



# CHIA NSW Submission

Proposed changes to the State  
Environmental Planning Policy  
No. 70 - Affordable Housing  
(Revised Schemes)

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## About CHIA NSW

The Community Housing Industry Association NSW is the industry peak body for registered community housing providers in NSW. CHIA NSW is also supporting Aboriginal Community Housing Providers in NSW in a process to establish a representative body.

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

Registered community housing providers in NSW manage both social housing and affordable rental housing - they are grounded in their local communities and understand local housing need. They are well regulated and are subject to annual compliance assessments by the Registrar of Community Housing against seven performance standards including tenancy management, community engagement and property maintenance

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

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

## Position on the proposed changes to SEPP 70

CHIA NSW supports the proposed changes to State Environmental Planning Policy No. 70.

The broadening of the SEPP to cover all councils is an acknowledgment that all communities need affordable rental housing. By removing the need to apply for inclusion in the SEPP, the NSW Government has made it easier for councils to deliver affordable rental housing for their communities.

The recognition of the need for a measure of household income which reflects the difference between Sydney incomes and those in other parts of NSW is supported. The Rest of NSW approach being proposed is reasonable.

Clarification of that affordable rental housing should be available to very low, low and moderate income households or any combination of these households will give councils scope to address the spectrum of housing need in their area and community housing providers the flexibility they need to balance meeting local needs and operational viability.

## Why do we need more affordable rental housing?

Affordable rental housing is essential infrastructure and is critical to strong, diverse and liveable communities. Well-located affordable rental housing means that people in lower paid jobs can live in the communities that they work in. This has significant social and community benefits and can increase productivity in the NSW economy. There are also environmental benefits flowing from reducing commuting distances

Unpublished work for CHIA NSW that is building on the [AHURI social housing as infrastructure report](#) estimates that NSW in addition to the social housing shortfalls identified in that report there is a current unmet need for nearly 80,000 affordable rental homes and a further 24,000 needed to keep pace with demand to 2036.

Outside greater Sydney the same unpublished research estimates that almost 100,000 additional social and affordable housing is required to make up for current shortfalls and keep pace with demand to 2036.

# Too many people don't have an affordable home

## Rents have increased faster than wages

Median **rents in NSW** increased by **27%** between 2011 and 2018 - when incomes for the poorest households increased by just 5%



## ...social housing waiting lists are growing

The waiting list for social housing **grew by 20%** between 2011 and 2016 from 46,000 households to **59,000 households**



## ...which means rental stress is growing

In NSW, **1 in 2** low income households renting are in **rental stress**

In March 2018, of **17,395** rental properties advertised in Greater Sydney, **less than 1% (41)** were **affordable** to households on income support



## ...and homelessness rates in NSW are the highest in Australia

There was a **37% increase in homelessness** in NSW from 2011 to 2016

**74% increase** in the number of people living in **severely overcrowded** homes



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

SEPP 70 provides a framework for local councils to design affordable housing contribution schemes which ensure development remains viable and delivers affordable rental housing for communities.

Affordable housing schemes implemented in the City of Sydney demonstrate that including all councils in SEPP 70 provisions will:

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

## Analyse Affordable Housing Conditions

CHIA NSW continues to advocate for the State government to establish a standardised approach to housing needs assessment so the results can be aggregated.

We note that the Department of Planning and Environment's local housing strategy guidance provides advice to councils, however, this falls short of what we think is necessary.

CHIA NSW recommends that the Department of Planning and Environment develops guidance to support councils to develop robust and standardised housing needs assessments. The [guidance](#) issued in Scotland is an example of the type of approach that CHIA NSW is advocating (recognising the need for adjusting to local conditions).

We also note that resource constraints for some councils may limit their capacity to undertake robust housing needs assessments. We recommend there is support for councils operating within particular housing market areas to collaborate on procuring housing needs assessments.

## Variations in household incomes outside Sydney

Registered community housing providers in NSW manage affordable rental housing in accordance with the [NSW Affordable Housing Ministerial Guidelines](#).

These guidelines establish a definition of household income for eligible households which include the Rest of NSW median for households applying for affordable housing outside of the Greater Sydney region.

Given that this is already the practice for registered community housing providers operating outside Greater Sydney this proposed change is reasonable. This measure does not disadvantage households outside Greater Sydney and reflects the difference in incomes so that affordable housing is made available to appropriate households.

### Flexibility to allocate affordable rental housing to a mix of incomes

Registered community housing providers ensure that affordable rental housing is available for very low, low and moderate-income households or any combination of these households.

By having flexibility to allocate affordable housing to households across this income spectrum, registered community housing providers are able to respond to local need, including targeting affordable housing to people working in particular industries in agreement with the local council.

Further, and given that registered community housing providers are charging income based sub-market rents without effective operating subsidies, this income spectrum allows them to cross subsidise households on lower incomes in their portfolios, keeping their business viable and able to maintain and upgrade properties over their life cycle.

### Nominated community housing provider

CHIA NSW welcomes the guidance prepared for local councils (The Draft Guideline for Developing an Affordable Housing Scheme). Advice that a registered community housing provider should be nominated to manage affordable rental housing and related monetary contributions will give councils assurance that affordable housing is being delivered and managed to standards that the community would expect.

This advice also means that councils will be well-placed to maximise the outcomes that their affordable housing schemes can deliver. Registered community housing providers will be able to work with local councils to explore opportunities to invest in development projects.

CHIA NSW recommends that planning policy and the guidelines makes clear that community housing providers must be **registered in the** National Regulatory System for Community Housing (NRSCH).

The guidance could direct Councils to the NSW Government Pre-qualification scheme for affordable housing providers - <https://www.procurepoint.nsw.gov.au/scm4421> - which lists registered community housing providers interested in developing and / or managing affordable housing in particular local government areas.

## Affordable rental housing delivered by contribution schemes

CHIA NSW would welcome engagement with local councils as they develop affordable housing contribution schemes. We have responded to a number of Council affordable housing strategies and have noted that a number outside Sydney in relatively high growth areas - i.e. with scope for 'creating uplift' - have expressed interest in SEPP70. Central Coast and Shoalhaven are two of the most recent examples.

The design of contribution schemes can have a significant impact on how effectively they turn developer contributions into affordable rental housing units. Well-designed contribution schemes which respond to local housing market conditions can mean that registered community housing providers are able to maximise the affordable rental housing that a scheme delivers.

Through the guideline, councils could be encouraged to engage with local registered community housing providers about the potential merits of cash contributions or in-kind contributions (built units or land). Many registered community housing providers will have a preferences for developing the housing themselves. Being able to use funds collected in lieu of units to purchase land (or being in a position to develop a portion of a larger site themselves) brings the opportunity for a community housing provider to design for the long term and for lower income households.

Another issue that councils could explore with local registered community housing providers is the merits of delivering units dispersed across developments or units clustered on dedicated developments. A [report](#) commissioned by CHIA NSW under the FACS Industry Development Strategy indicates that best practice would be for providers to manage whole unit blocks (clustered). This approach delivers tenancy and property management efficiencies and means that providers avoid strata costs.

We recognise that there may be a concern about concentrating lower income households in one scheme but this is unlikely given that developments will be located in multi tenure neighbourhoods and be relatively small.

Community housing providers do however currently manage isolated units for Councils.

## Monitoring affordable housing programs

Effective monitoring of affordable housing programs will be vital if the community is to have confidence that contributions from developments in their local area is being used in accordance with their expectations. Many of our members have told us of instances where they have been asked to provide letters of support for a developer negotiating a VPA and hearing no more once development approval has been granted. There have also been examples in the media of affordable housing not being managed by registered community housing providers where rents are not affordable.

As managers and developers of affordable rental housing, registered community housing providers present an opportunity for effective monitoring of local programs. Registered community housing providers are regulated under the National Regulatory System for Community Housing. This regulatory framework ensures that housing is managed to a high standard by effectively governed organisations.

The regulatory system is an opportunity to monitor the quantum of housing delivered by local council affordable housing programs and can show how the homes are being made available to households with the appropriate income levels to rent affordably.

CHIA NSW would support the establishment of a statewide register of affordable rental housing delivered by local affordable housing schemes. The Department of Planning and Environment could explore opportunities to establish this with the NSW Registrar of Community Housing.

### **Complementing the GSC affordable housing targets**

It is unclear from the Expression of Intended Effect what the relationship is between SEPP70 and any affordable housing schemes developed to deliver the GSC affordable housing targets. The GSC Plan targets affordable housing to very low and low income households whereas SEPP70 (and the Environmental Planning and Assessment Act 1979) defines affordable housing as housing for very low, low and moderate income households.

As councils develop local housing strategies CHIA NSW anticipates that they will be identifying demand for affordable housing among very low, low and moderate incomes.

CHIA NSW is concerned how council schemes will interact with any scheme designed to deliver on the GSC targets. It is important that the need to enable the delivery of affordable rental housing for moderate income households is not overlooked in these processes.

### **Support for local councils**

CHIA NSW encourages the NSW Government to identify funding to support local councils to accelerate the development of affordable housing schemes. This would ensure that opportunities to identify opportunities for rezonings which could deliver contributions are not missed.

CHIA NSW would also encourage the NSW Government to work with local councils to look at opportunities to develop consistent practices, model clauses and the potential for regional approaches to affordable housing schemes.

## Recommendations

CHIA NSW recommends that:

- Planning policy and the guidelines makes clear that community housing providers must be **registered in the** National Regulatory System for Community Housing.
- The guidelines direct councils to the NSW Government Pre-qualification scheme for affordable housing providers - <https://www.procurepoint.nsw.gov.au/scm4421> - which lists registered community housing providers interested in developing and / or managing affordable housing in particular local government areas.
- The guidelines encourage councils to engage with registered community housing providers over the design of their affordable housing scheme to consider how the housing can be delivered to maximise benefits.
- NSW Government agencies establish a system to monitor the affordable rental housing delivered through the contribution schemes developed by councils under the SEPP 70 provisions.
- The Department of Planning and Environment develops guidance to support councils to develop robust and standardised housing needs assessments.
- The Department of Planning and Environment support councils to collaborate on housing needs assessments.
- The Department of Planning and Environment support councils to accelerate the development of affordable housing schemes.