



Submission on the draft Greater Sydney Region Plan

Prepared by the NSW Federation
of Housing Associations

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nsw Federation of
Housing Associations **inc**

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NSW Federation of Housing Associations

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

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

Registered community housing providers in NSW manage both social housing and affordable rental housing - they are grounded in their local communities, understand local housing need and are developing significant numbers of units, particularly in the Sydney metropolitan area – this makes them well placed to assist the NSW Government to deliver its vision for greater Sydney.

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

Submission to the Greater Sydney Commission Region Plan

The NSW Federation of Housing Associations welcomes the opportunity to comment on the Draft Greater Sydney Region Plan: *'Our Greater Sydney 2056, a metropolis of three cities – connecting people'*. Developing a clear vision for Greater Sydney's growth and productivity is vital in ensuring that the city remains liveable for its communities and stays competitive.

The Federation's submission is in two parts. Part One comments on the overarching directions for the Plan, the connectedness of the vision, and the key objectives. Part Two specifically addresses Section 4 of the Plan: Liveability, with a particular focus on the delivery of affordable rental housing.

Strategic planning priorities for the community housing industry

Our members are committed to providing quality housing for very low, low and moderate income households. Registered community housing providers see the impact of housing affordability pressures on people every day and understand the pressing need for more affordable rental housing supply.

As registered community housing providers, our members are ideally placed to manage and deliver affordable rental housing. They are independently regulated; they demonstrate excellence in tenancy management and in property management, and by 2020 will have delivered almost \$1 billion of new affordable rental housing in NSW¹.

The Federation welcomes the vision for Sydney set out in the Draft Plan because it recognises the importance of affordable rental housing supply to a competitive, diverse global city.

¹ Data collected by the NSW Federation of Housing Associations

Recommendations of the NSW Federation of Housing Associations

To support the affordable rental housing outcomes the Greater Sydney Region Plan identifies, the Federation recommends:

Strengthening needs assessment and target setting

- that the NSW Government develop a *Future Housing Strategy 2056* linked to the *State Infrastructure Strategy* as a framework for future housing design and supply
- that the GSC recommends a robust assessment of housing need, particularly for very low, low and moderate income households, as the basis for housing strategies at Region, District and local levels
- that the GSC works with the Department of Planning and Environment to support local councils to develop housing strategies, ensuring a robust and consistent methodology is applied
- that the GSC works with the Department of Planning and Environment to ensure that 6-10 year housing supply targets include targets for affordable rental housing
- that the GSC recommends affordable rental housing targets, with clear targets for moderate income households as well as very low and low income households, including through inclusionary zoning
- that the GSC develops a clear definition of affordable rental housing in consultation with the community housing industry and other key stakeholders

Greater clarity about the delivery of affordable rental housing

- that the GSC considers options to phase in a higher range for inclusionary zoning over time. The GSC could signal an intention to phase in an increase to 10-15% which would give land owners and developers adequate notice of the change and the opportunity to plan accordingly
- that if there is to be a viability test that it is undertaken by government with targets for affordable rental housing set at the time of rezoning decisions
- that there should be an ambitious target for the NSW Government to maximise community benefits and deliver at least 30% affordable rental housing on redeveloped public land
- that registered community housing providers have a mandated role to manage and deliver affordable rental housing and are the managers of all properties delivered through inclusionary zoning and any other planning mechanisms to deliver affordable rental housing
- that the GSC works with stakeholders, including the community housing industry, to determine a delivery mechanism for affordable rental housing which maximises delivery
- that the GSC establishes a governance group with representation from registered community housing providers to review affordable rental housing delivery and monitor compliance.

Part One – comments on the Greater Sydney Region Plan directions

Vision to 2056

The Federation supports the development of an integrated planning framework centred on the concept of three cities within Greater Sydney. The Draft Greater Sydney Region Plan sets out a compelling case for a 40 year vision for Greater Sydney, alongside a 20 year implementation plan. Setting out planning arrangements for the city, in alignment with critical infrastructure development such as transport, means that there is a clear road map to support the delivery of this vision.

Developing an understanding of Greater Sydney as having three main hubs, all with unique features that will contribute to Sydney's growth, will be a significant enabler of a unique and targeted response for each 'city'. Rethinking land use and transport patterns as a means of unlocking greater Sydney's liveability, productivity and sustainability, and using the metric of people living no further than 30 minutes away from jobs, education and health facilities provides a really clear target to drive policy and practice.

The Federation also supports the focus in the vision of sequencing infrastructure development to be delivered concurrently with new homes and jobs. The commitment to delivering more affordable housing is welcome, and for the Federation's members the delivery of affordable rental housing as part of the infrastructure needed to deliver the economic and social outcomes of the Plan, will be critical. It is really pleasing to read that submissions to the earlier draft plan, *Our Greater Sydney 2056*, indicated support for affordable housing targets, and for the importance of providing infrastructure and services when planning for additional housing.

The challenges set out in the Plan of meeting population growth of around 3.2 million people by 2056 are significant. Historical trends of reduced dwelling occupancy rates, urban sprawl and the decline in density have created a complex city which will be difficult to reshape. Quantifying what population growth and the current housing stock means in terms of the numbers of new homes needed and the employment landscape needed to continue to support productivity, are critical in establishing the framework from which planning, infrastructure and transport decisions should flow.

The fact that the GSC's Greater Sydney Region Plan is the first plan to be fully integrated with the NSW Government's metropolitan transport plan, *Future Transport 2056* and the *State Infrastructure Strategy* is really welcome and a clear recognition of how these important visions for Sydney need to be aligned to deliver optimal outcomes.

Plan Summary: Ten Directions - Delivering and monitoring the plan

The Ten Directions that set out the key objectives and metrics for the Plan provide really clear benchmarks for delivering and monitoring outcomes. Sydney will only thrive if the diversity of its community is supported, infrastructure keeps pace with growth, the city remains competitive and produces jobs, and the environment is protected and enhanced. Housing that residents can afford, whether owned or rented, is critical to the city's well-being and it is good to see this clearly recognised in the vision.

Section 3: Infrastructure and collaboration

The focus in the Plan on the need for housing growth to be supported by essential services such as education and health and an integrated planning approach to enable employment and job creation is really welcome. One of the major drivers of resistance to new housing development centres on the lack of infrastructure to support an increased population in local neighbourhoods.

The identification of Priority Precincts, to be delivered collaboratively with local councils, will be important in securing local support and addressing local priorities. This also provides an opportunity to ensure that local communities are consulted and engaged in the development of plans and the Federation's members would be keen to engage in consultative processes for the proposed Collaboration Areas and for Priority Precinct planning.

Tackling community resistance

The Federation supports the identification of key centres for employment and housing growth in the Draft Plan. Both of these are essential if productivity is to be sustained or increased for Greater Sydney. One of the major risks to delivering housing growth is community resistance to new unit development. Work carried out by the NSW Federation of Housing Associations² identifies two key components of community resistance to new development, as being the lack of delivery of concurrent infrastructure, and the impact of poor design on local neighbourhoods.

The Draft Plan should include requirements for local government to improve standards for the built environment, and the Plan should drive better quality and design of unit and infill development and encourage the engagement of communities in conversations with council about design and urban form in their local area. Without this local communities will continue to put up significant resistance to multi-unit developments, influencing local politicians to put a brake on densification, leading to housing growth targets not being met.

Communication strategies can also show communities the benefit of affordable rental housing to stop people being displaced from the community by gentrification. Affordable rental housing can be designated for local communities, giving lower income households a foothold in the communities they are connected to.

² Building Community Acceptance for Community Housing (J Stubbs for the NSW Federation of Housing Associations, July 2017)

Affordable housing as essential infrastructure

The Federation has consistently argued that affordable housing, including affordable rental housing, should be seen as essential infrastructure. Recent research carried out for the Federation and the GSC by Duncan MacLennan et al, *Making Better Economic cases for Housing Policies*³ (draft) makes a compelling case for the economic benefits of investment in affordable housing and this should be reflected in the Draft Greater Sydney Region Plan through the addition of affordable housing with the other identified infrastructure investment in transport, health and education and the digital economy, in recognition that it is central to Greater Sydney's long term success.

This research suggests that the Plan needs to recognise the synergies between these investments, including that the productivity of housing investment is critically dependent on the mix of other infrastructures within which it is located and connected to. The report also indicates that the effective capture of gains from infrastructure and planning decisions that can be used to deliver affordable housing could be more effective in integrated place based approaches, such as Priority Precinct and the Federation supports the sequencing of infrastructure delivery with growth using a place based approach.

Objective 2 in this section identifies that key means of aligning infrastructure development with growth as a 'growth infrastructure compact'. The Federation believes that all growth infrastructure compacts must include affordable housing as a core infrastructure component to be included within the 'preferred growth scenarios'.

The Federation welcomes the Plan's focus on infrastructure that can adapt to meet future needs and that supports maximising the use of existing assets in Objectives 3 and 4. It would be useful to see this extended to an understanding of how housing, as a key part of the city's infrastructure, can also be adaptable and optimised – what is the future for the use of housing assets, will this future incorporate attributes of a shared economy and how will this challenge the notions of public and private space, and community infrastructure.

The Federation supports the aims of Objective 5: A collaborative city, but would like to see the non-government sector explicitly recognised as partners in this section of the Plan. The typography of *Approaches to supporting land use and infrastructure planning and delivery* is a helpful illustration of the range of mechanisms being proposed across a range of government departments and the Federation would recommend that for each of these mechanisms there are clear requirements for the engagement of registered community housing providers.

A Strategic Alliance of registered community housing providers operating in Western Sydney has already prepared a proposal for working with all tiers of government to deliver the affordable rental housing component of the Western Sydney City Deal.

³ Draft - Making Better Economic Cases for Housing Policies D MacLennan, L Crommelin, R van den Nouwelant and B Randolph (Nov 2017)

This alliance is an example of how registered community housing providers can be effectively engaged in early discussions to shape a response to the issues of housing affordability, and can lay the groundwork for the development of effective implementation strategies within an integrated approach. Federation members would be keen to be engaged in appropriate Collaboration Areas.

Section 5: Productivity

The target for reducing travel times and increasing the number of dwellings located within 30 minutes of public transport is welcome as a means of reducing congestion costs and improving productivity and liveability for the City's residents. This can only be done if the planning of housing delivery is in 'lock step' with the planning for transport services. New affordable rental housing must be located near to employment to reduce travel time and maximise productivity. As identified in the Report, *Making Better Economic Cases for Housing Policies* 'the 'productivity' of housing investment will be critically dependent on the mix of other infrastructures nearby, and to which it is connected'.

The focus in this section on delivering the jobs that the city will need key strategic centres also provides a clear framework for the location of new housing supply. Critically through there needs to be a better understanding of how much of that supply should be affordable rental supply.

The District Plans, whilst identifying the overall supply shortage, provide no detail about how much of that supply will need to be social or affordable rental housing. Moderate or middle income earners will be essential to delivering on the economic productivity needs for Greater Sydney and there will need to be further work through the proposed housing strategies to ensure that the communities that are delivered are vibrant mixed communities.

As identified in the *Making Better Economic Cases for Housing Policies* Report, housing is a key driver of productivity and underpins economic performance. Any planning policy designed to support economic growth has to give explicit consideration to how any new provision aligns with, and addresses, low and middle income labour shortages. Without this, the development of new education and health hubs, of new transport hubs such as Western Sydney Airport, and of new retail and tourism growth, and the Plan's aim of more even distribution of prosperity, will be undermined.

The Federation strongly supports the inclusion of housing affordability in the context of the Western Sydney City Deal. As set out earlier, Federation members operating in Western Sydney have already developed a proposal for a co-ordinated response to delivering affordable rental housing as part of the City Deal. The Federation would like to see the NSW Government make a clear commitment to setting, and supporting the delivery of, affordable rental targets within the City Deal area.

Section 6: Sustainability

The Federation welcomes the focus on sustainability as a major component of the Draft Greater Sydney Region Plan. Integrated planning to mitigate climate change impact, design 'better greener' places, and to reduce energy costs, will be critical factors in making the city liveable into the future. Registered community housing providers house people on very low, low and moderate incomes and for these households any reduction in the cost of energy and water utilities is really significant.

The Sustainability Section of the Plan has a strong focus on open space, biodiversity and the city landscape. Whilst these are all central to delivering a sustainable city, the Federation would like to see the inclusion of a section on developing more sustainable built forms.

Housing design globally is adapting to respond to climate change and the need to reduce carbon emissions, and is helping to deliver significant sustainability outcomes. This strategy seems to be missing from the Plan for Greater Sydney. City West Housing in Pyrmont is an example of an affordable housing provider that was established with a requirement to build sustainably designed homes in a dense development environment.

Housing design across Sydney will also need to adapt to the city's ageing population. There are a number of issues which limit choice for older people under-occupying larger homes. Designing homes with lower running costs which provide choice to older people can be a lever to unlock land and housing. This issue warrants further consideration, potentially by Landcom.

Part Two – comments on Section 4: Liveability

The Draft Greater Sydney Region Plan provides an excellent framework to improve the liveability of Sydney, delivering a more inclusive and productive global city. The Federation welcomes the recognition in the Plan of the importance of housing supply and affordability to the future of the Region and, in particular the key strength of the Plan in linking a focus on housing supply and affordability with action to tackle other infrastructure challenges.

The Federation's members have a particular interest in affordable rental housing supply. Registered community housing providers house people who have lived experience of affordability challenges. Recent analysis continues to highlight the significant housing affordability challenges for very low, low and moderate income households across Greater Sydney:

- On a typical day in April 2017, of 13,447 advertised rental properties across Greater Sydney only 625 were affordable to households earning a minimum wage, and just 26 were affordable to households living on income support payments⁴
- Only 1.62 percent of properties across Australia are affordable to rent for single people on the age pension and only 4.28 percent are affordable for a couple on the age pension⁵
- Rents remain severely to extremely unaffordable within a 10 kilometre radius from the Sydney CBD, with the average household facing rents at more than 60 per cent of their total income in some inner postcodes, and more than 40 per cent in most other postcodes within this radius.⁶
- The number of moderate income households living in rental stress in Greater Sydney increased by 30% between 2006 and 2011 (from 26% to 34%)
- In 2010, rents in Parramatta were 8% below the Greater Sydney median. By 2014 this had fallen to just 2% below the Greater Sydney median⁷
- There has been a 40% decline in rental affordability for people on moderate incomes in Randwick LGA since 2006

Given these challenges, the Federation and its members support proposals in the Draft Plan that will help to increase affordable rental housing supply. There is an increasing consensus that over and above general housing supply levers, specific measures are needed to deliver affordable rental housing. This housing needs to be in the right locations that give people access to jobs, transport and services.

A Future Housing Strategy 2056

The housing supply challenges that the GSC acknowledges in the Greater Sydney Region and District Plans highlight the need for an integrated policy framework for housing in NSW. Creating a city of great places will require a coherent vision for the city's future housing supply – where it is, what it is and how it supports people to access opportunities. Culturally and economically diverse communities are the most inclusive and successful communities.

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

⁵ [Ibid](#)

⁶ https://www.sgsep.com.au/application/files/6215/1184/4292/RAI_2017_NOV_-_final_compressed.pdf

⁷ Affordable Housing Discussion Paper – City of Parramatta, 2017

Having a housing strategy which is similar in scope and vision to the *Future Transport Strategy 2056* would create a unifying framework for future housing supply which can support economically and culturally diverse, successful communities.

The Federal Government has also indicated that it intends to make its affordable housing funding contingent upon States having in place a 'credible' housing strategy which identifies housing supply needed to respond to projected housing demand.

The GSC could consider how any needs assessments underpinning a credible housing strategy will be undertaken. There is an opportunity for NSW to lead work with other jurisdictions to develop a methodology which can be applied at different levels.

A *Future Housing Strategy 2056* would be an opportunity for the NSW Government to integrate housing responses, linking planning reform, infrastructure strategies, social housing renewal and other initiatives to meet the future housing needs of the city.

The strategy could be an excellent opportunity for government to apply a strategic commissioning approach to the planning, delivery and review of affordable rental housing.

The strategy could include:

- Projected housing need to 2056, including across the income spectrum and for different family units. This would also consider age and links with the aged care sector and meeting the needs of people living with disability
- A focus on Aboriginal housing needs and measures to engage Aboriginal Lands Councils in local housing strategies
- A commitment to actions to promote the delivery of the range of housing needed to meet needs and to address failures in the housing market
- A particular commitment to delivering housing outcomes for households across the income spectrum, including for very low, low and moderate income households
- Strategic connections between housing growth, planning priorities and infrastructure investment, including addressing the influences these factors have on housing markets
- Economic case for investment in housing to contribute to productivity , with particular reference to affordable rental housing
- A recognition of the key role registered community housing providers can play in managing and delivering affordable rental housing
- Mechanisms, including capital investment and recurrent subsidies to deliver affordable housing outcomes for very low, low and moderate income households and a review mechanism to recalibrate this as the market changes
- A mechanism for aggregating local housing strategies to demonstrate delivery of housing outcomes
- A compliance and monitoring framework that gives confidence that affordable housing outcomes are being delivered and that also monitors and adjusts housing need projections

Objective 10: Greater housing supply

The Federation welcomes the recognition in the Draft Plan that housing is needed to suit a diverse range of incomes as well as to meet diverse needs in the community and that it represents an integrated approach that links housing to infrastructure and gives people access to jobs, services, transport and green spaces.

The Federation supports both of the proposed Actions under Objective 10 and suggested further detail to strengthen their impact.

Action 2 – Prepare housing strategies

The Federation strongly supports the proposed action that local housing strategies be prepared. It will be important for the GSC and the NSW Department of Planning and Environment to take a leadership role which ensures consistent and robust methodologies that can be aggregated at District and Region levels and there is a need for more detail about:

- how local housing need assessments will be undertaken, particularly how the methodology considers need across the income spectrum
- how the strategies will support a Region level analysis of need
- local target setting and local commitments to achieving affordable housing outcomes
- analysis of market demand, alignment to infrastructure, displacement, engagement with the community and efficiency.

Action 3 – Develop 6-10 year housing supply targets

The proposal to develop 6-10 year housing supply targets is also supported by the Federation. While it will be important to monitor delivery of 0-5 year supply targets, and to revisit where possible current local pipelines to identify opportunities to increase supply with a particular focus on affordable rental housing, the 6-10 year horizon presents an excellent opportunity to make meaningful progress on affordable rental housing.

To ensure a focus on the delivery of affordable rental housing, the Federation recommends that the 6-10 housing supply targets include:

- affordable rental housing targets being set as a component of overall housing supply targets
- affordable rental housing targets linked to need at local levels
- affordable rental housing targets for different income levels – very low, low and moderate
- clarity around the role of registered community housing providers in the future delivery of affordable rental housing

More housing in the right locations

The Plan makes it clear that the future of the city is to increase in density rather than to increasing the city's footprint. This provides clarity for the community, developers and planners about how the city will change over time and means that registered community housing providers can plan their portfolio development in line with expectations of future employment and population growth.

Urban renewal

The Federation's members are keen to participate in the NSW Government urban renewal agenda. Urban renewal offers significant opportunities for well-located housing for people across the income spectrum. It would be timely to undertake a land audit to identify urban renewal opportunities.

Rezoning and upzoning in urban renewal locations must be used as an opportunity to drive increases in affordable rental housing (as per *Strategy 11.2*). There is broad evidence base showing how effective inclusionary zoning can be at delivering diverse housing which provides social and economic benefits to the community.

The Federation considers that there is an extremely strong case for government to use publicly owned assets in urban renewal areas as a catalyst for affordable rental housing supply. 30% should be the minimum target for affordable rental housing for housing delivered on rezoned or upzoned government land. This would reflect the productivity and social benefits of affordable housing for communities.

There is a role for an agency to facilitate assembly of land (particularly brownfield sites) in urban renewal areas. The UK's Homes and Communities Agency is one model which could be considered.

Through the planning system Government should be required to undertake a full and robust analysis of benefits that considers opportunities for additional affordable rental housing supply.

Local infill development

Local infill development has not received enough attention in [previous strategies for growing housing supply. The Federation welcomes its inclusion in the Draft Plan and supports the focus on medium density development alongside larger urban renewal opportunities.

The Federation would support the exploration of potential initiatives which could increase affordable rental housing in local infill developments. This could include consideration of the recent PWC proposal to amend the SEPP Affordable Rental Housing 2009 to permit multi-dwelling housing in lower Residential 2 zones, provided that a proportion of the dwellings are designated as affordable rental housing⁸

⁸ <https://www.pwc.com.au/infrastructure/cities-affordable-housing-initiative-report-2017.pdf>

New communities in land release areas

New land release areas offer an opportunity to ensure that affordable rental housing is part of a developing vibrant mixed community and all new release areas should have a target for affordable rental housing.

Housing targets

The Federation is strongly in favour of the use of numerical housing supply targets to focus attention on achieving supply outcomes and to create a more efficient housing supply process.

The housing supply targets which have been included in the Plan are an excellent start and quantify the scale of change that the Region needs to remain a global city. The Federation would like to see the development of housing needs assessments in NSW to support refinement of these targets over time. These will include a focus on quantifying the need for affordable rental housing.

The Federation would be supportive of housing supply targets which:

- include numerical supply targets for affordable rental housing at Region, District and local levels
- reflect how planning instruments at all levels will support their achievement
- reflect the benchmark level of affordable rental housing supply in the system
- can be tracked over time and reported publicly
- allow for mandatory provisions to be applied where local strategies have not supported achievement of local targets

Metrics could be developed which measure progress delivery of affordable rental housing targets and how much affordable housing is being delivered on rezoned sites. These metrics would supplement the Liveability metrics included in the Plan.

Housing strategies

Development of housing strategies can support the delivery of the targets set for outcomes. A clear framework for the proposed Local Housing Strategies which covers the full spectrum of housing requirements and opportunities now and over time will be fundamental in delivering the housing supply needed to meet the targets.

Local councils should be required to explore a full range of approaches to meeting the housing needs in their areas in their Local Housing Strategies, and where appropriate they should work with other councils in their sub-region to ensure consistency and optimise outcomes.

The concept of diverse housing should be clearly defined as covering diversity in size, type and tenure and price point of the housing delivered.

Local Housing Strategies should be required to:

- Consider the requirements across all tenures and over time
- Identify the housing diversity requirements of all submarkets – taking into account household type and size, stage in life cycle, the needs of people with disability and reduced mobility, requirements for housing related support, and should distinguishing these by tenure and price point
- Examine local housing supply and the dynamics of the local housing market
- Incorporate a deeper analysis of supply for households not well served by the local market, including the availability of suitable, affordable rental housing
- Identify areas of under/oversupply, gaps and underutilisation of housing including prevalence of vacant dwellings
- Examine supply opportunities and constraints, including potential for expanding housing supply through rezoning, upzoning, land release and/or adjustment of planning controls
- Provide a basis for strategies to protect and expand supply to respond to numerical supply targets for housing/affordable housing which include a comprehensive range of responses to meet the full range of needs identified.

Local councils will be greatly aided in developing robust and deliverable Local Housing Strategies if the NSW Government develops a methodology for needs assessment and undertakes a comprehensive examination of needs at a State and District level. This assessment would inform and assist local government to examine and articulate local housing needs.

The GSC and the Department of Planning and Environment will need to consider levers to ensure affordable housing needs are addressed in local housing strategies. Can councils be incentivised to include affordable rental housing targets and should targets be imposed where they are not included?

Creating a long-term housing pipeline by district

The Federation strongly supports the proposed creation of long-term housing pipelines at District levels. This approach will help ensure phased and controlled housing supply growth that is linked to infrastructure investment and growth.

Objective 11: Housing is more diverse and affordable

The Federation welcomes the recognition in the Draft Plan that further work is needed if the city's housing stock is going to meet the changing demand shaped by the needs of people and the different incomes of households into the future. The Plan's diagnosis of the diversity and affordability challenges in Sydney's housing markets is accurate and if key workers are to be able to live in the communities that they support, policy change is required.

The Federation supports Action 4 under Objective 11, but has recommendations that would significantly strengthen the actions to ensure the delivery of more affordable rental housing.

Action 4 – work with Department of Planning and Environment to implement affordable rental housing targets

The Federation is pleased that the Plan takes steps to set affordable rental housing targets. Target setting is critical and signifies a commitment to improvement which will be monitored over time.

The Federation's preference is that affordable rental targets are set in a manner consistent with the housing supply targets. That is, targets for affordable rental housing supply are based on an assessment of current and future needs and are expressed numerically. Adopting this approach would enable analysis of the potential supply gap between affordable rental housing delivered through inclusionary zoning, and affordable rental housing need, thereby quantifying what is needed from other subsidy mechanisms.

The Federation agrees that work is needed to improve how the planning system delivers affordable housing outcomes and supports the proposed action that the GSC works with the Department of Planning and Environment to this end.

The Federation would like to see:

- Numerical targets for affordable rental housing at the Region, District and local levels based on an assessment of housing need
- 30% affordable rental housing set as the benchmark for housing delivered on rezoned or upzoned government owned land
- Recognition of the need to deliver affordable housing for moderate income households, including identifying at a local level how planning mechanisms can secure affordable housing across the income spectrum

Continued

- Broad application of inclusionary zoning as soon as possible, including:
 - Steps being taken by the GSC and the Department of Planning and Environment to ensure delivery of affordable rental housing during the transition period as the Plan is adopted and Councils develop strategies and update Local Environmental Plans
 - areas being rezoned or upzoned for any purpose and not limited to specific precincts or land releases
 - with the 5-10% seen as a starting point not a limiting range and applying to the full development not just additional floorspace, reflecting the uplift in residual land value through zoning in different locations
 - a clear transition timeframe and process to a higher range of 10%-15% for affordable rental housing
- Clarity about the mechanism for developer contributions for affordable housing, including:
 - a preference for contributions in kind, particularly of land
 - no minimum threshold for smaller developments below which a financial contribution is not required given that financial contributions can be directed to an affordable housing investment fund
- Greater emphasis on the facilitation of affordable housing, including:
 - Amendment of SEPP 70 to recognise, as the District Plans do, the pressing need for affordable housing throughout the Region – this is critical to give local councils a framework to utilise the provisions of section 94F and 94G of the Environmental Planning and Assessment Act 1979 to seek contributions for affordable housing as a condition of development approval
 - exploration of potential initiatives such as the recent PWC proposal to amend the SEPP Affordable Rental Housing 2009 to permit multi-dwelling housing in lower Residential 2 zones, provided a proportion of the dwellings are designated affordable rental housing
 - package of incentives for affordable rental housing projects at local government level (such as, dedicated officers to deal with proposals, fast tracking of applications, land contributions, linking community services planning with housing provision, reduced development fees and more flexible standards)
 - development of specific complying standards for affordable rental housing projects
 - establishment of an 'Affordable Housing Trust' to facilitate pooling of resources

- incentives from local councils, including rate concessions and reduced council fees
- Transparent processes for viability testing, including:
 - that Councils are properly resourced to manage a robust viability testing system that is consistent across the Region
 - an assessment of financial feasibility at a local level to guide indicative inclusionary zoning levels to give developers early visibility of site suitability
 - agreement of limited circumstances where affordable housing contributions may be challenged and an outline of the dispute resolution mechanism
 - measures to ensure viability testing does not cause lengthy delays in the development pipeline
- A commitment to engage the community housing industry in:
 - managing all affordable housing delivered by inclusionary zoning
 - identifying opportunities to deliver affordable rental housing in local communities
 - designing and implementing affordable rental housing targets
 - monitoring affordable rental housing outcomes

It is critical that, in working with the Department of Planning and Environment in implementing affordable housing targets, the GSC engages with other parts of government so that infrastructure, planning, and housing policy settings, all reinforce the strategic intent around affordable rental housing that has been established in the Region and District Plans.

Given the anticipated role of its members in managing and delivering affordable rental housing, the Federation should also be involved in governance structures overseeing the implementation of the Plan.

Meeting the challenges across the housing continuum

The Federation welcomes the nuanced view that the Draft Plan takes on housing supply. There is clear recognition in the Plan that rental affordability challenges are experienced across a range of income levels, not only for the lowest income households. The Plan prosecutes the case that income levels are determinants of how close people can live to where they work and have social connections, how well the physical form meets their needs and how secure they are in their tenure.

This is an excellent starting point and the Federation hopes that this acknowledgement will support long term planning which can give confidence to players in the market to deliver the different types of housing needed to make the city liveable and inclusive. It will also support government to design policy which responds to the changing use of housing, including supporting the rental sector as a stable, affordable housing option for people across the housing continuum.

Existing government policies to specifically address housing affordability

Recent NSW Government initiatives have started to address some of the rental housing challenges in NSW. However, whilst the Social and Affordable Housing Fund will make a contribution to social housing supply, when weighed against the longer term vision of the Draft Plan, the impact of this program will not significantly contribute to the quantum of housing needed.

Communities Plus will also help renew the ageing social housing portfolio and will deliver more efficient land use and some additional affordable rental housing, but with a waiting list of 60,000 households in NSW its capacity to meet unmet demand for very low and low income households will be limited.

The Federation would hope that the Plan leads to an acknowledgement by government that further investment in additional social and affordable rental housing, in combination with the ongoing renewal of existing social housing is needed. Where it stimulates more affordable rental housing, the Plan has the potential to support the government's goal of transitioning social housing residents to more independent housing. This goal will need to be supported by residential tenancy law reforms to address the security of tenure differences between social and private housing.

Affordable rental housing for very low and low-income households

The Federation welcomes the recommendation that the NSW Government adopts Affordable Rental Housing Targets for very low to low income earners and the focus on the provision of affordable rental housing to support working households in the community.

The Federation understands community opposition to some housing projects, particularly those involving social or affordable housing⁹. It is really important that there is consistency around decision making to include affordable rental housing in developments and that there is confidence that there will be commensurate investment in other community infrastructure.

There is also a need to have a nuanced approach to reflect the different development costs and processes and land acquisition processes in land release and urban infill areas. The Federation would hope that through the Plan, local balance can be struck between community acceptance, developer interests and the need to grow affordable rental housing to improve the city.

The NSW Government will need to support the aims of the Plan by developing a strategic framework for affordable rental housing delivery which addresses the ongoing role that the community housing industry can play in ensuring affordable rental housing outcomes are achieved.

There is currently very little monitoring of affordable rental housing and communities are often skeptical about who the benefits are flowing too - ongoing community support for affordable rental housing will in part be contingent upon having clear visibility of outcomes. The community housing industry, through its regulatory framework, can provide assurance and transparency about the achievement of the affordable rental housing targets proposed in the Plan and should play a key role in developing and managing affordable rental housing.

Application of the Affordable Rental Housing Target

There should be flexibility in the target for different market conditions. The GSC should consider broadening the 5-10% range because in some markets a higher proportion of affordable rental housing may be viable. Research for Inner West Council found that affordable rental housing targets of 15% would be reasonable without affecting development feasibility in most of the LGA.¹⁰

In different market conditions, the GSC should consider opportunities for a 10-15% target with a component targeted to moderate income households to reflect the lack of affordability for that cohort in some locations.

The GSC should also consider using the 5-10% range as a starting point with a phased transition to a higher range over time. The timeframe and process should allow land owners and developers to plan for higher targets for affordable rental housing.

⁹ Responding to Community Resistance to Affordable Housing Developments (J Stubbs for the NSW Federation of Housing Associations, June 2016)

¹⁰ <https://www.innerwest.nsw.gov.au/ArticleDocuments/296/Background%20Paper%20Affordable%20Housing.pdf.aspx>

It remains unclear how inclusionary zoning will be operationalised into units and greater clarity is needed. This will have a fundamental impact on how affordable rental housing is delivered and how registered community housing providers can contribute to better outcomes for people.

The Federation can imagine three scenarios:

- free or heavily discounted land in the development that is transferred or sold to a registered community housing provider (via the Council or direct by developer) that the provider can combine with other funding and financing sources to produce affordable rental housing units
- a commuted sum to be transferred to a provider to deliver affordable housing elsewhere. This is perhaps the least preferable scenario because land values and availability are often the biggest challenge for developers of affordable rental housing
- units built by the developer within their complex and passed on possibly to a registered community housing provider to own and manage.

Viability testing

Viability testing is likely to become a highly contested stage of the development process. Viability testing has been shown to have some perverse and negative consequences. It has been argued in the UK that the introduction of a viability assessment for inclusionary zoning has driven up land prices and has led to a significant reduction in the amount of affordable housing being delivered through inclusionary zoning.

Great care is needed in the design of the viability test and in its application to ensure that the development process is not significantly extended and that developers do not find ways to use the process to maximise profits while minimising affordable rental housing outcomes.

The Federation proposes that if there is to be viability testing, it is undertaken by government at the point that land is rezoned or upzoned, with scope to review at a later date where needed. Consideration could be given to:

- Powers to set firmer affordable rental housing requirements as policy in local plans, rather than targets that can be negotiated away
- Appointment of a team of viability experts to set and review affordable rental housing targets for developments and as land is rezoned or upzoned
- Standard guidance and transparency in the viability assessment process with relevant information to be published in contested cases
- Powers to 'claw back' greater-than-expected profits where developments have proceeded that could have delivered higher levels of affordable rental housing

Planning for moderate income households to support Greater Sydney's workforce

It is an important step forward that the Plan recognises that there are currently many working families with moderate incomes who are in housing stress in unaffordable housing. Key-workers are essential to local communities and there are now increasing numbers of teachers, health workers, Police and fire people who are struggling to keep housing connections to the places where they work.

The Federation notes that the approach to affordable housing set out in the Plan does not preclude councils from negotiating additional affordable rental housing for moderate income households. The Federation suggests that the GSC consider an additional target for housing affordable for moderate income earners over and above the 5-10% inclusionary zoning target. Density bonuses could be used to incentivise developers to deliver these additional targets.

The Plan will not affect existing planning mechanisms that secure affordable rental housing across the full income range, such as those in the City of Sydney or Willoughby LGA. That the Plan identifies need for affordable rental housing across Sydney reaffirms the case for planning reform to support other local councils to negotiate additional affordable rental housing supply.

The Federation agrees that there are opportunities in the planning system to deliver innovative and diverse housing models for moderate income earners, including through allowing for smaller dwellings. Reform of residential tenancy law can also support the development of models for moderate income earners.

However, the Federation does not support constraining the affordable rental housing to be delivered for just very low and low income earners. There are three key reasons for this:

- Creating diverse, inclusive communities should be a key principle underpinning new housing development because this is a key factor in shaping successful places
- Moderate income earners face significant affordability challenges in many parts of Sydney. There is a productivity impact of moderate income earners living further away from where they work. Moderate income households are also consuming further down the housing continuum and competing with lower income earners
- Current income based rental models for affordable rental housing rely on a mix of income streams with moderate income earners cross subsidising lower income households by paying higher rents

There are a number of international examples of inclusionary zoning that take a broader view of the income bands targeted. In more expensive housing markets on the east and coasts of the US the upper threshold for incomes (as a proportion of median incomes) is usually higher to counter the affordability challenges for these moderate income households.

To support the delivery of affordable rental housing at scale, there will be a need to revisit rental models and operating subsidies because:

- There are a number of different rental models in operation for affordable rental housing delivered through different mechanisms
- Market rents impact affordable rents more significantly in some markets than others – our members can provide examples of this
- If affordable rental housing is targeted at only very low and low income households it will require deeper operating subsidies
- Moderate income earners could potentially pay a higher proportion of incomes because they will have relatively high residual incomes when compared with other affordable rental housing tenants

The Federation is happy to work with the GSC and Department of Planning and Environment to develop the understanding of these issues.

Build to Rent models being explored by developers are an interesting opportunity to deliver a more stable and longer term rental product. It is important that Build to Rent schemes are not conflated with affordable rental housing and used by developers to meet inclusionary zoning requirements.