

Waterloo Metro Quarter (WMQ) State Significant Precinct (SSP) Over Station Development (OSD) and Detailed Designs **(SSD-10437, SSD-10438, SSD-10439, SSD-10440, SSD-10441)**

Shelter NSW submission

December 2, 2020

About Shelter NSW

Shelter NSW has been operating since 1975 as the state's peak housing policy and advocacy body. Our vision is to create a sustainable housing system that provides secure homes for all

We pursue our vision through critical engagement with policy and practice and thought leadership. We provide systemic advocacy and advice on policy and legislation for the whole NSW housing system to resolve housing inequality.

We are especially concerned for low-income households which struggle to afford good-quality and well-located housing in the private market.

Our approach involves engaging, collaborating and connecting with Government, the private and not-for-profit sectors, stakeholders and consumers. Our research centres on the causes of inequity and injustice in the housing system. We advocate solutions that aim to make the housing system work towards delivering a fairer housing system for all.

Shelter NSW is concerned about the housing crisis in NSW and the rising trends in homelessness, housing rental stress as well as the impacts of poor-quality housing, particularly on low income households. Lower cost properties are being steadily replaced with new ones at higher rents, and new concentrations of disadvantage have been created across our major cities as low-income households are displaced.

The NSW rental market is failing, forcing our most vulnerable citizens to go without essentials; excluding them from jobs and opportunities. Of course, this was the case well before the economic impact of the Covid-19 pandemic took its toll on large sections of the workforce and across wide section of industry.

We have an established interest in the development of social and affordable housing, including policies and practice around public housing estate renewal and associated property development. We have also been involved in the *Groundswell* coalition. *Groundswell* comprises a number of local community organisations from the Redfern and Waterloo area including REDwatch, Inner Sydney Voice, Tenants' Union of NSW and Shelter NSW. It acts as a point of liaison between NSW Government agencies and community members regarding the development of the Waterloo Metro Quarter and redevelopment of the broader Waterloo Estate.

Introduction

This submission will make comment on the proposed *Waterloo Metro Quarter (WMQ) Over Station Development (OSD) - Detailed Designs*. We understand that there are four separate State Significant Development (SSD) applications within the overall WMQ OSD proposal. This submission will largely confine itself to commenting on the Central Precinct (a predominately residential building, with a small proportion of Affordable Housing) and the Southern Precinct (two residential buildings for student housing and social housing). Many of comments however, go to the overarching plan by the NSW Government in this proposed development of Government-owned land.

Given the focus of Shelter NSW, this submission will primarily focus on the social and affordable housing provisions described in the proposals. We note however, that our affiliated community and resident organisations (within Groundswell, for example) as well as many local residents will provide valuable insight into factors such as public space, amenity and overall design. We encourage the consent authority to take heed of their feedback – as they represent a genuine source of information from a long-established vibrant and diverse community. As residents they stand to be most-impacted by the proposed development.

Having examined the original concept proposal, these subsequent proposed detailed designs and reviewing the data relating to the demand for social and affordable housing in the City of Sydney, Shelter NSW cannot support this proposal in its current form.

The proposed development is on NSW Government land. As such, we believe there is a significant requirement that the proposal makes a substantial and far greater contribution to increasing the stock of social and affordable housing (including that dedicated to Aboriginal people) in the Sydney Local Government Area. We believe this proposal falls far short of that.

Summary of key issues raised by Shelter NSW *Waterloo Metro Quarter State Significant Precinct (SSP)* and *Concept State Significant Development Application (SSDA)* – January 2019

As background, Shelter NSW made a number of comments about the original concept proposal. A number of these concerns and comments still stand and are noted here again in support of this December 2020 submission:

1. Assessing the proposal without reference to plans for the Waterloo Estate

Shelter NSW understands that in late 2017 the NSW Government made a commitment to residents of Waterloo and Redfern that both the Waterloo Metro Quarter and the Waterloo Estate redevelopment plans would be pursued simultaneously. This would have ensured community responses to each plan could be properly informed by the other - providing a holistic view of the various components of each plan.

Unfortunately this commitment was abandoned in mid-2018, with the Metro Quarter plans progressing more rapidly than those for the Waterloo Estate. This makes a proper assessment of the value of the Waterloo Metro Quarter plans for 70 new social housing dwellings somewhat difficult.

2. The need for affordable rental housing is understated (refer Appendix A for the detailed comments and explanations)

3. Delivering diversity and affordability, but for how long?

This was a comment on the proposed 'minimum' ten-year time limit on the availability of dwellings for Affordable Housing. Shelter NSW understands that under the terms of the December 2019 Approval – SSD 9393, consent was granted for the concept development application and that this included the provision that Affordable Housing will be provided in perpetuity.

(Shelter NSW notes however, an apparent inconsistency within the current *Central Precinct Environmental Impact Statement* (at section 4.6.3) still noting that affordable housing scheme will be in place for a minimum ten years).

4. Amenity principles should be expressly adopted for affordable and social housing

Comments on the *Waterloo Metro Quarter (WMQ) State Significant Precinct (SSP) Over Station Development (OSD) and Detailed Designs*

Introduction

Shelter NSW understands that 43% of the available total (three precinct) OSD floor space has been dedicated to residential floor space and that this will be distributed over the Central and Southern Precincts. The original concept SSDA proposed 700 dwellings (including 35 Affordable Housing and 70 social housing dwellings). By contrast, these detailed designs propose a much-reduced, combined 220 dwellings (70 social, 24 affordable and private market) as well as a large commitment to 453 student housing rooms.

The reduction of affordable housing units from 35 to 24 has resulted from a decision by the developer to develop the Northern Precinct building as commercial rather than residential. The affordable housing has been calculated in these proposals, as a percentage of a now-reduced residential floor space. This is in contrast to the fixed commitment to 70 social housing dwellings.

The prospect of a large student housing presence in the precinct was not overtly contemplated or communicated to the general public in the original proposal.

Regarding the residential floor space, Shelter NSW has noted that, according to the EIS (Section 1.2 Project Objectives) the primary objective of the OSD proposal is to:

... capitalise on the significant NSW Government investment into Sydney metro by providing a combination of social housing and student accommodation above and adjacent the Sydney metro network...

and specifically,

- *Support the growing student population in the Eastern City District by providing high-quality residential accommodation for tertiary students, ensuring they are not priced out by the expensive cost of living in the Eastern City District;*
- *Positively contribute to housing affordability by providing appropriately priced and diverse social housing within close proximity to public transport, recreation, local shopping, facilities and services;*
- *Support the future renewal of Waterloo Estate; and in its conclusion (page?)*
- *The proposal supports 18,839sqm of new residential GFA which is capable of contributing to the housing targets of the Eastern City District by delivering 70 social housing dwellings and beds for an estimated 474 students.*

Table 1 sets out our understanding of the proposed dwelling mix and the various ways of viewing its overall contribution to social and affordable housing in the Waterloo and Sydney LGA.

It is our contention that the proposals overall:

- in increasing the Gross Floor Area (GFA) for commercial activities and student accommodation, significantly diminish the opportunity for conventional residential private market properties as well as Social and Affordable Housing dwellings and thereby,
- overstates the potential contribution that the Waterloo OSD might make to increasing social and affordable housing stock (especially for 'key workers' in the case of affordable housing) in the Sydney Local Government Area (LGA)
- implies, without stating any formal requirement, that the proposed large student housing accommodation will be 'affordable'
- provides no specific commitment to dedicated Aboriginal Affordable Housing

Table 1. Shelter NSW Analysis – dwelling & room analysis (Source: Detailed Designs Central and Southern Precincts EIS statements)

Type of residential dwelling	GFA (sqm)	Number of dwellings/units	Room Types	No of Bedrooms Number of People	% of total Residential GFA (29, 594 sqm) and % of total GFA (residential + commercial (68,444 sqm))
Student Housing	12,129	435	Studios & twin rooms	474 393 x studios 3 x DDA studios 39 x twin rooms	41% 18%
Private Market	10,248	126	1, 2- and 3-bedroom units	202 56 x 1bdr 64 x 2bdr 6 x 3bdr	35% 15%
Social Housing	5,437	70	26 studios 2 x 1bdr 30 x 2 bdr 4 x 2 bdr (adaptable) 7 x 3 bdr, adaptable) 1 x 4 bdr	117	18% 8%
Affordable Housing *	1,780	24	1, 2- and 3-bedroom units	36 12 x 1bdr 12 x 2 bdr ***	6% 3%
Total	29,594 **	655		829	100%

*Minimum 5% residential gross floor area as affordable housing dwellings (EIS Document for SSD-10437 – Southern Precinct Detailed Design SSDA). Final approval now requires this housing to be held in perpetuity

** in various parts of the EIS statements the following is noted: ‘New Residential GFA is 18,839’. Presumably this excludes floorspace dedicated to student housing)

*** though 3bedroom units are mentioned in one part of the EIS in other qualitative sections only 1 and 2 bedrooms have been specified

Observations and comments arising from the Shelter NSW analysis

1. Demand for low-cost (diverse, social and affordable) housing is acknowledged

Throughout the documents supporting the OSD development, there are many examples of where the need for greater housing supply and especially greater supply of low-cost housing in the Sydney LGA and the inner-city is acknowledged. We commend this approach.

For example, the *Social Needs Assessment (SNA)* at page 49, cites research undertaken by the City Futures Research Centre at UNSW, that shows:

there is current unmet need for 136,100 units of social and affordable housing in Greater Sydney. There is also projected need for an additional 80,900 units of social and affordable housing to 2016, resulting in a total unmet need of 217,000 units of social and affordable housing across Greater Sydney to 2036.

The *Environmental Impact Statement (EIS) Appendix AA - Social and Economic Assessment* elaborates further on the extent of housing and rental stress in the local area:

An assessment of housing stress in the Study Area indicates that around 53% of rental households are in housing stress...

And further,

Overall, this analysis identifies there is a significant proportion of the Study Area that are paying unaffordable rent and mortgage repayments (more than 30% of their income), which indicates the strong need for more affordable housing within the area.

Building the case for more low-cost housing however, only serves to highlight how little the proposed OSD will deliver to reduce the extent of housing stress – for current and potentially future residents

2. Tendency to overstate the OSD contribution to low-cost affordable housing

The Waterloo OSD proposal consistently overstates the potential scale of the contribution of the proposed social and affordable housing units towards increasing low-cost housing stock. It does this primarily by excluding the student accommodation (GFA and number of units) in any of its calculations.

For example, in the *Social Needs Assessment* at page 49 (following the statements cited above) the documents note:

The proposal includes 70 units of social housing (32% of all proposed apartments) and 24 units of affordable housing (11% of all proposed apartments). This contribution is well above the targets set in Sustainable Sydney 2030 and the LSPS for 7.5% of all housing in the City to be social housing, and 7.5% to be affordable housing. It also contributes to the gap in the provision of social and affordable housing identified in the LSPS.

By any account, and using the data in Table 1, assembled by Shelter NSW, the proposed 70 social housing units and 24 affordable housing dwellings represent a very small contribution to Sydney LGA's housing targets. Specifically, Shelter NSW's analysis indicates only:

- **14% of dwellings** (all unit types) will be **social and/or affordable housing**
- **6 % of residential floorspace** (Total Residential GFA 29,594 sqm) **will be dedicated to affordable dwellings** (contrasting to **Student Housing 41%** and **private rental market units 35%**)
- **18 % of residential floorspace** (Total Residential GFA (29,594 sqm) **will be dedicated to social housing dwellings** (contrasting to **Student Housing 41%** and **private rental market units 35%**)

The Waterloo OSD is proposed on government-owned land. The contribution above ought to make a much greater contribution – commensurate with the local need and the ability of Government to drive a better outcome in the broader public interest.

At a bare minimum, Shelter NSW supports the recommendation made by REDWatch in its submission for these proposals, that is, that *approval for the change of commercial envelope should be contingent on commercial the floor space being considered as residential floor space as far as calculating affordable housing and reinstating 35 affordable housing that would have been delivered if the commercial option had not been provided.*

Furthermore, **Shelter NSW recommends that any Affordable Housing should be managed by a Community Housing Provider**

Beyond this macro level, Shelter NSW has other concerns about the proposed development. These are addressed below.

3. Skewing of room type to studios, one and two-bedroom dwellings

Data from Department of Community Justice on the 30 June 2019 states that there are approximately 50,000 applications on the social housing waiting list (where an application may represent a household). The highest need for Sydney is for two and three-bedroom property which had a forecasted 10-year waitlist. The waitlist was shorter for studio and 1-bedroom dwelling at 5 years, indicating a high need for more two and three-bedroom units.

Shelter NSW recommends that the room profile across all dwelling types (but especially the social and affordable housing) be reviewed to better match consumer demand.

4. Affordable Student Housing not assured – for a population that needs it

Shelter NSW recognises the need for student housing in the Sydney LGA, however we question the public interest case for committing over 40% of the residential floor area to this type of housing especially noting that the proposal makes no requirement that student housing actually be 'affordable'. Shelter NSW recommends that this ought to be required as a condition of approval by the consent authority.

In canvassing and ultimately dismissing the option to develop the Southern Precinct (building 3) as market residential development (as opposed to student accommodation) the Southern Precinct proposal sets the case for ensuring student housing must be 'affordable' (in the general sense of the word):

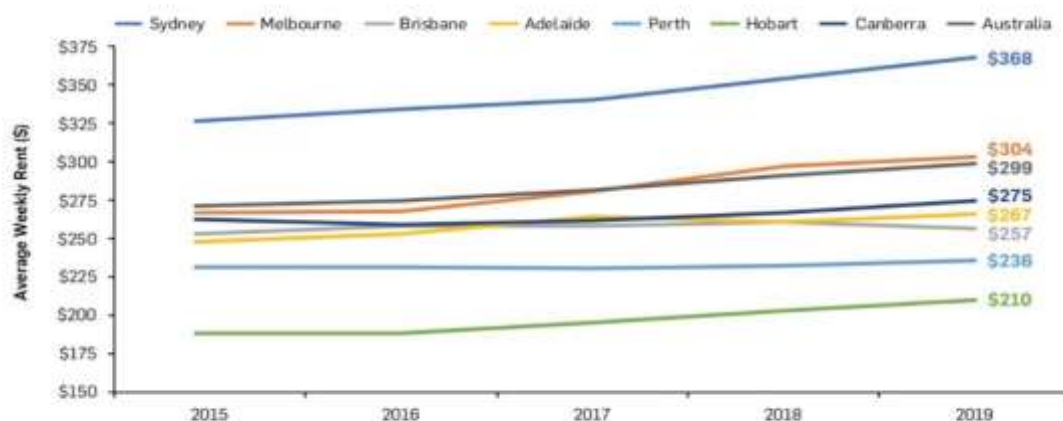
Affordable housing is a basic requirement for those studying at University and access to affordable and safe student accommodation on or near campus delivers a range of both social and economic benefits to the community. If the site were developed for the purposes of purely private residential accommodation, it would be a missed opportunity to provide affordable and safe student accommodation....

The proposal is considered appropriate as it responds to the current undersupply in housing stock for students by increasing the number of affordable beds.

Shelter NSW accepts that there is demand for student housing in the Sydney LGA and endorses the position that affordable student housing is in high demand. We note however, that notwithstanding the detailed OSD design proposing 435 student housing rooms (representing 41% of the residential GFA and nearly 20% of total GFA) it fails to require any assurance of affordability for students.

In its *Student Accommodation – mid year market update 2019* (p13), Urbis provides a student rental rate analysis. It notes, in relation to the figure below: *Sydney records the highest average weekly fees reflecting the high cost of living compared to other capital cities*

CHART 2.1 - AVERAGE WEEKLY RENTS
AUSTRALIA 2015 - 2019



Anecdotally, a quick review of local student accommodation rental sites reinforces our position that commercial student accommodation cannot be considered ‘affordable’.

For example, the Iglu student housing provider was on December 1, 2020, advertising a ‘standard studio apartment’ in Redfern as being ‘available now’ and ‘from \$529 per week’. A single room in a 4-share student apartment (4 bedrooms, 4 bathrooms) was advertised as \$449 per week. (Incidentally, this type of rent is close to the median weekly rent of \$538 for the Waterloo ‘study area’ as cited in the proposal EIS statements – a financial demand that leaves a large number of local people in a state of housing stress)

In considering the rental affordability of student housing it is useful to be reminded about the income profile of students. In August 2018, Universities Australia published its 2017 *Student Finances Survey*. In section 2.1 it sets out Student Income and notes that in 2017, the median income for all domestic undergraduate students was \$20,900, whereas international undergraduate students were \$18,300 (‘very-low’ income earners within the general Australia context). The Universities Australia analysis goes further, (in section 2.4) to examine the *Overall Estimated Annual Income Compared to Expenditure*. It concludes that a substantial proportion (over 30 per cent) of students at all degree levels estimated their income was less than their estimated expenses. This figure is amplified for Indigenous students (43.3 per cent) and International students (49.2 per cent).

Table 2.1 from the Universities Australia research is copied here for more detail:

Table 2.1: Median annual student income from 2006-2017

Student median income <i>(Rounded to nearest 100s)</i>	2006	2012	2017
Domestic undergraduate			
All domestic undergraduates	\$18,900	\$20,400	\$20,900
Full-time	\$16,600	\$18,300	\$18,300
Part-time	\$41,500	\$34,700	\$33,900
Domestic postgraduate coursework			
All domestic PGCW	No data	\$40,600	\$41,000
Full-time	\$15,100	\$23,000	\$23,600
Part-time	\$60,400	\$52,000	\$55,100
Higher-degree research			
All domestic HDR	No data	\$36,900	\$39,600
Full-time	\$38,200	\$35,600	\$36,800
Part-time	\$55,000	\$48,100	\$50,000
International			
Undergraduate	No data	\$19,700	\$19,200
Postgraduate Coursework	No data	\$33,700	\$21,900
HDR	No data	\$29,900	\$30,000

International students are keenly sought after, by education providers as well as state and federal governments. These students however, are often vulnerable in the housing market.

In its July 2019 article, *No Place Like Home - Addressing Exploitation of International Students in Sydney's Housing Market* the UNSW Human Rights Clinic describes the precarious life held by international students in Australia and Sydney, specifically. In its executive summary it states:

Sydney... has very limited dedicated student accommodation on campus or within commercial Purpose Built Student Accommodation (PBSA). As a result, most international students in Sydney rely on private rentals. Cost and other barriers render the formal rental market inaccessible to most international students. Instead, most live in share houses, boarding houses and other insecure arrangements in the marginal rental sector, which they find online. International students are therefore highly vulnerable to deceptive and exploitative conduct both when finding a place to live, and as tenants.

And in the conclusion, it states the following, and then calls on all levels of government to *Increase Access to Adequate Affordable Housing*:

A considerable proportion of international students in Sydney (and other Australian cities) do not currently enjoy the basic human right to live in a place that is legally and physically secure, affordable, accessible, habitable, and has the facilities necessary for its occupants to live in security, peace and with dignity

Shelter NSW joins with other agencies and education sector stakeholders in calling for more affordable student housing to cater for a diverse range of students. The failure of the Waterloo OSD proposal to commit to truly affordable student housing is a key reason for our rejection of this proposal.

If the OSD proposal proceeds with student housing, especially at such a scale, Shelter NSW strongly recommends that formal affordability requirements be established.

5. Need for dedicated Aboriginal Housing not specified

Waterloo is a critically important cultural and historical home to Aboriginal people – both for local residents as well as connected communities across Greater Sydney and NSW. The Waterloo OSB *Environmental Impact Statement Appendix AA - Social and Economic Assessment* cites Australian Bureau of Statistics (ABS) census data from 2016, highlighting, at a demographic level the significance of local Aboriginal people in the Waterloo area.

For example (in Appendix 1):

Higher proportions of Aboriginal and Torres Strait Islander people – *There is a higher proportion of Aboriginal and Torres Strait Islander people living in Waterloo (3.0%) than in City of Sydney LGA (1.2%) and Greater Sydney (1.5%).*

Social housing – *As of 2016, there were approximately 3,585 residents living at Waterloo Estate, with around 10% of people identifying as Indigenous...*

Shelter NSW endorses the position of the City of Sydney, cited in the OSD proposals (*Environmental Impact Statement Appendix AA - Social and Economic Assessment [SSD-10437 Southern Precinct]*).

The City of Sydney – Housing for All: Local Housing Strategy (2020) notes:

The Strategy... highlights the need to support Aboriginal and Torres Strait Islander people maintain ties to the local community. This includes ensuring suitable social and affordable housing managed by Aboriginal community housing providers and led by Aboriginal people and organisations as a continued expression of self-determination. The Strategy notes that when the Redfern-Waterloo development area was established in 2004, one of the objects of the legislation was to promote, support and respect the Aboriginal community in Redfern–Waterloo, having regard to the importance of the area to the Aboriginal people

The various precinct EIS statements have summarised the key themes of earlier public consultation. At page 162, a number of concerns made by Aboriginal people were noted. These include concerns that: the extent of change and failure to ensure low-cost housing will in a practical sense displace Aboriginal people from the local area. By extension, Aboriginal people have called on the Government to ensure a *proportion of affordable housing should be targeted to Aboriginal people who are being forced out of the area.*

Shelter NSW strongly recommends that not only should more affordable housing be assured in this proposal but that a certain proportion of it be dedicated to and managed by an Aboriginal Community Housing provider.

6. Lack of Housing Affordability for Key Workers

Shelter NSW acknowledges efforts made to create longer-term employment within the OSD site. According to the ESI for the Central Precinct, the proposal:

...would contribute to the delivery of 3,591 operational jobs across the overall WMQ site.

The types of jobs relate to the various proposed commercial businesses that will be conducted on-site, namely office, retail, gym, childcare and student accommodation.

The *Environmental Impact Statement Appendix AA - Social and Economic Assessment* states at section 2.42:

Housing affordability is a key challenge in the Sydney housing market with the proposed affordable housing assisting key workers in living close to their place of work. An assessment of housing stress in the Study Area indicates that around 53% of rental households are in housing stress....

Overall, this analysis identifies there is a significant proportion of the Study Area that are paying unaffordable rent and mortgage repayments (more than 30% of their income), which indicates the strong need for more affordable housing within the area.

Given the evidence of existing housing stress in the local area, due to low incomes and unaffordable rents, Shelter NSW wonders how many of these 'key workers' (from relatively low-paying sectors) could afford to live in the Waterloo Metro OSD?

Shelter NSW strongly recommends that affordable housing provisions be extended and that local key workers (for the Waterloo Metro and Waterloo Estate) be given special consideration.

Appendix A (extract from original Shelter NSW 2019 submission)

The proposed SSP and SSDA, through their associated *Housing Diversity and Affordability Study* (the study), presents some analysis of rental stress in the area where the development precinct is situated. Notably, it identifies “housing stress” as a situation where housing costs exceed 30% of gross household income – without the usual reference to the bottom two income quintiles – and concludes that 43% of applicable households in the study area are living in rental stress. This, we must conclude, captures moderate- to very high-income earners who would traditionally not be counted in any measure of housing stress, on account of their capacity to pay more than 30% of income towards housing costs should they so choose. On the other hand, it presumably does not capture many very-low to low income households in the area who could only afford to reside there on account of a social or affordable housing allocation that ensures their rent never exceeds 30% of household income.

Having considered the rental stress situation in this way, it is clear that the Waterloo Metro Quarter is situated in an area that many households could not afford to live in without some form of targeted housing assistance. Even higher earning households require a significant proportion of their incomes in order to secure a rental home in the area. That 43% of the local population is in “rental stress” is perhaps more significant than is suggested by the study and its findings.

The study then considers housing affordability through the lens of “affordable housing” eligibility, where Sydney’s median household income is used as the benchmark to ensure affordable housing is targeted to very-low to moderate income households. A very-low income household is defined as one earning less than 50% of Sydney’s median household income, while a low-income household earns between 50% and 80%, and a moderate-income household earns between 80% and 120% of the median.

In looking at the rents that each category could afford before being placed in rental stress, the study takes the highest level that a defined household could afford. That is, it suggests that 30% of household income equates to \$289 per week for a low-income household, \$463 per week for a low-income household, and \$695 per week for a moderate-income household. But these are the rents that households at the *upper limit* of each income threshold could afford – the truth is that, according to the measure, a very-low income household could afford *up to* \$289 per week, a low income household could afford *between* \$289 and \$463 per week, and a moderate income household could afford *between* \$463 and \$695 per week before experiencing rental stress, depending on their actual income as it falls within each threshold.

These are important considerations when seeking to understand the need for affordable housing the in area – it will be higher than even the study suggests.

This would also be important context for potential investors looking into the viability of development sites should the proposed SSP and SSDA proceed. Projected revenue streams for housing that is genuinely affordable to a range of eligible households will be lower than the study implies it could be.