



# Developing affordable housing in the Hunter Region

## How community housing can deliver solutions to the Hunter region's affordable housing crisis

*The Hunter region's prosperity and future growth is limited by its housing affordability crisis. In 2014, it was estimated that a shortage of more than 1000 new homes in the Lower Hunter was reducing housing affordability and penalising first home buyers. In addition, population growth trends add an extra 460 dwellings a year to this figure. For the Hunter region to thrive into the future, further housing is needed for lower income earners, including key workers who are essential to the area's economic sustainability and social diversity.*

The NSW Federation of Housing Associations (the Federation) welcomes the opportunity to provide feedback on behalf of its members to the NSW Department of Planning and Environment's (the Department) Regional and City Hunter Plans. The Federation is pleased to see how affordable housing delivery is acknowledged in the Plans. With plans for increased residential development underway, specific strategies and targets are needed to increase the supply of affordable rental housing.

### What is the size of the problem?

In all the Hunter LGAs, low income households comprise the largest proportion of all households (with the exception of Singleton and Muswellbrook). This predominance of low income households across most of the Hunter indicates that the demand for affordable housing in the region is high. As a result, the rental market is becoming increasingly unaffordable and insecure for low to moderate income households across the region.

### What is community housing?

Not-for-profit community housing organisations have been providing high quality rental housing for people on very low to moderate incomes for over three decades. Our NSW sector contains the largest, most accomplished, dynamic and professionally led organisations in Australia. With over 32,500 tenancies, our 27 leading organisations

manage more homes than Victoria and Queensland providers combined.

### NSW community housing providers ...



Manage 32,500 tenancies

Employ over 910 dedicated staff



Run 64 local housing offices

Income of nearly \$600 million p.a.



Capital base of \$2.5 billion

Have \$175M bank debt invested in affordable housing



*Figures based on June 2014 financial statements of the 27 NSW based Tier 1 and 2 registered providers. Analysis by Dr Tony Gilmour, Housing Action Network*

The sector has low rent arrears, minimal vacancy rates, and high tenant satisfaction. In the latest AIHW survey, nearly twice as many community housing tenants (39%) were very satisfied with their landlord compared to public housing (22%).

### Recommendations

To achieve housing affordability in the Hunter region, the Federation recommends the Department take action under the following headings:

- Housing needs research and design
- Access to land
- Inclusionary zoning: Affordable housing targets
- Increasing densities
- Contributions
- Reference group

#### Housing needs research and design

The Federation suggests that the Department should conduct modelling to predict housing needs in the Hunter into the future. Particular attention should be given to ensuring a correct balance of housing types and tenures including affordable rental housing and shared homeownership options. This research will be an important part of the evidence base for why the Department proposes different housing densities and forms as well as the need for affordable housing in the area. The proposed research would explore questions including:

- How many properties are needed to meet affordable housing demand in the Hunter over the next five to ten years?
- What sized properties are needed?
- Which segments of the population are in most need of affordable housing?

The modelling should focus on offering housing to a range of groups

including very low to moderate income earners, Indigenous households, students and young people, people with disabilities, families as well as older and single person households.

This study would also lead to more informed decisions about the designs of affordable housing needed. For example, the Department should consider new compact designs such as new generation boarding houses as a potential solution to housing affordability. Another model that has been proposed is 'pocket living', which is underway in the UK<sup>1</sup>.

#### Access to land

Local councils should use their land to act as a catalyst for further affordable housing development. For example, this could occur by council providing land which is valued to determine even contributions. Once the project is completed, the land is re-valued and ownership of a portion of the dwellings is transferred back to Council. This way the Council retains value of the asset equal to the value of the land.

#### Inclusionary zoning: Affordable housing targets

Robust inclusionary zoning provisions should be incorporated into the development of the Hunter region, particularly for medium to higher density residential developments in key areas, such as in residential and transport hubs. The private sector must play a key role. This is likely to be more straightforward if developers know that they will be required to incorporate affordable housing into their plans upfront. In this way, developers will

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<sup>1</sup> See <https://www.pocketliving.com/> for more information.

factor in the costs as part of their project feasibility.

As outlined in the Federation's Industry Strategy, we advocate that 30% of affordable housing should be incorporated in development projects. These targets should flow down to local Councils and be regularly reviewed.

### Increasing densities

The Department should take advantage of the opportunities for increasing affordable housing by raising densities. This measure allows for the uplift in value to be shared between the developer and community through more ambitious developer contributions.

Increasing densities allows more people to live closer to the vital amenities while also reducing transport costs and travel time. With more properties available, cost pressures on existing housing can be relaxed. However, high density should not preclude accommodation that is suitable for households with children. The Department must also remain aware that any increased density concessions should not be negated by building height restrictions or other planning standards.

### Contributions

The level of contributions made by developers should be objectively determined at the beginning of the planning process for the Hunter region. In particular, they should be considered in tandem with infrastructure planning. Where government is releasing separate lots (low density single dwellings), finished lots should be the preferred contribution mechanism. This means that 30% of lots should be the contribution standard. For land zoned as medium and high density

dwellings, contributions should be in the form of receiving finished floor space.

The Department should also recognise affordable housing as essential infrastructure so that it can waive developer contributions usually levied under section 94 of the Environmental Planning and Assessment Act 1979.

### Reference group

As planning for the Hunter region continues, the Department should seek to create a reference group comprising of relevant stakeholders including the Federation. The Federation (and its members) would welcome the opportunity to contribute to the transformation of the region through sharing information and the provision of expert planning advice.

### Summary

The Department's commitment to delivering more housing for the Hunter region is welcomed by the Federation. However, more attention is needed on the supply of affordable housing and how it can be practically implemented in the region.