

SHELTER NSW SUBMISSION

Comments on the proposed amendment to State Environmental Planning Policy 70 (Revised Scheme)

Submission to Department of Planning & Environment, from Shelter NSW

1. About Shelter NSW

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

2. Background

There is a critical undersupply of affordable rental housing in NSW. There are a number of measures of this. Two compelling indications are the latest National Rental Affordability Index for quarter 2, 2017 (released 29 December 2017)¹ and the definitive AHURI series on the supply of available and affordable rental housing across a number of censuses². The Rental Affordability Index showed that across Greater Sydney a pensioner couple would spend 61% of their income to rent a 2 bedroom dwelling.³ The report by Hulse et al is the

¹ https://www.sgsep.com.au/application/files/6215/1184/4292/RAI_2017_NOV_-_final_compressed.pdf

² Kath Hulse; Margaret Reynolds; Judith Yates, [Changes in the supply of affordable housing in the private rental sector for lower income households, 2006–11](#) AHURI report No. 241

³ This is based on median rents for such dwellings across all LGAs and assumed that the pensioner couple has some additional income from part-time work.

most important, since it reflects the actual market conditions, based on the 2011 Census. This continues an analysis of this shortage covering three censuses (and projections for the then National Housing Supply Council during inter-censal periods). Unfortunately the analysis of the 2016 Census data will not be available for some time.

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

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

This number had grown by 18,300 between the 2006 and 2011 censuses. Perhaps most important, the availability of affordable rental stock for Q2 households is driven entirely by the occupation of these dwellings by 76,000 households in other income groups (See Appendix 1). Since 2011 the proportion of such households who are renting rather than entering home purchase has increased and most of the new apartment supply has come onto the market at the higher end of rents in the respective regions. This suggests that the lack of available supply for Q2 households will have grown faster than in the past.

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

At the same time, we must look to the future growth in demand.

In 2016 Prof Judy Yates produced a paper for the NSW Federation of Housing Associations, estimating the additional supply need to prevent the undersupply of housing that is affordable to lower income households worsening⁴. Taking the DPE population projections to 2036 at that time, the paper estimates the additional supply of social housing needed to maintain its current share of housing (4.8%) and on the basis of an estimate of current level of unmet need (6.8% of all households) calculated the additional social or affordable housing “...if social housing is to meet the additional needs of just this 6.8% of the projected increase in the number of households through to 2036”.

If we apply the percentage of new social and affordable housing identified by Prof Yates to the more recent projections of 725,000 new homes which the Greater Sydney Commission draft Region Plan predicts will be required by 2036, 84,100 (or 4,205 a year) additional

⁴ Yates, J. *Addressing the Housing Affordability Crisis: Basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades*. NSW Federation of Housing Associations 2016

social and affordable housing a year will be needed to prevent the current affordability crisis from worsening.⁵

Taken together – the current undersupply and future growth in supply needed to prevent this worsening – a target of at least **200,000** affordable rental dwellings will need to be produced to address Sydney’s rental affordability crisis. This is 10,000 a year over 20 years.

That is, 28% of the total projected increase in housing to 2036 should be low-cost rental affordable to low and very low income households⁶.

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

In the face of the data, the executive summary in the Explanation of Intended Effect might have understated the background affordability challenge for very low, low and moderate income households in Sydney and NSW.

“Some areas within the Greater Sydney metropolitan region, especially those with ready access to employment, transport and desirable amenities, have felt increased pressure on housing prices and the associated impact on the availability of housing for workers low, very low and moderate incomes.”

While the proposed amendments add only five councils which have undertaken the housing need analyses that are a prerequisite for being included in SEPP 70, all LGAs in Sydney have already been identified as having a need for affordable housing. On the basis of the research by FACS’s Centre for Affordable Housing⁷, based on 2011 Census data⁸, 19 LGAs (58%) have a high need for affordable housing, 11 (33%) have a ‘moderate-high’ need, and only 3 (9%) have only a moderate need.⁹ (See appendices 2 a & b)

3. Proposed amendment

Shelter NSW strongly supports the inclusion of Randwick, Inner West, Northern Beaches, Ryde and Canada Bay within SEPP 70.

⁵ It should be noted that, taking 2011 as the base year and using DPE projections in 2016, Prof Yates estimated that 4,900 a year would be required.

⁶ We note that the GSC draft Region Plan cites a figure of “4,000-8,000 additional affordable dwellings per annum to meet the needs of lower income groups”⁶ based on an unpublished report by AHURI commissioned by the DPE in 2016. The higher end of that range is relatively close to our estimate above.

⁷ FACS Centre for Affordable Housing. www.housing.nsw.gov.au/centre-for-affordable-housing/for-planners-of-affordable-housing/where-do-we-need-affordable-housing

⁸ We can be confident that the latest 2016 Census data will show a greater need.

⁹ The analysis by the Centre for Affordable Housing predated the 2016 amalgamation of a significant number of councils. The proportions we have provided adjust the CAH list for these amalgamations.

We have frequently advocated for more councils to seek inclusion within SEPP 70 and for Ministers to be willing to approve such extensions. With respect to the current proposals, Shelter NSW made a substantial submission in response to the Inner West Council draft Affordable Housing Policy being put on public exhibition, in which we expressed overall support for the policy¹⁰.

For this reason we strongly welcome this significant extension.

That being said, we note that the SEPP still only includes six council areas (or in the case of amalgamations, constituent previous councils) of the 19 council areas in metropolitan Sydney that have been identified by the FACS Centre for Affordable Housing as being in high need of affordable housing. It includes only one of the 12 listed as being in 'moderate high need', and none of the three identified as being in moderate need.

While we appreciate that currently such inclusions can only be considered if the relevant councils undertake the necessary needs analysis to support an application, we believe that the need to respond to the critical affordable rental housing problem requires a less ad hoc approach. It is worth noting that the displacement, geographical polarisation and the concentrations of disadvantage that are an effect of a lack of affordable housing, impact on other council areas rather than the one with inadequate affordable housing.

Shelter has proposed that the government should name all LGAs in the Greater Sydney metropolitan area within SEPP 70, noting that the local response needed will still require councils to develop inclusionary housing schemes and amend their LEPs accordingly, and for these to be approved.

In our 2016 policy document, *Imagine housing everyone: 10 proposals for the 2017 state budget and beyond*¹¹, we said:

Our proposal to allow these local schemes to proliferate needs 3 immediate steps from the Government.

First, the Government needs to name those local government areas around the state that have been identified as having a need for affordable housing. Its November announcement to name the local government areas along the Parramatta Road corridor (Sydney) is a very welcome start. This change requires an amendment of the relevant State Environmental Planning Policy (currently SEPP 70). It should be extended to all local government areas in Greater Sydney and coastal New South Wales.

¹⁰

https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/sub1702affordablehousingpolicy-innerwest_shelternsw.pdf

¹¹

<https://shelternsw.org.au/sites/shelternsw.org.au/files/public/documents/sub1611prebudget10proposals%20final.docx.pdf>

The second step is to encourage the local councils in areas that have a need for affordable housing to prepare inclusionary-housing schemes and to prepare amendments to their local environmental plans that would operationalise such schemes.

The third step is for the Government and its agencies to agree to councils' planning proposals for affordable-housing contributions schemes.

Finally, we note that the operation of any scheme proposed by the listed councils may be affected by the 'affordable housing target' mechanism recommended to Government by the Greater Sydney Commission in the Draft Region Plan. While this mechanism is yet to be accepted by Government, Shelter is strongly of the view that schemes developed under section 94F of the *Environmental Planning and Assessment Act* should not be overridden by such an affordable housing target mechanism if adopted.

For further information, please contact:

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Appendix 1

Shortages of affordable private rental dwellings in NSW 1996 - 2011

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

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

**Appendix 2A – Centre for Affordable Housing, affordable housing need
High to Moderate Housing Affordable Housing Need by Local Government Area**

High Need	Moderate High Need	Moderate Need
AUBURN	ASHFIELD	ARMIDALE DUMARESQ
BANKSTOWN	BATHURST REGIONAL	BEGA VALLEY
BLACKTOWN	BAULKHAM HILLS	BOOROWA
CAMPBELLTOWN	BLUE MOUNTAINS	BROKEN HILL
CANTERBURY	BOTANY BAY	BYRON
FAIRFIELD	BURWOOD	CAMDEN
GOSFORD	CANADA BAY	CLARENCE VALLEY
HOLROYD	CESSNOCK	GILGANDRA
HORNSBY	COFFS HARBOUR	GOULBURN MULWAREE
LAKE MACQUARIE	DUNOGG	GREATER TAREE
LIVERPOOL	EUROBODALLA	HARDEN
MARRICKVILLE	GLOUCESTER	HAWKESBURY
MID-WESTERN REGIONAL	GREAT LAKES	HUNTERS HILL
NEWCASTLE	GUNNEDAH	JUNEE
NORTH SYDNEY	HURSTVILLE	KEMPSEY
ORANGE	KOGARAH	KIAMA
PARRAMATTA	KU-RING-GAI	LISMORE
PENRITH	LANE COVE	LITHGOW
RANDWICK	LEICHHARDT	NARROMINE
ROCKDALE	MAITLAND	PALERANG
RYDE	MANLY	QUEANBEYAN
SUTHERLAND SHIRE	MOREE PLAINS	TAMWORTH REGIONAL
SYDNEY	MOSMAN	UPPER HUNTER SHIRE
WARRINGAH	MUSWELLBROOK	WARRUMBUNGLE SHIRE
WAVERLEY	NARRABRI	WELLINGTON
WILLOUGHBY	PITTWATER	WOLLONDILLY
WOLLONGONG	PORT MACQUARIE-HASTINGS	YASS VALLEY
WYONG	PORT STEPHENS	YOUNG
	SHELLHARBOUR	
	SHOALHAVEN	
	SINGLETON	
	STRATHFIELD	
	TWEED	
	WINGECARRIBEE	
	WOOLLAHRA	

Source: Housing NSW Analysis using Census 2011 data and Rent and Sales Report data

Appendix 2 b – Affordable housing need Sydney Metro, adjusted for 2016 amalgamations

High Need	Moderate High Need	Moderate Need
BAYSIDE	BAYSIDE	CAMDEN
BLACKTOWN	BLUE MOUNTAINS	HAWKESBURY
CAMPBELLTOWN	BURWOOD	HUNTERS HILL
CANTURBURY- BANKSTOWN	CANADA BAY	
CUMBERLAND	GEORGES RIVER	
PARRAMATTA	INNER WEST	
FAIRFIELD	KU-RING-GAI	
HORNSBY	LANE COVE	
INNER WEST	NORTHERN BEACHES	
LIVERPOOL	SINGLETON	
NORTHERN BEACHES	STRATHFIELD	
NORTH SYDNEY	WOOLLAHRA	
PENRITH	HILLS SHIRE	
RANDWICK	MOSMAN	
RYDE		
SUTHERLAND SHIRE		
SYDNEY		
WAVERLEY		
WILLOUGHBY		

Councils formed from 2016 amalgamations have been listed in two columns where the previous constituent councils were identified in different columns.