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Housing Affordability Assessment

67-73 Lords Road, Leichhardt
Prepared for Platino Properties

AUGUST 2016

Dr Tony Gilmour
Housing Action Network



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Prepared by Dr Tony Gilmour
Managing Director, Housing Action Network



www.housingaction.net.au
tony@housingaction.net.au

Executive Summary

The site at 67-73 Lords Road, Leichhardt ('the Site') is located in an area which faces some of the most extreme housing affordability challenges in Australia. In the former Leichhardt LGA:

- Purchase prices have risen sharply since 2000, with the most recent Government data confirming an average sale price of \$1.335 million (December 2015). They rank third in inner-ring city Sydney behind Woollahra and Mosman LGAs
- Rents have increased even faster than sales prices, and are over \$675 per week - second only to Woollahra LGA
- Affordability is considerably worse than metropolitan Sydney. No low or moderate income households, earning up to \$140,000 can afford to buy in Leichhardt. Rentals are affordable for only 28% of moderate income households, half metro Sydney levels

Sydney's inner-west is characterised by an older housing stock with no greenfield development sites, and only limited opportunities for brownfield re-development. With housing supply limited in Leichhardt, there is likely to be further upward pressure on prices for renters and purchasers.

Leichhardt LGA has shortage of apartments, and a relative over-supply of larger family homes. By contrast, demand is for more modest sized properties that are affordable for local people. Typical neighbouring household characteristics are 2 or 3 persons, often couples with no children or a small family. There will be more older

people in the future, often looking for smaller and lower maintenance apartments.

Developing apartments on the Site will address specific shortfalls in housing in Leichhardt. The proposal aligns with State Government objectives for increased housing supply and the need for sustainable development, being well located to the new Inner West light rail line. Homes will be well situated for existing neighbourhood services, such as shops, and employment.

The proposal by Platino Properties will be one of the limited number of opportunities for to facilitate delivery of new affordable housing in Leichhardt. The current plans indicate delivery of:

- 5% affordable rental housing for eligible households - typically key workers in essential services
- 46% of units for sale priced at a level where they will be affordable for moderate income local Leichhardt residents to purchase

By delivering more than 50% affordable homes on the Site, the scheme will make a significant contribution to address local housing challenges. As the dwellings are generally smaller than existing homes in the neighbourhood (55% are studios and one bedroom), they will remain relatively affordable in the medium and long term.

Benchmark development schemes reviewed in this report have delivered modest numbers of affordable properties for rent. Therefore the 5% affordable rental properties proposed for the Site for 10 years compares relatively favourably.

Table of Contents

Executive Summary	1
Definitions.....	3
List of Figures and Tables	4
1 Background.....	5
1.1 Project scope.....	5
1.2 Site location	5
1.3 Statistical areas	5
1.4 Site context.....	6
1.5 Local government	7
1.6 State government	8
2 Housing Market Overview	9
2.1 Population forecasts	9
2.2 Housing demand & supply	10
2.3 Local housing costs	11
2.4 Housing and tenure types.....	13
3 Housing Affordability	15
3.1 Background	15
3.2 Employment and income	15
3.3 Housing stress.....	16
3.4 Rental affordability	16
4 Affordable Housing Delivery.....	18
4.1 Developer proposal.....	18
4.2 Comparative schemes	18
4.3 Affordability calculations	19
4.4 Assessment.....	20
5 References	21

Definitions

Consultant: Tony Gilmour (full legal name Anthony John Gilmour)

Haberfield Suburb: the neighbourhood of Haberfield, in the former LGA of Ashfield, based on ABS location SSC11059. This area is immediately to the west of the Site

Housing stress: situations where a household is paying more than 30% of total household income on housing costs, either rent or mortgage loan repayments

Inner West Council: a new council established in May 2016 encompassing the former LGAs of Leichhardt, Ashfield and Marrickville

Leichhardt Suburb: the neighbourhood of Leichhardt, in the former LGA of Leichhardt, based on ABS location SSC11351. This area is where the Site is located

Metro Sydney: the area encompassing Sydney as far as the Blue Mountains, but excluding Wollongong and Newcastle. Based on ABS 'Greater Sydney' location 1GYSD

Site: 67-73 Lords Road, Leichhardt

Social housing: rental housing provided at a discount to market rent levels, managed either by the Government or by not-for-profit community housing providers

Abbreviations

ABS: Australian Bureau of Statistics

DCP: Development Control Plan

DPE: NSW Department of Planning and Environment

LEP: Local Environmental Plan

LGA: Local Government Area

NRAS: National Rental Affordability Scheme: a capital subsidy for constructing new affordable rental housing, part funded by Commonwealth and States

SEPP: State Environmental Planning Policy

SSC: State Suburb Code, an ABS term for a suburb

List of Figures and Tables

Figures

Figure 1: Former Leichhardt LGA	5
Figure 2: Former Ashfield LGA	6
Figure 3: Leichhardt Suburb	6
Figure 4: Haberfield Suburb.....	6
Figure 5: Population forecasts to 2031	9
Figure 6: Property sales prices, 2000-2016	12
Figure 7: Property rental costs, 2000-2016.....	13
Figure 8: Rental housing affordability, 2015.....	17

Tables

Table 1: Family composition, 2011	10
Table 2: Population by age, 2011	10
Table 3: Housing supply and demand in former Leichhardt LGA	11
Table 4: Dwelling structure, 2011	13
Table 5: Number of bedrooms, 2011	14
Table 6: Residential tenure, 2011	14
Table 7: Household weekly income, 2011	15
Table 8: Low and high incomes, 2011	16
Table 9: Affordable rental stock, 2012	16
Table 10: Affordable purchase stock, 2012.....	16

1 Background

Platino Properties has commissioned Dr Tony Gilmour ('the Consultant') of Housing Action Network to undertake a housing affordability assessment in connection with a proposed development at 67-73 Lords Road, Leichhardt ('the Site'). This report is an updated version of a document originally prepared in January 2014.

1.1 Project scope

Any findings or recommendations contained in this report are based on the Consultant's reasonable professional judgement formed from the information that is available from the sources indicated in Section 5. Should external factors and assumptions change then the findings contained in this report may no longer be appropriate.

The Consultant has only reviewed planning issues and development proposals for the Site at a high level and from the sources listed in Section 5. The Consultant's only contractual commitment with Platino Properties is to deliver this report.

The Consultant expressly disclaims any liability for any loss or damage which may arise from any person acting or deciding not to act partly or wholly on the basis of any statements, information, recommendations, or calculations in this report.

1.2 Site location

The Site is around 1.06 Hectares in size, directly adjoining the Inner West light rail extension that opened in March 2014. Lambert Park adjoins the former industrial site to the north, with residential

development to the south and east (Jan McCredie Urban Design, 2016).

Platino Properties is looking to change the Site from Industrial to residential uses including affordable housing, and also make provision for a child care centre.

The Site is well located to the Marion light rail stop, giving access to Sydney CBD within 30 minutes. Local retail facilities are available at the Leichhardt Marketplace

1.3 Statistical areas

Although the Site is now located in the Inner West LGA, this council has only recently been established. Data will only be analysed by ABS at this level from the 2016 census onwards. This report therefore needs to use the former LGA boundaries.

Figure 1 shows the Site location in the south-west corner of former Leichhardt LGA.

Figure 1: Former Leichhardt LGA



Source: ABS (2011), also for Figures 2, 3 and 4. The Site is shown with a red marker

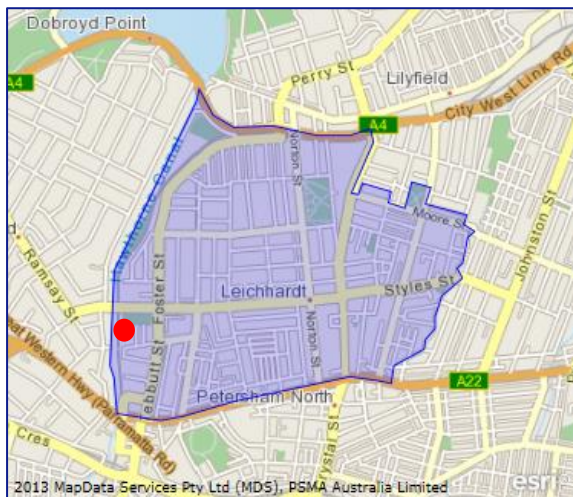
Due to the proximity of the site to the former LGA boundary, further information has been analysed in this report on the neighbouring former Ashfield LGA (Figure 2).

Figure 2: Former Ashfield LGA



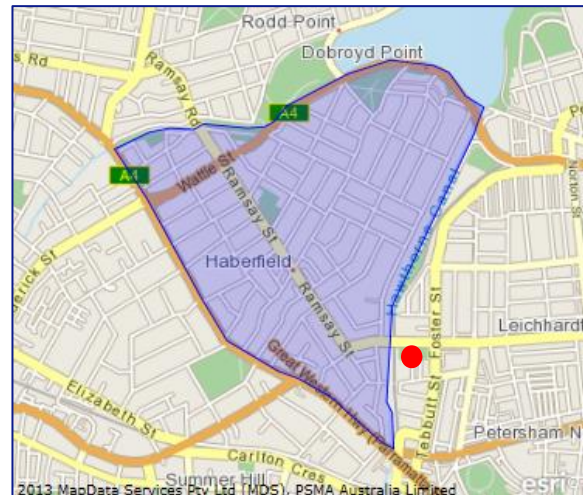
To further analyse data, this report reviews information at a more localised level. Figure 3 shows 'Leichhardt Suburb' based on the State Suburb Code used by ABS. The suburb, which includes Leichhardt town centre, had a population of 13,520 in 2011.

Figure 3: Leichhardt Suburb



The neighbourhood immediately to the west of Leichhardt Suburb is 'Haberfield Suburb' (Figure 4) with a resident population of 6,560 at the time of the 2011 Census.

Figure 4: Haberfield Suburb



1.4 Site context

Leichhardt lies within Sydney's inner-west. These areas expanded rapidly in the late nineteenth century and early twentieth century with the coming of the railway and tram. Neighbourhoods contained a mix of light industrial sites, and modest-density residential developments. Much housing was in the form of 'workers' cottages', well located close to the harbour waterfront.

Changing social mix

By the 1960s several inner-west locations had been labelled 'slums', and were destined for demolition for new road projects and modernist housing schemes. Most of these did not proceed, and by the 1970s gentrification started to change the social mix or areas such as Leichhardt. Properties were improved by incoming wealthier residents, with many existing families displaced to the outer suburbs.

Further changes impacting the area include:

- The growth of educational establishments such as UTS and Sydney University. This has placed additional demand for smaller, affordable rental properties in the inner-west for students and researchers

- Sydney's re-positioning as an aspirant global city, increasing demand for well-located homes. The higher salaries of this type of employee have further increased gentrification of the inner city
- Professional people, working in Sydney CBD but living in the inner-west, tend to be part of smaller households. There has also been an increase in single residents, and couples married and raising children later. Family size has also been reducing
- Industrial re-structuring has led to a reduction in small and medium scale industry, as has the move from Sydney being a working harbour. Several vacant industrial inner-city sites need to be found alternative uses
- Gentrification has led to inner-west neighbourhoods being perceived as fashionable residential locations. Incoming residents seek a different range of goods and services

Housing implications

The economic and social changes described above have helped contribute to a mismatch in the housing markets of inner-west locations such as Leichhardt:

- Demand for properties in the inner-west has increased fast, and considerably faster than supply. As a result, there has been a market increase in sales and rental prices. Few property prices in Leichhardt are affordable for longer-standing residents, or their children
- Housing supply has been limited by the lack of available land that can be developed into residential properties. Furthermore, new residents who value the amenity and heritage of the area have been vocal opponents of new housing, especially medium density
- The existing housing stock in Leichhardt is generally larger family-style accommodation, which does not meet the needs of local or in-coming aspirant buyers and renters
- While there is a legacy of social housing in the inner-west, the quality is deteriorating and no new supply is being built
- There is strong demand for affordable housing for purchase or rent, particularly by 'key workers' - nurses, police, retail staff etc. Key workers are not eligible for social housing, though neither do they have easy access to affordable properties to purchase or rent in the Leichhardt area

1.5 Local government

NSW State Government has recently promoted council amalgamation. In May 2016 a new Inner West Council was formed from an amalgamation of Leichhardt, Marrickville and Ashfield LGAs. Full amalgamation will take some time, and in the interim an Administrator and Interim General Manager have been appointed.

Most former Mayors and Councillors of the three former councils have become members of the Implementation Advisory Group and Local Representation Advisory Committees. However, direct elections to the new council will not take place until September 2017.

Planning approaches

The new Inner West Council will need to establish a common planning framework to replace the three current three LEPs. In addition, there might be proposals that

specific approaches to address issues of housing affordability.

Potentially the Inner West Council could adopt affordable housing approaches that build on the former Leichhardt Council (2016) draft Housing Action Plan. The Plan was put on exhibition the month before the council was amalgamated. However, like the quarterly Advisory Housing Committee, the Plan now has no formal status.

1.6 State government

Legislation in 2015 established the Greater Sydney Commission. During the inaugural two-year period from January 2016 the Commissioners will establish 6 Sydney Planning Panels. From November 2016 these Panels will determine regionally significant development applications.

Leichhardt is located in the Central Planning District, and each District will produce a District Plan intended to better coordinate local initiatives with a metropolitan vision. It is expected Plans will include housing supply targets, though it is unclear whether these will include *affordable* housing goals.

There have been no major new affordable housing planning initiatives since the election of the Liberal State Government in 2011. The State Environmental Planning Policy - SEPP - Affordable Rental Housing 2009 remains in place.

In terms of affordable rental housing, State Government launched the Social and Affordable Housing Fund in December 2015. Backed by \$1.1 billion seed funding from Government, this project will initially deliver 3,000 social and affordable rental home. The location of these properties, though 70% will be in metropolitan Sydney.

2 Housing Market Overview

This section reviews key aspects of the housing market in Leichhardt, including changes driving the market such as population increase, housing demand and housing supply.

2.1 Population forecasts

The NSW Government uses assumptions on fertility, mortality and migration to predict future population growth to 2031. These are informed estimates, not targets, and do not claim to be precise, as demographic trends can change. The latest official figures were produced two years ago (DPE, 2014).

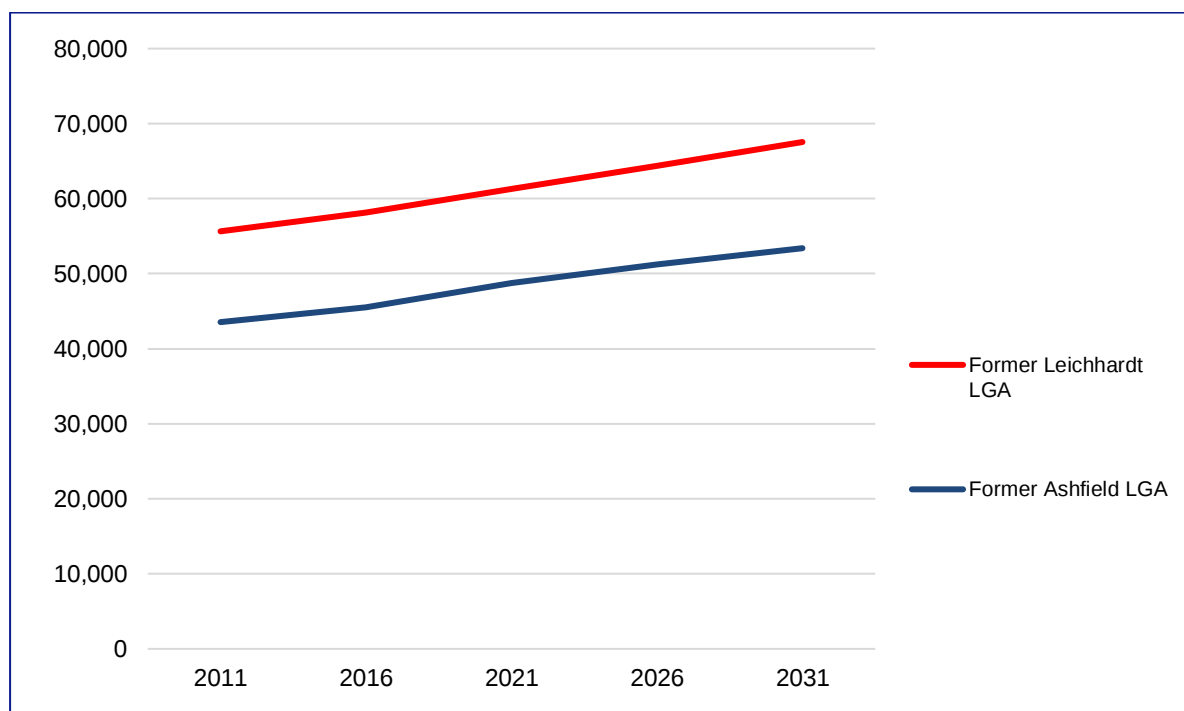
Population trends 2011 to 2031, are shown in 5. According to Government, in former

Leichhardt LGA the two main drivers of forecast population change are:

- Losses through internal migration from the council area to other parts of NSW or inter-state
- Gains through overseas inward migration

The same trends are predicted to affect neighbouring former Ashfield and Marrickville LGAs. They suggest the inner-west is impacted by the growth of Sydney as a global city, though there is also outward migration - potentially as retirees move out of the area, or further gentrification.

Figure 5: Population forecasts to 2031



Source: NSW Department of Planning & Environment (2014)

From Figure 5, former Leichhardt LGA's population is set to rise by 21.4% from 55,650 in 2011 to 67,550 in 2031. During the same period former Ashfield LGA's population will increase by 22.6% to 53,400. Noticeably the former Leichhardt LGA population increase predicted by Government has increased from 17.7% (2013 forecast) to 21.4% (2104 forecast).

These increases over two decades are at a lower predicted rate than across Greater Sydney (+36.8%) and NSW (+27.8%). Leichhardt's growth rates are not dissimilar to many of the more established inner-ring suburbs such as Woollahra (+19.4%) and Waverley (+19.6%), though lower than areas capable of high rise development such as the City of Sydney (+49.2%).

2.2 Housing demand & supply

Population growth in Leichhardt will be dependent on the availability of housing.

Factors influencing demand

From Table 1, former Leichhardt LGA has a noticeable higher proportion of couples without children, and a smaller proportion of one parent families, than NSW.

Table 1: Family composition, 2011

Former LGA	Couples without children	Couples with children	One parent family	Other family
Leichhardt	43.1%	42.0%	12.5%	2.5%
Ashfield	37.9%	44.3%	14.7%	3.2%
NSW	36.6%	45.5%	16.3%	1.7%

Source: ABS (2011)

Household occupancy rates have been falling for several decades but this decline has ended in the last five years in most areas. Rates for former Leichhardt LGA remained steady at 2.2 persons per property

in the 2006 and 2011 Censuses. This rate is forecast by Government to remain unchanged in the period to 2031.

The age distribution of the resident population is shown in Table 2. Both former Leichhardt and Ashfield LGAs show a lower proportion of the population under 14 and over 65 in 2011. As a result of this tapered age distribution, the local population has a higher proportion of working age residents.

Table 2: Population by age, 2011

Former LGA	Aged 0-14	Aged 65+
Leichhardt	16.2%	10.3%
Ashfield	15.0%	14.4%
NSW	19.1%	14.7%

Source: ABS (2011)

NSW Government population forecasts suggests a change in the age profile:

- 'Age dependency' (ratio of older people over 65 years, to working age population aged 15-64) will rise from 0.14 in 2011 to 0.22 in 2031
- 'Youth dependency' (ratio of young people under 15 years to working age population aged 15-64) will stay relatively steady, rising from 0.22 in 2011 to 0.23 in 2031

Former Leichhardt LGA looks set to continue to have a lower proportion of younger people than NSW, though there will be a shift as working age residents decline and the proportion of older people increases. However, this trend towards an ageing population is less marked than over NSW.

Housing demand projections

The NSW Government forecast in 2014 based on the population increase and

average household size that there would be an increase in the number of implied dwellings from 26,300 in 2011 to 32,250 in 2051. Hence there will need to be an additional 5,950 dwellings by 2031. This is an increase of 298 dwellings each year.

These housing demand figures are higher than previously predicted. Back in 2008, the previous State Government predicted the necessary increase in housing numbers in former Leichhardt LGA would only be 2,000 by 2031 (NSW Government, 2008: p.63).

Housing supply

Census 2011 data highlights the challenges over recent years in delivering additional housing in the inner-west of Sydney

Table 3: Housing supply and demand in former Leichhardt LGA

All dwellings, 2006	24,094
All dwellings, 2011	24,722
Total increase 2006-2011	628
Annual supply 2006-2011	126
Annual demand 2011-2031	298
Annual shortfall	172
% shortfall	58%

Source: ABS (2006; 2011)

As shown Table 3, the number of dwellings has increased in former Leichhardt LGA 2006-11. However, the supply is insufficient to keep up with anticipated demand based on population projections by Government to 2031. Based on the level of new housing production between 2006 and 2011, the annual shortfall in new household supply is around 58% in former Leichhardt LGA.

State Government policy has focussed on addressing housing affordability issues by promoting increases in housing supply. This is starting to have an impact, with Metro Sydney and Central Coast building

approvals up 30% in the December 2015 quarter from the previous year (DPE, 2015).

Many new approvals are in greenfield areas on the edge of Metro Sydney, and 69% are for multi-unit developments. Most dwelling completions at the end of 2015 were in the LGAs of Sydney, Parramatta, Blacktown, Camden and Liverpool.

The Leichhardt LGA area saw 214 building approvals in calendar year 2015, and 323 dwelling approvals (*ibid*, p.6). These numbers are likely to be impacted by larger apartment schemes, with 116 approvals concentrated in the June quarter and 222 completions in the March quarter.

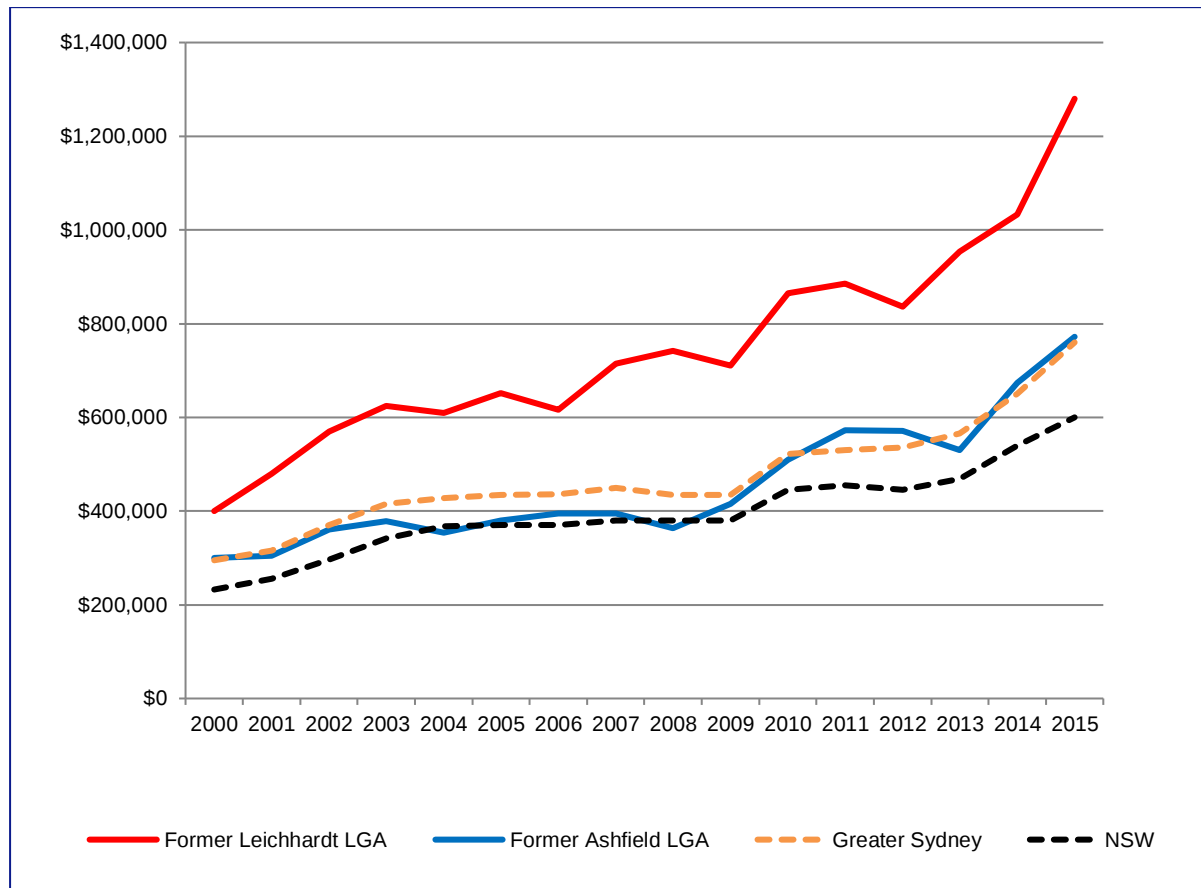
Comparing these figures with Table 3, housing supply in former Leichhardt LGA is better matched with demand. However, the current pipeline - based on 214 approvals during 2015 - looks below demand. In addition, these figures are for all properties and do not differentiate 'affordable' homes.

2.3 Local housing costs

From Figure 6 median property sales prices have risen sharply in former Leichhardt LGA from around \$400,000 in 2000 to approaching \$1.3 million in June 2016. They now rank third in inner-city Sydney behind Woollahra LGA (\$1.52 million) and Mosman LGA (\$1.41 million). Across NSW, former Leichhardt LGA prices are the seventh highest, also behind Hunters Hill, Ku-ring-gai, Manly and Willoughby LGAs.

The gap between former Leichhardt LGA sales prices and those across both Greater Sydney and NSW is now substantial. This gap has been rising steadily over the last decade, including over 2012-13 when sales prices stabilised in many areas. Between June 2015 and 2016, former Leichhardt LGA prices increased 24%, or \$248,000.

Figure 6: Property sales prices, 2000-2016



Source: FACS (2016). Median sales price all properties, June each year

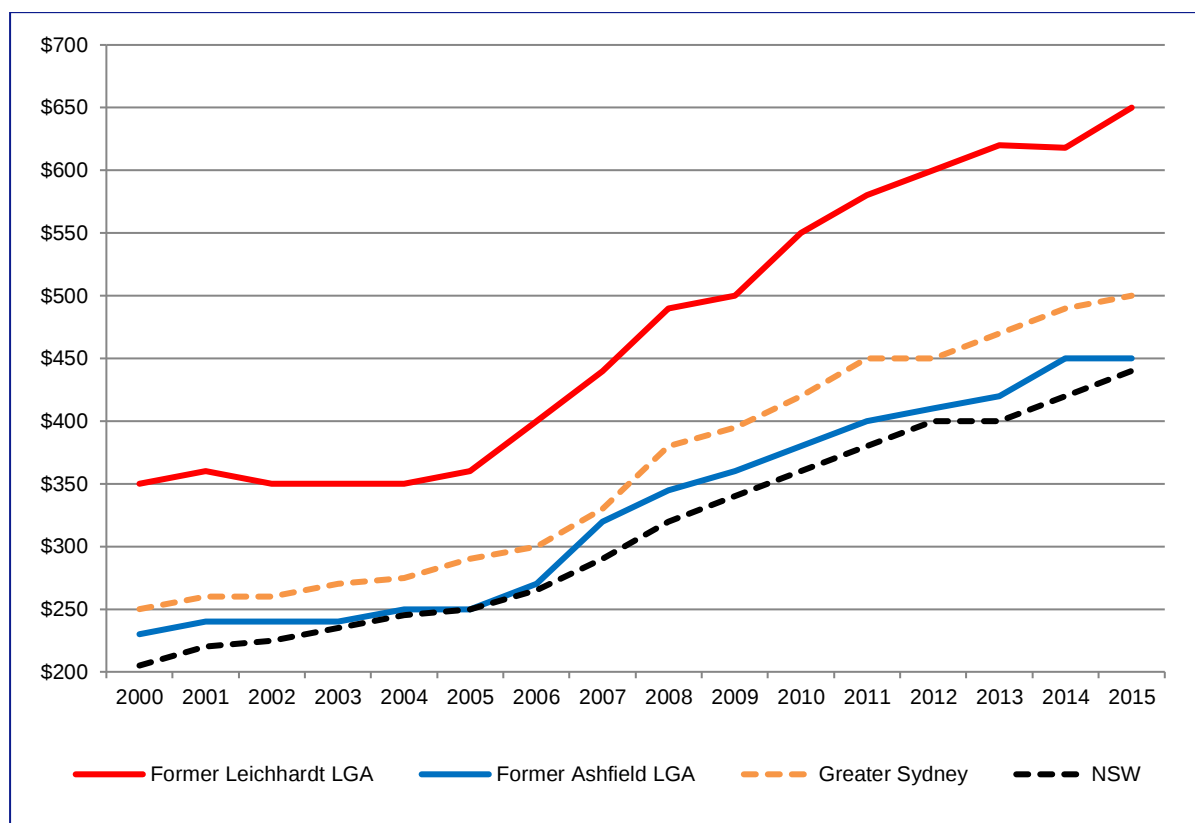
The trends since 2000 in housing rental costs in the study area are shown in Figure 7. Median rents in former Leichhardt LGA are considerably higher than in neighbouring former Ashfield LGA. Moreover, in September 2015 rents in Leichhardt, at \$650 per week, were higher than in any of the inner city suburbs of Sydney with the exception of Woollahra LGA at \$680 per week.

Although rents in former Leichhardt LGA stabilised between September 2013 (at \$620) and September 2014 (\$618), they are again on the increase. Rents have risen to \$650 (September 2015) and the latest figures in March 2016 are \$675 per week.

Former Leichhardt LGA rental costs are now considerably higher than for Greater Sydney

and NSW as a whole. This gap has steadily increased over the last decade. Rents in former Ashfield LGA remain below the average levels for Greater Sydney, and are rising less quickly than in Leichhardt.

Figure 7: Property rental costs, 2000-2016



Source: FACS (2016). Median rental cost in \$ per week, all properties, September each year

2.4 Housing and tenure types

The inner-west of Sydney is characterised by a mix of traditional cottages and terraces, with a growth of medium density dwellings.

Housing types

Dwelling structure in 2011 is shown in

Table 4. Separate houses are less common in the inner-west than across NSW, comprising around 35% of the housing stock in former Leichhardt LGA and 38% in Ashfield LGA.

The suburb in which the Site is located has a slightly higher proportion of houses (41%), but far lower than the adjacent suburb of Haberfield (76%) where Federation heritage cottages are a dominant feature.

Table 4: Dwelling structure, 2011

	Separate house	Attached dwelling	Apartment
Leichhardt suburb	40.9%	34.5%	23.7%
Former Leichhardt LGA	35.3%	36.4%	27.0%
Haberfield suburb	75.5%	14.9%	8.3%
Former Ashfield LGA	38.3%	12.0%	48.9%
NSW	69.5%	10.7%	18.9%

Source: ABS (2011). Figures will not add to 100% as 'other dwellings' have been excluded

In Leichhardt suburb, and former LGA, there is good representation of attached dwellings such as semi-detached houses, row houses, terraces and townhouses. These are more

common than apartments, due to the era when much of the property was built.

Between 2006 and 2001 the largest growth in new housing stock in former Leichhardt LGA was of apartments, accounting for around half the increase. Few sites in the area are suitable for stand-alone dwellings.

Housing configuration

Table 5 shows bedroom numbers from the 2011 Census. Former Ashfield LGA, and to a lesser extent former Leichhardt LGA, are dominated by moderate sized properties. In Leichhardt LGA 53% of dwelling have two bedrooms or less, rising to 54% in Leichhardt suburb.

Table 5: Number of bedrooms, 2011

	0, 1	2	3	4+
Leichhardt suburb	11.2%	42.8%	35.7%	8.4%
Former Leichhardt LGA	14.2%	38.7%	34.5%	11.1%
Haberfield suburb	4.5%	17.1%	45.1%	32.0%
Former Ashfield LGA	12.2%	44.1%	27.1%	14.7%
NSW	6.3%	22.5%	39.9%	29.4%

Source: ABS (2011). Figures will not add to 100% as 'number of bedrooms not stated' have been excluded

While Leichhardt has a strong supply of three bedroomed properties, there are few four bedroomed dwellings, particularly in the area where the Site is located. The neighbouring suburb of Haberfield, with more detached dwellings, has a far greater share of three and four bedroomed homes.

Reflecting the housing configuration, the most common household size in Leichhardt LGA in 2011 was two persons (36.7%), followed by one person (29.5%). There are

very few four person (12.6%), five person (3.4%) or six person (0.9%) households.

Housing tenure

From Table 6, Former Leichhardt LGA has only 57% owner occupation, around ten percentage points lower than Australia. As shown in neighbouring former Ashfield LGA, this is not uncommon in inner-city areas. Of owners, the largest share are paying a mortgage.

Table 6: Residential tenure, 2011

	<i>Owned outright</i>	<i>Owned with mortgage</i>	<i>Rented</i>
Leichhardt suburb	22.8%	35.1%	39.8%
Former Leichhardt LGA	24.4%	33.2%	32.1%
Haberfield suburb	49.9%	28.0%	19.4%
Former Ashfield LGA	28.8%	27.7%	40.1%
NSW	33.2%	33.4%	30.1%

Source: ABS (2011). Figures will not add to 100% as 'tenure type not stated' has been excluded

Leichhardt suburb, where the Site is located, has a higher rental population, and higher number of mortgage payers, than the LGA.

Social housing in Leichhardt LGA is 4.5% of dwellings, close to the NSW average, but is lower in Leichhardt suburb, at 3.2%.

Therefore most rental housing in Leichhardt is rented from private landlords.

The supply of social housing is far less than demand across Metro Sydney, particularly the inner-city areas. Based on the latest published figures, the expected waiting time for all types of social housing properties in Leichhardt is over 10 years (FACS, 2015).

3 Housing Affordability

This section reviews the affordability of housing in the areas adjacent to the Site.

3.1 Background

'Housing affordability' is usually measured as the relationship between household income and household expenditure on housing costs. It can apply to all households, whether they are purchasing a property via a mortgage or renting.

Around one in six Australian households pay over 30% of income on housing costs, and are defined as being in 'stress'. Of households in the lowest 40% of income bands, over a quarter are in housing stress.

Housing stress increased from the early 1990s in Australia, principally because housing prices increased much faster than wages (Yates & Milligan, 2007). As a result, entry to home ownership became difficult or impossible for many households, and affordably priced rentals became scarce.

Inner-west areas such as Leichhardt share many affordability issues with other parts of Australia. However, there are distinct regional issues. As detailed in Section 1.3, there is very limited supply of new land for development, and re-development of brownfield sites is expensive. More central locations are now attractive to wealthier households, leading to gentrification

3.2 Employment and income

Unemployment in NSW averaged 5.9% in 2011, and across Australia was 5.6%. By contrast, it was significantly lower in former

Leichhardt LGA (4.0%). The level of unemployment in former Ashfield LGA in 2011 was 6.1%, just above state trends.

Many Leichhardt residents are likely employed in Sydney CBD. Some 23.5% had a tertiary qualification in 2011, compared with 14.2% average in NSW. Former Leichhardt LGA residents are employed predominantly in professional and managerial jobs (62%), higher than 36% across NSW. Only 4.1% work as labourers or machinery operators compared to 15.1% in NSW.

The employment profile of former Leichhardt LGA residents highlights the extent of inner-west, gentrification. The trend is increasing, with higher proportions of managers and professionals living in former Leichhardt LGA in 2011 compared to the 2006 census.

Local incomes

Table 7 shows that household incomes in former Leichhardt LGA are around 180% of the level in NSW. In Leichhardt suburb, where the site is located, and in neighbouring Haberfield suburb, the incomes are slightly lower - but still above the Sydney average.

Table 7: Household weekly income, 2011

Leichhardt suburb	\$1,924
Former Leichhardt LGA	\$2,234
Haberfield suburb	\$1,730
Former Ashfield LGA	\$1,413
Metro Sydney	\$1,447
NSW	\$1,237

Source: ABS (2006, 2011). Household income

From Table 8, the main feature is the presence of a relatively large proportion of higher income earners in former Leichhardt LGA, though slightly lower levels in Leichhardt suburb and Haberfield suburb. The proportions of low income households are closer to metro Sydney levels.

Table 8: Low and high incomes, 2011

	<i>Under \$600</i>	<i>Over \$3,000</i>
Leichhardt suburb	16.3%	24.9%
Former Leichhardt LGA	14.7%	29.1%
Haberfield suburb	20.0%	23.2%
Former Ashfield LGA	20.1%	14.5%
Metro Sydney	20.3%	15.8%
NSW	24.2%	12.3%

Source: ABS (2006, 2011). Household income per week

Therefore, from Table 8, although there is gentrification in the area where the site is located, a significant minority of lower income people remain.

3.3 Housing stress

Affordability is a function of both housing costs and household income. Housing stress is a specific measure of the extent to which households face unaffordable housing costs (rent or mortgage payments). The usual benchmark for affordability is that households should not pay more than 30% of their gross income for housing

Table 9 analyses rental affordability in the based on households paying up to 30% of household income on rental costs. This is based on standard NSW Government calculations of 'very low', 'low' and 'moderate' incomes. These range up to 120% of median levels, so quite high.

Former Leichhardt LGA has considerably worse rental affordability than former Ashfield LGA, metro Sydney or NSW. Only

3% of very low income households can afford to rent in the private market in former Leichhardt LGA. This is also an issue for moderate income households, where only 3 in 10 in the council area can afford to rent a home.

Table 9: Affordable rental stock, 2012

<i>Former LGA</i>	<i>Very Low Incomes - affordable % rental stock</i>	<i>Low Incomes - affordable % rental stock</i>	<i>Moderate Incomes - affordable % of rental stock</i>
Leichhardt	3%	12%	28%
Ashfield	4%	12%	65%
Metro Sydney	3%	15%	52%
NSW	10%	27%	63%

Source: Centre for Affordable Housing (2012). Figures are at September 2012. Income bands are in a range compared to median: 'Very low' (<50%); 'Low' (50%-80%) and 'Moderate' (80-120%)

From Table 10, the position is even more challenging for households wishing to buy a property. No properties are affordable in former Leichhardt LGA to households earning up to 120% of the median income (\$140,000). This is far worse than the situation in metro Sydney, and NSW.

Table 10: Affordable purchase stock, 2012

<i>Former LGA</i>	<i>Very Low Incomes - affordable % purchase stock</i>	<i>Low Incomes - affordable % purchase stock</i>	<i>Moderate Incomes - affordable % of purchase stock</i>
Leichhardt	0%	0%	0%
Ashfield	0%	0%	4%
Metro Sydney	0%	2%	18%
NSW	2%	8%	30%

Source: See Table 9

3.4 Rental affordability

Recent data analysis has allowed for a more detailed review of trends in housing affordability (SGS, 2016). The Rental

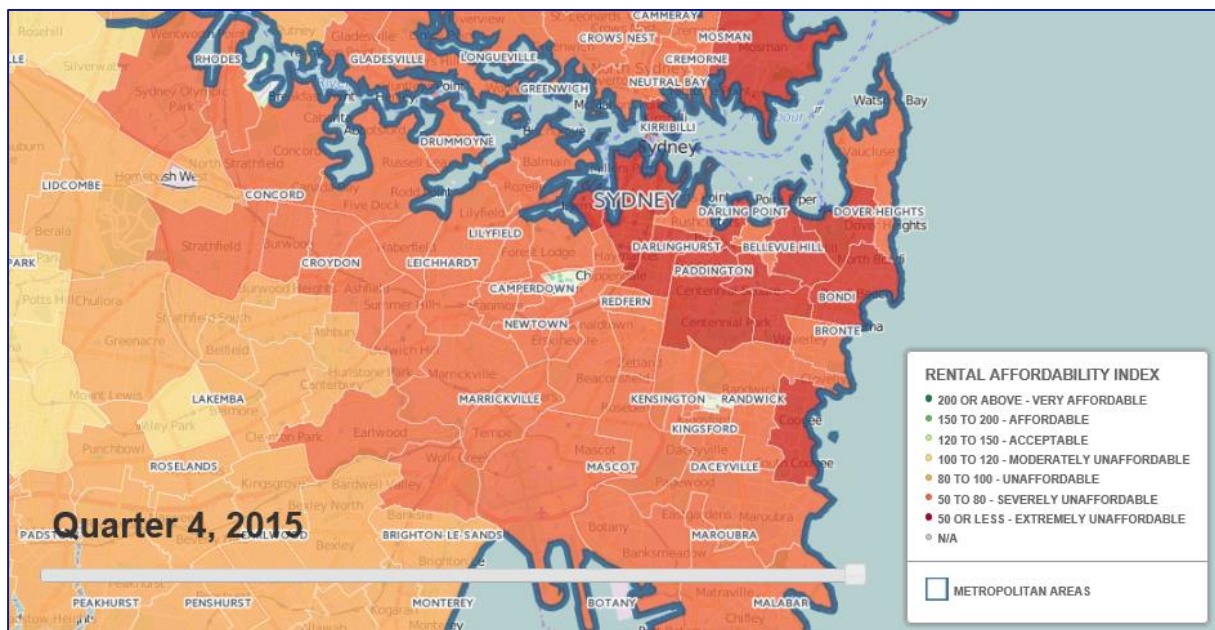
Affordability Index shown in Figure 8 is based around a score of 100 for households in the lower two quintiles (i.e. lowest 40% income distribution) paying more than 30% of household income on housing costs.

Locations that are unaffordable are shown on the maps in mid-orange (moderately unaffordable, dark orange (severely

unaffordable) and red (extremely unaffordable).

Leichhardt, along with a band of suburbs across the inner west and eastern suburbs of Sydney, remain severely unaffordable for renters. Leichhardt has remained in this category since this type of analysis first started in early 2011.

Figure 8: Rental housing affordability, 2015



Source: SGS (2016)

4 Affordable Housing Delivery

The final section discusses the proposed delivery of affordable housing on the Site by Platino Properties, in the context of local need and comparable projects.

4.1 Developer proposal

The Consultant has been advised the following is proposed for the site:

- 16 properties, equivalent to just over 5% of the 315 dwellings, will be made available for affordable rental
 - The tenancy manager will be a community housing provider
 - The properties will remain rented affordably for 10 years
 - Tenant eligibility and rent setting will be in line with current settings for NRAS funded housing
- The price-points of dwellings has been kept moderate so that a portion of the homes will be affordable to local people on moderate incomes. Potential prices supplied to the Consultant are:
 - 68 studios, average 45m², selling for c.\$600,000
 - 110 one bedroom units, average 55m², selling for c.\$715,000
 - 115 two bedroom units, average 80m², selling for c.\$1.04 million
 - 22 three bedroom units, average 110m², selling for c.\$1.4 million

4.2 Comparative schemes

There are no uniform guidelines for whether affordable housing should be included in new developments, and if so - what proportion of total dwellings. Standard approaches do not apply across NSW, so each project is unique.

Projects on State Government land, or major schemes promoted by State Governments, may have an affordable housing component. This generally only applies in areas of high land value and on strategic projects - examples including Barangaroo and Green Square. Policy makers will estimate what the market can bear for the schemes to be viable and attractive to developers.

Some councils, typically those in inner-city locations such as Leichhardt, have a benchmark target for affordable housing on larger new development schemes and re-zonings. These are normally subject to negotiation with developers through Voluntary Planning Agreements.

Metropolitan Sydney examples

Although these schemes are not directly comparable to each other, they provide an example of the order of magnitude of affordable housing yield that has been achieved in recent/current projects:

- **Green Square:** 3% gross floor area as affordable housing for residential developments where provided on-site, or a cash contribution of \$206.06 per square metre. For non-residential developments the figures are 1% or \$68.66 per square metre.

Affordable rental housing at Green Square is to be managed by City West, a community housing provider (City of Sydney, 2012). To date around 100 affordable housing properties have been built, with a final target of 330.

- **Harold Park** - a voluntary planning agreement will deliver 76 affordable housing units out of a total of 1,250 new homes in Forest Hill. This is equivalent to 6.1%
- **Barangaroo**: 2.3% gross floor area for affordable housing, equivalent to 89 units. Details remain unclear, and it now seems likely the affordable housing will be built within a 5 kilometre radius rather than on-site.

Leichhardt examples

Two local schemes have been identified:

- **118-124 Terry Street, Rozelle** - a 2012 voluntary planning agreement requires a monetary contribution of \$850,000 to be used for affordable housing in the former Leichhardt LGA area. Based on the February 2013 Joint Regional Planning Panel document, the scheme involves 202 apartments 84 1-bed, 102 2-bed and 16 3-bed.
- **151-159 Allen Street, Leichhardt** - a 2014 voluntary planning agreement requires \$187,049 to be used for affordable housing, or alternatively 4 affordable rental properties. A total of 178 units are being developed.

The above examples demonstrate that the former Leichhardt Council was achieving a low affordable housing yield through the use of voluntary planning contributions.

4.3 Affordability calculations

According to the NSW Government website, 'Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30 percent of gross household income'.

Government policy on affordability applies to both housing for purchase and rental housing. This is the same for Leichhardt Council's 10% affordable housing aspiration which does not specify whether affordable housing sales or rentals are preferred, nor how long affordability should be maintained.

The June 2013 NSW Affordable Housing Guidelines define affordable housing based on 'very low', 'low' and 'moderate' income households. The upper limit for targeting affordable housing is for households earning 120% of the median income.

Affordable sales

The following calculations demonstrate the price-point at which properties are affordable to Government defined at-need households living in the former Leichhardt LGA:

- From the 2011 Census, the median weekly household income in former Leichhardt LGA was \$2,234 or \$116,168 per year
- 120% of the median income is therefore \$139,402 per year
- 30% of household income, i.e. the maximum that can be spent on household costs, is \$41,820 per year or \$3,845 per month

- Using the Commonwealth Bank's mortgage calculator on 16 August 2016, with a standard rate of 4.65% and a 25 year term, the most that could be borrowed by a household on this income would be \$680,000
- Assuming the bank requires a 10% deposit, the maximum amount that could be paid for a property would be around \$756,000

It should be noted:

- Many lenders would require more than a 10% deposit
- Leichhardt incomes will now be higher than at the 2011 census

Both these factors suggest the affordability threshold as calculated above at \$756,000 might be conservative.

Affordable rentals

Rent settings by community housing providers vary between 'social housing' (set at a maximum of household income) and 'affordable housing' (typically set at a discount to market rent). Affordable housing policies vary between those set by NSW Government, and those used for NRAS funded projects.

The proposal is for the affordable rentals on the Site to be based on the NRAS scheme:

- 20% discount to market rent
- Eligibility based on household composition, current examples for 2016-17:
 - Single person, up to \$48,527 household income
 - Couple plus 2 children, up to \$99,283 household income

- Affordability retained for 10 years

4.4 Assessment

The developer's proposal will generate 16 studios and one bedroom units (5.07% of properties) available for affordable rental.

In addition, the 68 studios and 110 one bedroom units will be priced such that they can be affordable sales to residents in Leichhardt LGA. This is a net 162 affordable sales (46.28% of total properties).

Hence the 'affordable' component of the development is just over one half the total project (51.35% of dwellings).

The development will therefore generate the type of properties most in need in Leichhardt - smaller units - and there will be a good delivery of new affordable homes. The 'core' component of affordable rental accommodation, at 5%, is higher than typical Sydney projects, although the affordability is only for a 10 year period.

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