

AFFORDABLE HOUSING TASKFORCE

INTERIM REPORT: MARCH 2012

CHAIRMAN'S MESSAGE

The delivery of affordable housing in New South Wales engages the portfolio areas of Planning, Housing, Finance and Treasury and therefore requires a strategic commitment and whole of Government approach.

I am encouraged by the Minister's invitation to discuss the taskforce interim report and next steps at the Cabinet Taskforce on Housing Supply. Achieving a long-term shared vision and plan for the delivery of affordable housing has significant implications for multiple stakeholders and importantly for the New South Wales economy.

Why deliver more affordable housing in NSW?

In addition to addressing the critical under supply of affordable housing, it is important to establish the overarching principle within the State housing supply context and emphasize the need to prioritise the delivery of affordable housing with regard to:

- i) Construction starts: the economic need to build more homes in NSW.
- ii) Land supply opportunities.
- iii) The potential for partnerships.
- iv) The opportunity for Government to take advantage of a strongly emerging community housing sector in NSW.
- v) NSW optimising its share of Federal government funding.

i) Construction starts:

New home construction in New South Wales is at its lowest in almost 50 years. Builders need work, State government housing requires investment sites and finance available for affordable housing construction and many households need good quality secure affordable housing.

ii) Land supply opportunities:

The current review of surplus Government land by the Property Asset Utilisation Taskforce being carried out by Department of Finance and Services creates a significant opportunity to prioritise affordable housing and incorporate a policy requirement that government sites being disposed for residential development should incorporate an agreed proportion of affordable and social housing. More broadly, there is an opportunity to identify under-utilised private sites for re-development in established areas.

iii) The potential for partnerships:

Delivery of sustainably funded social and affordable housing which is not overly reliant on government subsidy requires innovative partnerships between government, community housing providers and the private sector.

Clear government policy will encourage partnerships to form with the potential to unlock government controlled land and deliver high quality mixed tenure developments incorporating market, affordable and social housing.

iv) The opportunity for government to take advantage of a strongly emerging community housing sector in NSW.

Housing NSW has strategically facilitated the growth of the community housing sector in recent years, providing a range of capacity building opportunities. NSW government now has the opportunity to benefit from this increased capacity.

Internationally, Community housing providers have demonstrated that they are a useful conduit between government and the private sector. Australian providers are now beginning to fulfil this valuable function. The possibilities are vast in scale, for example the sector in the UK has collectively leveraged over £40bn of debt with no financial default.

Banks are keen to finance what is increasingly being viewed as a lower risk community housing sector. If NSW policy and Government commitment is not clear, there is a risk that banks will lose interest and community housing organisations will either reduce their capacity, or alternatively simply deliver homes outside of the state.

v) NSW optimising its share of Federal government funding.

New South Wales has the unprecedented opportunity to optimise federal housing subsidies and grants positioning itself as a thought leader of affordable housing policy to ensure maximum investment within the State. Creating 'a layering of funding' under programs such as the National Rental Affordability Scheme (NRAS); Housing Affordability Fund (HAF); Commonwealth Rental Assistance (CRA) and negotiations under the National Affordable Housing Agreement (NAHA) would contribute to delivering quality mixed tenure outcomes.

The opportunity to obtain input from opposition State MPs with a housing brief is also positive, as there may be potential to incorporate a bi-partisan view on affordable housing policy and delivery.

Creation of a high level y integrated and coherent affordable housing policy / delivery strategy has the potential to establish NSW as a national first mover and deliver much needed homes in a cost effective manner.

I am grateful to the Minister, Taskforce members and department staff, for their support during the review of the complex and interwoven issues which have contributed to the current shortage of affordable housing in New South Wales.

The problems and challenges are significant, however if action is taken now NSW Government has the potential to demonstrate national leadership.

The taskforce interim report sets out a range of principles, next steps and action items.

Andrew McAnulty
Chairman – NSW Affordable Housing Taskforce.

EXECUTIVE SUMMARY

- I. By a range of indicators, there is a housing affordability issue facing NSW and this is particularly acute in Sydney and other large regional centres.
- II. In response to this growing problem in 2009, *State Environmental Planning Policy (Affordable Rental Housing) 2009* (the SEPP) was introduced into the NSW planning system. A scheduled review of the SEPP was commenced in 2010, with a discussion paper placed on exhibition until March 2011. Public submissions indicated general community support for a State planning policy on affordable housing, but it also highlighted the need for the NSW government to work more closely with councils and the community on the issue. As a response to the community feedback, the Minister for Planning and Infrastructure, the Hon. Brad Hazzard, decided to review how affordable housing is delivered by the planning system. This is being done in two stages. Firstly with amendments to the SEPP to address immediate issues that had been identified and secondly to establish an Affordable Housing Taskforce with a remit to consider how the planning system can be improved to encourage an increase the provision of affordable housing in the right places.
- III. This report reflects the work of the Taskforce to date, focussing on its findings arising from engagement with a broad range of stakeholders. Consideration of the views and information presented to the Taskforce from a wide range of sources has led it to conclude that not responding to the economic and social challenges presented by the lack of sufficient affordable housing in NSW is no longer an option. It is vital for the economic wealth of the State and the well-being of its citizens that the NSW government has a clear strategy to deliver affordable housing in NSW in the short term and into the future.
- IV. The Taskforce considers that any new policy developed by government should be based on the following overarching principles:
 - prioritisation of affordable housing
 - whole of government
 - boldness and leadership
 - certainty and consistency
 - efficiencies and effectiveness
 - design quality
 - outcomes, monitoring and review
- V. In the context of these principles the Taskforce has identified a series of actions that it will investigate in order to enable it to finalise recommendations on a new affordable housing planning policy. These actions include consideration of changes to relevant planning policies as well as some elements that go beyond the planning system but are necessary for the successful delivery and implementation of any new planning policy.

Action 1: Affordable Housing Planning Policy

The Taskforce will develop a new affordable housing policy to provide a clear policy framework of objectives supported by a package of measures that can be used to increase the provision of affordable housing and improve affordability in NSW generally. This will include a new SEPP, standard LEP clauses, development standards and the integration of affordable housing in metropolitan, regional and local strategic planning.

Action 2: Affordable Housing Choice SEPP

The Taskforce will finalise recommendations for a new State Environmental Planning Policy (Affordable Housing Choice) that will complement the implementation of initiatives identified in local affordable housing strategies.

Action 3: Develop an agreed approach to preparing local affordable housing strategies

The Taskforce is developing a template for local affordable housing strategies that councils will be able to use to produce local strategies that are practical, effective and consistent with council policies and processes.

Action 4: Whole of government leadership

The Taskforce considers it is important that any new planning policy measures to be adopted on affordable housing are aligned with broader state and federal government policies, and that they are given due consideration in the allocation of government funding.

Action 5: Strengthen emergent partnership

Government cannot singlehandedly fund the shortfall of affordable dwellings. The private sector cannot economically justify entering this market without policy certainty and incentive. Prior to the past five years the non-profit sector has not acted independently of the state. Therefore The Taskforce recognises partnerships are crucial, not just to spur action at the outset but as a perpetual workable synergy in order to respond to this problem efficiently, and at scale.

Action 6: Engage with the community on affordable housing

The Taskforce will recommend ways to work together with local communities to engage with them about the best ways to deliver affordable housing outcomes that work for everyone.

- VI. The Taskforce considers that before it can deliver its final report it would be appropriate for wider consultation to be held on a paper outlining its preferred policy approach and the associated implementation tools. It is anticipated that a consultation paper on its proposals is released in the next few months.
- VII. Following the consultation and subsequent analysis of the results the Taskforce proposes to finalise its recommendations on a new affordable housing planning policy to Government.

Note about this Taskforce's interim report:

Please note that a range of views have been expressed by the Taskforce members and agreement on every policy concept, recommendation or outcome has not been reached. Any reference to the Taskforce in this Interim Report should be considered a general statement that does not necessarily reflect the views of every individual Taskforce members.

Affordable Housing Taskforce: Interim report

1. Introduction

- 1.1 By a range of indicators, there is a housing affordability issue facing NSW and this is particularly acute in Sydney and other large regional centres. While this issue impacts all families seeking to purchase a home or access a rental property, it is a significant challenge for lower income families.
- 1.2 The long term underlying trend of declining affordability is driven by an increasing gap between the prices of dwellings to purchase and rent and wages. In NSW, the current median house price is 3.5 times the median house price 20 years ago, representing a 250 percent increase (from \$129,000 to \$450,000). Over the same time period the median household income has only increased by 2.5 times the median household income 20 years ago¹.
- 1.3 The increase in people unable to afford to purchase a home has a flow on impact on the private rental market, leading to increased demand and pressure on rental prices and leaving 57% of low income private renters in NSW in housing stress (compared with 42% in Victoria, 46% in Queensland and 40% in the ACT²).
- 1.4 Housing that is affordable and appropriate is fundamental to the physical, mental and social well-being and quality of life of individuals and families. Many people are struggling with the challenge of declining housing affordability. These include families with unmanageable levels of debt, those who are working longer hours in order to cover their housing costs, those who have found affordable accommodation but are travelling long distances to work and services, and those who are unable to cover the costs of household expenses.
- 1.5 The challenge of affordable housing is likely to worsen in NSW with the projected population changes. NSW's population is projected to increase to 9.1 million in 2036. This equates to an increase of 33% on the 2006 population of 6.8 million. NSW population is aging with the numbers of people 65 years and over expected to rise from 13.5% of the population in 2006 to become 21.5% in 2036³. The projected households increase at a faster rate than population at 41%. This is owing to the increase in lone households, primarily owing to the aging population. Ageing will also generate significant growth in the number of households containing couples without children and will result in couple households without children being almost as numerous as those containing couples with children.⁴
- 1.6 The most significant housing and affordable housing issue for NSW is the recent reduction in housing supply. Since the peak in housing supply of 2000, private completions of dwellings (both detached and multi-unit) have fallen 45.4 per cent in New South Wales. In contrast, during the same period across the rest of Australia, private completions of dwellings increased by 22.5 per cent⁵. This reduction in supply places further pressure on housing prices. Whilst the broader issues of housing supply are being addressed elsewhere by the NSW Government,

¹ Represents the median house price for 'all dwellings', source Housing NSW analysis based on Rent and Sales Report time series, Census 2006 and SIH (ABS) data.

² Source: Survey of Income and Housing

³ Department of Planning New South Wales State and Regional Projection, 2006-2036. 2008 release NSW Government

⁴ Department of Planning New South Wales Household and Dwelling Projection, 2006-2036: 2008 release. NSW Government

⁵ Source: NSW Treasury analysis of ABS data – 2010-2012

affordable housing provision and investment should support and not restrict overall housing supply and help provide economic drivers to stimulate further investment in housing.

- 1.7 The Hon Brad Hazzard, Minister for Planning and Infrastructure in NSW, said at the Forum on Affordable Housing, 'almost everyone needs a type of affordable housing at some stage in their lives... This is no longer a problem for Government, it's a problem for everyone and everyone has to be a part of the solution.' Given the growing extend of the problem, it has been acknowledged by the Taskforce that 'doing nothing' is not an option for NSW.
- 1.8 The significance of the lack of housing that is affordable in NSW is matched only by the complexity of how to deliver it. Experience from NSW, Australia and internationally tells us that to successfully deliver affordable housing requires an appropriate balance of incentives, regulation and opportunity alongside ongoing collaboration between housing providers, developers, government, financial institutions, the recipients of the housing and the community. Within this complex web, the planning system plays a critical role in helping to determine how much affordable housing is delivered.
- 1.9 It is clear that the time for action is now. The current review of the planning system provides a further opportunity to ensure that our planning system is designed to deliver what is needed most by the people of NSW.
- 1.10 In July 2011, the NSW Minister for Planning and Infrastructure formed an Affordable Housing Taskforce. The primary focus of this Taskforce is to review the effectiveness of existing planning tools to help increase the supply of affordable housing and to make recommendations about possible improvements. In particular, the Minister asked the Taskforce to consider tools, such as local affordable housing strategies, as a means to ensure affordable housing can be delivered with the support of local councils and communities to help meet local housing needs.

2. The Affordable Housing Taskforce

- 2.1 The Affordable Housing Taskforce is chaired by Andrew McNulty who is the Chief Executive Officer of national community housing provider MA Housing.
- 2.2 The Taskforce members are:
- Andrew McNulty – MA Housing (Chair)
 - Helen O’Loughlin - Housing NSW, Department of Family and Community Services
 - Professor Peter Phibbs - University of Western Sydney
 - Tony McNamara and Sarah Hill - Planning Institute of Australia
 - Derek Bebbington - City West Housing
 - Mary Perkins - Shelter NSW
 - Kristin Pryce - Property Council of Australia
 - Shaun McBride - Local Government and Shires Associations
 - Ziggi Lejins - NSW Treasury
 - Catherine Skippington – Commonwealth Department of Sustainability, Environment, Water, Population and Communities
 - Yolande Stone and David Birds - Department of Planning and Infrastructure.
- 2.3 The Terms of Reference set for the Taskforce by the Minister are at **Appendix 1**. In particular these require the Taskforce to:
- (a) Develop a new planning policy to encourage a wide range of development types to help meet the needs of very low, low and moderate income households; and
 - (b) Provide advice on the development of a template for the preparation of Local Affordable Housing Choice Strategies that are robust in responding to local affordable housing needs.
- 2.4 The Taskforce has been considering a range of potential planning measures that can help improve the choice and supply of affordable housing options across NSW. It is also broadly considering the potential synergies of other related opportunities to encourage the delivery of more affordable housing, such as financial and other incentives, that directly interact with the planning system.
- 2.5 The focus of the Taskforce has been to look at ways to increase the amount of affordable housing options in NSW. The affordable housing being considered is primarily targeted at households who are considered to be on very low, low or moderate incomes. In today’s terms that means households⁶ with a maximum combined income of \$80,300⁷.
- 2.6 There is a wide range of housing need experienced by a very diverse group of people across the State, from the homeless to workers on moderate incomes, all of whom would benefit from improved affordable housing choice. Thus a wide variety of housing types is needed to meet the differing needs of people requiring affordable housing. The diverse housing needs are illustrated in the diagram.

⁶ ‘Household’ in this context means the total income from everyone living in the house.

⁷ State Environmental Planning Policy (Affordable Rental Housing) 2009. These income level definitions are also adopted under the Housing Regulation 2009 and are commonly used by stakeholders working in this sector.

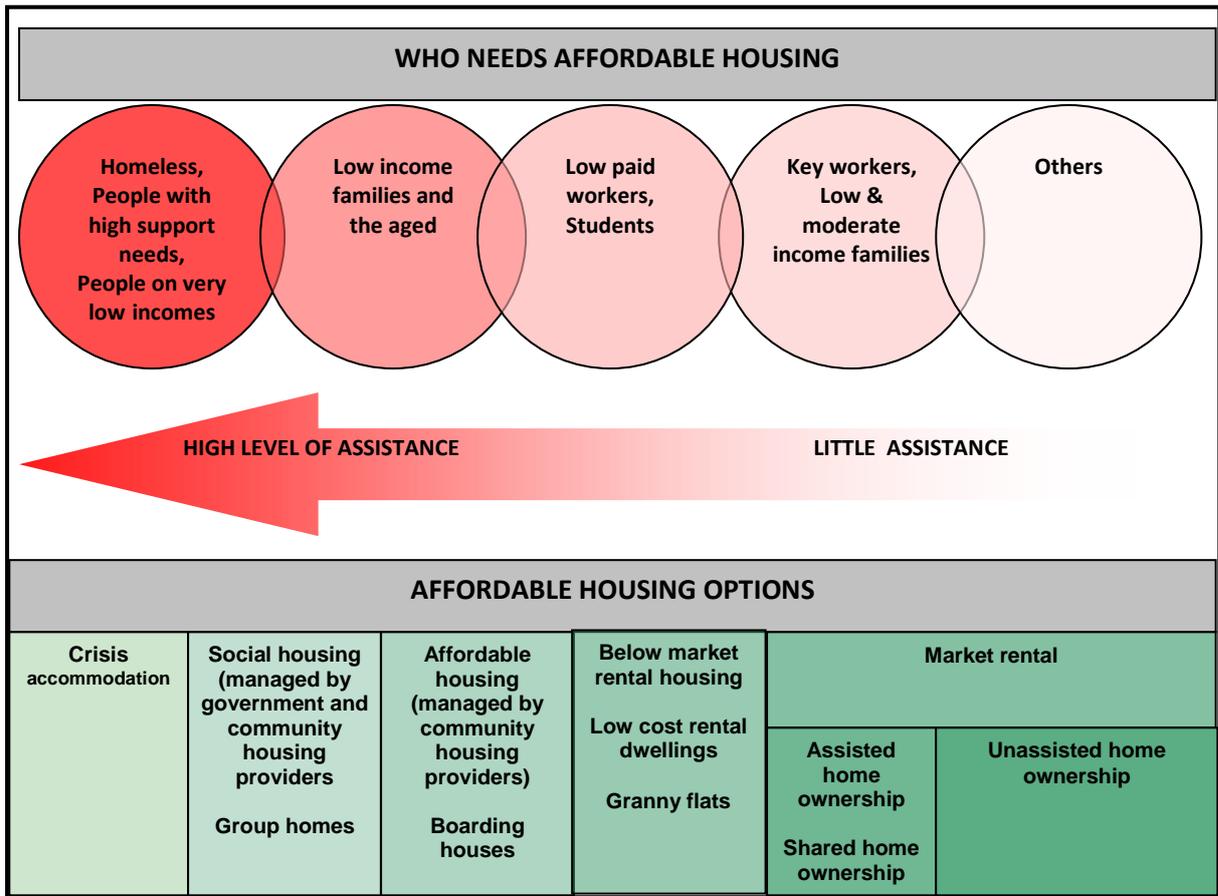


Diagram 1: The spectrum of housing need and affordable housing options

- 2.7 The new policy needs to encourage the development of more affordable housing stock that is available at affordable rates to targeted groups, and to also encourage the development of more housing across the State to help improve the affordability of housing in NSW for all.
- 2.8 The Taskforce has met several times since it was established and has formed a series of technical working and reference groups whose membership is actively involved in the investigation, consideration and development of affordable housing policy options. These groups include representatives from local councils, developers, the finance sector, academics and community housing providers. These groups have met to assist the Taskforce with understanding issues and formulating and testing new policy options.
- 2.9 The Taskforce has also been briefed by several leading experts in the delivery of affordable housing, including leading academics and financial advisors from within Australia and overseas. The Taskforce also convened a Forum attended by around 200 stakeholders from state and local government, planning consultancies, community housing providers, property developers, the financial industry, academics and legal firms, at which key elements of affordable housing planning policy were discussed.
- 2.10 The Taskforce is mindful of a number of concurrent reviews being conducted. These include the review of the Environmental Planning and Assessment Act 1979, as well as reviews of specific NSW government policy areas such as general housing supply, the regulation of the boarding house sector and the development of a NSW Ageing Strategy. There are also related reviews of the Metropolitan and Regional Planning Strategies and State planning policies on housing for seniors and residential flat building design. Furthermore there is the ongoing progression and

implementation of the Council of Australian Governments National Affordable Housing Agreement.

- 2.11 This Interim Report summarises the work carried out by the Taskforce so far and provides details of the next steps it is taking to help the Government finalise a new planning policy on affordable housing. Key steps in this process will be the release of a paper with the Taskforce's recommendations for the new policy for public consultation, following which the Taskforce will be making its final recommendations on the policy to Government.

3. Why do we need more affordable housing in NSW?

- 3.1 As identified by Gurran et al⁸ affordable housing is now an issue of widespread national debate. Sustained television, radio and print media reportage reflects growing concern about the availability of affordably priced housing that lower and middle income Australians can rent or buy, particularly in capital cities, popular coastal destinations and areas affected by the resource boom (2008, p8).
- 3.2 Affordable housing, provided as public or social housing, has traditionally been targeted to working families but in recent years, has been targeted to those most highly disadvantaged. However, changes in the housing market have meant the numbers and the types of people needing affordable housing solutions is widening. The Bankwest Key Worker Housing Affordability Report published in 2010 found essential service workers such as nurses, teachers, police officers, fire fighters and ambulance officers face significant barriers to purchasing a home. On the basis of the ratio of house price to earnings, Sydney was found to be the least affordable city for these workers in Australia and 115 of the 147 local government areas in NSW were classified as unaffordable, compared to 110 in 2009, and 103 in 2005. The risk for Sydney is that these essential service workers will relocate to other more affordable locations. According to the Real Estate Institute of Australia, Sydney continues to have the highest median house prices and rents in the country.
- 3.3 The increasing price of new housing in Sydney has reduced availability for this type of housing. Also, the reduction in the availability of sites for development is having negative consequences on the house construction sector, which is a key component of the NSW economy.

NSW statistics on housing construction

- Since the peak of 2000, private completions of dwellings (both detached and multi-unit) have fallen 45.4 per cent in New South Wales. In contrast, during the same period across the rest of Australia, private completions of dwellings increased by 22.5 per cent.
- The decline in building investment is one of the two key areas that has contributed to the under-performance of the NSW economy relative to other States. A 2010 study prepared by BIS Shrapnel and the Urban Taskforce estimated that the construction of an additional 8,000 dwellings per annum in NSW over the last decade would have directly increased Gross State Product by an estimated 0.5 - 0.6 per cent or \$2 billion per annum.

Source: NSW Department of Treasury

- 3.4 The declining affordability of housing to purchase has increased pressure on the rental housing market. The availability of rental properties in Sydney is very tight, currently only 1.6 percent of rental properties are vacant. Since 2004, when the vacancy rate was recorded as 4.6 percent the market has become tighter (< 3%) except for some minor fluctuations.

⁸ Gurran et al. 2008. New directions in planning for affordable housing: Australian and international evidence and implications. AHURI

- 3.5 Finding market rental housing that is affordable is a challenge both because of a general lack of supply, and the acute difficulties experienced by those people seeking to access it.⁹ It is particularly difficult for households on lower incomes, who struggle to compete for vacant rental properties with more affluent renters. As a result of this, NSW has increasing numbers of lower income households experiencing what is known as 'housing stress'¹⁰.

NSW Statistics on Housing Stress

- In 2009/10 only 7% of homes sold or built in Sydney were considered to be affordable for low income earners.
- In 2009/10 60.5% of the 174,850 low-income private rental households in Sydney were in housing stress as were 38.5% of the 163,558 low and moderate-income private rental households in the rest of the State.
- In 2007/08 43.3% of all low income households in Sydney with a mortgage were in mortgage stress compared with 32.5% in Melbourne and 40.2% in Canberra.

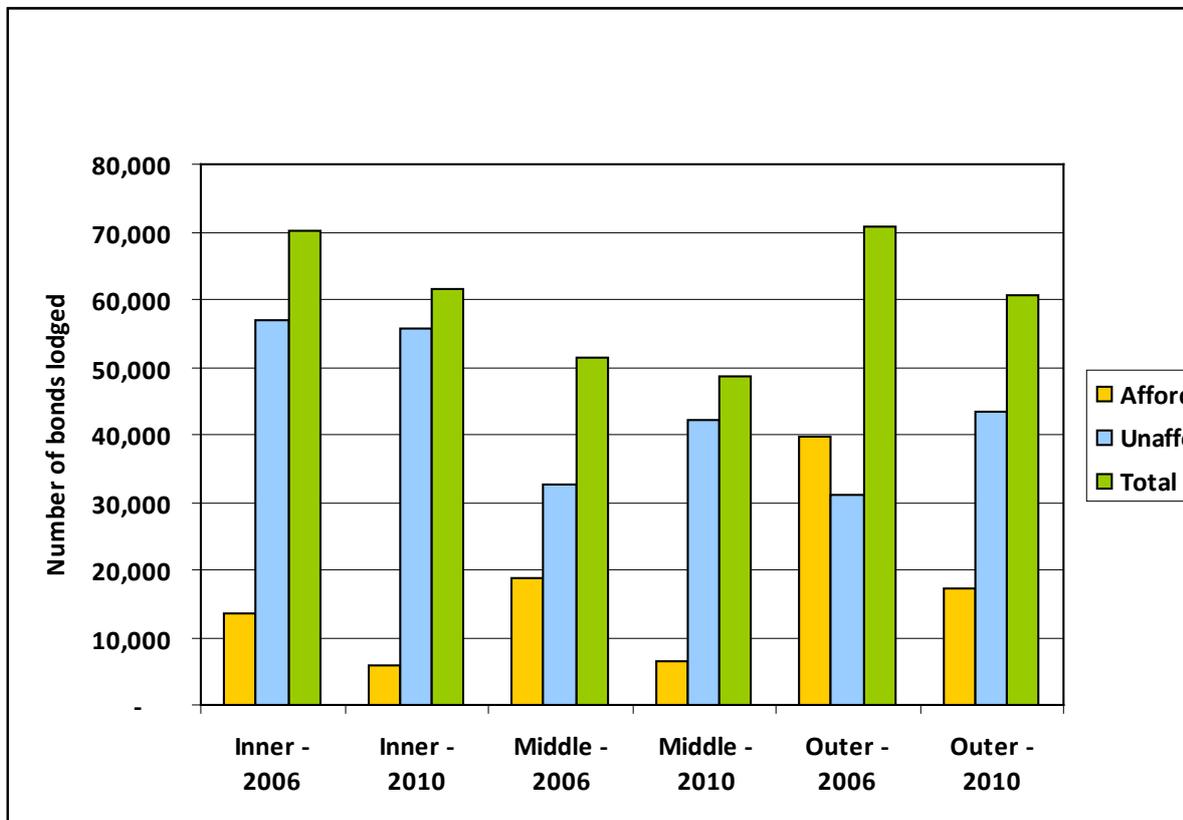
Source: Housing NSW

- 3.6 Based on an examination of Rental Bond Board data Housing NSW has found a significant decline in the number of rental bonds lodged which are affordable to low and moderate income earners in the four year period between 2006 and 2010. (See table 1 and maps 1 & 2 below). This demonstrates that even where the supply of housing is increasing, the supply of rental housing that is affordable to lower income household is in fact declining:
- Taking the 20 suburbs with the highest number of new bonds lodged that were affordable to low income earners in 2006, and comparing the data for the same twenty suburbs in 2010, the change is dramatic. The total loss of affordable stock just in these 20 suburbs in the four year period from 2006 to 2010 was 10,574 dwellings.
 - The top 20 includes suburbs in the inner, middle and outer ring of Sydney. There were 1,113 fewer affordable rental properties available in Blacktown and 1,001 fewer in Parramatta, with losses ranging from 88.6% in Westmead to 31.6% in Gosford.
 - There were a total of 42,446 fewer new bonds lodged that were affordable to low income households in 2010 than in 2006 for the whole of Sydney and the Central Coast.
 - Taking the 20 suburbs with the highest number of new bonds lodged that were affordable to moderate income earners in 2006, and comparing to the data for the same 20 suburbs in 2010, again there is a significant loss of affordable stock – a total of 8,469 in these twenty suburbs alone, with falls of 687 in Randwick and 644 in Sydney.

⁹ Wulff et al, 2011. *Australia's private rental marker: the supply of and demand for affordable dwellings*. Australian Housing and Urban Research Institute

¹⁰ This term was first used in Australia by National Housing Strategy (1991/92) to refer to lower income households with high housing costs. It has since been widely used as a (de facto) standard for assessing affordability problems in Australia. The two most widely used approaches to defining households in housing stress are: a) Those households whose gross income falls in the bottom 40% of the income distribution and who are paying more than 30% of their household income to meet their housing costs (this is sometimes referred to as the 30/40 rule); or b) The (larger) group of households who have gross incomes below 120% of the median household income and who are paying more than 30% of their household income to meet their housing costs. (www.housing.nsw.gov.au/Centre+For+Affordable+Housing)

Table 1: A comparison between new rental bonds¹¹ lodged between 2006-2010 which are affordable to low income earners (Sydney and the Central Coast)¹²



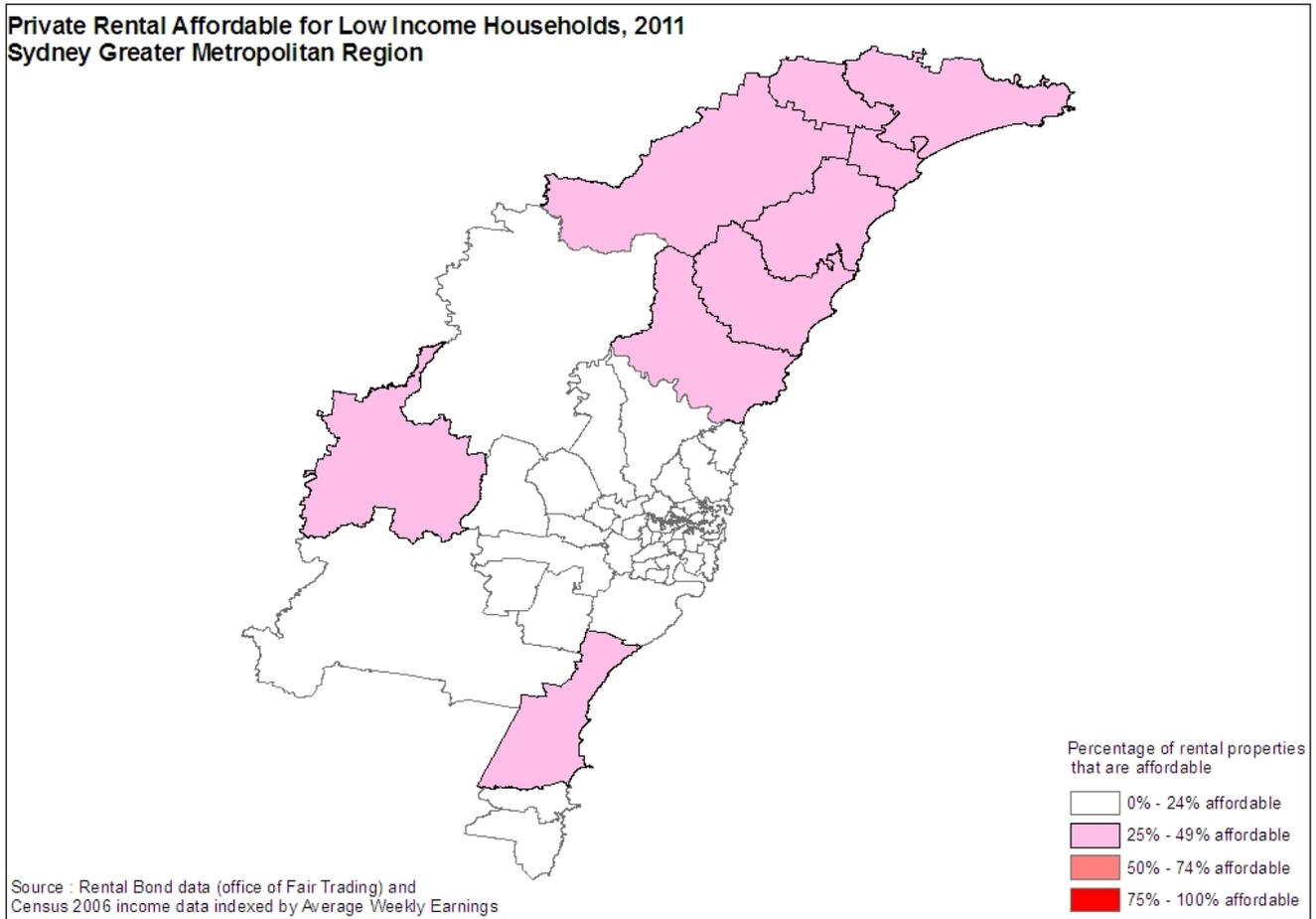
Source: Housing NSW, Department of Family and Community Services

¹¹ Note 'new rental bonds' refer to turn over of existing bonds plus new rental properties built

¹² The LGA includes in each area: **Inner:** Ashfield, Botany Bay, Lane Cove, Leichhardt, Marrickville, Mosman, North Sydney, Randwick, Sydney, Waverley and Woollahra **Middle:** Auburn, Bankstown, Burwood, Canterbury, Canada Bay, Hunters Hill, Hurstville, Kogarah, Ku-ring-gai, Manly, Parramatta, Rockdale, Ryde, Strathfield, Willoughby **Outer** Baulkham Hills, Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Gosford, Hawkesbury, Holroyd, Hornsby, Liverpool, Penrith, Pittwater, Sutherland, Warringah, Wollondilly and Wyong

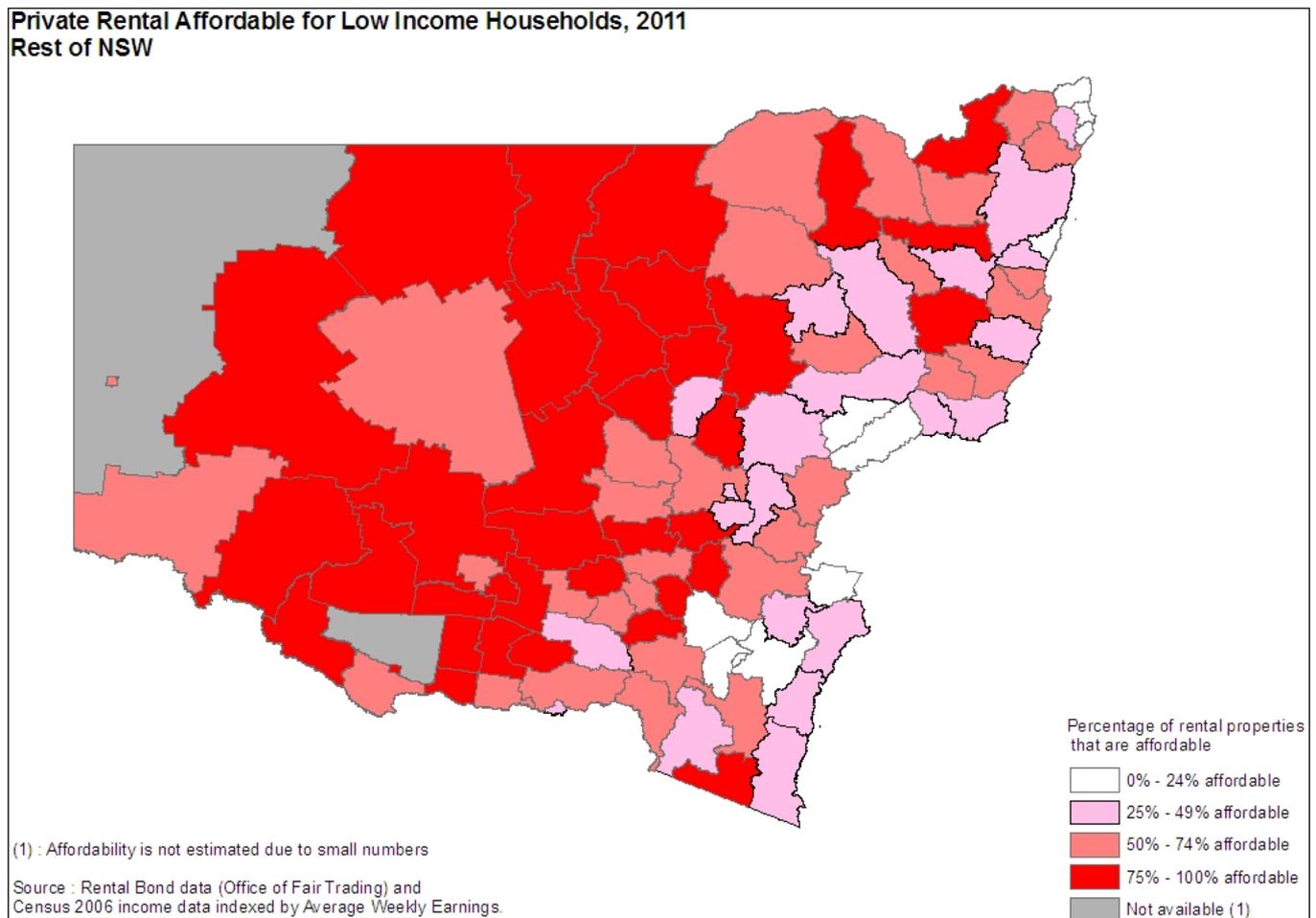
Map 1 Private rental affordable for low income households 2011 – Sydney Greater Metropolitan Region

**Private Rental Affordable for Low Income Households, 2011
Sydney Greater Metropolitan Region**



Map 2 Private rental affordable for low income households 2011 – Rest of NSW

**Private Rental Affordable for Low Income Households, 2011
Rest of NSW**



- 3.7 A survey¹³ of the impacts of housing stress on over 2,000 lower income families surveyed in New South Wales, Victoria and Queensland found that the lack of affordable housing resulted in housing stress and other hardships for the family members, specifically the study found the following results:

Type of Hardship	Lower income households paying 40+% of income in rent
My family has sometimes gone without meals	29.6%
My children have had to go without adequate health and/or dental care	38.7%
Approached a welfare/ community/ counselling agency for assistance	32.9%
Sold or pawned personal possessions	33.7%

- 3.8 The ability to access housing that is affordable is challenging, not only for households on low incomes, but also for households on moderate incomes¹⁴. For example, in Sydney there is currently only one council area (Blacktown) that has housing affordable for purchase for a household earning \$60,000 (assuming a 20% deposit). Households aiming to find accommodation in Sydney's inner ring, need an income of approximately \$110,000 in order to afford the median house price of \$685,000.¹⁵
- 3.9 For households on lower incomes housing costs can severely impact on their job opportunities, location of where they are able to live and/or commuting times. High housing costs can force lower paid workers providing essential services in an area to live long distances from that area where they work.
- 3.10 The lack of affordable housing is an intergenerational issue in NSW, with opportunities to access housing that is affordable for young people today being considerably less than the generation previous. This is resulting in an increase in young people staying in the private rental market or staying longer in the parent's home.
- 3.11 The Taskforce has heard a strong and consistent message from a wide range of stakeholders that not responding to the challenges presented by the lack of sufficient affordable housing in NSW is not tenable. The Taskforce has been made aware that a shortage of affordable housing can have negative implications for the State's economic competitiveness.
- 3.12 The Taskforce is concerned that, whilst the need for more affordable housing in NSW has been highlighted in many different ways, research is needed on the different levels and type of housing needs across different areas in the state and the impacts of not meeting these needs can have upon the economic competitiveness of the State economy.

¹³ Burke, T and Pinnegar, S (2007) *Experiencing the housing affordability problem: blocked aspirations, trade offs and financial hardships*, AHURI Research Paper no.9

¹⁴ The income ranges from SEPP (AH) 2009 - **very low income households** equals households earning less than \$33,400, **low income households** equals householders earning between \$33,400 - \$53,500, **moderate income households** equals householders earning between \$53,500 - \$80,300.

¹⁵ AMP.NATSEM Income and Wealth Report. Issue 29 – July 2011

- 3.13 Governments across Australia and internationally are seeking to respond to similar scenarios as they aim to maximise the efficiencies of modern economies where housing costs have been growing.
- 3.14 The Taskforce has learnt that using the local planning system to seek to encourage the provision of more affordable housing to help meet these needs is becoming commonplace. The opportunity now arises for NSW to shape its planning system to respond to help meet this need.

4. Delivery of affordable housing in NSW

Opportunities and recent success

- 4.1 NSW has a long history of providing affordable housing through the provision of social housing¹⁶. In the past, in NSW, social housing for eligible people on very low and low incomes was primarily delivered by the state housing agency. However, not-for-profit community housing providers (CHPs) are managing an increasing proportion of social housing in NSW, and growing their business to manage and deliver affordable housing targeted to very low, low and moderate income households. The private sector, through schemes such as the National Rental Affordability Scheme, is also playing a role in delivering below market affordable rental housing.
- 4.2 The affordable housing sector in NSW has evolved and changed in response to changing circumstances and Government regulation and policy. Since the 1990s urban renewal projects have delivered affordable housing outcomes in several locations including Green Square and Ultimo/Pymont through State planning policies that have required new developments to make a contribution towards affordable housing for rent by very low to moderate income households.
- 4.3 More recently we have seen new forms of housing development aimed at reducing costs by adopting smaller land and building sizes and using innovative building techniques such as at Forest Glade in Parklea, Sydney which has been developed by Landcom and Blacktown Council. This project delivered 20% of its housing (13 out of 63 new homes) as housing to purchase that is affordable to moderate income households. Other examples such as the former Australian Defence Industries (ADI) site in St Marys demonstrate the negotiated planning agreement approach to securing affordable housing.
- 4.4 The Taskforce has also learnt of various opportunities where government land assets could be used to help stimulate affordable housing delivery and also act as a catalyst for other forms of new housing development to occur.
- 4.5 Local government strategies and initiatives have also been a source of innovation for affordable housing delivery and some councils have had housing strategies in place since the late 1980s. A number of councils are also developing, or have already adopted, affordable housing strategies aimed at helping to meet the needs of their local communities.
- 4.6 The Taskforce has held discussions with several councils that are interested in developing strategies or expanding their existing strategies to attract more affordable housing to their areas to help meet the local needs that they have identified.

¹⁶ Housing NSW. History of Public Housing in NSW. November 2011
<http://www.housing.nsw.gov.au/About+Us/History+of+Public+Housing+in+NSW/>

- 4.7 The State government has also used the planning system to provide incentives for the delivery of affordable housing, with the most marked change in affordable housing delivery coming from the release of the State Environmental Planning Policy (Affordable Rental Housing) in 2009. This saw a step change in affordable housing planning policy in NSW by applying a range of planning incentives for several different types of affordable housing across the whole of NSW. Whilst the policy has been instrumental in helping to deliver over 5,000 new affordable homes in NSW, many of which were funded by the stimulus package, it has also been the subject of criticisms that it failed to take into account the impacts of some of the larger scale developments it facilitated on the local community. The current Government introduced changes in May 2011 targeted at addressing this issue.
- 4.8 The Federal government plays a key role in the delivery of affordable housing through funding initiatives. The Federal government has announced a series of initiatives to increase the supply of affordable housing throughout the country including the National Rental Affordability Scheme (NRAS), the Housing Affordability Fund (HAF) and Building Better Regional Cities.

Challenges

- 4.9 Although there have been some successes in delivering affordable housing in NSW the Taskforce has also identified a number of barriers which are limiting further success. These highlight the intricate and complex delivery process for affordable housing. Some barriers are specific to affordable housing and others apply to all types of housing development. These are identified below and actions to overcome them are currently being considered by the Taskforce.

(a) **Responsibility for affordable housing**

A consistent challenge that has been identified in the Taskforce's investigations is the question of. "Who is responsible for the delivery of affordable housing in NSW?" It has been acknowledged that every level of government needs to play a part in the delivery of affordable housing and the role of each needs to be more clearly defined. As each element of Government has a role to play, stronger partnership are needed between all level of government, community housing providers, developers, the finance sector, house builders and local communities to successfully deliver more affordable housing of a type that matches local needs in the most suitable locations.

(b) **State government leadership on affordable housing**

The need for State government leadership is critical to achieve more comprehensive delivery of affordable housing. This sentiment was strongly echoed at the Taskforce's forum on affordable housing when representatives from various financial institutions considered that 'silence' on the matter in current policy and legislation, and a lack of consistent positive approach towards investment in affordable housing over time, can be a considerable hurdle for financial institutions being asked to consider backing new affordable housing schemes.

Consistent policy, and 'selling the policy direction', would build confidence in an emerging sector, rather than continued references to 'schemes' and 'programs' which are often perceived as short-term and therefore not worthy of serious consideration.

(c) **Constraints on local government**

Some local councils have shown real leadership in developing appropriately tailored affordable housing solutions to meet identified needs. However other councils consider that despite their best intentions to assist in meeting identified affordable housing needs, their powers to deliver are restricted. Whilst the Charter for Councils under the Local Government Act 1993 identifies the general need for local authorities to identify, plan and, if possible, provide for the needs of future and existing generations, the management, ownership and/or facilitation of housing provision is currently outside the core function of a local authority, as identified by the Act.

As a consequence, having no legislative requirement to consider affordable housing means that developing and delivering affordable housing solutions is at a council's discretion and such work must compete for limited council resources with other tasks councils are charged with carrying out. This can present a significant barrier for those local authorities that are keen to make progress in this area. A related matter is that some councils that are interested in developing local affordable housing strategies but have a general lack of available expertise and resources in this area.

(d) **Clearer understanding of local affordable housing issues**

A recurring issue highlighted to the Taskforce has been the requirement for affordable housing needs in NSW to be better evidenced, better articulated, better communicated and publicly debated and understood. The barrier created by local people's negative perceptions of affordable and public housing is often one of the biggest obstacles to securing local council approval of affordable housing schemes.

(e) **Affordable housing and strategic planning**

In order to ensure its delivery, support for affordable housing needs to be an integral part of the planning system. Stakeholders consider that statutory planning mechanisms are needed that encourage the delivery of affordable housing in a commercially attractive manner in response to differing market conditions in different areas. The need to deliver affordable housing in accessible locations should be integrated into all strategic planning including regional and local strategies. Currently there is no agreed or consistent approach to addressing affordable housing in a strategic planning context.

Stakeholders are concerned that the extended time it can take to approve a rezoning and/or approve a development application for affordable housing can often undermine the viability of a scheme, and other measures, such as fees and Section 94 contributions, can add significant costs to schemes.

(f) **Integration of affordable housing into local communities**

One of the most contentious issues arising from new affordable housing schemes under the Affordable Rental Housing SEPP has been the concern regarding potential impact that affordable housing developments can have on the character of existing areas. The Government has been investigating the provision of location and design guidance to help address this issue.

Lessons from our experience in NSW

- 4.10 There are a range of planning tools that have been used in NSW to deliver targeted affordable rental housing and generally more affordable dwelling types. There are lessons that can be learned from each of these tools to inform the development of new planning policies for affordable housing in NSW.
- 4.11 A significant number of local housing strategies have been developed by local councils which have demonstrated the innovative ways in which affordable housing can be delivered through the planning system. However, without a consistent statutory framework at the state level to support the wider application of these strategies the supply of affordable housing delivered has been limited. Local councils have indicated that they need a clear and consistent framework in which to develop their housing strategies and a range of planning tools they can use suitable to their local market context in order to more effectively address local housing needs.
- 4.12 Density bonus incentives, such as those available in the Affordable Rental Housing SEPP, the Seniors Living SEPP and in some local environmental plans, have provided new opportunities for delivering affordable housing by offering developers additional development capacity in exchange for a commitment to provide affordable housing. These incentives have been particularly attractive where the bonus represents significant value. However, these types of schemes can sometimes be perceived to undermine environmental qualities and standards, or artificially constrain housing development. These types of incentives are best used where strict assessment criteria can be applied to ensure an outcome consistent with overall planning goals.
- 4.13 Planning agreements have been used at both a state and local government level to secure a dedication for affordable rental housing in large urban renewal developments. These types of arrangements are flexible, and their terms can be adjusted to the specific site and opportunities for affordable housing. However, the application of this tool is time consuming as each negotiation is different, their effectiveness relies on skilled staff to negotiate the terms and conditions of the agreement and outcomes may vary considerably so that consistency of what is required or may be delivered is not provided for the development sector or government. Further work is required to standardise processes to make planning agreements a more practical and efficient means to identify and secure affordable housing through these arrangements.
- 4.14 Inclusionary zoning policies that require the mandatory payment of a development contribution for affordable housing as a condition of development consent have been used in two local government areas in Sydney, in South Australia (see below) and widely overseas. These policies provide a level of certainty about the type of contribution required for affordable housing as it is established upfront in planning instruments which allows the contribution to be factored into the purchase price for land. They are applied in conjunction with a significant increase in development potential through a rezoning. The policies have been shown to work most effectively in high value land locations and have limited application in lower cost markets. However, it can be difficult to determine the correct contribution without an effective financial model. The contribution needs to be set so as not to deter development of land.
- 4.15 Other policies that have been shown to be successful in promoting more affordable types of accommodation include providing opportunities for a diversity of dwellings types, such as the

provisions in the Affordable Rental Housing SEPP that support the development of boarding houses, group homes and secondary dwellings.

Lessons from other jurisdictions

- 4.16 Governments across Australia and overseas are seeking to respond to similar scenarios where housing costs have been growing at such a rate as to threaten options for very low to moderate income housing in a particular area. The Taskforce has learnt that using the planning system to seek to encourage the provision of more affordable housing to help meet these needs is becoming commonplace (see **Appendix 2**).
- 4.17 The opportunity now exists for NSW to shape its planning system to assist in responding these needs. It is acknowledged that in many of the overseas examples the Taskforce has considered, such as the UK, the local affordable housing policy framework has evolved over many years to reach the current levels where, typically, large amounts of affordable housing are being delivered by private industry as part of larger development schemes.
- 4.18 Similar lessons have been learnt from South Australia where a policy has now become embedded in the local planning system after several years of development that is now delivering 15% of most new housing development as affordable housing. This is now delivering affordable housing at a far lower cost to Government than the housing delivered there under the Nation Building Stimulus package and other local initiatives.
- 4.19 NSW has a strong foundation that it can now build upon to establish its own policy framework to encourage the development of more affordable housing in the right places to meet local needs and can learn from the experiences in other places as it does so.

Role of the planning system in increasing supply

- 4.20 The Taskforce considers that the planning system should facilitate a range of housing choices to meet the diverse needs of the community. This includes affordable housing for people on very low, low and moderate incomes.
- 4.21 Whilst the Affordable Rental Housing SEPP has been the first step in establishing a state-wide planning policy on affordable housing, much more needs to be done so that the planning system encourages the development of affordable housing to meet the needs of local communities in a manner that is consistent with the character of those areas. Legislation and planning instruments need to recognise affordable housing provision as a legitimate planning objective if there is to be the increase in numbers of affordable housing delivered to help address current and future housing needs.
- 4.22 The Taskforce considers there are a number of tools within the planning system that can help contribute to delivering more affordable housing. These include:
- State wide planning initiatives (through the Act, Regulation and SEPPs);
 - planning strategies (metropolitan, regional, local and renewal precincts);
 - local planning controls (identified through LEPs and DCPs); and
 - planning agreements and voluntary incentives.
- 4.23 The Taskforce is reviewing how each of these mechanisms can be used as part of an overarching State-wide affordable housing policy to help deliver more affordable housing in the suitable locations where it is needed.

4.24 The Minister and the Taskforce have identified the opportunity to strengthen the role of local councils in planning for affordable housing as particularly important. By identifying the nature and type of affordable housing needed for their local areas, as well as the preferred locations for sites for its delivery, councils will be able to better direct where and how they respond to their own affordable housing needs. This is a matter where the State government can work with councils to develop a model approach that could be applied by councils in different areas to help address their differing needs.

5. Principles to underpin policy recommendations

5.1 Given the complexity and challenges relating to affordable housing delivery, the Taskforce considers it is important to identify the overarching principles that should drive any new policy. The following key principles have been developed to guide its policy recommendations. These principles respond to many of the existing issues and challenges that have been cited by local government, industry and other key stakeholders to the delivery of affordable housing in NSW.

Principle 1: Prioritisation of affordable housing

The planning system needs to acknowledge the need to facilitate a range of affordable housing choices across the State to meet the diverse needs of the community. It is important to indicate clearly how facilitating the development of affordable housing should be considered within the statutory planning system and to supplement this with supporting information for all stakeholders on how this will be carried out in practice. Affordable housing needs to be balanced, and where appropriate prioritised, against other planning requirements and outcomes, with the overall objective being to increase the total supply of housing in addition to providing a diversity of housing for those most in need.

Principle 2: Whole of government

Whilst the remit of the Taskforce is principally about providing guidance on planning policy, planning alone cannot deliver robust affordable housing outcomes. Any new planning policy needs to be aligned with a series of related federal, state and local government programs including housing policy, taxation policy, rating policy, budget planning, land priorities and asset management, across all levels of government. Successful affordable housing outcomes are more likely to be attained by encouraging strong partnerships with the private and community housing sector.

Principle 3: Boldness and leadership

The Taskforce recognises that if governments and their partners are to make significant advances in the delivery of affordable housing they will need to be bold in their action and demonstrate clear leadership on this issue.

Principle 4: Certainty and consistency

Effective planning policies can take some time to become commonly accepted development practice and be accepted by the wide range of stakeholders in the development industry. In particular, the Taskforce has heard that industry needs a consistent and stable policy context in which investment decisions can be taken with certainty. The Taskforce has learnt that affordable housing policies that are based on a long term government vision and commitment can yield considerable results over long periods of time.

Principle 5: Efficiencies and effectiveness

Affordable housing policies and programs should be efficient and effective in terms of value for money. Policy incentives should be targeted at promoting commercially viable development opportunities. When developing the new planning policy the simplification and consolidation of regulation should be considered.

Principle 6: Design quality:

The aim of providing affordable housing may be undermined if poor design leads to disproportionately high living costs for the occupants. Additionally affordable housing outcomes

should not undermine a local neighbourhood character. Affordable housing needs to take account of matters such as:

- (a) **Location:** Locations that are poorly connected or inaccessible to public transport and a range of everyday services may mean households are highly car-dependent. This may lead to issues of isolation or inability to access jobs or if occupants are unable to afford the cost of buying and maintaining a car.
- (b) **Neighbourhood character:** Affordable housing outcomes should, along with all other forms of development, be compatible with the character of the neighbourhood. Badly designed outcomes can result in eyesores for a community and may undermine social inclusion of the residents of affordable housing.
- (c) **Sustainability:** High energy and water demands owing to a lack of consideration of sustainability measures may result in occupants being unable to pay future energy bills.
- (d) **Building specification:** Ongoing maintenance costs arising from poor quality construction and design can become cost prohibitive.

Principle 7: Outcomes monitoring and review

The policy should be outcomes focused and it should be possible to demonstrate that the affordable housing it facilitates is in addition to that which would have been achieved in the absence of the policy. The policy should include an ongoing review and monitoring provision. Regulation should be periodically reviewed, and if necessary reformed to ensure its continued efficiency and effectiveness.

6. Next steps

- 6.1 The objective of the Taskforce has been to investigate opportunities to use planning policy to increase the delivery of affordable housing in the right locations across NSW.
- 6.2 In the context of the principles identified in the previous section, the Taskforce has identified a series of recommended actions in its work in order to enable it to finalise recommendations on a new affordable housing planning policy.
- 6.3 The Taskforce is working on these actions towards its final recommendations to Government. Evidence from overseas shows that the best outcomes for the delivery of affordable housing occur when use of the planning system is aligned with other policy levers that in combination leverage the impact government can have. These include the use of housing grants and subsidies, delivery through the not for profit sector who can access tax concessions and the attraction of large scale private sector investment to the provision of affordable housing through policy settings. Therefore whilst the actions identified relate to planning policy options they also refer to some wider Government policy options that would help maximise the delivery of new affordable housing.

Action 1: Affordable Housing Planning Policy

- 6.4 The Taskforce considers that the new affordable housing policy should be established within the context of a clear policy framework of objectives supported by a package of measures that can be used to increase the provision of affordable housing and improve affordability in NSW.
- 6.5 These measures will primarily focus on the planning system. The Taskforce will make recommendations on a new State Environmental Planning Policy (Affordable Housing Choice) (see Action 2) and a range of other associated planning policy measures that councils can draw on to meet the aims of their Local Affordable Housing Strategies (Action 3) including:
- (a) Standard clauses for use in local environmental plans and development control plans;
 - (b) Tools and guidance on how to work with the development industry and community housing providers on the development of affordable housing to meet local needs;
 - (c) Model development briefs for affordable housing;
 - (d) Others initiatives to be developed.
- 6.6 The Taskforce will make final recommendations on how Metropolitan and Regional Strategies and other planning policies can be adapted to be consistent with the policy to encourage the delivery of more affordable housing. This will include consideration of opportunities that may exist at urban renewal sites and consideration of adopting local affordable housing supply targets at State and regional levels and in conjunction with Local Affordable Housing Strategies.

Action 2: Affordable Housing Choice SEPP

- 6.7 The Taskforce will finalise recommendations for a new State Environmental Planning Policy (Affordable Housing Choice) that will complement the implementation of initiatives identified in Local Affordable Housing Strategies including:
- (a) Retain and expand on the elements of the current SEPP that are working well;
 - (b) Provide councils with the opportunities to adopt planning incentives and other mechanisms tailored to local housing market conditions; and
 - (c) Remove or refine existing regulations that limit or constrain affordable housing supply.

Action 3: Develop an agreed approach to preparing local affordable housing strategies

- 6.8 The Taskforce is developing a template for local affordable housing strategies that councils will be able to use to produce local strategies that are practical, effective and consistent with existing council policies and processes. The Taskforce is working towards producing a web-based template for the strategies that will enable councils to work with the Department to produce local strategies that reflect the characteristics of their areas and encourage new affordable housing to meet locally identified needs.
- 6.9 The local affordable housing strategies will examine local demographic trends to help establish local housing need. They will identify existing constraints and opportunities for future housing supply and appropriate mechanisms to encourage delivery. These will range from tailoring local permissibility controls and development standards to encourage certain forms of development to identifying specific sites appropriate for affordable housing. They will also include a monitoring framework and means for review.
- 6.10 The Taskforce will continue to work with pilot councils from a range of different areas to develop the model local affordable housing strategy. A list of councils the Department is currently working with on this is at **Appendix 4**.
- 6.11 The preliminary scope for the local affordable housing strategies is outlined in Appendix 5.

Action 4: Whole of government leadership

- 6.12 The Taskforce considers it is important that any new planning policy measures to be adopted on affordable housing are aligned with broader state and federal government policies, and that they are given due consideration in the allocation of funding. The Taskforce considers it is critical that the opportunities for synergies with other public programmes of initiatives are explored when developing local affordable housing strategies to maximise the potential benefits that can arise.
- 6.13 Learning from successful national and international initiatives, the Taskforce will consider options for State Government intervention beyond those within the planning system, to demonstrate leadership and advocate new development practices to help deliver effective affordable housing outcomes.

Action 5: Strengthen emergent partnership

- 6.14 Government cannot singlehandedly fund the shortfall of affordable dwellings, the private sector cannot economically justify entering this market without policy certainty and incentive, and the non-profit sector has not until the past five years acted independently of the state. Current research has shown that Australia's crisis of housing choice is actually an economic market failure that requires the combined response of the government, private, and non-profit community housing sectors¹⁷. Therefore the Taskforce considers partnerships are crucial, not just to spur action at the outset but as a perpetual workable synergy in order to respond to this problem efficiently, and at scale.

Action 6: Engage with the community on affordable housing

- 6.15 Better communication with communities about the reasons for the development of affordable housing, as well as the potential impacts, is critical to achieving community support and ultimately the success of any future planning policy on affordable housing. The Taskforce will

¹⁷ Source: AHURI Beyond the NAHA conference source paper, 2011

recommend ways to work together with local communities to engage with them about the best ways to deliver affordable housing outcomes that work for everyone.

7. Finalising Recommendations

- 7.1 The Taskforce considers that before it can deliver its final report it would be appropriate for wider public consultation to be held on a summary paper that will outline a preferred policy approach and the associated implementation tools. This will also draw on experiences from exploring how local affordable housing strategies will work with various local councils.
- 7.2 Following the consideration of the results of the consultations on the policy paper the Taskforce proposes to finalise its recommendations on a new affordable housing planning policy and associated measures to government.

Delivery Program for an Affordable Housing Planning Policy

Key deliverables:

- **NSW Affordable Housing Policy Statement** – summarising objectives and explaining key tools to be made available to councils to deliver policy outcomes
- **Planning initiatives** - such as a new Affordable Housing Choice SEPP, Standard LEP Clauses, S117 Ministerial Directions and Design Guidelines.
- **Local Housing Choice Strategies** – a web-based model strategy that councils can adopt. To enable the production of local supply and demand analyses and selection of a range of planning tools to encourage the provision of affordable housing targeted at meeting local needs.

Date	Delivery Program for an Affordable Housing Planning Policy
April 2012	<ul style="list-style-type: none"> • Submission of Interim Report of Taskforce to Government • Continue work with pilot councils to develop model local strategy.
April-May 2012	<ul style="list-style-type: none"> • Government endorses Taskforce Report • Government asks Taskforce to continue with its recommended actions. • Taskforce develops Policy Paper for exhibition including proposals for: <ul style="list-style-type: none"> ▪ Affordable Housing Choice SEPP ▪ Local Housing Choice Strategies ▪ Draft LEP Clauses ▪ Design Guidelines • Continue work with pilot councils to finalise model local strategy for exhibition.
May-June 2012	<ul style="list-style-type: none"> • Exhibition of Policy Paper • Exhibition of proposed template for model local strategy • Stakeholder engagement • Continue work with pilot councils to finalise model local strategy
July-August 2012	<ul style="list-style-type: none"> • Consider stakeholder submissions • Refine approach to model local strategy • Finalise recommended policy package • Submit final Taskforce Report to Government
August-Sept 2012	<ul style="list-style-type: none"> • Government endorses Taskforce Report • Government finalises new policy package • Publish template for local affordable housing strategies and associated guidance. • Implementation of new policy • Stakeholder education program

Appendix 1: Affordable Housing Taskforce Terms of Reference

The NSW Government aims to develop a Strategy to deliver affordable accommodation in appropriate locations throughout the State. To assist in developing the Strategy, the NSW Government is establishing the Affordable Housing Taskforce.

The purpose of the Taskforce is to lead the development of initiatives to deliver local strategies which will include approaches to encourage a wide range of housing types to meet the needs of key workers (such as nurses, teachers and fire fighters), people with special needs, the homeless and other groups in need.

The Affordable Housing Taskforce will be made up of representatives from the Local Government and Shires Associations, key local councils, relevant agencies, social housing providers, the Department of Planning and Infrastructure and social housing experts.

The Taskforce is intended:

1. To provide guidance in the development of the *State Environmental Planning Policy (Affordable Housing Choice) 2011*. The policy would include approaches to encourage a wide range of development types to meet the needs of very low, low and moderate income households.

The development of the policy will involve the consideration of potential planning incentives and tools to enable the delivery of affordable housing choice including incentives for the private sector to deliver affordable rental housing and low cost home ownership.

The development of the policy will need to give careful consideration to the need for the orderly planning of localities and need to increase supply of housing in which the new development is to occur, in particular the potential effect of such development on local amenity.

2. To provide advice on the development of a template for the preparation of Local Affordable Housing Choice Strategies that are robust in responding to local affordable housing needs.

The local strategies could be prepared for an individual council area or applied across a region/sub-region. Consideration will be given to establishing a model approach that can be adopted by local councils working collectively or individually to develop a strategy that aims to help address housing needs in the area under consideration.

Appendix 2: Examples of affordable housing planning system policy levers

Policy lever	Description	Examples	Type of lever	Pros/cons	Lessons learned
Targets	Targets for the provision of affordable housing set out in strategic planning policies	<ul style="list-style-type: none"> • South Australia • United Kingdom • Canada 	Strategic policy	<p>Pros: Targets provide a measurable framework to assess the delivery of affordable housing.</p> <p>Cons: Targets alone will not deliver new affordable housing supply they need to be supported by a statutory planning framework and a range of planning mechanisms.</p>	<ul style="list-style-type: none"> • For targets to be effective they need to be supported by a statutory framework and requirements for inclusion of local targets in local planning policies. • Needs to be supported by planning mechanisms to deliver affordable housing, and other forms of government subsidy (e.g. land, capital grants, annual subsidies or tax concessions) which will provide for a greater supply of affordable housing to be delivered. • New supply needs to be monitored and policies adjusted if targets are not being met.
Density bonuses	Density bonus schemes provide additional development capacity in exchange for the provision of affordable housing	<ul style="list-style-type: none"> • ARHSEPP • Seniors Living SEPP • Waverley LEP 	Voluntary statutory mechanism	<p>Pros: A voluntary mechanism which may be more attractive to developers as it makes development projects more viable as result of the increased yield.</p> <p>Cons: Density bonuses can be perceived to undermine environmental qualities and standards, or artificially constrain housing development.</p>	<ul style="list-style-type: none"> • Density bonuses are only attractive where the bonus represents significant value, such as high value markets. • Need to sensitivity test impact of increased yield for different housing markets to test effectiveness. • Density bonuses are best used where transparent and objective assessment criteria can be applied to ensure an outcome consistent with overall planning goals. • Need to ensure that appropriate design controls accompany density to ensure compatibility with local character

Policy lever	Description	Examples	Type of lever	Pros/cons	Lessons learned
Planning agreements	Planning agreements can be made on a negotiated basis between a developer and planning authority to provide a development contribution for affordable housing	<ul style="list-style-type: none"> • Former ADI site at St Mary's • Former CUB site in the City of Sydney • Former Prince Henry Hospital in Randwick • Canada Bay Council 	Negotiated statutory mechanism	<p>Pros: Planning agreements are flexible, and their terms can be adjusted to the specific site and opportunities for affordable housing.</p> <p>Cons: Negotiating a planning agreement contribution is time consuming as each negotiation is different, their effectiveness relies on skilled staff to negotiate the terms and conditions of the agreement and outcomes may vary considerably so that consistency of what is required or may be delivered is not provided for the development sector or government.</p>	<ul style="list-style-type: none"> • Planning agreements could be made a more practical tool through standardised processes for negotiating agreements and administering the contributions. • Tools have been developed in the UK and are under development in NSW through the Centre for Affordable Housing to standardise the process and provide assistance to local councils.
Inclusionary zoning	Planning policies requiring the mandatory payment of a development contribution for affordable housing as a condition of development consent	<ul style="list-style-type: none"> • Ultimo/Pyrmont • Green Square • Willoughby Local Housing Precincts • United States 	Mandatory statutory mechanism	<p>Pros: These policies provide a level of certainty about the type of contribution required for affordable housing. They avoid the need for site based negotiation processes and the mandatory nature of the provisions support the delivery of scale.</p> <p>Cons: Inclusionary zoning provisions may be considered to increase the costs of development which may be passed on to individual home purchasers. However, whether these provisions have an impact is dependant on the timing of introduction (to allow for the contribution to be factored into the purchase price for the land), whether it is associated with increased development potential (allowing for value capture) and market characteristics (elasticity of demand and supply).</p>	<ul style="list-style-type: none"> • The policies have been shown to work most effectively in high value land locations and have limited application in lower cost markets. • When applied in conjunction with a significant increase in development potential through a rezoning a mandatory contribution for affordable housing has not limited development feasibility. • The amount of contribution needs to be set as not to deter development feasibility.

Policy lever	Description	Examples	Type of lever	Pros/cons	Lessons learned
Mitigation of loss of existing affordable/low cost housing	Planning policies that seek to preserve existing sources of low cost rental accommodation (boarding houses, caravan parks, low cost units) by requiring conditions on development consent, such as the payment of development contribution, to mitigate the adverse social impacts of development. Social impact assessments have also been used to prevent the redevelopment of low cost rental accommodation.	<ul style="list-style-type: none"> • ARHSEPP (former SEPP 10 provisions) • Gosford Council (caravan parks) 	Mandatory statutory mechanism	<p>Pros: Prevent or slow the loss of low cost rental accommodation. The payment of development contributions will also assist in providing new forms of affordable rental accommodation but generally this contribution will only pay a proportion of the cost of replacement.</p> <p>Cons: Places the responsibility of retention on individual land owners and does not permit highest and best use of land.</p>	<ul style="list-style-type: none"> • Can only provide an interim measure to slow the loss of lower cost housing supply and additional measures are required to support an increased supply of other affordable rental products. • Other measures are also required to assist owners to retain lower cost forms of accommodations such as tax concessions and funding such as the land tax exemption provided by the Office of State Revenue for properties that continue to provide boarding houses accommodation, subsidies for fire safety upgrading and construction of new boarding house rooms.
Graduated planning standards	Planning policies that allow application of flexible development standards based on performance criteria, for example requirement for car parking might reduce for particular types of development, such as boarding houses, student housing, retirement villages and accessory dwellings where evidence shows reduced car ownership or location to public transport reduces the need for parking	<ul style="list-style-type: none"> • ARHSEPP • City of Sydney Council 	Reduced regulatory requirements	<p>Pros: Reduces development costs making affordable forms of housing development more viable.</p> <p>Cons: Graduated planning standards can be perceived to undermine environmental qualities and standards.</p>	<ul style="list-style-type: none"> • Most effective where there is a degree of development activity within the area and higher value land markets. • Graduated planning standards are best used where transparent and objective assessment criteria can be applied to ensure an outcome consistent with overall planning goals.

Policy lever	Description	Examples	Type of lever	Pros/cons	Lessons learned
Planning process incentives	Developments that contain the provision of affordable housing are provided with planning process incentives such as fast track approval processes, reduced application fees, infrastructure charges or rates	<ul style="list-style-type: none"> • ARHSEPP – self approval for social housing developments by the NSW Land and Housing Corporation • Waverley Council – rate rebate for boarding houses 	Reduced regulatory requirements & streamlined processes	<p>Pros: Reduces the time taken for development approval process which reduces development costs making affordable housing development more viable.</p> <p>Cons: The planning system needs to balance social objectives with environmental and economic objectives. It could be argued that a range of other types of development are worthy of fast track approvals which would reduce the effectiveness of this approach.</p>	<ul style="list-style-type: none"> • Self-approval has been effectively utilised by the NSW Land and Housing Corporation to speed up the delivery of small scale medium density infill projects. However, this has limited application to other types of affordable housing projects undertaken by the non-government sector.
Zoning flexibility	Planning policies that reduce zoning barriers to the provision of certain types of housing such as secondary dwellings, boarding houses or medium density development	<ul style="list-style-type: none"> • AHRSEPP • Seniors Living SEPP 	Reduced regulatory requirements	<p>Pros: Strategies to reduce barriers to housing development provide new opportunities to develop more housing stock. This measure has significant potential to contribute to affordable housing supply because it utilises small and medium scale developers who provide the majority of housing supply in established residential areas. By enabling affordable housing forms to be developed on small sites normally restricted to detached housing, it enables sites to be secured at reasonable cost compared to high density zoned areas, thus offsetting the cost of providing low rental accommodation. Developments can be accommodated on small sites without the need for complex, slow and costly amalgamation of large sites. It can therefore generate a relatively large yield of affordable housing at no public cost in a</p>	<ul style="list-style-type: none"> • Barrier removal strategies are best used where transparent and objective assessment criteria can be applied to ensure an outcome consistent with overall planning goals. • Planning controls of this type need to be carefully crafted and explained to gain community acceptance. They must ensure that designs are compatible with the local character of low density areas, and that the housing is genuinely available to low and moderate households, rather than a perception that they may be a loophole for developers to make a windfall gain. •

Policy lever	Description	Examples	Type of lever	Pros/cons	Lessons learned
				<p>short timeframe whilst supporting the local building industry. This supply can be achieved through redeveloping a very small (<1%) proportion of the existing low density housing stock, ensuring overall impact on low density character is minimal and positive.</p> <p>Cons: There are some limitations to the impact barrier reduction strategies can have on housing affordability. In markets with increasing housing demand and intense competition between buyers or renters, barrier removal strategies will achieve more diverse housing forms but not necessarily provide housing that is affordable to lower income households</p>	

Source: Housing NSW, Department of Family and Community Services

Appendix 3: State Environmental Planning Policy (Affordable Rental Housing) Review.

The State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP) commenced in July 2009 in response to growing community concern about the long term decline of affordable housing in New South Wales.

The AHSEPP brought together a number of planning tools and funding mechanisms to encourage home owners, social housing providers and developers to invest in and deliver new affordable rental and social housing throughout the State. New South Wales is the only state in Australia that has its own legal planning instrument targeted at encouraging the delivery of affordable housing.

The AHSEPP sought to align planning tools with funding mechanisms to help encourage home owners, social housing providers and developers to invest in and deliver new affordable rental and social housing throughout NSW.

Approaches for delivering affordable housing in the AHSEPP involve planning to:

- (a) encourage the development of new affordable rental housing for low and middle income groups.
- (b) deliver new sources of social housing.
- (c) retain existing sources of affordable rental and social housing.

The AHSEPP assists in the delivery and supply of housing stock as well as services for those who benefit from living in a supportive environment. The AHSEPP provides a range of initiatives, including:

- providing floor space incentives for residential flat buildings on land where they are currently permissible and in locations close to public transport and centres, if a minimum of 20% of the gross floor area is provided as affordable rental housing for 10 years and is managed by a CHP
- making secondary dwellings (also known as 'granny flats') permissible in all urban residential zones with the opportunity to gain approval through complying development provisions within 10 days
- providing incentives for the development of new generation boarding houses including floor space incentives and expanded land use permissibility
- enabling the provision of supportive accommodation in which tenants have access to counselling and other services and facilities
- streamlining approvals for NSW Government housing projects of up to 20 units and in locations close to public transport and centres
- simplifying approvals for new style group homes in residential areas, and
- providing a more user friendly and transparent process for the assessment of compensatory payments for the loss of low cost accommodation either flats or boarding houses.

Table 2: Summary of the provisions in each Division in the Affordable Rental Housing SEPP when made in July 2009

Division	Development Type	Key Requirements	Approval Authority
1	Low rise infill housing (Dual occupancies, villa, townhouses and residential flat buildings)	<ul style="list-style-type: none"> ▪ Permissible in most residential zones ▪ Location criteria for proximity to public transport only in Sydney region i.e. 800m from railway station or ferry wharf, or 400 metres a light rail station or a bus stop with hourly buses 6.00am - 6.00pm Monday to Friday ▪ Height limit: 8.5 metres ▪ Maximum FSR 0.75:1 (0.5:1 after 30 June 2011) ▪ Minimum site area: 450 square metres ▪ 50% of stock must be affordable housing for 10 years ▪ Design criteria: for parking, dwelling size and solar access, landscaping/deep soil zone requirements, Refers to Seniors Living Urban Design Guidelines ▪ Affordable housing to be managed by a registered CHP 	Council or Joint Regional Planning Panel (JRPP)
	Infill in residential flats	<ul style="list-style-type: none"> ▪ Permissible only where residential flat buildings are already permissible ▪ Location criteria as for Low Rise above. ▪ Provides a sliding scale FSR bonus of 0.2:1.0 if 20% of dwellings are affordable, increasing to 0.5:1.0 if 50% is affordable. Affordable housing for 10 years. ▪ Affordable housing to be managed by a registered CHP 	Council or JRPP
2	Secondary dwellings (Granny flats)	<ul style="list-style-type: none"> ▪ Permissible in most residential zones ▪ Lot size: 450 square metres ▪ Maximum floor space: 60 square metres ▪ May be internal, attached or detached ▪ Complying development opportunities ▪ Cannot be subdivided from the principal dwelling 	Council (if CDC or DA) or Private Certifiers (if CDC)
3	Boarding houses	<ul style="list-style-type: none"> ▪ Permissible in most residential zones & some commercial ▪ 5 or more boarding rooms need a communal living room ▪ 20 or more residents requires on-site manager ▪ Floor space incentives in residential flat zones ▪ Design criteria: parking, dwelling size, solar access 	Council
4	Supportive accommodation	<ul style="list-style-type: none"> ▪ Enables services and facilities within residential flat buildings used for social or affordable housing (e.g. training rooms, medical rooms) 	Government agency
5	Residential flat buildings (Social Housing Providers and Joint Ventures)	<ul style="list-style-type: none"> ▪ Permissible in Sydney, in any zone within 800 metres of rail station and in nominated regional towns, in any zone within 400 metres of commercial or mixed use zone ▪ Only if by or on behalf of a public authority or a social housing provider or in JV with Housing NSW ▪ Site Compatibility Certificate required from Department ▪ 50% of stock must be affordable housing for 10 years ▪ Affordable housing is managed by a registered CHP 	Council (DA) plus Dept. (SCC) if prohibited
6	Land and Housing Corp Residential Development	<ul style="list-style-type: none"> ▪ Permissible only where type of housing is already permissible ▪ Only apply if NSW Housing the proponent ▪ Development without consent provisions ▪ Maximum 20 units and 8.5m height ▪ Must consult with neighbours and local council ▪ Must consider Seniors Living Urban Design Guidelines 	Housing NSW
7	Group homes	<ul style="list-style-type: none"> ▪ Permissible in residential, mixed and special use zones ▪ Development without consent provisions for Agency if less than 10 bedrooms – otherwise consent from council ▪ Complying and exempt development opportunities 	Agency, or Council (if CDC or DA) or Accredited Certifiers (if CDC)

***Developments approved in the first year of the AHSEPP operation
Financial Year 2009/2010***

- **3,600 low-rise homes in established residential areas** most of these were developed under the Stimulus Package by Housing NSW and are in a wide range of locations across the State.
- **200 granny flats** in most middle and outer ring councils in Sydney and in many country towns.
- **94 group homes** containing supported accommodation for approximately 220 people.
- **4 modern boarding houses** providing around 120 rooms – mainly in inner Sydney locations.

***Sample of development approved in the second year of the AHSEPP operation
Financial Year 2010/2011***

To date, data has been collected from 138 councils across the state. The results are as follows:

- **20 Infill developments** that resulted in 210 dwellings.
- **479 granny flats** the majority of which are located in the Sydney region.
- **25 modern boarding houses** have been developed with a total of 146 rooms.
- **32 group home development** with 157 rooms – 122 of which were supplied by ADAC.
- **22 social housing developments** which resulted in 185 dwellings.

REVIEW OF THE AFFORDABLE RENTAL HOUSING SEPP

The AHSEPP had a requirement that it be reviewed a year after its commencement and this review was carried out during late 2010/early 2011 culminating in changes that were introduced to the AHSEPP in May 2011.

A key aim of the review sought to identify ways to enable more rental housing that people can afford in the areas in which they work and want to live, while ensuring developments continue to be environmentally appropriate.

As part of the AHSEPP review the Department released the *Affordable Rental Housing SEPP Review - Technical Discussion Paper* on 20 December 2010. The objective of the Paper sought to outline the intentions of the AHSEPP and the issues raised in the operation of the Policy.

Key Issues raised in the Discussion Paper

The Paper identified issues that had already been raised in submissions from councils and community members and was also informed by discussions with councils, social housing providers and those involved in the development of affordable rental housing.

A total of 229 submissions were received in response to the exhibition comprising of:

- 43 local councils
- 27 private sector organisations and peak organisations
- 32 government and non-profit sector
- 127 residents

The submissions revealed general support for a State planning policy that encourages the development of more affordable housing, particularly the need for key-worker housing. The

submissions generally favoured wider education of, and communication with, stakeholders on what is affordable housing and who may benefit from these opportunities, in particular explaining that it presents opportunities to house key workers in areas where they work but cannot afford to live. The key issues identified in submissions and meetings related to low-rise infill development, secondary dwellings, social housing, and incentive and levy schemes. It made 48 recommendations to address these issues. They are outlined below:

Low-rise infill development

- The density of low rise infill development in low density residential areas
- Need to consider local council controls in the design of low rise Infill development
- Review the public transport criteria for the location of low rise infill development to ensure access to services and jobs

Secondary dwellings

- Need to extend complying development provisions for secondary dwellings on smaller residential blocks and lots in rural areas
- Need to allow secondary dwellings in rural residential areas
- Limit the S94 development contributions and other levies applied to secondary dwellings

Boarding houses

- Concerns regarding compliance issues with boarding housing premises not operating within their approvals or housing being converted to boarding houses without approval

Housing NSW social housing

- Improve notification and consultation associated with social housing development proposals by Housing NSW
- Expand the social housing threshold to be developed by Housing NSW from 20 to 30 units

Incentives or levy schemes

- Provide for councils to develop their own incentive or levy schemes for the delivery of affordable housing in their area

CHANGES TO THE AHSEPP IN MAY 2011

On 20 May 2011 the NSW Government announced a two-stage approach to the review of the AHSEPP as outlined below:

- **Stage 1** involved changes to the AHSEPP to remove certain provisions applying in low density residential areas and to amend other elements.
- **Stage 2** involves the formation of an Affordable Housing Taskforce, and the development of an Affordable Housing Choice SEPP. Stage 2 also involves working with local councils to develop Local Affordable Housing Choice Strategies for individual council areas or councils in a region, to reflect their local housing needs and development characteristics.

The changes to the AHSEPP are outlined below:

Revised provisions for low-rise development

- Villa, townhouse and residential flat developments by the private sector will no longer be allowed in low-density residential areas.
- Where villas, townhouses or residential flat buildings are permissible, proposals under the AHSEPP need to be compatible with the design character of the area and will provide at least 20 per cent of the total floor space (rather than a specified number of units) as affordable rental housing for 10 years.
- A more extensive public transport test will be applied to ensure that affordable housing developments in Sydney are located close to public transport routes operating seven days a week. In regional areas, a new test will be introduced to ensure developments are accessibly located within 400 metres of a local centre or mixed-use zone.
- Higher parking standards will apply for new development applications.
- The affordable component in development applications under assessment and new development applications will need to provide the affordable housing contribution as a percentage of the total floor space (rather than as a proportionate number of units).

Revised standards for boarding houses

- Boarding houses will now need to be compatible with the design character of the area in which they are to be located.
- Boarding houses proposed in low density residential areas in Sydney are now required to meet a new test of being close to public transport services. Boarding houses proposed in regional areas must be accessibly located within 400 metres of a local centre or mixed zone.
- The AHSEPP now requires higher parking standards for new boarding house applications.

Revised standards for Housing NSW proposals

- Housing NSW will continue to self-assess its own proposals where they are less than 8.5 metres in height, contain less than 20 units and meet the criteria of being close to public transport routes operating seven days a week.
- Housing NSW will now be required to notify a proposal in line with the local council policy and meet parking standards outlined in the AHSEPP. These parking standards have been graded similarly to the standards adopted for new generation boarding houses.

New local character test

Development applications that were lodged prior to the amendments and were currently under assessment, as well as all new infill development and boarding house applications, must satisfy a new local character test. The new local character test seeks to ensure developments proposed under the AHSEPP are consistent with the design of the area.

Transitional provisions

To ensure a smooth transition to the amended policy, existing applications, lodged before the changes to the AHSEPP took effect, could still be assessed under the repealed and amended provisions subject to being compatible with the new local character provision and the affordable component being provided as a percentage of the total floor space. Housing NSW can continue to progress proposals it was already working on before the changes were made under the repealed provisions. This is restricted by a requirement that such developments must be commenced by 20 May 2013.

Appendix 4: Councils Involved in Discussions on Pilot Local Affordable Housing Strategies

Bankstown City Council
Blacktown City Council
City of Sydney Council
Clarence Valley Council
Lake Macquarie City Council
Leichhardt Municipal Council
Liverpool City Council
Mid North Coast Group of Councils
Northern Rivers Regional Organisation of Councils
North Sydney Council
Orange City Council
Parramatta City Council
Pittwater City Council
Randwick City Council
The Hills Shire Council
Warringah Council
Waverley Council
Wollongong City Council

Appendix 5: Local Affordable Housing Strategies (LAHS) - Preliminary Scope

Department & Taskforce

Context for developing Local Affordable Housing Strategies

- Define affordable housing and who it is for.
- Outline who is eligible for affordable housing – considering current and future needs in the LGA/region
- Purpose and objectives of LAHS



Finalise development of the online E-tool



Development of Tools
Detail to come from Reference Group.

What tools –

1. Planning Tools
2. Other tools

Explanation of tools on website (to be developed) to be used to assist Council's in preparing a LAHS.

When to use which Tools

- Provide details of what mechanisms are likely to work best in different scenarios

How to implement the Tools

- Provide details of options for implement the planning and other tools – eg, in AHSEPP or council's LEP, S94 plan and DCPs, introducing other incentives, by forming relationships with CHPs and the private sector, communication strategies etc



Template for LAHS

- DP&I to draft written template for the LAHS



Pilot Councils

Identification of LGA Specific Demand Needs

- Council with HousingNSW to provide a 'snapshot' of LGA data including: population, household types, housing needs, % of people in housing stress, etc.
- NEEDS ANALYSIS – an on-line E-tool template format that can be used to identify type, quantity and diversity of affordable housing needs and the locations of current affordable housing demand.
- Analysis predicts likely future needs taking into consideration demographic, land use and housing trends in the area/region.



Identification of LGA Specific Supply Needs

- Council to identify where existing supply exists
- Identify the gap between current demand and supply for affordable housing in an LGA.
- Identify supply options/locations to address the gap
- Map of each LGA identifying where affordable housing permitted and where precincts with potential for renewal/rezoning to provide for affordable housing.
- Potential supply options:
 - assess where development has potential for renewable, upgrade, increase in densities etc
 - assess potential for different tools to deliver required housing needs in different locations
- The gap between supply and demand to be used to identify an **Affordable Housing Target**



Drafting of LAHS

- Actions to meet the AH targets identified in LGA specific supply and demand analysis
- Council to select the tools it will use to drive the supply of affordable housing

5 year Implementation Program

- The tools will be written into LAHS with an implementation program including a timeframe, ie. 5 year program

Communication Program

- The program and actions to 'market, educate and engage stakeholders in the idea of affordable housing to their LGA.



Implementation and Monitoring

- Engagement with the community, CHPs, property industry and other stakeholders
- Monitor the success and progress of LAHS
 - Key finding
 - Opportunities for innovation
- Review how the LAHS can be improved