



Comment on the proposed ***Waterloo Metro Quarter State Significant Precinct (SSP)*** and ***Concept State Significant Development Application (SSDA)***

Shelter NSW submission

January 2019

About Shelter NSW

Shelter NSW has been operating since 1975 as the State's peak housing policy and advocacy body, with a vision of a secure home for all. We pursue this vision through critical engagement with policy and practice, and thought leadership. We provide systemic advocacy and advice on NSW policy and legislation to resolve housing inequality.

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 are nominally included in the *Communities Plus Resident Engagement Advisory Group* (formerly the Living Communities Consultative Committee), a reference group convened by the Land and Housing Corporation. However, this Advisory Group has not met since late 2017. We have also been involved in the *Groundswell* coalition, which comprises a number of local community organisations from the Redfern and Waterloo area, along with ourselves, Inner Sydney Voice and the Tenants' Union of NSW, to act as a point of liaison between NSW Government agencies and community members with regard to the development of the Waterloo Metro Quarter and redevelopment of the Waterloo Estate.

We make the following comments concerning the social and affordable housing and housing affordability provisions in both the proposed Waterloo Metro Quarter SSP and SSDA:

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, by 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.

While the Land and Housing Corporation's preferred Masterplan for the Waterloo Estate has now been made public, it provides scant detail on key items of concern such as final number of social housing dwellings to be included in the redeveloped estate. We note the Land and Housing Corporation has put its intention to ensure "no loss of social housing" from the Waterloo Communities Plus site on the public record, but it remains unclear whether this is a reference to the number of dwellings or capacity of dwellings intended for the site. This makes a proper assessment of the value of the Waterloo Metro Quarter plans for 70 new social housing dwellings somewhat difficult.

On the face of it, it represents at most 10% of the anticipated uplift on the Metro Quarter site, but it is unclear whether this will be the only increase in social housing dwellings across the Communities Plus precinct. Absent further detail it is prudent to assess the plan entirely on its own merits; to this end we note that with an increase in the number of social housing dwellings on the scale proposed in the Waterloo Metro Quarter SSP and SSDA, it is difficult to see how the approximately 6,000 new and 17,000 replacement social housing dwellings target, set by the Future Directions for Social Housing strategy (2016), will be met through the Communities Plus initiative.

Understating the need for affordable rental housing

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 households, \$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.

Delivering diversity and affordability, but for how long?

The proposed SSP and SSDA seek to encourage delivery of housing diversity and affordability through a range of potential options. We note specific reference in the study to affordable housing planning mechanisms that would allow affordable rental housing to revert to market housing after as little as ten years, as well as a number of recent “affordability” innovations such as Pocket Living and Nightingale Housing that would see forms of housing developed at reduced cost and expected to sell at less-than-optimal prices for the area. There are two related policy discussions that arise from this: the difficulties presented to both providers and occupiers of affordable housing that is only available for a limited time; and ensuring the benefit of affordable housing is not lost through subsequent sale or transfer.

With regard to the first discussion, the problem should be clear enough. In the absence of genuine solutions to housing affordability crises, there is no reason to believe that the need for affordable housing will decrease over time. History tells us that, in fact, the opposite is true. By placing a ten-year time limit on the availability of dwellings for affordable housing, the need to produce new stock to simply keep up with currently-met need is being built into the system. This leads to the rationalisation of affordable housing stock, along with an expectation that residents and tenants must strive to move on to another housing option as soon as possible. This potentially undermines the stability and certainty that affordable housing can provide. At the same time it deprives affordable housing providers of potential revenue, as tenants’ ability to pay higher rents will increase as their financial circumstances improve.

With regard to the second discussion, it should not be assumed that housing designed and delivered for purchase at less-than-optimal prices in local market conditions will remain affordable for long. Even if such housing is not initially purchased by an investor – and in the current climate we must assume that a fair amount of it would be – it is likely that a significant proportion of new “affordable” dwellings will

ultimately end up in the private rental market, at market-rents that even many higher earning households could struggle to afford.

Shelter NSW recommends the planning controls place significant emphasis on the development and delivery of affordable rental housing, requiring it to remain available in perpetuity for such a purpose.

Amenity principles should be expressly adopted

The study recommends “amenity principles for affordable and social housing”, including that such dwellings should have reasonable orientation, views and outlook; include the same level of quality of finishes and fixtures as other dwellings in the precinct; and have equal access to communal facilities within the precinct.

These are positive and important recommendations – we recommend they be expressly included at the highest level possible within the planning framework.

Please do not hesitate to contact Shelter NSW’s Senior Policy Officer, Ned Cutcher, on (02) 9267 5733 or ned@shelternsw.org.au should you wish to discuss these comments.

Regards,



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