

AFFORDABLE HOUSING DISCUSSION PAPER

MAY 2017



**CITY OF
PARRAMATTA**

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1.0 INTRODUCTION

HOUSING AFFORDABILITY IN SYDNEY

Housing affordability is a critical issue in the City of Parramatta and across Sydney's overheated property market. The Reserve Bank recently confirmed that Sydney housing prices have surged 18.9% in the year to March 2017. At her first press conference in January, the incoming NSW Premier Gladys Berejiklian declared it "the biggest issue people have across the state." Independent polling confirms this.¹

The average price of a house in Greater Sydney is now \$1.124 million, and the average unit price is \$711,256.² Recent international research confirms that Sydney now has the second least affordable housing in the world, and many low and moderate income households, first home buyers and vulnerable people are locked out of the housing market.³

City of Parramatta is Sydney's central city, the demographic and geographic heart of the Sydney region, and the centre of the expanding Greater Western Sydney region. In 2016, Parramatta was home to over 230,000 people, and the population is set to grow to nearly 400,000 over the next two decades to 2036. Public and private investment is driving growth and change in the City of Parramatta, including rising property prices.

Housing affordability has become a critical issue for the social sustainability, wellbeing and resilience of all people in our community.

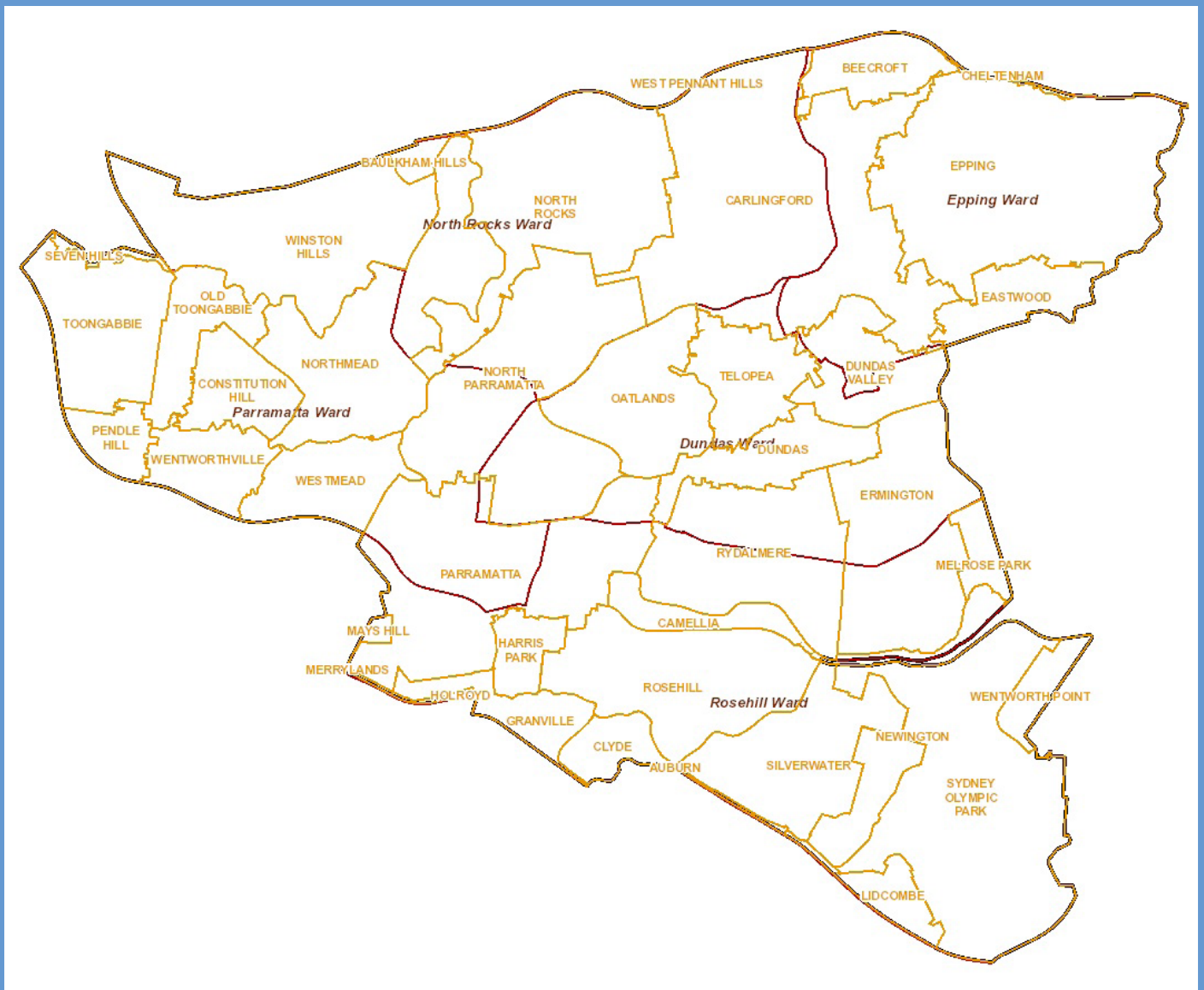
Recent community engagement has confirmed that housing affordability is a high priority for our residents, with 85% identifying housing affordability as a core concern.⁴ If City of Parramatta Council, and our community, are to foster a socially sustainable Parramatta, then we must deliver and expand a diverse range of affordable, high quality housing to meet the spectrum of housing needs across the community.

Housing affordability is a wicked problem with complex causes, a variety of stakeholders and interrelated impacts. There are no easy answers. Many possible solutions to the housing affordability problem require coordination with local, state and federal governments and other stakeholders. Nonetheless, there are key ways that the City of Parramatta Council can improve housing affordability for its residents and workers. This discussion paper, together with the feedback we receive on it, will be used to develop an Affordable Housing Policy for the City of Parramatta.

“Affordable housing should be a part of the bedrock to make Parramatta CBD work.... It is critical to providing financial stability for working families, helping them get ahead and build a better life.”

– GPOP Vision, Greater Sydney Commission

MAP OF CITY OF PARRAMATTA 2017



ABOUT THIS DISCUSSION PAPER

The purpose of this Discussion Paper is to:

- Explain how housing affordability impacts the City of Parramatta's resident population and workforce.
- Consider appropriate local government policy responses to the issue that will have a significant impact.
- Invite comment and suggestions to assist Council to develop its Affordable Housing Policy.

This discussion paper focuses on how City of Parramatta Council should act. Rather than a diffused effort across an array of options, this paper recommends a focussed approach that will have the most significant impact on the day-to-day lives of Parramatta's people.

ACKNOWLEDGEMENT OF LAND

The City of Parramatta Council acknowledges the Traditional Owners of the land and waters of Parramatta, the Darug peoples. Parramatta has been home to the Darug peoples for over 60,000 years, and they maintain an ongoing connection to country.

This connection to country transcends time and place and makes Parramatta an area of significance for the Aboriginal and Torres Strait Islander community. At City of Parramatta, we are committed to Reconciliation and to ensuring that Parramatta remains a place of choice to live, work and play for Aboriginal and Torres Strait Islander peoples.

Addressing the housing affordability needs of our Aboriginal and Torres Strait Islander peoples is critical to ensuring social sustainability within the City of Parramatta.

2.0 DEMOGRAPHICS

As Sydney's Central City, the City of Parramatta is undergoing unprecedented population growth. The City is expected to grow from 245,282 residents in 2017 to 397,339 in 2036.

Many members of our community are in housing stress

14.9% of our community are low income earning households. Our cost advantage has fallen. In 2010, the City's house price was around 8% more affordable than the Greater Sydney median house price. By 2014, this cost advantage was only 2%. During 2010-2014, house prices raised an average of 8.5% pa and unit prices raised an average of 6.4% pa. This means that housing stress in the City of Parramatta is increasing.

In 2011 in the City of Parramatta:

- **24.5% of rental households were in housing stress (compared to 25.1% in Greater Sydney)**
- **12.0% of households purchasing their home were in mortgage stress (compared to 11.6% in Greater Sydney)**

The City will need to attract workers

Parramatta CBD is a major employment destination in the Sydney region. Over 4 million people live within a 30 kilometre radius of the Parramatta CBD. Over the next 5 years we will attract an additional 20,000 jobs to the City, with a total of 180,000 jobs by 2021. Parramatta's workers are an important part of our community.

- In 2015, there were 159,796 jobs located in City of Parramatta.
- 80% of workers travel from outside the City of Parramatta to work here.
- 80% of jobs growth in the next 15 years is likely to occur in the following key precincts:
Parramatta CBD
Westmead Health Precinct
Sydney Olympic Park

Key workers are essential to the sustainable growth of the City

City of Parramatta relies heavily on our key workers to support our community and our economic growth. Despite their importance to the City, key workers usually earn low to moderate incomes. 80% of the City's key workers commute from outside City of Parramatta. In 2014, there were 17,360 key workers in the City of Parramatta (14.6% of all of Parramatta's workers) - That's around 97 key workers for every 1,000 people in Parramatta

By 2036, a total of 31,682 key workers will be required to support the City's economy.

3.0 DEFINING HOUSING AFFORDABILITY, HOUSING STRESS AND AFFORDABLE HOUSING

This chapter defines the key terms associated with affordable housing and housing affordability.

It is critical to define these terms for the following reasons:

1. Negative media and public opinion about affordable housing in the past has centred on a misunderstanding of what it is and an assumption that it is only for the most severely disadvantaged community members; and
2. Due to its legislative limitations and mandates, Local Government is best positioned to contribute to particular types of affordable housing, but not others.

Housing Affordability

Housing affordability is "...the relationship between housing costs (prices, mortgage payments or rents) and household incomes."⁵

Housing Stress

Housing stress occurs when households have to pay an unacceptable share of their income towards housing, either as rent or mortgage payment. The high cost of housing means many households are unable to meet basic living costs. Housing stress generally occurs when a household is paying more

than 30% of their income in housing costs and is also in the bottom 40% of household incomes in a given city.⁶

Affordable Housing

Put simply, affordable housing is any housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. Generally, housing is considered affordable if it costs less than 30% of gross household income.⁷

The Environmental Planning and Assessment (EP&A) Act 1979 defines affordable housing as housing for very low income households, low income households or moderate income households. For the purposes of this discussion paper, we will use a narrower definition of affordable housing.

In the narrow sense, *affordable housing* refers specifically to rental housing that is managed by an accredited Community Housing Provider on behalf of government or private developers and is provided to people on low to moderate incomes who are identified as experiencing housing stress as defined in the below tables.

An example of the impact of \$300 per week rent on remaining income

Family on \$800 per week

\$300	\$500
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Family on \$2,500 per week

\$300	\$2,200
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The calculation for these income groups is based on a percentage range of median income levels⁸ as follows:

Household income	% of median Sydney income	2016/2017 gross income range
Very Low	50% or less	< \$42,300 per annum / \$813 per week
Low	51 – 80%	Up to \$67,600 per annum / \$1,300 per week
Moderate	81 – 120%	Up to \$101,520 per annum / \$1,952 per week

Why focus on affordable rental housing?

There are a range of interventions that can be made to the housing market to impact affordability or to increase supply of different types of affordable housing. This discussion paper will focus on the provision of affordable rental housing because:

- This is an area that councils can have the most impact on
- Rental stress is more prevalent than mortgage stress, and renters are more vulnerable to market impacts for a number of reasons, e.g. more low-income households rent, and 70% of all housing stress is rental stress
- Affordable rental housing can facilitate social mobility by allowing low income earners to save money so that they can ultimately become home owners in future
- City of Parramatta Council has experience in this area
- Most other local governments who operate in the affordable housing area are focussing their efforts on affordable rental housing.

Social Housing

Although social housing is affordable for low income households, it is not the same as affordable housing as defined above. Social housing includes public

and community housing owned and/or managed by Housing NSW, crisis housing and Aboriginal housing managed by the Aboriginal Housing Office.

In comparison to affordable housing, social housing:

- Is the responsibility of the NSW Government who administers social housing both directly and through agreements with community housing providers who also manage some social housing properties on behalf of the government; and
- Targets the most vulnerable people in our community who are unable to access private market rental housing due to income level, disability, age or other issues, while affordable rental housing is targeted at those on low-moderate incomes. The primary income source for 94% of social housing tenants is government benefits⁹, while affordable housing tenants are generally employed.

Housing needs are a spectrum

The table below puts the range of housing types in perspective along a continuum of subsidized to market housing generally available and the income levels that these housing types are generally available to.

THE HOUSING SUPPLY CONTINUUM¹⁰

Emergency shelters/crisis accommodation	Transitional/ supported housing	Social housing (including public housing)	Affordable housing (operated by community housing providers)	Affordable home ownership/ shared home ownership	Private market rental housing (including boarding houses and student accommodation, which may be government subsidised)	Private market rental housing	Home ownership
Government spacing housing (including housing provided by the government and community housing sector)			Non-market housing (community housing sector)		Private market housing		
Very Low income			Low-moderate income		Moderate-high income		

4.0 WHO BENEFITS FROM AFFORDABLE HOUSING?

Affordable rental housing addresses the issue of housing stress for individuals and families on low to moderate incomes. Affordable rental housing is typically managed by Community Housing Providers (CHPs) and provided to eligible community members. The eligibility requirements for affordable rental housing vary depending on its specific purpose and who it is targeting. Some eligibility criteria used across different affordable housing providers enable provision of affordable housing to:

- Key workers, e.g. nurses, cleaners or school teachers;
- Low to moderate income earners, i.e. households whose income level is between 50 and 120% of the median Sydney income level;
- Households who are experiencing housing stress; and
- People at risk of being displaced from their communities, e.g. have resided or worked in the area for a minimum number of years.

The following table summarises how these different groups can benefit from affordable housing.

	Description	The benefits of affordable rental housing
Key workers	Key workers are those workers who are employed in roles essential to the functioning of a city. While there is no agreed definition of the term, key workers typically include police, fire fighters, teachers, childcare workers and others who are not typically paid large salaries.	Affordable housing can allow key workers to live close to the place that they work, minimising their transport costs and increasing their quality of life. This also has positive economic impacts on the City by ensuring easy access for an adequate labour force for key worker roles.
Low to moderate income earners	Low income earners are typically those paid 50-80% of the median income rate. Moderate income earners are paid 80-120% of the median income rate.	Affordable housing can allow low income earners to better afford their housing and other essential living costs without suffering housing stress and diminished quality of life. It can also ensure that they do not slip into poverty or further disadvantage.
Households who are experiencing housing stress	A household is in housing stress when it pays more than 30% of its weekly income on housing and is also in the lowest 40% of household income levels.	Affordable housing can be provided at capped rent levels that ensure a household is no longer experiencing housing stress. Rent is typically capped at no more than 30% of weekly income, meaning households can reduce housing stress and minimise quality of life impacts.
People at risk of being displaced from their communities	When neighbourhoods become gentrified, less advantaged people often find that they can no longer afford to reside in the area, e.g. rents increase and make an area unaffordable. They are often forced to seek housing in areas with lower housing costs and are displaced from the neighbourhood where they had social ties and deep connections.	Affordable housing can be provided to those people who are affected by rising housing costs enabling them to stay in the area they have social connections to. This allows an area to retain its community and also ensures a diversity of residents, or social mix.

Housing Stress in City of Parramatta

National research undertaken on this subject confirms that there are specific groups of people who are most impacted by the rising cost of housing and most susceptible to housing stress. A 2005 report¹¹ on the subject found that the following groups are most at risk:

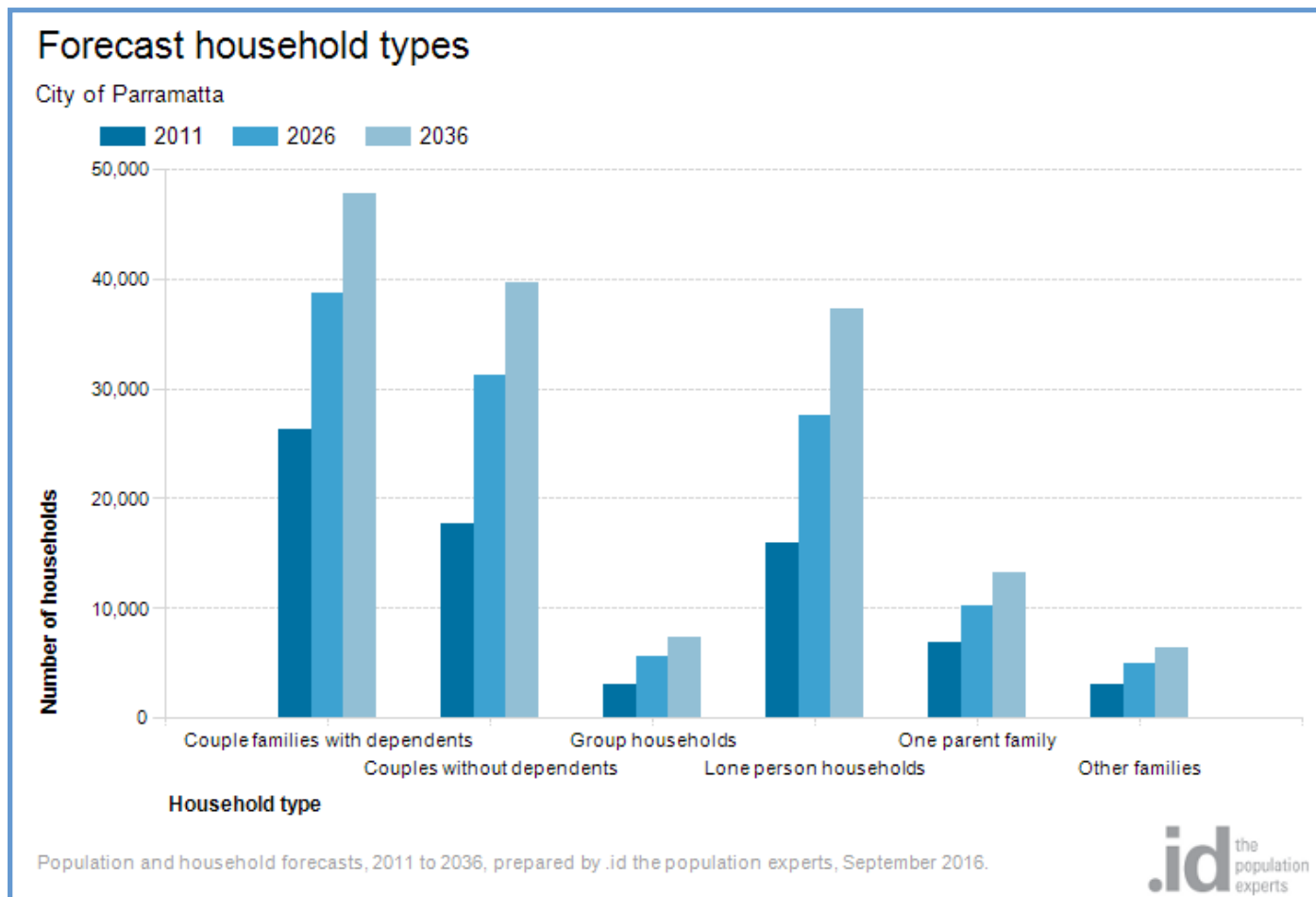
- One parent households

- Couples with young children
- Single person households

Research also found that households in the private rental market were most likely to be at-risk of housing stress, and were also most likely to be negatively affected by changes to housing costs. This is

concerning because a higher proportion of residents in the City are renting compared to Greater Sydney – 28.5% compared to 25% across Sydney.¹² If we apply this to the Parramatta context, we find that many of these groups are highly represented in our community and are likely to continue to grow into the future. The graph below shows the significant number and

proportion of families with children living in the City as well as the rising number of lone person households.¹³ One parent families are of particular concern because this household type is the most vulnerable to housing stress of all households. While they are not a large proportion of all households, there will still be over 10,000 one parent households by 2026.



Research commissioned by the then Parramatta City Council in 2012 examined housing stress trends for the City. The report confirmed that Parramatta households largely reflected national trends of housing stress as outlined above.

The report found the following:

- 70% of housing stress in the City is rental stress, with mortgage stress representing only 30%.
- Couple families with children represented the largest group of households in housing stress – they are the largest household type, and 22.6% of them are in housing stress, higher than the Sydney average average of 15.6% for this household type.
- Mortgage stress in Parramatta is almost completely confined to couple with children households, and families with young children represent close to half of all households in mortgage stress.

- One third of couples with young children households are in rental stress, and couple families with children generally make up a quarter of all households in rental stress.
- Single parent households with young children had by far the highest rate of housing stress, at 42%.

This data tells us that families, and particularly those with young children, are most likely to be suffering housing stress. And given that families with children make up a significant proportion of households in the City now and into the future, we cannot afford to ignore the impact of housing stress on our community.

The following case study paints a picture of those who have benefitted so far from the limited amount of affordable rental housing available in the City of Parramatta.

City of Parramatta affordable rental housing tenant case study

LYN

Lyn was the first tenant to live in the City of Parramatta's first affordable rental housing unit, which was dedicated through a voluntary planning agreement (VPA) with a developer. Lyn works in the community services sector. She recalls seeing a block of units being built and remembers thinking "one day I want to live in one of those units, but I could never afford that".

Early last year, Lyn saw an advertisement asking for potential affordable housing tenants to apply to live in the City of Parramatta's affordable housing unit. Lyn couldn't believe her eyes and the thought that her dream might soon become a reality. Even though Lyn doubted herself and never expected anyone to get back to her, she made an online enquiry and submitted her application to Community Housing Limited. Lyn recalls the day she received the call to advise she had been successful with her application as a moment to cherish and remember.

After arriving in Australia in 2000, Lyn lived in over 10 private rental properties that were significantly beyond her means, however, her priority was to try and make ends meet and provide for herself and her son. At times this was very difficult and Lyn was always worried about long term security in the private rental market. Wanting to live close to her work in Parramatta, and also having to consider her son's schooling, Lyn wanted to find a property that would free up some of her income and allow her to save money to purchase her own home.

The City of Parramatta affordable rental housing property that Lyn rented through a community housing (which manages the unit and tenancy on Council's behalf) provided her with all of these

opportunities and more. Lyn was able to walk to work instead of paying for petrol and no longer had the stress of parking and dealing with any wear and tear on her car. In her new property, public transport was also easily accessible for her son and Lyn was able to walk to the shops and engage in other social activities.

The biggest and most successful aspect with renting this affordable housing property for Lyn was that it gave her the opportunity to save money to purchase her own home. It also allowed her to be exempt from paying stamp duty on a new home, saving her thousands of dollars.



“This would not have been possible if I was still in the private rental market. This property has allowed me to purchase my own home, something I can call my own and never have to leave. I cannot thank you and the Council enough for providing me with this opportunity.”

5.0 NOW: CITY OF PARRAMATTA FACES HOUSING AFFORDABILITY CHALLENGES

Greater Sydney is in the midst of an affordable housing crisis

While some economists speculate that Sydney’s property price rise is a bubble that will eventually burst¹⁴, there are mixed views on if and when any correction will occur to the residential property market.¹⁵

The forces driving demand and unaffordability include:

- Population growth fuelled by birth-rates and migration.
- Smaller households that are forecast to continue to decrease in size until 2036 and will drive demand for more dwellings.
- Higher incomes and willingness to take on debt
- Historically low interest rates.
- Attractive tax settings for property investors
- Mismatch between supply and demand.¹⁶

These issues impact housing affordability in the City of Parramatta just as they do across the rest of

Greater Sydney, resulting in rising levels of housing stress for residents in our community.

City of Parramatta is becoming increasingly unaffordable

The Centre for Affordable Housing rates Parramatta as having a high need for affordable housing. Until recently, Parramatta was considered a relatively affordable part of Sydney.

This has changed significantly. The City’s cost advantage for the period 2010 - 2014 fell from 8% to only 2%.¹⁷ As Parramatta continues to realise its vision as Sydney’s Central City, demand for housing will increase and in turn will lead to higher unaffordability. The latest rent and sales data for residential property demonstrates Parramatta’s declining affordability.¹⁸

When we compare the Greater Sydney median rental prices with those of Parramatta, in some cases Parramatta is more expensive than Greater Sydney median rates, and in others it is just below.

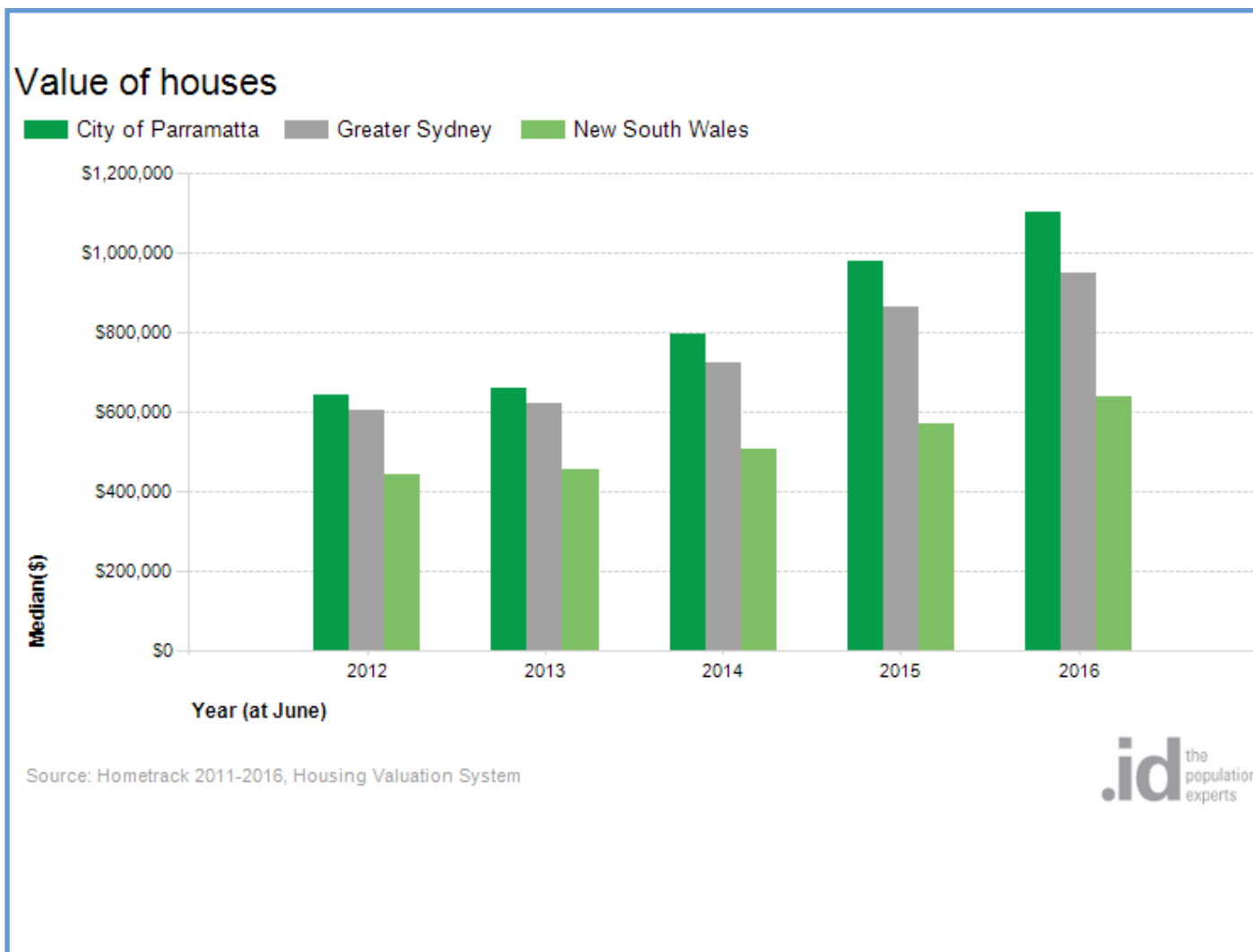
RENT AND SALES REPORT FOR SEPTEMBER 2016 QUARTER

Dwelling Type	City of Parramatta median rent	Greater Sydney Region median rent
2 bedroom detached house	\$450	\$450
3 bedroom detached house	\$500	\$470
1 bedroom unit	\$410	\$495
2 bedroom unit	\$460	\$540

It is interesting to note that detached housing prices are on par or higher than the Greater Sydney region median rental rates, while units are below the median rate. This may be explained by the generally affluent nature of those suburbs in the City of Parramatta that have higher proportions of

detached housing. The cost of purchasing property is rapidly increasing in the City of Parramatta as well.

As shown in the graph below, average house prices are now well above those of Greater Sydney and NSW.



What is driving City of Parramatta’s housing unaffordability?

- *Population growth.* Council’s population forecast figures are informed by development approvals and planning proposals for growth precincts across the City. Growth is occurring at such a rate in Parramatta that even the Greater Sydney Commission’s dwelling targets are being exceeded by current rates of development, including in key urban renewal precincts, such as Parramatta Road, Parramatta North, Wentworth Point and Epping.
- *Employment growth.* Council’s draft Economic Development Strategy sets a target of an additional 20,000 jobs by 2021. It’s likely that about 15% of these new jobs will be key workers. If Parramatta

is to ensure workers can be attracted to the City, it must address the issue of rising housing costs: “high [housing] prices are resulting in pushing key workers’ place of residence further away from their place of work.”¹⁹

How much Affordable Housing does the City of Parramatta currently have?

There is a relatively low level of affordable housing across the City, compared with other housing types, with most of it being provided as social housing by the NSW Government, and therefore targeted at very low income households. The table below shows how much of each type of affordable housing is provided across the City.

Affordable Housing Types in City of Parramatta

Affordable Housing Type (as at 2017)	Number of dwellings	% of total dwellings in CoP at 2016 estimate ¹
Secondary dwellings (e.g. granny flats)	122	—
Boarding house rooms (managed privately)	99	—
Affordable rental housing provided by Community Housing Providers (CHPs)	435*	—
Council-owned affordable housing units (managed by CHPs)	7	—
Dwellings delivered under ARH SEPP 2009 (managed by CHPs)	255*	—
Total affordable rental housing stock	918	1.1%
Housing NSW-owned dwellings (social housing)	4,431	5.1%
Total of all types of subsidized housing	5,349	6.2%

***Note: there may be some crossover with these two figures, since the properties managed by CHPs also include some housing delivered under the ARH SEPP 2009. Given that we were unable to establish exactly how many, but also that the CHP dwelling figure of 435 only includes the five largest known CHPs, this issue has not been interrogated further.**

Little information can be obtained about the tenancy of secondary dwellings, boarding houses or dwellings delivered under ARH SEPP 2009. The properties owned by Housing NSW are delivered as social housing and target those on very low incomes. National data indicates that 95% of social housing tenants rely on government benefits as their primary source of income. This means that it is unlikely that many (if any) tenants of this housing stock are key households earning low-moderate income. On

this basis, it is argued that the priority of the City of Parramatta's affordable housing initiatives should provide for this market gap.

The total stock of subsidised housing represents 6.2% of dwellings in the City of Parramatta. Apart from social housing, only 1.1% of this housing stock is affordable rental housing. This is a low level of provision, but not dissimilar to other local government areas such as City of Sydney, which has less than 1%.²⁰

6.0 OUR COMMUNITY EXPECTS COUNCIL TO ACT ON AFFORDABLE HOUSING

To inform this discussion paper, Council undertook consultation with residents and local students to determine what the community thinks about the issue, and what they think should be done about it.

City of Parramatta conducted an Affordable Housing Survey during March and April of this year. The survey was delivered on-line and in person at Centenary Square and the Western Sydney University Rydalmere Campus and received 490 responses. The survey asked a range of questions about experiences and views of housing affordability in City of Parramatta. The results of the survey confirm that the community thinks housing affordability is an important issue, and that they want the City of Parramatta Council to act.

The key results of the survey are as follows:

- 85% of respondents agreed or strongly agreed with the statement that “affordable rental housing is important for the community”
- The community was strongly supportive of Council taking action to increase the supply of affordable rental housing in the local government area: on a scale of 1 to 10, 1 being not at all supportive, and 10 being very supportive, the median response was 8 out of 10.
- Importantly, 93% of respondents felt that Council should work to improve affordable rental housing. Almost half of these believed that Council should require developers to include affordable rental housing as part of their apartment development as the primary mechanism; and the balance was split

between using Council land for affordable housing developments and lobbying the State Government to address the issue as the main strategies that should be used by Council.

- There was a clear understanding about the groups likely to live in affordable housing, and a view that priority should be given to such housing on an equity basis, primarily to:
 - *Low income households;*
 - *People with a disability;*
 - *The elderly; and*
 - *Sole parent households.*

The survey also asked questions about the community’s perceptions of housing affordability now and into the future:

- While 85% of people believed it was important to own their own home, only 57% believe it was likely that they would be able to do so.
- In relation to whether or not respondents believed they were currently in housing stress, about a quarter believed they were, while another quarter believed they were at risk of falling into housing stress.
- Respondents generally believed it was harder for those on lower incomes to afford to buy a home in the City of Parramatta, and there was little confidence that the situation would improve over time.
- Only 14% consider the City of Parramatta area as affordable for first home buyers.

7.0 THE ROLE OF GOVERNMENT

The City of Parramatta is committed to leading on affordable housing. Our intention has been to make an impact on the issue of housing affordability and to lead by example, demonstrating the application of best practice approaches to addressing complex issues. All levels of government are involved in shaping and impacting the housing market, and they all have a role to play in addressing the issue of housing affordability. It is important to understand broadly how each tier of government influences housing supply and cost. This is a critical determinant in understanding how City of Parramatta can respond to housing affordability.

COMMONWEALTH GOVERNMENT

The Commonwealth Government influences the demand for housing. This is primarily through taxation policy and financial sector regulation.²¹ Mechanisms used by the Commonwealth government include:

- **Tax settings.** The Commonwealth Government administers a number of tax policies that significantly impact the housing market. The first is negative gearing, which increases the attractiveness of housing as an investment by enabling investors to offset rental loss against income tax. The second tax policy is capital gains tax. Current capital gains tax discounts reduce the tax paid on capital gains accumulated through income acquired as a result of increases in property value.
- **Direct funding to state government housing programs, via the National Affordable Housing Agreement (NAHA).** Initiated in 2009, this led to the provision of around \$9 billion in funding for housing up until its finalisation this year.²² The Government's newly announced budget seeks to replace the NAHA with a new agreement called the National Housing and Homelessness Agreement (NHHA).
- **Commonwealth Rental assistance** is also provided to renters that meet eligibility criteria.²³

Recent information provided in relation to the 2017 budget also indicates that the Commonwealth Government will act to reduce housing affordability pressure through a range of other means, including

- Placing a cap on the proportion of foreign investors that can buy into new developments
- Charging a fee to foreign property owners who choose to leave their property vacant rather than renting it out

- Providing cheaper long-term finance for the community housing sector to help them build more affordable housing

STATE GOVERNMENT

The State Government retains the most influence with respect to housing affordability. The middle tier of government influences housing supply and affordability through a range of means, including:

- The provision of social housing to meet the needs of the most disadvantaged;
- Administering the planning system that sets the rules for housing development, including SEPP 70 and ARH SEPP 2009;
- Administering laws that govern residential tenancies;
- Charging stamp duty on the sale and transfer of property (\$7.3 billion in 2014-15)²⁴;
- Administering the first home owner's grant (not currently operating);
- Setting targets for housing provision and driving the release of land, particularly in growth areas;
- Undertaking housing development projects that impact on supply.

Stamp Duty: a tax charged by the NSW Government on the sale or transfer of property

Capital Gains Tax: A tax charged by the Federal Government on the profit from the sale of property or other investment

Negative Gearing: a Federal Government policy that allows property investors to claim back a loss on an investment property as a tax deduction

GREATER SYDNEY COMMISSION

The Greater Sydney Commission recently set an aspirational target for affordable housing: 5 – 10% of housing in new growth precincts to be allocated as affordable housing. This was set out in a key section of the draft district plans that set a target for affordable housing provision in future growth precincts.

LOCAL GOVERNMENT

Until recently, local governments have not traditionally played a strong role in relation to housing affordability. Nevertheless, their actions undertaken through administering the planning and development system have become increasingly significant. Local government's mandate to act on affordable housing is enshrined in the Environmental Planning and

Assessment Act 1979. Section 5(a)(viii) identifies that an objective of the Act is the “maintenance and provision of affordable housing.” Therefore, local government has a role and an obligation to both preserve and create more affordable housing.²⁵ This mandate has led to some more active local governments generating their own supply of affordable housing units, or even creating a Trust to oversee affordable housing provision now and into the future.²⁶

WHAT HAVE OTHER COUNCILS ACHIEVED?

A number of other local governments are working to address the issue of affordable housing. Historically, the councils in Greater Sydney that have taken the most action on the issue have been City of Sydney, Randwick and Canada Bay.

City of Sydney Council has had a long-running commitment to affordable housing. It set up a Trust (City West Housing) to manage its affordable housing stock that now boasts over 700 affordable rental housing properties. Its Housing Issues Paper released in 2015 set ambitious targets for the retention of the percentage of social housing and increased rates of affordable rental housing that set the bar for other local authorities. The Paper also took a broad view of the policy issues impacting housing affordability across the three tiers of government and made recommendations about what the State and Federal governments could do to find a solution.

Randwick City Council has had a long standing commitment to affordable housing. Randwick has delivered around 20 affordable rental housing units through voluntary planning agreements. With concerted effort, Randwick is now one of three local government areas specified in SEPP 70 and will now use this to mandate affordable housing development along their share of the future Sydney Light Rail link that will run along Anzac Parade, seeking to realise approximately 200 affordable rental homes.

City of Canada Bay Council has also invested significantly in affordable housing. Having had a policy to address affordable housing since 2007, the council now has a property portfolio of 27 dwellings. Their Policy confirms their commitment “to enabling affordable housing in the City of Canada Bay to maintain a diverse, vibrant and healthy community and to alleviate housing stress experienced by some individuals and families in the private rental housing market.”²⁷

Like Randwick, Canada Bay Council grew its stock of affordable housing over a long period of time through voluntary planning agreements with developers.

Canada Bay Council has also lobbied the NSW Government to include them under SEPP 70 so that they can levy for affordable housing contributions under section 94F of the Environmental Planning and Assessment Act, but it has been unsuccessful thus far. In recent months, a number of councils have issued their own discussion papers and draft policies on affordable housing, demonstrating the critical mass of interest in the issue from both government and community members. City of Ryde Council released a new Policy on affordable housing in 2016. Inner West Council released a suite of draft documents in late 2016 and had its Affordable Housing Policy adopted in March 2017. Northern Beaches Council has a draft discussion paper currently on public exhibition.

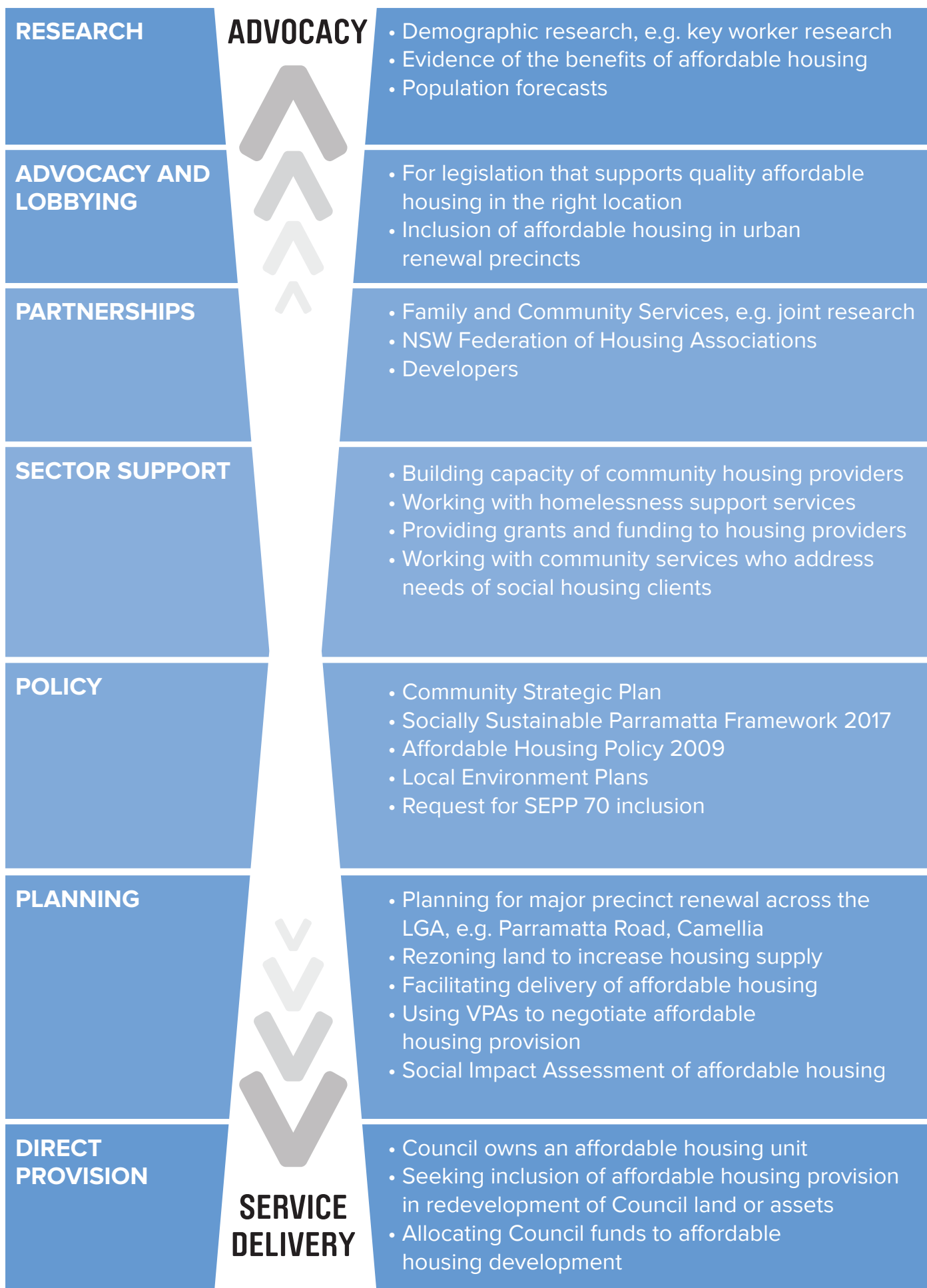
CITY OF PARRAMATTA HAS A LONG HISTORY OF ACTION IN THIS AREA

Council has a long-standing commitment to affordable housing. In 2006 Council applied to be allowed to operate its own affordable housing scheme under SEPP 70. This application was rejected by the Department of Planning at the time. Council adopted its current Affordable Housing Policy in 2009 just prior to when the NSW Government introduced the Affordable Rental Housing State Environmental Planning Policy (ARH SEPP 2009).

Achievements and key actions of the current Affordable Housing Policy include:

- Producing housing stress and key worker research reports;
- Reviewing boarding houses in the LGA;
- Developing an Affordable Housing Bank (using VPA contributions from private developers);
- Developing a shortlist of community housing providers with whom Council can work; and
- Participating in the then State Government’s working group to review the Affordable Rental Housing SEPP 2009.

The City of Parramatta currently provides one affordable rental housing unit that is contracted to a community housing provider to manage. Council’s Affordable Housing Bank (our stock of affordable housing properties) will expand to seven units by mid-2017. The table on the right summarises the current tools City of Parramatta Council has for improving affordable housing across a range of means, from low-intervention activities such as research and advocacy, through to high-intervention activities such as planning decisions and direct provision of affordable housing assets.



8.0 ACTING NOW TO SUPPORT FUTURE COMMUNITIES

City of Parramatta has a unique opportunity to act now to improve housing affordability for our current and future communities.

Leveraging Population Growth and Infrastructure Delivery

The skyline is filled with cranes and the evidence of opportunity is already being realised. And while development is occurring right now, future planning is also underway that will see this population growth continue, achieving the ambitious dwelling and population growth targets set by the NSW Government.

The map overleaf identifies projected additional dwellings within major growth precincts of which planning work is underway in the City of Parramatta. These projected dwellings are expected to be delivered over the short, medium and long term. The map identifies more than 50,000 new dwellings across nine growth precincts.

In addition to these precincts, significant growth is anticipated in both Epping and Carlingford, although indicative dwelling yields are not yet available. Appropriate planning mechanisms could be embedded in these projects to leverage growth to deliver affordable housing in new renewal precincts, with great access to upgraded city infrastructure.

This significant growth is supported by an expansive plan for the City of Parramatta and a recognition of its strategic importance to the future of Sydney. The Greater Sydney Commission's vision for the Greater Parramatta and Olympic Peninsula (GPOP) highlights the opportunity currently at hand.

The Commission characterises the region as 'opportunity central', and for good reason. Just some of the major infrastructure projects underway include:

- Parramatta Light Rail
- Parramatta Square, including the newly launched WSU Campus
- Western Sydney Stadium upgrade
- The relocation of the Museum of Applied Arts and Sciences
- Westmead Hospital upgrade
- WestConnex works to improve the M4

Partnering with NSW Government to undertake social housing renewal

The City of Parramatta Council has partnered with the Department of Family and Community Services (FACS) to develop a Master Plan for the suburb of Telopea. Following extensive community engagement, Council and FACS developed the Telopea Master Plan with the aim of building on Telopea's key attributes to create a vibrant mixed community.

The Master Plan identifies a range of public infrastructure improvements that are supported by the location of a stop on the proposed Parramatta Light Rail route and the renewal of aging housing stock to provide more social and affordable homes. The Master Plan seeks to deliver 3,500 – 4,500 new dwellings, of which approximately 1,000 will be social and affordable dwellings. The Master Plan was endorsed by Council in February 2017.

The Telopea Master Plan is a great example of how Council can partner with FACS to drive urban renewal priorities that have significant and broad benefits. Another such opportunity waiting to be realised is that of Wentworthville. The suburb of Wentworthville is sharply divided into areas with high concentrations of social housing (up to 20%) and areas with no social housing at all.

The social housing stock in Wentworthville is aging and in need of renewal. This area represents a significant opportunity for Council to work with FACS to undertake a master planning process that has the potential to deliver renewed community facilities and public spaces as well as increased dwelling yields that can provide a better mix of housing that could include social, affordable and privately owned housing.

What we can learn from Randwick City Council

CASE STUDY

In February this year, it was announced that Randwick City Council had successfully lobbied the NSW Government to be included under State Environmental Planning Policy No. 70 (SEPP 70). This decision allows the Council to mandate a provision of affordable housing along the planned Sydney Light Rail route between Kensington and Kingsford. The light rail route will help to facilitate delivery of around 1,500 new dwellings along Anzac Parade. Randwick City Council will mandate the delivery of 200 affordable rental housing dwellings as part of this, or around 13% of residential development.

The submission prepared by Randwick City Council and presented to the NSW Government to achieve this made a number of key points that argued the case for more affordable housing:

- The Council's historic commitment to providing affordable housing
- The downward trend of housing affordability in Randwick and significant loss of affordable rental housing as gentrification of Sydney's inner city areas continues
- The location of key education institutions, including UNSW that has 50,000 enrolled students and 6,000 staff
- Employment growth by 3,920 jobs in 2031 in the education and health precincts
- Medical institutions that require key workers on lower than average incomes
- Data on population growth and employment projections

At the heart of Randwick City's argument, is the link between population growth, infrastructure investment and the attractiveness of collocated growth precincts for redevelopment and potential value uplift through rezoning:

“Requiring contributions for affordable housing , where there has been a value uplift arising from infrastructure investment or government action, will help contribute to the provision of affordable rental housing, particularly in high value areas like Randwick.”³¹

They conclude that key employment centres require affordable housing for their proper function, and that without government intervention, housing available within the area at affordable rates will decline.

What is SEPP 70?

SEPP 70 is a policy which offers a mechanism allowing specified councils to assign an affordable housing contribution to certain developments within its local government area. This Policy currently only applies to councils that are specifically named in the legislation.

LEVERAGING LIGHT RAIL TO DELIVER AFFORDABLE HOUSING

The argument made by Randwick City Council to secure their inclusion under SEPP 70 highlights the obvious opportunity for City of Parramatta to achieve the same.

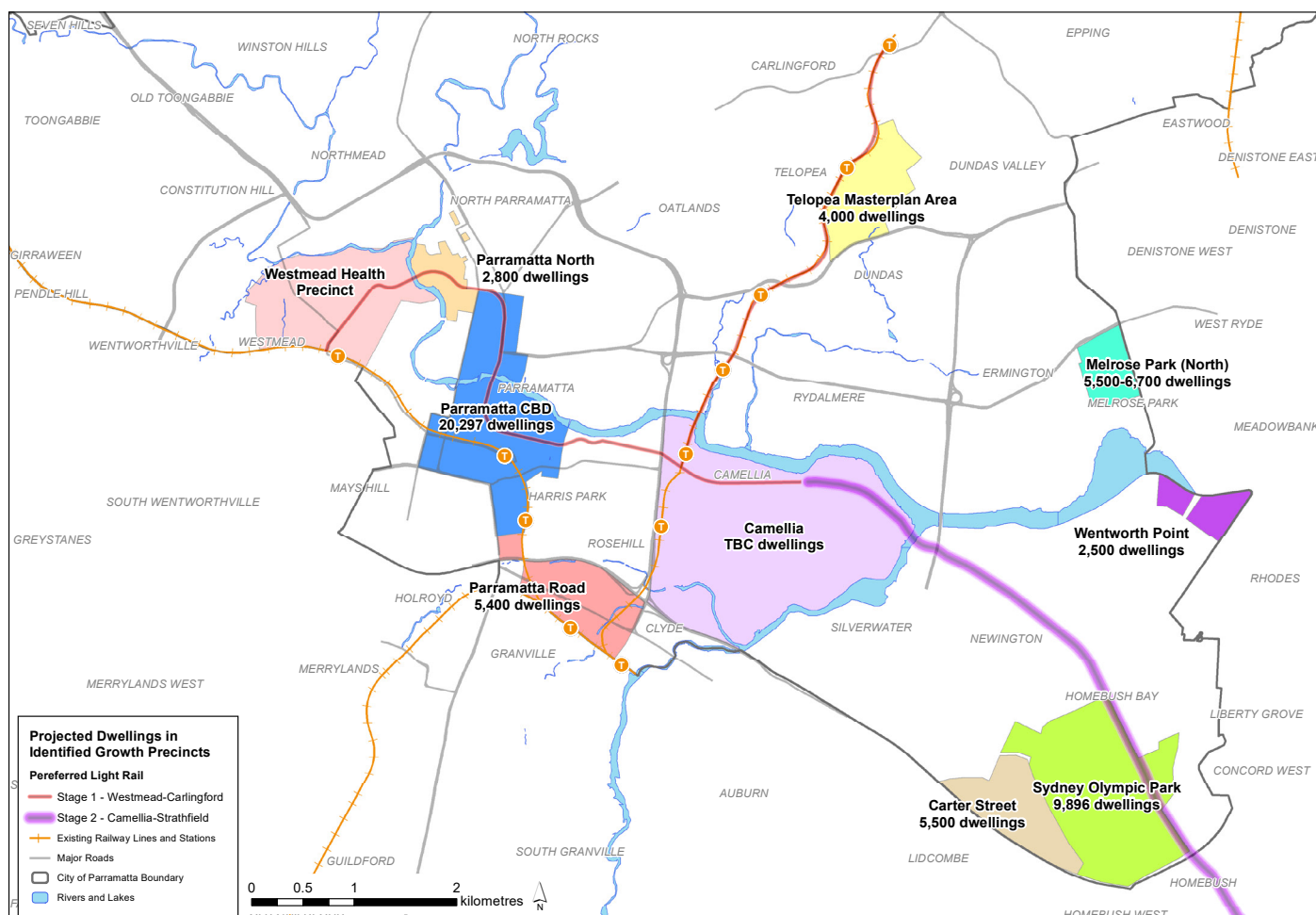
There are some striking similarities between Randwick and Parramatta's situations:

- 1. Light Rail** – Parramatta will also be home to a light rail network that better connects residents with employment, medical and recreation precincts.
- 2. Health precinct** – Like Randwick, City of Parramatta is home to a significant health precinct in Westmead. Westmead health precinct is already the largest cluster of medical, health, education and research facilities in Australia, and it is set to grow even more, with 11,000 more jobs expected to be located there by 2031. What's more, there will be two stops along the future light rail network to better connect it with employees and residents.
- 3. Education precinct** – City of Parramatta is home to four major universities, including the Western Sydney University Rydalmere and Parramatta CBD campuses.

- 4. Rising unaffordability** – Like Randwick, Parramatta's housing prices are becoming less affordable. In 2010 Parramatta's rental housing was 8% cheaper than the median rental rate, but by 2014 this had reduced to only 2%.

Ensuring housing affordability within City of Parramatta is crucial to the future success of the City. Like Randwick, we are also home to a rapidly increasing population and an unprecedented growth in infrastructure and we recognise that now is the time to leverage development and harness the opportunity to provide more affordable housing for our people.

To be socially sustainable, City of Parramatta, together with the NSW Government and Community Housing Providers, has a significant role to play in delivering, securing and expanding a range of high quality housing options that meet the spectrum of needs of our diverse community. Ensuring affordable, high quality and diverse housing options for everyone benefits the whole community. City of Parramatta is committed to assisting every person to have access to affordable housing options.



9.0 HOW MUCH AFFORDABLE HOUSING DOES THE CITY NEED?

Taking into account the growth forecasts for City of Parramatta, an affordable housing target is required to ensure that the City remains liveable, productive and sustainable into the future. A specific target for provision needs to be set to ensure that affordable housing targets are delivered as future housing supply is realised across the City.

METHODS FOR SETTING AN AFFORDABLE HOUSING TARGET IN COP

Based on research, Council has considered three ways to calculate a target for future affordable housing provision. An outline of each method and the outcome of its application is outlined below.

1. Calculate % of households suffering rental stress

If we accept that affordable housing is a means to address housing stress, then providing enough housing to house all those in the community that suffer

from housing stress would alleviate the problem. At the time of the 2011 Census, 8,689 households, or 12.3% of all households in City of Parramatta were suffering housing stress. But within this figure, the rates of mortgage and rental stress are quite different, and the experiences of these two types of housing stress also differ significantly.

If we accept that rental stress is the key priority to be addressed by affordable housing supply, then we can use the current rate of households experiencing rental stress to predict future need. If we apply the current rate of rental stress – 24.5% of private renters in the City of Parramatta are in rental stress – together with other forecast information, we can estimate the number of households who might be in rental stress in 2036.

Outcome: to meet the projected number of households suffering housing stress in 2036, we would require 9,487 affordable housing dwellings.

Year	Total Households	Total renting households (incl. private and social housing)	Percentage of total households who rent in private market	Total private rental householdss	Percentage of renting households in rental stress	Number of households in rental stress
2011	70,406	24,559	28.4%	19,979	24.5%	6,007
2036	151,299	42,969	28.4% (assumed)	38,723*	24.5% (assumed)	9,487

*This figure assumes 28.4% of total projected households in 2036 minus the current provision of social housing dwellings, being 4,246.

2. Allocate a blanket 6% quota for affordable rental housing

A number of councils have set broad targets of affordable housing based as percentages of the total dwellings in their local government areas. While their method for arriving at a given percentage rate varies, it is often based on preserving or increasing the general supply.

Percentages applied by key Sydney councils that have applied such targets vary from 5% to 8%. An overall target of 6% represents a rounded down average of the

percentage targets applied by the following councils: Canada Bay = 5%, City of Sydney = 7.5%, Randwick = 8%, Ryde = 5% (draft policy), Inner West Council = 7.5%. As at 2011, a 6% rate of affordable housing across the City would require 4,524 affordable rental housing dwellings. The following table compares the realisation of different percentage rates on the projected number of dwellings in City of Parramatta at 2036.

Outcome: To achieve 6% of all dwellings as affordable rental dwellings by 2036, we would require 9,078 affordable rental housing dwellings.

YEAR	2011		2036			
Total dwellings	87,005		151,299			
Percentage of Affordable Housing applied	1.1% (current % share)	6%	6%	7.5%	10%	15%
Total affordable rental housing dwellings	918 (current provision)	5,220	9,078	11,347	15,130	22,695

3. Calculate the number of key workers

needed by 2031 One of the key drivers for affordable housing provision is to meet the housing needs of key workers in order to ensure the social and economic sustainability of the City. The projected number of key workers required to meet the needs of the growing City of Parramatta is another way to consider the required target of affordable rental housing provision.

In 2014, there were an estimated 17,360 key workers in the former Parramatta LGA, 14.6% of the City’s total workforce. A report prepared by demographers also calculated that Parramatta LGA would require between 3,900 and 5,100 more key workers by 2031. To house every key worker to the maximum 2031 employment rate would require 22,460 additional affordable housing dwellings.

If we focus on the three largest key worker industries identified in the report, we could prioritise nursing/ midwifery, defence force/fire fighters/police and school teachers. As at 2011, these groups totalled 9,056 workers. At the upper end of 2031 job growth projections, this number would increase to an estimated 12,543 workers.²⁹

Outcome: On this basis, we would require 12,543 affordable housing dwellings to house all projected key workers from the three largest relevant industries.

PROPOSED AFFORDABLE HOUSING TARGET

Council staff considered three factors in assessing the three target setting methods outlined above. These were:

- Is the target based on actual need for affordable housing?
- Will achieving the target alleviate housing stress?
- Is the target achievable?

On balance, setting a target based on the projected number of households who will experience rental stress in 2036 is the preferred method. This approach as outlined in Method 1 is most closely aligned with the need for affordable housing, is equally likely to alleviate housing stress, and is likely to be achievable with the cooperation of the NSW Government.

The table below summarises the proposed City of Parramatta affordable rental housing target in the context of current and projected dwelling numbers and the rate of social housing that Council would also seek to have maintained by the NSW Government at the same time.

By 2036, City of Parramatta requires approximately 9,500 affordable rental dwellings to effectively manage housing stress at its current rate.

	City of Parramatta current housing supply (2016)	Target recommendation	2036 Dwellings	# of additional dwellings required
Total dwellings	70,406	—	151,299 (Forecast)	+80,893
Affordable rental housing dwellings (CHP, Council and ARHSEPP properties)	697	Provide affordable housing dwellings to meet the projected number of households who are likely to be in rental stress	9,487 (Target)	+8,790
Social housing dwellings	4,246	Seek to maintain 6% share of social housing at 2036 dwelling projections	9,078 (Target)	+4,832

Greater Sydney Commission Targets

The Greater Sydney Commission has recommended a target for affordable housing provision for nominated urban renewal areas:

5 – 10% (subject to viability) affordable rental housing target for nominated areas for very low and low income households.³⁰

This target is proposed to be applied only to specific growth precincts that have been already identified. It is important to distinguish between this precinct-based target and a target to be applied across a local government area, like the affordable housing target being suggested by City of Parramatta above. Many councils have set LGA-wide targets for affordable housing provision in the long term that will not be achieved if they were to rely on a small number of precinct renewal targets.

City of Parramatta's response to the GSC target

The City of Parramatta's submission to the Greater Sydney Commission on their Draft West Central District Plan pushes for more detail on the GSC affordable housing target as well as higher

affordable housing yields in certain circumstances. The following key targets are recommended in City of Parramatta's submission:

- That an affordable rental housing target of 10% of the total floor area of private land be applied
- That the affordable housing target applies to the total floor area of the development after up zoning (not just the uplift portion)
- That an affordable rental housing target of 30% of the total floor area be applied in the case of government owned land
- That affordable rental housing provided via the above targets be available to very low, low and moderate income households in line with the Environmental Planning and Assessment Act definition, and in recognition of the need to be able to provide affordable housing for key workers
- That rents for affordable housing provided via the above targets are set at a rate which ensures they are no higher than 30% of the total household income so as to ensure that they reduce housing stress in accordance with their purpose.

Questions

Do you agree with the City of Parramatta's approach to measuring the need for affordable housing?

Do you agree with the proposed target of 9,500 affordable rental housing dwellings by 2036?

10.0 POTENTIAL MECHANISMS FOR IMPLEMENTATION

All levels of government impact on housing affordability and the provision of affordable housing in different ways. The City has identified nine options that have the potential to effect change. They cover:

- * Advocacy on housing affordability and supply of affordable housing
- * Facilitation of affordable housing
- * Direct delivery of affordable housing

The options considered are as follows:

- **Option 1:** Advocate for Federal Tax Reform
- **Option 2:** Advocate for State Tax Reform
- **Option 3:** Advocate for the NSW Government to adopt the precinct development affordable housing targets we recommend: 10% on private and 30% on Government owned land
- **Option 4:** Rely on ARH SEPP 2009 to provide affordable housing
- **Option 5:** Continue to utilise VPAs to secure affordable housing
- **Option 6:** Pursue inclusionary zoning by applying for inclusion in SEPP 70
- **Option 7:** Pursue affordable housing development on council-owned land
- **Option 8:** Allow local government to transfer affordable housing ownership to CHPs
- **Option 9:** Advocate to the NSW Government to increase the supply of social housing

Option 1: Advocate for Federal Tax Reform

What is this option?

Most experts agree that to have an impact on the broad issue of housing affordability, changes to federal taxes are required.³¹ Negative gearing and capital gains tax discounts on investment property are the particular taxation mechanisms in question. Current policies on negative gearing and capital gains tax significantly increase the attractiveness of investment in residential property.

This has the effect of pushing first home buyers out of the market, and driving up prices. Recent data reported by the Reserve Bank indicate that one in four new homes in NSW are being purchased by non-residents, and more than half the money being lent by banks in January this year went to investors.

How has this option been applied?

The current Federal Government has ruled out any changes to negative gearing, and the recently released information of the new budget introduces some changes to capital gains tax discounts that only apply to foreign investors. Media attention on the subject centred on possible negative impacts to 'mum and dad investors', the construction industry, and baby boomers who have relied on the property market for their retirement security. Capital gains tax discounts have been in effect since the Howard Government introduced them in 1999.

Pros

This option could have significant impact on the current demand for investment properties in Parramatta as well as the rest of Sydney. If negative gearing was curbed or abolished, and capital gains discounts were reduced or phased out over time, the impact on the housing market is likely to reduce prices or at least slow price growth.

Cons

Opinions are divided as to what the negative effects of amending federal tax policy could be. Industry groups have warned that drastic changes to negative gearing policy and capital gains tax discounts could have significant negative flow-on effects to the Australian economy, impacting people employed in construction and the 1.2 million Australians who own properties that are negatively geared.³²

What is the likely outcome of applying this option?

The Grattan institute argues that making their recommended changes to negative gearing and capital gains tax “will improve affordability and price stability in property markets, while not unduly affecting the supply of rental properties or incentives to save.”³³ There are growing calls for reform to negative gearing and capital gains tax discounts based on the view that doing so would alleviate the broader issue of housing affordability.

Option 2: Advocate for State Tax Reform

What is this option?

The NSW Government generates 30% of its revenue from stamp duty, a tax charged on the sale or transfer of property. A number of housing advocacy groups have called for replacement of stamp duty with a broad based land tax.³⁴

How has this option been applied?

Stamp duty discounts are available to first home buyers of new properties up to a certain value, and this discount has been linked in the past with first homebuyer grants. There is no track record in NSW of replacing stamp duty with a broad-based land tax.

Pros

Replacing stamp duty with a broad-based land tax is expected to increase the mobility of homeowners. For example, retirees are less likely to downsize as their space requirements reduce because of the financial disincentive of stamp duty. As recommended in the Henry Review, replacing stamp duty with a broad-based land tax would make it easier for home owners to move to more suitable housing, and would most likely lead to more efficient land use and improved housing market activity.

Cons

The NSW Government is heavily reliant on stamp duty as a revenue source. In 2015 this tax generated \$7.29 Billion in revenue.³⁵ Because of this, the NSW Government may not be willing to jeopardise this income stream, regardless of its impact on housing affordability. Political will aside, any change would still need to be carefully considered to ensure that the State can continue to pay for the services it provides. As Shelter NSW notes, any changes would need to be phased in.³⁶

What is the likely outcome of applying this option?

Removing stamp duty could lead to an improved supply of housing by encouraging people who own homes to move to more suitable housing as they require it. The application of a broad based land tax to replace a transaction tax would lead to improved market dynamics as well as a more equitable tax outcome, since all land owners would share in meeting the cost of services. As some proponents note, it may provide more revenue for the NSW Government than stamp duty.

Option 3: Advocate for the NSW Government to adopt the Precinct development targets we recommend: 10% on private and 30% on Government owned land

What is this option?

City of Parramatta has advocated for increased affordable housing dwelling targets to be applied to key growth precincts as follows:

Precinct development site	Affordable housing proportion
Private land development	10% of total dwellings
Government land development	30% of total dwellings

These targets were recommended in the City’s submission to the Greater Sydney Commission’s Draft West Central District Plan.

How has this option been applied?

Our proposed targets are modest by overseas standards. In New York the minimum standard is 20% of a redevelopment site; In the UK they apply targets as high as 50% to specific precinct developments. In Australia however, application of percentage targets has been far more conservative. Under City of Sydney’s inclusionary zoning, affordable housing contributions have ranged from 0.8% to 3% of total floor area in specific growth precincts.³⁷

Pros

If realised, these recommended precinct targets will make a significant contribution to City of Parramatta, providing substantial affordable rental housing for residents over the next 20 years. If applied to precinct development sites across the City, they represent the best opportunity to provide affordable housing into the future.

Cons

Development industry lobby groups have resisted the application of the Greater Sydney Commission's modest 5-10% precinct target, and anything beyond this target is likely to be met with similar resistance.

What is the likely outcome of applying this option?

As shown in the following chapter, the application of these targets is likely to yield a substantial amount of affordable housing. The likely outcome is that City of Parramatta will reach its proposed City-wide affordable housing target by 2036. If the target is achieved, it is likely that rental stress within the City will be substantially reduced, if not eliminated.

Option 4: Rely on ARH SEPP 2009 to provide affordable housing

What is this option?

In 2009, the NSW Government introduced the ARH SEPP 2009 which was intended to increase the supply of affordable housing by encouraging the private sector to provide it in exchange for certain planning concessions and incentives.³⁸ This SEPP covers housing types such as villas, townhouses and apartments that contain an affordable rental housing component, along with secondary dwellings (granny flats), new generation boarding houses, group homes, social housing and supportive accommodation.

How has this option been applied?

Council records indicate that, to date, 255 affordable housing dwellings have received development approval in the City of Parramatta under this planning policy. The rate of provision via ARH SEPP 2009 varies from year to year, with provision ranging from 18 to 93 dwellings per annum since commencement. If we average the current provision rate at 42.5 dwellings per year, then supply will increase from its current level.

The SEPP has also allowed 122 secondary dwellings and 99 boarding house rooms to be delivered. While these are generally accepted as types of potentially affordable housing, there are no rules governing their rental rates and therefore no guarantee that they qualify as affordable housing under our definition.

Pros

This mechanism is currently in operation, and Council does not have to take any additional steps to realise additional affordable housing supply through it. There is also no cost to Council to deliver affordable housing via this mechanism. As noted above, at the current average rate of development, we will increase our level of affordable housing.

Cons

The most significant criticism of this delivery method is that the ARH SEPP 2009 only requires affordable housing to be provided as such for ten years. After this time, the dwelling reverts to the private market and is no longer required to be rented at an affordable rate. Council will advocate for this ten-year caveat to be removed so that affordable housing is provided in posterity. The second criticism of this approach is that the developer incentives provided under this SEPP can lead to poor design outcomes. Council will advocate for the same design requirements to be applied to affordable rental housing under this SEPP.

It should also be noted that there was significant local opposition to the ARH SEPP 2009 when it was introduced. Concerns centred on increasing density and the overriding of local planning controls.

What is the likely outcome of applying this option?

At the current rate of provision, this approach is likely to yield anywhere between 20-100 additional affordable housing units each year. However, while supply may increase, from 2019 onwards, it is likely to plateau or even decline since housing will no longer have to be provided as affordable rental housing after ten years have passed. The continued delivery of affordable housing via this mechanism relies on developers continually delivering housing projects under the ARH SEPP 2009.

If such development rates slow or cease, then at some point in the future the supply of affordable rental housing will decline.

Option 5: Continue to utilise VPAs to secure affordable housing

What is this option?

A voluntary planning agreement (VPA) is an agreement entered into by a planning authority (such as Council, or the Department of Planning and Environment) and a developer.³⁹ Under the agreement a developer agrees to provide or fund required infrastructure, such as affordable housing, as part of a planning proposal or development application.

How has this option been applied?

To date, Council has negotiated the construction of seven existing affordable housing units via this option, with a further two in varying stages of planning approval. VPAs continue to be used in negotiation at the planning proposal stage on a case-by-case basis, with a number of planning proposals currently being considered by Council that include further affordable housing. The supply of affordable housing via this mechanism varies greatly and is dependent upon development occurring and on the good will of developers.

Pros

Since the adoption of the current Affordable Housing Policy in 2009, Council has negotiated a total of seven affordable housing units with several more at various stages of the planning approval process. The VPA process has allowed Council to build a portfolio which gives us 'skin in the game' of affordable housing. It has facilitated our relationship with the Community Housing sector.

Cons

Supply via this mechanism has been limited. Other councils have achieved 20+ units through this mechanism. To date, City of Parramatta Council has only realised seven affordable housing units via VPA. It should also be noted that the NSW Government could act to restrict the use of VPAs by councils in this way, or abolish the option altogether. Relying exclusively on this mechanism is not ideal.

What is the likely outcome of applying this option?

Given the rate of development currently occurring in the City of Parramatta, the utilisation of this option is likely to continue to realise a steady

supply of affordable housing. However, due to other infrastructure priorities identified by Council in the Parramatta CBD under its Planning Uplift Value Share scheme, further affordable housing is unlikely to be provided in the CBD via this mechanism in future.

Option 6: Pursue inclusionary zoning by applying for inclusion in SEPP 70

What is this option?

Research undertaken by the NSW Federation of Housing Associations examined different mechanisms for facilitating affordable housing through the planning system.⁴⁰ It found that "mandatory inclusionary zoning" achieved under SEPP 70 was likely to be the most effective means, "particularly in higher land value locations with large sites or areas with capacity for up-zoning and redevelopment." Given the current unprecedented growth occurring across City of Parramatta, this option is highly applicable.

How has this option been applied?

Application of this option for the councils it includes has been quite successful. City of Sydney has over 700 affordable housing units acquired through inclusionary zoning. Willoughby has 12 dwellings with a further eleven to come online at the time of writing. While Leichardt Council is also named in SEPP 70, it does not appear to have led to delivery of any affordable housing as yet due to the fact that it only applies to a very small area within the LGA.

Pros

If City of Parramatta is included under SEPP 70 and allowed to mandate affordable housing provision, there are a number of key advantages that this would provide:

- Predictability and certainty up front because once requirements are set, developers can factor this clearly identified cost into their purchase price for land;
- More certainty to supply for the growing community housing sector;
- Less resource intensive when compared with VPAs, as there is no need to negotiate on a case by case basis; and
- More consistent and equitable outcomes as

the rules and requirements are transparently articulated and apply equally to all sites that they are applied to.

There is indication from the Greater Sydney Commission that they intend to pursue Sydney-wide inclusion in SEPP 70. If this was achieved, then it could reduce the time required by Council to wait for such approval to be granted.

Cons

Council will need to apply to the NSW Government for this option to be activated. At present, SEPP 70 only applies to the four local government areas that are specified in the legislation; City of Sydney, Willoughby, Leichardt and Randwick. City of Parramatta Council will need to make a case for inclusion under SEPP 70. This application process will take time. There is no guarantee that the NSW Government will approve the application, and if not approved, it will not lead to any additional affordable housing provision.

What is the likely outcome of applying this option?

This option is likely to provide the largest increase in affordable housing. City of Sydney has achieved over 700 units under SEPP 70; Willoughby is likely to yield 23. Randwick's recent inclusion sets a target of a further 200 units located at future growth sites along the future light rail corridor.

If the City of Parramatta achieves SEPP 70 inclusion, it is reasonable to assume that we could achieve similar numbers to those pursued by Randwick, especially given that the proposed Parramatta Light Rail presents such similar opportunity to realise value uplift along a transport link that connects major employment centres, a medical precinct and universities with residents.

Option 7: Pursue affordable housing development on council-owned land

What is this option?

One of the five affordable housing game changers identified by the Committee for Sydney was to 'maximise use of public land.'⁴¹ While it has only been taken up by a select few local governments, City of Parramatta can allocate land for affordable housing projects. The realisation of a project on local government land would require some form of partnership between Council, the NSW Government,

a community housing provider, and the private sector.

How has this option been applied?

Canada Bay Council has used its own land to develop affordable housing projects. This investment allowed the Council to cement its standing as a council that is committed to affordable housing. Randwick also invested into affordable housing through the allocation of council land.

City of Parramatta's Affordable Housing Policy 2009 identified a number of actions that related to pursuing an affordable housing project on Council-owned land. A specific project has not yet been realised.

Pros

This option provides Council with the greatest level of control over stock and delivery as it would be the owner and developer of the project. Utilising this option does not rely on State Government approval or a developer's good will. Pursuing such a project would position Council in alignment with other leading councils in the field of affordable housing provision. Such an approach might also assist with achieving inclusion Under SEPP 70 as it would serve to demonstrate City of Parramatta's commitment to addressing the issue.

Cons

This option is more resource intensive than any other delivery mechanism. It requires significant capital investment from council in the form of land, cash or both. Due to its resource intensive nature, this option is also the highest risk option for Council to pursue. Changes in the housing market could impact on investment in this mechanism.

Any land or property suitable for affordable housing development is likely to also be highly valued and suitable for other competing interests, e.g. highly attractive for the realisation of a variety of other social, cultural and economic priorities/projects. For this reason, it may be logistically difficult to find and secure an ideal site to deliver such a project.

What is the likely outcome of applying this option?

Pursuing an affordable housing project on council-owned land is likely to confirm our commitment to affordable housing and deliver affordable housing dwellings.

Option 8: Allow local government to transfer affordable housing ownership to CHPs

What is this option?

Research undertaken by the NSW Federation of Housing Associations has found that if dwellings are owned by Community Housing providers (CHPs) rather than government, then they are likely to lead to a higher provision of affordable housing. This is because CHPs are able to leverage the assets they own in order to fund more affordable housing development. As summarised in the Northern Beaches Council Affordable Housing Discussion Paper, this option would require amendment to legislation. Specifically, changes would be required to the Environmental Planning and Assessment Act 1979, Section 94 (F), and/or the Local Government Act 1993 with respect to classification of land that is dedicated to a council.

How has this option been applied?

To date, this option has not been applied in NSW as legislation would need to be amended to allow this to occur.

Pros

The NSW Federation of Housing Associations has found significant financial advantages to this option. Based on modelling of 100 affordable rental properties being developed, if the properties were owned by a CHP rather than a council, then the operating margin, internal rate of return and leveraging potential would all be significantly higher.

Cons

The disadvantage of this option is that Council would have to relinquish ownership and control of its asset. If Council no longer owns its affordable housing stock, then we cannot make decisions about its operation or future deployment, who it is provided to, or what criteria is used to determine this. Relinquishing ownership of Council's affordable housing stock will also forfeit any income we might generate through rent. This income could be reinvested into other projects to further benefit the community.

What is the likely outcome of applying this option?

Most councils already acknowledge that the community housing sector is best placed to manage

affordable housing. This is demonstrated by the fact that all council-owned affordable housing is managed by CHPs on behalf of councils. Transferring the ownership of the assets will improve the financial outcomes achieved by the assets and also reduce Council's costs in managing them. It is also likely to result in more affordable housing being built.

Option 9: Advocate to the NSW Government to increase the supply of social housing

What is this option?

As stated in chapter nine, the NSW Government needs to continue to provide more social housing in order to maintain its 6% share across the City. By 2036, this equates to an additional 4,832 dwellings. In order to achieve this, the City of Parramatta will propose precinct renewal areas to the NSW Government that could work towards achieving this. One renewal precinct recently adopted by Council is Telopea. It is recommended that a similar approach be taken with Wentworthville.

How has this option been applied?

Investment in social housing has not been strong over the last decade. Social housing stock between 2006 and 2011 raised only marginally from 5.9% to 6% of the total share of dwellings. The adoption of the Telopea masterplan represents the City's most recent application of this approach and a partnership approach with the NSW Government's land and Housing Corporation.

Pros

Maintaining adequate social housing supply will work to ensure the social sustainability of the City. In line with all other Sydney councils working on affordable housing at present, a good supply of social housing is an essential component of a diverse housing mix. It is also considered advantageous to redevelop social housing sites that have been concentrated historically by providing a more diverse housing mix – the 'salt and pepper' approach.

Cons

The provision of social housing is the remit of the NSW Government, and while Council can influence, we cannot compel the NSW Government to act as recommended. There is also some negative

perceptions associated with social housing, meaning that managing the public perception of such projects is important.

What is the likely outcome of applying this option?

If this option is realised, it will reduce the likelihood of further negative outcomes in relation to the increasing housing affordability crisis. Maintaining the current rate of social housing will ensure a good social mix in the community.

Option 10: Explore developer-owned affordable rental housing models

What is this option?

Rather than affordable housing dwellings being built by developers and handed over to councils, they could be retained by developers and contracted out to Community Housing Providers to manage in much the same way that councils currently do. This option could still deliver the same outcome of more affordable rental housing but in a manner that might provide higher return to the development industry.

How has this option been applied?

There is some precedent of developers investing in affordable housing via the National Rental Affordability Scheme (NRAS), but this scheme was discontinued in 2014.

Pros

The benefit is that the financial burden on developers is reduced because instead of being required to give a cash or capital value to councils, they retain ownership of the asset and continue to derive income from it, albeit at a reduced rate. Such a benefit may gain more support from the development industry which could lead to further productive partnerships between developers and the community housing sector.

Cons

The disadvantages of this model are to the alternate owners of the asset: Community Housing Providers and councils. In both cases, there are revenue generation potentials that are lost that could lead these funds to be reinvested into more affordable housing in the case of Community Housing Providers, or other public benefits in the case of councils. Further, if developers own the affordable housing stock, then they may make decisions around

its operation or allocation that prioritise revenue generation or tenancy over the core objectives of this form of social infrastructure.

What is the likely outcome of applying this option?

The development industry may be more open to this kind of model because it potentially lowers the cost of providing affordable housing.

Questions

Are there other innovative models to provide more affordable rental housing that you think Council should consider?

Which options do you think Council should pursue to deliver affordable rental housing?

11.0 WHAT MECHANISMS ARE APPROPRIATE FOR CITY OF PARRAMATTA?

Based on the options considered in this paper, Council proposes to do the following in order to address the issue of housing affordability for the residents of City of Parramatta. Applying these strategies will allow City of Parramatta to realise the affordable rental housing target as shown in the diagram overleaf.

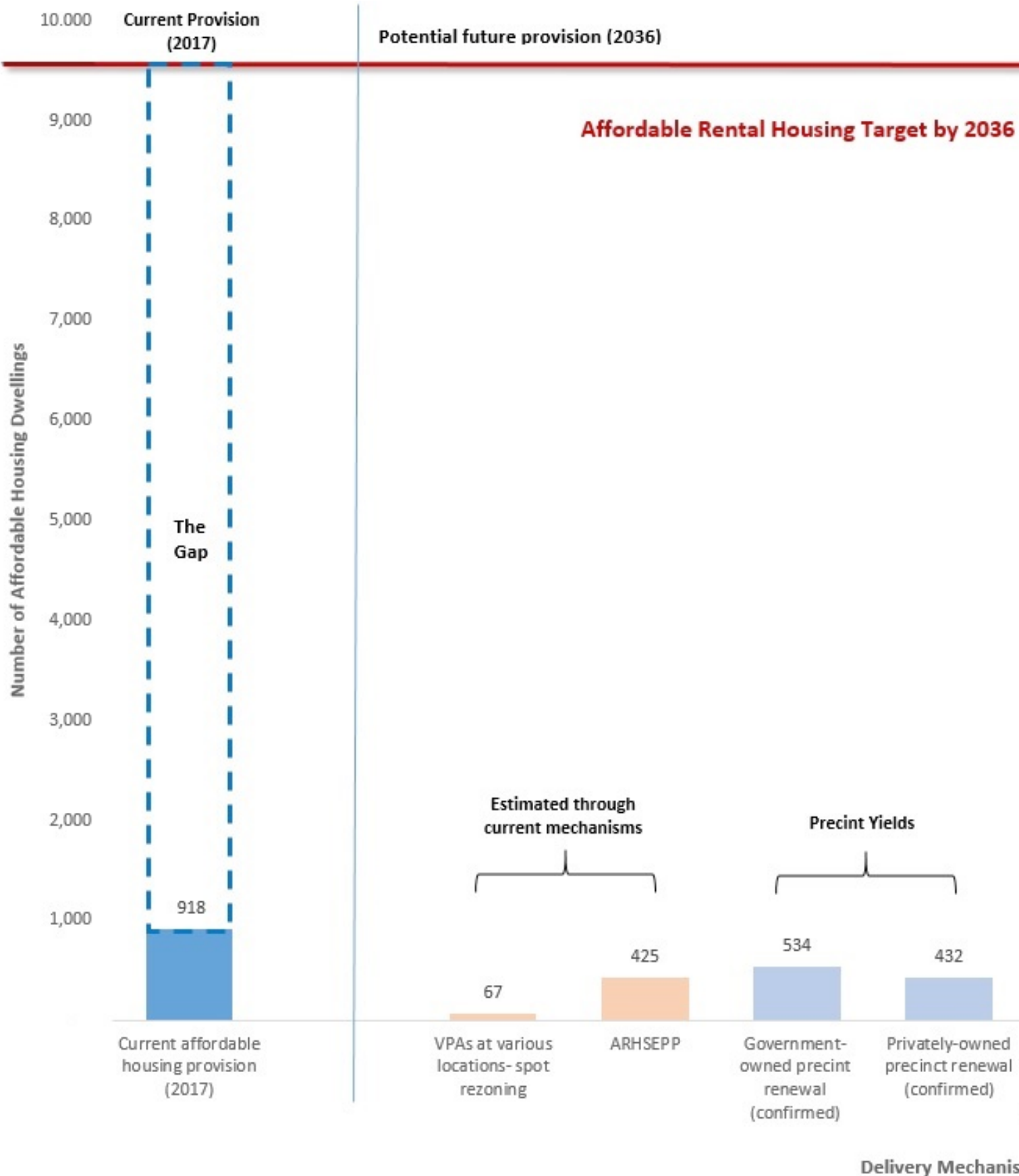
Pursue the development of a revised Affordable Housing Policy that focuses on:

- Increasing supply of affordable rental housing for people in the City of Parramatta on low to moderate incomes
- Working toward an affordable rental housing target of 9,500 dwellings to be delivered between now and 2036

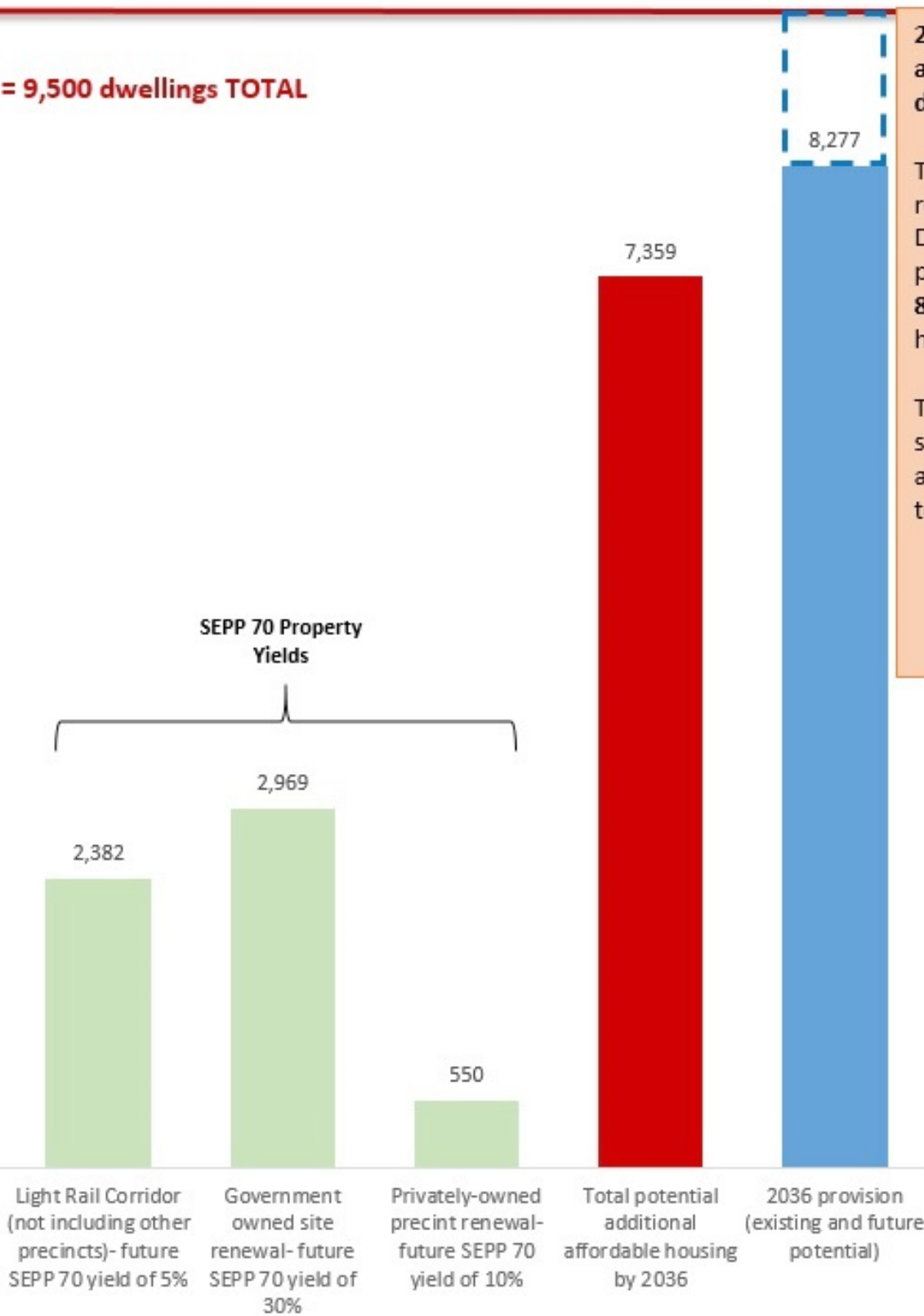
Utilising the following strategies to realise the affordable rental housing dwelling target:

- Continue to utilise voluntary planning agreements (VPAs) as stated in Option 5 to secure affordable rental housing through development contributions, using the following as a basis and starting point for negotiation:
 - *Seek 10% of dwelling yield for affordable rental housing dedication across the local government area*
 - *Dwellings provided as affordable housing are to reflect the overall dwelling mix of the development*
- Pursue affordable housing developments on council-owned land in partnership with key stakeholders as stated in Option 7 (residential and specific affordable rental housing yields will require feasibility testing)
- Pursue LGA wide inclusionary zoning as stated in Option 6 that allows City of Parramatta to set affordable housing yield targets for new development by applying to the NSW Government for inclusion under SEPP 70 legislation
- Advocate to the NSW Government to adopt the affordable housing precinct targets recommended in City of Parramatta’s submission to the GSC’s Draft West Central District Plan as stated in Option 3, being:
 - *10% of the total floor area of precinct renewal developments on private land be dedicated as affordable housing (this would apply to the total floor area of the development after up-zoning, not just the uplift portion)*

- *30% of the total floor area of precinct renewal developments on government-owned land be dedicated as affordable housing (this would apply to the total floor area of the development after up-zoning, not just the uplift portion)*
- Seeking amendments to the Environmental Planning and Assessment Act 1979 as stated in Option 8 to enable transfer of ownership of affordable rental housing dwellings dedicated to Council via VPAs or SEPP 70 to a community housing provider at the discretion of the City and where it makes sense to do so to enable efficiency of resources and where it provides the opportunity to help increase affordable rental housing supply in the LGA
- Seeking to partner with the NSW Government as stated in Option 9 to realise more social and affordable rental homes on the current Wentworthville Housing Estate. This would involve developing and implementing an innovative master plan to achieve this outcome that would include a greater housing mix inclusive of private and public dwellings.
- Advocating to the NSW Government for changes to the ARH SEPP 2009 that require affordable housing to be provided in perpetuity rather than a limited period of ten years, and that rectify provisions in this planning policy that have led to poor design outcomes (Option 4)
- **Advocating to other levels of government for reforms that will address the broader housing affordability crisis:**
 - *Advocate for Federal Tax Reform that seeks to ease the housing market by addressing the market impact of negative gearing and capital gains tax discounts on housing affordability as stated in Option 1*
 - *Advocate for State Tax Reform that replaces current stamp duty with a broad based land tax in order to remove the disincentive for home owners to move to more suitable types of housing when they require as stated in Option 2*
 - *Advocate to, and seek to work with, the NSW Government to pursue a target to maintain the percentage share of social housing within the City of Parramatta into the future. This would require 6% of dwellings to be for social housing as stated in Option 9.*



= 9,500 dwellings TOTAL



2036 Gap = 1,223 affordable housing dwellings

The Policy position recommended by this Discussion Paper is projected to achieve **87%** of our affordable housing target.

The NSW Government should consider additional policy options to fill the gap.

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12.0 HOW TO PROVIDE FEEDBACK

SUBMISSIONS CAN BE MADE ONLINE:

www.cityofparramatta.nsw.gov.au/about-parramatta/news/council-news/have-your-say-on-housing-affordability-in-the-city

SUBMISSIONS CAN BE POSTED TO:

Manager Social Outcomes
City of Parramatta Council
PO Box 32, Parramatta NSW 2150

SUBMISSIONS CAN BE EMAILED TO:

housingaffordability@cityofparramatta.nsw.gov.au

YOU CAN ALSO CALL US ON:

02 9806 5797

If you have accessibility concerns, please contact the National Relay Service on <http://relayservice.gov.au/> and provide them with the City of Parramatta number you want to call.

For non-English speakers, phone interpretation services are available by the Translating and Interpreting Service (TIS National) on 131 450.

WHAT HAPPENS TO MY SUBMISSION?

All submissions will be reported to Council and carefully considered by senior staff before preparing our draft Affordable Housing Policy. Letters of acknowledgment will be provided for written submissions

13.0 NEXT STEP



Launch Affordable Housing Discussion Paper

25 May 2017



Collect and review submissions and commence drafting Affordable Housing Policy

June 2017



Draft Affordable Housing Policy to be reviewed by targeted experts

June 2017



Draft Affordable Housing Policy presented to Council for adoption

10 July 2017



Policy Implementation

July 2017



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