



# Affordable Housing Discussion Paper

September 2018

# Contents

<b>1. Introduction and Purpose</b>	<b>3</b>	<b>6. Local Government Role</b>	<b>24</b>
<b>2. Context</b>	<b>4</b>	6.1 Current Housing policy	24
<b>3. What is Affordable Housing?</b>	<b>6</b>	6.2 What Other Councils are doing	25
3.1 Types of affordable housing problems	7	6.2.1 City of Sydney	25
3.2 Measuring affordability	7	6.2.2 Inner West Council	27
3.3 The Housing Continuum	8	6.2.3 Randwick City Council	27
<b>4. Demographics and Housing in Hornsby Shire</b>	<b>9</b>	6.2.4 City of Parramatta	27
4.1 Snapshot of Hornsby Shire	9	6.2.5 The Hills Shire Council	27
4.2 Living in Hornsby Shire	10	<b>Tell Council...</b>	<b>28</b>
4.3 Working in Hornsby Shire	12	<b>7. Moving Forward</b>	<b>29</b>
4.4 Ageing in Hornsby Shire	14	7.1 Council's Goals for affordable housing	29
4.5 Affordability in Hornsby Shire	14	7.2 Council's Objectives for affordable housing	29
4.6 Affordable rental stock in Hornsby Shire	15	<b>Tell Council...</b>	<b>30</b>
4.7 Affordable purchase stock in Hornsby Shire	17	<b>8. Options for Housing Policy</b>	<b>31</b>
<b>5. State and Federal Government Roles</b>	<b>19</b>	<b>9. 'Tell Council' Questions</b>	<b>34</b>
5.1 Influences on affordable housing	19	<b>10. Feedback</b>	<b>36</b>
5.2 Assistance with affordable housing	22		
<b>Tell Council...</b>	<b>23</b>		

# 1. Introduction and Purpose

The cost of housing is becoming a significant issue across Sydney. Access to housing is a critical issue and the increasing lack of availability of affordable housing is affecting social sustainability and community well-being.

With house prices increasing and private rental stock dwindling, Hornsby Shire has a high level of need for affordable housing<sup>1</sup>. Despite Council's proven track record of responding to State Government housing policy and the preparation of housing strategies to promote an increase in dwelling supply, our housing policy needs to be updated to focus on the type of housing that the Shire needs as it grows – not just in numbers but in diversity that can accommodate the changing needs of households.

The purpose of this discussion paper is to:

1. explore housing affordability as it relates to Hornsby Shire;
2. explore options for local government to assist address housing affordability issues;
3. consider how Hornsby Council can update its housing strategy to encourage the provision of adequate, appropriate and affordable housing;
4. seek feedback from the community to better understand housing affordability concerns; and
5. seek suggestions from the community to help develop an updated housing strategy.

*Note: Where possible, 2016 Census data has been used in this paper. Some data from the Centre for Affordable Housing is based on 2011 Census and some data was recorded between 2011 and 2016. Dates are outlined in the report or in the footnotes where relevant.*

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<sup>1</sup> Centre for Affordable Housing using Census 2011 data and Rent and Sales Report data

## 2. Context

The issue of affordable housing is important in the context of metropolitan and local planning. One of the ten objectives of the *Environmental Planning and Assessment Act 1979 (EP&A Act)* is the delivery and maintenance of affordable housing. The *EP&A Act* also gives effect to Strategic Planning and the implementation of the State Government's metropolitan and district planning which require improved housing choice, diversity and affordability.

The Greater Sydney Commission's *A Metropolis of Three Cities* provides a framework for future growth and planning within the Greater Sydney Region. It predicts that Greater Sydney will require an additional 725,000 new homes by 2036. The vision of the plan is one of three cities where most residents live within 30 minutes of their jobs, education and health facilities, services and great places. One of the goals of the plan is to achieve greater housing choice with a range of housing types that meet our needs and lifestyle, while also delivering more opportunities for affordable housing.

District Plans sit between the State Government plans outlined above and council Local Environmental Plans, to enable metropolitan planning to be put into action at a local level. The North District Plan applies to Hornsby Shire and requires that Council prepare a local housing strategy to create capacity for additional housing in the Shire, deliver housing diversity and affordable rental housing. As part of the North District, the following housing targets apply for Hornsby Shire:

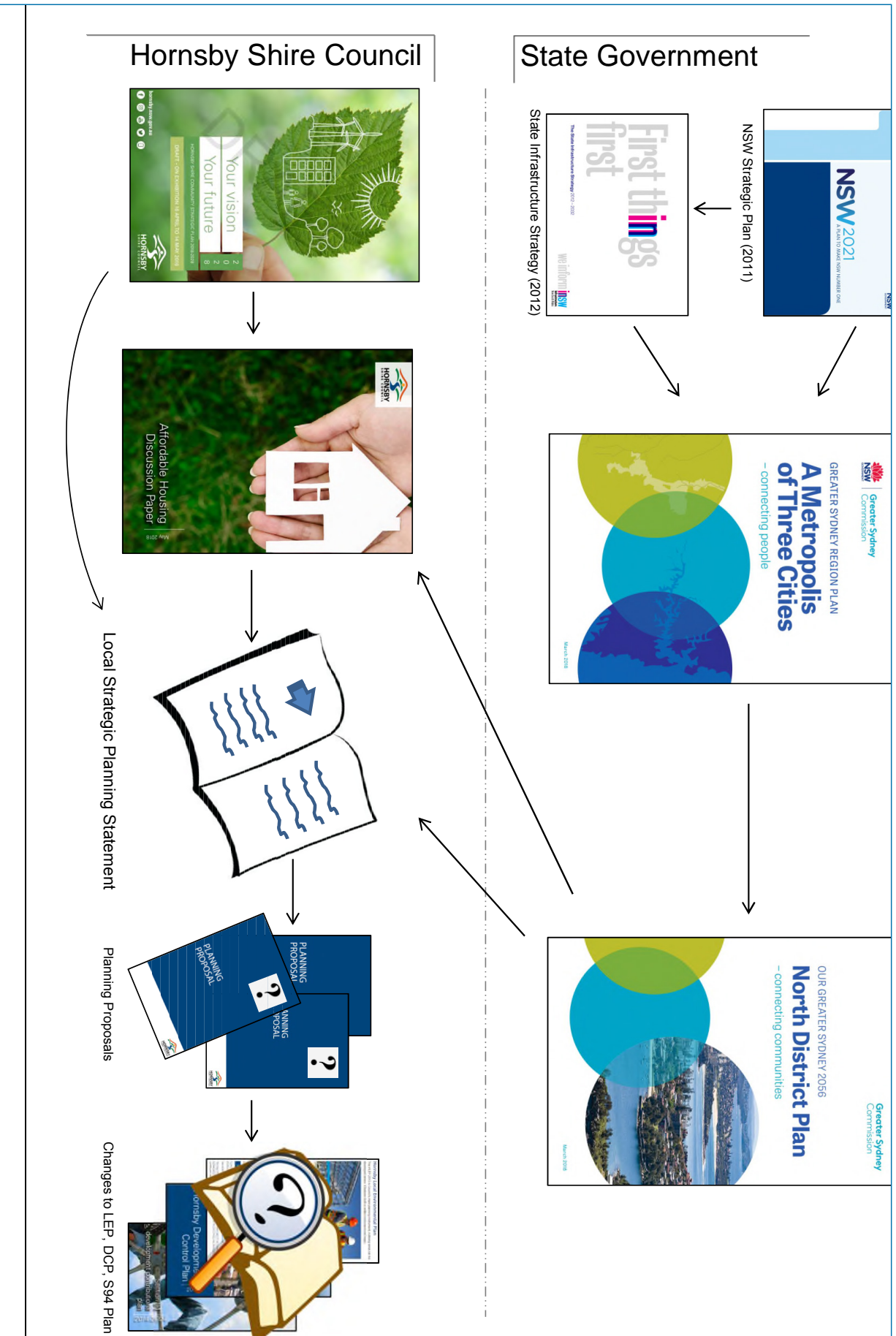
HOUSING TARGETS	North District	Hornsby Shire
5 year target (2016 – 2021)	25,950	4,350
20 year target (2016 – 2036)	97,000	TBC
Affordable Rental Housing	5 to 10% (subject to viability) of new urban renewal or land release developments	

Part 3.8 of the *EP&A Act* requires that Council review the *Hornsby Local Environmental Plan 2013* and amend it through the preparation of planning proposals to give effect to the North District Plan. Among other things, Council's housing policy will need to be updated to provide additional capacity for housing. Part 3.9 of the *EP&A Act* is a new obligation requiring that Council make and prepare a local strategic planning statement. The statement is to be prepared by Council staff, Councillors and the community and will set the vision for land use in the local areas, aligned with metropolitan and district plans and Council's own priorities. This Affordable Housing Discussion Paper will assist in the preparation of Council's local strategic planning statement and the priorities for the type of new dwellings required to achieve improved housing choice, diversity and affordability in meeting our housing obligations.

Council's Community Strategic Plan 2018 - 2028, which identifies the main priorities and aspirations for the future of the Shire, was recently exhibited. It contains an action statement that confirms Council's commitment to "*collaboratively implementing infrastructure, sustainability, livability, productivity and affordability initiatives to ensure our Bushland Shire thrives now and into the future.*"

The flow chart on the following page illustrates the context of this discussion paper.

Policy Context

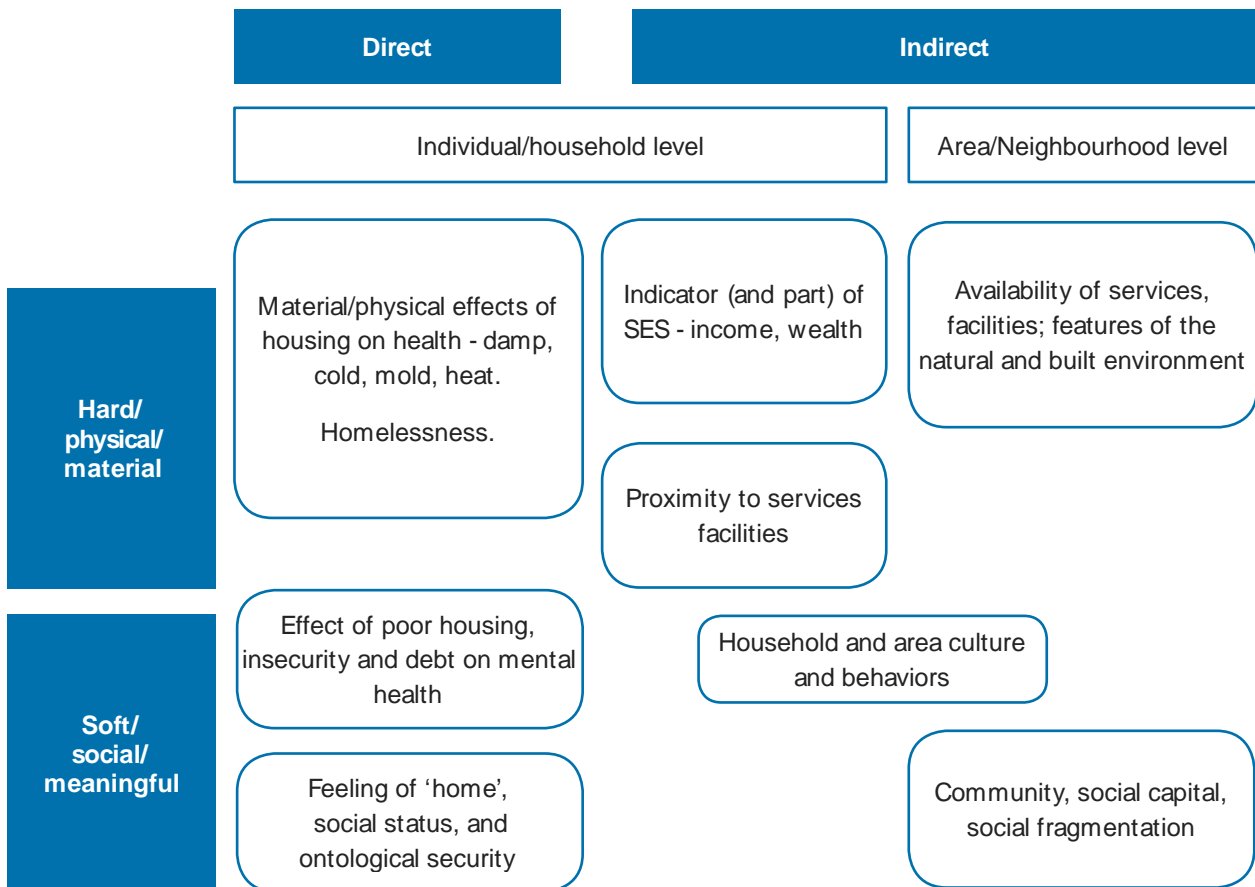


### 3. What is Affordable Housing?

The term affordable housing refers to housing that is within a household's means to pay and appropriate to their needs in terms of size, form and location.

The means of a household to pay for their housing depends not only on the income of the household but also the cost of appropriate housing. Whether housing meets the needs of a household depends on whether the housing is of reasonable standard and quality, not overcrowded or underutilised, located close to services and jobs that the members of the household travel to and is cost efficient to maintain.

When housing is not affordable it can put households at risk of homelessness, which in turn can lead to increased demand for government services. Households may be forced to relocate and commute further to work which can lead to poor environmental outcomes. Housing insecurity and poor quality housing can also lead to poor physical and mental outcomes<sup>2</sup>.



Source: Shaw, M, *Housing and Public Health* (2004)

The provision of affordable housing is therefore a key issue in planning for population growth.

Local Government can assist in the provision of affordable housing. That is, quality housing in various sizes and locations which meets the changing needs of households and is within their means to pay. This differs from social housing which is subsidised rental housing provided by not for profit or government organisations for households with little to no means to pay.

<sup>2</sup> Shaw, M *Housing and Public Health* (2004)

### 3.1 Types of affordable housing problems

Affordability can be or can become an issue for households when their circumstances change across their family lifecycle. The NSW Centre for Affordable Housing lists the following examples of affordability problems which could occur based on the dynamic needs of households in a community:

- n A resident retires and needs smaller and more affordable housing that is not available in their community;
- n A resident loses their spouse or partner and can no longer afford the rent on the family home;
- n Adult children in a local family require independent housing;
- n Working households want to start a family but will lose some of their earning potential and capacity to pay for their housing;
- n The capacity of a family to pay for their existing housing is reduced through long term illness or disability;
- n A lower paid worker obtains employment in the local area but cannot afford to live there; or
- n A key worker such as a police officer, a nurse or a child care worker is just starting out in their career.

### 3.2 Measuring affordability

Affordability is generally measured by the ratio of rent or purchase price to household income. Lower income households who are paying more than 30% of their household income to meet their housing costs are generally considered to be in housing stress<sup>3</sup>. The table below uses categories provided in the NSW Local Government Housing Kit to define households which are considered to have very low, low or moderate incomes based on a percentage of the Sydney median income.

Income category	Definition	Greater Sydney Median Household Income \$1,750 <sup>4</sup>
Very low	50% or less of median household income	\$875 or less
Low	50% to 80% of median household income	More than \$875 but less than \$1,400
Moderate	80% to 120% of median household income	More than \$1,400 but less than \$2,100

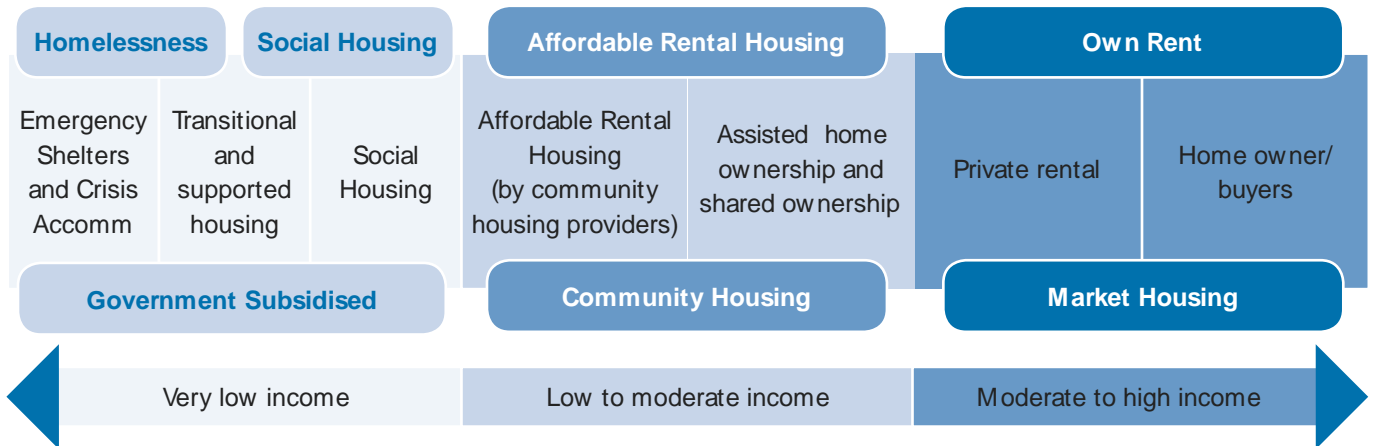
Housing stress is not the only measure of affordability. A low income household may not have housing costs exceeding 30% of their income. However, their residual income may not be adequate to meet other basic household costs, due to other high household costs such as a disability or chronic poor health.

<sup>3</sup> *National Housing Strategy 1992*

<sup>4</sup> *Centre for Affordable Housing 2016 Census data*

### 3.3 The Housing Continuum

The housing continuum is a concept used by a number of councils and housing organisations to illustrate the housing needs problem. It highlights the connection between the range of housing tenure, level of assistance available for various housing types and the connection between them. The adaptation of the housing continuum below shows the affordability issue, type of housing, level of government assistance and target group that the types of housing are available to.





## 4. Demographics and Housing in Hornsby Shire

### 4.1 Snapshot of Hornsby Shire

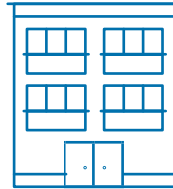
#### Population



**142,667**

ABS Census 2016

#### Housing



**26%**

Medium and High Density Housing

#### Household



**2.9**

Average household size

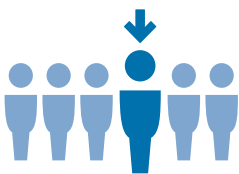
#### Mortgage



**39%**

Households with a Mortgage

#### Age



**40**

Median age

#### Rent



**\$500**

Median Weekly Rent

#### Income



**\$2,121**

Median weekly household income

#### Rent

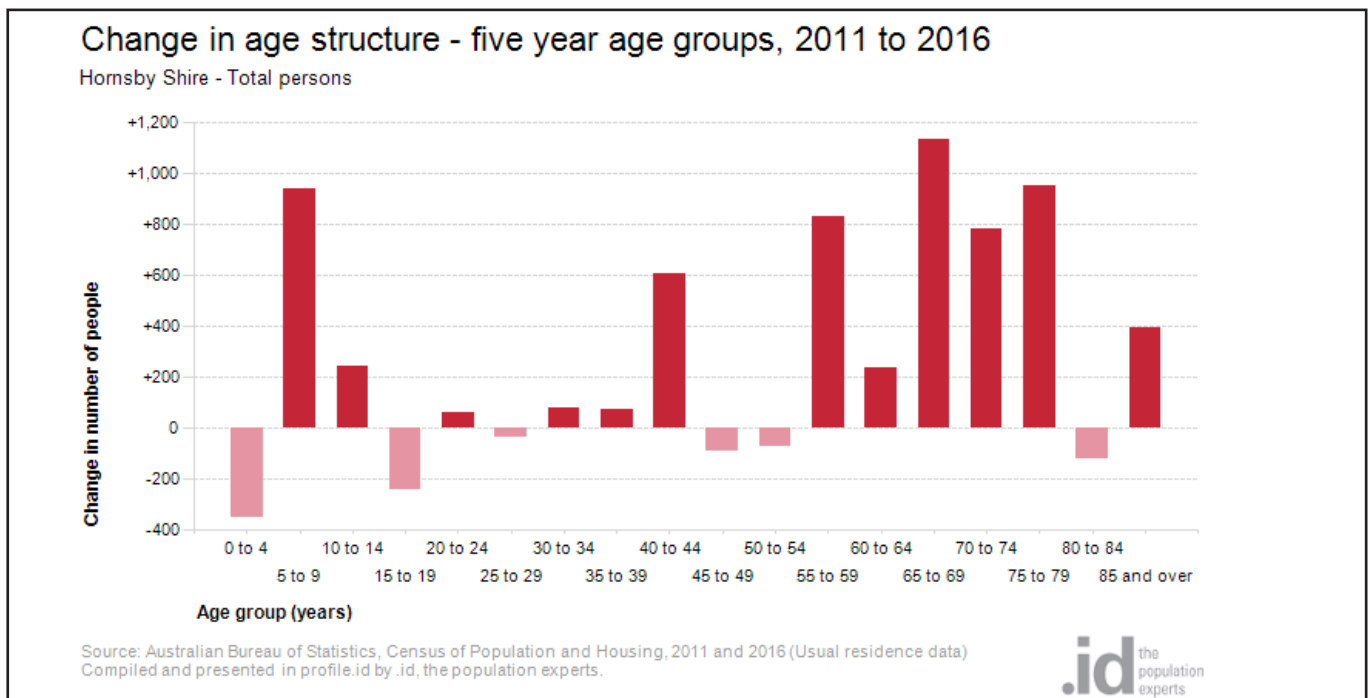
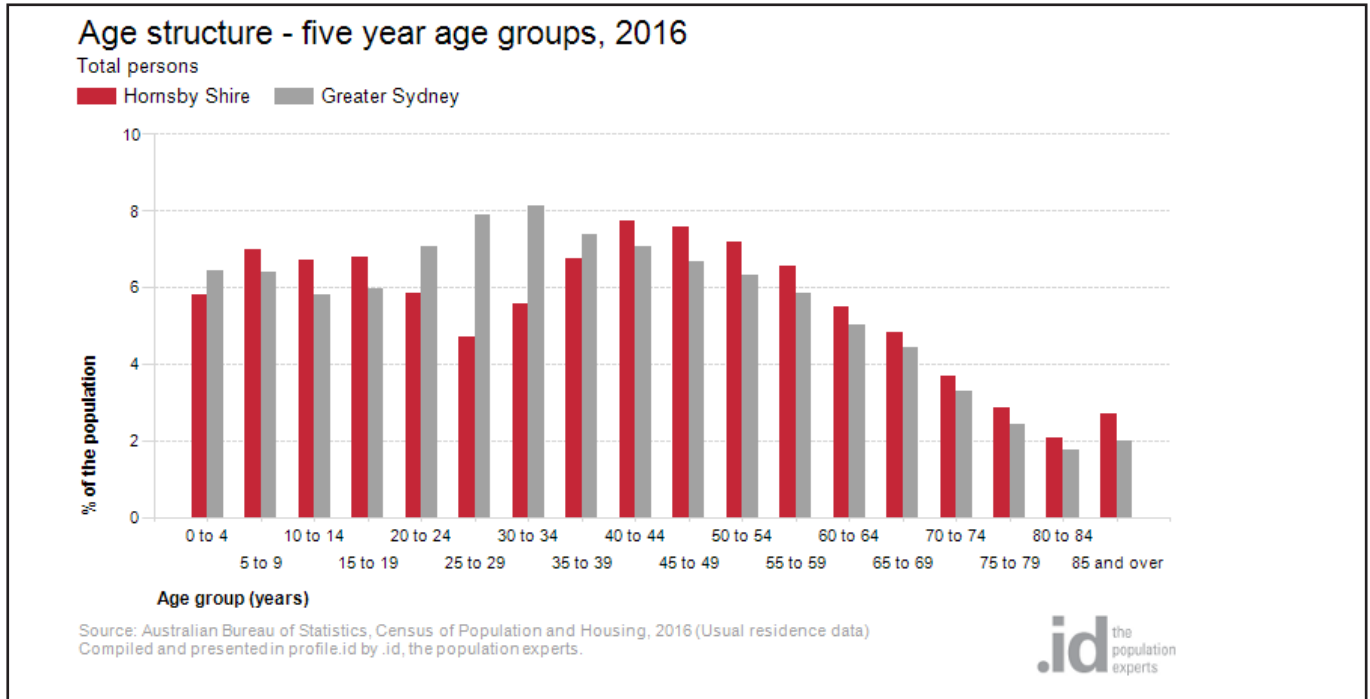


**21%**

Households renting

## 4.2 Living in Hornsby Shire

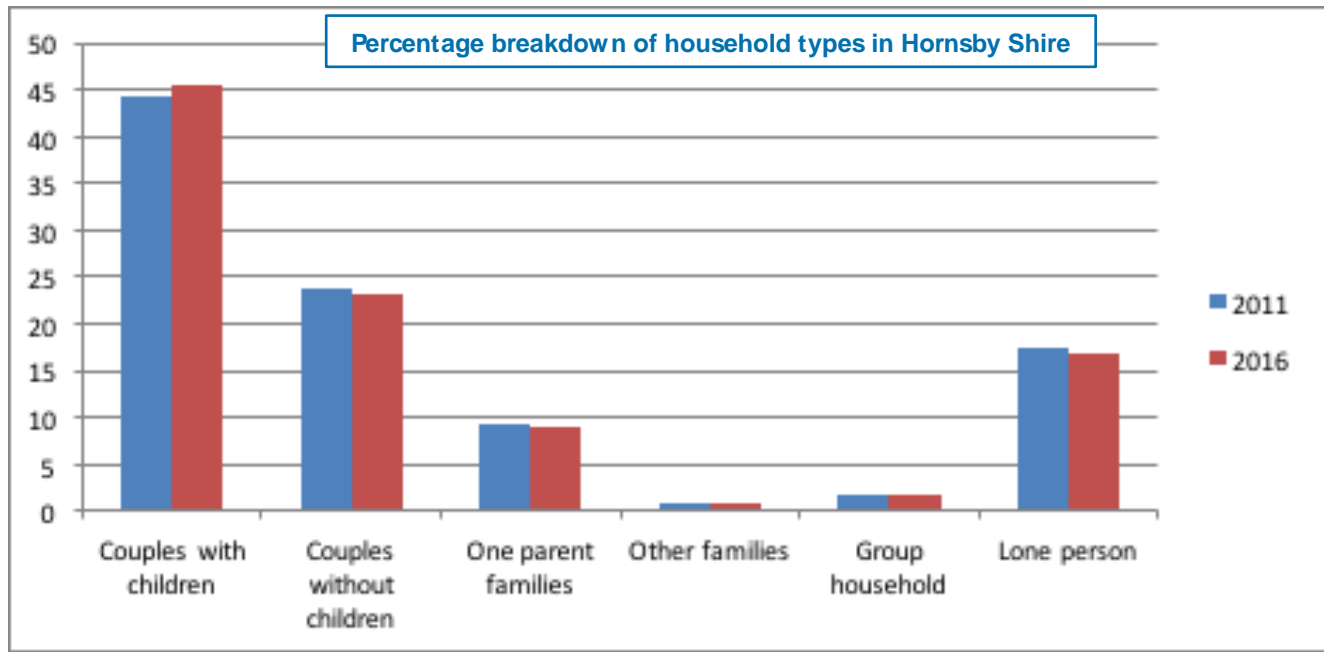
The usual resident population of Hornsby Shire is 142,667<sup>5</sup>. The population of Hornsby Shire is continuing to age, with a lower proportion of preschoolers and a higher proportion of retirees than Greater Sydney in 2016. Hornsby also has a lower proportion of young workforce, parents and home-builders than Greater Sydney<sup>6</sup>. Between 2011 and 2016, the largest increases in age structure occurred in the age groups of 55 and over, with a large increase also in the 5 to 9 age group. The largest decrease occurred in the 0 to 4 age group.



5 ABS 2016 Census

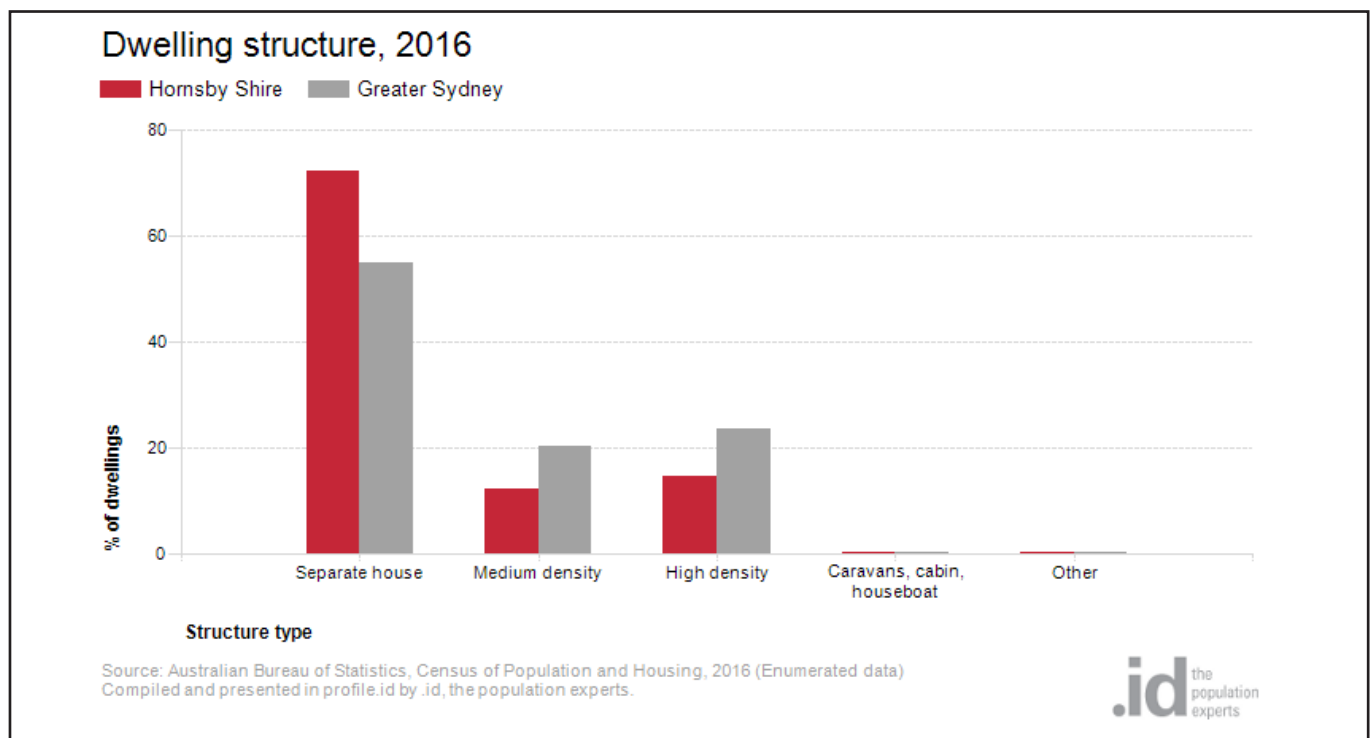
6 Profile ID

Hornsby Shire continues to be dominated by “Couples with children” households, which account for 45% of all households and is higher than Greater Sydney. The number of households in Hornsby Shire increased by 1,267 between 2011 and 2016, with the majority being couples with children households. However, the breakdown of household type within the Shire is virtually unchanged since the 2011 Census.



Source: Profile ID

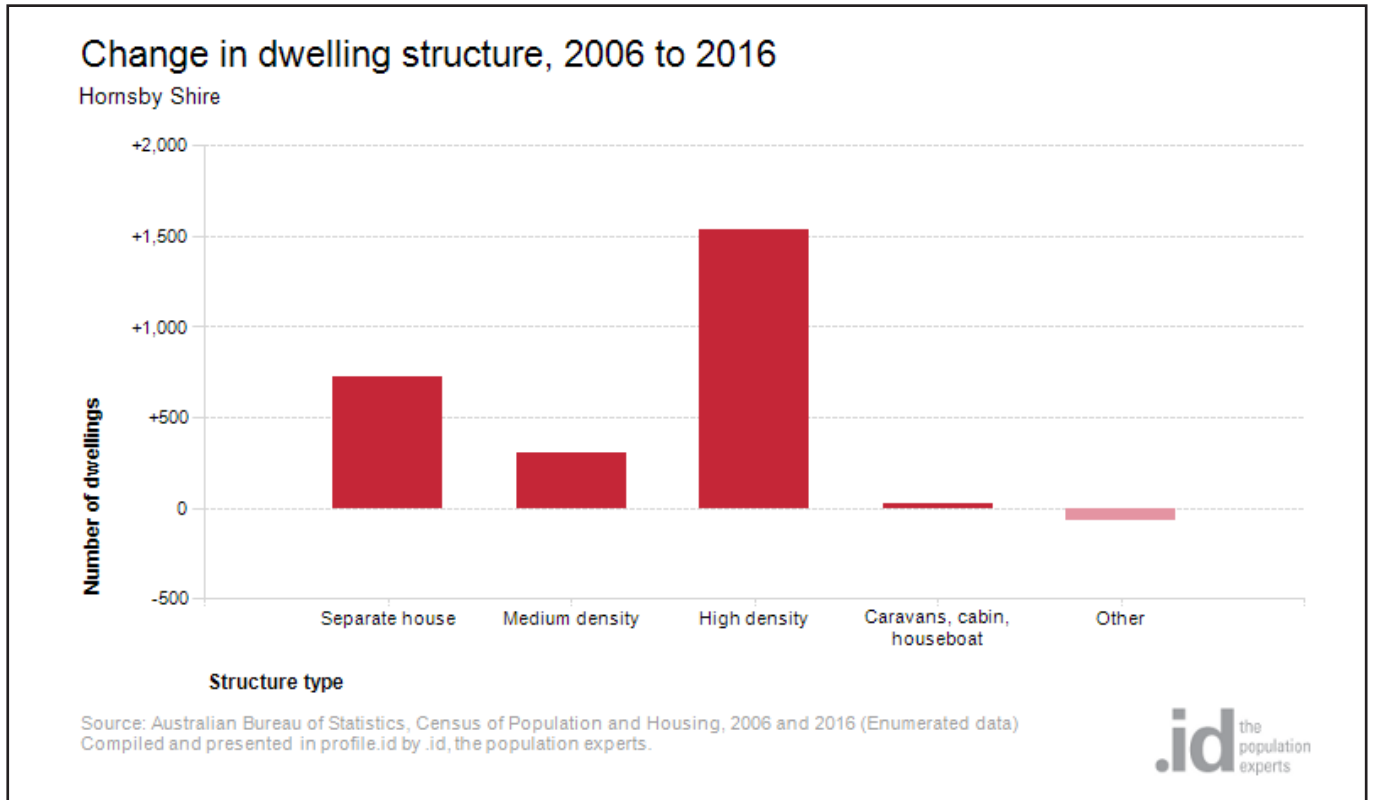
In 2016, 72% of all dwellings were separate houses. Approximately 12% were medium density and 15% were high density dwellings, compared to 20% and 23.5% respectively in Greater Sydney<sup>7</sup>.



Source: Australian Bureau of Statistics, Census of Population and Housing, 2016 (Enumerated data)  
 Compiled and presented in profile.id by .id, the population experts.

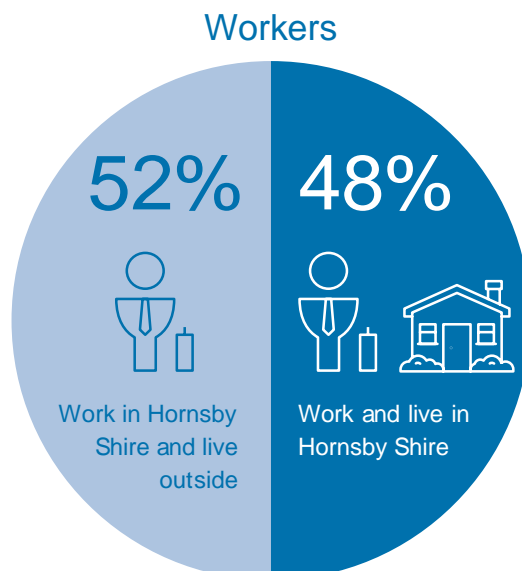


In the ten years between 2006 and 2016, the number of separate houses in Hornsby Shire increased by 721. The number of medium density dwellings increased by 309 and the number of high density dwellings increased by 1,537. This reflects the implementation of Council’s Housing Strategy in 2011 which rezoned land for high density dwellings.

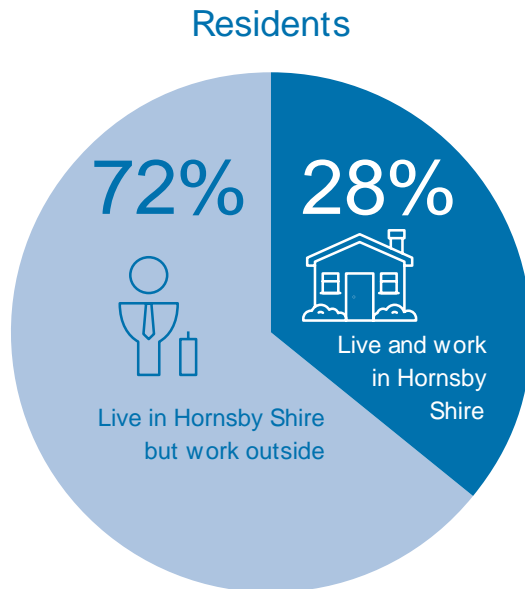


### 4.3 Working in Hornsby Shire

According to the National Institute of Economic and Industry Research (NIEIR), in 2017 there were 49,262 local jobs in Hornsby Shire. The largest employer is the Health Care and Social Assistance sector (17.1%), followed by Education and Training (13.1%) and Retail Trade (12.2%). Over half of the local workforce (52.5%) lives outside of the Hornsby local government area.



The labour force participation rate in Hornsby Shire as at 2016 is 64.8%, with 74,371 residents over the age of 15 employed. More Hornsby Shire residents worked in Health Care and Social Assistance than in any other industry in 2016. The second highest employment industry for residents of Hornsby Shire was Professional, Scientific and Technical Services. Approximately 72% of the Shire’s residents travel outside of the local government area to work and only 28% live and work in the Shire.



### Key workers

Key workers provide essential services and are an important part of an area’s safety, vitality, sustainability and social diversity. Key workers include teachers, nurses, police, ambulance officers, fire and emergency workers. Key workers are affected by housing affordability as they can be priced out of housing in the communities they service. They may be forced to rent longer or buy further away and face a long commute to work. The lack of affordable housing for key workers also affects businesses in the way of recruitment and retention, which then affects essential services.

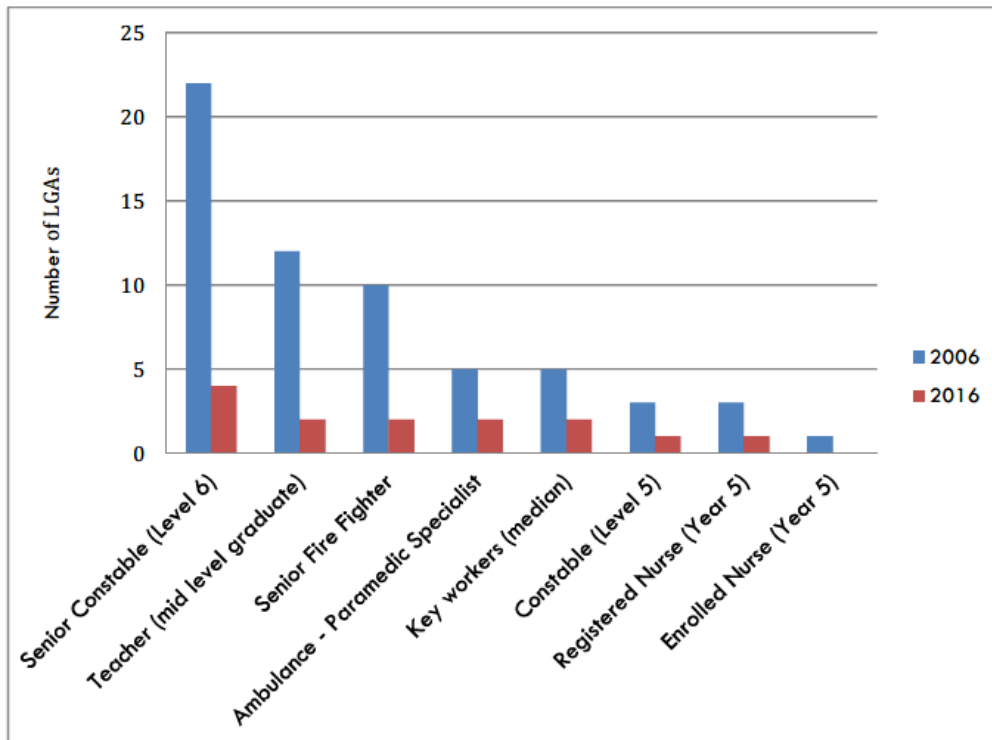
A recent study by the University of Sydney on key worker housing affordability in Sydney confirms that high house prices and rents are pushing key workers out of the LGAs in which they serve.<sup>8</sup> There are very few LGAs in Greater Sydney where the ratio of median purchase price to median key worker income is less than 5:1.

The same study found that North Sydney and Hornsby Shire had a net loss of 1.8% of key worker population in the 10 years between 2006 and 2016. In Hornsby Shire in 2011, the median house price was 9.5 times the earnings of a key worker.<sup>9</sup> In 2018 this is closer to 16 times the earnings of a key worker.



Source: [https://www.tmbank.com.au/~/\\_/media/community/news/pdf/2018/key-worker-housing-affordability-in-sydney.ashx](https://www.tmbank.com.au/~/_/media/community/news/pdf/2018/key-worker-housing-affordability-in-sydney.ashx)

8 Gurrán, N, Gilbert, C, Zhang, Y, Phibbs, P. 2018 “Key workers housing affordability in Sydney”  
 9 Bankwest 3rd Key Worker Housing Affordability Report 2011



Source: Gurrán, N, Gilbert, C, Zhang, Y, Phibbs, P. 2018 "Key workers housing affordability in Sydney"

#### 4.4 Ageing in Hornsby Shire

Hornsby Shire has a higher proportion of retirees than Greater Sydney<sup>10</sup>. The largest changes in age structure were increases in the age groups between 65 and 74. According to census data there were 3,872 persons aged 85 years and over living in the Shire in 2016, representing a higher proportion of the population than Greater Sydney.

Along with an ageing population there has also been a change in housing patterns. Home ownership is in decline and more people are retiring with a mortgage or living in long-term private rental with ever-increasing rents and the threat of eviction<sup>11</sup>.

There are 4,299 older (65+) lone person households in Hornsby Shire in 2016<sup>12</sup>. There is a lack of housing for older people suitable for ageing in place, connected to their community and service infrastructure.

#### 4.5 Affordability in Hornsby Shire

Key 2011 census data reveals that Hornsby Local Government Area has a high level of need for affordable rental housing<sup>13</sup>. An indicator of the unmet demand in the North District Subregion is the 1,602 homeless people recorded in the 2011 census. Almost 20% (282) of those people are homeless within the Hornsby LGA.

The Centre for Affordable Housing has calculated that 69% of very low, low and moderate income households that were renting in Hornsby Shire in 2011 were in rental stress.

<sup>10</sup> <http://profile.id.com.au/hornsby/service-age-groups>

<sup>11</sup> [https://www.older tenants.org.au/sites/default/files/older\\_persons\\_housing\\_strategy\\_nov\\_2016.pdf](https://www.older tenants.org.au/sites/default/files/older_persons_housing_strategy_nov_2016.pdf)

<sup>12</sup> <http://profile.id.com.au/hornsby/households-without-children>

<sup>13</sup> NSW Centre for Affordable Housing

### Number of LGAs with median house price to median key worker income ratio of 5:1 or less

RENTAL STRESS	Very Low Income Households	Low Income Households	Moderate Income Households	Total
Households in rental stress	97% (1,483)	78% (1,176)	43% (908)	69% (3,567)
Households renting	1,534	1,514	2,126	5,174

Source: 2011 Census Special Tables

The Centre for Affordable Housing has calculated that 55% of very low, low and moderate income households with mortgages in Hornsby Shire in 2011 were in home purchase stress.

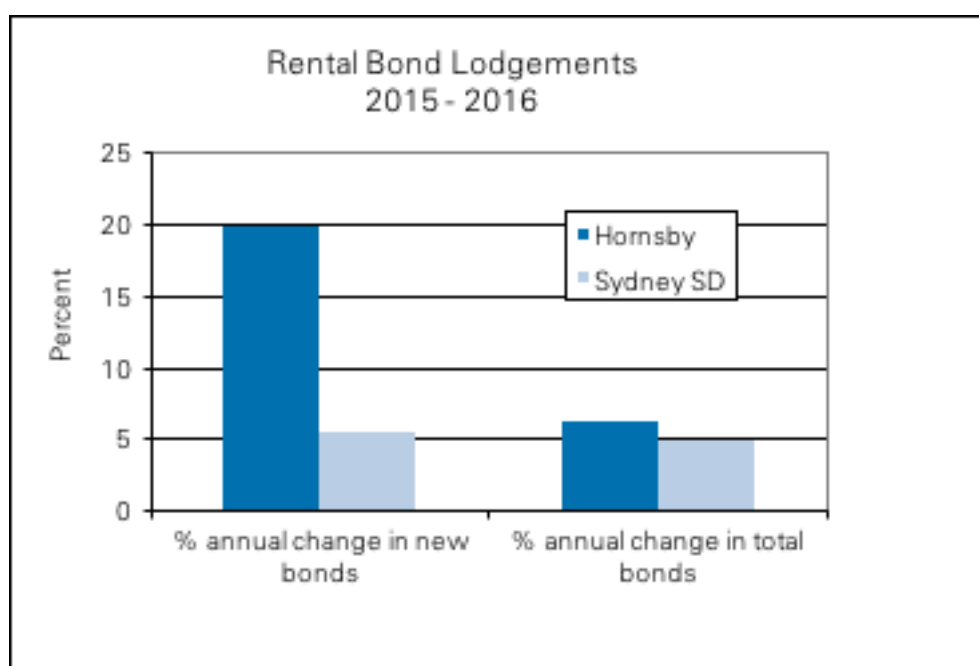
PURCHASE STRESS	Very Low Income Households	Low Income Households	Moderate Income Households	Total
Households in purchase stress	78% (1,043)	62% (1,196)	44% (1,730)	55% (3,969)
Households with mortgages	1,336	1,920	3,952	7,208

Source: 2011 Census Special Table

## 4.6 Affordable rental stock in Hornsby Shire

Family and Community Services (FACS) calculates that all local government areas within the North District experienced a significant loss of affordable rental housing in the period between 2006 and 2013. Based on the number of new private rental bonds lodged between 2006 and 2013, Hornsby had a 70% reduction in the number of affordable rental properties available to low income households<sup>14</sup>.

Since 2013, a number of new units have been built across the Shire. Although these produced an increase in new rental bonds lodged over the year 2015 – 2016, the overall increase in new rental bonds is low. Over a five year time period from 2011 to 2016 the proportion of rental housing increased by only 1.4%.



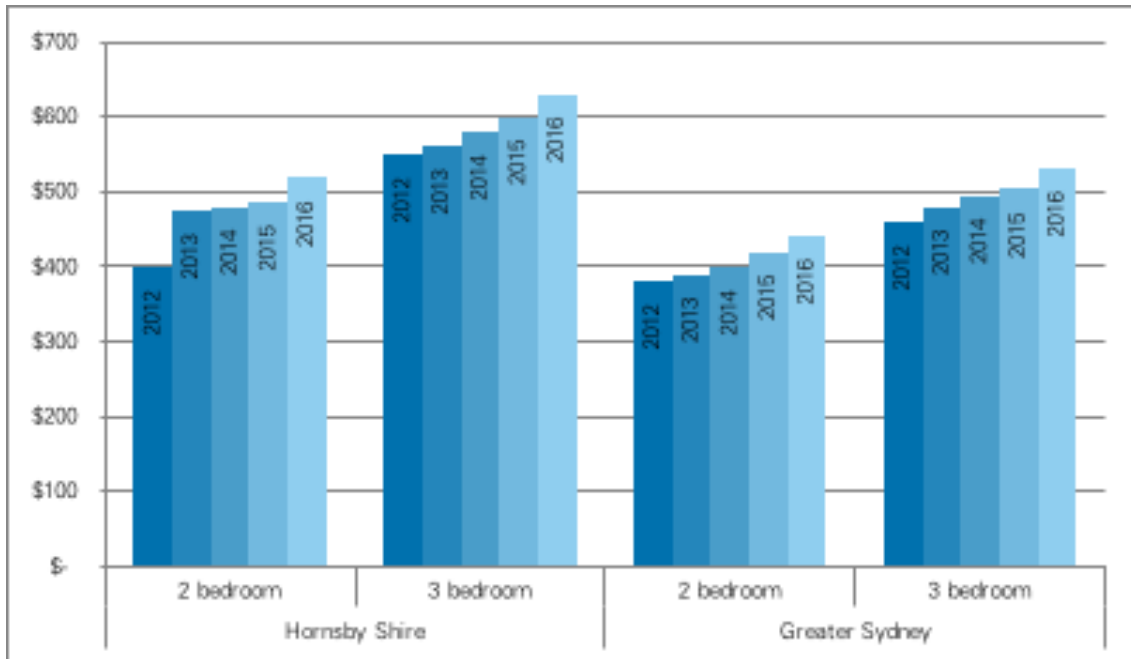
Source: Rental Bond Board (RBB) Data June 16 & June 15 Quarters

14 NSW Family and Community Services North Subregion Snapshot

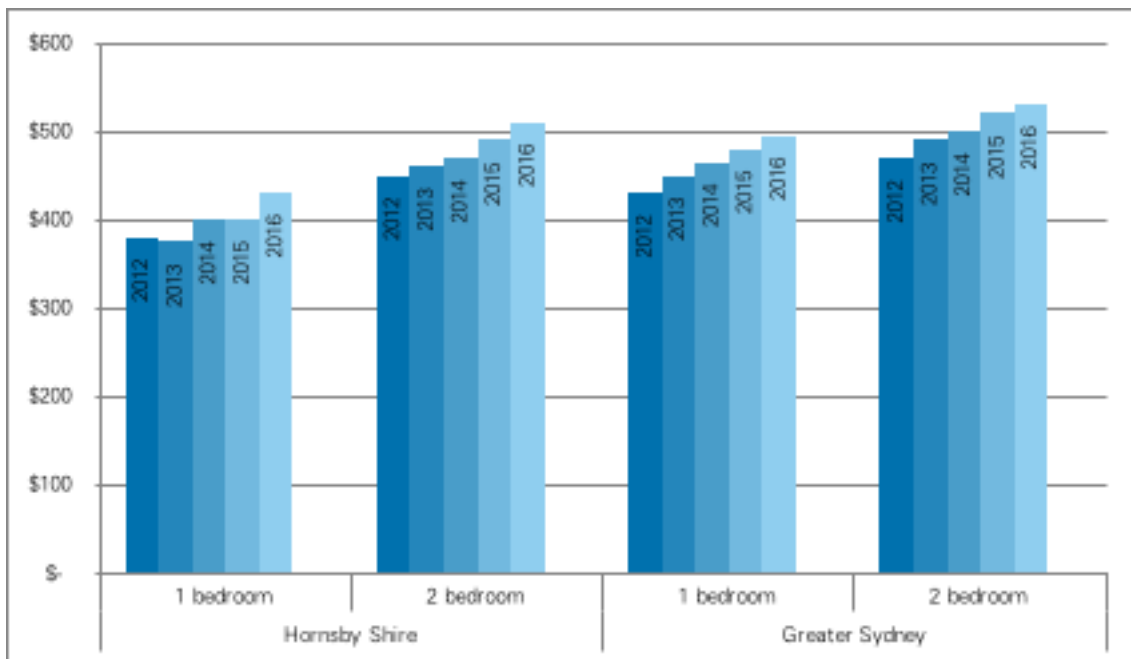
A vacancy rate of 3% is regarded as representing a balance between supply and demand<sup>15</sup>. As at February 2018, the average vacancy rate for Outer Ring Sydney (which includes Hornsby) was 2.3%<sup>16</sup>. This data indicates a shortage of supply in private rental accommodation in Hornsby and in Sydney generally.

The charts below show the change in median rents in Hornsby and Greater Sydney for houses and units by number of bedrooms in the five years between 2012 and 2016.

### Median Rent – Houses



### Median Rent - Units



Source: Department of Family and Community Services Rent and Sales Report Issue 118

15 NSW Centre for Affordable Housing

16 REINSW Vacancy Rate Survey Results February 2018



Rents for 3 bedroom houses in Hornsby have increased from \$550 in 2012 to \$630 in 2016 and are higher than median rents in Greater Sydney. Rents for 2 bedroom units in Hornsby have increased from \$450 in 2012 to \$510 in 2016 and are consistent with median rents in Greater Sydney.

Median household income has increased relative to rental increases across Sydney, meaning the ratio of rent to income has remained stable for moderate income earners<sup>17</sup>.

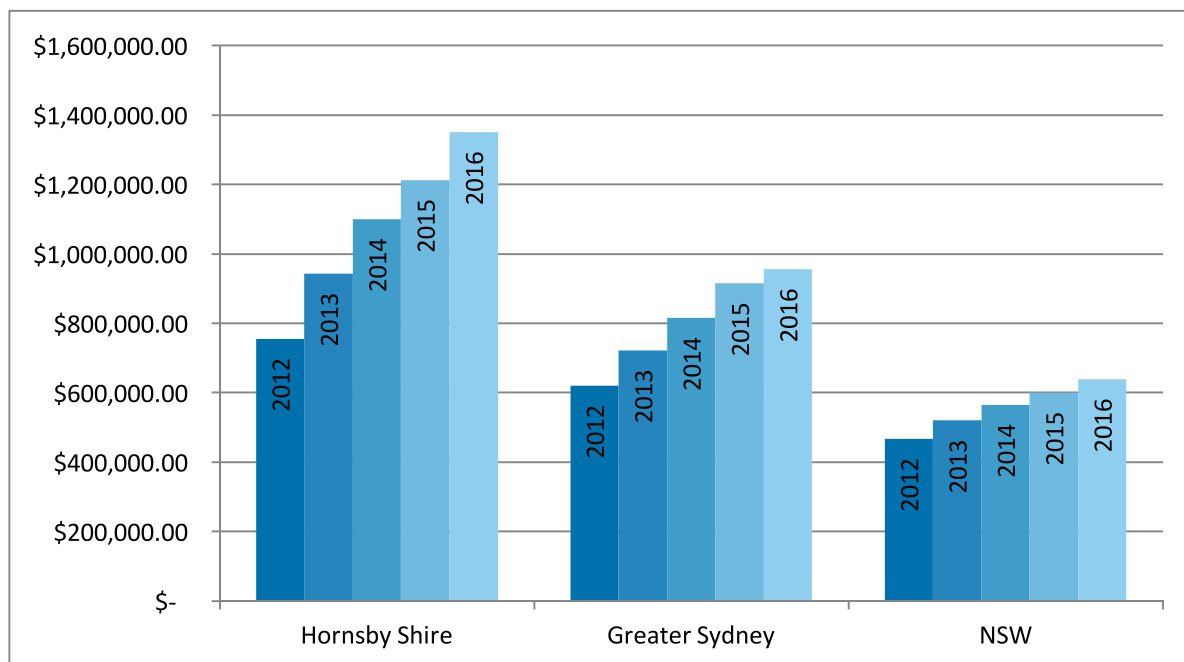
However, as at June 2014, there was just 2% of private rental stock that was affordable for very low income earners in Hornsby and 6.2% for low income earners<sup>18</sup>.

#### 4.7 Affordable purchase stock in Hornsby Shire

FACS calculates that purchase affordability for very low income households in the North District has been at close to 0% in most local government areas for the last 12 years. For low income households purchase affordability in Hornsby is only marginally better at 0.2%. Affordability for moderate income households to purchase in Hornsby is 3.5%, well below the average for Greater Sydney of 17.4% at June 2014.

The tables below show the change in median sales price in Hornsby Shire, Greater Sydney and NSW in the five years between 2012 and 2016.

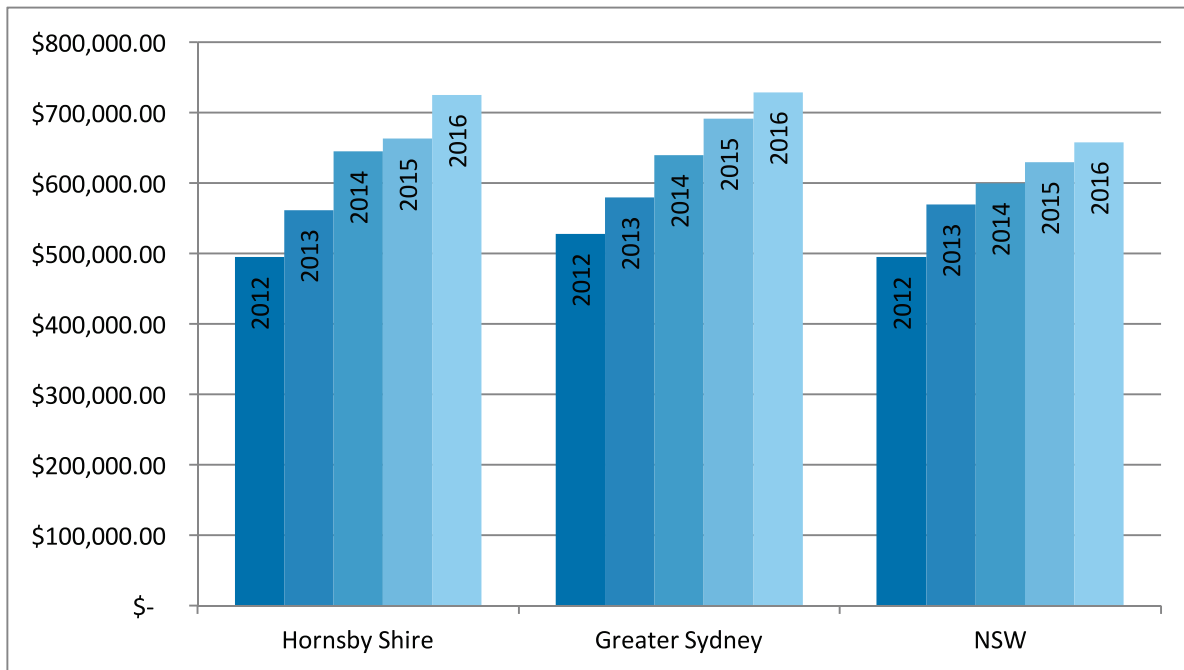
#### Median Sales Price – Houses



<sup>17</sup> Peter Abelson – Presentation to Local Government NSW Association 24 May 2017

<sup>18</sup> NSW Family and Community Services North Subregion Snapshot

### Median Sales Price - Units



Source: Department of Family and Community Services Rent and Sales Report Issue 118

The median house price in Hornsby has increased from \$755,000 in 2012 to \$1.35M in 2016, an increase of 79%. The median unit price in Hornsby has increased from \$495,000 in 2012 to 725,000 in 2016, an increase of 46%. These increases have been exponentially higher than the rise in median income.

## 5. State and Federal Government Roles

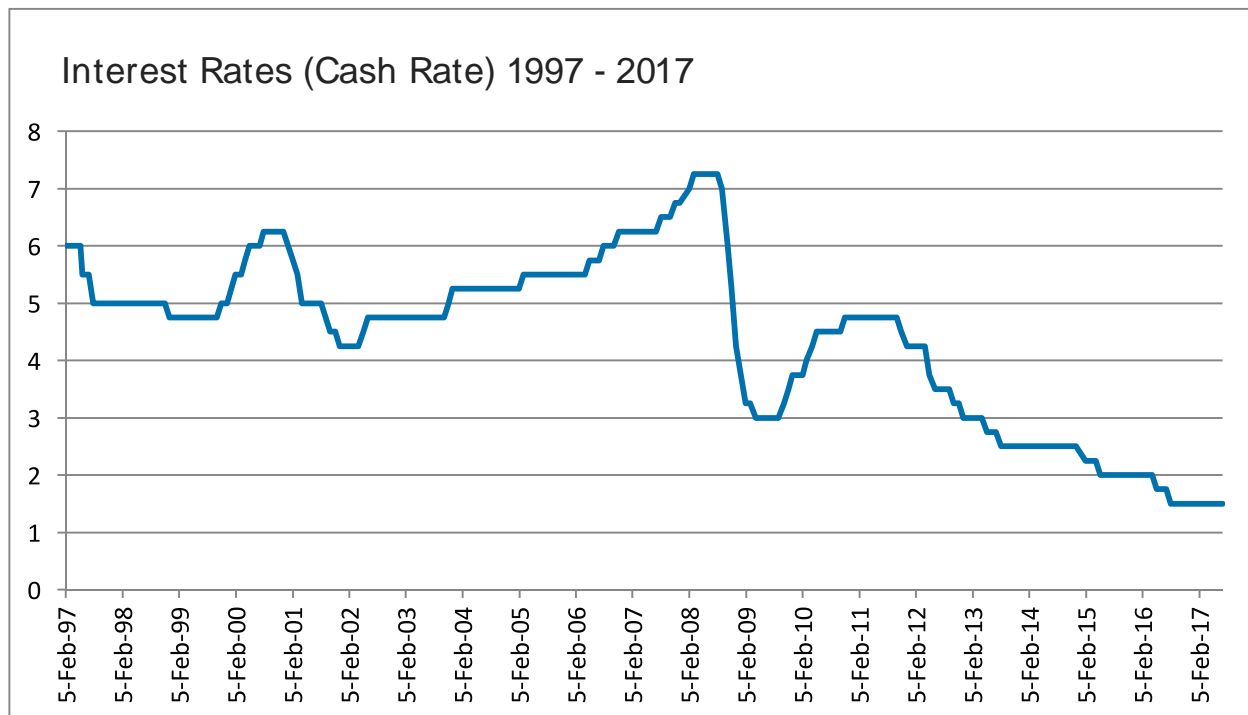
The State and Federal Governments play a large role in influencing the housing market through fiscal and monetary policy, which in turn impacts on housing affordability. Fiscal policy shapes the market and affects housing supply and costs. Planning policy impacts development outcomes and housing growth. Despite (and sometimes due to) these policies, State and Federal assistance is critical in providing monetary relief to make housing available to those in need.

### 5.1 Influences on affordable housing

Government policies which influence the housing market include:

#### Interest Rates

In Australia, interest rate decisions are made by the Reserve Bank of Australia's Board. The official interest rate is the cash rate<sup>19</sup>. As a response to the global financial crisis, official interest rates (and therefore bank borrowing rates) are at historically low levels.

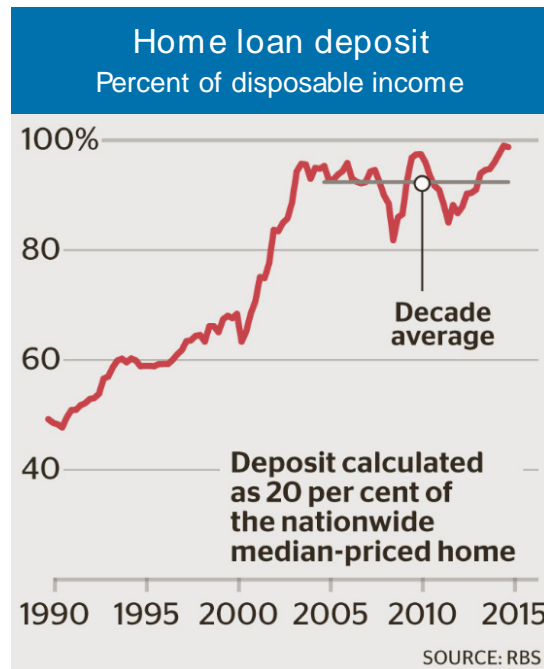
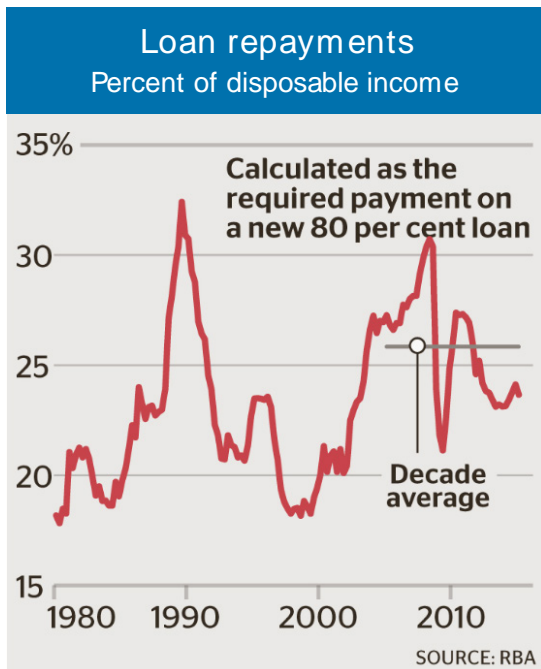


Source: Based on information from <http://www.rba.gov.au/statistics/cash-rate/>

<sup>19</sup> [Tradingeconomics.com/Australia/interest-rate](http://Tradingeconomics.com/Australia/interest-rate)

Low interest rates have driven up housing prices as it makes the repayments on mortgages more affordable even at higher purchase prices. Repayments on new housing loans as a percentage of household disposable income are below the 26% average of the past decade<sup>20</sup>.

Instead, the key constraint to home ownership due to low interest rates and rising house prices is the deposit hurdle. A 20% deposit on a median priced house is worth an entire year of an average household's disposable income, higher than the average of the past decade.



Source: Sydney Morning Herald<sup>21</sup>

### Negative Gearing

The Federal Government administers a negative gearing policy which allows property investors to claim a loss on an investment property as a tax deduction. This policy encourages investors into the housing market. There are arguments that this pushes up house prices and has led to an increase in the number of homes sitting vacant<sup>22</sup>. There are alternate arguments that encouraging investment properties is vital to increasing the supply of rental housing.

### Stamp Duty - First Homebuyers Assistance Scheme

The NSW Government administers a stamp duty tax which is charged on the sale or transfer of property. Stamp duty for first homebuyers of new and existing homes up to \$650,000 is currently exempt and there are concessions on stamp duty for homes valued between \$650,000 and \$800,000. This potentially lifts one hurdle to home ownership. However, the Property Council of NSW indicates that traditionally any assistance by Government has been perceived by some to increase the cost of houses which would have an adverse effect on the housing market<sup>23</sup>.

### Greater Sydney Region Plan - A Metropolis of Three Cities

The State Government's Greater Sydney Region Plan promotes more affordable housing in areas close to friends and family, workplaces and schools, public transport, shops and services, along with more options for types of homes available during different life stages.

The supporting District Plans outline housing targets and affordable rental housing targets to be met by local council strategies to increase housing supply.

<sup>20</sup> Sydney Morning Herald - The five charts that prove there is a housing affordability crisis (17 April 2017)

<sup>21</sup> Sydney Morning Herald - The five charts that prove there is a housing affordability crisis (17 April 2017)

<sup>22</sup> Sydney Morning Herald - A million homes left empty across the country (18 July 2017)

<sup>23</sup> SBS New Article: <http://www.sbs.com.au/news/article/2017/06/01/pointless-or-helpful-nsws-first-home-buyer-stamp-duty-sweetener-gets-mixed>

### **Affordable Rental Housing State Environmental Planning Policy 2009**

The NSW Government introduced the Affordable Rental Housing State Environmental Planning Policy (SEPP) in 2009 to increase the supply and diversity of affordable rental and social housing in the state. It offers development incentives if a portion of the development is rented as affordable housing through a community housing provider. It also permits boarding houses and secondary dwellings in residential zones.

### **State Environmental Planning Policy 70 Affordable Housing**

SEPP 70 Affordable Housing (Revised Schemes) provides local councils with a mechanism to levy an affordable housing contribution to certain developments. It identifies local government areas where there is a need for affordable housing in the area, which then permits a council to impose a condition on a development application under Section 94(f) requiring the dedication of land or the payment of money to be used for the purpose of affordable housing. Currently, the SEPP identifies that there is a need for affordable housing in the following local government areas:

- n City of Sydney
- n City of Willoughby
- n Leichhardt

City of Sydney has applied an affordable housing contribution under SEPP 70 to 11 developments across Green Square and Pyrmont-Ultimo, which have delivered over \$23 Million in contributions which have been passed on to City West Housing, a not for profit affordable rental housing provider. City West Housing will use the funds to support and construct additional affordable housing units in the City of Sydney.

The Department of Planning and Environment has recently proposed to expand SEPP 70 to five additional Council areas, Randwick, Inner West, Northern Beaches, City of Ryde and City of Canada Bay.

### **Affordable Housing Taskforce**

The Government established an Affordable Housing Taskforce in 2011. The taskforce has provided advice to the government on options for facilitating the delivery of affordable housing.

### **Medium Density Housing Guide and Housing Code**

The State Government has identified the need for an increase in the supply and quality of low rise medium density development and has now released a Low Rise Medium Density Housing Code effective from 6 July 2018. The new Code will allow assessment of medium density development, including dual occupancies, townhouses, terraces and manor homes, as complying development. The new Code is supported by the Low Rise Medium Density Design Guide to ensure a consistent approach to the design and delivery of quality medium density housing. The aim is to make approvals for these housing types faster and more straightforward, providing greater housing supply and choice including more affordable housing. The Code only applies where these forms of medium density housing are permitted under a council's Local Environmental Plan. Hornsby Council has been granted an exemption from the Code until 1 July 2019.

### **Housing Supply Association**

The State Government has supported the launch of the Housing Supply Association, a not-for profit organisation which represents developers, builders and professional service providers. The Association aims to assist Government address the housing supply crisis through constructive dialogue and input into policy formulation. It also plans to assist in the development of affordable rental stock and important purchase opportunities for key workers, people with a disability and medically discharged returned service personnel.

## 5.2 Assistance with affordable housing

Traditionally the State and Federal governments have been responsible for providing financial and housing assistance to people on very low incomes, particularly those with special needs. The following financial assistance or grants programs are currently offered:

### Commonwealth Rent Assistance

Rent Assistance is a non-taxable income supplement payable to pensioners and other eligible people who rent in the private or community housing rental markets. Rent assistance payments vary according to family situation and number of children. To be eligible, a person must qualify for an eligible social security payment, service pension or income support supplement.

### National Affordable Housing Agreement

This is an agreement by the Council of Australian Governments that commenced in 2009, aiming to ensure that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation. The agreement has provided \$9 billion worth of housing assistance to low and middle income Australians but is due to end this year amid speculation that its benchmarks have not been met in terms of increasing social housing and reducing homelessness.

### National Rental Affordability Scheme

The National Rental Affordability Scheme commenced in 2008. It aims to increase the supply of new and affordable rental dwellings by providing an annual financial incentive to housing providers for up to ten years where affordable rental dwellings are provided at least 20 per cent below market rates. However, there are no further application rounds planned for the scheme.

### National Partnership Agreement on Homelessness

This agreement commenced in July 2015. The Federal Government agreed to provide \$230 million over two years, 2015-2017, match by states and territories, to fund frontline homelessness services. Priority is given to women and children experiencing family violence and homeless youth.

### Social Housing

Social housing is rental housing provided by not-for-profit, non-government or government organisations to assist people who are unable to access suitable accommodation in the private rental market. The NSW Department of Family and Community Services estimates that there are 144,000 social housing properties across NSW. There are 59,000 households on the NSW social housing waiting list.

### Rentstart

Rentstart is a NSW Government initiative which provides financial assistance in setting up or maintaining a tenancy in the private rental market. Assistance can include a bond loan, advance rent, help with moving out of public housing, short term support for people facing eviction or homelessness.

### [homeownership.gov.au](http://homeownership.gov.au)

Most government assistance is based around affordable rental housing. However, the Australian Government has introduced a series of measures to help first homebuyers and downsizers. The First Home Super Saver Scheme allows voluntary contributions to superannuation which can go towards the purchase of a first home. The downsizer measure offers incentives for those ready to downsize by allowing a contributions of up to \$300,000 from the proceeds of selling their home into their superannuation.

## Tell Council...

1. Are there other influences on housing affordability?
2. What is your experience with Federal and State Government housing assistance?



## 6. Local Government Role

Local government, particularly through the land use planning process, can promote better housing outcomes for their communities and assist with housing supply. Due to predicted substantial population growth, councils are being pushed to ensure long term housing provision and affordability.

Research by the Reserve Bank indicates that zoning and council restrictions on housing density within their LGAs is pushing up prices by up to 40% in Sydney and Melbourne in suburbs where there is scarce land available<sup>24</sup>. The research suggests that resistance to rezonings for higher densities has added a 'shadow price' to areas which allow for such densities<sup>25</sup>.

The State Government's North District Plan outlines a 5 year target of 4,350 dwellings for Hornsby Council. Council is well placed to meet the target based on current housing policy. However, as outlined in the North District Plan, achievement of the target requires a focus on the type of housing that the Shire needs as it grows – not just in numbers but in diversity that can accommodate the changing needs of households.

### 6.1 Current Housing policy

Council is proactive in preparing housing strategies and policies that encourage new dwellings to help address population growth and plan for our Shire's future. Council has a proven track record of responding to State Government directives around long term housing provision and affordability.

The Shire's first comprehensive housing strategy in 1994 included a range of new housing initiatives to meet the State Government's urban consolidation requirements and local community expectations. Two precincts were rezoned for high density multi-unit housing adjacent to the Hornsby Town Centre. The subsequent 1998 Housing Strategy involved the rezoning of eight precincts from Berowra to Epping to allow medium and high-density multi-unit housing to further accommodate the Shire's growing population.

Council's most recent Housing Strategy (2011) rezoned additional precincts across the Shire for medium and high density housing, mainly in the form of 5 storey residential flat buildings. A review of development applications and take-up rates indicate that approximately 7,000 new multi unit dwellings will be constructed by 2024<sup>26</sup>. However, this figure will decrease due to the boundary adjustment which amalgamated the area south of the M2 freeway (Carlingford and Epping) into Parramatta Council area.

The table below shows the increase in multi-unit housing development since 2011. With approvals for single houses remaining steady, the table indicates a possible change in dwelling structure in the Shire in the future.

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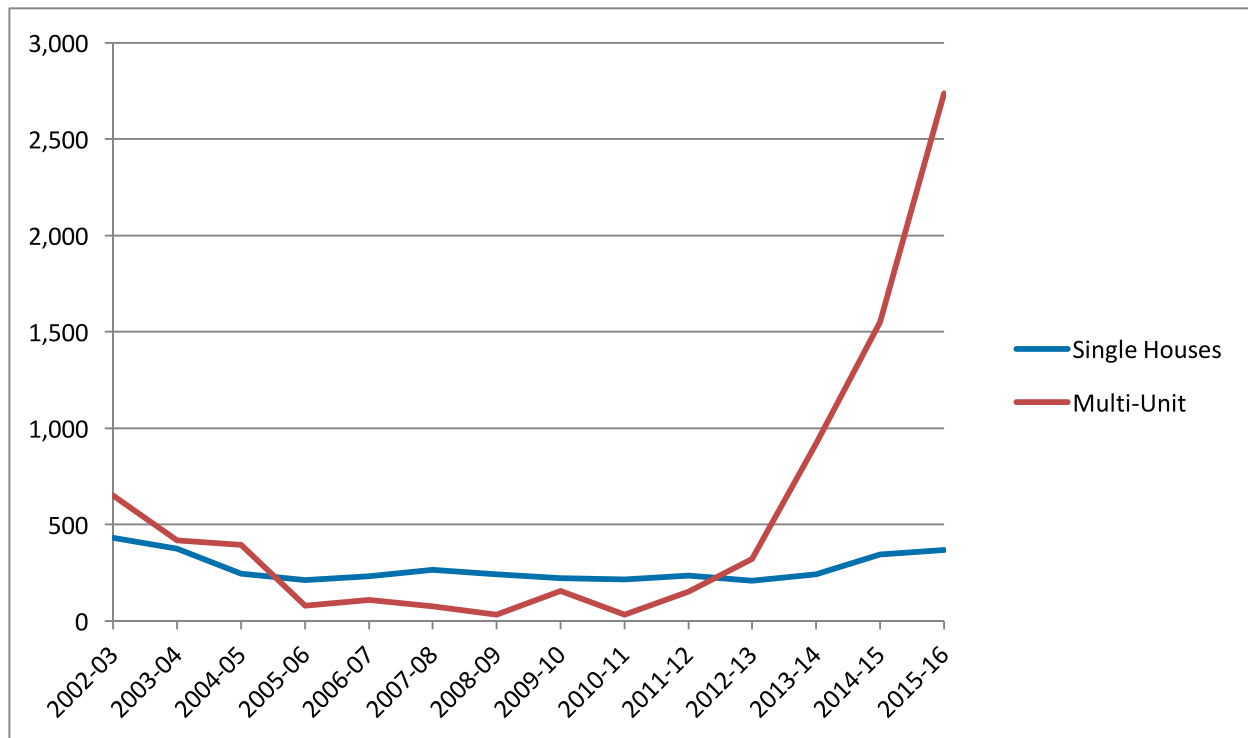
<sup>24</sup> Sydney Morning Herald - Homebuyers are paying a heavy price for zoning restrictions: Reserve Bank

<sup>25</sup> Reserve Bank of Australia RDP 2018-03 The Effect of Zoning on Housing Prices

<sup>26</sup> Hornsby Shire Section 94 Development Contributions Plan 2014-2024



### Building approvals in Hornsby Shire 2011-2016



Source: ABS Building Approvals

Through its planning controls Council currently addresses affordable housing through the following:

- n Preparation of housing strategies to rezone land and increase supply;
- n Increase the proportion of multi-unit dwellings;
- n Encourage apartments in areas which otherwise lack opportunities for downsizing;
- n Mandate a mix of one, two and three bedroom units in apartment developments; and
- n Encourage adaptable housing and universal design.

## 6.2 What other Councils are doing

### 6.2.1 City of Sydney

#### Planning

City of Sydney levies for affordable housing under SEPP 70 within the areas of Ultimo/Pymont, Green Square and an area known as the Southern Employment Lands (Alexandria). The money is collected in a trust and passed on to the City West Housing Company, which uses the funds for the purchase of land and the construction of affordable housing within the specified areas. The three affordable housing programs are structured as follows:

1. Ultimo/Pymont, introduced in 1996, which requires 0.8 percent of residential floor area and 1.1 percent of commercial floor area to be provided as affordable housing;
2. Green Square urban renewal area (Green Square), introduced in 1999, which requires 3 percent of residential floor area and one percent of commercial floor area be provided as affordable housing; and
3. Southern Employment Lands, introduced in 2015, which requires three percent of residential floor area and one per-

cent of commercial floor space to be provided as affordable housing.

In July 2018, a total of 835 affordable housing dwellings were located in the City of Sydney Local Government Area with an additional 586 in the development pipeline announced. The majority of existing affordable housing dwellings in the City of Sydney have been built and are managed by City West Housing, which is currently the beneficiary of monetary contributions made under the Green Square and Ultimo/Pymont programs.

Source: City of Sydney

**Facilitation**

City of Sydney dedicates or subsidises the sale of land by passing on monetary contributions made under the affordable housing programs to the community housing sector for the construction of affordable housing.

**Case Study - The Platform Apartments, North Eveleigh**

The Platform Apartments were the first residential building planned for the North Eveleigh precinct by registered community housing provider City West Housing. The building was designed by Architectus and constructed by Richard Crookes Constructions in 2015 at a cost of \$25.6m. The 7 storey building comprises 88 affordable rental housing apartments (5 x 3 bed units, 36 x 2 bed units and 47 x 1 bed units) for inner city key workers on low and very low incomes.

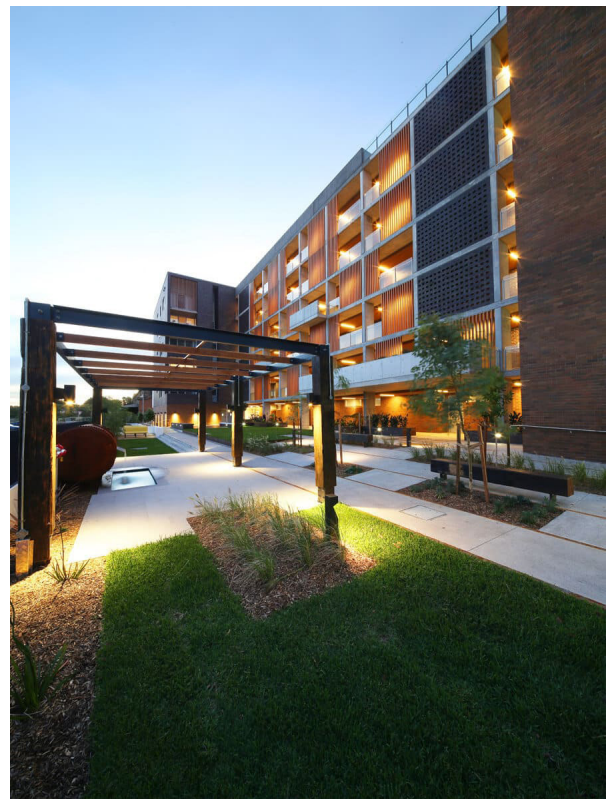
Eligibility for tenancy within an affordable housing apartment is based on the following criteria:

1. Income - pre-tax household incomes must sit within certain bands and the % of household income paid toward market rent must be higher than those nominated by City West Housing.
2. Local Connection - applicants must live in the City of Sydney Local Government Area.
3. Housing Need - applicants must be living in housing which is unsuitable or inadequate for their needs.
4. Financial Circumstances - applicants must not own assets or property, or have savings, shares or investments which could reasonably be expected to be used to solve their housing needs.
5. Residency - Permanent Australian residents only.

Source: City West Housing - 'Who can apply for housing with City West Housing' [website](#)



The Platform Apartments  
Source: Richard Crooke Constructions



Communal open space and landscaping  
Source: Richard Crooke Constructions

## 6.2.2 Inner West Council

### Planning

Inner West Council has found that the strata area of apartments is a relevant factor in cost and affordable housing. In response, it sets out a percentage requirement of apartments which are studio, one or two bedroom apartments with a cap on the strata area, including parking.

The Council is looking to share the land value uplift resulting from major rezonings between the community in the form of affordable housing and developers. To do so, Council will enter into planning agreements with developers which are legal documents that outline what the developer has agreed to provide or fund. Council is also seeking amendments to SEPP 70 to allow for monetary contributions.

## 6.2.3 Randwick City Council

### Planning

Randwick City Council has submitted a Planning Proposal to the State Government which promotes sustainable growth in housing and employment in Kensington and Kingsford Town Centres. The Planning Proposal involves the introduction of a new clause in the Randwick Local Environmental Plan to levy for affordable housing under SEPP 70. This is on the basis that the Council has received in principle support from the Minister for Planning to amend SEPP 70 to include Randwick as an area in need of affordable housing.

### Facilitation

Randwick City Council has its own affordable rental housing program. To generate a supply of affordable housing units, Council enters into negotiation with developers with a percentage of development yield transferred to Council ownership. Council retains ownership of the rental dwellings and appoints a housing association to assume the role of landlord. The program is designed to be cost neutral and self-sustaining.

Randwick City Council supplied Council-owned land at Maroubra for the joint venture development of an 8 unit affordable housing development comprising four two-bedroom units and four one-bedroom units. Developed by Community Housing Ltd, the tenants pay anywhere between 60-75% of the market rent or up to 30% of their income whichever is applicable.

## 6.2.4 City of Parramatta

### Planning

City of Parramatta uses Voluntary Planning Agreements to negotiate affordable housing provision.

### Facilitation

City of Parramatta currently provides one affordable rental housing unit that is contracted to a community housing provider. It is expected that Council's stock of affordable housing units will increase to 7 units by mid-2017.

## 6.2.5 The Hills Shire Council

### Planning

The Hills Shire Council, at its meeting on 25 July 2017, resolved to prepare a planning proposal to incentivise the delivery of transitional housing. Transitional housing provides safe and temporary accommodation for vulnerable members of the community, including women and children experiencing homelessness and/or domestic violence. The incentive is proposed to apply to residential flat buildings and shop top housing developments of 50 or more dwellings in the form of bonus floor space for every transitional group home provided.

## Tell Council...

3. Does Council currently address affordable housing adequately?
4. Have you had any experience with any of the methods used by other Councils?
5. Are there any other local government solutions you are aware of?



## 7. Moving Forward

### 7.1 Council's Goals for affordable housing

One of the goals of Council's 2011 Housing Strategy was to assist in the provision of affordable housing by rezoning precincts for multi-unit housing with various dwelling sizes in locations which lacked that form of housing to provide choice and affordability. Similarly, one of the goals in the State Government's Greater Sydney Region Plan is to achieve a city of housing choice, with homes that meet our needs and lifestyles. The North District Plan outlines that, to make living in the District more affordable, new housing will offer a diversity of type, tenure and price points.

Moving forward, Council's responsibility within the planning legislation context is to provide affordable housing opportunities within the framework of the Greater Sydney Commission and the North District Plan through strategic planning and regulatory functions. Building on previous goals set by both Council and the State Government and in the context of the recently exhibited Community Strategic Plan 2018 - 2028, Council's core housing goal is to:

*Support community well-being through the provision of housing that is affordable and appropriate to household needs and preferences in terms of choice and location, while protecting and enhancing local surroundings and the natural environment.*

### 7.2 Council's Objectives for affordable housing

In the context of the above core goal, in direct response to the demographic and market analysis discussed above, and consistent with the North District Plan, Council's housing policy moving forward should:

- n Value green spaces and landscaping;
- n Increase the supply of rental housing;
- n Promote housing diversity through a range of housing types;
- n Promote adaptable housing for the aging;
- n Increase the proportion of medium density dwellings\* ;
- n Promote good quality urban and housing design;
- n Promote multi-unit housing in locations which currently lack housing choice and affordability;
- n Ensure that the location of new housing offers residents adequate access to transport, employment, services, and to social and support networks;
- n Promote housing development that reflects land capability and pursues the principles of ecologically sustainable development;
- n Minimise impact on the environment, including the environmental costs of infrastructure construction;
- n Retain potentially productive agricultural and environmentally sensitive land; and
- n Provide additional housing in areas where adequate sewerage, drainage, transport, community services and facilities, water, open space, recreation opportunities, schools, employment and public transport are or can be provided.

\* This objective would be subject to consideration of implications of the State Government's 'Low Rise Medium Density Code' discussed later in this Paper.

## Tell Council...

6. Do you agree with Council's core housing goal?
7. Can you suggest an alternate goal?
8. Are there any other objectives that Council's housing policy should cover?



# 8. Options for Housing Policy

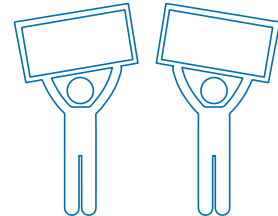
Council can address affordability through planning mechanisms, direct facilitation/provision of affordable housing, and advocacy or partnership. Options for Council’s housing policy moving forward are outlined below, under the three categories.



**PLANNING**



**FACILITATION**



**ADVOCACY**



### Mandating a mix of dwelling types

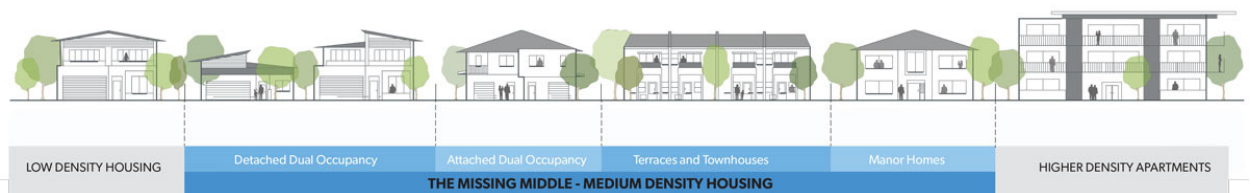
Councils planning controls currently mandate a minimum 10% each of 1, 2 and 3 bedroom units within any new developments. Council could investigate increasing the minimum percentage of each dwelling type, or of a particular dwelling type, to target unmet demand.



### Rezoning for dual occupancies, terraces and townhouses (The Missing Middle):

Medium density development can provide a greater variety of housing sizes to suit individual household needs, preferences and budgets. Census data shows that the growth of medium density development is low when compared with high density development growth within the Shire between 2011 and 2016. Council could investigate opportunities for rezoning further areas to R3 Medium Density in transition areas between urban renewal precincts, around smaller commercial centres and schools, or across existing low density suburbs. Alternatively or concurrently, Council could investigate whether dual occupancy should be permitted in the R3 Medium Density or R2 Low Density Zone.

The Department of Planning and Environment has announced a new Medium Density Housing Code to allow dual occupancies, manor homes and terraces to be assessed under a fast-track approval for straightforward development, known as ‘Complying Development’. For Hornsby, this means that manor homes and terraces will be permitted as Complying Development in the R3 Medium Density Residential Zone. However, the controls in the Code are inconsistent with local area planning and Hornsby Council’s approach of encouraging medium density housing within a landscape setting. Therefore, its commencement may have the opposite effect by discouraging councils from expanding the application of the R3 Medium Density zone in future housing strategies to avoid local controls being overridden by the Code. Council has been granted a deferral from the Code until 1 July 2019 to prepare its own code that reflects the character of the Hornsby Shire.



Source: [planning.nsw.gov.au](http://planning.nsw.gov.au)



### Requiring the provision of affordable housing in new development (inclusionary zoning):

Council could investigate adopting a requirement that a certain proportion of apartments in a new development be dedicated as affordable rental housing. The requirement would only apply to land that is identified through the rezoning process for new urban renewal or Greenfield areas so that it can be factored into the development equation. This is otherwise known as an ‘inclusionary zoning’ provision.

The Greater Sydney Region Plan identifies an Affordable Rental Housing Target of 5-10% of the new floor space created through a rezoning to be dedicated as affordable rental housing. For example, if a rezoning creates 1000sqm of extra floor space then 50-100sqm of that floor space would need to be dedicated as affordable rental housing.

Alternatively, in lieu of the dedication of affordable rental housing apartments, Council could consider accepting a monetary contribution to a comparable dollar value and place these contributions into an affordable housing fund. The fund could then be used by Council or a registered community housing provider to purchase affordable rental housing dwellings.



### Section 7.11 Contributions (SEPP 70):

Section 7.32 and 7.33 of the *EP&A Act* enable councils to impose conditions on a development application requiring the dedication of land (free of cost to council) or the payment of money to be used for the purpose of affordable housing to compensate for the impact of the development. Council may use this approach if SEPP 70 - Affordable Housing (Revised Schemes) identifies that there is a need for affordable housing in an area. Details of the contributions/dedications schemes must also be included in an adopted Section 7.11 Plan. The contribution is not restricted to the \$20,000 cap established for “local infrastructure contributions” under Section 7.11 of the *EP&A Act* but must be reasonable in regard to the extent of the affordable housing in the area, the scale of development and any other Section 7.11 contributions required by the applicant. SEPP 70 - Affordable Housing (Revised Schemes) does not apply to Hornsby Shire. The Greater Sydney Commission advises that it will, in relevant areas, support councils and the Department of Planning and Environment in amending SEPP 70 – Affordable Housing (Revised Schemes)<sup>27</sup>.



### Voluntary Planning Agreements:

Voluntary planning agreements (VPAs) between a council and a developer are a non-mandatory alternative to Section 7.11 developer contributions. Under the agreement a developer agrees to provide or fund public amenities and services, affordable housing or transport and other infrastructure. Council could investigate providing development concessions/incentives in exchange for the provision of contributions to finance or produce affordable housing stock.



### Supply of Council-Owned Land

Council could consider dedicating or subsidising the sale of land to the community housing sector for the construction of affordable housing, or enter joint ventures for the development of affordable rental housing on Council land.

<sup>27</sup> Greater Sydney Commission Draft District Plan Information Note 4 - <https://www.greater.sydney/info-notes>





### Engage a community housing organisation:

To facilitate the provision of affordable housing and the land use planning options above, Council could investigate engaging a community housing organisation. The organisation could act as tenancy and property manager for affordable housing opportunities created by planning strategies and would take responsibility for identifying eligible tenants and managing the property and tenancy capped at an affordable rental price for a specified number of years.

According to Family and Community Services, the following community housing providers currently manage over 200 homes in Hornsby Shire.

- n Evolve Housing
- n Ecclesia Housing
- n Women's Housing Company
- n St George Community Housing
- n Link Housing
- n Metro Community Housing
- n Community Housing Limited
- n My Foundations Youth Housing



### Advocate and advertise

The Centre for Affordable Housing suggests councils can take a leading role in providing information about local and sub-regional housing needs, bringing regional stakeholders together or advocating on behalf of the local community, through the following:

- n Media releases about the need for certain types of housing within the community;
- n Media releases about new housing initiatives;
- n Official openings of housing projects;
- n Design competitions for projects incorporating affordable housing;
- n Sponsorship of housing seminars open to the public;
- n Encouraging local schools to undertake projects relating to housing;
- n Offering awards for local housing initiatives;
- n Reviewing council's brochures, public documents and website to ensure that opportunities to promote
- n council's objectives and strategies for housing are appropriately incorporated; and
- n Educating developers about more appropriate and environmentally sustainable housing types.

The Greater Sydney Commission has outlined actions it will take on moving forward in terms of housing affordability and the Affordable Rental Housing Target. It will support councils to achieve additional affordable housing, and will prepare a guidance note on Affordable Rental Housing Targets. It will also provide data and projections on population and dwellings for local government areas across Greater Sydney, which will be vital for Council to make decisions moving forward with housing policy.

## 9. 'Tell Council' Questions

The follow questions are a complete list of the 'Tell Council' questions included throughout this Paper.

1. Are there other influences on housing affordability?
2. What is your experience with Federal and State Government housing assistance?
3. Does Council currently address affordable housing adequately?
4. Have you had any experience with any of the methods used by other Councils?
5. Are there any other local government solutions you are aware of?
6. Do you agree with Council's core housing goal?
7. Can you suggest an alternate goal?
8. Are there any other objectives that Council's housing policy should cover?
9. Are there other options you think Council should consider?
10. Which options do you think Council should pursue?

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## 10. Feedback

We are seeking feedback from the community to better understand housing affordability concerns and suggestions to help develop our local strategic planning statement.

You may wish to answer the questions posed throughout the discussion paper, provide other feedback on the document, or a combination of both.



**Submissions can be emailed to**  
[affordablehousing@hornsby.nsw.gov.au](mailto:affordablehousing@hornsby.nsw.gov.au)



**Submissions can be mailed to**  
Manager, Strategic Planning  
PO Box 37  
HORNSBY NSW 2077