



Response to the *Draft Willoughby Housing Strategy to 2036*

Shelter NSW submission
April 2019

Introduction

Shelter NSW has been operating since 1975 as the state's peak housing policy and advocacy body. Our vision is a secure home for all, which we pursue through critical engagement with policy and practice, and thought leadership. We provide systemic advocacy and advice on housing policy and legislation in New South Wales to resolve housing inequality.

Our approach includes engaging, collaborating and connecting with people and organisations across the housing system. This includes government, the private and not-for-profit sectors, and consumers. We are a partner in the Good Growth Alliance, along with the Property Council of Australia, Committee for Sydney, Sydney Business Chamber, Community Housing Industry Association of NSW and Homelessness NSW; and we have been working with the Sydney Alliance and Vinnies NSW who have, in recent times, been strong advocates for broader housing affordability discussions within a number of Sydney localities.

We are pleased to comment on the draft *Willoughby Housing Strategy to 2036*.

The need for an Affordable Housing Strategy

Shelter NSW congratulates Willoughby City Council on the preparation of the *Draft Willoughby Housing Strategy to 2036*. Local councils are required to develop Local Housing Strategies in accordance with the Greater Sydney Commissions Regional and District Plans, and we note the current draft will, once finalised, fulfill this requirement. We are particularly pleased with the draft's attention to the need for new supply of affordable rental housing, and the strategy's proposal to achieve this through an expansion of the council's existing developer contribution scheme.

The draft strategy highlights that Willoughby City Council tends to accommodate a higher income cohort than many other parts of the Greater Metropolitan Sydney region, with a high proportion of local residents' household incomes at \$2,500 per week or above. It also demonstrates that more than three-quarters of the local area's employment needs are currently met by people who reside in other parts of Sydney, travelling into Willoughby City Council each day for work. A high and growing need for housing that is affordable to very-low, low, and moderate income households is evident in order to ensure workers are not displaced from the area, and to attract new households to the area, as local employment opportunities emerge and workforce needs across the area evolve.

The broader context

It is important to consider housing affordability in the context of the Greater Metropolitan Region, and the urban planning system that operates across New South Wales. The draft strategy has been prepared and exhibited at a time when there is considerable public interest in the policies and instruments that can be used to generate more affordable housing through the planning system. This has been captured in the Greater Sydney Commission's (GSC) Region and District Plans, which have recommended the introduction of Affordable Rental Housing Targets in areas to be defined by councils and in planned precincts. The Department of Planning and Environment (DPE) has noted housing affordability as a key principle for consideration in the development of councils' local housing strategies. DPE has also recently amended *State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)* to make all councils in New South Wales eligible to consider using the inclusionary zoning provisions available in the *Environmental Planning and Assessment Act 1979*, and published a Guideline for Developing an Affordable Housing Contribution Scheme.¹

This is all occurring amidst a growing and changing population dynamic that is applying new pressures to our existing urban communities. Sydney is no longer just growing outwards, pushing its rural/urban fringe further from the city's main centres. It is consolidating and developing new urban centres closer to the fringe, and large tracts of already developed land that are well within the city's inner and middle suburban rings are earmarked for or undergoing renewal at increasing levels of density. As communities and neighbourhoods are reformed at higher densities by market driven developers, displacement of lower-cost housing in the private rental market is increased, resulting in very-low, low and moderate income households being pushed further away from employment opportunities and existing community networks in search of housing they can better afford.

¹ See <https://www.planning.nsw.gov.au/-/media/Files/DPE/Guidelines/guideline-sepp70-developing-affordable-housing-contribution-scheme-2019-02-28.pdf>, although note Willoughby City Council was previously already included in SEPP 70

Locally prepared and implemented Affordable Housing Strategies will help mitigate some of the negative impacts during periods of urban renewal, provided they are sufficiently ambitious and properly resourced. But the context in which urban change is currently occurring means concentrating on local strategies is only one part of managing a response. Advocating the need for affordable housing strategies to neighbouring and nearby councils, especially those where major urban redevelopment is set to occur and where lower-income households are likely to be displaced to, will also be necessary. In the absence of citywide or statewide strategies, more councils considering the need for affordable housing as part of their local housing strategies will make it easier for councils across Sydney's Greater Metropolitan Region to manage the impacts of urban renewal on their own communities.

Willoughby City Council expects increased demand for housing

The predominant discussion arising from the draft Housing Strategy is the need to accommodate more households within the local government area over time. A number of rezoning opportunities are explored to increase the area's capacity for higher density housing within specified precincts in order to meet this anticipated increase in demand. This can be characterised as a *housing diversity* approach, rather than a *housing affordability* approach, per se.

We support the idea of housing diversity and accept the importance of a range of housing typologies being planned for and delivered across various localities, at increasing levels of density where appropriate; however it is not clear that such an approach alone delivers meaningful improvements to housing affordability when pursued within the constraints of current federal and state policy settings. This is reflected in a recent report from the Australian Housing and Urban Research Institute (AHURI), which found that:

*Most of the growth in housing supply has been taking place in mid-to-high price segments, rather than low price segments. There seems to be structural impediments to the trickle-down of new housing supply. Targeted government intervention might be needed in order to ensure an adequate supply of affordable housing.*²

It is important, then, for Local Government authorities to consider the types of intervention that are available to them within the policy and funding frameworks set by federal and state governments. To this end, Shelter NSW strongly supports the proposed expansion of Willoughby City Council's affordable housing contribution scheme, as noted in the draft strategy.

² Ong, R., Dalton, T., Gurran, N., Phelps, C., Rowley, S. and Wood, G. (2017) *Housing supply responsiveness in Australia: distribution, drivers and institutional settings*, AHURI Final Report No. 281, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/281>

Adding to the supply of affordable rental housing in Willoughby City Council

Shelter NSW understands the *housing diversity* approach places a strong reliance on rezoning and up-zoning areas for higher density residential development, leading to significant uplift in land values in the areas identified for prospective development or redevelopment. This creates opportunities for communities to share in some of the increased value – it can be used to fund new infrastructure and community facilities, and this is facilitated by provisions in the *Environmental Planning and Assessments Act*. We note the growing recognition at the State Government level for this to include funding for new affordable housing, as is reflected in the recent extension of SEPP 70 to allow all councils across New South Wales to adopt Affordable Housing Contribution Schemes.

Willoughby City Council was already included in SEPP 70, and such a scheme is already in operation in the local government area as noted in the draft strategy.³ A similar scheme is also in operation in the City of Sydney, and schemes are in development by others including the City of Randwick and Inner West Council. These schemes require developers who wish to operate within certain defined precincts, as approved and included in a revised Local Environmental Plan, to make a contribution to a Council's affordable housing program as a condition of development consent. Shelter NSW strongly supports the proposal by Willoughby City Council to increase developer contributions in order to increase capacity to deliver affordable rental housing in the area, and to increase Council's portfolio as outlined in the draft strategy.

Importantly, where there is certainty around the requirement for developer contributions, the apparent extra costs to developers are capitalised into the price they pay for developable land. This means developers' viability considerations are not unduly impacted by the need to provide affordable housing contributions, allowing councils to fund and develop their own portfolios of targeted affordable housing through the uplift in value created by rezoning land for higher density use.

Economic benefits of affordable rental housing close to jobs

Finally, Shelter NSW draws Willoughby City Council's attention to the recently published report *Strengthening Economic Cases for Housing Policies*.⁴ This research models the productivity gains that could be expected from a large scale program of Government investment in housing that is both well located and affordable, and finds that the results are significant. While it is not within the scope of a local government authority to develop a program on the scale that has been

³ *Willoughby City Council's draft Housing Strategy to 2036* (2019), p32

⁴ Maclennan, D., Randolph, B., Crommelin, L., Witte, E., Klestov, P., Scealy, B., Brown, S. (2019) *Strengthening Economic Cases for Housing Policies*, City Futures Research Centre UNSW Built Environment, Sydney, <https://cityfutures.be.unsw.edu.au/research/projects/strengthening-economic-cases-housing-productivity-gains-better-housing-outcomes/>

modelled, the results of this research should give local councils and their planning teams great confidence that Affordable Housing Contribution Schemes, designed to fund a local affordable housing program, will have discernibly positive economic impacts at the local level.

Further discussion

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 in any detail.

Regards,

A handwritten signature in cursive script that reads "Karen Walsh".

Karen Walsh
Chief Executive Officer