

Affordable Housing SEPP Online Consultation

Comments, Concerns and Recommendations

I fully support the proposal to include Inner West Council in the SEPP 70 and I think that it is necessary to take positive steps to address the problem of affordable housing. There is a great need for affordable housing in the Inner West and the Council needs to be able to develop policies to introduce affordable housing schemes requiring contributions to provide affordable housing and to develop strategies for upcoming rezonings.

I agree that inclusion in SEPP70 will simplify the process so there is a consistent approach to providing affordable housing making requirements clear to landowners and proponents early in the planning and development process.

I also agree that an Affordable Housing Policy and Plan needs to be incorporated into Council's LEP.

Rationale

My comments will largely concentrate on issues that I know of in The Inner West Council area and more specifically to the Marrickville area, however they apply to many suburbs in the Inner West and wider Sydney suburbs.

I have lived in Marrickville for 33 years and have seen many changes over that time. Marrickville is a historical suburb with a long industrial history, which has welcomed many waves of immigration and has had a rich ethnically diverse community providing a home for families of all shapes and sizes with residents of all age groups and financial means.

It was not "fashionable" to live in Marrickville when I chose to move here because the house I purchased was affordable. Indeed house prices were a fraction of the cost today, rentals were much cheaper and there were a lot of older style units, houses and boarding houses available for rental.

Demographic Changes

Over the last 15 years the demographics of Marrickville have changed with many more younger professional higher income people moving here. With its proximity to the city developers have purchased cheaper land to build higher unit blocks that have changed streetscapes and the character of Marrickville.

Gentrification, Loss of Affordable Housing & Social Exclusion

The increased costs of houses and rentals and the "Gentrification" of Marrickville and other Inner West suburbs has forced many families and people with very low, low or moderate income to move away and this problem will be exacerbated by the removal of many older style units and boarding houses under the Sydenham/Bankstown Urban Renewal Strategy

There is clear evidence of significant demographic change, rapid gentrification and displacement of more disadvantaged and vulnerable people from the IWLGA over at least the last decade.

Anglicare report states that there is less than 1% available affordable rents for people on government income support payments.

Productivity Commissions Report, annual review of government services (SMH Jan 23 2018) shows that NSW had the lowest level of public housing meeting the “acceptable standard” a house or unit which has at least 4 working facilities (for washing, preparing food and removing sewerage) and less than 2 major structural problems. NSW had the highest number of people with unmet accommodation requirements of all states and a gap of almost 20% to most other states on the proportion of new allocations to households in greatest need.

All of the above factors provide a compelling rationale for intervening in the housing market to create affordable housing.

Growing Homeless Population

Productivity Commissions Report annual review of government services (SMH Jan 23 2018) reports that “On homelessness Australia as a whole appears to be failing in its efforts to reduce the number of people sleeping rough. Nationally 30.2% of clients with an identified need for accommodation did not have their need met, an increase from 22% in 2012-13.” Short and long term homelessness, combined with affordable housing shortages are serious issues for Sydney which need to be addressed.

High Cost of housing in Sydney

Cost of housing relative to wages has skyrocketed

Sydney Morning Herald Report May 16 2016 states that “Housing has become unaffordable to all but the highest paid” and “Inheritance is becoming the main road to home ownership” “A nurse could not afford to purchase in 95% of Sydney suburbs”

In 2014-15 there were 64 suburbs where no dwelling sold for less than \$1m (higher today) Increased competition for land and housing resources through household formation, demographic change and in-migration of wealthier groups will continue to exacerbate affordable housing needs in the future.

Increased Housing Supply Myth

The myth that more development will increase supply and provide cheaper housing is quickly dispelled when looking at current new developments. In the new Mirvac development on the old Marrickville hospital site, where a one bedroom unit with no car space is \$715k, two beds, well over \$1million. Higher rents are also charged in new developments. New Boarding House rents for “bedsits” are over \$300 which is also concerning.

Many of newly purchased units are left empty by international investors.

Inner West Council has determined that 10% of properties in the LGA are vacant. If these were made available for rental it could add to supply and hopefully reduce costs.

Developers are also pushing up house prices in their quest to land bank, making it harder for families and first home buyers to purchase properties in Inner West LGA.

Injustice of intergenerational inequality & widening inequality

Need to consider economic unsustainability of pricing key workers (child care, nurses, teachers, police, emergency, retail, council, transport, service industry and hospitality workers) out of the city.

Affordable housing is an important form of infrastructure that supports community well being, social and economic sustainability, including a diverse labour market and economy and strong inclusive communities.

Research highlights the importance of affordable, stable housing to the economic and social well being but in Sydney affordable housing has reached a crisis point.

Housing research & academic housing economists across Australia agree that an essential part of the policy mix is to mandate a significant % of affordable housing in all new housing developments (known as “inclusionary zoning”)

Other global cities around the world have recognized the important role of housing in their economies and inclusionary zoning is a mainstream idea in many major global cities it is supported across political spectrums, the only argument being the proportion.

In London there is a 35% to 50% affordable requirement of all dwellings in new developments.

“Substantial inclusionary zoning requirement will not make developments more expensive. They will make it harder for land speculators to make large profits while making no contribution to the social and economic future of NSW” (*The Conversation* Nov. 24 2016)

No Market solution

The Inner West Council’s study into housing in the Inner West shows that there will be no new affordable housing delivered by the market alone.

No new build strata products would be affordable for purchase through the market for very low, low and moderate income groups, only the very top of moderate income band at best. All families with children would be excluded.

Households needing affordable rental housing are currently excluded through the market and will be more so in the future without strong planning intervention.

Lack of Affordable Housing Targets

There is no housing affordability requirement in the Sydenham/ Bankstown Urban Renewal Strategy which is a gross oversight considering that housing diversity, choice and affordable supply is fundamental to urban renewal in global cities around the world.

The Greater Sydney Commission has set targets of 5-10% affordable housing for development on rezoned land (including in the Inner West), however that is too low to make a serious impact on the city’s affordable housing shortage and must be higher.

Ad-hoc inadequate Voluntary Planning Agreements under s93F

Many Councils currently use Voluntary Planning Agreements to boost the number of affordable market/rental homes in area on ad-hoc basis. Numbers to date are small and will not alleviate shortages.

Unfortunately many developers apply to renege on these agreements.

Just under half of the 27 NSW Councils reviewed by Johnstone (1914) included “affordable housing” as a public purpose for which contributions may be sought in their voluntary agreement.

Examples of Market (Opt-In-Out Context) Mechanisms (*From Inner West Council Report*)

Waverly Council operated “density bonus” scheme from mid 1980’s where additional FSR was provided in exchange for a contribution to affordable housing in perpetuity, which has yielded 150 dwellings.

Canada Bay Council reported 5 such agreements and a total of 24 dwellings offered.

Marrickville Council also used such approaches. Voluntary Planning Agreement for 78-90 Old Canterbury Rd Lewisham included 4 affordable housing units

Old Hospital site in Marrickville only 9 of the 221 units are designated as “affordable” (4%). This is very disappointing considering the fact that previous Councilors “sold” the development to residents as providing “affordable housing”.

State Government has also been involved in a number of VPAs that have included an affordable housing contribution including;

- **Barrangaroo:** 2.3% of residential gross floor plan in South Precinct to be provided for “key worker” housing;
- **Carlton Brewery Site Chippendale :** a monetary contribution of 2.7%-3.1% of total project costs (approx. \$32m) to be given for affordable rental housing provided offsite;
- **Rouse Hill:** 3% of residential lots (39) for the purposes of affordable housing;
- **Sydney Olympic Park:** 3% of dwelling units will be given to Land & Housing Corporation;
- **Former ADI site St Mary’s:** 3% of residential lots (about 150) will be given for the purposes of development of affordable rental housing.

Examples of Non Market (Mandatory) Mechanisms (From Inner West Council Report)

- In NSW there is an opportunity for a consent authority to impose a mandatory levy for affordable housing under s94F of the act, however only three local authorities are permitted to impose an affordable housing levy under s94 of the act and in accordance with SEPP 70
- **City of Sydney** identifies 3 areas of c.713 of **Sydney LEP2012 Contributions are 3%** of residential areas and 1% of nonresidential area for land in **Green Square** and **0.8%** of residential area and 1.1% of non-residential area in **Ultimo-Pyrmont**
- **Willoughby LEP 2012** c6.8 requires a contribution of **4%** of total floor space for development in designated areas, with the exception of boarding houses, public housing, community housing, group homes and hostels.
- **Redfern/Waterloo Authority Affordable Housing Contribution** plan 2006 Act provides for a contribution equivalent to **1.25%** which appears to be grossly under provisioned considering the great loss of low cost housing and rentals as rents and house prices have increased, polarizing the community and creating pockets of disadvantage and advantage.
- **Division 1 of SEPP (Affordable Rental Housing)** provides a mechanism for a developer to obtain additional floor space ratio in selected areas in return for providing a proportion of the development as affordable housing (as defined in the SEPP for a period of ten years. This is not long enough considering the immediate and future needs.

There is an urgent need to increase mandatory affordable housing requirements as is the practice in cities around the world.

NSW lagging in planning for Affordable Housing

Some International Examples include:

1969 Anti-snob Law in Massachusetts to set goal to provide at least 10% of the housing stock as affordable.

Boston 2000 10% inclusionary developments 2004 -15% & vacant/abandoned properties made available for affordable housing wherever possible.

San Francisco 1985 - Mayor adopted a jobs/housing linkage program requiring office space developers to contribute to production of affordable housing for workers. Units must remain affordable for minimum 50 years

San Francisco 1992 Policy adopted 10 or more units 10% to be affordable 2006 15% if constructed onsite 20% if constructed offsite

Holland 2006 Social housing comprised of 33% of dwellings, which was down from 42% in 1980's Housing plan sets out number of homes planned by type (e.g. single, family homes, aged person housing) and price bracket for each municipality each year. Targets are set for social housing for rent or sale Maximum targets 20-40% depending on municipality, considering existing levels.

London 2017 Revised Plan 35% to Max 50% of new developments for affordable housing **60% of new affordable housing for social/affordable rental especially for families** and 40% for intermediate housing. Long term vacant properties brought back into use. Shared equity for low cost housing and registered social landlords as major developers is providing delivery of affordable housing, needed for ambitious targets.

NB There are many more examples of Global City Targets and interesting schemes to provide affordable housing.

Current Rezoning

Problem with current rezoning approach is that it leads to huge windfall profits and developments aimed at the upper end of the market.

When land is rezoned to enable higher density development landholders reap these windfall profits without actually developing any housing or infrastructure.

Lewisham Estates development exemplifies this problem. First buyer of the land made a 47% profit without building anything when industrial land was purchased for \$8.5m. When land was rezoned to higher density residential the site sold for \$48.5m.

This is a compelling argument for value Capture of 50% to recover the cost of infrastructure investments and to “clawback” or gain a reasonable share of the “unearned increment” of land value uplift that results from planning actions (rezoning) for use by community as a public purpose (Taylor L. 2016 *In Focus*)

Community support for provision of Affordable Housing

A petition containing 16,000 signatures has been presented to NSW Government calling for Mandatory affordable housing targets and the Inner West Community is strongly supportive of all new developments including a significant proportion of affordable homes.

Recommendations

- A social impact assessment should be required for all new areas to be rezoned.
- Considering the fact that Inner West LGA has one of the highest concentrations of boarding houses, the Council should have the power to establish planning controls to protect existing stock of current affordable housing and to offset loss of low cost housing.
- An inventory of current availability of affordable housing should be made to ensure that there is no net loss. It is of great concern that many of the streets targeted for renewal within 800 metres of Marrickville Station in Sydenham Bankstown Renewal Strategy provide affordable housing through boarding houses or older style Unit blocks. Anne St and Petersham Rd provide examples of such streets.
- Need to increase the supply of affordable rental housing for very low, low and moderate income households to minimise potential for displacement of low income earners from their home and local community.
- Councils should advocate for and build partnerships to increase affordable and liveable low cost housing.
- Targets should be set (as they are for future population growth) for affordable housing
- Within the affordable housing target there should be targets for rentals for family dwellings, single, aged and adaptable housing to maintain the socio-economic diversity within LGAs
- A mandatory inclusion of affordable housing (inclusionary zoning) and value uplift capture are the most workable and successful mechanisms to achieve affordable housing in the short term.
- 15% affordable housing should be mandated for development of 15 or more units
- 30% affordable housing should be mandated for all large private developments (e.g. Carrington Rd & Victoria Rd Precincts), those on government owned land and all State

urban renewal Developments including Redfern Waterloo, Parramatta Rd Urban transformation Area and Sydenham Bakstown Urban Renewal Corridor (to name a few).

- Commercial Developments should provide for workers affordable housing
- The targets should be set in LEPs and higher heights not negotiable.
- Affordable housing for workers must provide parking as many have to work shifts when public transport may not be available.
- Capture of 50% of land value uplift as contribution towards public benefits (including affordable housing) in renewal areas, rather than the value being directed to a few fortunate landowners.
- When land is rezoned or planning controls varied affordable housing requirements should be applied in a consistent way and developers should not be able to “negotiate” around the controls.
- A building should also not need to be higher than 15 storeys before affordable housing is provided Any development over 15 units regardless of height should include affordable housing.
- Affordable rental houses should be for perpetuity
- Penalties such as triple rate payments should apply for unoccupied properties and wherever possible property be put back into housing stock.
- Negative gearing needs to be scaled back to enable more first home buyers to buy in an area closer to family and their work places.
- Developers should allocate % of units for genuine first home buyers so that they are not always competing with local or foreign investors.
- Changes need to be made urgently so that Councils can develop policies that will be incorporated in LEPs and Development Controls in order to have transparency and consistency in order to alleviate the housing affordability crisis.