Rockdale, Sutherland, Sydney, Waverley;
- b) Moderate-High need areas: Ashfield, Botany Bay, Burwood, Hurstville, Canada Bay, Kogarah, Leichhardt, Woollahra.

3.1 Planning mechanisms to increase investment in affordable housing

The rezoning of land, increasing height limits and floor space ratios and moderated landscaping requirements, for example, provide opportunities for increases in site yield (planning uplift) and in the value of the land that the new codes apply to (value uplift).

Essentially, the proceeds from the rise in the number of permissible dwellings on amalgamated / vacant lots increases substantially. Under this mechanism:

- The contribution to affordable housing is funded by a newly-created value, so comes at no real cost to the proponent and can be factored into the business models of land owners or developers.
- This value uplift results from government decisions and by proportion it should be viewed as a public asset.
- As such, this asset should be provided for the public good and the benefit secured to the community in perpetuity.

In Hong Kong, value uplift is used to fund public transport. In Canada, developers are required to contribute 75% of the difference between the market value of land prior to planning uplift and the market value after planning uplift. This retained value is used to fund public housing.⁴

3.2 Local Government seeks changes to planning controls

Local government does not have the resources to make a direct financial contribution to affordable housing. Current environmental planning instruments have failed to deliver any increase in affordable housing.

³ [Centre for Affordable Housing](#)

⁴ [Parramatta City Council Value Uplift Calculator](#)

There is strong and proven potential for the planning regime to more effectively equip Councils to facilitate supply.

The inclusion of provisions within the planning instruments facilitating the dedication of dwellings (or the monetary equivalent) for the purpose of affordable housing as part of new residential developments capturing value uplift would provide important potential to help address the shortfall of affordable housing supply in Sydney.

SSROC Councils seek changes to state planning legislation to permit the incorporation of affordable housing provisions in Councils' planning strategies. This will enable Councils to:

- i. Capture value uplift associated with development through monetary contributions that can be used to provide affordable housing in the region;
- ii. Capture value uplift associated with development through the provision and/or dedication of dwellings for the purpose of affordable housing as part of new developments.

In retaining these funds or assets, Councils' intentions would be to work across all levels of government and with registered community housing providers with a view to realising the creation of a new sustainable supply of quality affordable rental housing options provided for the community in perpetuity.

3.3 Local government seeks a holistic, integrated planning response

In progressing affordable housing provision in our region, SSROC further seeks to:

- iii. Advocate for the delivery of affordable housing through the appropriate allocation of State and Crown assets located across the region;
- iv. Advocate for the inclusion of affordable housing through transport and land-use planning strategies in strategic sites and corridors;
- v. Advocate for the NSW Government, through the Centre for Affordable Housing, to publish robust data on current and future projected rates of affordable housing provision across the region.