

SHELTER NSW SUBMISSION

Response to revised draft Greater Sydney region & draft District plans

Submission to the Greater Sydney Commission from Shelter NSW

1. About Shelter NSW

Shelter NSW is the peak body working for a fairer and more effective housing system for lower income households in NSW. We are a non-government, non-profit organisation and unite the voices of low-income households and non-profit organisations working on their behalf. Shelter NSW undertakes research on and advocates for the housing interests of low-to moderate-income and disadvantaged people, and provides community education to build the capacity of non-profit organisations to provide housing and housing-related services. Shelter NSW is not aligned to any political party or commercial organisation.

Over the past decade Shelter has had a keen interest in urban policy and planning, recognising its substantial impact on the housing well-being and opportunities of low-income households, as well as citizens generally.¹ Shelter was represented on the Commission's Social Panel.

A summary of comments and recommendations in this submission is at Section 3, p15.

2. The purpose of the submission

Changes in urban form fundamentally affect low income households. Development in Sydney over many decades has been characterised by displacement and exclusion of low income and vulnerable households. Changes in built form have similarly carried with them, risks to their adequacy for many residents, in terms of access, amenity, cost and quality.

¹ Our publications in the area can be found at: <https://shelternsw.org.au/publications/urban-policy-%26-planning> Submissions at: <https://shelternsw.org.au/publications/urban-policy-%26-planning-0> We also run an occasional lecture series <https://shelternsw.org.au/lecture-series/2015-urban-issues-series>

Earlier this year, Shelter published a series of three reports we commissioned from the City Futures Research Institute, *Equitable Density*,² which began a crucial conversation in Australia about the differential impact of urban densification on low-income households.³

Housing affordability, particularly rental affordability, is also profoundly affected by patterns of development and redevelopment – and by the transport options that link (or fail to link) housing to work and community – affecting the well-being and opportunities of lower income households that make up 30-40% of the city’s citizens.

In turn, housing affordability drives the locational options open to lower income households (as well as the tenure options). As a result of the current unmitigated collapse of housing affordability (particularly rental affordability), Sydney has become a more geographically polarised city, with increasing concentrations of disadvantage.⁴ These are not – as sometimes characterised – social housing estates, but rather concentrations of disadvantage in the private market driven by the availability of (relatively) affordable rental housing.

In summary, whatever else may characterise Sydney (such as ‘global city’), Sydney is also characterised by being:

- The least affordable city in Australia and one of the least affordable in the world
- A geographically polarised city – an unequal city
- A city that repeatedly displaces its lower income citizens

Like the Draft Greater Sydney Region Plan (and the district plans), this is a dynamic picture and one that will influence the achievement of the changes needed to make the region plan’s vision reality. Equally, some of the actions described in the Region Plan (redevelopment and densification of existing lower cost rental housing for example) have the potential to exacerbate displacement, exclusion and the hardship of unaffordable housing – just as the Plan also has the potential to mitigate these risks.

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<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/1.%20Equitable%20Density%20-%20Building%20Scale.pdf>;

<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/2.%20Equitable%20Density%20-%20Neighbourhood%20Scale.pdf>;

<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/3.%20Equitable%20Density%20-%20Metropolitan%20Scale.pdf>

³ However, 7 years ago Shelter first commissioned work in this area from City Futures: Hazel Easthope and Sarah Judd, ‘Living well in greater density’. *Shelter Brief No 42*. June 2010.

<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/rpt10livingindensity-sb42.pdf> Followed in 2012 by Dr Jack Barton, ‘Dwelling with visual and acoustic privacy’. *Shelter Brief No. 50*. February 2012.

<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/rpt120visualacousticprivacy-sb50.pdf>

⁴ Randolph, B, ‘The new geography of suburban disadvantage in Australia’, *Around the House*, No 99. Dec 2014

So we look to the Draft Region Plan to demonstrate an awareness of the need to make these key considerations in framing its District Plans and the framework set by the Region Plan.

Affordability

In terms of affordability, the draft Plan has clearly identified the affordability problem as a central consideration and theme. Shelter strongly supports this and congratulates the Commission on, not only identifying the problem, but proposing a mechanism to help address it. As the Commission's consultations have shown, there is widespread support for some such mechanism across stakeholders, and Shelter would like to reiterate our support.

However, there are important aspects of the mechanism proposed that we believe need further elaboration or reconsideration, and we will discuss these below.

While we will comment further on this below, one very significant gap is the failure of the Plan to quantify the need for additional housing that is affordable to lower income households – or the contribution that its proposed mechanism will make to meet this need.

In saying this, we fully recognise that land use planning is only one aspect of a response to housing affordability. The mechanisms recommended by the Commission can at best contribute to the provision of affordable housing. However, since housing unaffordability is not only a matter for local (or even some cross-LGA planning) in the interests of local citizens and communities, but is also a structural constraint on some key outcomes of the Plan (see the discussion of productivity below), it is incumbent on the Plan to both identify the dimensions of such constraints and the realistic contributions other policies can be expected to make. Where they are insufficient, we would urge the Commission to provide Government with this advice.

Nonetheless we applaud the emphasis on housing affordability in the Plan. But we are less convinced that the other two characteristics of Sydney have been effectively considered or addressed in the draft – displacement of low-income households and the concentrations of disadvantage and geographical polarisation of the city.

Displacement

The only discussion of displacement is one paragraph in the liveability section on issues local housing plans should respond to:

“Displacement: Managing potential impacts of growth on existing communities such as displacement by understanding the location and volume of affordable rental housing stock.”

Shelter strongly supports the inclusion of displacement as a criterion to be considered in drafting local housing plans. By definition, displacement undermines objectives such as Objective 7 - Communities are healthy, resilient and socially connected.

But, by itself, this doesn't give due weight to the importance or the structural nature of the issue. The impact of displacement, almost by definition, is most likely to be experienced in other LGAs.⁵

A serious consideration of displacement in local plans – and in the draft Region Plan – might be to identify the likelihood of displacement from all redevelopment and to set this as a floor for an affordable housing target, before the targeted proportion of planning uplift is applied.

At a minimum, the draft Plan should be amended to identify systematic displacement as a major risk to a city in a period of the massive transformation foreseen in the draft Plan.

Polarisation – an unequal city

Even more than the challenge of displacement, spatial polarisation, driven by housing unaffordability, is a structural issue that affects the workability of the whole plan. An inclusive city cannot be one that is systematically divided by income. Nor can an economically efficient or productive city. The draft Plan notes this in its discussion of productivity:

“International research indicates that a monocentric region experiencing growth can eventually suffer from increasing business occupancy costs, increasing costs of living and housing, increasing costs of labour that impact on labour supply, spatial polarisation, social segregation, congestion, air quality problems, and heat island effects.”⁶

However, the draft plan explains social polarisation and spatial segregation as effects of a mono-centric city, and suggests that the solutions will flow from polycentric development that delivers (among other things),

- new locations for housing closer to jobs at more affordable average prices
- more even distribution of prosperity

While it is to be hoped that more widely dispersed employment opportunities will mitigate some of the impact of spatial polarisation, we are not aware of any evidence that suggests that this will deliver more affordable housing. That requires *a separate intervention* to deliver affordability across all markets to ensure that the potential benefits in terms of productivity, equity and social cohesion that might flow from the proposed polycentric Greater Sydney are possible.

But this suggests that a lack of housing affordability across the system structurally limits other vital objectives of the draft Plan beyond social inclusion – in this case productivity. And that their achievement will require not simply some improvement in the availability of housing that is affordable, but a threshold in terms of quantum and distribution.

⁵ It is also important to recognise that some of the drivers of displacement are effects of State policies rather than local instruments. The changes to strata laws to allow for forced sales is one that will potentially have serious impacts in areas with concentrations of lower cost, aging, apartments.

⁶ Draft Region Plan p68

To that end, a clear statement of the level of need, against which the aggregate efforts of local housing strategies and affordable housing targets must be measured, should be included in the Plan, as we have outlined in 2.1 below.

Finally, we would have expected to see a focus on the concentrations of disadvantage and income polarisation highlighted in the relevant draft District Plans. It is striking that the Western Sydney District Plan, while it explicitly identifies proposed reduction of concentration of social housing in identified locations, is silent on concentrations of disadvantage in general – despite the fact that it covers the areas with the greatest concentrations.

The corollary is that we would have expected to see a specific discussion of the need to preserve these locations of relative affordability in the process of growth across the region.

We strongly recommend that this be more explicitly and fully recognised in the District Plan.

2. Proposals to strengthen the draft Plan

2.1 Identifying the need for affordable housing – an affordable housing target

As noted above, Shelter does not believe that mechanisms recommended by the Commission in this Plan should be expected to address the whole (or, indeed, a majority) of the shortage of housing that is affordable to lower income households. However, we strongly believe that that the Plan as a whole is weakened by lack of any identification of current and projected need for increased affordable housing.

We strongly recommend that such a measure accompany the Plan, perhaps as a companion document. Until that is done, we propose that the following measures be noted.

Current undersupply of affordable housing

Sydney has a shortage in the order of 100,000-120,000 low-cost (social and affordable) rental units today. In addition, it needs a further 80,000 over the next 20 years to meet projected need. This means a supply of 10,000 affordable and social housing units each year – although this should be skewed to the early years to address the current crisis.

The evidence - undersupply

We have used three data sources to identify this range:

One measure of the undersupply may be inferred from the Productivity Commission's *Report on Government Services 2017*, Table GA4, 'Proportion of low income households in rental stress, by State and Territory, by location'⁷. This shows that in 2013-14 there were 144,971 low income households in rental stress in Sydney (before including CRA).

⁷ Source: ABS (unpublished) Survey of Income and Housing, 2013-14 (and previous years)

In Table G28, 'Number and proportion of income units receiving CRA paying more than 30 per cent of income on rent, with and without CRA', it shows that in 2016, 114,628 households in receipt of Commonwealth Rent Assistance (CRA) in Sydney were in housing stress even after taking CRA into account.⁸ Before taking CRA into account there were 168,037 CRA recipients that would have been in rental stress.

However, the most definitive measure at each census of the shortage of affordable rental housing is produced by AHURI researchers, Professors Kath Hulse and Judith Yates et al⁹ – most recently in 2013, based on the 2011 Census. This continues an analysis of this shortage covering three censuses (and projections for the then National Housing Supply Council during inter-censal periods). Unfortunately the analysis of the 2016 Census data will not be available for some time.

The crucial importance of this data is that it not only identifies the number of rental dwellings in the Sydney market that were affordable to renters in the bottom and second quintiles of incomes, but also whether these were available to low income households or were occupied by households with higher incomes. That is, it reflects not only underlying supply, but also actual market conditions. This will be particularly important if we are to reflect the impact of growing demand from the growing proportion of (higher income) households renting because they cannot afford to enter home purchase.

In 2011 there was a shortage of 93,100 rental dwellings that were affordable to very low income households (Q1) and low income households (Q2) and were available to such households.

This number had grown by 18,300 between the 2006 and 2011 censuses. Perhaps most important, the availability of affordable rental stock for Q2 households is driven entirely by the occupation of these dwellings by 76,000 households in other income groups. Since 2011 the proportion of such households who are renting rather than entering home purchase has increased and most of the new apartment supply has come onto the market at the higher end of rents in the respective regions. This suggests that the lack of available supply for Q2 households will have grown faster than in the past.

It is reasonable to expect that the current undersupply of affordable rental housing (including new social housing) is substantially higher than 120,000 units in Sydney today.

The evidence – projected growth in demand

Prof Judy Yates produced a paper for the NSW Federation of Housing Associations, estimating the additional supply needed to prevent the undersupply of housing that is affordable to lower income households worsening¹⁰. Taking the DPE population projections to 2036 the paper estimates the additional supply of social housing needed to maintain its

⁸ Source: Department of Social Services and FaHCSIA (unpublished).

⁹ Hulse et al, AHURI Final Report No. 241.

¹⁰ Yates, J. *Addressing the Housing Affordability Crisis: Basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades*. NSW Federation of Housing Associations 2016

current share of housing (4.8%) and on the basis of an estimate of current level of unmet need (6.8% of all households), calculated the additional social or affordable housing “...if social housing is to meet the additional needs of just this 6.8% of the projected increase in the number of households through to 2036”.

If we apply the percentage of new social and affordable housing identified by Prof Yates to the 725,000 new homes, the draft Region Plan predicts that by 2036, 84,100 (or 4,205 a year) additional social and affordable housing a year will be needed to prevent the current affordability crisis from worsening.¹¹

An evidence based target for additional low cost housing over the life of the draft Region Plan

Based on the above data, a target of at least **200,000** affordable rental dwellings will need to be produced to meet the affordability challenge faced by the draft Plan – 10,000 a year over 20 years.

That is 28% of the total projected increase in housing to 2036 should be low-cost rental affordable to low and very low income households.

We note that the draft Region Plan cites a figure of “4,000-8,000 additional affordable dwellings per annum to meet the needs of lower income groups”¹² based on an unpublished report by AHURI¹³. While it is not possible to compare the methodology of that report, we note that the figure we propose is also based on the work of AHURI researchers, and is close to the top of the reported range.

Current government policies such as Communities Plus and the Social and Affordable Housing Fund may produce up to 11,000 new affordable homes – or 1.5% of new homes.

While we are clear that a land use planning instrument like the draft Region Plan alone cannot be expected to deliver the affordable rental housing required, it is incumbent on both the Region Plan and probably more so the District Plans, to be explicit about the orders of magnitude local housing strategies will be expected to identify and respond to in local housing strategies.

It could also be argued that the Region Plan should also be more explicit in identifying the consequences for the achievement of its vision for Sydney if such a target is not met.

Consequently, Shelter recommends that the draft Plans be amended to include an estimate of the affordable rental housing undersupply and the consequences of failing to address it.

¹¹ It should be noted that, taking 2011 as the base year and using DPE projections in 2016, Prof Yates estimated that 4,900 a year would be required.

¹² p57.

¹³ The unpublished report was commissioned by the Department of Planning and Environment in 2016.

2.2 The proposed Affordable Rental Housing (ARH) target

As noted earlier, Shelter congratulates the Commission on having proposed a mechanism to help address the lack of affordable housing. We also appreciate that, in doing so a number of competing interests had to be considered. However, we also note the dimensions of the task identified above.

The application of the proposed target is itself limited to the uplift “defined future precincts that are entering the rezoning process”¹⁴, suggesting that the quantum of affordable rental housing generated will be particularly low.

If we assume that:

- the new precincts subject to upzoning represent between 10%-40% of the new supply (noting that a substantial part of the new urban renewal or land release areas have already been announced, that there is a significant pipeline of current approvals),
- the upzoning increases permissible densities by between 40%-75% and
- the mid-point of the range of the target applies on average (7.5%) (noting that its application is subject to viability assessment),

then the proposed target would add between 2,250-13,500 affordable rental dwellings over 20 years or 112 - 675 a year. This is between 1.1% and 6.75% of the projected need for new social and affordable housing.

If the lower estimate is correct, it would not be uncharitable to call this contribution derisory. While we hope that the lower calculation is seriously mistaken, the *prima facie* concern it gives rise to should be allayed by the inclusion of some estimate based on the Commission’s modelling – either in the final Plan or in a new Information Note.

We believe that, in order to strengthen the contribution of the current draft, it is crucial that the gap to be filled after this mechanism and existing government initiatives are implemented be made explicit, both to assist future public policy development and to identify risks to the achievement of key aspects of the Plan’s vision and potential.

Variation of the target by location on the basis of viability

Shelter’s concern that the additional limitation that the criterion of local viability applied to the Affordable Rental Housing (ARH) target has the potential to dramatically undercut the amount of affordable housing delivered will be well known. But we also want to make the

¹⁴ This general characterization is further specified in the updated Information note 4.

One criterion is that it “apply to land within new urban renewal or land release areas (both government and private) identified via a local or district housing strategy, or another form of appropriate research that illustrates a current or future need for affordable rental housing.” This seems to require some clarification as to whether the target may **only** apply “to land within new urban renewal or land release areas (both government and private)”. On the face of it, this would be a far greater limitation even than the already severe limitation that it only apply to “land that is subject to upzoning”.

further fundamental point that it appears to undermine the effectiveness of the ARH target as a market mechanism.

The economic strength of generally applied inclusionary zoning measures is that the levy is automatically capitalized into the (lower) price of land. This means that the developer's return is protected, while the overall uplift provides a significant net increase in land value to make its sale potentially attractive to sellers. However, such a market mechanism of pricing the levy into the price of land depends on its uniform predictability. If a levy may or may not be applied, or is applied only in very specific locations, the pricing will not be automatic, but at best the subject of detailed negotiations.

This is inefficient, risks the overall effectiveness of the instrument, and undercuts its other potential benefit as a deflationary influence on land values in the face of Sydney's projected growth. Land price inflation, driven by the extraordinary level of projected growth, in and of itself, could completely undercut any attempts to address housing affordability.

Shelter recommends that the local viability approach be removed as a criterion.

Related to this latter point, we must express concern at the comment in Information Note 4 that "The Commission's approach has been designed to consider the dynamics of local areas in Greater Sydney so as not to hinder housing supply outcomes that, in turn, contribute to addressing the housing affordability challenge". We and most credible commentators have made the point that, except in very specific circumstances, increased housing supply does not drive reductions in house prices. On the contrary, redevelopment, upzoning generally, displacement of lower cost dwellings all leads to increased prices.

Shelter recommends that the final Plan would be strengthened by removing this and similar arguments from the plan.

The application of the viability test/ the level of affordable housing

Notwithstanding the above comments and recommendations, we believe that it is important for the Plan to make it clear that, using its current approach, the ARH targets in particular areas can be higher than 10%.

The draft Plan notes (p59) that "the Commission's testing reaffirms that across Greater Sydney targets **generally in the range** of 5–10 per cent of new residential floor space are viable, including the parameters set out above, **noting that these parameters will be tailored to each nominated area.**" This should mean that in appropriate areas the target could be higher, but this is far from explicit.

We noted in our earlier submission¹⁵ that in surveys and modelling for an inclusionary-housing scheme undertaken for the Inner West Council, Judith Stubbs & Associates found that, in redevelopment in older industrial areas and areas of low-quality commercial development, a levy of 15 percent on gross floor area would be economically sustainable for

¹⁵ Shelter NSW. *Draft district plans for Greater Sydney: Open submission to Greater Sydney Commission*. 1 March, 2017

developments of 6 storeys and above; and that in areas where there is separate housing, a 15 percent levy would be sustainable for apartment developments of 8–14 storeys.¹⁶

Randwick Council, in its planning for the Kensington and Kingsford town centres, with proposed modest increases in density over the existing controls, found that an inclusionary-housing levy of up to 5 percent (on total floor area) would be viable.¹⁷

It is unclear what 5% of the total floor area would translate into as a percentage of uplift, but it is likely that it would exceed the Commissions range of 5-10%. The Inner West Council example makes this unambiguous.

Shelter recommends that the Plan be strengthened by making the application of the target range clearer – in particular, by explicitly noting that it could exceed 10% in some areas.

Affordable rents under the target

In our previous submission we had noted that the ARH target as proposed at that time did appear to include a requirement to charge affordable rents. We are pleased to see that this is no longer the case.

However, the current proposal, with rent to be set at 30% of gross household income¹⁸, applies to both low and very low income households. This is inappropriate for very low income households, most of whom would be social housing eligible. Social housing rents are set at 25% of household income to reflect the fact that affordability relates to the after-housing income of a household and its adequacy to meet living costs at an acceptable community standard. The higher housing costs (e.g. 30% of income) for very low income households means that the after-housing income is inadequate.

Controversially, the Commission has chosen to focus its ARH target on very-low and low income households. Consequently, it must be alive to the requirements of such households. It is essential that the Commission recognises – as does social housing policy – that 30% of household income is **not** an affordable rent for very low income households.

Shelter very strongly recommends that the ARH target be brought up to minimum standards by requiring a rent of no more than 25% of gross income for very low income households.

¹⁶ Judith Stubbs & Associates, *Affordable housing policy background paper*, report for Inner West Council, November 2016, p.44. In modelling commercial viability and impact of a levy, they assume a ‘normal’ profit percentage of 10 percent of the combined cost of land purchase and construction (p.32).

¹⁷ Randwick City Council, Draft planning strategy Kensington and Kingsford town centres, December 2016, p.41.

¹⁸ Information Note 4

Delivery and management of affordable rental housing under the target

The description of the ARH target includes the note that “It may also be considered appropriate for developments of a smaller scale to pay a financial contribution in-lieu of providing affordable housing dwellings”. In general, “The Affordable Rental Housing dwellings will be secured by the relevant planning authority and may be passed onto a registered Community Housing Provider to manage”.

Shelter supports the approach of limiting the management of affordable housing delivered via the target to registered community housing providers.

However, we are very concerned that the proposed approach of the developer delivering the affordable rental dwellings fails to meet the necessary conditions for mixed tenure development. Our concerns relate to building standards, ongoing asset management, tenancy management and approaches that support outcomes for low-income households living in mixed tenure developments (particularly density).

The quality of construction of apartment buildings in Australia has received significant attention in recent years with concerns raised about the frequency and severity of building defects in the residential multi-unit market. The incentives for affordable housing units to be delivered with cost cutting are high; and it will be inevitable that some developers (hopefully only a minority) will succumb to these incentives. This is a risk that neither low-income households nor community housing providers can afford to bear.

Community housing providers with a strong expertise in development such as City West Housing explicitly design out future costs, both for tenants and housing managers. This requires them to have control over the design and construction. Failure to meet this requirement will make the management costly and potentially unviable through the uncontrollable future asset management costs.

It is now widely accepted that salt and peppering affordable housing in a development makes for both more costly and less effective tenancy management, and increases the likely sense of stigmatisation, isolation and exclusion for low-income tenants. This is a higher risk because the Commission has decided to target to very-low-income households; inevitably requiring a higher proportion of tenancies that need intensive tenancy management.

A planned approach to the development of communities in which lower-income households can thrive in density or mixed income communities is now seen as critical – for example in the redevelopment of public housing estates. This simply will not be the case if developers simply deliver a smattering of affordable units to a community housing provider.

There are also limitations to the apparent alternative of making a financial contribution to a fund or funds. These include the issue of allocation of funds that are likely to be less than \$150 million a year without unhelpful bureaucratic processes; and the priority of many providers to have access to land that can be used to leverage further funding options to deliver a far stronger outcome. While we believe that the proposed approach of developers

delivering the affordable housing alone is not appropriate or effective, we believe that there is a need for more discussion with both the community housing industry and researchers and advocates involved in understanding good practice in the delivery of mixed income developments and communities.

Shelter recommends that the approach of developers directly delivering affordable housing units be moderated, and the option of the target being delivered by way of a financial contribution or other mechanisms be further discussed with the community housing industry and experts on mixed income development and communities.

Requirement to identify need

It is a criterion for the application of the ARH target that apply to “landidentified via a local or district housing strategy, or another form of appropriate research that illustrates a current or future need for affordable rental housing”.

As indicated in our previous submission, we would prefer that the District Plans broadly identify either the whole district or clear parts of the district as being in need of affordable rental housing.

The affordable rental housing crisis is so well known and so pervasive that it is unhelpful to require separate local analysis to trigger the applicability of the ARH target. The latest National Rental Affordability Index identified, for example, that there is no LGA in Sydney with rents that are affordable to a pensioner couple¹⁹. In 2011 92% of very low income renters in the Sydney private market were paying unaffordable rents.²⁰

This does not undercut the need for local housing plans to specifically identify the dimensions, drivers and responses to rental unaffordability in the area.

In our previous submission we expressed concern that the application of the ARH target could complicate the planning system particularly for local authorities seeking to introduce inclusionary zoning under part 94F of the Planning Act. To implement such schemes a local government area must be identified in a SEPP as having a need for affordable housing before a council can implement its own inclusionary housing schemes – and the relevant SEPP is SEPP70 at the moment. Councils need the planning minister to agree to its amendment.

There are only 3 local government areas identified as having a need for affordable housing by that SEPP, at this time.²¹ State governments have discouraged and obstructed councils from preparing inclusionary housing schemes of their own, for the last 15 years. There is a real

¹⁹ National Rental Affordability Index, Quarter 2, 2017. November 2017

<https://www.sgsep.com.au/maps/thirdspace/australia-rental-affordability-index/>

²⁰ Hulse & Yates et al. *Op cit*

²¹ One of those 3 is Leichhardt, which is no longer a separate local government area. At the time of preparing this submission, Randwick Council had been advised by the former minister for planning that Randwick would be identified as an area with a need for affordable housing in SEPP70, and Inner West Council had resolved to seek to be identified in SEPP70.

danger that the Section 94F approach to inclusionary housing, based on local government action, will be left as a residual or legacy approach in a handful of local government areas.

Conversely, we noted that the Commission could help to “turbo-charge” support for Section 94F-based schemes. One way of doing this would be to shortcut the local identification of need in the way described above. Such a mechanism would significantly assist to meet the needs of moderate or lower income working households priced out of the areas in which they need to work.

Shelter recommends that District Plans broadly identify either the whole district or clear parts of the district as being in need of affordable rental housing, rather than requiring separate studies in addition to or as part of local housing strategies. Moreover, we recommend that the Commission recommend to the Government that this mechanism replace the current relevant requirements under Section 94F of the Planning Act.

More generally, we repeat the recommendation in our previous submission: That the Commission give stronger backing to local government inclusionary housing schemes, giving as much prominence to them as to the Commission’s proposed Affordable Rental Housing targets, by encouraging all local councils in Greater Sydney to prepare local inclusionary-housing schemes and to amend their local environmental plans to operationalize such schemes (consistent with section 94F of the *Environmental Planning and Assessment Act*)

2.3 Other affordability measures for low and moderate income working households

We have already commented on the limited benefit provided by the other Government initiatives identified on p57 of the draft Region Plan.

The measures referred to on p59 ‘Planning for moderate income households to support Greater Sydney’s workforce’ may well produce new housing that reverses previous generations of overconsumption of housing. However, affordable housing for working people is unlikely to be delivered in this way – not least because it is location-specific to the relevant employment centres.

We would also refer the Commission to our very detailed discussion in our previous submission of the benefits and risks of promoting smaller dwelling sizes either to meet need generally or to improve affordability. We also note in that discussion that such diversity is already well established across many local government areas.

We believe that, as it stands, the draft Region Plan does not adequately provide responses to address the substantial need for affordable housing for so-called ‘key workers’. This is a critical issue for the economic efficiency of our future city. We would also note that such workers are less likely to be the police, firefighters and nurses often referred to, and more likely to be the very low paid care workers and workers in service industries.

2.4 Universal housing & adaptable housing in the district plans

In our earlier submission we placed considerable emphasis on the scope for the Region and District Plans to provide strong leadership and direction in the provision of universal and adaptable housing as a fundamental part of Sydney's housing growth.

We note that there are a number of references to these matters in the District Plans, but they stop well short of discussing or encouraging proportions of future housing that should meet these standards.

Increasing the expectation (and requirement) that future development meets benchmarks of housing at universal and adaptable standards is essential to future proof our city for changing populations and to ensure that it is a city in which people with disability can exercise real choices and inclusion.

We would like to refer the Commission to our detailed discussion in our previous submission and to reiterate our recommendations from that submission.

Shelter recommends that the Commission include bolder provisions in the District Plans on universal housing and adaptable housing design, by:

- Supporting the draft *Medium density design guide* proposal for all medium-density development to meet the Liveable Housing Australia silver level criteria
- Supporting an updating (amendment) of SEPP65 so that all dwellings in new apartment buildings meet the Liveable Housing Australia silver level criteria
- Supporting an amendment of the 'General Housing Code' of the *SEPP (Exempt and Complying Codes) 2008* to establish a development standard for new single-storey and 2-storey dwelling houses to meet the Liveable Housing Australia silver level criteria
- Encouraging councils to include in their DCPs a requirement that at least 10 percent of units in new apartment buildings comply with the Standards Australia adaptable housing standard

3. Summary of comments and recommendations

- Whatever else may characterise Sydney (such as ‘global city’), Sydney is also characterised by being:
 - The least affordable city in Australia and one of the least affordable in the world
 - A geographically polarised city – an unequal city
 - A city that repeatedly displaces its lower income citizens
- Shelter applauds the emphasis on housing affordability in the Plan. But the other two characteristics of Sydney have not been as effectively considered or addressed in the draft – displacement of low-income households and the concentrations of disadvantage and geographical polarisation of the city.
- Shelter strongly supports the inclusion of displacement as a criterion to be considered in drafting local housing plans.
- **Shelter recommends** that there be more consideration of displacement in local plans – and in the draft Region Plan. Such consideration might be to identify the likelihood of displacement from all redevelopment and to set this as a floor for an affordable housing target, before the targeted proportion of planning uplift is applied.
- At a minimum, the draft Plan should be amended to identify systematic displacement as a major risk to a city in a period of the massive transformation foreseen in the draft Plan.
- **Shelter recommends** that there be a focus on the concentrations of disadvantage in Sydney and income polarisation should be highlighted in the relevant draft District Plans (particularly the Western Sydney District Plan). At the same time would like to see a specific discussion of the need to preserve this supply of relative affordability in the process of growth across the region.
- **We strongly recommend** that this be more explicitly and fully recognised in the District Plan.
- **Shelter strongly recommends** that a measure of current and projected need for increased affordable housing accompany the Plan, perhaps as a companion document. Until that is done, we propose that the following measures be noted. Together with such an estimate, the consequences of failing to address it should be noted in the Plan.
- We suggest that on available data, a target of at least **200,000** affordable rental dwellings will need to be produced to meet the affordability challenge faced by the draft Plan – 10,000 a year over 20 years.
- Shelter congratulates the Commission on having proposed a mechanism to help address the lack of affordable housing.

- **Shelter recommends** that to allay the *prima facie* concern that the proposed affordable rental housing target mechanism could deliver less than 400 affordable rental units a year, an estimate based on the Commission’s modelling should be included in the final Plan or in a new Information Note.
- Shelter believes that, in order to strengthen the contribution of the current draft, it is crucial that the gap in affordable rental housing supply to be filled after the affordable rental housing target mechanism and existing government initiatives are implemented be made explicit – both to assist future public policy development and to identify risks to the achievement of key aspects of the Plan’s vision and potential.
- **Shelter recommends** that the local viability approach be removed as a criterion for the application of the Affordable Rental Housing target.
- **Shelter recommends** that the final Plan be strengthened by removing from the Plan references to increased general supply playing a significant role in improving affordability (particularly for lower income households) .
- **Shelter recommends** that the Plan be strengthened by making the application of the target range clearer – in particular, by explicitly noting that it could exceed 10% in some areas.
- Shelter is pleased that the ARH target includes specification of an affordable rent.
- **Shelter very strongly recommends** that the Affordable Rental Housing target be brought up to minimum standards by requiring a rent of no more than 25% of gross income for very low income households.
- Shelter supports the approach of limiting the management of affordable housing delivered via the target to registered community housing providers
- **Shelter recommends** that the approach of developers directly delivering affordable housing units be moderated, and the option of the target being delivered by way of a financial contribution or other mechanisms be further discussed with the community housing industry and experts on mixed income development and communities.
- **Shelter recommends** that the final Plan clarify whether the target may **only** apply “to land within new urban renewal or land release areas (both government and private)”.
- **Shelter recommends** that District Plans broadly identify either the whole district or clear parts of the district as being in need of affordable rental housing, rather than requiring separate studies in addition to or as part of local housing strategies. Moreover, we recommend that the Commission recommend to the Government that this mechanism replace the current relevant requirements under Section 94F of the Planning Act.
- **More generally, we reiterate the recommendation** in our previous submission: That the Commission give stronger backing to local government inclusionary housing

schemes, giving as much prominence to them as to the Commission's proposed new scheme for Affordable Rental Housing targets, by encouraging all local councils in Greater Sydney to prepare local inclusionary-housing schemes and to amend their local environmental plans to operationalise such schemes (consistent with section 94F of the *Environmental Planning and Assessment Act*)

- We believe that, as it stands, the draft Region Plan does not adequately provide responses to address the substantial need for affordable housing for so-called 'key workers'.
- **Shelter recommends** that the Commission include bolder provisions in the District Plans on universal housing and adaptable housing design, by:
 - Supporting the draft *Medium density design guide* proposal for all medium-density development to meet the Liveable Housing Australia silver level criteria
 - Supporting an updating (amendment) of SEPP65 so that all dwellings in new apartment buildings meet the Liveable Housing Australia silver level criteria
 - Supporting an amendment of the 'General Housing Code' of the *SEPP (Exempt and Complying Codes) 2008* to establish a development standard for new single-storey and 2-storey dwelling houses to meet the Liveable Housing Australia silver level criteria
 - Encouraging councils to include in their DCPs a requirement that at least 10 percent of units in new apartment buildings comply with the Standards Australia adaptable housing standard

Appendix

Shortages of affordable private rental dwellings in NSW 1996 - 2011

	Absolute shortage			Shortage of affordable and available			Per cent paying unaffordable rents		
	1996	2006	2011	1996	2006	2011	1996	2006	2011
Q1									
Sydney	-25,600	-40,400	-47,000	-31,200	-44,500	-52,600	87	93	92
NSW non-metro	-2,400	-15,200	-14,000	-20,000	-29,200	-33,000	58	68	63
	-28,000	-55,600	-61,000	-51,200	-73,700	-85,600	73%	81%	78%
Q2									
Sydney	9,000	57,800	35,800	-34,900	-30,300	-40,500	68	44	55
NSW non-metro	56,200	79,500	88,900	-11,900	-7,800	-8,800	29	16	17
	65,200	137,300	124,700	-46,800	-38,100	-49,300	51%	32%	39%
Total									
	37,200	81,700	63,700	-98,000	-111,800	-134,900	60%	54%	57%

Source: Hulse et al, AHURI Final Report No. 241. From Tables 18 & 19: Summary of spatial dimensions of shortages for Q1 & Q2 households on three measures, 1996, 2006 and 2011. (Source: Customised ABS matrices based on 1996, 2006 and 2011 Australian Census of Population and Housing data.)

Appendix 2 –Criteria from Information note 4.

- apply to land that is the subject of upzoning —a change of land use to residential or an increase in permissible residential development density
- vary by precinct according to the local development viability
- apply only to new areas nominated by the relevant planning authority; conversely not apply retrospectively
- to rezoned land
- be announced prior to rezoning to give the market certainty about the amount of affordable housing to be provided, and so that it can be factored into underlying land prices
- apply to land within new urban renewal or land release areas (both government and private) identified via a local or district housing strategy, or another form of appropriate research that illustrates a current or future need for affordable rental housing
- be calculated as a proportion of all residential floor space above the base floor space ratio – that is, the residential floor space ratio that was permissible before the upzoning within the nominated area.

The Commission may propose a minimum dwelling threshold above which the Target would apply.