

Affordable Housing Needs Analysis

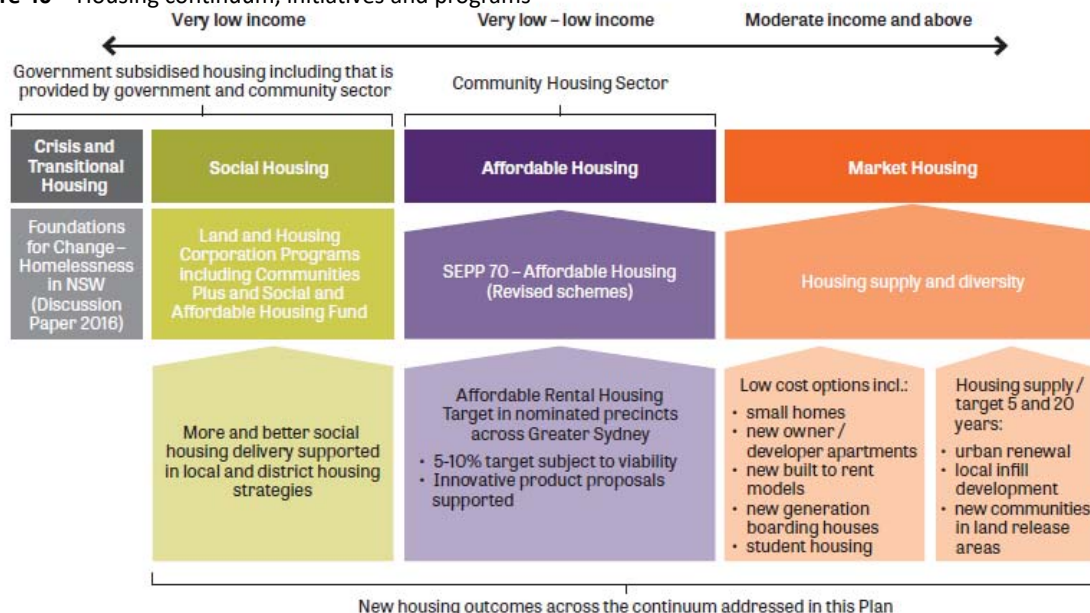
'Affordable housing' is often used an umbrella term for a spectrum of affordable housing options. The figure below shows that these options include social housing, affordable rental housing, and certain types of market housing. The following sections will highlight that there is a clear and critical need to improve housing affordability in Waverley. A range of factors contribute to this need, including a combination of rising housing costs, population growth pressures and growing demand for inner-city living, in addition to limited land availability.

7.1 Affordable housing

Median household wage growth in Sydney has remained relatively stable, however house prices continue to climb resulting in a widening house price to income ratio. In Waverley the household income to house price ratio has risen from 4 in 1994 to 12 in 2016. The house price to income ratio indicates that Sydney median household income of \$1,750 would need to spend 12 times their annual gross income to purchase the average house in Waverley.

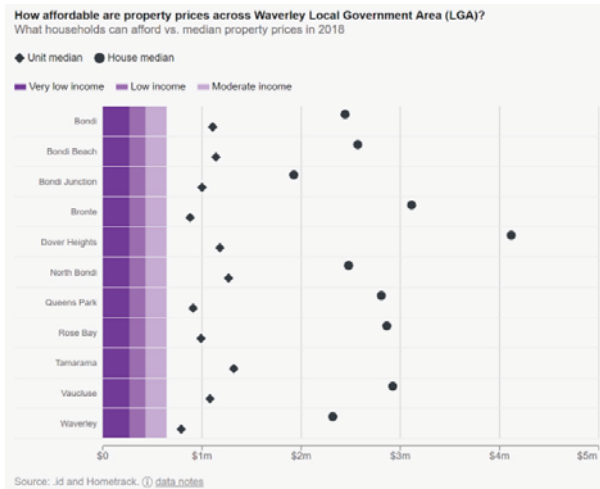
Term	Definition
Affordable rental housing	Housing that is owned by government or a registered community housing provider and rented to a mix of very low to moderate income households.
Housing stress	A household is categorised as being in housing stress where it spends 30% or more of household income on housing costs.
Low cost housing	Housing that is 'naturally' more affordable than other stock e.g. older boarding houses, granny flats
Social housing	To qualify for social housing, tenants must be on very low to low incomes, need to support to live independently and/ or have been unable to find affordable housing in the private market. Social housing includes public, community and Aboriginal housing. Public housing is managed by Department of Communities and Justice (DCJ formerly known as Family and Community Services) while community housing is managed by non-government organisations.

Figure 40 - Housing continuum, initiatives and programs



Source: Greater Sydney Commission 2018

Figure 41 - What households can afford vs. median property prices in 2018.



Source: Housing.ID 2019, Hometrack 2018

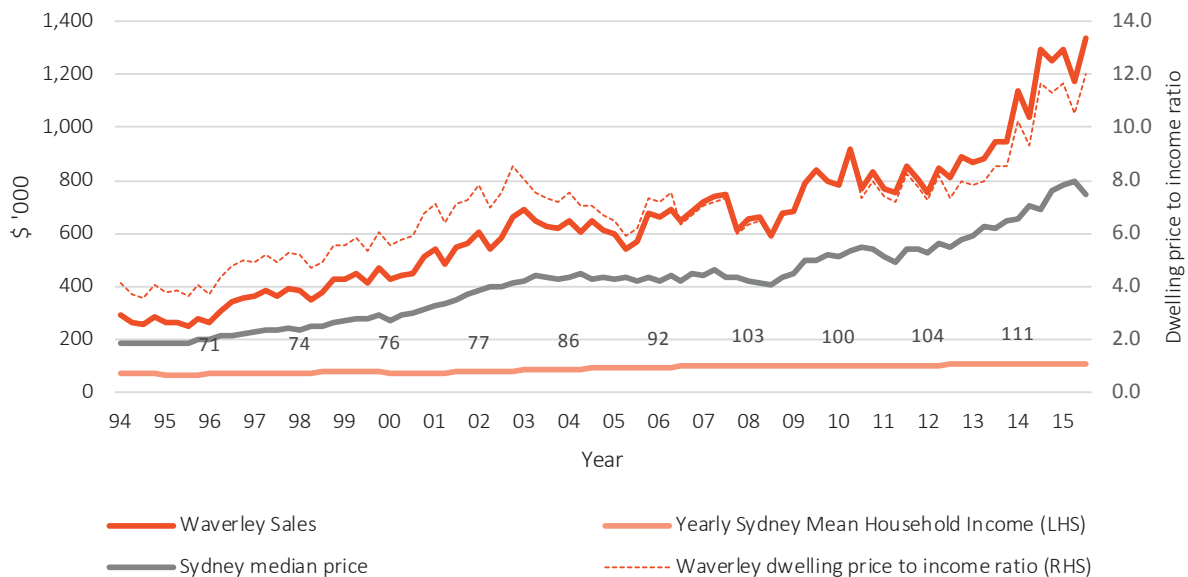
The affordability of housing currently available on the market is based on very low, low and moderate household incomes. The Greater Sydney median household income is used as opposed to the Waverley median household income because Waverley has a higher proportion of high income earners than Greater Sydney.

Median house prices across all suburbs in the Waverley LGA were well out of reach for very low, low and moderate income households in 2018. The purple gradation in the image below shows what very low, low and moderate income earners could afford based on spending 30% of their household income towards a mortgage. The median house price in all suburbs was a significant distance from what would be deemed an affordable mortgage.

Table 3 - Greater Sydney median household income ranges

	Very low income household	Low income household	Moderate income household
Income benchmark	<50% of Gross Median H/H income for Greater Sydney	50-80% of Gross Median H/H income for Greater Sydney	80-120% of Gross Median H/H income for Greater Sydney
Income range	<\$875	\$876-\$1,400	\$1,401-\$2,100

Figure 42 - Waverley house price growth in context



Source: HNSW Rent and Sales Reports 1994-2016 / ABS 1994-2011 Income Data
Note: Income extrapolated for years after 2011.

¹⁸Sydney income used to assess the relative affordability against Sydney.

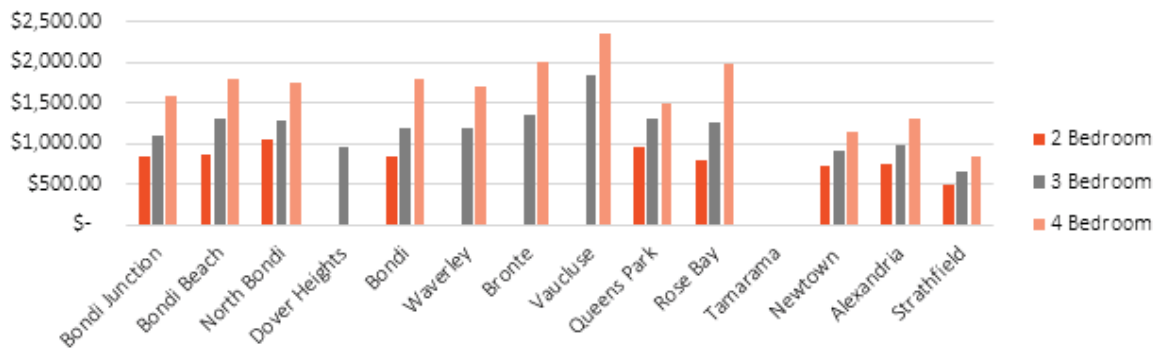
Median unit prices were closer to the affordable purchase range of very low, low and moderate income households but were still above what would be considered affordable. Median unit prices were particularly high, above \$1 million, in beachside suburbs such as Bondi, Bondi Beach, North Bondi and Tamarama.

Waverley's rent (for all dwellings) is 130% higher than the Sydney average. The median rent for a house of \$1,300/week is like the median price in that it is well beyond the affordable rental range. In particular, the disparity between rents in Waverley compared to Greater Sydney are more pronounced for three or more bedroom places. This reflects a high demand for this type of housing product in Waverley.

The median rent for a unit is \$680/week. The median unit rent is likely to be affordable for households on a moderate income. The median unit rent was at the top end of the moderate income affordability range in Bondi Junction, Bronte, Queens Park, Rose Bay and Waverley. When looking at the apartment types by bedroom number, the affordable units were for one and two bedroom apartments. Like rental prices for houses, there is a significant increase in price for three bedroom dwellings. This points to a demand for larger affordable units and the potential forced relocation for those residents who cannot afford these dwellings.

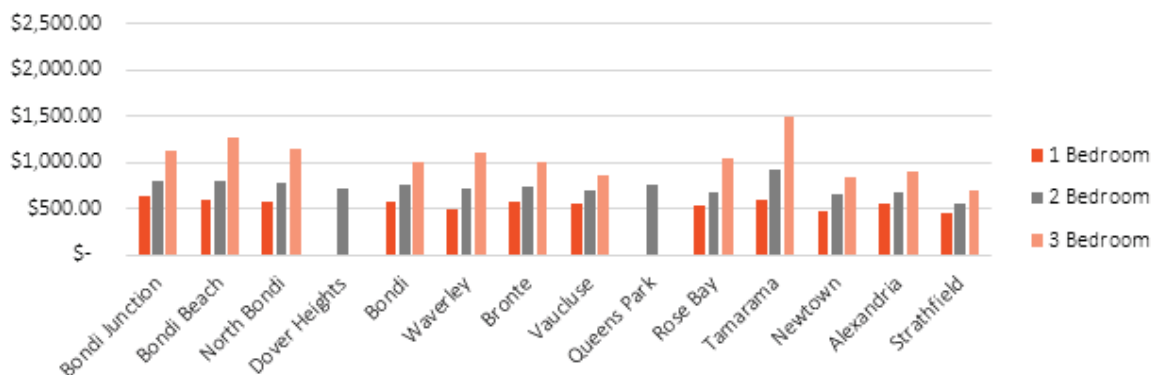
The above analysis highlights how Waverley has become severely unaffordable. This will be exacerbated by fluctuations in available housing supply, as Waverley continues to be a desirable place to live.

Figure 43 - Detached house weekly rental prices comparison – Waverley suburbs vs. Sydney suburbs



Source: Realestate.com. Note: excludes not stated, not applicable, nil or negative responses.

Figure 44 - Unit weekly rental prices comparison – Waverley suburbs vs. Sydney



Source: Realestate.com. Note: excludes not stated, not applicable, nil or negative responses.

Table 4 - Social housing base level demand Waverley, 2016-2036

	2016	2021	2026	2031	2036
Number of dwellings	510	571	576	588	600

Table 5 - Base level affordable rental housing demand (2016-2036)

	2016	2021	2026	2031	2036
Number of dwellings	3,438	3,847	3,885	3,962	4,044

Demand for social housing

To qualify for social housing, tenants must be on very low to low incomes, need support to live independently and/or have been unable to find affordable housing in the private market. Social housing includes public, community and Aboriginal housing. Public housing is managed by Department of Communities and Justice (DCJ formerly known as Family and Community Services) while community housing is managed by non-government organisations.

A contributing factor to demand for social housing is homelessness. The ABS recognises a person as experiencing homelessness if they are living in a dwelling that is inadequate; has no tenure, or if their initial tenure is short and not extendable; or does not allow them to have control of, and access to space for social relations. There are six categories of homelessness including persons living in severely crowded dwellings, improvised dwellings, tents, or sleeping out ('rough sleepers'), in supported accommodation, staying temporarily with other households ('couch surfing'), living in boarding houses and in other temporary lodgings. Of the 116,427 people counted as being homeless on Census night 2016, the greatest proportion (51,088 or 43.9% of all homeless people) were those living in 'severely' crowded dwellings.¹⁹ From the available ABS data for Waverley, 15 people were recorded to be sleeping in an 'improvised home', tent or on the street on Census night 2016. This does not capture those in any of the five other homelessness categories described above and likely underplays the extent of homelessness in Waverley.

Social housing demand is based on the current share of households who are currently in social housing. As

at 2016, social housing makes up 2% of total dwelling stock in Waverley which equates to 510 dwellings (assuming one household = one dwelling). This proportion is extrapolated forward to 2036 and five year increments up to then. By maintaining the 2%, 600 dwellings should be social housing by 2036, which means an additional 90 social housing units should be delivered. This forms a base level target for social housing to ensure no further net loss in the future (Table 4). It does not reflect the broader demand reflected in the waiting list time of 5-10 years for social housing in the Eastern Suburbs. The protection of social housing however is largely out of Council's jurisdiction as it is developed and managed by the state government.

Demand for affordable rental housing/key worker housing

Affordable rental housing is aimed to assist very low, low and moderate income earners who are unable to afford rent in the private market. Affordable rental housing is managed by a community housing provider on behalf of Council where the dwelling is rented out at a capped percentage (around 70-80%) of the market rent. Affordable housing is sometimes referred to as 'key worker' housing.

It is important to understand the demand for key worker housing as key workers are essential to the social and economic wellbeing of cities. The financial ability of key workers to live somewhere is often used as a measure of housing affordability because they are generally in lower-paid occupations and need to live close to their place of work because of irregular shifts (e.g. at night) or the need to respond to emergency situations. Typically, key workers are teachers, nurses,

¹⁹Australian Bureau of Statistics 2018, '2049.0- Census of Population and Housing: Estimating homelessness, 2016', accessed 12 November 2019, < <https://www.abs.gov.au/ausstats/abs@.nsf/mf/2049.0>>.

ambulance, paramedic and emergency services and police officers.

Key workers are essential to the social and economic wellbeing of cities. They typically include teachers, nurses, ambulance, paramedic and emergency services and police officers. The definition of a key worker could differ between places.

In 2016, there were 1,600 key workers on very low, low to moderate incomes living in Waverley. Between 2006 and 2011, there was a 15.2% net loss of these key workers in the Eastern Suburbs, and now Waverley LGA has the fifth lowest key worker population in Sydney.²⁰ The loss of key workers is telling of the broader picture that Waverley has grown as an increasingly unaffordable area for very low and low income households. This entrenches and exacerbates disadvantages as it “can force long distance commutes and increasingly displace asset poor older and younger people from areas where they have historically lived; thereby excluding those who play a valuable role in the Waverley’s economic and social fabric”.²¹

There are also people who work within Waverley on very low, low to moderate incomes who, while not designated as a part of the ‘key worker’ nomenclature, nevertheless form an important part of the economic function of Waverley. The top three local industries are retail, accommodation and food services and health care and social assistance industries. These lower income earners live across Sydney and are more likely to travel from outside the LGA (more than 10km) and therefore experience commutes of 1 hour or more. In total, there are approximately 20,000 local workers on very low, low to moderate incomes in Waverley.

To determine the forecast demand for affordable rental housing, households who need this housing are those who have very low, low or moderate household incomes and spend more than 30 per cent of this income on rent (i.e. are experiencing rental stress).

Housing stress is a critical measure of the need for affordable housing, as it shows the interplay between housing costs (rental and purchasing) and income levels. Housing stress has generally been defined as those households in the lowest 40% of incomes (i.e. very low, low or moderate income households) who are paying more than 30% of their usual gross weekly income on housing costs (rental or purchasing). Those experiencing mortgage stress are excluded from this demand analysis because they have the option of selling their asset and entering the private rental market.

Increasing housing stress caused by the loss of affordable housing has detrimental ramifications such as the displacement of long term residents in gentrifying areas, loss of cultural and social diversity, and key workers struggle to afford high housing costs proportionally to low incomes.

Rental stress is a growing issue across Sydney as more people choose or can only afford to rent in a competitive housing market. In 2016, 30% of households renting in Waverley are in rental stress, which makes up 13% of all households in Waverley. When broken down into the income brackets below,

Figure 45 - Households in rental stress



Source: Housing.ID 2019, ABS Census 2016.

²⁰Gurran, N., Gilbert, C. Zhang, Y., Phibbs, P. 2018, “Affordability in Sydney”, Report prepared for Teachers Mutual Bank, Police Bank and My Credit Union, The University of Sydney, Sydney.

²¹Judith Stubbs and Associates, 2016, SSROC Affordable Housing Submission: Background report part 1 – demographic and housing market analysis.

there is a stark comparison between the proportion of households in rental stress when compared to Greater Sydney. This is markedly noticeable for very low income and low income households where 81% and 85% of these households are in rental stress. Based on anecdotal evidence, these households are likely to be those on a pension or single income families.

The proportion of households in rental stress has been translated as a base level demand target for the provision of affordable rental housing. In 2016, 13% of Waverley households were in rental stress equating to 3,440 dwellings (assuming one household=one dwelling). This made up 11% of the total dwelling stock in 2016. Table 5 indicates the likely future demand for affordable rental housing, assuming the proportion of rental stress remains constant. It highlights that just to address the current proportion of households in rental stress, an additional 600 affordable dwellings will be required by 2036; equating to approximately 30 affordable rental dwellings per annum.

7.2 Affordable housing supply

The NSW Environmental Planning and Assessment Act 1979 has explicitly aimed to promote and retain affordable housing. State and local governments in New South Wales have a relatively long history of addressing affordable housing through planning legislation and policy, much of which was developed during the 1990s. The focus has been on protecting existing sources of low-cost housing, especially in metropolitan areas; overcoming barriers to diverse housing forms contained in local planning schemes; and allowing planning authorities some limited opportunities to seek contributions towards affordable housing programs.²²

Affordable Rental Housing State Environmental Planning Policy (ARHSEPP) 2009

The ARHSEPP was introduced to encourage the provision of new affordable housing developments and where low cost housing is lost, requiring a monetary contribution to offset the impact. The ARHSEPP applies to all LGAs in Greater Sydney and provides bonus floorspace provisions if new development provides a portion of new stock as

affordable housing for a fixed-term of 10 years. The ARHSEPP requires that where the demolition or strata subdivision of affordable rental housing is proposed, it must be offset by monetary contributions to be applied towards affordable housing.

Boarding houses

To encourage new affordable housing, the ARHSEPP provides a floor space bonus for boarding house development. In the period from 2009 to 2017, 73 boarding house rooms were approved, approx. 9 rooms per annum in the Waverley LGA. Research by City Futures demonstrates that boarding house developments generated under the bonus ARHSEPP provisions cater to a different market than traditional boarding houses. Of the 9,000 rooms provided by boarding house developments in the SSROC²³ region, around 50% were targeted student accommodation (typically clustered around university campuses). Of those boarding houses not specifically targeting student accommodation, the tenants are typically young, skilled and from a migrant background with a modest income. These boarding houses are low cost rentals but only marginally cheaper than one bedroom units. Therefore, new boarding houses are catering to a market for low cost housing, albeit not at the substantially discount rates of older style boarding houses. These new rooms will fill a gap in the market for low cost housing and it is expected that in the longer term will become relatively more affordable compared to existing stock.

Secondary dwellings

Secondary dwellings have long been part of Sydney's urban form. Secondary dwellings include laneway development in the form of converted garages or new studios above garages and are a relatively common development type in Waverley. The introduction of the ARHSEPP in combination with standardised planning controls made secondary dwellings a form of complying development, making it easier to develop this type of housing. The introduction of the ARHSEPP had an immediate impact on the number of approvals for secondary dwellings as they more than doubled between 2008 and 2013.

Due to the existing established form of the Waverley area, the built-up nature of existing sites and smaller lot sizes, it is difficult to get a secondary dwelling

²²Gurran N et al. New directions in planning for affordable housing: Australian and international evidence and implications, Australian Housing and Urban Research Institute (AHURI), June 2008

approved via complying development. This is because complying development has strict design requirements that must all be met. Therefore, the approval pathway is generally through development application to Council where assessment is more merit based and specific to the subject site. Between 2006 and 2016, 80 secondary dwellings have been approved in the Waverley LGA. This represents 6.5% of the total number of new dwellings in the same period.²⁴ Despite their popularity, these dwellings are said to create undesirable amenity issues, such as overlooking, with neighbours often objecting to development applications.

Issues with the ARHSEPP

The key intention of the ARHSEPP is to facilitate more affordable rental housing by encouraging smaller and by nature, less expensive, dwellings into the local housing market. However, the SEPP purely relies on the smaller nature of the housing to make it affordable, with no formal requirements to cap rent at an affordable rate. In the 2016/17 financial year 20% of secondary dwellings were rented out on the private market and were more expensive than comparable product in the market. Anecdotal evidence indicates that the remaining 80% of secondary dwellings are being utilised under private, likely informal arrangements for extended family or adult children to live in. This reflects a wider shift towards multi-generational households for social and cultural reasons but also increasing housing affordability pressures particularly for young adults trying to get their foot in the market. Moreover, it is out of Council's control to monitor the rents to ensure that they are addressing the demand for affordable housing.

There are several operating flaws with the ARHSEPP which prohibit it from achieving its main objectives. Developers can bypass the requirement to offset the loss of affordable housing with monetary contributions by not providing historical data on the low rental status of the building as at 28th January 2000. Even when contributions are collected, they are not reinvested back into the Waverley LGA. Furthermore, developments only need to be available

at a discounted affordable rate for 10 years, not in perpetuity.

State Environmental Planning Policy 70 - Affordable Housing (Revised Schemes) (SEPP 70)

Ahe DPIE announced in early 2019 that all Councils will be included in SEPP 70. The premise of the SEPP is that it allows Councils to levy new development in areas where significant upzoning has occurred for affordable housing contributions. This is subject to an affordable housing needs analysis and viable contributions scheme. These contributions are then hypothecated to increasing the provision of affordable rental dwellings.

Waverley raised concerns in its submission to the draft SEPP 70 Guidelines that affordable housing contribution scheme should apply to all new development and that it is possible the guidelines misrepresent the Act²⁵ by only focusing on the 'rezoning' and not the 'initial zoning'.

Waverley's Affordable Housing Program

Waverley Council has had a longstanding commitment to the provision of affordable housing. The majority of Council's portfolio was acquired through an affordable housing policy. Developers at the time made a request for additional floorspace under a SEPP 1 variation at the development application stage. In most cases the additional floorspace was delivered by a dedication of a dwelling in perpetuity to Council for the purposes of affordable housing. Units were generated through this process between 1996 & 2010. In order to provide greater flexibility the policy was amended to permit either the dedication and transfer of completed dwellings to Council as affordable housing in perpetuity, providing dwellings for a set lease term, or through monetary contribution. Through this process Council secured 44 units of affordable housing, 22 in perpetuity and 22 on leases of varying periods. All but one of the lease periods has now ended. The distribution of properties and their target demographic is summarised below.

²³Southern Sydney Region of Councils (SSROC) includes Canterbury-Bankstown, Burwood, Inner West, Sutherland Shire, Georges River, Bayside, Randwick, Woollahra, and Waverley Councils.

²⁴Troy, L., van den Nouwelant, R. and Randolph, B (2018) State Environmental Planning Policy (Affordable Rental Housing) 2009 and affordable housing in Central and Southern Sydney. City Futures Research Centre, Faculty of Built Environment, UNSW Sydney Australia.

Table 6 - Waverley Council Affordable Housing Portfolio

Program	Dwellings	Targets
Affordable Housing Program	25 units	Ordinary working people on low to moderate incomes who can demonstrate a connection to Waverley
Waverley Housing for Older People	47 units	People 55+ on very low incomes who can demonstrate a strong connection to Waverley
Waverley Housing for People with a Disability	3 units	Clients of Waverley Council's Community Living Program for people with an intellectual disability with very low to low incomes

The Policy could not be applied after the gazettal of Waverley LEP 2010 which required all FSR and HOB controls to be included in the LEP rather than the DCP. Variations to FSR were then required under Clause 4.6 which meant that the Waverley AH Program could no longer be applied. Consequently, a Voluntary Planning Agreement (VPA) Policy was prepared which proposed that any DAs exceeding the FSR be encouraged to enter into a VPA which shared the value of any additional floorspace 50/50 with Council and that this monetary dedication be used by Council for a public purpose. Generally, this would involve capital works improvements in the vicinity of the DA however 10% of the VPA monetary contribution continues to be allocated to Council's Affordable Housing Trust Fund which is used to develop or purchase additional affordable housing units. In 2016, Council invested a portion of its cash contributions in the joint purchase with Bridge Housing of a 4x2 bed unit block, for the purpose of provision of affordable housing.

7.2.3 Loss of affordable housing

An indicator of the loss of affordable housing is tracking boarding houses through Councils boarding house register. Councils records go back as far as 1996 and is updated every year. Since 1996, there has been a net loss of over 100 boarding house rooms in Waverley. This represents a decrease in the proportion of boarding house rooms from 2% to 1% of the total dwelling stock in a twenty year period.

The trends relating to boarding houses is at best a proxy for the broader picture relating to the loss of low cost housing. For example, using the data from

the boarding house register, in the period between 2010 and 2018 there was a net loss of 32 boarding rooms which equates to on average, the loss of 4 boarding rooms per annum. The Strategic Planning team completes referrals for the application of the ARHSEPP to new development applications. This allows Council to track where there is a loss of affordable housing. In addition to the demolition of a boarding house, the conversion of a company title block to strata title also results in a loss of affordable housing. In the 2017 / 2018 there were five applications that resulted in a loss of a total of 58 low cost, affordable rental dwellings. 58 low cost affordable rental dwellings are significantly higher than the average loss of 4 boarding house rooms per annum in the same year. Notwithstanding, there has been an overall loss of affordable housing and supply is not keeping up. The only provision of 'pure' affordable housing has been through Council's Waverley Affordable Housing Program where there has been 75 units delivered since 1996. During the same period there has been a loss of over 100 boarding house rooms, which is only an indicator of the broader loss across the LGA. The delivery of boarding houses and secondary dwellings in recent years do provide some form of low cost housing primarily because of their smaller nature which makes them a more affordable product on the housing market. Furthermore, where dwellings are affordable, it's only required to be for ten years.

7.3.4 Future affordable housing supply

As highlighted above, 80 secondary dwellings were approved between 2006 and 2016, which is

approximately 10 secondary dwellings per year. That means approximately 200 secondary dwellings could be delivered in the next 20 years (10 x 20 years). Since the introduction of the ARHSEPP, 73 boarding house rooms have been approved in the Waverley LGA; approximately 9 rooms per year. Extrapolating this forward means approximately 180 (9 x 20 years) boarding house rooms could be delivered in the next 20 years.

Affordable dwelling forms have not been factored into the table above but are important to meeting the overall housing target to 2036. Affordable dwelling forms did not form part of the capacity assessment which looked at net additional dwellings through dual occupancies in R2 and apartments in R3, B4 and R4. These would be subject to different requirements which was not completed in this discussion paper. Notwithstanding, these should be monitored alongside dwelling completions into the future as they fill a gap in the spectrum of housing options. Consideration should also be given to how much one affordable dwelling form compares to a typical dwelling in terms of meeting demand.

7.2.5 Affordable housing supply gap

On a yearly basis, below is a summary of known supply of affordable rental housing in Waverley:

- Dedicated Council units – 75 dwellings
- Low cost housing (approved through the ARHSEPP) – 19 dwellings (for a maximum of 10 years)

Based on what is currently on the market the following number of affordable (i.e. 30% of income) rental units were available to each income bracket:

- Very low income – 7 dwellings

Known supply of affordable rental housing is 94 dwellings pa.

Market supply of affordable rental housing = 1,789 dwellings pa.

Total supply of affordable rental housing = 1,883 dwellings pa.

- Low income – 239 dwellings
- Moderate income – 1,543 dwellings

As at 2016, 3,438 households needed affordable rental housing because they were either a very low, low or moderate income household spending 30% or more of their household income on rent. The current supply of affordable rental housing is only meeting 57% of demand. 43% of households in rental stress are not going to have their housing needs met in the current housing climate. This gap is also likely an underestimation of the actual gap between affordable rental housing supply and demand. It does not account for the fluctuations in available market supplied units, or that the affordability of units approved through the ARHSEPP is questionable given the latest research discussed above.

7.3 Affordable housing target

The District Plans indicate that Councils should aim to implement an affordable housing target of 5-10% of floor space for developments that experience uplift in the planning controls, subject to viability. The 5-10% would only apply to the additional floor space achieved through uplift. For example, if a development was rezoned to allow for 100sqm in addition to what was previously allowed on site, 10sqm of that would be dedicated to affordable housing, rather than across the whole development. This strategy does not recommend uplift in the planning controls due to the existing level of density and capacity to meet targets under the current controls.

A different approach to levying affordable housing contributions is proposed, including a lower contribution rate for all new residential floor space and a higher contribution rate on sites that experience uplift. Initial modelling and feasibility suggest that the following scheme could comprise the following elements:

- 1% phasing up to 3% over time on all new residential apartment development.
- 10-15% applying to sites that get uplift in the planning controls.

These targets alone will not close the affordable housing gap in Waverley but is a base level that could be achieved in collaboration with the State Government.

7.4 Summary

Affordable housing refers to a spectrum of housing options including social housing, affordable rental housing, and certain types of market housing. There are few opportunities in Waverley to access affordable housing. Unaffordability has been a growing issue over the last two decades as household income to house price ratio has increased from 4 in 1994 to 12 in 2016. At present, Waverley is severely unaffordable. Waverley's rent for all dwellings is 1.3 times higher than the Sydney average. As a result, 30% of all renting households are in rental stress and most strikingly 85% of low-income households are in rental stress.

The current forms of affordable housing supply are not going to meet the relevant demand. Waverley has the fifth lowest key worker population in Sydney. Where key workers are on a very low, low and moderate income, this is contributing to overall demand for affordable housing. To meet the base demand, 11% of total dwelling stock needs to be affordable. Projecting this to 2036, this equates to an additional 600 affordable rental dwellings, or approx. 30 affordable rental dwellings per annum. Proposed affordable housing targets of 1-3% on all new development and 10-15% on development receiving uplift, while not meeting all underlying demand, will provide a pathway to increasing affordable housing in the LGA. Furthermore, to retain the current proportion (2%) and ensure no further net loss of social housing, 90 social housing units should be delivered by 2036. Whilst Council can continue to advocate for this, the state government owns and manages social housing.

The current sources of affordable housing are from what is approved under the ARHSEPP, Waverley Council's Affordable Housing program and what's available in the market. The current supply of affordable rental housing is only meeting 57% of demand. 43% of households in rental stress are not going to have their housing needs met in the current housing climate.

