

Social and Affordable Housing



Background

- UDIA NSW established in 2018 a taskforce of 20 industry leaders to investigate social and affordable housing including developers, CHPs, legal, and planning experts.
- The challenge is set within an unaffordable housing market with all Australian capital cities in the top 24 least affordable cities in the world.

Rank	City	Country	Multiple
1	Hong Kong	China	20.9
2	Vancouver	Canada	12.6
3	Sydney	Australia	11.7
4	Melbourne	Australia	9.7
5	Santa Cruz	US	9.6
6	San Jose	US	9.4
7	Los Angeles	US	9.2
8	Taraunga-Western Bay of Plenty	NZ	9.1
9	Auckland	NZ	9.1
10	San Francisco	US	8.8
16	Adelaide	Australia	6.9
18	Brisbane	Australia	6.3
24	Perth	Australia	5.7

- Despite achieving record levels of completions of new dwellings in Sydney in recent years housing remains unaffordable for a growing number of people.
- The affordability gap is growing and the number of people who are homeless or in housing stress needing more affordable housing (either Crisis, Social or Moderate Income) is also still growing at alarming levels.
- There has been an enormous amount of research into Affordable Housing by AHURI and many others. But despite all the research the lack of supply has remained unchanged. The under investment in Social Housing by Governments and a lack of incentives for the Development Industry and Property Investors to provide Moderate Income Housing means the much-needed supply of Affordable Housing (Crisis, Social and Moderate Income) in all its forms is not being delivered.

Challenge

A workable Affordable Housing solution has been difficult because of the underlying challenges that impact the delivery of housing and particularly social housing. There is not enough supply to meet the demand of affordable housing.

Demand	Supply	Affordability
<p>140,000 new dwellings are needed to 2036 in Sydney.</p> <p>\$96 billion is needed over the next ten years nationwide.</p>	<p>Residential housing grew 17.5% (2006-16), when social housing grew only 2.5%</p> <p>Only 2,700 affordable homes will be completed between 2012-20 in Sydney.</p> <p>6,549 NRAS dwellings will cease in NSW over the next decade</p>	<p>In the ten years to 2016, key areas in Sydney lost between 10-20% of key workers to non-metropolitan areas.</p> <p>NSW lost 14,900 in 1216-17 to other states as young families seek more affordable locations</p>
<p>The problem is getting worse, with an ageing population, reduction in home ownership rates more people unable to secure affordable rental accommodation and this is becoming a critical issue for the effectiveness of cities.</p>		

Barriers

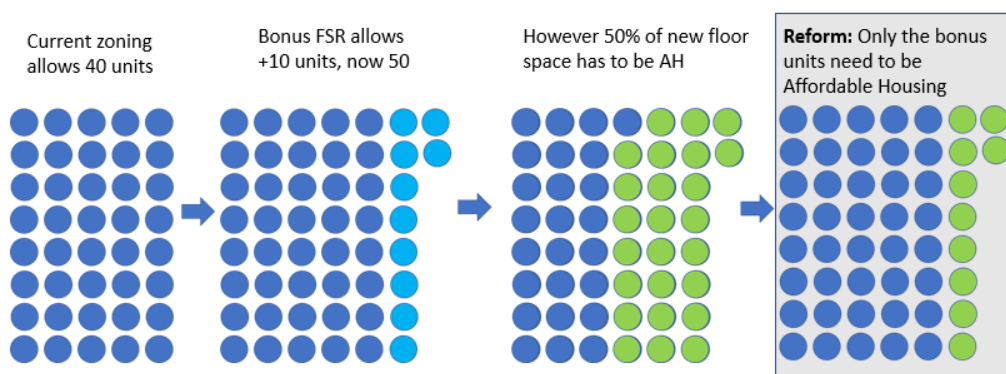
There are several barriers that result in unmet challenges in the current system. These combine to make it impossible to deliver a new affordable home, without some form of subsidy. AHURI states 'All social housing systems involve some type of subsidy in the production of dwellings or on the demand side via rent allowances.'

Fragmentation Housing policy is fragmented that leads to confusion. It is ultimately as subsidy; however, there are conflicting policies within and across three levels government.

Ineffective Subsidies Capital funding from government has failed to keep pace with population growth or demand. The funding gap between the cost of providing aging housing stock and the income received from aging and low-income tenants has been met by strategies including delayed maintenance, reduced renovation and very little new construction.

The Affordable Rental Housing SEPP attempts to provide affordable housing; however, it does not act as a genuine incentive. The SEPP provides a 0.5 FSR bonus if 50% of dwellings are affordable. The SEPP provides a carrot and a stick bigger than the carrot, that there is a net reduction of market housing in the site, when utilising the ARHSEPP.

Example: FSR Bonus – how it works



There has been limited use of inclusionary zoning in Australia; however, SEPP70 has been extended, empirical studies of inclusionary zoning support the economic theory that inclusionary zoning acts like a tax on development: increasing the price and reducing the supply of market housing. It is irresponsible to increase taxes on market housing when it is currently unaffordable.

Community Perception Many in community object to affordable housing as they do not understand the tenant mix and are concerned about the suitability of tenants in their community.

CHPs While CHPs play an important role in managing property and accepting stock transfers, they do not have the scale to deliver new housing in sufficient volumes.

Solution

Where demand is increasing, and funding and subsidies are limited, alternate solutions are required. Trying to shift the responsibility of the funding of future Social Housing from Government to the Development Industry by adding it to the cost of housing will increase the cost of housing and threaten market supply.

To meet the demand for Affordable Housing the existing system must be modified, and there must be supply side incentives. There must be greater government leadership and coordination that will enable industry, government, and CHPs to fully leverage the policy levers and finance available.

Our solution has four pillars:

1. Innovation
 - A review of design and models for affordable housing means more dwellings could be delivered with more efficient footprints.
 - The missing middle can enable affordable dwellings to be integrated into suburban environments seamlessly.
 - In the UK, private developers are able to deliver affordable housing for a return, by receiving planning concessions while selling apartments 20% below market rates. This model has been pioneered by Pocket Living.
2. Market Incentives
 - Planning incentives such as bonuses or other dispensation for creating affordable housing products would enable the delivery of the product.
 - Enabling these products to be tradeable and privately owned (with proper protections), creates an investment market for affordable housing.
 - Demand side incentives such as NRAS also allow for dwellings to be constructed.
 - These incentives highlighted upfront as part of the strategic planning process will enable dwellings to be delivered in a salt and pepper mix at scale.
3. Mixed Tenure Build-to-Rent
 - The Build-to-Rent sector has the potential to support a new typology and promote institutional investment in affordable housing.
 - We recommend a mixed-tenure model that encourages integration in common spaces and integrates low income workers into the community.
 - Mixed-tenure build-to-rent would need federal government incentives such as concessional MIT tax at 15%, deferred GST payments and state incentives such as exemption from foreign owned surcharge land tax and potential FSR bonuses.
 - A Built-to-Rent model also has the potential to house tenants across the housing continuum in the same dwelling, providing a sense of home and security of tenure.
 - Build-to-Rent has particular application as part of transit-oriented design development, where it can act as a 'pre-sale' for large scale over-station development. This provides great locations for affordable housing dwellings.
 - The Department of Planning should consider the development of a specialised SEPP for TOD Build-to-Rent.
 - Build-to-Rent is the biggest potential reform of the Australia residential market since the introduction of negative gearing. The Build-to-Rent sector is growing around the world and has already been established in the USA and European countries for decades.
4. Government Land
 - Local Government land could be developed into mixed tenure projects in Joint venture with Landcom and the private sector with a percentage of Affordable Housing. This will convert the land value into affordable housing at scale.
 - Government has a mandate to seek social objectives, therefore, government land can agglomerate affordable housing incentives to create additional dwellings than would otherwise occur.