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Housing Affordability Assessment

67-73 Lords Road, Leichhardt
Prepared for Platino Properties

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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 Leichhardt Local Government Area (LGA):

- Purchase prices have risen sharply since 2000, and are now approaching an average of \$1 million. They rank third in inner-city Sydney behind Woollahra and Mosman LGAs
- Rents have increased even faster than sales prices, and are over \$600 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 LGA. It will also meet State and Council objectives for more sustainable development, being well located to excellent bus services and the new Inner West light rail. Homes will also be well situated for existing neighbourhood services, such as shops, and employment areas.

The proposal by Platino Properties will be one of the limited number of opportunities for Council to facilitate delivery of new affordable housing. 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 local Leichhardt residents to purchase

By delivering more than 50% affordable homes on the Site, the scheme will exceed Council's 10% affordable housing aspirations. 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 between 2.3% and 4.3% affordable rental housing in metropolitan Sydney, and between 1% and 3.7% in Leichhardt LGA. Therefore the 5% affordable rental properties proposed for the Site compares favourably.

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Definitions

Council: Leichhardt Municipal Council

Haberfield Suburb: the neighbourhood of Haberfield, in Ashfield LGA, 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

Leichhardt Council: Leichhardt Municipal Council

Leichhardt Suburb: the neighbourhood of Leichhardt, in Leichhardt LGA, 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 public or community housing providers

Abbreviations

ABS: Australian Bureau of Statistics

DCP: Development Control Plan

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

SSC: State Suburb Code, an ABS term

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1 Background

Platino Properties has commissioned the Housing Action Network to undertake an Affordable Housing Assessment in connection with the proposed rezoning by Leichhardt Council of the 67-73 Lords Road, Leichhardt ('the Site').

1.1 Site location

The Site is around 1.06 Hectares in size, directly adjoining the former goods line, which is now the Inner West light rail extension currently under construction and due to open early in 2014. Lambert Park adjoins the site to the north, with a laneway and residential development to the east.

Figure 1: Site map



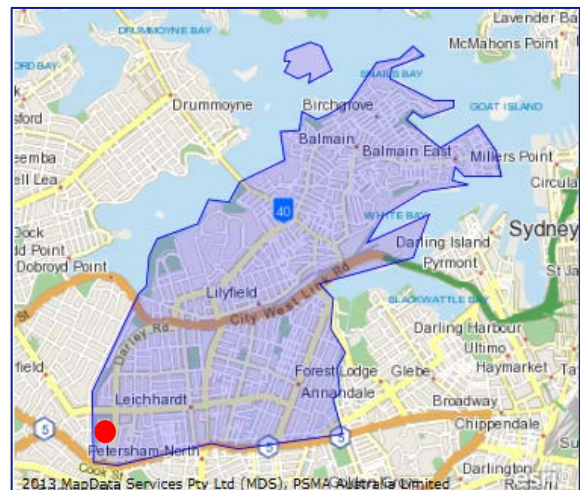
Platino Properties intend to rezone the site from Industrial to permitted residential uses including affordable housing, while making provision for a child care centre on the site.

1.2 Statistical areas

Figure 2 shows the location of the Site, in the south-west corner of Leichhardt LGA. Leichhardt is a modest sized inner-city LGA

with a population of 52,198 at the time of the 2011 Census.

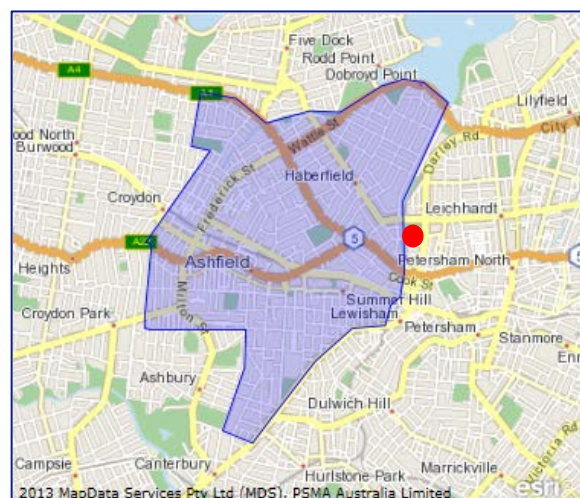
Figure 2: Leichhardt LGA



Source: ABS (2011), also for Figures 3, 4 and 5. The Site is shown with a red marker

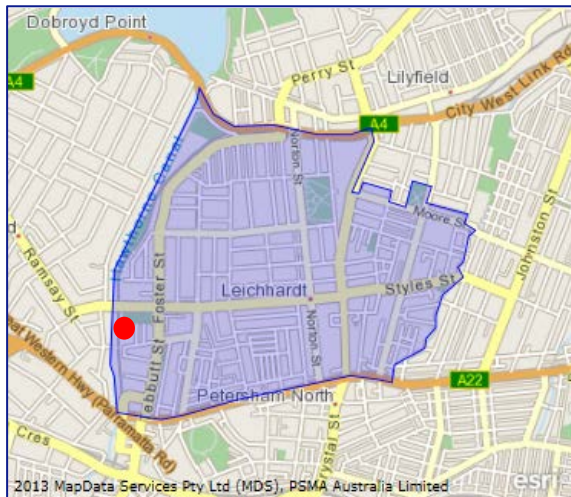
Due to the proximity of the site to the LGA boundary, further information has been analysed in this report on neighbouring Ashfield LGA (Figure 3). Ashfield had a population of 41,214 at the 2011 Census.

Figure 3: Ashfield LGA



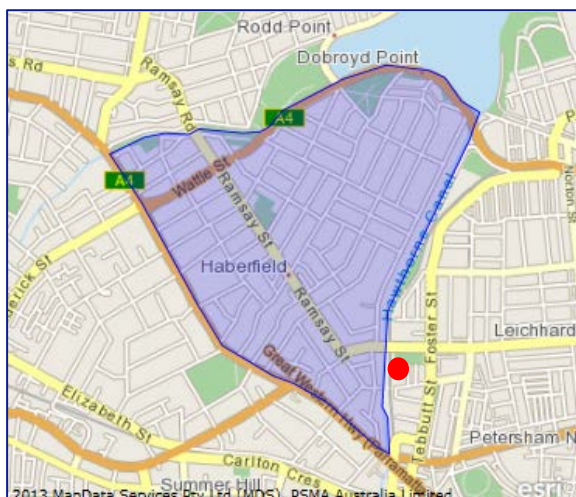
To further analyse data, this Report reviews information at a more localised level. Figure 4 shows 'Leichhardt suburb' based on the State Suburb Code used by ABS. The suburb, which includes Leichhardt town centre, had a population of 13,520 in 2011.

Figure 4: Leichhardt Suburb



The neighbourhood immediately to the west of Leichhardt Suburb is 'Haberfield Suburb' (Figure 5) with a resident population of 6,560 at the time of the 2011 Census.

Figure 5: Haberfield Suburb



1.3 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 of 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 nearby educational establishments such as UTS and Sydney University. This placed additional demand for smaller properties in the inner-west
- Sydney's re-positioning as an aspirant global city, increasing demand for well-located homes. The higher salaries of this type of employee further increased gentrification of the inner city
- Professional people, working in Sydney CBD but living in the inner-west, tended to be part of smaller households. There was an increase in single residents, and couples married and raised children later. Family size also reduced
- Industrial re-structuring led to a reduction in small and medium scale industry and the move from Sydney being a working harbour. Several vacant industrial sites needed to be found alternative uses

- Gentrification led to inner-west neighbourhoods being perceived as fashionable residential locations. Incoming residents sought a different range of goods and services

Housing implications

The social changes described above have led to a miss-match 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 families
- 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. The strongest demand is 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 Leichhardt LGA

Transport and local services

The Site is currently well located to frequent bus services along Marion Street (440 metres) and Parramatta Road (550 metres). When the Marion light rail stop (400 metres) opens in early 2014, access to Sydney CBD will be within 30 minutes. Local retail facilities are available within 300m of the site at the Leichhardt Marketplace.

NSW Government policies for the location of affordable housing have most recently been outlined in the June 2013 application guidelines for National Rental Affordability Scheme (NRAS) incentives. These required new NRAS projects to be within walking distance (defined as 800 metres) to transport, schools, health services and employment opportunities. The scheme proposed for the Site meets these criteria.

1.4 Local government

Leichhardt Municipal Council ('Council') has pursued a number of approaches to preserve existing affordable housing, and encourage development of new homes to address local affordability challenges.

Affordable Housing Strategy

Council resolved in September 2006 to 'develop an affordable housing strategy for Leichhardt, which aims to protect, promote and develop affordable housing in the Municipality'. A draft Strategy was presented to Council in 2008, publicly exhibited in 2008 and 2009, and finally approved by Council in July 2011 (Council, 2011).

The Strategy:

- Established affordable housing an integral part of Council's integrated planning process
- Identified the three key objectives of:

- protecting existing affordable housing
- promoting the provision of affordable housing, and
- developing additional affordable housing stock

The Strategy called for 'Council to consider the provision of diverse, affordable and adaptable housing when land is rezoned and seek a minimum 10% affordable housing contribution for all new significant development projects, being: Government land, major developments (residential components) and significant rezoning (change in use to residential or an increase in residential density)' (ibid, p.47).

Mayors Forum

Following a workshop of the Inner City Mayors Forum in September 2009, the Inner City Affordable Housing Working Group was established. This comprises staff from Councils across the inner city, including Leichhardt, with an aim of identifying ways to increase affordable housing stock.

Using funds obtained under the Housing Affordability Fund, a Study identified ideal site characteristics for affordable housing development, including being:

- In single, preferably public ownership
- From 1,000-10,000sqm in a flat orthogonal configuration with at least one frontage
- Zoned to permit residential uses (either as stand-alone or part of a mixed use development)
- Close to services and transport, preferably rail

- In areas where change is contemplated by strategic planning processes
- In areas where the market is ready for that change

Two sites were nominated in the Leichhardt Council area:

- 141-159 Allen Street, Leichhardt
- 469-483 Balmain Road, Lilyfield

The Study recommended that to achieve more affordable housing there is a need for intervention in the planning process. This included allowing increases in height and density in locations where there is a good supply of transport and services.

The Study further noted that design quality is important. Each site has its individual characteristics such as orientation and outlook that must be addressed to both maximise the yield and ensure the best amenity. This was seen as particularly important for constrained sites. Car parking requirements should be reduced.

Advisory Committee

The Leichhardt Housing Advisory Committee meets bimonthly. Its role, as amended on 15 October 2013 is to 'provide timely advice to Council about affordable and appropriate housing in the municipality. It is the principal consultative body advising Council about its housing agenda. It will have an interest in exploring innovative housing approaches' (Council, 2013: p.6).

Recent developments and new LEP

During 2013 Council has moved towards establishing stronger links with community housing and aged care providers. This is to allow retention of a portion of longer term affordable rental housing in new developments requiring re-zoning.

Another approach is to receive monetary contributions from developers for Council's Affordable Housing Fund, which would be used towards developing affordable rental accommodation. Funding was due to be received under a Voluntary Planning Agreement executed in relation to the Anka Development in Terry Street, Leichhardt.

The draft Leichhardt Local Environmental Plan (LEP) 2012 was placed on public exhibition from December 2012 to February 2013 (Council, 2012). The LEP was adopted by Council in May 2013, though has been delayed in publication due to workload at the Department of Planning. Publication of both the new LEP and the 2013 Development Control Plan (DCP) are scheduled to take place simultaneously in early 2014.

The draft LEP, which remains subject to final approval from the Department of Planning, aims to 'promote accessible and diverse housing types including the provision and retention of affordable housing' (p.4).

Much of the wording of the draft LEP is from the standard NSW Government template. There is no specific mention of developer contributions towards affordable housing in new developments. This would need to be negotiated as part of re-zoning consent.

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

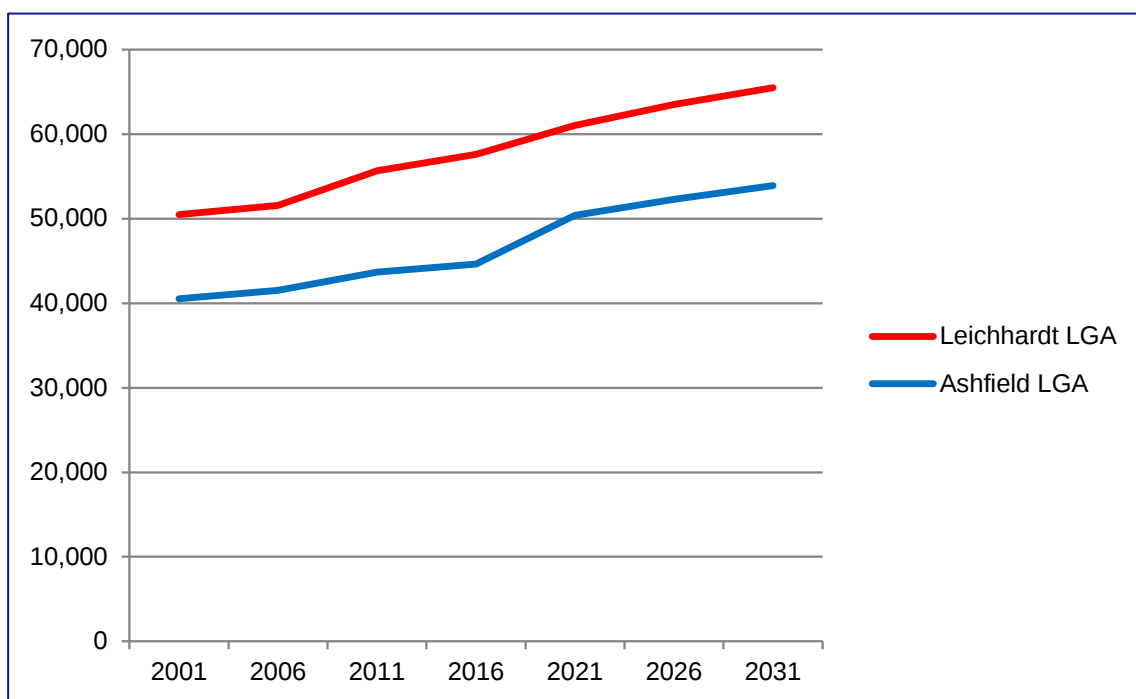
The NSW Government uses assumptions on fertility, mortality and migration to predict future population growth to 2031. These are informed estimates, not targets, and do not claim to be precise, as demographic trends can change. New figures released late 2013 which show larger NSW populations over the next 20 years than the 2010 estimates.

The 2010 projections indicated a NSW population of 9.1 million by 2031 (now

projected to be 9.2 million) and a Sydney population of 5.6 million (now projected to be 5.8 million). This higher growth is driven by a number of concurring factors, including higher average number of babies born, improved life expectancy with more people surviving each age group, and a higher net overseas migration level.

Population trends to 2011, and projections to 2031, are shown in Figure 6. In Leichhardt LGA the two main drivers of forecast population change are net internal migration loss (interstate and within NSW) and positive new overseas migration. The net effect of these two tends is a projected population increase (NSW Government, 2013: p.19). The same trends are predicted to affect neighbouring Ashfield LGA.

Figure 6: Population forecasts to 2031



Source: NSW Government (2013)

From Figure 6, Leichhardt LGA's population is set to rise by 17.7% from 55,651 in 2011 to 65,500 in 2031. During the same period Ashfield LGA's population will increase by 23.5% to 53,900.

These increases are at a lower predicted rate than across Greater Sydney (+35.7%) and NSW (+27.5%). Leichhardt's growth rates are not dissimilar to many of the more established inner-ring suburbs such as Marrickville (+19.8%) and Waverley (+16.9%), though lower than areas capable of high rise development such as the City of Sydney (+58.3%).

Based on data analysed for Leichhardt's 2011 Affordable Housing Strategy, the predicted 2031 population for the LGA area was 55,676. This is nearly 10,000 people lower than the current forecasts made by NSW Government. As a result, pressure on local housing markets will be considerably higher than predicted by Council.

2.2 Housing demand & supply

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

Factors influencing demand

From Table 1, 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

	<i>Couples without children</i>	<i>Couples with children</i>	<i>One parent family</i>	<i>Other family</i>
Leichhardt LGA	43.1%	42.0%	12.5%	2.5%
Ashfield LGA	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 in 2011 were marginally higher than those found in 2006, at 2.3 persons per household in Leichhardt LGA (2006: 2.2) and 2.5 in Ashfield LGA (2006: 2.4). Household occupancy in both LGAs in 2011 was lower than across NSW, which averaged 2.6 people per household.

The age distribution of the resident population is shown in Table 2. Both 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

	<i>Aged 0-14</i>	<i>Aged 65+</i>
Leichhardt LGA	16.2%	10.3%
Ashfield LGA	15.0%	14.4%
NSW	19.1%	14.7%

Source: ABS (2011)

NSW Government population forecasts suggest an increase in Leichhardt LGA's under 15 age cohort from 16.2% in 2011 to 19.2% in 2031. Those aged over 65 will increase from 10.3% in 13.1% in 2031. Compared to changes predicted by NSW Government, Leichhardt LGA will see a slightly higher increase in people aged under 15, but a lower increase in over 65s.

Demand projections

The NSW Government predicted in 2013 the population of Leichhardt LGA will increase by 9,849 people between 2011 and 2031. Based on the 2011 figure of 2.3 persons per household, there will need to be an additional 4,282 dwellings by 2031. This is an increase of 214 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 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 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	214
Annual shortfall	88
% shortfall	41%

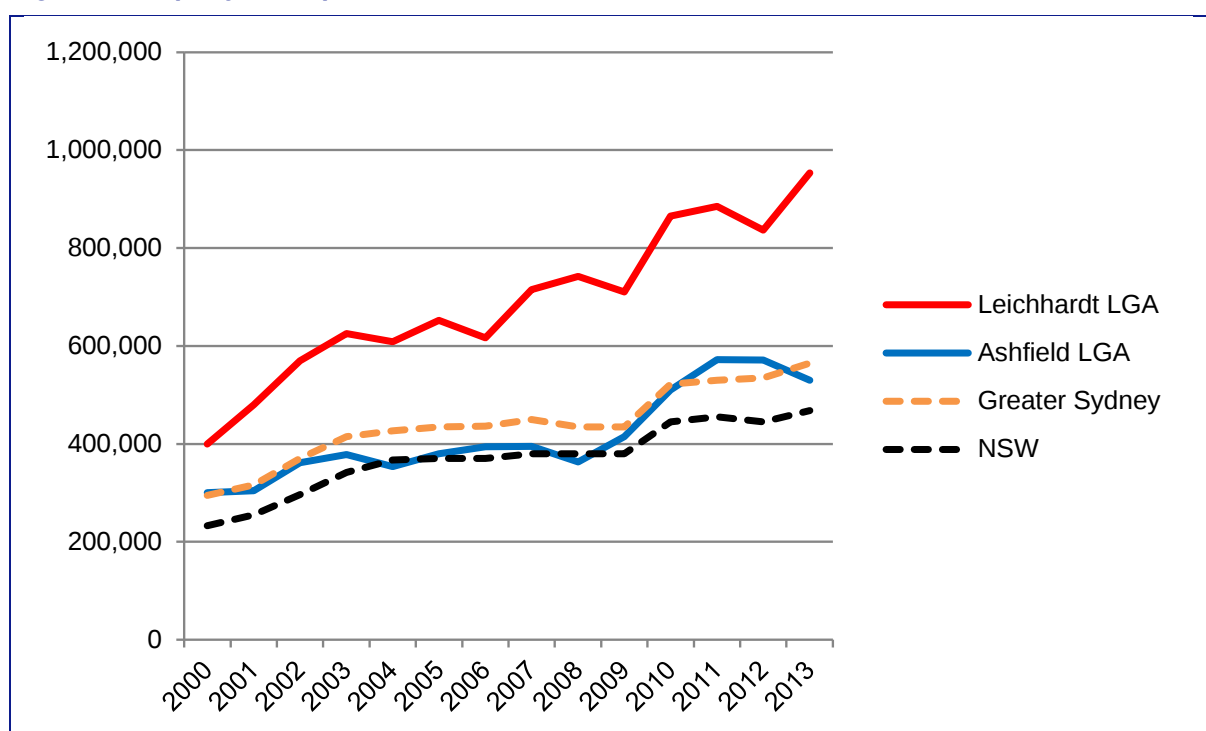
Source: ABS (2006; 2011)

As shown Table 3, the number of dwellings has increased in Leichhardt LGA 2006-11. However, the supply is insufficient to keep up with anticipated demand based on population projections by NSW Government to 2031. Based on the level of new housing production between 2006 and 2011, the annual shortfall in new household supply is around 41% in Leichhardt LGA.

2.3 Local housing costs

From Figure 7 median property sales prices have risen in Leichhardt from around \$400,000 in 2000 to approaching \$1,000,000 in June 2013. They now rank third in inner-city Sydney behind Woollahra LGA (\$1,196,000) and Mosman LGA (\$1,125,000). Across NSW, Leichhardt LGA prices are the fifth highest, just behind Hunters Hill LGA and Ku-ring-gai LGA.

Figure 7: Property sales prices, 2000-13



Source: Housing NSW (2013). Median sales price all properties, June each year

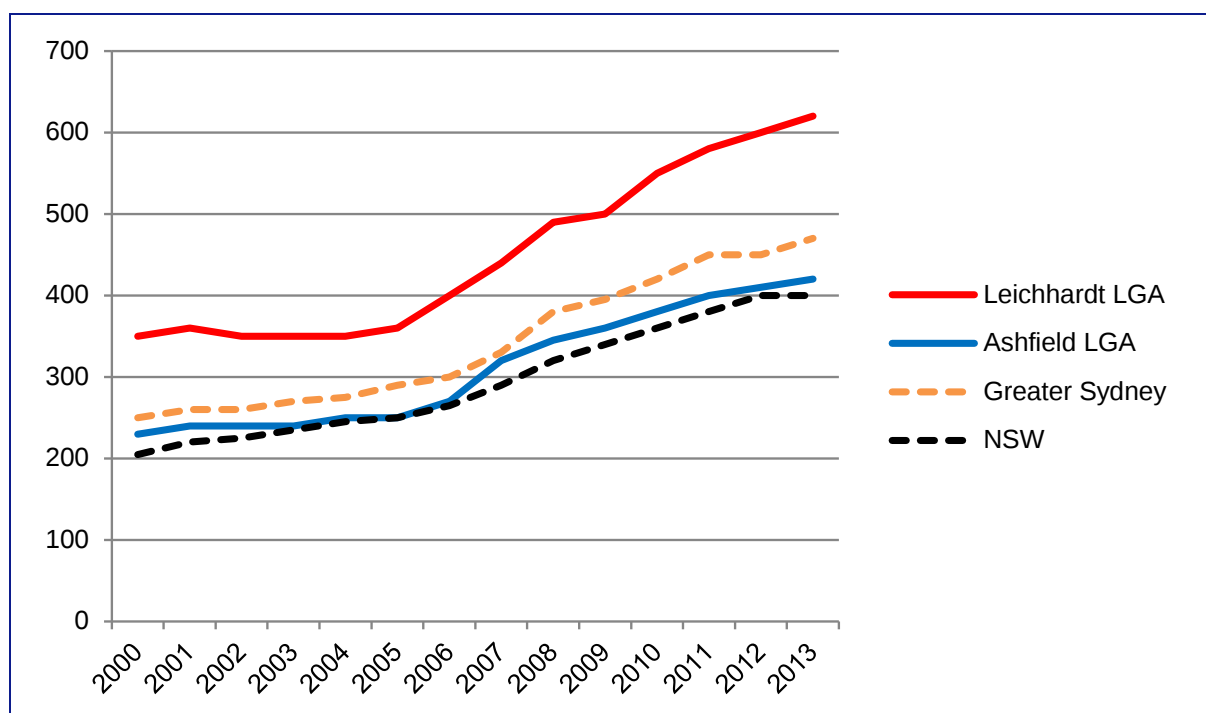
The gap between Leichhardt LGA sales prices and those across both Greater Sydney and NSW is now substantial. This gap has been rising steadily over the last decade, including over 2012-13 when sales prices stabilised in many areas. Between June 2012 and 2013, Leichhardt LGA prices increased 14%, by \$117,200 to \$953,500.

The trends since 2000 in housing rental costs in the study area are shown in Figure 8. Median rents in Leichhardt LGA are considerably higher than in neighbouring Ashfield LGA. Moreover, in September 2013

rents in Leichhardt, at \$620 per week, were higher than in any of the inner city suburbs of Sydney with the exception of Woollahra LGA at \$650 per week.

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. Whereas property purchase costs have generally remained steady from 2012-13, rental costs in the study area have continued their steady rise in this period which has been a trend in evidence since 2005.

Figure 8: Property rental costs, 2000-13



Source: Housing NSW (2013). 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 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

	<i>Separate house</i>	<i>Attached dwelling</i>	<i>Apartment</i>
Leichhardt suburb	40.9%	34.5%	23.7%
Leichhardt LGA	35.3%	36.4%	27.0%
Haberfield suburb	75.5%	14.9%	8.3%
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 LGA, there is a 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 Leichhardt LGA was of apartments, accounting for around half the increase. Few sites in the council area are suitable for stand-alone dwellings.

Housing configuration

Table 5 shows bedroom numbers from the 2011 Census. Ashfield LGA, and to a lesser extent 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

	<i>0, 1</i>	<i>2</i>	<i>3</i>	<i>4+</i>
Leichhardt suburb	11.2%	42.8%	35.7%	8.4%
Leichhardt LGA	14.2%	38.7%	34.5%	11.1%
Haberfield suburb	4.5%	17.1%	45.1%	32.0%
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, Leichhardt LGA has only 57% owner occupation, around ten percentage points lower than Australia. As shown in neighbouring 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%
Leichhardt LGA	24.4%	33.2%	32.1%
Haberfield suburb	49.9%	28.0%	19.4%
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.

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 LGAs 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 Leichhardt LGA (4.0%). The level of unemployment in 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. 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 Leichhardt LGA residents highlights the extent of inner-west, gentrification. The trend is increasing, with higher proportions of managers and professionals living in Leichhardt LGA in 2011 compared to the 2006 census.

Local incomes

Table 7 shows that household incomes in 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
Leichhardt LGA	\$2,234
Haberfield suburb	\$1,730
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 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%
Leichhardt LGA	14.7%	29.1%
Haberfield suburb	20.0%	23.2%
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.

Leichhardt LGA has considerably worse rental affordability than Ashfield LGA, metro

Sydney or NSW. Only 3% of very low income households can afford to rent in the private market in 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>Very Low Incomes - affordable % rental stock</i>	<i>Low Incomes - affordable % rental stock</i>	<i>Moderate Incomes - affordable % of rental stock</i>
Leichhardt LGA	3%	12%	28%
Ashfield LGA	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 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>Very Low Incomes - affordable % purchase stock</i>	<i>Low Incomes - affordable % purchase stock</i>	<i>Moderate Incomes - affordable % of purchase stock</i>
Leichhardt LGA	0%	0%	0%
Ashfield LGA	0%	0%	4%
Metro Sydney	0%	2%	18%
NSW	2%	8%	30%

Source: See Table 9

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

We have been advised the following is being proposed:

- 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, such that many homes will be affordable to local people on moderate incomes. Dwelling configurations and potential prices are:
 - 68 studios, average 45m², selling for c.\$350,000
 - 110 one bedroom units, average 55m², selling for c.\$450,000
 - 115 two bedroom units, average 80m², selling for c.\$700,000
 - 22 three bedroom units, average 110m²

4.2 Comparative schemes

There are no uniform guidelines for the proportion of affordable housing to be included in new residential developments. 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. Properties provided to a community housing provider, or a cash contribution of \$138 per square metre
- **Barangaroo:** 2.3% gross floor area. Details are uncertain, and not in the

public domain, but thought to include properties for affordable rental and sale

- **Harold Park** - a voluntary planning agreement: 4.2% of total dwellings. Either cash, or dwellings, for a community housing provider

Leichhardt examples

Two local schemes have been identified:

- **Kolotex Garment Factory site, 22 George Street, Leichhardt.** 350 apartments, of which 11 to be transferred to a community housing provider, and 2 leased affordably for 10 years. A total of 3.7% affordable dwellings delivered
- **118-124 Terry Street, Rozelle** - a voluntary planning agreement. Monetary contribution of \$850,000 to be used for affordable housing in the LGA area, contributing to Council's 'Affordable Housing Fund'. The site includes 1,777m² commercial/retail and 199 apartments. The affordable housing yield is likely to be less than the equivalent of two dwellings, or 1% of the total yield

The above examples demonstrated that Leichardt Council has achieved an affordable housing yield of well below 10% on recently negotiated schemes.

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 Leichhardt LGA:

- From the 2011 Census, the median weekly household income in 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
- Using the Commonwealth Bank's mortgage calculator, with a standard rate of 5.90% and a 25 year term, the most that could be borrowed by this household would be \$546,064
- Therefore any property priced below \$546,000 would be affordable to a Leichardt household on up to a moderate income

It should be noted the above calculations do not take into account a deposit that will be

required from purchasers. Hence the \$546,000 figure is 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
 - Single person, up to \$54,900 household income
 - Couple plus 2 children, up to \$114,400 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

LGA - 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.

However, it should be noted the price-points of the proposed dwellings are considerably below the median sales prices in Leichhardt LGA. They will therefore likely remain more affordable than median priced properties even at the end of the 10 year rental period.

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