

Planning agreements and affordable housing

Presentation by Sharon Fingland, Assistant Director, Western Sydney regional Organisation of Councils, to Affordable Housing Network seminar, Parramatta, 9 December 2005

The Environmental Planning and Assessment Amendment Act (Development Contribution) Regulation was gazetted on 8 July 2005. Accompanying 'practice notes' were also issued at that time by the then DIPNR. These instruments are significant because they relate to the new S.93F of the EP&A Act which regulates how councils may negotiate agreements for affordable housing (among other purposes). DIPNR acknowledged that voluntary planning agreements are most likely to be useful for developments that are large-scale, have longer timeframes and are likely to be developed in stages and for developments where a developer has a key interest in delivering public infrastructure.

The difference between s.93F agreements and s.94 is that they:

- Extend to more public purposes;
- Apply to recurrent costs as well as capital costs; and
- Do not require a direct nexus to be established between the development and the purpose.

However, while s.93F allows contributions for recurrent costs of affordable housing that is only for a limited time and if an ongoing subsidy is required this will fall on the council.

Submission to the Draft LEP template

A number of WSROC Councils and Shelter have previously suggested in submissions to the Department that the LEP template needs to include model clauses for schemes for dedications or contributions for affordable housing, to enable Section 94F(3)(b) of the EP&A Act to be used by Councils. It has also been suggested that the EP&A Act Regulation be amended to include provisions for affordable housing.

WSROC Councils continue to stress the need for **Affordable Housing** provisions in the LEP. There should be a mechanism in the draft LEP to retain and extend the provisions for low cost accommodation.

Affordability is now recognized as a State-wide issue notwithstanding variations in different regions and housing sub-markets. Councils wishing to have planning agreements, development incentives of inclusionary zoning (section 94F of the EP&A Act) to attract affordable housing contributions or payments in lieu thereof will need to signal this as a clear policy intention throughout their LEP.

The Dictionary's definition for affordable housing means *housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided in an environmental planning instrument*. Yet the EP&A Regulation 2000 does not prescribe any such household. SEPP 70 does do so (Section 8) but this only applies in two local government areas. It is therefore recommended that the Regulation be amended to contain provisions for affordable housing.

It is also recommended that the template include a (mandatory or optional) section to guide consideration of development applications where there may be a loss of affordable housing along the lines of Randwick's LEP 1998 (amendment 22, gazetted 19 August 2005) and from SEPP 10. This would signal the importance the government places on the loss of affordable housing.

It is also proposed that a (mandatory or optional) section be included to provide for dedications or contributions for affordable housing. (Cf. changes to the Parramatta LEP, 15th December 2003).

Other suggested changes to the template related to affordable housing include:

- Inclusion of affordable housing as an objective in most residential zones (Section 10);
- Inclusion of a new section on affordable housing schemes;
- Inclusion of a new section to guide consideration of development applications where there might be a loss of affordable housing;
- Specification of dwelling houses as a permitted use with consent in neighbourhood business, local centre, mixed use and commercial core zones (Section 12);
- Greater consideration to the possible loss of caravan parks or manufactured home estates; and
- Inclusion of an additional objective for the clause on manufactured home estates.

Housing affordability

A key issue for our region is the **lack of adequate, affordable housing** that provides reasonable access to work opportunities and community services at a cost that does not cause substantial hardship to the occupants.

What are the dimensions of the problem?

During the last decade average house prices in Australia have almost doubled relative to income. In Sydney prices are substantially higher than elsewhere and some of its problems are more acute. There are unprecedented high levels of housing debt that have been incurred by people seeking to buy their homes, but their assets have not been significantly appreciating.

Nowadays the great majority of low-income renters pay more than the benchmark 30% of their income on rent and many pay more than 50%. Overall more than 1.5M lower-income Australians are incurring housing costs above the benchmark 30% of their income. This applies especially for renters and relatively recent purchasers.

Housing occupies a very important place in most people's lives. Over the last three decades large increases in value accruing to home owners have brought financial security to those who could not previously have known or expected it. The emotional investment that is made in the home has resulted in a combination of interest and commitment that makes housing unique in the market place.

Recent studies have pointed to the fact that development of new housing in Western Sydney is no longer affordable for increasing proportions of the population. Hidden inequalities in housing can stem from differences in the physical and social infrastructure provided in various parts of the region. The presence or absence of infrastructure provision as well as employment opportunities has been shown to directly affect the health and well-being of households (*The National Housing Strategy (1991b) The Affordability of Housing, AGPS, Canberra (NHS Paper No. 2)*).

In 2001, there were an estimated 68,000 households in Greater Western Sydney experiencing housing stress (spending more than 30% of their weekly income in accommodation costs), of which 39,000 were in private rental accommodation and 29,000 in dwellings which they had mortgaged. The escalating cost of land is also impacting on future housing affordability in 'greenfield' estates.

Housing affordability is a key economic consideration and must be considered in the context of reasonable housing costs in relation to income. Hidden inequalities stemming from differences in the physical and social infrastructure provided in various regions also impact on affordability. Poor public transport provision, limited employment opportunities and scarce community services are all factors which erode the 'real' affordability of housing in Greater Western Sydney.

Housing affordability has plunged to a record low according to a HIA-Commonwealth Bank housing affordability index. Families buying a typical first home in Sydney face repayments of \$36,000 a year, almost half the average household income.

To afford a loan for Sydney's median first home a family must now have a gross annual income of \$120,000 to meet the lending criteria imposed by major lenders. Mortgage repayments on a loan have reached a record 48% of the average household income – just under \$3,000 a month. The Productivity Commission has recently presented a report on the issue.

The Federal Senate Inquiry into Poverty and Financial Hardship in March 2004 entitled *A hand up not a hand out: Renewing the fight against poverty* found that between 1984 and 1999 the poorest 20% of the population suffered a 10% slump in disposable incomes.

A recent AHURI report says housing authorities in the States are in the red and are running unsustainable deficits. In NSW operating revenue per house (rental income) has fallen 13% after inflation. Factors influencing this change include:

- A Federal Government requirement on much stricter targeting of housing to the poorest and most needy households resulting in a big drop in rental income;
- Federal demands for improved services for tenants, driving up operating costs; and
- Salaries, wages and administration costs that have risen faster than other costs.

Tight targeting of public housing demands more funding because the less a tenant can pay the more the State must subsidise.

During the 1970s and 1980s an expanding public housing sector played a vital role in housing the neediest private renters while reducing the price pressures on the private rental market. Now rising house prices are excluding the majority of renters from buying their own home and, with less public housing, demand on the private rental market will continue to rise.

A House of Representatives Inquiry Report on *Sustainable Cities* launched in 2005 noted the following:

The costs of poorly managed urban development is significant; neighbourhoods that face special barriers to employment and training may result in successive generations trapped into welfare dependency. Per capita health costs are likely to rise in poorly planned urban areas where active transport options are minimal due to planning, safety or distance barriers.

Research by Landcom in 2003 in the Liverpool/Fairfield area identified an existing unmet demand of 8,000 moderate-income households. Over the next 20 years, ABS forecasts suggest that 60,000 more 'traditional' family households will require housing. In the same period half a million single person, childless couple, 'empty nester' and single parent households will be formed. Many of these households will have little chance to rent or buy homes in locations near familiar social networks, employment or community amenities. Many of these households will not find housing forms currently offered by the industry suit their needs.

Failure to accommodate the housing needs of moderate income households leads to the exodus of:

- Locally born residents;
- Couples;
- Single parents;
- Local residents whose families have split;
- Older residents who no longer have the income to pay for local housing; and
- Essential local service workers from many local areas.

Without a significant change in how the issue is addressed NSW will continue to divide into a State of housing 'haves' and 'have nots'. Without strong leadership and partnerships the economic competitiveness of NSW will deteriorate and the housing opportunities and choices available to future generations will be severely limited.

The challenge

While Australian housing standards have risen dramatically over the past 50 years and interest rates are at an all-time low, Sydney has a critical housing cost problem. The supply of appropriate housing is not keeping up with the increasing numbers of moderate income households – those earning between \$35,000 and \$55,000 per annum. This is due to a range of factors including:

- Sydney, losing 61% of its low cost rental stock between 1986-1996, largely as a result of rising prices and gentrification;
- There is an increasing under-occupation of the existing housing stock; and
- Many local councils located at the urban fringe continue to encourage the development of homes owned and occupied by traditional families with medium to high incomes and the building industry continues to build almost exclusively for these households in those locations.

There is general consensus throughout the developed world that traditional public housing programs have not been successful in tackling the problem of an inadequate supply of housing affordable to those on moderate incomes.

For renters housing stress is a much more serious problem in the established and inner city areas. The reverse is true for those predominantly two parent families with children purchasing in the outer suburbs.

Overseas experience

In a keynote paper presented to a UWS/WSROC/NCOSS/WSCF forum in 2005 Dr Karen Lucas from the Transport Studies Group at the University of Westminster, and advisor to the Blair Government on **social exclusion**, highlighted how seriously the UK Government are now taking this issue.

She spoke about how the Government identified social exclusion as:

A combination of linked problems such as unemployment, low skills, poor housing, family breakdown, high crime rates that lead people or places to be excluded from the mainstream.

Several studies have highlighted the role of transport in creating or exacerbating social exclusion citing:

- **Costs for individuals and communities**
 - Cutting people off from services that others take for granted
 - Leading to poor health, learning and employment outcomes
 - Can lead to crime, anti-social behaviour and loss of community cohesion.
- **Cost for the state**
 - Increases welfare benefits, national health, education and social services expenditure
 - Makes it harder to deliver key Government welfare policies.

Conclusion

In Western Sydney people are travelling more to facilitate their daily activities. The community is highly car dependent and lacks access to local facilities and services. People's lives and working patterns are becoming increasingly complex and it is recognised that access to public transport and other essential human services and facilities is essential.

The consequences of *not* providing for a wider range of housing choice may result in more people being forced to move away from their area due to a lack of available accommodation suited to their current needs.

As more and more people are forced to move to the urban fringe, the peak demand for age-specific services such as schools and health care increases (hence the need for demountable classrooms in new release areas and the closure of schools in under-populated older established areas). The costs of the continued extension of the trunk infrastructure (roads, public transport, water supply, sewerage and drainage systems) coupled with the age-specific demands placed on human services and facilities, are all issues having to be tackled by the myriad of agencies and influential players in the urban development process.

In a recent NCOSS debate held at the NSW Parliament the WSROC President responded to the question of ***Does it matter if the poor are forced out of Sydney?*** She noted that such a situation would be socially inequitable, environmentally irresponsible, would reduce cultural vitality and would be economically unviable. In summary, she stressed that it does matter if the poor are forced out of Sydney

The new Minister for Planning has also recognised that this is an unsustainable policy. He has been quoted as saying that the east/west divide still exists in household incomes and has announced he wants to break this down by improving access to employment, education and other key services. The new Premier has also listed ‘; access to affordable housing’ as an issue high on his agenda. We need to ensure that the rhetoric is actually matched by a commitment to outcomes.

A suggested alternative approach

For many in Western Sydney there are now more opportunities and more choice. But this is not universally shared. The shift of provision of services from the public to the private sector is also exacerbating inequality.

Demographic and social changes are placing increased pressures on housing choice. The consequences of not providing for a wider range of housing choice than that currently offered on the market may result in people being forced to move away from their area due to a lack of available accommodation suited to their present needs.

A more diverse range of housing and a greater social mix should be encouraged in both new release areas and older areas undergoing urban revitalisation, to ensure that new developments cater for as wide a range as possible of different socio-economic groups. The aim is to develop communities where residents of all ages and income groups can live together. The lifestyle needs of singles, childless couples, families, people with a disability and the aged should all be catered for.

In addition to being socially more equitable such a strategy helps to reduce the peak demand for age-specific services such as schools and health care, and ensures a diversity of services exist to fulfil the full lifecycle of the community. It also assists in redressing the socio-economic imbalance that currently exists in Greater Western Sydney.