



Draft Affordable Housing SEPP 70 review

Submission prepared by NSW
Federation of Housing
Associations

31 January 2018



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NSW Federation of Housing Associations

The NSW Federation of Housing Associations (the Federation) is the industry peak body for registered community housing providers in NSW. The Federation is also supporting Aboriginal Community Housing Providers (ACHPs) in NSW in a process to establish a representative body.

The community housing industry in NSW is growing and diversifying. It now manages more than 38,000 homes and is due to manage a further 14,000 homes being transferred from public housing management over the next three years.

Registered community housing providers in NSW manage both social housing and affordable rental housing - they are grounded in their local communities and understand local housing need.

Many registered community housing providers have established strong relationships with local councils to encourage affordable rental housing delivery. As well as managing affordable rental housing on behalf of local councils which has been delivered through inclusionary zoning and other planning mechanisms, our members have worked across 35 different local government areas to deliver new social and affordable housing.

The Federation's purpose is to support the development of a not-for-profit rental housing industry which makes a difference to the lives of lower income and disadvantaged households in NSW. The Federation seeks to ensure that registered community housing providers are active in all housing markets, providing a full range of housing products.

Position on planning policy

The Federation welcomes the opportunity to comment on the proposed changes to SEPP 70. As we have previously argued in both our Industry planning position document and previous submissions to NSW Government consultations, the Federation strongly supports the use of planning policy to encourage additional delivery of affordable rental housing.

Overall position on the proposed changes to SEPP 70

The Federation supports the proposed inclusion of five additional councils in State Environmental Planning Policy no. 70

Why do we need more affordable rental housing in NSW?

Affordable rental housing is essential infrastructure and is critical to strong, diverse and liveable communities. Well-located affordable rental housing means that people in lower paid jobs can live in the communities that they work in. Investment in transport infrastructure can increase accessibility to jobs for residents living in far flung if cheaper suburbs, the cost of transport has to be added to the weekly household bill.

The forthcoming research the Federation commissioned with support from the Greater Sydney Commission (GSC)¹ will clearly demonstrate the opportunities to raise economic productivity and reduce social inequality by locating affordable homes in mixed income neighbourhoods near to where people can access jobs and services and well performing schools.

While house price growth may have moderated in Sydney, incomes have failed to keep pace with prices and rents for so long that only a major housing cost correction will make housing affordable to lower income households. Given recent reports² that suggest most people's wages are also stagnating, the need for policies such as SEPP70 is clear.

Every day our members see working families in housing stress who are struggling to keep housing connections to the places where they live or work. Some key facts:

- On a typical day in April 2017, of 13,447 advertised rental properties across Greater Sydney only 625 were affordable to households earning a minimum wage, and just 26 were affordable to households living on income support payments³
- Only 1.62 percent of properties across Australia are affordable to rent for single people on the age pension and only 4.28 percent are affordable for a couple on the age pension⁴
- Rents remain severely to extremely unaffordable within a 10 kilometre radius from the Sydney CBD, with the average household facing rents at more than 60 per cent of their total income in some inner postcodes, and more than 40 per cent in most other postcodes within this radius.⁵
- The number of moderate income households living in rental stress in Greater Sydney increased by 30% between 2006 and 2011 (from 26% to 34%)
- In 2010, rents in Parramatta were 8% below the Greater Sydney median. By 2014 this had fallen to just 2% below the Greater Sydney median⁶
- There has been a 40% decline in rental affordability for people on moderate incomes in Randwick LGA since 2006

The needs analysis undertaken by Randwick City, Inner West, Northern Beaches, City of Ryde and City of Canada Bay clearly demonstrate the need for more affordable housing within their respective local government areas

¹ To be published March 2018 - MacLennan et al; Making Better Economic cases for housing Policies

² <http://www.smh.com.au/federal-politics/political-news/the-jobs-that-will-or-wont-be-getting-a-pay-rise-this-year-20180115-h0ii8u.html>

³ <http://www.anglicare.asn.au/docs/default-source/default-document-library/rental-affordability-snapshot-2017.pdf?sfvrsn=4>

⁴ Ibid

⁵ https://www.sgsep.com.au/application/files/6215/1184/4292/RAI_2017_NOV_-_final_compressed.pdf

⁶ Affordable Housing Discussion Paper – City of Parramatta, 2017

SEPP 70 as a mechanism for increasing supply of affordable rental housing

The Federation supports the proposed inclusion of additional councils in SEPP 70. The experience of the City of Sydney, in the Ultimo-Pyrmont and Green Square areas, shows that including more councils in SEPP 70 provisions will:

- deliver moderate increases in the supply of affordable rental housing supply
- not affect the viability of new housing developments
- provide certainty for landowners, developers and the community about the requirements around affordable rental housing development contributions
- reduce use of Voluntary Planning Agreements which have had a very limited impact on affordable rental housing supply and are not open to community scrutiny or consistently negotiated

Similar planning mechanisms exist worldwide and when well designed and implemented have been extremely successful in securing more affordable rental housing and where additional government investment is made available; social housing too. Moreover these mechanisms have been accepted by property developers many of whom also operate in Australia. They have demonstrably not reduced overall housing supply.

Broadening the provisions of SEPP 70 further

Working with local communities, our members see the need for affordable rental housing every day and we know that many more local councils could demonstrate need for more affordable rental housing in their areas. Indeed a number are already in the process of producing local affordable housing policies. The Federation hopes that the process of extending the provisions of SEPP 70 to five additional councils will be a trigger for other councils, where there is need for affordable rental housing, to make applications for inclusion.

The development of clear guidelines to support councils through this application process, establishing a consistent process for quantifying need, would be a welcome step.

Developing affordable housing contribution schemes

The Federation has already established relationships both individually and collectively with many local councils, including those proposed for inclusion in the provisions of SEPP 70, as they develop affordable housing contribution schemes. We anticipate many will seek input from the Federation as they progress the design of these schemes. The design of contribution schemes can have a significant impact on how effectively they turn developer contributions into affordable rental housing units. Well-designed contribution schemes which respond to local housing market conditions can mean that registered community housing providers are able to maximise the affordable rental housing that a scheme delivers.

We recommend that contribution schemes follow common principles and adopt a model framework while allowing local Councils to respond to local needs. The model framework could identify minimum contributions and provide scope for local enhancements.

This approach is likely to strengthen the power of local councils to enforce their contribution policies while providing clarity about obligations to property developers and land owners. The model framework should include a clear definition of affordable housing and specify how its implementation and the outputs are captured to ensure there is transparent reporting and accountability for outcomes. We recommend that all affordable rental housing delivered should be managed by a Registered Community Housing Provider. This would improve transparency and certainty around outcomes.

We appreciate that the NSW Government is likely to be concerned to be consistent with the recommendations coming from the Greater Sydney Plan process. That said where Councils identify shortfalls in affordable homes for moderate or essential (key) workers; the Federation supports including these households in contribution policies. This proposal to extend the provisions of SEPP70 will need to work alongside any policy on inclusionary zoning that may be adopted by the NSW Government in the future.

The Federation has assumed there will be an opportunity to make further comment on the contribution scheme process and if adopted as an approach the model framework.

Opportunities for further reform

SEPP 70 does not apply to land in non-Greater Metropolitan Region council areas. Given the rental affordability challenges in many parts of regional NSW, particularly along the seaboard from Byron Shire in the north to beyond Shoalhaven in the south, the expansion of the application of SEPP 70 beyond the Greater Metropolitan Region should be urgently considered.

SEPP 70 has the effect of limiting access to provisions under Section 94F of the Environmental Planning and Assessment Act 1979 to councils that have not demonstrated a local need for affordable rental housing.

Where an increasing number of councils, using a consistent methodology, demonstrate the need for affordable rental housing and develop strategies for responding that do not impact overall supply there will be less of a need for SEPP 70 and the additional step of councils applying for inclusion in it. Over time, there may be a case for removing SEPP 70 altogether.