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Housing Affordability Report

67-75 Lords Road, Leichhardt

Prepared on behalf of Platino Properties

SEPTEMBER 2018

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Executive Summary

The site at 67-75 Lords Road, Leichhardt ('the Site') is in a location facing some of the most extreme housing affordability challenges in Australia. The Inner West council area has seen sales prices for dwellings rise to a point where they are third only to Woollahra and Mosman in the inner ring Sydney suburbs.

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.

The Inner West council area 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. Developing apartments on the Site will therefore address specific shortfalls in the Leichhardt housing market.

Platino Properties' proposal will generate 35 affordable rental housing units, to be managed by a community housing provider for a minimum period of 10 years. At around 15% of total dwellings, this is one of the highest affordable housing percentages the Consultant is aware has been achieved in Australia to date through a Voluntary Planning Agreement approach with a developer, and not on Government land or land owned by a charity.

The c.15% affordable housing yield compares well against inner-city Sydney schemes such as Green Square (3%

affordable), Harold Park (6% affordable) and Darling Quarter (0% affordable). The scheme is also well ahead of the developer-led residential projects in Inner West LGA such as 40 George Street, Leichhardt (4.9% affordable) and 22 George Street (2.4%).

The affordable housing yield on the site is as good as proposed in the Uniting projects at Leichhardt, though these are not strictly comparable as the developer is a not-for-profit organisation rather than a private development company.

Platino Properties' c.15% affordable rental properties proposal exceeds the 5%-10% affordable housing targets set by the Greater Sydney Commission. It is line with - but not the same as - the target suggested by the Inner West Council's ambitious Affordable Housing Policy. The Policy targets 15% of floor space rather than 15% of apartment numbers. The Policy also does not indicate a potential endpoint beyond which the properties do not need to be tenanted at affordable rents.

In comparison with what has been achieved previously, a c.15% affordable housing yield for 10 years is still a very good outcome compared to what has been and is being achieved either in NSW or inter-state. The proposal is particularly encouraging given the current challenging conditions in the Sydney residential sales market.

Given the severe shortage of affordable rental homes in metropolitan Sydney, and in particular inner west neighbourhoods such as Leichhardt, the proposal from Platino Properties will make a positive impact.

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1 Background

Platino Properties Pty Ltd (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 67-75 Lords Road, Leichhardt (the Site).

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 listed 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 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 10.7 Hectares in size, directly adjoining the Inner West light rail extension that opened in 2014. Lambert Park adjoins the former industrial site to the north, with residential development to the south and east (FPD, 2018).

Platino Properties is looking to change the Site from Industrial to residential uses and make provision for non-residential space to retain jobs on site, and community facilities. They have advised the following:

'An agreement has been entered into with Bridge Housing. The essential terms of the agreement include that there will be 35 affordable housing units available on the site, to be managed by Bridge Housing for a minimum period of 10 years. Bridge Housing is a not for profit, Tier 1, Community Housing Provider'

The expected proportion of affordable rental housing is advised by Platino Properties to be around 15% of the total number of dwellings. The exact percentage will vary depending on how many units are built.

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 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

NSW Government is currently building WestConnex - M4 East which will provide a tunnelled bypass of Parramatta Road between Homebush and Haberfield. According to the project website, the scheme is said to be 84% complete with final completion due in 2019.

The M4 East will terminate north-west of the Site. In planning is a further M4-M5 link which, when built, should relieve congestion on the eastern part of Parramatta Road. Linking to the new road schemes is the Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) which looks to boost housing supply in areas including the Site (UrbanGrowth NSW, 2016).

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 virtually no new social and affordable rental housing 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

1.4 Local government

In May 2016 a new Inner West Council was formed from an amalgamation of Leichhardt, Marrickville and Ashfield Local Government Areas (LGAs). The new council has continued the interest shown by predecessor councils in trying to use the planning system to increase affordable housing in the council area.

Planning approaches

Council's 2016 *Affordable housing policy* seeks to leverage supply of new affordable housing through Voluntary Planning Agreements (VPAs). This includes on brownfield sites and those in the Parramatta Road Corridor Urban Transformation Area, such as the subject of this report.

The aim is for a '15% affordable housing contribution' on sites that deliver 20 or more dwellings (Inner West Council, 2016). Target groups for such programs include;

- Very low and low income renting households (defined by State Government as households earning up to 80% gross median income in Greater Sydney)
- Very low, low and moderate- income workers, including shift workers (defined as earning up to 120% gross median income in Greater Sydney)
- Asst poor older people, including long term residents of the LGA
- Young people, including those with a social and economic association with the LGA
- Lower income families, including single parents and those totally priced out the housing market
- People with special housing needs, including people with a disability, frail aged people, those at risk of homelessness, Aboriginal and Torres Strait Islanders and people from culturally and linguistically diverse communities.

The Inner West Council's 15% affordable housing target is the most ambitious the Consultant has seen by any Council in Australia. It is tempered by wording in the housing policy: '

- 'Council will seek to gain an *equitable* share of the land value uplift resulting from its planning actions' (ibid., p.16: author's italics)
- 'Council will seek to apply equitable, reasonable, transparent and feasible contributions to affordable housing within the local housing market context' (ibid., p.17)

The policy states that Council's affordable housing contribution should be 15% of the gross floor area of the development. It does not specify the percentage of dwellings that should be affordable.

1.5 State government

There have been few new affordable housing planning initiatives since the election of the current State Government in 2011. The State Environmental Planning Policy - SEPP - Affordable Rental Housing 2009 remains in place. However, the terms

have been changed making it harder to deliver certain types of affordable housing.

Recent initiatives around affordable housing have focussed on the work of the Greater Sydney Commission which will play a growing role in strategic planning.

Greater Sydney Commission

The Commission was established under the Greater Sydney Commission Act 2015 to better coordinate planning for development, transport and housing across metropolitan Sydney. During the inaugural period from January 2016 to October 2018 the Commissioners will work under a Ministerial Statement of Priorities that includes innovation in delivering affordable housing.

In October 2016 the Greater Sydney Commission announced a 'three cities' vision for Metropolitan Sydney, from the Hawkesbury to the harbour. The strategic Metropolitan Plan was updated in 2018 (GSC, 2018b). The Site discussed in this report is the central core area of the 'Eastern Harbour City'.

More detailed recommendations are included in the 5 district plans. Inner West LGA is one of 9 councils included in the Eastern City District Plan (GSC, 2018a). The 2018 version is an updated document based on feedback to an earlier draft.

The District Plan includes a housing supply target for Inner West LGA of 5,900 new dwellings between 2016 and 2021. This is the second highest target in the 9 LGAs on the Eastern City District.

The wider Metropolitan Plan:

'... includes Affordable Rental Housing Targets for very low to low-income households in Greater Sydney. Affordable Rental Housing Targets that

are generally in the range of 5-10 per cent of new residential floor space are subject to viability. A Metropolis of Three Cities identifies the need for further work by the Greater Sydney Commission to support the implementation of the Affordable Rental Housing Targets including consideration of allocation, ownership, management and delivery models' (GSC, 2018a: p.44).

The Commission's proposals mark an important step forward in promoting the use of the planning system to generate long term rental housing that will likely be managed by community housing providers.

District Planning Panels established by the Commission will assess regionally significant development applications. For other schemes, Councils will need to act within the affordable housing targets set within Local Housing Strategies.

Final details of the affordable housing approach have not yet been announced. The 5% to 10% range of the Greater Sydney Commission is less ambitious than the 15% target of Inner West Council. In addition, the Commission's approach is hedged with a 'subject to viability' statement which has the potential to offer greater flexibility to developers in their planning negotiations.

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.

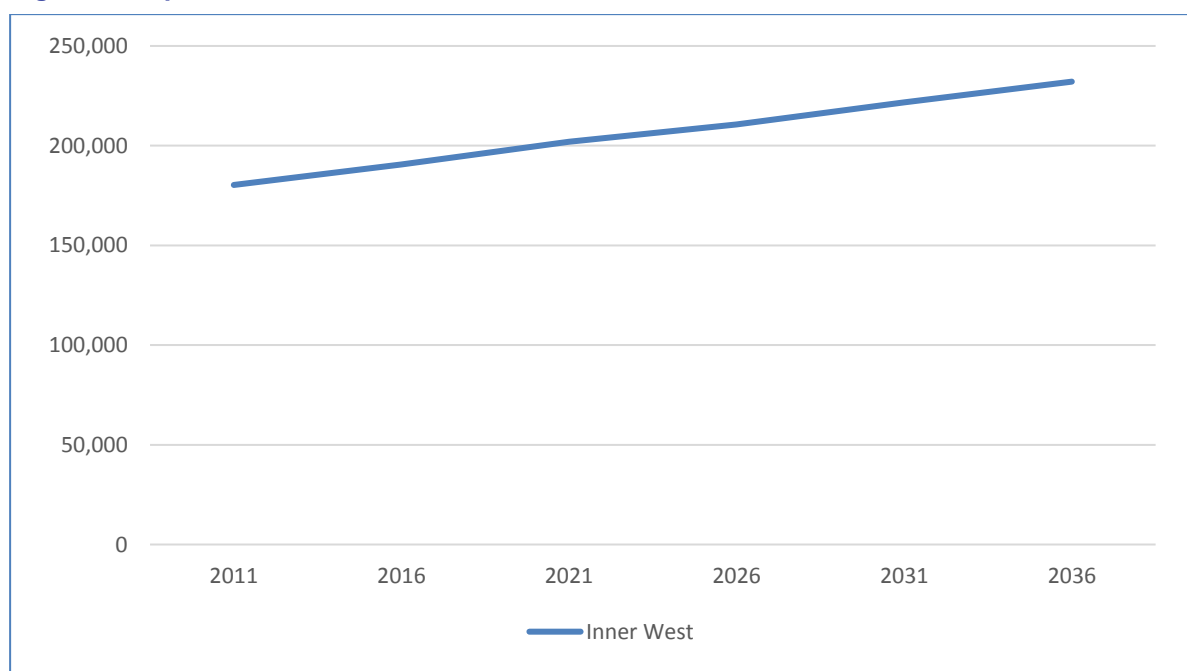
2.1 Population forecasts

The NSW Government uses assumptions on fertility, mortality and migration to predict future population growth to 2036. 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

Inner West LGA Population trends 2011 to 2036, are shown in Figure 1. According to State Government, 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, and gains through overseas inward migration

The same trends are predicted to affect nearby areas and suggest the inner-west is impacted by the growth of Sydney as a global city.

Figure 1: Population forecasts to 2036



Source: DPE (2016)

From Figure 1, the Inner West LGA's population is set to rise by 28.7% from 180,300 in 2011 to 232,100 in 2036. These increases over two decades are at a lower predicted rate than NSW (+37.5%). The

Inner West's growth rates are similar to areas such as Randwick and the Hawkesbury River. Inner West LGA's growth is also higher than established inner suburbs e.g. Woollahra (+6.3%) and Waverley

(+12.5%), though lower than areas capable of high rise development such as the City of Sydney (+49%) and fast growth areas Paramatta (+105%) and Camden (+284%).

2.2 Housing demand & supply

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

Factors influencing demand

From Table 1, the Inner West has a noticeable higher proportion of couples without children, and a smaller proportion of one parent families, than NSW.

Table 1: Family composition, 2016

Area	Couples without children	Couples with children	One parent family	Other family
Inner West LGA	41.2%	42.6%	13.7%	2.4%
Greater Sydney	33.4%	49.5%	15.2%	1.8%
NSW	36.6%	45.5%	16.3%	1.7%

Source: ABS (2016)

Household occupancy rates have been falling for several decades but this decline has ended in the last five years in most areas. Rates for Inner West LGA are 2.3 persons per property in the 2016 census. This is close to 2.2 persons per property in the 2006 and 2011 Censuses for former Leichhardt LGA. This rate is forecast by State Government to remain unchanged in the period to 2036.

The age distribution of the resident population is shown in Table 2. Inner West LGA shows a lower proportion of the population under 14 and over 65 than Greater Sydney and NSW.

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

- The age group 65 years and over is forecast to increase from 16% in 2016 to 21% in 2036. The youth 0 to 14 years will drop 1% point from a 19% to 18% proportion.
- This means the workforce demographic, 15-64 will represent only 61% in 2036 compared to 65% in 2016.

Table 2: Population by age, 2016

Area	Aged 0-14	Aged 65+
Inner West LGA	15.6%	12.2%
Greater Sydney	18.6%	13.9%
NSW	18.5%	16.2%

Source: ABS (2016)

Inner West 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 total NSW.

Housing demand projections

NSW Government 2016 forecasts are based on the population increase and average household size that there would be an increase in the number of implied dwellings from 86,450 in 2016 to 106,350 in 2036.

Hence there will need to be an additional 19,900 dwellings in Inner West LGA by 2036. This is an increase of 995 dwellings each year.

Housing supply

Census 2016 data highlights the challenges over recent years in delivering additional housing in the inner-west of Sydney.

As shown Table 3, the number of dwellings has increased in by 2,949 since 2011 in the Inner West LGA. However, the supply is

insufficient to keep up with anticipated demand based on population projections by Government to 2036. Based on the level of new housing production between 2011 and 2016, the annual shortfall in new household supply is around 41% in the LGA.

Table 3: Housing supply and demand, Inner West LGA

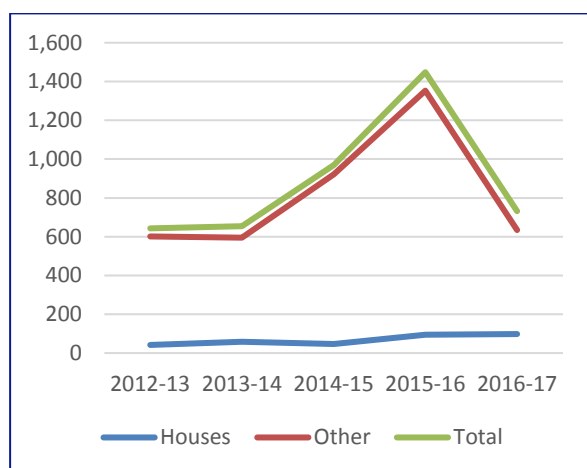
All dwellings, 2011	71,941
All dwellings, 2016	74,890
Total increase 2006-2011	2,949
Annual supply 2006-2011	590
Annual demand 2016-2036	995
Annual shortfall	405
% shortfall	41%

Source: ABS (2016). Author calculations

In NSW total dwelling approvals has been relatively volatile over the last 6 years, in July 2018 the total number of dwellings approved in NSW fell by 2.2%. the number of private dwellings approved dropped by 0.7% (ABS, 2018).

The Inner West council area residential building approvals have increased dramatically since 2012-13. Figure 2 shows the numbers for houses, other (apartments) and total as at 30 June each year.

Figure 2: Inner West residential building approvals



Source: ABS (2018)

The chart shows a large increase of approvals in 2015-16, but a reversal the following year. Approvals for 2018 are already much improved with May 2018 year to date approvals at 796 in total, higher than the total for 2017. Houses have been on the steady increase since 2013 and increases by 133% over that period to 2017 and 2018 has 60 houses approved at May 2018.

If building approvals lead to the delivery of new dwellings, it appears that although there is an improvement in housing supply it will still be insufficient to meet the demands predicted by State Government (Table 3).

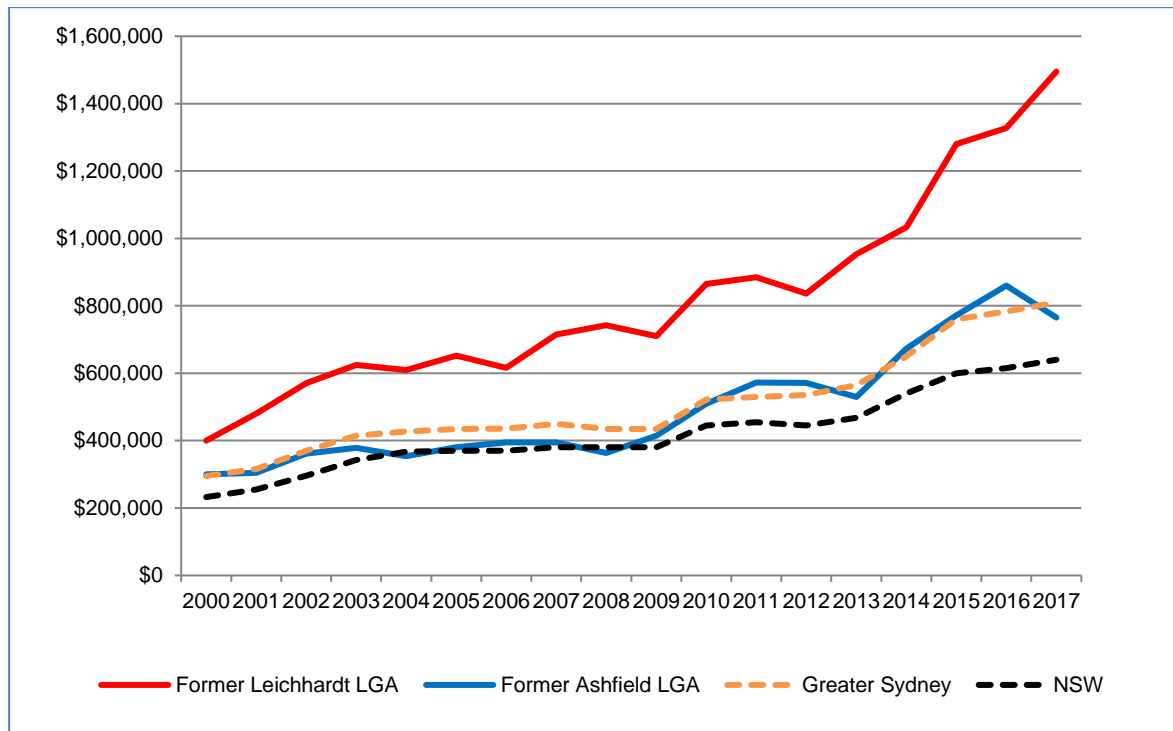
2.3 Local housing costs

Figure 3 shows median property sales prices have risen sharply in former Ashfield and Leichhardt LGAs. Both have risen faster than Greater Sydney and NSW, Leichhardt has increased 274% from 2000 to 2017 to a median house price of \$1.5m.

Former Leichhardt LGA ranks third in inner-city prices behind Mosman LGA (\$2 million) and Woollahra LGA (\$1.9 million). Across NSW, Leichhardt prices are the eighth highest, also behind Hunters Hill, Ku-ring-gai, Manly and Pittwater LGAs. Former Ashfield LGA ranked 28th in NSW in 2017.

The gap between former Leichhardt LGA's sales prices and Greater Sydney and NSW is still substantial. Former Ashfield LGA's median sales prices dropped in 2017 to \$0.765 million from \$0.854 million in 2016. The sales prices difference between Leichhardt and Greater Sydney is 70% and 115% with NSW at March 2017.

Figure 3: Property sales prices, 2000-2016



Source: FACS (2018). Median sales price all properties, June except March 2017 each year. June 2017 sales figures merged to Inner West LGA.

The trends since 2000 in housing rental costs in the study area are shown in

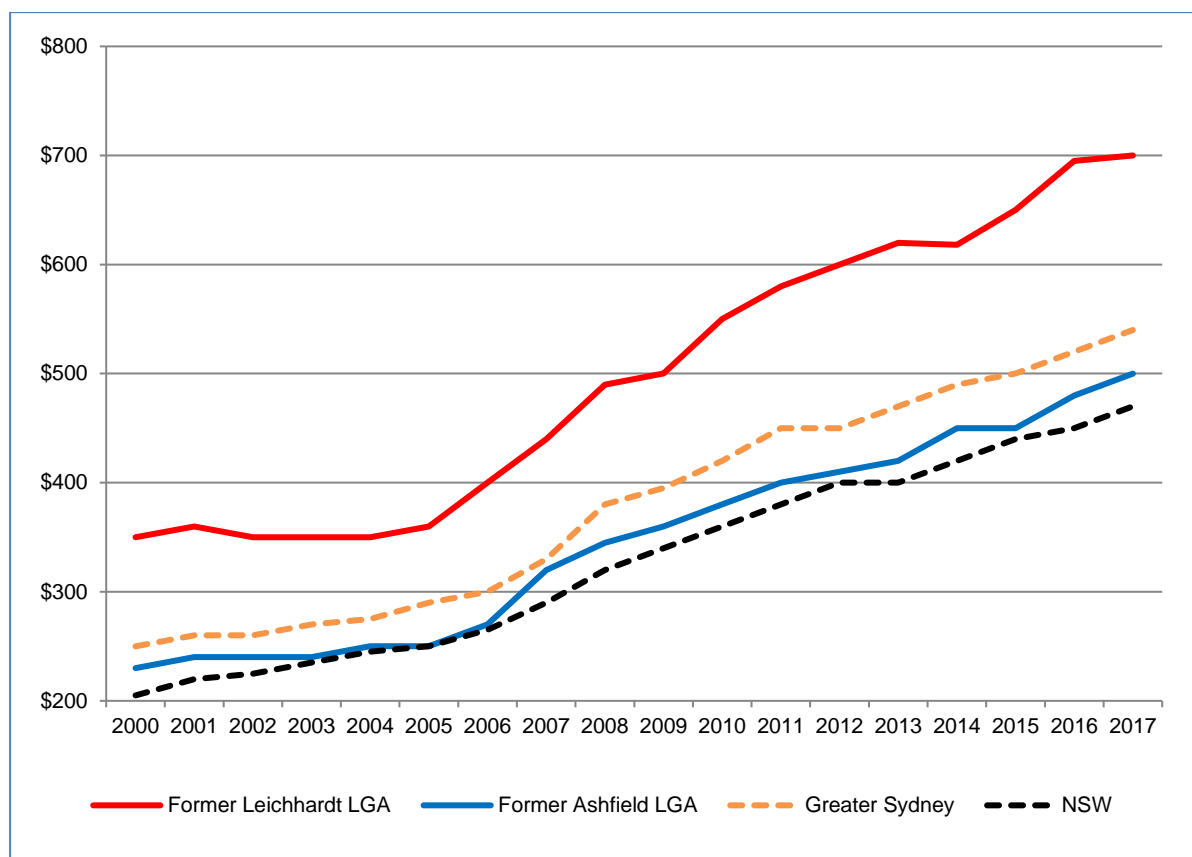
Figure 4. Median rents in former Leichhardt LGA are considerably higher than in neighbouring former Ashfield LGA, at June 2017 40% higher.

remain below the average levels for Greater Sydney, but above the average for NSW.

Moreover, in June 2017 rents in Leichhardt, at \$700 per week, were higher than most of the inner-city suburbs of Sydney except Woollahra LGA at \$750 and Waverley at \$730 per week. Waverley's median weekly rent overtook Leichhardt in December 2015.

Rents in former Leichhardt LGA stabilised between June 2013 (\$620) and December 2014 (\$615). However, they increased to \$700 (June 2017) an 8% increase in two years. Former Leichhardt LGA rental costs are now considerably higher than for Greater Sydney (34%) and NSW (54%). This gap has steadily increased over the last decade. Rents in former Ashfield LGA

Figure 4: Property rental costs, 2000-2017



Source: FACS (2018). Median rental cost in \$ per week, all properties, June each year

The previous charts have used the former LGAs of Leichhardt and Ashfield to show trends over a number of years, prior to Inner West being established. The Site lies close to the boundary between former Leichhardt and Ashfield LGAs.

The latest quarterly data for Inner West LGA is shown in Tables 4 and 5. As at December 2017 the Inner West LGA's median sales price was 56% higher in total than NSW. Strata sales were even higher at 80% more than for NSW as a whole (Table 4).

Table 4: Inner West median sales price

	Non-strata (\$000s)	Strata (\$000s)	Total (\$000s)
Inner West	1,612	944	1,332
NSW Total	894	763	853

Source: FAC sales and rent dashboard December 2017

Table 5 compares rent data at March 2018 between Inner West LGA and Waverley - the next expensive suburb in the Sydney inner ring, shows a considerable difference in weekly median rents. Median rents in the Inner West LGA are close to the NSW median for 0 to 1 bedrooms, but considerably higher for 2 to 4 bedrooms.

Table 5: Inner West median weekly rent

	Inner West	Waverley	NSW
Studio	340	450	400
1 Bedroom	460	588	460
2 Bedrooms	598	800	490
3 Bedrooms	860	1,150	460
4 Bedrooms or more	1,100	1,750	560

Source: FAC sales and rent dashboard March 2018

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 2016 is shown in Table 6. Separate houses are less common in the inner-west than across NSW, comprising around a quarter of the housing stock.

Table 6: Dwelling structure, 2016

	Separate house	Attached dwelling	Apartment
Inner West LGA	25.1%	32.8%	39.7%
Greater Sydney	56.9%	14.0%	28.1%
NSW	66.4%	12.2%	19.9%

Source: ABS (2016). Figures will not add to 100% as 'other dwellings' have been excluded

Inner West LGA has a large proportion 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.

Housing configuration

Table 7 shows bedroom numbers from the 2016 Census.

Table 7: Number of bedrooms, 2016

	0, 1	2	3	4+
Inner West LGA	14.9%	39.2%	29.8%	13.4%
Greater Sydney	8.1%	24.8%	33.8%	30.9%
NSW	6.7%	22.2%	37.2%	31.3%

Source: ABS (2016). Figures will not add to 100% as 'number of bedrooms not stated' have been excluded

While the LGA has a strong supply of two and three bedroomed properties, there are few one or four bedroomed dwellings. NSW

has a far greater share of four bedroomed homes and less one bedroomed dwellings.

Housing tenure

From Table 8, Inner West has only 53% owner occupation, around ten percentage points lower than NSW. The LGA also has nearly twelve percentage points more rentals than NSW.

Table 8: Residential tenure, 2016

	Owned outright	Owned with mortgage	Rented
Inner West LGA	24.7%	28.4%	43.6%
Greater Sydney	29.1%	33.2%	34.1%
NSW	32.2%	32.3%	31.8%

Source: ABS (2016). Figures will not add to 100% as 'tenure type not stated' has been excluded

Social housing in Inner West LGA is 5.8% of dwellings, higher than the NSW average. 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. According to the FACS website, as at 30 June 2017 the average waiting time for social housing in the 'Leichhardt/Marrickville' allocation zone is:

- Studio/1 bed: over 10 years
- 2 bed: 5 to 20 years
- 3 bed: over 10 years
- 4 bed: over 10 years

3 Housing Affordability

This section reviews the affordability of housing in the areas surrounding 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 6.3% at the time of the 2016 Census, and across Australia was 6.9%. By contrast, it was lower in the Inner West LGA at 4.8%.

Many Inner West LGA residents are likely employed in Sydney CBD. Some 41.7% had a tertiary qualification in 2016, compared with 23.4% average in NSW. The LGA’s residents are employed predominantly in professional and managerial jobs (54%), higher than 37% across NSW. Only 7.4% work as labourers or machinery operators compared to 14.9% in NSW.

Local incomes

Table 9 shows that household incomes in the Inner West LGA are considerably higher than in both Greater Sydney and NSW.

Table 9: Household weekly income, 2016

Area	Amount
Inner West LGA	\$2,048
Greater Sydney	\$1,750
NSW	\$1,486

Source: ABS (2016)

From Table 10, the main feature of Inner West LGA is a large proportion of higher income earners compared to Greater Sydney and NSW. The proportions of low income households are closer to Greater Sydney than NSW.

Table 10: Low and high incomes, 2016

	Under \$650	Over \$3,000
Inner West LGA	14.3%	31.2%
Greater Sydney	16.8%	23.6%
NSW	19.7%	18.7%

Source: ABS (2016). Household income per week

Therefore, from Table 10, 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. Above this level households are in 'housing stress'.

Recent research by Compass Housing on an affordable housing income gap showed that for renters, Inner West LGA was 'severely unaffordable'. The annual income required to rent affordable, i.e. not be in housing stress, would be \$154,000 per year (Kennedy, 2018).

The gap between what households earn in the Inner West LGA and what they need to rent affordable is \$60,000. This is a smaller

gap than the other council areas in the inner ring of Sydney, though greater than all other areas in the middle and outer ring suburbs of Greater Sydney except Hunters Hill.

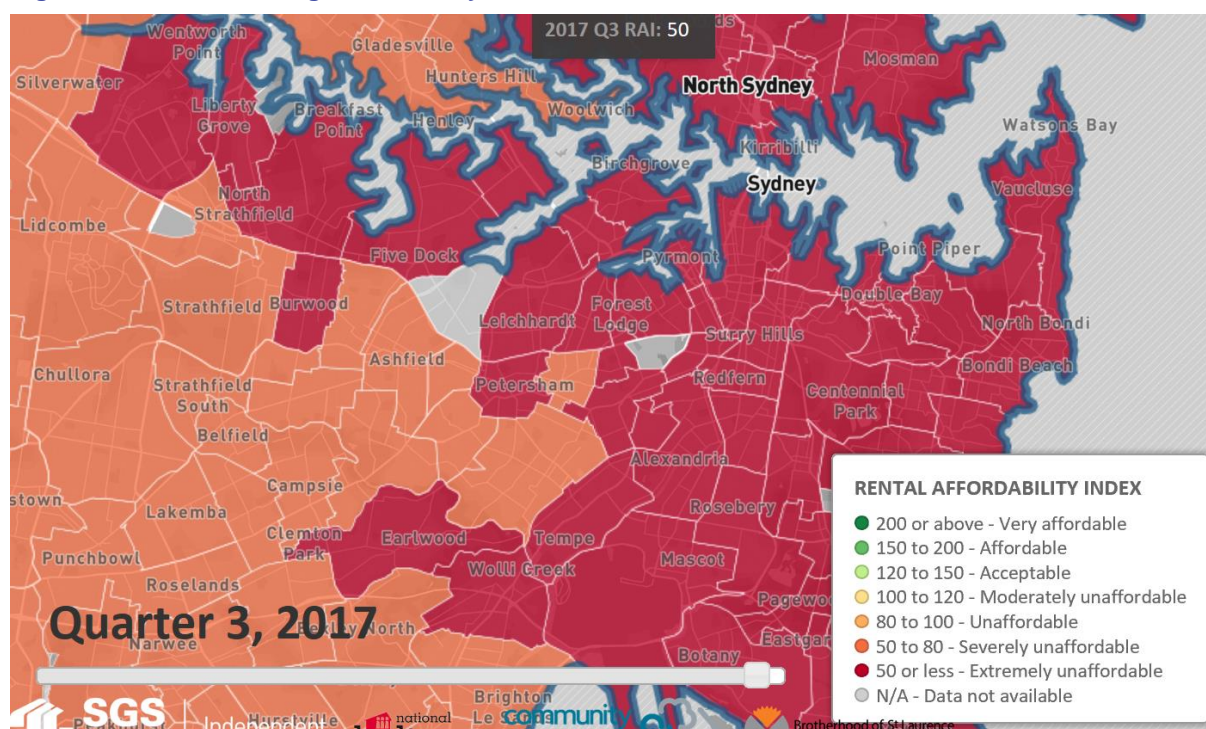
Affordability index

The Rental Affordability Index shown in Figure 5 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 (SGS, 2018).

Locations that are unaffordable for a household with \$50,000 income looking for a 2 bedroom property 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 'extremely unaffordable' for lower income renters. Leichhardt moved from 'severely' to 'extremely' unaffordable in 2012.

Figure 5: Rental housing affordability, 2017



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 by Platino Properties the following is proposed for the Site:

- 235 dwellings, a mix of studio, 1, 2 and 3 bedroom
- 'An agreement has been entered into with Bridge Housing. The essential terms of the agreement include that there will be 35 affordable housing units available on the site, to be managed by Bridge Housing for a minimum period of 10 years. Bridge Housing is a not for profit, Tier 1, Community Housing Provider' (Platino Properties, 17 September 2018)
- Tenant eligibility and rent setting will be in line with current NSW Government guidelines

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.

When the Sydney Growth Commission plans are in place, there will an expectation of affordable housing to be included in new developments in metropolitan Sydney. However, there will be no fixed number and

projects will be subject to extended debates over the 'viability test' (see Section 1.5).

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 (VPAs).

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% of the total floor area of residential developments to be provided on-site, or a cash contribution of \$244.99 per square metre through a monetary contribution. For non-residential developments the figures are 1% or \$81.63 per square metre (City of Sydney, 2012)

Affordable rental housing at Green Square is to be owned and managed by community housing provider, City West Housing. The final target is 330

affordable rentals for low' and 'moderate' income households

- **Harold Park** - a VPA will deliver 75 affordable housing units out of a total of 1,250 new homes in Forest Hill. This is equivalent to 6% of total homes, and they will be made available to rent to 'low' and 'moderate' income households. Up to 20 of the units will comply with design guidelines that make them suitable for elderly residents and people with disability

Land for the affordable housing project will be sold to City West Housing at the discounted figure of \$10.3 million

- **Barangaroo**: 2.3% gross floor area for affordable housing, equivalent to 89 units. Details remain unclear, with no announcements over the last two years of how and when the affordable housing will be delivered
- **Darling Quarter**: no affordable housing has been included in the major residential scheme renewing part of Darling Harbour, Sydney

Inner West LGA examples

Based on a review of council's website, there were 16 VPAs listed as at 3 September 2018. The following 8 include details of affordable housing:

- **101-103 Lilyfield Road, Lilyfield**: 'The developer will provide a monetary payment of \$250,000 for affordable housing in the council area' (expected August 2018)
- **15-17 Marion St, Leichhardt** known as Annesley House: 'The Developer must make the Development Contribution by registering a restriction on the title to the Land reflecting the dedication of

15% of the total number of residential units in the Development as Affordable Housing Units in the Development in perpetuity. If 15% of the total number of Affordable Housing Units in the Development does not equate to a whole number, then the number of Affordable Housing Units will be rounded down to the next whole number' (expected July 2018)

The total scheme is for 66 independent living units for older people, of which 15% will be affordable rental housing

- **168 Norton St, Leichhardt** known as Harold Hawkins Court: same wording as previous VPA. Note both these are with community housing provider Uniting (expected July 2018)

The total scheme is for 40 independent living units for older people, of which 15% will be affordable rental housing

- **Grove Street, Dulwich Hill**: '2 affordable housing units' (expected August 2018).
- **40 George St, Leichhardt**: 'Planning amendments & VPA by Department of Planning. 4 x 1 bedroom affordable housing strata lots to be transferred to the Minister or its nominee 2 x studio strata lots to be leased to a community housing provider for 10 years' (document executed). Total development comprises 123 units, hence affordable component 4.9%
- **22 George St, Leichhardt**: 'Planning amendments & VPA by Department of Planning. 7 strata Affordable Housing lots to be transferred to the Minister or its nominee' (document executed). Total development comprises 290 units, hence affordable component 2.4%

- **Lewisham Towers, Lewisham:** '4 affordable housing units' (documents signed December 2013). Total development comprises c.300 units, hence affordable component 1.3%
- **118-124 Terry Street, Rozelle:** '\$270,000 to the Affordable Housing Fund' plus any additional funds over the \$4.16 million cap on s.94 Plans (documents signed September 2012). Total development comprises 199 apartments

Assessment

The above examples show a range of affordable housing delivery, or funding for Council to support affordable housing. They include schemes authorised by the former Leichhardt, Marrickville and Ashfield Local LGAs, as well as by State Government.

The lower level affordable housing contributions are either modest cash sums, or affordable housing of between 1% and 5% of the total development. In these latter schemes the ownership of the affordable housing properties is passed to a community housing provider.

The two Uniting schemes at Leichhardt are exceptions in that they have 15% affordable rental housing. However, the developer is a community housing provider and all properties developed will be for social benefit, either subsidised aged care or affordable rental housing.

The Inner West Council's affordable housing target is ambitious compared to both the proposals by the Greater Sydney Commission, and also the level of affordable housing delivered in the recent developments detailed above.

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'.

Affordable housing eligibility

NSW 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.

NSW Affordable Housing Guidelines define affordable housing income bands based on a percentage of median income:

- **Very low income:** below 50% median
- **Low income:** 50% to 80% median
- **Moderate income:** 80% to 120% median

The upper limit for targeting affordable housing is for households earning 120% of the median income.

Community housing providers offer affordable rental housing to eligible applicants, based on median household income data supplied by the NSW Department of Family and Community Services (FACS). The figures currently on the FACS website are for 2017-18, and for a Sydney LGA such as Inner West Council are:

- **Very low income:** below \$42,900
- **Low income:** \$42,900 to \$68,600

- **Moderate income:** \$68,600 to \$104,000

The income bands are also adjusted for household composition. Hence the maximum income for a moderate income household in Inner West LGA is:

- **Single person:** \$60,800
- **Single + 2 children:** \$97,200
- **Couple + 2 children:** \$127,600

These eligibility figures are used by NSW community housing providers, and it is recommended they also be used for the properties to be managed on the Site.

Rent setting

Most affordable rentals are set at a discount of at least 20% to local market rents. For community housing provider Bridge Housing, their preferred approach is likely to be:

- 74.9% of market rents, to preserve their tax benefits
- Tenants not to be charged more than 30% of their incomes on rent

In practice the above parameters will result in tenants paying far less than the 80% of market rent set in the National Rental Affordability Scheme (NRAS). This will better help accommodate 'key worker' households on 'low' as well as 'moderate' incomes.

5 References

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