

North Sydney Council Housing Needs Study Background Report

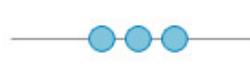


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This report has been prepared for

North Sydney Council

by

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Executive Summary

Context to the Project

This project builds on work undertaken for Council by JSA in 2008, including the preparation of Council's *Affordable Housing Strategy 2008*.¹ JSA has been commissioned by North Sydney Council to update the evidence based of Council's current *Affordable Housing Strategy 2008*, and review and update this *Strategy* based on the more recent evidence base. Additional research has also been conducted in relation to the impacts of Council's *Draft DCP 2012*, and additional strategies have been developed to increase the capacity of the *Draft DCP* to support Council's affordable housing objectives.

North Sydney Council has a long-standing commitment to affordable housing in its Local Government Area. This has included research and advocacy, partnerships with local social housing providers, and redeployment of its own resources for affordable housing for almost 30 years. A key strategy has been to levy developers for the loss of affordable bed spaces under Section 94 of the Environmental Planning and Assessment Act 1979 (NSW).

The difficulty in protecting and/or replacing affordable housing stock that has been lost in the North Sydney LGA has been apparent to Council for some time. Based on our review of Council records, since the affordable housing program began in 1984, approximately 2,400 affordable bed spaces have been lost in the LGA. Over the years, through contribution of land, partnerships with State Government authorities and funds levied, Council has been able to mitigate this loss through its partial or full ownership of 23 properties comprised of 39 multi-unit dwellings and houses, and two boarding houses used for affordable housing. These properties include a Nursing Home and two services offering emergency accommodation to youth. However, Council's goal to replace 5% of affordable housing stock lost has been difficult to achieve due to the high cost of replacement. Since 1998, when Council's contribution has been limited to partnerships and levies, approximately 15 bed spaces have been replaced.

However, the replacement strategy employed by Council may be nearing the end of its practical life due to a dwindling stock of boarding houses and non-strata subdividable flats and units, as well as changes to how Section 94 funds can be collected and used by

¹ See *Affordable Housing Strategy Background Report* (JSA 2008a); and *Affordable Housing Strategy* (JSA 2008b)

local government. It is therefore timely for Council to consider its options for carrying its Affordable Housing Strategy forward into the future.

Council is currently finalising its Local Environmental Plan (LEP) and Development Control Plan (DCP). These planning documents are vital in shaping the future of any revised affordable housing strategy. It is within this context that Judith Stubbs & Associates was engaged to identify a range of alternative options for North Sydney Council to develop a 'next generation' Affordable Housing Strategy based on current data, a review of the effectiveness of past practices and an assessment of future opportunities.

The current project is reported in three documents:

- *North Sydney Council Housing Needs Study Background Report 2013* (this report, and related appendices, which provides evidence for the following documents);
- *North Sydney Council Affordable Housing Strategy 2013*; and
- *North Sydney Council Affordable Housing: DCP Review and Recommendations* (part of the Affordable Housing Strategy 2013, but with more detailed recommendations specifically with regard to proposed DCP amendments).

Overview of Key Findings

Characteristics of North Sydney's Population

By comparison with Greater Sydney, North Sydney is characterised by higher proportions of lone person households. The number of households with children is correspondingly low. Between 2001 and 2011, the number of households increased from 28,500 to 31,400, an increase of 10%, somewhat less than the 11% increase across Greater Sydney. The makeup of households has changed somewhat in that time, with the proportion of couple households (with and without children) increasing, and the proportion of lone person and group households decreasing. This in part reflects apparent changes in household preferences, with more younger people remaining in the LGA after they have partnered and had children.

Individual and household incomes are high, and residents of the area have become wealthier over the past decade, indicating a displacement of lower-income populations by younger high-income professionals and 'cashed-up' middle-aged adults, as well as the higher earning capacity of the resident population. The relatively low number of persons per dwelling is influenced by the high proportion of younger relatively high-income households made up of lone persons and 'couples with no children' moving into or remaining in the area, many of whom are likely to be renting close to where they work.

This is reflected in the mobility and youth of the population as well as the low level of affordability of home purchase in the area for first homebuyers and/or the more

restricted choice for those needing to increase the size of their dwelling. Despite the changes noted above, the relatively low number of persons per dwelling accords with the high proportion of lone person and couples without children that dominates the household profile within North Sydney LGA.

Migration data shows considerable (and quite balanced) population 'churn', with around half of all households moving to and from relatively close by areas in northern Sydney. Overall, couples with children in their 30s and 40s are moving out, probably seeking larger or more appropriate accommodation, and are being replaced with childless couples and singles. Net in-migration is almost entirely from those aged 20-29 years. The age and household profile also reflects the nature and tenure of housing stock available, with a higher proportion of smaller dwellings, particularly flats and units available in the LGA.

The profile of commuters shows the differences between those who work in an area and those who live in an area. Data indicate that workers are generally not excluded from North Sydney LGA (assuming that people will live close to their place of work if they are able). Rather they choose to commute into the LGA because they wish to live in an area which is higher amenity, has lower density/larger housing, etc.

Housing Affordability Trends

The North Sydney housing market has historically been one of the most expensive in Greater Sydney, and continues to be so for both rental and purchase. Although it tends to track the Greater Sydney housing market, it has consistently been 20-30% above the Greater Sydney rental market, and 30-40% above the Greater Sydney housing purchase market in real terms for at least the past 10 years.

There is some evidence that differentials between the Greater Sydney and local **rental** markets are decreasing in real terms as *rental* prices in the wider Sydney market 'catch up' to North Sydney in a deteriorating wider affordability market, though it is likely this has been a more recent trend. That said, rental prices in both North Sydney and the wider Sydney market have each increased significantly above inflation.

The trend for dwelling **purchase** prices is quite different to the rental situation in both North Sydney LGA and Greater Sydney. In each area, there has been virtually no growth in real terms since 2002. This in part is likely to explain the significant increase in rental, where a lack of capital gain is likely to deter investors and constrain supply, and also lead those owning rental properties to seek greater returns through rental yield given the lack of long-term capital growth. Unlike rental, there has been no 'narrowing of the gap' between the LGA and Greater Sydney markets despite the much greater level of high density development in North Sydney.

In 2011 there were approximately 3,800 households in North Sydney LGA in rental stress and 1,100 households in mortgage stress (4,900 in total). This means that 26% of

all renting households in the LGA and 16% of all home-purchasing households were in housing stress. By far the, the greatest need for affordable housing by this measure was for **very low and low income renters** (55%).

In a recent survey of rental properties, a first-quartile single-bedroom property in North Sydney LGA (advertised for \$430 per week) would be affordable only to the upper 60% of the moderate household income band, with first quartile properties having two or more bedrooms being affordable only to higher-income households (and hence none in the target groups for affordable housing).

In terms of sale prices, even a first quartile strata property in the LGA (costing \$421,250) would be affordable only to the upper 60% of the moderate household income band. First quartile strata properties with two or more bedrooms were affordable only to higher income households, and thus none of the relevant target groups. Non-strata properties in the LGA (i.e. separate houses) are even more expensive. A first-quartile two-bedroom house in North Sydney LGA (costing approximately \$900,000) would be affordable only to higher-income households. This analysis is supported by prices reported by Housing NSW in their *Rent and Sales Report Issue Number 102*, which gives a first-quartile weekly rent of \$450 for single bedroom properties in North Sydney LGA, a first-quartile sale price of \$545,000 for strata properties and \$1.1 million for non-strata properties.

In terms of the availability of 'affordable' private rental stock, both North Sydney LGA and Greater Sydney have become less affordable over the past fifteen years, with a loss of stock affordable to very low and low income households in absolute terms, and a significant decrease in the proportion of such stock apparent. North Sydney is a *much less affordable area* than Greater Sydney as a whole, with far lower proportion of stock in the 'affordable' range for renters in the relevant target groups.

Change in supply of affordable and lower cost accommodation

Perhaps unsurprisingly, **public rental stock** is generally affordable to relevant target groups, though the LGA has a much lower than average supply of social housing. Further, such stock is also declining, with the number decreasing from 505 to 459 social housing over the ten-year period to 2011, despite increased investment during the Nation Building – Economic Stimulus program.

Boarding houses have long provided a source of low-cost housing in metropolitan and regional Australia. The quality and suitability of this accommodation, both in terms of building standards and in terms of occupancy arrangements, to meet the needs of the range of residents who call boarding houses 'home' can vary widely, though this is likely

to improve with the introduction of the Boarding House Act 2012 and other policy measures designed to support better quality living environments for boarding house residents.

Boarding house renters can include vulnerable people on limited incomes, such as people with disabilities, those with experiences of homelessness, women escaping domestic violence (often with children), and people with age related frailty. However, boarding house renters can also be limited income workers and students (often from overseas).

In the most recent ABS Census (2011), 339 persons in North Sydney LGA reported that they were 'at home' at a 'boarding house or private hotel'. There does not appear to have been a significant change in the number of persons living in boarding houses in North Sydney LGA in the most recent inter-censal period. In 2006, 327 persons reported that they were 'at home' in a 'boarding house or private hotel', similar to the 2011 Census figure. However, this may be an undercount due to the way that census collectors classify buildings, and also masks the fact that there has been a major loss of boarding house accommodation in North Sydney (and other inner and middle ring suburbs) over the past 30 years with increasing gentrification, and the conversion or redevelopment of such stock to single dwellings or higher value uses.

In terms of the change in the number of **smaller flats and units**, while the number of single bedroom units increased by about 20% between 2001 and 2011 (in line with the overall increase in the number of flats and units), the number of studio apartments and bedsits has remained more or less unchanged over the same period. Encouraging the development of such units (as well as smaller one bedroom units) is likely to be an area of policy concern for Council, since studio and small one-bedroom apartments are a significant form of affordable housing for an area, and in particular for North Sydney LGA due to its large proportion of lone person households (34%) and couples without children (28%) who could comfortably inhabit a studio apartment, many of whom are in severe housing stress.

Addressing affordability issues

In terms of addressing affordability issues in North Sydney LGA, a key question is whether the aim is to address affordability issues experienced by persons and households *currently living in* the Local Government Area, or to encourage a more diverse social mix, for example, in terms of increasing the number of households with children and those from lower income and occupational /skills groups including those commuting into the LGA for work. There would appear to be sufficient challenge in maintaining existing diversity and retaining those on very low, low and moderate incomes who *already live in* the LGA in the context of the local housing market; and it

would be difficult to increase the level of larger stock suitable for families of low to moderate incomes due to the very high purchase and rental cost of such stock without deep subsidies (such as that provided through social housing rental arrangements, for example) and strong intervention in the market.

Considering only the maintenance of 2011 levels of affordable housing within North Sydney LGA, the following targets would need to be met between 2013 and 2031:

- An additional 150 social housing dwellings (1.8% of projected additional dwellings);
- An additional 3,300 affordable rental and purchase dwellings (41.3% of projected additional dwellings)
- An additional 90 beds in boarding houses.

A range of strategies will be required to achieve even part of these targets, and the large number of affordable rental and purchase dwellings required is likely to require active intervention in the market. Recommendations regarding the most effective strategies are contained in the related reports, North Sydney Council Affordable Housing Strategy 2013; and North Sydney Council Affordable Housing Strategy 2013; and North Sydney Council Affordable Housing: DCP Review and Recommendations.

1 Introduction

1.1 Context to the Project

North Sydney Council has long had a commitment to affordable housing. As early as the 1970s, North Sydney Council (NSC) used formal processes to maintain and provide affordable housing with an overarching aim of retaining social diversity in the local area to “keep some of the ‘old’ North Sydney, with its mix of people from all walks of life and from all economic and social circumstances,² This was primarily through the levying of developers for the loss of affordable bed spaces.

Since the gazettal of State Environmental Planning Policy (SEPP) 10 ‘Retention of Low-Cost Rental Accommodation’ in 1984, NSC has employed a strategy of levying developers for the loss of affordable bed spaces from boarding houses and low cost residential flat buildings (RFBs) that result from redevelopment, strata subdivision or a change of use of these premises where this is triggered by the lodgement of a Development Application.

Based on Council records detailing Section 94 contributions paid to the Affordable Housing Fund, NSC estimates that 918 affordable bed spaces were lost between 1984 and 1995³, and that 841 were lost between 1995 and 2003 (a total of 1,759 lost), with a projected future rate of losses over the next 10 years at 60.8 bed spaces per year.⁴ If current assumptions are correct, this brings the number lost between 1984 and 2007 to just over 2,000. In contrast, between 1998 and 2003, Council’s strategy has replaced approximately 9 bed spaces.⁵ Since 2003, we understand that 6 bed spaces have been added, a total of 15 places. We understand that in the early years of the strategy, funding was used for property acquisition – often jointly with the Department of Housing. However, due to incomplete records acquired thus far we are uncertain as to the exact allocation of funds. Council has recently sold three properties, and the intention is to invest some of the funds to provide a sinking fund against future maintenance commitments; with the balance used to redevelop another property as an eight room boarding house.

Over the years, NSC has developed working partnerships with NSW Department of Housing (DOH) and Link Housing (incorporating North Shore Community Housing) in the

² North Sydney Council (1994) North Sydney Affordable Housing Strategy.

³ Ibid, Developer Contributions (Section 94) section.

⁴ NSC (2006) North Sydney Section 94 Contributions Plan, Updated June 2013, p84.

⁵ Ibid, p85.

management of social housing properties and tenancies throughout the LGA. As of 2011, census data shows 461 dwellings rented from DOH and another 42 dwellings rented from housing co-operatives, community or church groups.⁶ Six properties within the LGA are owned jointly with NSC, incorporating 13 dwellings and one boarding house. Link Housing currently manages 1,118 properties and 68 properties within the North Sydney LGA.⁷ 27 of the 70 properties managed by Link Housing Ltd located in North Sydney LGA are joint venture properties that are either partly or fully owned by Council.

As NSC looks towards its future involvement in affordable housing, it is important to acknowledge the overarching goals of the NSW State Government with regard to growth and development as expressed through the Draft Sydney Metropolitan Strategy, as well as the changing landscape of social housing provision in NSW and plans for the future of community housing.

The Draft Metropolitan Strategy for Sydney contains a target for an additional 138,000 new dwellings by 2031 in the Central Subregion, an increase of 26%.⁸ Proportionally, this will mean an additional 8,000 dwellings in North Sydney. The State Government does not currently have targets for community or social housing, with existing plans finishing in 2012/13. Recent policy includes a focus on more efficient use of existing resources, and increased priority to homeless people.⁹

Growth in the community housing sector can also be achieved through other partnerships with the public or private sector. In particular, the redeployment of local government resources in the form of surplus land owned by Council and cash, housing and land resources gained through planning mechanisms are also potentially important sources for growth for community housing associations.

1.2 Council's Aims for Affordable Housing

1.2.1 Council's Aims and Objectives for Affordable Housing

NSC's strategic documents including its existing *Local Environmental Plan (LEP), 2020 Vision Plan and Social Plan* present a long-term vision for the inclusion of affordable housing for the local community. Council aims to encourage social diversity by increasing affordable and social housing, and to ensure that low- to moderate-income earners can

⁶ Refer Appendix G, Table 1-17.

⁷ Data obtained from Link Housing Ltd, 2013.

⁸ NSW Government (2013) Draft Metropolitan Strategy for Sydney, Central Subregion.

⁹ See for example press releases dated 30 July 2013 and 7 August 2013 at <http://www.housing.nsw.gov.au/> accessed 5 September 2013.

be accommodated in the area. Likewise, the existing LEP (and the current draft) contains objectives and other provisions supportive of maintaining and increasing the supply of affordable housing.

This study originates from NCS's aim to further develop its affordable housing strategies and to plan for an increase in community housing in the area that will be adaptable and able to accommodate a range of needs.

The strategy used by the Council in the past to replace affordable housing bed spaces is regarded as likely to be of limited future utility, particularly regarding the scale of the problem. A number of factors are contributing to the need for Council to rethink how it can both maintain and provide affordable housing in a sustainable way into the future. These factors include:

- The extent of historical loss of affordable bed spaces and effectiveness of protection and replacement strategies;
- The number of affordable housing bed spaces in boarding houses and residential flat buildings left to lose in the LGA is dwindling;
- The actions of the Director General of the Department of Planning to permit the loss of residential flat buildings under SEPP 10 (now SEPP (Affordable Rental Housing)) with no contribution to Council's affordable housing fund,¹⁰ and recent findings of NSW Land and Environment Court (LEC). For example the redevelopment of the Tremayne Private Hotel resulted in the loss of 99 rooms of affordable accommodation, yet the owner successfully argued in the LEC that the establishment operated as a 'backpackers/tourist' accommodation and was therefore exempt from SEPP 10 (now SEPP (Affordable Rental Housing)).¹¹ As a result, the loss of these rooms is neither counted nor levied for under the Council's current affordable housing strategy.
- The Ministerial direction under Section 94G(3)(b) of the Environmental Planning and Assessment Act 1979 requiring monetary contributions for affordable housing to be paid to the Chief Executive of Housing NSW.
- Constraints to affordable housing provision due to the prohibitive land costs, limited land supply and presence of considerable competition in the housing

¹⁰ Ellis, M (2006) Report to General Manager: Community Housing Lower North Shore (CHLNS) & the Donations Report, 10 May 2006.

¹¹ AA Tremayne (Kirribilli) Private Hotel Pty Ltd v North Sydney Council [2007] NSWLEC 279

purchase and rental markets in the LGA, which is particularly severe for those on low to moderate incomes.

It is our understanding that in developing an updated Affordable Housing Strategy, NSC aims to maintain its stated goal of 5% replacement of affordable housing bed spaces lost, which it estimates should add 30 bed spaces to its program from 2003 to 2013. NSC aims to continue and enhance its partnerships with Link Housing and encourage active participation of the community housing sector in the area. We investigate each of these as part of this study.

1.2.2 Objectives of the Current Project

Thus the objectives of the current project are to:

- Understand the extent of loss of affordable accommodation in North Sydney since 1996, and to forecast future losses;
- Understand the future housing needs of the North Sydney community;
- Understand the long term viability of Council's current contribution to the provision of community housing in the LGA;
- Understand the effectiveness of Council's current projects in community housing; and
- Develop practical and achievable options for Council's continued participation in the provision of affordable housing locally.

The work is underpinned by an approach to planning that encourages diversity in the North Sydney residential community, and ensures that low to moderate income residents continue to be accommodated in North Sydney, and is consistent with key aims and objectives in relevant Draft instruments, discussed above.

1.3 The Study Area

The study area for this project is the North Sydney Local Government Area, which includes the suburbs of Cammeray, Cremorne, Cremorne Point, Crows Nest, Kirribilli, Lavender Bay, Neutral Bay, North Sydney, Milsons Point, McMahons Point, North Sydney, Waverton, Wollstonecraft and a portion of St Leonards. The Warringah Freeway and Pacific Highway bisect the LGA area. Public transport options include frequent bus services throughout the area and City Rail train stations at Milsons Point, North Sydney, Waverton and Wollstonecraft.

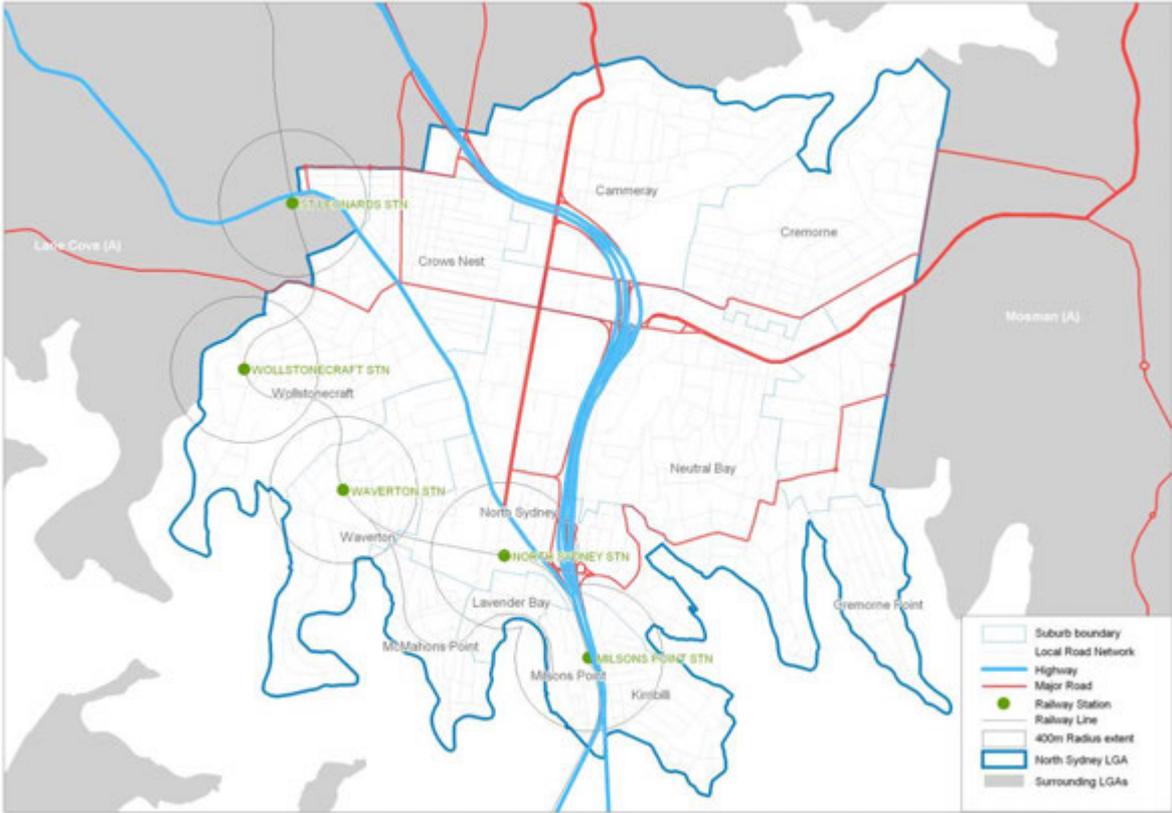


Figure 1-1 North Sydney LGA Area
Source: Judith Stubbs and Associates 2008

2 Status of NSC Affordable Housing Policy

2.1 Overview

North Sydney Council has long recognised the high land and accommodation costs in its jurisdiction and, as a result, has initiated efforts to provide a level of affordable housing in the community. Council's 1982 Housing Study formed the basis for the development of Council's early policies for capturing funding and delivering affordable housing. The strategy of levying developers for the loss of affordable housing bed spaces under SEPP 10 and through Section 94 has been utilised since the mid 1980s. Whilst the policy has been adapted slightly over the years, it remains fundamentally unchanged to date.

However, the NSW Department of Planning has recently proposed changes to how Section 94 contributions can be collected and allocated. This proposal has prompted a review of the long established methods and policies used by the Council for affordable housing. In order to develop an updated affordable housing strategy, we must have a general understanding of how the existing policies and strategy was developed.

2.1.1 Housing Plan & Policies 1982-92

From the early 1980s, NSC developed a series of policies to assess development applications associated with the redevelopment of boarding houses, RFBs and other dwellings let in lodgings under the criteria set out in Section 90(1)(d) of the Environmental Planning and Assessment Act. These included the social and economic effect on the tenants; the availability of alternative, comparable accommodation in the LGA; and the cumulative impact on the community of the loss of affordable rental accommodation.¹²

Following the 1982 Housing Plan, Council began levying developers for the loss of affordable bed spaces through Section 94 contributions in 1984. The Low Income Housing Fund was started with an initial levy of \$500 per bed space lost, which was to be annually adjusted for CPI and when the Section 94 contributions were reviewed.¹³ Also during this period, a range of joint venture projects between Council and the NSW DOH were undertaken. A number of long-term leases were initiated for DOH owned properties and properties jointly owned by the Council and DOH to be managed by a local

¹² North Sydney Municipal Council (1992) Housing Policy, p30.

¹³ Ibid, p31.

community housing provider – at the time known as Lower North Shore Community Housing.

In 1991, the affordable housing levy was extended to include development proposals to strata subdivide residential flat buildings due to the likely loss of many of these flats to the low cost rental market (e.g. through entering owner occupancy or renovation and higher rental charges).

2.1.2 Affordable Housing Strategy 1994

The aim of the 1994 Affordable Housing Strategy was to streamline the various policies that had been developed by Council into one strategic plan. The strategy was deemed to be warranted on the grounds of community development aims (to maintain social mix and social cohesion), social impact mitigation for the loss of affordable housing, and from a resource management perspective that recognises that affordable housing is a scarce resource in the North Sydney community and should be managed similarly to other scarce land resources.¹⁴

The types of developments that were included under the plan included: residential lot subdivision, strata subdivision, residential flat buildings, attached dwellings, residential development generally, demolition of residential flat buildings, demolition of boarding houses, boarding house redevelopment, any development subject to SEPP 10, and change from residential use to another use.¹⁵

The Section 94 contribution rate was reviewed and an updated levy was set for the loss of an affordable bed space at \$1,600.¹⁶ This figure was revised upon review of the Section 94 contributions plan in 1995 to \$2,242 per 'standard' affordable bed space lost, and \$4,484 per 'non-standard' bed spaces – or those found in boarding houses.¹⁷

2.1.3 'Inclusionary Zoning' Proposal 1998

In 1996, NSC commissioned Professor Gary Cox to provide the Council with options for its affordable housing program. Cox reviewed three planning mechanisms that could be used to facilitate affordable housing including inclusionary zoning, linkage fee programs, and development agreements.¹⁸ One of the recommendations was the use of

¹⁴ Cox, G (1996) Planning Strategies for the Retention and Promotion of Affordable Housing – Options Paper, May.

¹⁵ NSC (1995) Section 94 Contributions Plan – Affordable Housing, p6.

¹⁶ NSC (1994) North Sydney Affordable Housing Strategy, p54.

¹⁷ NSC (1995) Section 94 Contributions Plan – Affordable Housing, p11-12.

¹⁸ Cox, G (1996) Planning Strategies for the Retention and Promotion of Affordable Housing – Options Paper, May.

'inclusionary zoning' on certain sites within the LGA for the development of affordable housing.

In 1998, the Council consulted with the community about a first-step or trial inclusionary zoning proposal to create a 'new zone' through up-zoning across three street blocks for affordable rental housing. The proposal was met with a high degree of concern from local residents. Primary concerns about the proposal included increased density generally, increased traffic and parking problems, perceptions that land values would be reduced, and the possibility that the project would increase social problems and create a slum or ghetto-like area of the community.¹⁹

2.1.4 Affordable Housing Strategy 2008

Council's 2008 Housing Strategy had six strategies. These were:

1. To continue to seek mitigation for loss of affordable housing through developer contributions;
2. Provide additional affordable housing through leveraging Council resources in partnership with public, community and private sector partners;
3. Reconfigure existing housing stock where appropriate;
4. Support a regional approach to meeting affordable housing need;
5. Implement stronger Social Impact Assessment processes to protect existing supplies of affordable housing; and
6. Use planning incentives to facilitate the delivery of affordable housing.

We understand that strategies 1, 2 and 3 have been implemented. Council continues to collect developer contributions (although these are now directed to Housing NSW). Some stock has been sold, and the proceeds are to be reinvested to provide a sinking fund against future maintenance liabilities and for the redevelopment of one site as a boarding house.

2.2 Current Affordable Housing Strategy

NSC estimates that 1,759 affordable bed spaces were lost between 1984 and 2003, 20 with a projected future rate of losses over the next 10 years at 60.8 bed spaces per year.²¹ If assumptions are correct, this brings the number lost between 1984 and 2013

¹⁹ Hall, L and Mooney, A (1998) Report to General Manager: Local Rental Housing – Report on public meeting held Wednesday 15th April.

²⁰ NSC (2006) North Sydney Section 94 Contributions Plan, Updated July 2006, Table 10.2.

²¹ NSC (2006) North Sydney Section 94 Contributions Plan, Updated July 2006, p85.

to around 2,400. In contrast, between 1999 and 2008, Council's strategy has replaced 15 bed spaces.²²

2.2.1 Current Affordable Housing Targets

In the most recent Section 94 plan, Council has maintained its goal of replacing 5% of affordable housing stock lost with new stock using funds obtained through the Section 94 program. As noted above, the current target is to obtain 30 affordable bed spaces between 2003 and 2013. Six bed spaces in two dwellings were added in 2006. Since then, six bedspaces across three properties have been sold, another another nine are planned to be added, giving a net gain of 9 bedspaces since 2003. It is unlikely that Council's target of 30 affordable bed spaces between 2003 and 2013 will be met.

2.2.2 Partnership with North Shore Community Housing

We understand that Council is currently partnering with Link Housing to deliver a nine bedroom boarding house. The development will be funded by the proceeds of the sale of three properties noted above. Additional funds are also being sought via the NRAS and from Section 94 funds retained by Housing NSW.

2.3 NSC Draft Planning Regime

The draft Local Environmental Plan (LEP), North Sydney LEP 2012, has specific aims of relevance to the maintenance and provision of affordable housing under Clause 1.2(2)(g), these being to:

- 1.2(2)(g) to provide for the growth of a permanent resident population and encourage the provision of a full range of housing, including affordable housing.

The Draft North Sydney DCP has been reviewed with respect to its ability to facilitate or impede the creation and retention of affordable housing in another study, *North Sydney Council Affordable Housing: DCP Review and Recommendations*.²³

NSC 2020 Vision Strategic Plan

The *NSC 2020 Vision Plan* was adopted in 2009 after many months of consultation with residents, businesses, schools and educational institutions, religious organisations, neighbouring Councils and other tiers of government. The *2020 Vision Plan* addresses a

²² NSC (2008) A Social Plan for North Sydney 2008-2012 p27.

²³ JSA 2013.

range of areas including community services and facilities, where affordable housing is referenced. Stated long-term goals related to affordable housing include:

Promote affordable housing and accommodation²⁴

The inclusion of this goal emphasises the value and importance placed on affordable and appropriate housing options by the community and Council's continued commitment to these objectives.

2.3.1 NSC Social Plan

The current NSC Social Plan further articulates Council's position on the social benefits of providing affordable housing.

In comparison to other Sydney LGAs, North Sydney has relatively high land prices. These have an impact on housing affordability and the provision of particular services, such as accommodation for older people and the homeless.

The consultation results suggest that both low and middle income earners are struggling to live in North Sydney. This in turn could potentially influence the different socio-economic groups that live in the area, and could result in a loss of key workers such as teachers and nurses.²⁵

Particular objectives include:

- a) Low and medium income earners with links to the LGA are supported in accessing affordable accommodation.
- c) Homeless people have access to emergency and medium term housing.

Strategies to achieve these objectives include:

- Council utilises State Government approved mechanisms to fund provision of community housing through NSCH (now Link Housing).
- Council and State Government controls allow for affordable housing.
- Council commissions a Housing Needs Study.
- Strategies arising from the Housing Needs Study are implemented.
- Council works with NSW DoH, NSCH (Now Link Housing), KNC and the City of Sydney Council Homelessness Unit to advise and locate the homeless where possible.
- Council responds to enquiries from the community to manage the presence of homeless persons with regard to Council's legal obligations and care for their health and safety.

²⁴ NSC (2009) 2020 Vision Strategic Plan, p35.

²⁵ NSC (2004) A Social Plan for North Sydney 2008-2012, p27.

3 Policy and Legislative Context

3.1 Funding and policy environment

It is widely acknowledged that there is major shortfall in affordable housing in most cities and many regional and rural communities across Australia.²⁶ The most severe and lasting impacts are experienced by very low and low income households in unaffordable private rental, who do not gain the benefits that accrue to home purchasers, including long-term capital gains and a decreasing debt to household income ratio over time,²⁷ and for whom social rental is increasingly inaccessible.

Others achieve 'affordable' purchase or rental through moving to an increasingly remote urban fringe or regional areas, but such locations can increase costs to households, socially or economically, through increased travel time, transport costs,²⁸ and decreased access to services and employment.²⁹ However, even these areas are increasingly unaffordable, particularly with regard to rent for key target groups.³⁰

When it came to power in 2007, the former Federal Labor Government introduced a range of measures that arguably opened up the most significant opportunities for expansion of affordable and social housing supply for around two decades.³¹ In contrast to the previous Government, which focused increasingly on demand-side measures such as Commonwealth Rental Assistance to private renters and on first homebuyer subsidies, new policy and funding initiatives have often focused on stimulating the supply of affordable housing in particular through subsidies, incentives and grants (for example, the *National Rental Affordability Scheme (NRAS)*, *Housing Affordability Fund (HAF)* and *Building Better Regional Cities (BBRC)*).

There have also been a range of more recent **NSW State Government** initiatives to support maintenance and growth of social and affordable housing, many of these

²⁶ Darcy, M. and Stubbs, J. 2005. 'Housing and Contemporary Social Work Practice', in Alston, M. & McKinnon, J. (eds) *Social Work Fields of Practice*, Oxford University Press, UK.

²⁷ Burke, T. and Hulse, K. 2010. 'The Institutional Structure of Housing and the Sub-prime Crisis: An Australian Case Study', in *Housing Studies*, Vol. 2. No. 6, 821-838, November 2010

²⁸ Kellett, J. Morrissey, J. and Karuppanan, S. 2012. 'The Impact of Location on Housing Affordability', *Presentation to 6th Australasian Housing Researchers Conference*, 8-10 February 2012, Adelaide, South Australia.

²⁹ Burnley, I. and Murphy, P. 2004. *Sea Change: Movement from Metropolitan to Arcadian Australia*, UNSW Press, Sydney; Burke, T. and Hulse, K. 2010. 'The Institutional Structure of Housing and the Sub-prime Crisis: An Australian Case Study', in *Housing Studies*, Vol. 2. No. 6, 821-838, November 2010.

³⁰ See for example, JSA (2013) *Background Paper: Housing Affordability*, Wyong Shire Council.

³¹ See for example Stilwell, F. and Primrose, D. 2010. 'Economic Stimulus and Restructuring: Infrastructure, Green Jobs and Spatial Impacts', in *Urban Policy and Research*, Vol. 28, No. 1, 5-25, March 2010

focussed on growing affordable housing through increased community housing sector capacity to deliver and manage such housing. These include increased funding for Community Housing Providers (CHPs), transfer of social housing stock to CHPs, including some with title, and regulatory support to increase their professionalism and capacity.

There has also been an increased emphasis on partnerships that can make the most efficient use of Federal and State Government funding and resources, including between State and local government, the private sector and CHPs. The rationale for such partnerships is to increase affordable housing constructed through leveraging State and Federal funding including through access to Council or other publicly-owned land, access to resources created through the planning system, or through the accumulated funds or the borrowing capacity against equity of larger CHPs.

There are some key differences between the community housing sector and state housing authorities that provide potential financial and partnerships advantages. Whereas the Department of Housing is not eligible to receive Commonwealth Rental Assistance payment,³² CHPs are able to receive 100% of CRA paid to tenants as part of rent calculation which often enables CHPs to operate at or above breakeven point and potentially generate an operating surplus. Their ability to enter into debt against equity financing arrangements, from which State Government is generally precluded, is also an advantage in entering into development partnerships. As noted, there is also an expectation that CHPs will leverage (raise finance against) stock transferred from State Government to them.

A number of such providers are active in North Sydney LGA, with one of the largest being LINK Housing (formerly North Sydney Community Housing), which has a long-term partnership with Council. Housing NSW has a wide range of funding programs to facilitate affordable rental and purchase housing, particularly for very low income households and those with special needs, and remains the largest provider of social housing in the LGA. Other smaller not-for-profit providers are also active in the LGA, particularly for special needs groups.

A significant slowdown in the economy in 2009 also prompted a range of Federal Government actions to stimulate growth. The social housing system was a major beneficiary of government expenditure over the past few years under Nation Building (economic stimulus), which provided some growth in absolute terms in a sector in NSW as a whole that has been declining relative to need for some decades. However, post-

³² Rental supplements to low income tenants

stimulus, the supply of such housing still falls far short of the current and projected need for affordable housing across Australia. Further, many low and moderate income households currently in housing stress would not be eligible for social housing, and those very low income households that *are* eligible generally face a waiting time of many years. As noted, despite stimulus funding, North Sydney LGA has experienced a long-term decline in social housing stock in absolute terms (losing almost 70 households in net terms over 10 years), and has failed to keep pace with growth (an 11% decline compared with 10% total household growth from 2001 to 2011).

Further, more recent opportunities for growth under initiatives like Nation Building and BBRC, have largely been allocated, and it is unlikely that there will be substantial new direct funding available for social housing in the near future. Importantly, recent initiatives to stimulate supply such as NRAS and leveraging against the transfer of title to social housing stock tend to favour the 'upper end' of the spectrum of affordable housing need (moderate income households like 'key workers') due to the need for such projects to be financially viable under debt-financing arrangements.

Very low and low income renting households remain problematic groups for whom to achieve affordable housing outcomes, especially in the absence of direct funding and significant subsidies for such groups. However, as noted, a strong majority of those in housing stress or affordable housing need in North Sydney LGA are very low and low income renting households.

Given the extent of unmet affordable housing need in the LGA and the policy and funding environment described above, the retention and creation of affordable housing for very low and low income households through the planning system becomes crucial,³³ though a significant challenge. Direct creation of such housing through Federal-State government funding, revenue raising measures such as planning incentives and affordable housing contributions to capture benefit created through the planning and development process, and affordable housing development and management partnerships, is generally more effective for the lower end of the spectrum that require deep subsidies.

³³ Gurran, N. and Whitehead, C. 2011. 'Planning and Affordable Housing in Australia and the UK: A Comparative Perspective', in *Housing Studies*, Vol. 26, Nos. 7-8, 1193-1214

3.2 The NSW Planning Context

3.2.1 Affordable Housing Support in *EP&A Act* and related policies

Overview

The retention and creation of affordable housing for very low, low and moderate income households through the planning system becomes more important in the context of constraints to federal policy and funding, discussed above.³⁴ There are significant opportunities for local government to support the creation and maintenance of affordable housing through core planning legislation and policies in NSW compared to most Australian states, with an increasing interest in this policy area by NSW State Government evident. However, there are also significant constraints to action by local government, principally arising from its subordinate relationship to state government in Australia, its lack of planning autonomy, the prescriptive nature of the land use zoning system compared with other international jurisdictions like the UK,³⁵ and its constrained economic position and constraints to raising capital through debt financing.³⁶

³⁴ Gurran, N. and Whitehead, C. 2011. 'Planning and Affordable Housing in Australia and the UK: A Comparative Perspective', in *Housing Studies*, Vol. 26, Nos. 7-8, 1193-1214

³⁵ See for example Gurran, N., Milligan, V., Baker, D. Bugg, L. B., Christensen, S. 2008. *New directions in planning for affordable housing: Australian and international evidence and implications*, AHURI Sydney Research Centre, who note that early 20th century Australian planning legislation drew heavily upon UK planning law, with its strong reliance on a prescriptive land use zoning system under the *Town and Country Planning Act 1932*. However, the UK shifted away from this system from 1947, introducing the discretionary system and nationalised development rights, whereas Australia went further down a path of implied development entitlements fixed by zoning. As noted by Gurran and Whitehead, this underlying zoning system of assumed development rights has two main consequences for affordable housing requirements. 'First, the ability to negotiate for a community outcome, such as affordable housing provision, is eroded in advance by establishing development potential ahead of specific planning proposals'. A second consequence is that, when public authorities seek to acquire land not already set aside for public purposes for affordable housing, 'they must do so at a market rate which reflects these opportunities.' This significantly constrains the ability to capture benefit through the approvals process using mandatory mechanisms compared with the UK, and means that the most significant opportunities in the Australian planning context generally rely upon the rezoning of land, imposing effective constraints on development arising from more restrictive zoning that can be varied through incentive-based mechanisms where a share of additional profit is provided for affordable housing, capturing a share of benefit in areas of high land value or major gentrification (new release areas, centres or high amenity precincts), and the mandated protection of low cost dwellings or dwellings types. There is thus more 'finessing' of affordable housing under the regulatory context in NSW compared with for example the UK (see also Stubbs (2003) op cit).

³⁶ Gurran et al (2008) op cit; Stubbs, J. and Storer, T. 2006, 'Planning at the Margins? The Role of the NSW Planning System in Protecting Affordable Housing' in *Proceedings of the 23rd Australasian Law and Society Conference in Wollongong*, 13-15 December 2006; Stubbs, J. 2003. *Battle for the Right to the City: Opportunities for an emancipatory social practice in a polarising urban landscape*, RMIT (unpublished PhD thesis)

Nonetheless, local government has an implicit role in affordable housing and an impact on affordability through land use zoning, controls, the timing of land release, location of services and facilities, and the levying of rates and contributions. It can also choose to play a more proactive role in the creation and retention of affordable housing through active intervention in the market through the development of appropriate planning mechanisms and strategies, as discussed in Section 4.3 below.³⁷

Opportunities and Constraints of Principal Legislation and Related Policies

Unlike jurisdictions like Western Australia, where the principal planning legislation is silent on the matter of affordable housing,³⁸ the Environmental Planning and Assessment Act 1979 (NSW) has express provisions related to the creation and protection of affordable and low cost housing, and others which may be used to support such housing through the planning and approvals process. NSW local government accordingly has roles and responsibilities relating to affordable housing under planning legislation including state environmental planning policies (SEPPs).

In NSW, objectives and a range of related provisions have been progressively included in the Environmental Planning and Assessment Act since 1999, including section 5(a)(viii) which provides that an objective of the Act is the 'maintenance and provision of affordable housing'.³⁹ There are likewise definitions and benchmarks related to 'affordable housing' in core legislation and related policy, though there are practical differences in affordable housing outcomes due to differences in affordable housing definitions in different instruments.⁴⁰

³⁷ Stubbs, J. and Storer, T. 2006, 'Planning at the Margins? The Role of the NSW Planning System in Protecting Affordable Housing' in *Proceedings of the 23rd Australasian Law and Society Conference in Wollongong*, 13-15 December 2006.

³⁸ For example, the *Planning and Development Act 2005 (WA)* is silent on the matter of affordable housing. There are no objectives or definitions regarding affordable housing, and no mandatory requirement for a consent authority to take into account the social and economic impacts of development or redevelopment under the Act, which could otherwise be used to mitigate the loss of low cost or affordable housing, as there is in NSW and Victoria. There are also no specific State Planning Policies (SPPs) related to preservation of existing stocks of affordable housing in core planning legislation as there are in NSW, nor to provide for incentives to create affordable housing through, for example, express relaxation of zone controls and development standards where a proportion of stock created is dedicated to affordable rental housing, which is again provided for in NSW under *SEPP (Affordable Rental Housing) 2009*.

³⁹ In December 1999, the Act was amended to make the provision of affordable housing a specific objective of the Act; add a definition of affordable housing; make explicit that environmental planning instruments could include provisions to provide for, maintain and regulate matters relating to affordable housing.

⁴⁰ *State Environmental Planning Policy No 70 (Affordable Housing) and State Environmental Planning Policy (Affordable Rental Housing) 2009* each have different benchmarks and definitions which lead to quite different practical outcomes for 'affordable housing'. *SEPP 70* defines 'very low-income' households as those on less than 50% of median household income; 'low-income' households' as those on 50-80% of median household income, and 'moderate-income' households as those on 80-120% of median household income for Sydney SD.

Importantly, it is a requirement of the Act that a consent authority take into account the **social and economic impacts** of a development application as part of a merits assessment under s79C(1)(b). This has obvious applicability to development applications that may result in the loss of affordable or low cost housing, such as low cost flats and caravan parks, as well as the assessment of the benefits of an application involving the creation of affordable housing, particularly where this is balanced against other factors as part of the merits assessment. The ability to seek mitigation for loss of affordable housing as part of conditions of consent is also possible under this head of consideration. A growing body of case law in the NSW Land and Environment Court related to social impacts is of relevance.

Likewise, a consent authority is required to consider whether a proposed development is in the **public interest** under s 79C(1)(e), and a growing body of case law has likewise determined that it is in the public interest to give effect to the objectives of relevant legislation. It is relevant in this regard that the Act has as an objective '*the maintenance and provision of affordable housing*' (s5(a)(viii)).

As such, *prima facie*, local government has a role and indeed a responsibility at law to pursue both the preservation and the creation of affordable housing through the planning and assessment process. However, there are also limitations to local government's power under the Act, particularly in relation to the levying of mandatory contributions for affordable housing, though arguably its constraints are not as great as some would perceive.

Dealing first with **mandatory contributions**, in June 2000, further amendments were made to the Act in relation to affordable housing to provide consent authorities with the specific power to require, as a condition of consent, the dedication of land free of charge or the payment of a monetary contribution for affordable housing in certain circumstances. *Sections 94F and 94G* were introduced⁴¹ to provide consent authorities

Under *SEPP ARH*, affordable housing is defined as housing that is rented to very low, low and moderate income households for no more than 30% of their gross income; or as housing that complies with rents and eligibility criteria under the National Rental Affordability Scheme (NRAS), with the latter based on discount market rents and income eligibility limits. In some markets, the second criterion can result in households paying more than 30% of gross household income in rent (and sometimes substantially more) so that, whilst the housing must be rented to relevant target groups, it will not be 'affordable'.

⁴¹ The 2000 amendment to the EP&A Act was gazetted in direct response to the effective invalidation of Amendment 6 of South Sydney Council's LEP (on Green Square). Significantly, this had resulted from a successful challenge to Council's affordable housing provisions by Meriton Apartments in the NSW Land and Environment Court. The action was taken in relation to Green Square, a 'brownfields' redevelopment site on the old ACI Glass Factory site at Waterloo-Zetland. Green Square lies within the boundaries of South Sydney Council (SSC), and is affected by the SSC Local Environmental Plan 1998 (Amendment No. 2) – Green Square.

with the express power to impose such conditions 'if a State Environmental Planning Policy (SEPP) identifies that there is a need for affordable housing within an area' and certain other conditions are met.⁴²

The relevant SEPP for this purpose is **SEPP 70 Affordable Housing (Revised Schemes) (SEPP 70)**, which amends relevant local and regional environmental planning instruments to enable the levying of development contributions to provide for affordable housing. *SEPP 70* provides guidance regarding the requirements for assessing housing need, setting contribution levels, apportionment, administration and accountability, and specifies relevant income and rental criteria.⁴³ On the face of it, this gives effect to what a number of Councils had been doing for some time under the pre-2000 provisions of s94 (development contributions including for community facilities). However, the provisions of s94F and s94G are operationalised and limited in practice by *SEPP 70*, which applies to a very limited number of housing schemes including Ultimo-Pyrmont, Willoughby and Green Square, and to only three Council areas – Sydney, Leichhardt and Willoughby Councils. This would appear to preclude other Councils from imposing a mandatory levy, at least under s94F and s94G, although some Councils have done so unchallenged.⁴⁴ Despite lobbying from Councils throughout NSW where

The subject site was also affected by the Green Square Affordable Housing Development Control Plan (DCP), under which SSC aimed to include a component of housing affordable for low and very low incomes earners, who had traditionally lived in SSC area and were being rapidly displaced by gentrification. Despite the fact that the DCP provided for only 3% of residential and 1% of commercial floor space (equivalent) to be dedicated to affordable housing as defined in the DCP. Meriton mounted and was successful in having upheld, a Land and Environment Court (LEC) challenge that rendered the provision of the DCP invalid (*Meriton Apartments v Minister for Urban Affairs and Planning (2000) NSW LEC 20 – Decision 18 February 2000*). The decision of Justice Cowdry in this matter (*Meriton Apartments v Minister for Urban Affairs and Planning (2000), NSW LEC 2000*) relied partly on an inconsistency between South Sydney Council's Local Environmental Plan (LEP) and DCP, and partly because it represented a 'fundamental interference with property rights' at common law (p.383). The NSW LEC decision on Green Square referred to had the effect of potentially invalidating all local government Development Control Plans (DCPs) that provided for the inclusion of affordable housing, including those who were attempting to deal with increasing gentrification through capturing some public benefit from the rezoning and redevelopment of existing sites, and had far reaching effects for other local planning schemes.

⁴² Councils may only use these provisions if a SEPP identifies that there is a need for affordable housing within its area, and a Regional Environmental Plan (REP) or a local environmental plan (LEP) has been made in accordance with the relevant requirements for affordable housing provision set out in the SEPP, and if the Council has a developer contributions scheme set out or adopted in such a plan. The consent authority must be satisfied that that the development in respect of which the contribution is required will result in a reduction of affordable housing, will increase the need for affordable housing, or is in accordance with relevant regulations or zoning.

⁴³ *SEPP 70* defines 'very low-income' households as those on less than 50% of median household income; 'low-income' households' as those on 50-80% of median household income, and 'moderate-income' households as those on 80-120% of median household income for Sydney SD.

⁴⁴ For example, Wollongong and North Sydney Councils levied for a contribution to affordable housing to offset the loss of low cost flats, units and boarding houses from around 1987 under s94 of the Act on a per bedspace basis as well as using the provisions of the then SEPP 10 - Retention of Low Cost Rental. Wollongong

affordable housing is increasingly a serious issue,⁴⁵ the State Government has to date maintained the limited application of s94F and 94G of the Act.

Other express provisions are also contained within the Act to further the affordable housing objectives.

S93F of the Act provides for the making of a **voluntary planning** agreement in relation to a proposed amendment to a planning instrument or development application. Under such a planning agreement, the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose. 'Affordable housing' as defined in the Act is one of the listed 'public purposes'.

A planning agreement is generally advertised in conjunction with the development or rezoning application to which it relates, and forms part of the conditions of consent. A planning agreement is registered and runs with the title to the land, and is binding on, and enforceable against, the owner of the land from time to time as if each owner for the time being had entered into the agreement. The provisions also provide for administrative, reporting, review and other accountability requirements like other forms of development contributions, and may be used in place of or as well as levies with respect to other infrastructure under normal development contributions provisions of the EPAA. Importantly, a planning agreement does not have to demonstrate nexus between the development and the public purpose for which it was made.

More flexibility or discretion for NSW State Government is apparently provided for in more recent amendments to the Act in relation '**Special Infrastructure Contributions**', which expressly include 'affordable housing' as defined. This includes the provision, extension and augmentation of (or the recoupment of the cost of providing, extending or augmenting) public amenities or public services, **affordable housing** and transport or other infrastructure relating to land [emphasis added]; and the funding of recurrent expenditure in relation to the above, or any studies or other support required (s94ED). Such contributions are not limited to land within a 'special contributions area', although such contributions are not to be required unless the provision of infrastructure 'arises as

discontinued its policy from around 1992, although North Sydney Council has continued to use s94 to levy for the loss of low cost accommodation until recently. The lack of LEC challenge was likely due to the relatively low levy per bedspace lost compared with the profit from strata subdivision or redevelopment.

⁴⁵ Thorpe, D., Miers, S., Stubbs, J., Richardson, R. and Berryman, C. 2004, *Enhancing the Role of Local Government in Affordable Housing: Options for Improving Our Planning System*, Affordable Housing Network, Shelter NSW.

a result of the development or class of development of which the development forms part' (*s94EE(2)(c)*).

Reasonable discretion also appears to be provided for in *s94EE(3)*, which states that, despite the limitations of other provisions, 'the Minister may...determine the level and nature of development contributions in the form of a levy of a percentage of the proposed cost of carrying out development or any class of development'. Further, the Minister will determine what part (if any) a development contribution will be 'for the provision of infrastructure by a Council' (*s94EE(3A)*). It is noted that, in determining the level and nature of contributions, the Minister will, as far as practicable make the contribution 'reasonable with regard to the cost' of infrastructure in relation to the development (*s94EE(2)(a)*).

There appears to be scope under these provisions to propose the levying of contributions for affordable housing where nexus between the development or class of development and increased demand for affordable housing (as a form of special infrastructure) is demonstrated, and there is reasonableness in the assessment of the level of contribution levied.

Finally, it is noted that Councils often assume greater limitations to their powers than necessary since the gazettal of the 2000 amendments.⁴⁶ However, ***s94F(5)*** makes it clear that 'nothing in this section prevents the imposition on a development consent of other conditions relating to the provision, maintenance or retention of affordable housing'. This, and *s5(a)(viii)* and other relevant provisions discussed above, appear to provide sufficient latitude for Councils to engage in, for example, negotiating agreements with developers, identifying circumstances in which it is appropriate to provide for planning incentives through relevant EPIs, mandating diversity or affordability through developing performance criteria or targets in relevant plans (e.g. Masterplan DCPs), requiring social impact assessments to mitigate the loss of affordable housing, or other planning or procedural mechanisms apparent available to further the objects of the Act. A range of more active Councils are engaged in some or all of these activities at present, and these types of activities appear to be legal.

More recent amendments to the Act would also appear to open the door to mandatory contributions as a form of special contributions where nexus can be established and ministerial approval can be obtained, though clarification of the legality of such a position should be obtained from the Department of Planning and Infrastructure. Rationale for the

⁴⁶ See for example, Stubbs, J. 2003. *Battle for the Right to the City*, Faculty of the Constructed Environment, RMIT (PhD thesis).

provision of affordable housing as a form of infrastructure and the economic feasibility and reasonableness of mandatory mechanisms (including requiring the provision of or a contribution) towards affordable housing are key matters addressed in the research for the current study.

The gazettal of ***State Environmental Planning Policy (Affordable Rental Housing) 2009 (SEPPARH)*** aimed to provide a consistent planning regime to encourage and enable the provision of different types of affordable housing to various target groups. In particular, the SEPP aims to facilitate the provision of affordable housing through zone liberalisation, the provision of incentives for delivery of new affordable rental housing including close to places of work, facilitating the retention and mitigation of the loss of existing affordable rental housing, and the development of housing for special needs groups including social housing, boarding houses and supportive accommodation.

The provisions, and the pros and cons, of *SEPPARH* are discussed in some detail at Appendix H due to its likely relevance to North Sydney Council. Some of the **more positive** aspects of the SEPP include the creation of a consistent framework for the encouraging and enabling of some forms of potentially affordable and low cost accommodation in well-located areas, and the likelihood that such incentives and planning liberalisation will open up opportunities in a range of housing markets.

Some of the **more negative** aspects include the potential to take a 'top down' approach that can override local government's strategic planning processes where these are well considered, potential amenity impacts and community backlash in the case of poor developments, the time-limited nature of the rental housing created, and the likelihood that many developments will not be genuinely affordable to most of those in relevant target groups needing affordable housing due to definitions of 'affordable housing' that apply in *SEPPARH*.⁴⁷ Further, there has been a deteriorating affordability situation in the LGA (and Greater Sydney) despite the enactment of the SEPP which is likely to continue. As such, addressing the needs of very low and low income households will require

⁴⁷ JSA's preliminary assessment for North Sydney Council in 2010 and in relation to proposals at Manly and the Hills Council areas (2011, 2013) indicated that much of the housing created through these market incentives will not be 'affordable' to key target groups needing affordable housing due to definitions of 'affordable housing' that apply in *SEPPARH*. This was largely due to the definitions of 'affordable housing' used in the SEPP. JSA found that *SEPPARH* only ensures accommodation is affordable to a household at the top end of the moderate income band for Sydney Statistical Division and may not provide affordable accommodation to households with lower incomes. As such, it may be of limited utility in addressing the needs of the majority of those in housing stress in the LGA, unless it is used to facilitate the development of dwellings by social (public and community) housing providers.

Council to take stronger action to protect and create affordable housing beyond that which is provided for in the SEPP.

3.2.2 Recent Policy and Legislation on Boarding Houses

In recent years, the NSW government has initiated policy changes to increase the supply of quality boarding house premises to meet the needs of a variety of residents including key workers, those who need more flexible housing options and those with special needs⁴⁸, as well as provide a more appropriate regulatory framework to deliver boarding house services that promote and protect the wellbeing of residents.⁴⁹

“New Generation” Boarding Houses

The NSW Government Affordable Rental Housing State Environmental Planning Policy 2009 (AHSEPP) encourages the creation of new boarding houses that provide low cost and flexible rental housing to suit a range of different tenant groups such as single retirees, working singles, homeless, students and young couples.⁵⁰ The SEPP includes standards for proposed boarding houses that must be satisfied prior to development consent.

The Government provides various incentives for proprietors of boarding houses, such as land tax exemption or reduction in land value, and grants for essential fire-safety works. In order to receive these incentives, certain requirements or conditions must be met. For example, an exemption for the 2012 tax year is available where at least 80% of the accommodation must be available for boarding house residents and set maximum tariffs per room must not be exceeded.⁵¹

There are clearly positive aspects of this increased support for boarding houses, particularly within an expensive inner-urban environment such as North Sydney, where the most serious unmet housing need is for very low and low income renters, particularly lone persons. However, in such a market, boarding house accommodation may not constitute genuinely ‘affordable housing’ in accordance with relevant benchmarks, and the SEPP is silent on the question of affordability for such accommodation. Council may wish to consider stronger policy and assessment criteria to attempt to gain appropriate

⁴⁸ Affordable Rental Housing State Environmental Planning Policy 2009, Reg 30, Standards for Boarding Houses.

⁴⁹ Boarding Houses Bill 2012, Part 1, Clause 3, Object of this Act

⁵⁰ NSW Government, Supporting Affordable Rental Housing – New Generation Boarding Houses fact sheet, accessed online 16 November 2012 at http://www.planning.nsw.gov.au/plansforaction/pdf/Affordable%20Housing_Fact_NewGenerationBoardingHouses.pdf

⁵¹ NSW Office of State Revenue, Revenue Ruling No. LT 89, Exemption – Land Use and Occupied Primarily for a Boarding House – 2012 Tax Year, accessed online 16 November 2012 at

affordable housing outcomes when dealing with applications, notwithstanding the legal standing of the SEPP.

Boarding Houses Bill 2012

In October 2012, the NSW Government passed the Boarding Houses Bill 2012 which has been hailed as a “much-needed and long-overdue” measure of law reform for the sector.⁵² The Bill declares that boarding house residents are entitled to live in premises that are reasonably clean, in a reasonable state of repair and are reasonably secure.⁵³

The Bill establishes a system for registering all boarding houses and provides greater protection for both proprietors and residents. While proprietors will now be required to provide lodgers with an occupancy agreement upon commencement of their stay, there is some flexibility in the drafting of the occupancy agreements in terms of the services to be provided. Proprietors and boarding house residents will have access to the Consumer, Trader and Tenancy Tribunal for dispute resolution.

Under the Bill all boarding houses with five or more residents, including general boarding houses and assisted boarding houses, will be ‘registrable’ with a Register of Boarding Houses from January 2013. The Act defines ‘general boarding houses’ as boarding premises that provides beds for fee or reward for use by 5 or more residents (not including residents who are proprietors, managers or their relatives), while ‘assisted boarding houses’ are those that provide beds for fee or reward for use by 2 or more residents (not counting any resident with additional needs residing with competent relatives) who have additional needs such as an age related frailty, a mental illness or disability. The Director-General of the Department of Family and Community Services will be responsible for the licensing and regulation of assisted boarding houses for people with additional needs.

The Boarding House Register will be kept by the Commissioner of Fair Trading and will include basic information about the proprietor, the premises, the development consent or approval to use the property as a boarding house, number of residents, name of the manager (if any) and the number of bedrooms. Proprietors are required to notify the Commissioner of any changes to the information contained in the registry on an annual basis. There are penalties for proprietors who fail to provide this information. Within twelve months of registration, local Councils will be required to conduct an initial

⁵² Tenants’ Union of NSW, Boarding Houses Bill 2012: Comment, 18 October 2012. Accessed online 13 November 2012 at <http://www.tenantsunion.org.au/boarding-houses-bill-comment>

⁵³ Boarding House Bill 2012, Schedule 1 – Occupancy Principles, Clause 1 – State of premises.

compliance investigation of a boarding house with regard to building and fire safety, and other requirements for places of shared accommodation.

Rise in Suburban Boarding Houses

Many boarding houses have traditionally been located in the inner city, with much of this stock of low-cost housing lost to redevelopment and change of use. While there is consensus that the number of boarding houses and boarding house residents has decreased in the last decade based on census counts, the rise of smaller boarding houses in the middle and outer suburbs of cities like Melbourne and Sydney that can easily be misclassified by census collectors as private dwellings is making the task of counting boarding houses and their residents more difficult. In 2008, Victorian Councils started registering boarding houses. Using Council records, interviews with housing officers and 250 field visits, researchers from RMIT estimate that between 2006 and 2011 the boarding house population in inner Melbourne increased by 'about one-third', while the number living in boarding houses in outer suburbs increased 'six-fold'.⁵⁴ The researchers also believe that the boarding house population is becoming more diverse, including more seniors, families and students.

The rise of the 'suburban boarding house' has been evidenced in the middle ring suburb of Marsfield in the Ryde local government area, where Macquarie University is a close neighbour. In early 2011, the protests of local residents against a quiet cul-de-sac in the suburb where an estimated eight homes had been converted internally and operating as boarding houses received media attention.⁵⁵ There was concern that many boarding houses in the area were operating illegally and guilty of exploiting tenants (often international students), overcrowding, unsafe conditions, noise and rubbish issues and tax fraud. In response to concerns from the community and the Council, the Member for Ryde actively campaigned for changes in how boarding houses are approved and monitored. In November 2011, the Social Policy Committee of the NSW Parliament Legislative Assembly released its report from its inquiry into international student accommodation in New South Wales, which considered the extent of unauthorised student accommodation operations – such as illegal boarding houses.⁵⁶

⁵⁴ Chamberlain, C (2012) Counting Boarding Houses: Reflections on Homelessness Research in Australia, Paper presented at the Homelessness Research Conference, Melbourne, April, Pg 12, accessed online 13 November 2012 at <http://www.homeground.org.au/assets/microsoft-word-conference-paper-ahuri-rmit-v2.pdf>

⁵⁵ The Sydney Morning Herald, Cul-de-sac of broken dreams, 21 March 2011. Accessed online 13 November 2012 at <http://www.smh.com.au/opinion/society-and-culture/culdesac-of-broken-dreams-20110320-1c23o.html>

⁵⁶ Terms of Reference, Pg iii.

The inquiry found that the NSW Government should place a greater focus on the needs of student accommodation within the NSW planning system; and consider the introduction of travel concessions for all international students to improve their opportunities to find suitable accommodation. The Inquiry recommended that consideration be given to developing legislation that will improve the standards of student accommodation and provide dispute resolutions and legal protections for students in both boarding houses and share houses.

The inquiry found sufficient evidence to support the argument that Local Government Councils do not have sufficient powers of entry to adequately inspect unauthorised boarding houses or other buildings where accommodation is shared by a number of unrelated people. The picture of student housing has become more complex as standard residential buildings are converted or adapted to be occupied by a larger number of people than might be the norm for conventional families. However, in view of questions of property rights and individual freedoms the Committee recommended further analysis be carried out before any changes are made in relation to powers of entry set out in the Environmental Planning and Assessment Act 1979 Section 118B.

3.2.3 More Recent Reforms to the Planning System for NSW

On 16 April 2013, the NSW Government released the White Paper, *A new planning system for NSW*, for public feedback. The NSW Government states an intention to build a planning system focused on sustainable growth to deliver the jobs and houses that are needed to support our growing cities and regions. Among the changes that are being proposed by the White paper is an increased emphasis on Strategic Planning. The paper states:

There will be a major shift to evidence based, whole of government strategic planning in the development of plans, community and stakeholder engagement and decision making. Upfront strategic planning is the foundation of the NSW Planning System and is the key tool for better facilitating housing and jobs in the right locations, while managing the environment and quality of life.

The new system proposes to deliver four integrated layers of plans established through new legislation.

- **NSW Planning Policies:** This will be an integrated set of policies that will present the state's broad planning objectives, priorities and policy directions.
- **Regional growth Plans:** These will set out a high level vision for each region of the state, establish objectives and planning policies relating to housing, employment, the environment and infrastructure and identify key city/region shapers of state or

regional significance (e.g. airports, major renewal corridors) in appropriate locations. Affordable Housing may be considered at the regional growth plan level. It may be possible to set specific targets for affordable housing through this plan – this is under consideration by the NSW Affordable Housing Taskforce.

- **Sub Regional Delivery Plans:** these plans will provide the delivery framework for Regional Growth Plans. They will set the vision and outline key policies, actions and delivery obligations for a subregion (e.g. housing targets). There will be a particular focus on integrating infrastructure and these plans will specify and/or rezone areas of major planning significance.
- **Local Plans:** Local Plans will provide the principal legal document that delivers the strategic vision for a local government area, consistent with the planning objectives, policies and actions in Subregional Delivery Plans, Regional Growth Plans and NSW Planning Policies. The term Local Land Use Plan, introduced in the Green Paper, has been shortened to Local Plan.

The proposed new system places emphasis on upfront community participation in the planning process, which will be promoted through the development of plans at every level. The new legislation proposes a Community Participation Charter and planning authorities will be required to have Community Participation Plans.

Another important element is the integration of infrastructure planning with plans for development. Planning for infrastructure that supports development will occur at the same time as planning for housing and jobs in the new planning system.

It is intended that development assessment shift to a performance based system where decisions are made faster and with more transparency. It makes greater use of code complying development, and online tools, and removes layers of assessment. The new system proposes the incorporation of five assessment tracks, with development streamed into these tracks depending on the level of impact of a proposed development.

The proposed reform to the NSW Planning system would take place over several years and incorporate the key elements of existing planning provisions whilst shifting the culture and the focus of planning from development assessment and control to strategic planning.

It is unknown at this stage the extent to which the proposed changes would alter legal framework for affordable housing in NSW.

4 Characteristics of North Sydney's Population

4.1 Introduction

The characteristics of North Sydney's population, with change over time, are summarised below. Greater detail is found in Appendices D, E and G.

4.2 Demographic Profile

4.2.1 Household composition

By comparison with Greater Sydney, North Sydney is characterised by higher proportions of lone person households (34% compared to 21%) and of couple families without children (28% compared to 22%). The number of households with children is correspondingly low (20% compared to 45%). Between 2001 and 2011, the number of households increased from 28,500 to 31,400, an increase of 10%, somewhat less than the 11% increase across Greater Sydney. The makeup of households has changed somewhat in that time, with the proportion of couple households (with and without children) increasing; and the proportion of lone person and group households decreasing.

4.2.2 Household income

The median household income in North Sydney LGA in 2011 was \$2,205 per week, 50% greater than the Greater Sydney median household income. Change over time between 2001 and 2011 was in line with change for Greater Sydney. Median household incomes for single person and sole parent families were around two thirds of the LGA median, showing these households are less likely to be well off. Very low income households were typically lone person. By comparison with all households, very low income households were more likely to be outright home owners (probably retired) or to rent social housing, however one fifth of these households continued to rent privately. Low income households were generally outright owners, or rented in the private market. By comparison with all households, low income, and particularly very low income households tend to be older.

Very low income households are characterised by lone person households, outright ownership and social rental, greater age and exclusion from the labour force by comparison with LGA averages.

Low income households are characterised by lone person households, outright ownership and private rental, greater age and exclusion from the labour force by comparison with LGA averages.

Moderate income households are characterised by higher levels of lone person households, private rental, and full and part time work.

Higher income households are characterised by higher levels of couple households (probably reflecting dual incomes), home purchase and private rental, younger age and full time work.

4.2.3 Household tenure

Household tenure in North Sydney LGA is characterised by high levels of private rental (36% of households compared to 19% for greater Sydney), and with correspondingly lower levels of ownership and purchase. 1.5% of households live in social housing, compared to 4.3% for Greater Sydney. Outright ownership and social rental have dropped between 2001 and 2011, however these trends are similar to trends in Greater Sydney. With regard to social housing, the absolute number of people in social housing has fallen between 2001 and 2011, suggesting overall loss of social housing stock.

4.2.4 Dwelling structure

Dwellings in North Sydney are much more likely to be flats, units and apartments by comparison with Greater Sydney (71% compared to 26%) and much less likely to be separate houses, however during the period, the proportion of separate houses increased, both absolutely and by comparison with Greater Sydney.

Household types are spread across all dwelling types, however households with children are more likely to live in separate and semi-detached housing, while lone person households are more likely to live in flats and units. Rental stock is more likely to be flats and units; while purchasing and outright ownership stock is more likely to be separate and semi-detached housing.

4.3 Commuter Profile

The profile of commuters shows the differences between those who work in an area and those who live in an area. In 2011, 10,000 of the 66,000 people working in North Sydney LGA lived in North Sydney LGA. 26,000 people commuted out of North Sydney LGA, with most of these travelling to Sydney LGA, Willoughby LGA and Ryde LGA; while 56,000 people commuted into North Sydney LGA, with most coming from areas to the north of the LGA and Sydney LGA. The income profiles of those working in North Sydney LGA, commuting in and commuting out are quite similar; and the income profile is much more wealthy than the profile for Greater Sydney. The occupation profiles of those living and working in the LGA are also quite similar.

This appears to indicate that workers are generally not excluded from North Sydney LGA (assuming that people will live close to their place of work if they are able). Rather they choose to commute into the LGA because they wish to live in an area which is higher amenity, has lower density/larger housing, etc.

4.4 Migration

Between 2006 and 2011, more people migrated out of North Sydney LGA than migrated in. Migration was generally and out of other Greater Sydney LGAs. Those moving out of the LGA tended to have higher incomes compared to those migrating in or remaining in the LGA. Inward migration was predominantly in the 20-39 age group, while outward migration peaked in the 30-39 age group. Coupled with outward migration in the 0-9 age group, this is suggestive of families with children migrating out of the LGA. There were no clear migration trends associated with Occupation.

5 Trends in Housing Affordability in North Sydney LGA and Rationale for Planning Intervention

5.1 What is 'affordable housing'?

There is a common misconception that 'affordable housing' means 'social' (public or community) housing. Although these are included on a broad continuum of affordable housing for very low, low and moderate income households, many residents facing affordability problems in North Sydney LGA would fall outside the eligibility criteria for social housing, and would require other affordable housing products to rent or purchase.

Housing is considered to be 'affordable' where households that are renting or purchasing are able to pay their housing costs and still have sufficient income to meet other basic needs such as food, clothing, transport, medical care and education. For the purpose of this study, housing is 'affordable' when a very low, low or moderate income household is paying no more than 30% of their gross household income on housing costs. This is often regarded as the point at which such households are at risk of having insufficient income to meet other living costs, including those set out in Council's *Strategy*. Households paying more than this are deemed to be in 'housing stress', whilst those paying more than 50% of gross income are regarded as being in 'severe housing stress'. For households in Greater Sydney in 2011, the following income bands, affordable weekly rental prices and affordable purchasing prices⁵⁷ are relevant to very low, low and moderate income households.⁵⁸

⁵⁷ Assuming a 5.9% interest rate for a loan paid over a 30 year period, and assuming a 20% deposit.

⁵⁸ Households are divided up into those earning a very-low income (less than 50% of the Greater Sydney median), low income (those earning between 50% and 80%), moderate income (those earning between 80% and 120%) and higher income households (those earning over 120% of the Greater Sydney median).

Table 5-1: Household income bands and maximum affordable rental and property purchase prices, 2011 (CPI adjusted to 2012)

Household Income Band	Very Low	Low	Moderate	Higher
Gross Weekly Household Income (August 2011 Dollars)	<\$724	\$724 - \$1,157	\$1,158 - \$1,736	\$1,737+
Gross Weekly Household Income (CPI Adjusted to December Quarter 2012 Dollars)	<\$740	\$740 - \$1,180	\$1,181 - \$1,773	\$1,774+
Maximum Affordable Weekly Rent	\$221	\$354	\$532	N/A
Maximum Affordable Property Purchase Price	\$200,000	\$320,000	\$480,000	N/A

Source: JSA 2013 (see Table Notes⁵⁹)

Given the prolonged and growing affordability issues facing North Sydney LGA, reported below and in JSA (2008a; 2008b) it is likely that the need for affordable housing could affect anyone in the community at some stage in their lives. The inclusion of affordable housing as a component of all new urban development and redevelopment, and protection of existing stocks of affordable and low cost housing, supports the objectives of government with regard to social sustainability and inclusion, and is thus also a matter in the public interest. In particular, affordable *rental* housing provided in perpetuity is an important form of community infrastructure that supports community wellbeing and social and economic sustainability, including a diverse labour market and economy, and strong and inclusive communities.

⁵⁹ Table Notes: (1) Very-low, low, moderate and higher income bands calculated using median gross weekly household income for Greater Sydney as reported by the Australian Bureau of Statistics 2011 (Basic Community Profile, Place of Usual Residence); (2) Maximum affordable property price calculated using www.infochoice.com.au Home Loan Repayment Calculator, using the average variable home loan interest rate of the Big Four Banks of 5.9% as at 4 March 2013 and assuming a 30 year loan repayment period; (3) Maximum affordable rental and property purchase prices use household income bands CPI adjusted to 2012 dollars.

5.2 Housing Market Trends

5.2.1 Overview

The North Sydney housing market has historically been one of the most expensive in Greater Sydney, and continues to be so for both rental and purchase. Though it tends to track the Greater Sydney housing market, it has consistently been 20-30% above the Greater Sydney rental market, and 30-40% above the Greater Sydney housing purchase market in real terms for at least the past 10 years.

There is some evidence that differentials between the Greater Sydney and local **rental** markets are decreasing in real terms as *rental* prices in the wider Sydney market 'catch up' to North Sydney in a deteriorating affordability market, though it is likely this has been a more recent trend. That said, rental prices in both North Sydney and the wider Sydney market have each increased significantly above inflation.

The trend for dwelling **purchase** prices is quite different in both North Sydney LGA and Greater Sydney, where each has experienced virtually no growth since 2002 in real terms (0.8% and 0.3% respectively). This in part is likely to explain the significant increase in rental, where a lack of capital gain is likely to deter investors and constrain supply, and also lead those owning rental properties to seek greater returns through rental yield given the lack of long-term capital gain. Unlike rental, there has been no 'narrowing of the gap' between the LGA and Greater Sydney markets despite the much greater level of high density development in North Sydney.

This is discussed further below, and in more detail in Appendices A and B.

5.2.2 Rental Trends Compared with Greater Sydney

Taking into account inflation⁶⁰, there has been an upward trend in the rental markets for both North Sydney LGA and Greater Sydney over the past ten years. Median weekly rents in North Sydney LGA have increased by approximately \$100 (23%) over the past ten years, from \$447 in December Quarter 2002 to \$550 in December Quarter 2012 (in December 2012 dollars), while median rents for Greater Sydney have increased by approximately \$120 (35%) over the same period, from \$342 to \$460.

In December Quarter 2012, while a median single bedroom unit rented for \$450 per week (somewhat higher than the Greater Sydney median of \$430), a two bedroom unit was much more expensive at \$595 per week (compared with \$470 for Greater Sydney).

⁶⁰ ABS Consumer Price Index, All Groups, Australia.

Houses in North Sydney, though quite scarce,⁶¹ are very expensive, with a median three bedroom house in North Sydney LGA renting for \$1,000 per week, more than twice the rental price for Greater Sydney.⁶²

Rental costs for houses (which are in relatively low supply in North Sydney) have increased more rapidly than for Greater Sydney, whilst strata units (the predominant dwelling type in North Sydney LGA) follow overall trends. There has been a reasonably consistent rental increase across one, two and three bedroom stock.

Overall trends are shown in the following graph. More detailed data is provided for different housing and bedroom types in Appendix B.

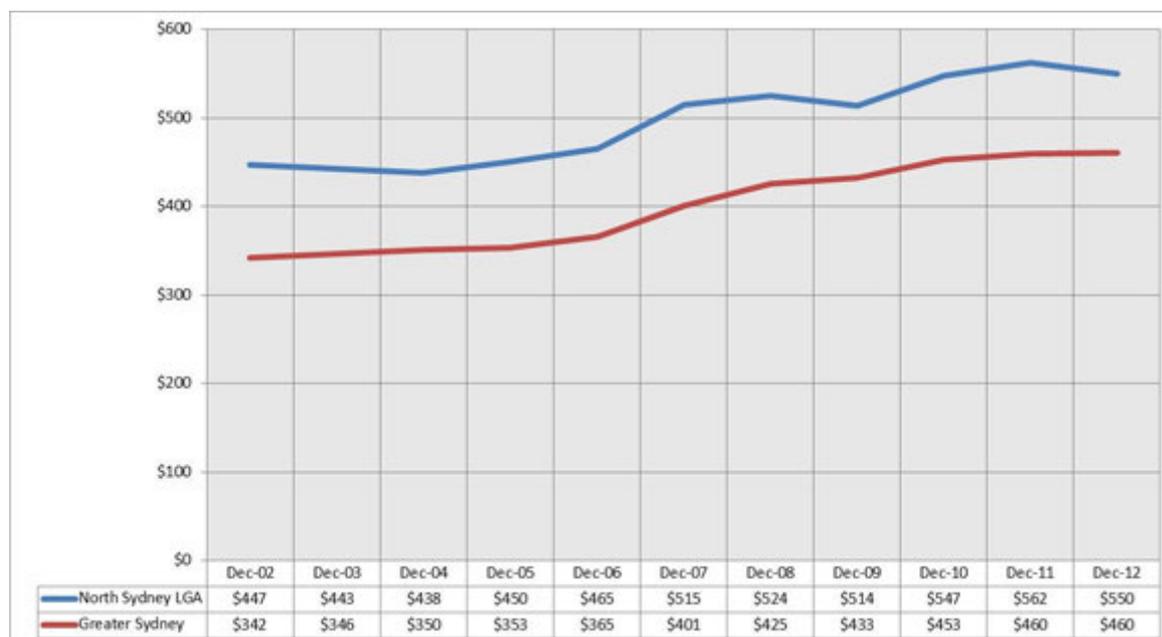


Figure 5-1: North Sydney LGA Rental Trend compared with Greater Sydney – All Dwellings, All Bedrooms (CPI Adjusted)

Source: JSA 2013, using data from Housing NSW Rent and Sales Report Issue 102, ABS Consumer Price Index, All Groups, Australia

5.2.3 Purchase Trends Compared with Greater Sydney

Similar to rental, the purchase prices of dwellings in North Sydney LGA tend to track that of Greater Sydney, albeit from a much higher base. However, the trend regarding

⁶¹ In the ABS Census of Population and Housing 2011, of the 34,955 households enumerated in North Sydney LGA, only 4,518 (13%) lived in separate houses, while 4,898 (14%) lived in semi-detached dwellings (e.g. townhouses) and 25,264 (72%) lived in apartments blocks.

⁶² Housing NSW Rent and Sales Report, Issue Number 102

increases in dwelling purchase prices in both markets is quite different to the rental market. In real terms, median sales prices for all dwelling types for both North Sydney LGA and Greater Sydney fell between 2003 and 2008, before recovering somewhat between 2008 and 2012, and over the 10 years there was no virtually real capital growth (0.8% and 0.3% respectively). Overall purchase price trends are shown in the graph below.

Trends for houses and strata dwellings are again quite different, with sales prices for houses showing a dramatically more expensive profile to that of strata dwellings, likely due to the relatively low supply of such dwellings, cost of land, and other market factors. This is discussed in more detail in Appendix B.

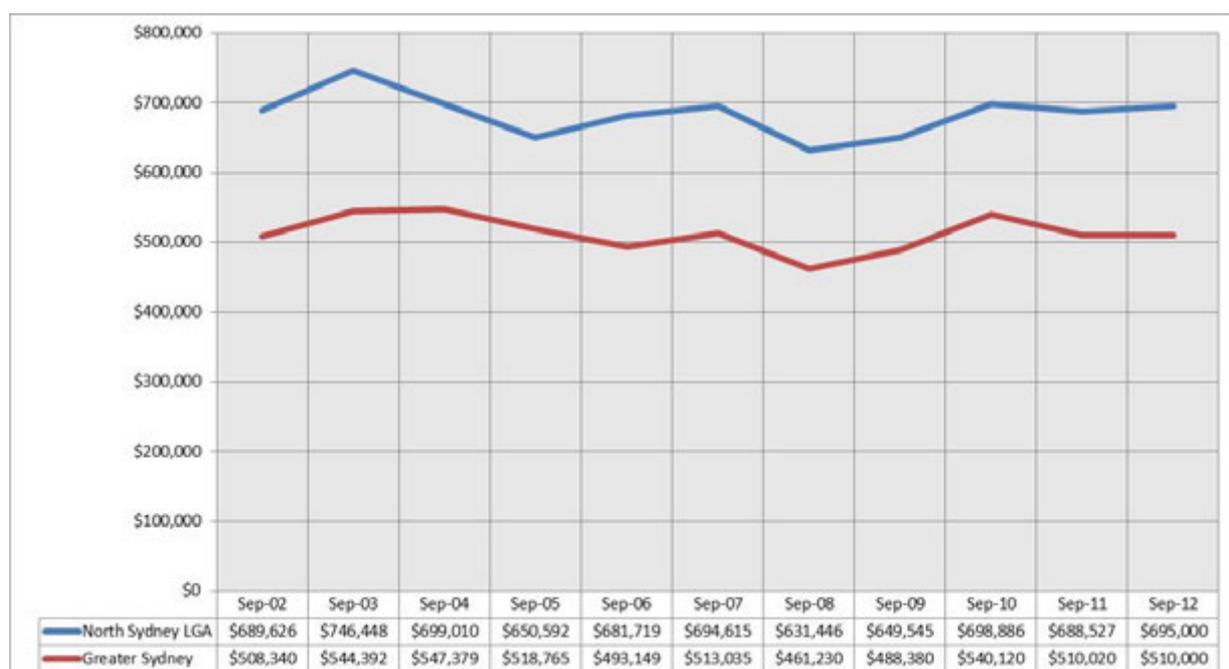


Figure 5-2: North Sydney LGA Property Sales Trend compared with Greater Sydney – All Dwelling Types (CPI Adjusted)

Source: JSA 2013, using data from Housing NSW Rent and Sales Report Issue 102, ABS Consumer Price Index, All Groups, Australia

5.3 Housing Stress and General Affordability

5.3.1 Overview

Virtually all very low and low income households, and many moderate income households, would generally be excluded from renting or purchasing in North Sydney LGA due to the serious unaffordability of even the lowest cost accommodation, with very

low and low income lone person and sole parent households most affected by housing stress, and very low to moderate households with children unable to rent larger housing product to meet their needs without falling into often severe housing stress.

The situation has worsened in North Sydney from 2006 to 2011 in terms of the number of very low, low and moderate income households in housing stress, and it is likely that many very low and low income renters would be at risk of displacement from the LGA if current trends continue.

5.3.2 Housing Stress in North Sydney LGA

One important way of understanding the need for affordable housing in an area is the degree of relative housing stress among very low, low and moderate income households⁶³ compared with other areas, the characteristics of such households, and how this is changing over time. A household living in Greater Sydney that is earning less than 120% of the median gross household income for Greater Sydney and that pays 30% or more of its gross household income in rental payments or mortgage repayments is said to be in housing stress.⁶⁴

In 2011 there were approximately 3,800 households in North Sydney LGA in rental stress and 1,100 households in mortgage stress (4,900 in total).⁶⁵ This means that 26% of all renting households in the LGA and 16% of all home-purchasing households were in housing stress. By far the, the greatest need for affordable housing by this measure was for very low and low income renters (55%), as shown in the following graph.

⁶³ Note that, by definition, higher income households cannot be in housing stress.

⁶⁴ Housing NSW, *'Addressing Affordable Housing'*

<http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NSW+Local+Government+Housing+Kit/Addressing+Affordable+Housing/>

⁶⁵ Calculated using cross-tabulations of gross weekly household income bands against weekly rental payment bands and monthly mortgage repayment bands from the ABS Census of Population and Housing 2011 (Tablebuilder), assuming a linear distribution across income, rent and mortgage bands and that households that did not state their incomes, rental payment and mortgage repayments followed the same distribution across the bands as those that did state their incomes, etc.

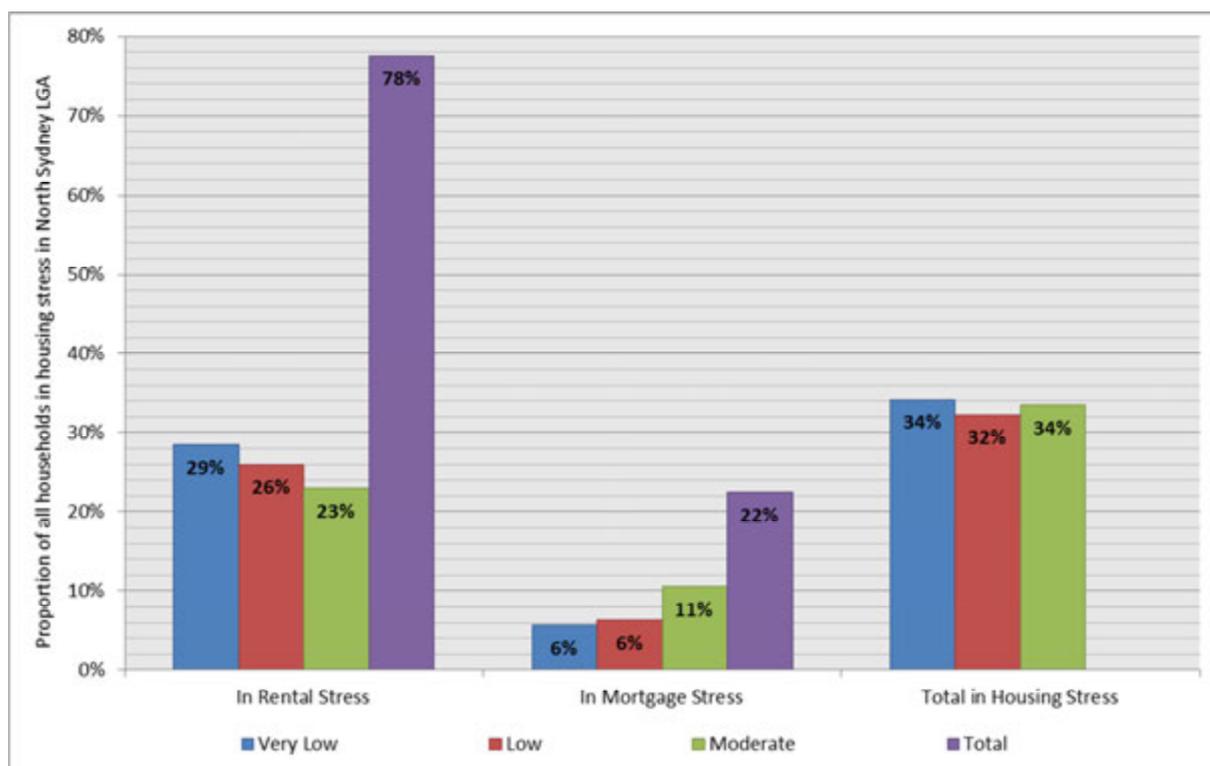


Figure 5-3: Breakdown of Households in Housing Stress 2011

Of those in **rental stress** in North Sydney LGA, almost 80% of those in housing stress were renters, and over three quarters were very low income households. Around 37% (1,400 households) were on a very-low income, 34% (1,300 households) were on a low income and that 30% (1,100 households) were on a moderate income. In terms of household composition, 55% (2,100 households) were lone person households, while 14% (550 households) were couples without children and 9% (350 households) were couples with children. Half of those households in rental stress had a reference person aged between 20 and 39 years of age, and 25% were older than 55 years. In terms of labour force status, 70% of households in rental stress had a working reference person, and of these, one-third worked as a professional (870 households), with a further 18% working in a clerical or administrative occupation (470 households).

The increase in housing stress among very low, low and moderate income households increased disproportionately in the inter-censal period. Between 2006 and 2011, the total number of renting households in North Sydney LGA increased from around 14,000 to 14,580, a 4% increase over five years, while the number of renting households in housing stress also increased over this period, from 3,380 (24% of renting households) in 2006 to 3,800 (26% of renting households) in 2011, a 13% increase in the number of renting households in housing stress. Interestingly, there was a dramatic shift in the

income profile of those in housing stress, with a decreasing proportion on very low incomes and a significant increase in those on low incomes, possibly due to a changes in 'partnering' of very low income households, changes in income composition and out-migration of very low income households, or other factors.

Purchasing households in housing stress in North Sydney LGA had quite a different income profile. Almost half (47% or 520 households) were moderate income households, while a further 28% and 25% were low and very-low income households respectively. Again, a large proportion (56%) were lone person households, while a further 14% were couples without children and 10% were single parent families. Reference persons of households in purchase stress are somewhat older than those in rental stress, with around half aged between 30 and 49 years, and 25% were older than 55 years, reflecting later entry into home ownership. Of those with a working reference person (80% of households), 41% were employed as professionals (340 reference persons), with a further 20% employed in a clerical or administrative role (170 reference persons).

Again, there was a disproportionate increase in housing stress among very low, low, low and moderate income households. In 2011, there were around 6,770 home-purchasing households in North Sydney LGA (an 18% increase over five years). Of these households, 16% were in housing (mortgage) stress in 2011, up from 14% in 2006 (a 35% increase).

Importantly, **lone person households and single parent families** are the most likely to be in housing stress in North Sydney LGA, likely due to only having one income from which to meet housing expenses. In 2011, 40% of renting lone persons and 48% of renting single parent families in the LGA were in rental stress, while 31% of home-purchasing lone persons and 34% of home-purchasing single parent families were in mortgage stress.

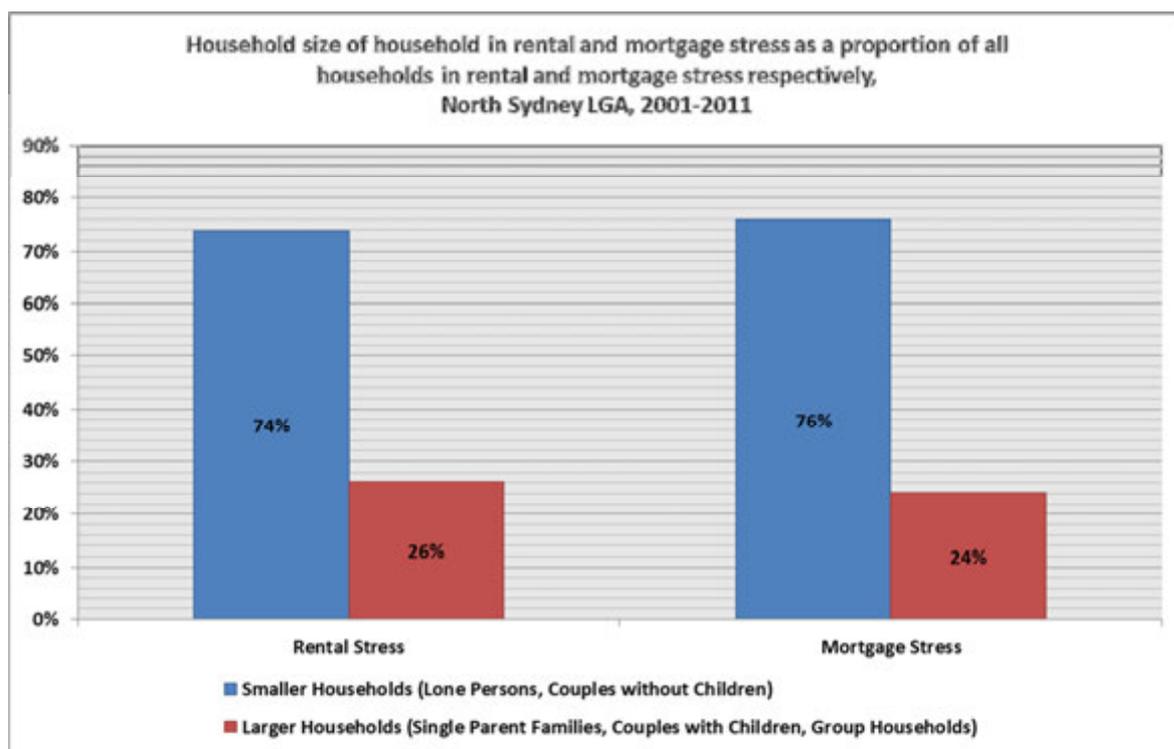


Figure 5-4: Breakdown of Households in Housing Stress 2011

Compared with Greater Sydney as a whole, the overall level of housing stress in North Sydney LGA is actually quite low, which is somewhat counter-intuitive given the substantially more expensive housing market in North Sydney Local Government Area.⁶⁶ The reason for this is the relatively high proportion of higher-income households in North Sydney LGA, who are, by definition, unable to be in housing stress. In 2011, approximately 60% of households in North Sydney LGA that reported their household income were found to earn over \$1,736 per week before tax, and thus to be higher income households and unable to be in housing stress. Comparatively, the proportion for Greater Sydney was substantially lower at approximately 40%. It is also increasingly difficult for very low and low income households to enter the relatively expensive North Sydney housing market, and there has been an historical loss of lower income households from the LGA.⁶⁷

⁶⁶ In their Rental and Sales Report Issue Number 102 (Rents for December Quarter 2012 and Sales for September Quarter 2012), Housing NSW reported a median weekly rental price of \$550 for all dwellings in North Sydney LGA (compared with \$460 for Greater Sydney) and a median sale price of \$695,000 for all dwellings in North Sydney LGA (compared with \$510,000 for Greater Sydney).

⁶⁷

5.3.3 Affordability for relevant target groups

In a recent survey of rental properties,⁶⁸ JSA calculated that even a first-quartile single-bedroom property in North Sydney LGA (advertised for \$430 per week) would be affordable only to the upper 60% of the moderate household income band, with first quartile properties having two or more bedrooms being affordable only to higher-income households (and hence none in the target groups for affordable housing). In terms of sale prices, JSA's recent analysis⁶⁹ revealed that even a first quartile strata property in the LGA (costing \$421,250) would be affordable only to the upper 60% of the moderate household income band, with first quartile strata properties having two or more bedrooms again being affordable only to higher income households, and thus none of the relevant target groups. Non-strata properties in the LGA (i.e. separate houses) are even more expensive. Analysis of sales for the year of 2012 revealed that a first-quartile two-bedroom house in North Sydney LGA (costing approximately \$900,000) would be affordable only to higher-income households. This analysis is supported by prices reported by Housing NSW in their *Rent and Sales Report Issue Number 102*, which gives a first-quartile weekly rent of \$450 for single bedroom properties in North Sydney LGA, a first-quartile sale price of \$545,000 for strata properties and \$1.1 million for non-strata properties.

North Sydney LGA is least affordable for lone person households and single parent families, as noted above. A lone person household in North Sydney LGA on a first quartile household income for that household type would pay more than 60% of their income on rental payments for a first quartile one bedroom unit (costing \$400 per week) in North Sydney LGA,⁷⁰ while even a median-income lone person would pay around 30%. In terms of lone persons living across Greater Sydney, a first quartile income lone person household would have to pay more than their entire income to rent a first quartile one bedroom unit in North Sydney LGA, a median income lone person would pay approximately 60% of their income and even a third-quartile lone person would pay approximately 30% of their income.

⁶⁸ An analysis of rental properties advertised on realestate.com.au between 22 February and 26 February 2013 (JSA 2013).

⁶⁹ An analysis by JSA of sales data from Red Square Real Estate Software for properties sold in North Sydney LGA between 1 January 2012 and 22 January 2013 (JSA 2013).

⁷⁰ Quartiles and median rental prices for North Sydney LGA taken from Housing NSW Rent and Sales Report Issue 102.

While single parent families tend to earn more than lone persons,⁷¹ they will generally require a larger dwelling since they have at least one child, and will therefore need to pay more in rent. A single parent in North Sydney LGA earning a first-quartile income for that household type would pay approximately 60% of their income to rent a first-quartile two bedroom unit in North Sydney LGA (costing \$530 per week), while a median income single parent would pay over 30%. Across Greater Sydney a single parent family on a first-quartile income would pay approximately 85% of their gross income on rental payments, a median-income single parent would pay approximately half of their gross income and a single parent family on a third-quartile income would pay approximately 30% (see Appendices F, G and H for more detail).

5.4 Households able to affordably rent (1996-2011)

An assessment was also undertaken by JSA of changes in rental and purchase affordability over time, specifically changes in the proportion of households that could affordably rent from 1996 to 2011 according to relevant benchmarks.

In terms of the availability of 'affordable' private rental stock, both North Sydney LGA and Greater Sydney have become less affordable over the past fifteen years, with a loss of stock affordable to very low and low income households in absolute terms, and a significant decrease in the proportion of such stock apparent. North Sydney is a *much less affordable area* than Greater Sydney as a whole, with far lower proportion of stock in the 'affordable' range for renters in the relevant target groups.

Perhaps unsurprisingly, public rental stock is generally affordable to relevant target groups, though as discussed later, the LGA has a much lower than average supply of social housing, and such stock is also declining.

In 1996, very low income renting households in **North Sydney LGA** at the top end of the income band (i.e. earning less than \$374 per week) could theoretically 'affordably' rent approximately 1,200⁷² properties in North Sydney LGA (9%⁷³ of properties). By 2011 this number had fallen to approximately 1,000 properties (7% of properties being

⁷¹ ABS (2011) Census

⁷² Calculated by JSA based on data from ABS Census of Population and Housing 1996, 2001, 2006 and 2011 (Time Series Profile, Place of Enumeration). Note that rental prices for properties is reported by the ABS in bands (e.g. rented for \$100-\$149 per week), and therefore for if the affordable weekly rent able to be paid falls within the band the number of affordable properties is calculated using linear interpolation and assuming that properties are evenly distributed across the rental band (e.g. very low income households at the top of the income band in 1996 were calculated to be able to affordably rent a property for \$112 or less per week).

⁷³ Proportions are number of affordable properties divided by the total minus the number where rent was not stated.

rented in the LGA), noting also that such properties are often not available to or rented by such households. Similarly, while in 1996 low income households at the top end of the income band (i.e. earning \$597 per week) could theoretically 'affordably' rent approximately 3,000 properties in North Sydney LGA, by 2011 this number had fallen to 2,400 properties (17% of properties in the LGA), again noting that these properties are often not available to these households in a competitive market. In terms of dwellings affordable to moderate income households at the top end of the income band (i.e. earning \$896 per week in 1996) there was actually a slight increase in the number between 1996 and 2011 (from approximately 7,800 in 1996 to 8,000 in 2011), while the proportion of properties that were affordable to these households decreased slightly (from 59% in 1996 to 56% in 2011).

A similar situation is seen in rental prices of properties **rented through real estate agents in the LGA**, though *substantially fewer* of these properties are affordable to lower-income households. Between 1996 and 2011 the number of these properties affordable to households earning at the upper end of the very low income band decreased from approximately 130 to 110 (from 1.5% of properties rented through real estate agents to 1.0%), and for those earning at the top-end of the low income band the number of affordable properties decreased from 1,200 to 1,150 (from 14% to 10%). The number affordable to households earning at the top-end of the moderate household income band increased substantially from 4,700 in 1996 to 5,900 in 2011, though there was a slight decrease in terms of the proportion of properties rented through real estate agents that were affordable (decreased from 54% in 1996 to 53% in 2011). In terms of the latter, it is likely that some higher end stock may be entering this end of the market, and/or that some of the smaller product created in the 15 years to 2011 is affordable to some moderate income households.

Across **Greater Sydney** the trend was similar, though a far greater proportion of rental properties were affordable to relevant target groups than in North Sydney LGA. The number of rental properties affordable to households earning at the top-end of the very low household income band for Sydney as a whole decreased slightly, from 26% of all rental properties to 21%, as did the number affordable to households at the top-end of the low income band (from 57% in 1996 to 46% in 2011). Again, while the number of rental properties affordable to households earning at the top-end of the moderate income band increased, the proportion of all rental properties decreased (from 86% to 79%).

In terms of properties in Greater Sydney being rented through **real estate agents**, the number affordable to households earning at the top-end of the very low income band remained almost the same, while the proportion decreased slightly from 5% in 1996 to

4% in 2011. The number affordable to households at the top-end of the low income band increased between 1996 and 2011 in absolute terms, while the proportion of all properties rented through a real estate agent decreased (from 41% to 31%). A similar situation is seen for households earning at the top-end of the moderate income band, with the number affordable to these households increasing substantially between 1996 and 2011 while the proportion decreased (from 82% to 73%).

5.5 Changes in supply of More ‘Affordable’ or ‘Lower’ Cost Dwelling Types

5.5.1 Changes in supply of social housing

In terms of relative affordability, **public housing** in North Sydney LGA is affordable to the vast majority of the target group, and is actually more affordable than state housing across Greater Sydney. In North Sydney LGA in 1996, 91% of state housing properties (460 properties) were rented at a price affordable to households at the top-end of the very-low income band, increasing to 92% in 2011. Comparatively, across Greater Sydney only 82% of state housing properties were being rented at a price affordable to households at the top-end of the very-low income band in 1996 (58,000 properties), though this proportion increased slightly to 84% in 2011.

Importantly, however, the supply of both public and community housing (**social rental housing**) has declined in real terms, despite more recent growth through the Nation Building (Economic Stimulus) package.

In 2011, 459 households in North Sydney LGA were enumerated⁷⁴ in a property rented through the NSW State Housing Authority (i.e. Housing NSW). A further 44 households were in a property rented through a ‘housing co-operative / community / church group’, i.e. a community housing provider (CHP), or a total of 503 households ‘social rental’ properties in 2011 (or 1.6% of the 31,365 occupied private dwellings in the LGA). Over half (53%) of these were in the suburb of Kirribilli, with most of the remainder in the suburbs of Wollstonecraft (17%), Cammeray (8%) and Cremorne (7%). Community Housing tends to be scattered throughout the Local Government Area, with 11 (27%) in the suburb of North Sydney, 9 (22%) in Neutral Bay and 6 (15%) in Neutral Bay.

There has been a **decline in the amount of social rental housing** over the past ten years, not just in North Sydney LGA but across the whole of Greater Sydney. Between

⁷⁴ Were ‘enumerated’ being counted at that place on the night of the Census.

2001 and 2011, there was a 9% decline in the number of households enumerated in State Housing in North Sydney LGA, with the number decreasing from 505 to 459 over the ten-year period. Over the same period the LGA experienced a 32% decline in the number of households enumerated in Community Housing, with the number of households enumerated in this type of housing declining from 65 to 44. Over the same period, the total number of households in North Sydney LGA increased by 10%, from 28,500 households in 2001. Total households enumerated in Social Housing stock therefore declined from 570 households in 2001 to 503 households in 2011 (an 11% decrease in such households)

This situation is of concern for two reasons. First, in order to maintain the relative amount of social housing in North Sydney LGA from 2001 the amount of this type of housing would have also had to increase by 10%, while in fact the amount of social housing in the area has declined since 2001. Secondly, even in 2001 the amount of social housing in North Sydney LGA was low compared with Greater Sydney as a whole, i.e. in 2001 social housing housed just 2.0% of households enumerated in North Sydney LGA, compared with 5.5% of households enumerated across Greater Sydney. This is a particularly serious issue for North Sydney due to the affordability context discussed above.

See also Appendix F for more detail.

5.5.2 Boarding Houses

Boarding houses have long provided a source of low-cost housing in metropolitan and regional areas of Australia. The quality and suitability, both in terms of building standards and in terms of occupancy arrangements, of this housing to meet the needs of the range of residents who call boarding houses 'home' can vary widely.

Boarding house renters can include vulnerable people on limited incomes, such as people with disabilities, those with experiences of homelessness, women escaping domestic violence (often with children), and people with age related frailty. However, boarding house renters can also be limited income workers and students (often from overseas).

In the most recent ABS Census (2011), 339 persons reported that they were 'at home' at a 'boarding house or private hotel'.⁷⁵ Of these 339 persons living in boarding houses, 159 (47%) lived in Neutral Bay, 94 (28%) lived in Cammeray and 38 (11%) lived in Kirribilli.

⁷⁵ Presumably, those enumerated at a private hotel would not have reported that they were 'at home', so it may be deduced that these 339 persons were boarding house residents.

There does not appear to have been a significant change in the number of persons living in boarding houses in North Sydney LGA in the most recent inter-censal period. In 2006, 327 persons reported that they were 'at home' in a 'boarding house or private hotel', similar to the 2011 Census figure. However, this may be an undercount due to the way that census collectors classify buildings, and also masks the fact that there has been a major loss of boarding house accommodation in North Sydney (and other inner and middle ring suburbs) over the past 30 years with increasing gentrification, and the conversion or redevelopment of such stock to single dwellings or higher value uses.

In 2008, the authors carried out a review of North Sydney Council's actions and involvement in promoting affordable housing for Council. The *Affordable Housing Strategy* provided a comprehensive analysis of current and historic trends in housing demand, supply, cost and affordability. It detailed the extent of provision and losses of affordable housing since the mid 1990's and described the profile of residents who occupy and need affordable housing in the community.

The *Background Report to the Strategy* (JSA 2008a) established that there were around 23 accommodation facilities in North Sydney Council area that were operating as boarding houses or private hotels at that time. It also reported on a survey of 29 boarding house properties that analysed the characteristics of boarding house residents.⁷⁶ The majority (88.4%) of these people were single and 60.8% were employed (full time or part time). Over 60% reported themselves as being long term residents, living there for more than 3 months, with 19% residing in a boarding house for more than 10 years. About one third (33.8%) were overseas visitors and 20.3% of those surveyed had been at the boarding house for less than two weeks. About 20% of the surveyed residents were pensioners. The study concluded that boarding houses and private hotels were catering for a range of people with differing life circumstances, including people who were very marginal in the housing market as well as lower income key workers, and had in common the need to find affordable, accessible accommodation.

The issues identified by JSA's (2008a; 2008b) report included:

- The operation of boarding houses was only marginally profitable. The survey owner/ managers established that 25% of respondents indicated they had plans to change the use of the building within the next five years;
- The continuing trend to the loss of this housing stock through conversions to private residences, strata subdivision, or other uses;

⁷⁶ Davidson, Phibbs and Cox (1998) *Inner Sydney Boarding House Report*, University of Sydney

- An emerging practice where boarding houses can be converted to backpacker accommodation and in this way avoid assessment under SEPP 10 when a change of use is proposed;
- The data on Section 94 contributions shows that funds collected by North Sydney Council through Section 94 contributions for affordable housing was not sufficient to be able to offset the loss of accommodation that occurs when boarding houses and/or private hotels are redeveloped. Between 2004 and 2008, 89 bed spaces were lost for every 1 replaced; and
- A key cost consideration in the provision of affordable housing is the holding cost (i.e. the cost of the capital tied up in the building)

The loss of the small amount of boarding house stock remaining, and the need to protect and expand such stock is an ongoing issue and is discussed further below.

See also Appendix F and JSA (2008a; 2008b) for more detail.

5.5.3 Smaller flats and units in general

Another form of housing often considered to be 'affordable' or at least 'lower cost' is small flats and units. In the most recent ABS (2011) Census, 22,570 households were enumerated in a flat, unit or apartments, with 16% being in a one or two storey block, 30% in a three storey block and 54% in a unit block of four storeys or more.⁷⁷ Flats and units made up 72% of all occupied private dwellings in North Sydney LGA in 2011 compared with 26% in Greater Sydney, and is a very different housing market in this regard.

Of all flats and units in North Sydney LGA, just 726 (3.2%) were studio apartments/bedsits and 5,724 (25%) were single bedroom units. A large number of units (46%) had two bedrooms, and a substantial number (16%) had three or more bedrooms.⁷⁸ Of studio apartments and bedsits in North Sydney Local Government Area, around one-third were in the suburb of North Sydney in 2011, 14% were in Neutral Bay and 13% were in Kirribilli. In terms of single bedroom units, 18% were located in Neutral Bay, 13% in Cremorne and 13% in the suburb of North Sydney.

In terms of the change in the number of smaller flats and units, while the number of single bedroom units increased by about 20% between 2001 and 2011 (in line with the overall increase in the number of flats and units), the number of studio apartments and

⁷⁷ Only 25 households were enumerated in a flat attached to a house, e.g. a granny flat

⁷⁸ Note that 2,228 households enumerated in flats and units did not state the number of bedrooms

bedsits has remained more or less unchanged over the same period. Encouraging the development of such units (as well as smaller one bedroom units) is likely to be an area of policy concern for Council, since studio and small one-bedroom apartments are a significant form of affordable housing for an area, and in particular for North Sydney LGA due to its large proportion of lone person households (34%) and couples without children (28%) who could comfortably inhabit a studio apartment, many of whom are in severe housing stress.

There is evidence that there is an undersupply of one bedroom and studio apartments in North Sydney, with median prices for this product increasing at about one third greater than the rate of inflation over the last eight years (that is prices have increased in real terms). By contrast median prices for three bedroom strata properties have increased at one third less than the rate of inflation over the last eight years (that is prices have fallen in real terms)⁷⁹ (see also Section 5 below, and Appendix F for more detail).

5.6 Housing Cost to Income Ratios (1996 to 2011)

Another way of understanding relativities between, and changes in, housing costs and affordability is through housing cost to income ratios, between areas and over time.

Median rental costs and mortgage repayments for North Sydney LGA between 1996 and 2011 have consistently been much higher than the medians for Greater Sydney, as have the median gross household incomes.⁸⁰ As such, while housing in North Sydney LGA tends to be far more expensive than Greater Sydney, the much higher incomes means that housing 'affordability' is quite comparable to Greater Sydney for those who *actually live* in the LGA. Further, the median gross household income for North Sydney LGA increased at a greater rate than that of Greater Sydney between 1996 and 2011, while the median rental cost and mortgage repayment both increased at a higher rate in Greater Sydney as a whole, though this is likely to have increased more rapidly since 2008⁸¹ (see also Section 3.1 above).

Rental costs (non-adjusted) rose 92% in the LGA compared with 115% in Greater Sydney from 1996 to 2011, while median household incomes rose by 125% in North Sydney compared with 93% in Greater Sydney. Thus, whilst the median rental cost to

⁷⁹ Data from EAC Redsquare, JSA analysis.

⁸⁰ ABS (1996, 2001, 2006 and 2011) Census, and time series data.

⁸¹

income ratio in 1996 for North Sydney and Greater Sydney was 26% and 22% respectively, this had reversed in 2011 (22% and 25% respectively).⁸²

Whilst this may appear to be an improved situation for North Sydney residents, several factors are relevant when interpreting the data. First, affordability has deteriorated across Greater Sydney for renters during this period, so that there has been an element of 'catch up' to the North Sydney market, which has historically had a much higher rental cost base, and still does. Secondly, the greater increase in median weekly incomes in North Sydney LGA, particularly at the higher end of the income spectrum, means that the median rent to income ratio is improving in North Sydney relative to Greater Sydney. This has likely exacerbated the situation for very low and low income renters, especially in the most recent 5 years, which accords with major rental price increases in Greater Sydney in a constrained capital growth market.

As noted above, the situation for very low and low income households in the more expensive North Sydney market continues to be bleak, and such households also face a deteriorating housing market elsewhere in Sydney should they need or be forced to leave the local area. If more recent trends continue, it also means that those from lower income households who work in North Sydney LGA may need to commute further as rents in surrounding areas rise, with implications for economic, social and environmental sustainability in the Inner North Sydney Subregion.

More detailed analysis is provided in Appendices F and G.

5.7 Nature of persons living in 'affordable housing'

A review of those living in forms of accommodation most likely to be affordable or lower cost in the LGA was also undertaken (see Appendices F and G for detail).

Those living in **social (public and community) housing** in North Sydney LGA are more likely to be lone persons (75% of households living in social housing), and those in **community housing** more likely to be single parents (20%). Reference persons of households in social housing in North Sydney LGA are more likely to be older (78% aged 50 years and older) and not engaged in the labour force (74%). Of those who are working, many are employed as labourers (25%), community and personal service workers (18%) and technicians and trades workers (9%) compared with the overall occupation profile for North Sydney LGA. In terms of gross household income, a very large proportion of those in State (public) Housing (62%) earn between \$200 and \$399

⁸² JSA (2013) derived from ABS (1996, 2001, 2006 and 2011) Census, and time series data.

per week, while many of those in Community Housing (66%) earn less than \$600 per week, and are thus well below the threshold that defines a 'very low income' household.

Persons living in **boarding houses** in North Sydney LGA have quite a broad range of ages, though they are most likely to be aged between 20 and 69 years of age (90%) with only 2.4% aged less than 20 years of age. Around 10% of those living in boarding houses in North Sydney in 2011 were unemployed (compared with 2.6% of the general population), with the labour force participation rate of boarding house residents being similar to the general population (approximately 80%). Compared with the general working population of North Sydney LGA, there is an over-representation of labourers (13%), clerical and administrative workers (19%), technicians and trades workers (14%) and community and personal service workers (13%) in the working boarding house resident population. In terms of personal income, a large proportion of boarding house residents earn between \$300 and \$999 per week (\$15,600 and \$52,100 per year) compared with the general population of the LGA (63% of boarding house residents compared with 27% of the general population). Though mostly working, the majority are on very low and low incomes.

Of all 726 households enumerated in **studio apartments** in North Sydney Local Government Area in the ABS Census of Population and Housing 2011, 78% were lone person households, with the remainder largely comprised of couples without children (16%). The median gross household income of households living in studio apartments is approximately \$1,100 per week, much lower than the median of \$2,200 per week for all households in North Sydney LGA, and under the 'low income' threshold, which suggests that the housing choice is to a reasonable degree driven by affordability considerations. Reference persons of households living in studio apartments are more likely to be aged between 20 and 39 years (60% of reference persons of households living in studio apartments), and those that are working are more likely to work in clerical and administrative roles (19%) and are less likely to work as managers (13%) compared with the overall occupation profile for reference persons in North Sydney LGA (14% and 22% respectively).

5.8 Mobility Data

The household profile of North Sydney LGA is very different to that of Greater Sydney, in particular the large proportion of lone person households (38% of households compared with 23% for Greater Sydney) and couples without children (31% compared with 25%), and a smaller proportion of couples with children (17% compared with 37%) and single

parent families (5% compared with 12%).⁸³ Just as locational amenity, proximity to services and transport and to the employment centres of Sydney have fuelled demand (and so land values and higher density dwelling types) in the LGA, so the type of housing available and its relatively high cost has to a large extent shaped the demographic profile of the area.

A trend identified in the (2008a) study was that there was significant outmigration between 2001 and 2006 of couples with children to Willoughby, Warringah and Lane Cove LGAs (among others), likely due to life stage factors (the greater abundance of larger dwellings, in particular detached houses, lower density, and higher amenity in terms of private open space), and/or affordability considerations (including the very high cost of purchasing accommodation and particularly a separate dwelling with reasonable private open space in North Sydney LGA). This continues to be the case in 2011 as, in net terms, persons migrating out of North Sydney LGA tend to be aged 30-39 years and 0-9 years, and therefore are likely to be young families.⁸⁴

Between 2006 and 2011 there was a net migration out of North Sydney LGA of persons earning individual incomes of \$2,000 or more per week (\$104,000 or more per year), which is likely to include a substantial proportion leaving the area to purchase or rent family accommodation in adjacent LGAs. Also, those remaining in North Sydney between 2006 and 2011 are more likely to earn less than \$600 per week (\$31,000 per year) compared with those migrating out of or into the LGA, which is likely to include part time workers with partners earning higher incomes, pensioners and superannuates who are existing home owners, as well as lone person households on lower incomes, though the income profiles for all three groups are quite high compared with the Greater Sydney income profile. However, many groups, in particular lower-income households, lone person households and single parent families, would find it very difficult to find a dwelling in North Sydney LGA that is both affordable and suitable, and it is likely that many would be displaced from the local area if recent rental trends continue (See Housing Stress and Affordability Analysis in this report.)

The evidence appears to be quite mixed as to whether particular groups are being excluded from North Sydney LGA due to their low incomes.

While it seems to be common-sense that people will live near their place of work if they are able, this does not appear to be strongly supported by the data provided by the ABS. About one-third of those commuting into North Sydney LGA from the balance of Greater

⁸³ ABS Census of Population and Housing 2011

⁸⁴ JSA 2013, using data from ABS Census of Population and Housing 2011

Sydney earn \$2,000 or more per week, with this group as a whole having a slightly higher income than those who both live and work in the LGA. However, the income profiles are quite similar for those commuting into, out of and both living and working within the LGA, with all three groups having a higher income than people working in Greater Sydney as a whole. Not only that, many of those commuting into the LGA for work, even those on low incomes, live in the relatively expensive LGAs of Willoughby, Ku-ring-gai and Sydney City.

The most likely explanation for this, which is supported by data from the ABS, is that low income persons (i.e. those earning less than \$600 per week) tend to be predominantly part-time female clerical and administrative workers and community and personal service workers, and younger (i.e. 15-29 year old) part-time community and personal service workers, sales workers and professionals. These persons are likely part of a household, e.g. the part-time female workers are likely to have a spouse who is the main breadwinner and the younger part-time workers are likely to be living with their parents or in a group house, so that their lower individual income is not necessarily representative of their household income.

This is discussed in more detail in Appendices D and E.

5.9 Implications for diversity and mix of stock

In terms of addressing affordability issues in North Sydney LGA, a key question is whether the aim is to address affordability issues experienced by persons and households currently living in the Local Government Area, or to encourage a more diverse social mix in terms of households with children including those commuting into the LGA for work. There would appear to be sufficient challenge in maintaining existing diversity and retaining those on very low, low and moderate incomes who *already live in* the LGA in the context of the local housing market, and it would be difficult to increase the level of larger stock suitable for families of low to moderate incomes due to the very high purchase and rental cost of such stock, without deep subsidies (such as that provided through social housing rental arrangements, for example) and strong intervention in the market.

Changes in mix of family types (though not income groups) between 2006 and 2011 are also relevant in this regard. Whilst the number of households living in North Sydney LGA grew by 10%, there was a disproportionate growth in couples with children and couples (growing by 36% and 18% respectively), and lower than average growth in sole parent and lone person household (7% and 3% growth respectively) over the period. As well as some in-migration by the former two household types, it is likely that a higher proportion

of couples are staying in the area after having children and lone persons forming relationships are also remaining in the LGA. As well as pressure in the wider housing market, it is likely that there is some degree of 'cultural change' occurring, both in terms of acceptability of more dense inner city living for families with children and in longer-term rental as a viable housing option. Some household diversity is thus occurring through the market in more recent years, particularly for higher income families and couples.

Despite this, currently over two thirds of households in North Sydney LGA are lone persons and couples without children. While couples without children currently experience quite low levels of housing stress,⁸⁵ lone person households are much more likely to experience housing stress as noted above.⁸⁶ Clearly, the likelihood of lone persons being in housing stress is largely due to their decreased earning capacity on one income. In 2011 there were around 2,700 lone person households in housing stress in North Sydney LGA, or 55% of the 4,900 households in housing stress, making this the main target group in terms of addressing affordability issues.

A relevant factor is thus the apparently constrained supply of smaller dwellings (in particular studio apartments and smaller one-bedroom apartments) appropriate to the needs of lone person (and lower income couple) households. In 2011, according to the ABS Census, there were 721 households residing in studio apartments in North Sydney LGA, while 5,714 lived in one bedroom units and 10,305 lived in two bedroom apartments. Of all households living in North Sydney LGA in 2011, only 21% lived in a studio or one bedroom apartment, which seems disproportionate, considering that 38% of households in the LGA are lone persons. In fact, of the 10,690 lone person households enumerated in North Sydney LGA in 2011, 5,700 (53%) were living in a dwelling with two or three bedrooms. Whether these lone persons choose to live in these dwellings is necessarily a matter of conjecture. It seems likely that a reasonable number would be forced to live in dwellings that are larger and more expensive than they require due to constrained supply of more appropriately sized (and therefore more affordable) accommodation (see also Section 5 below).

Even though single parents are quite scarce in North Sydney LGA, they have the higher *rates* of housing stress among household types (though not the greatest *number*). They

⁸⁵ Of the 4,430 couple without children households who were renting in North Sydney LGA in 2011, only 545 (12%) were in rental stress. Of the 2,062 couple without children households who were purchasing their home, only 149 (7%) were in housing stress (JSA 2013, using data from ABS Census of Population and Housing 2011).

⁸⁶ Of the 5,162 lone person renters in North Sydney LGA in 2011, 2,090 (40%) were in housing stress. Of the 2,022 lone persons purchasing their homes, 622 (31%) were in housing stress (JSA 2013, using data from ABS Census of Population and Housing 2011).

like lone persons have not increased at the same rate as average household growth in the LGA. In 2011, of the 661 renting single parent families, 319 (48%) were in housing stress, while of the 373 single parent families purchasing their home, 126 (34%) were in housing stress. The issue of housing stress among single parent families is difficult to address. While for lone person households the degree of housing stress could be alleviated to a large degree by for example providing additional smaller units at market rent, single parent families require larger accommodation. Of the 1,468 single-parent families enumerated in North Sydney LGA in 2011, 948 (65%) had two persons usually resident (i.e. one adult and one child), while 418 (28%) had three persons and 94 (6%) had four. It could be reasonably assumed that those with one and even two children could be housed in a two-bedroom unit, but even so a first quartile two bedroom unit in North Sydney LGA rented for \$530 per week in December Quarter 2012,⁸⁷ meaning that in order to affordably rent this property the single parent would need to earn an individual income of at least \$1,750 per week, or approximately \$90,000 per year before tax, unless the children in the household were also working. Of the 1,277 single parent households in North Sydney LGA who reported their household income in 2011, approximately 550 (43%) earned \$1,750 or more per week. For the remaining 720 or so, a first quartile two-bedroom unit would be unaffordable, and hence these households would generally be forced to either leave the area, or to live in housing stress.

Provision of additional larger accommodation at affordable prices is necessary if North Sydney Local Government Area is to achieve a more diverse social mix in terms of households with children, particularly lower income sole parent households and lower income couple with children households, who are still vastly underrepresented in the LGA despite recent growth. Achieving diversity through housing affordability with regard to household types (apart from smaller households) is thus likely to be a considerable challenge in North Sydney LGA. As discussed later, this would be very difficult to achieve through the market including with 'light' planning interventions.

See also Appendices A, E and F for more detailed discussion.

5.10 Quantification of need for AH

The *Draft Metropolitan Strategy for Sydney* contains a target for an additional 138,000 new dwellings by 2031 in the Central Subregion, an increase of 26%.⁸⁸ Proportionally, this will mean an additional 8,000 dwellings in North Sydney.

⁸⁷ Housing NSW Rent and Sales Report Issue 102

⁸⁸ NSW Government (2013) *Draft Metropolitan Strategy for Sydney, Central Subregion*.

In 2011, there were 31,000 households counted in private dwellings in North Sydney, including 15,000 dwellings owned or being purchased; and 16,000 dwellings rented. Of these, 980 rental dwellings were affordable to very low income households (3.2%), 2,400 to low income households (7.7%) and 8,000 (25.8%) to moderate income households. Of 955 dwellings sold in the first half of 2013,⁸⁹ four (0.4%) were affordable to very low income households; an additional 22 (2.3%) were affordable to low income households; and a further 100 (10.5%) were affordable to moderate income households. In terms of total dwellings, the proportions are 0.2%, 1.1% and 5.1%.

On these figures, 3.4% of all dwellings are affordable to very low income households, a further 8.8% are affordable to low income households and an additional 30.9% are affordable to moderate income households.

These dwellings also include 1.8% social housing.⁹⁰ In addition, boarding houses housed another 339 people.

Different targets for affordable housing depend on the policy approach adopted. A policy of addressing the backlog of affordable housing and reversing gentrification will result in very high targets for affordable housing. A more achievable target is based on maintaining 2011 levels of affordable housing in North Sydney LGA.

Considering only the maintenance of 2011 levels of affordable housing within North Sydney LGA, the following targets will need to be met between 2013 and 2031:

- An additional 150 social housing dwellings (1.8% of projected additional dwellings)
- An additional 3,300 affordable rental and purchase dwellings (41.3% of projected additional dwellings)
- An additional 90 beds in boarding houses.

⁸⁹ Redsquare data base and JSA calculation.

⁹⁰ Refer Appendix G Table 1-5 adjusted for "Tenure type not stated".

6 Social Housing in North Sydney

6.1 Overview

'Social housing' is an umbrella term for housing that attracts deep government subsidies, where rental is generally calculated as a proportion of gross household income (generally around 25% and no more than 30%). Such housing increasingly accommodates low or very low-income households, including those with a range of special needs. 'Public housing' is subsidised housing that is provided and managed by State, Territory or Commonwealth government. 'Community housing' is subsidised housing that is managed and sometimes owned by the Community Housing Association (CHA), housing co-operatives, churches or religious groups. Social housing in North Sydney LGA is made up of public housing that is owned and managed by the NSW Department of Housing (DOH), and community housing properties that are owned (often in partnership) by a variety of organisations including North Sydney Council, NSW DOH and private individuals that are then managed by a housing provider. Link Housing is the primary community housing provider in the LGA.

There are 642 **social housing properties** in the LGA, with over half concentrated in the high-density Greenway housing estate at Milsons Point. There is a much lower than average proportion of public housing in the LGA compared to the benchmark areas. Property numbers provided by Housing NSW are greater than Census data. This could be because of Census undercounting, differences in boundaries and some of the properties may not be 'private dwellings' e.g. boarding houses and group homes.

Link Housing Ltd currently manages 1,118 properties, of which 70 are in North Sydney LGA.

Like public housing tenants, most tenants of Link Housing Ltd are on pensions and benefits and so pay below market rent. Tenants are older than average, and half have a disability, particularly a psychiatric or intellectual disability. A very high proportion of Link Housing Ltd tenants are lone person households with the other main group being sole parent families. Moreover, the profile of those housed by Link Housing Ltd is highly disadvantaged and high need.

Finally, there are also 27 social housing properties that **Council** has full or part ownership. The majority of these are managed by Link Housing Ltd.

6.2 NSW Department of Housing

6.2.1 Public Housing Stock Profile

NSW Department of Housing records show that they have 642 social housing properties in the North Sydney LGA, with 59 of these Community Housing.⁹¹ These properties are either currently tenanted or vacant, and managed directly by the Department or a community housing provider such as North Shore Community Housing.

⁹¹ NSW Department of Housing, personal communication, 23 October 2013.

Table 6.1: NSW DOH Properties in North Sydney LGA and surrounds

Post Code	Suburbs	Properties Under Management
2060	Lavender Bay, McMahons Point, North Sydney, Waverton	69
2061	Kirribilli, Milsons Point	320
2062	Cammeray	62
2065 ⁹²	Crows Nest, Wollstonecraft, St Leonards, Greenwich, Naremburn	224
2090	Cremorne, Cremorne Junction, Cremorne Point	42
Total		717

Source: NSW Department of Housing (2008) Northern Sydney By Postcode: Data as at 31 December 2007.

A large proportion of the dwellings are the 307 or so units in the high-rise Greenway estate in McDougall Street, Kirribilli, pictured below.⁹³



Figure 6-1: The Greenway Estate from the Corner of McDougall and Clark

JSA (2008) Kirribilli Site Visit, 28 March.

⁹² Note that postcode area 2065 includes the suburbs of Greenwich and Naremburn that are outside the North Sydney LGA boundary, and that only a small portion of St Leonards is within the LGA boundary.

⁹³ Taylor, C (2007) North Sydney Council Reports, Report to General Manager: Key Services at Greenway, 07 May. This report states that there are 308 units at Greenway with over 400 tenants. Barrett, G (2003) Greenway, The Great Survivor: Fifty Years of the Life of a Public Housing Estate. States that there are 307 units in the Greenway.

6.3 Link Housing Ltd

Link Housing Ltd is a public benevolent institution with a 28 year history as a community housing provider. The For Purpose nature of the business is to provide affordable rental accommodation to people on very low to moderate incomes. Link Housing Ltd aims to provide a compassionate, client-centred service for people at risk of homelessness or unable to afford market priced private rental in the Sydney Region.

From a handful of properties in 1984 the organisation now manages more than 1,100 dwellings across 14 Local Government Areas. The management services extend from placing tenants into their new home, the collection of rents and coordinating activities with support partners; through to managing the sustainable maintenance of the majority of the dwellings.

6.3.1 Amount, Nature and Performance of Stock

As at September 2013, Link Housing has 1118 dwellings under management across the whole north shore area from Warringah to Manly; Hornsby to Ryde; and Willoughby to North Sydney.

The following tables show the breakdown of these properties by LGA, followed by a breakdown of the type and bedroom number of stock under management in North Sydney. It can be seen that Link Housing stock is concentrated most heavily in Ryde (30%), Hornsby (20%), Warringah (14%) and Willoughby (10%).

6% of their stock is in North Sydney LGA, which consists of 68 private dwellings, one boarding house with 10 bedrooms, and one group home accommodating 5 people with high support needs.

Table 6.2: Total number of Link Housing stock by LGA

	Unit	House	Town house	Bedsit	Duplex	Boarding House	Group House	SLU	Total
Auburn		4							4
Baulkham Hills	1	3	3						7
Campbelltown		1							1
Hornsby	140	66	21				1		228
Hunters Hill	3								3
Ku-Ring-Gai		7					1		8
Lane Cove	58	5							63
Liverpool		5							5
Maitland		3							3
Manly	27	11	3		4			1	46
Mosman	19								19
North Sydney	64	4				1	1		70
Parramatta	32	2	12						46
Pittwater	9	4	1						14
Ryde	263	50	26						339
Warringah	85	53	2	11	2				153
Willoughby	84	21	1		2		1		109
Total	785	239	69	11	8	1	4	1	1118

Source: Link Housing Ltd 2013

The majority of stock in North Sydney LGA is made up of smaller (one and two-bedroom) flats and units in North Sydney (13), Neutral Bay (22) and Crows Nest (6) as well other dwelling types including 1 - 4 bedroom houses.

Table 6.3: Suburb, dwelling type and bedroom number in North Sydney LGA

Suburb	1 bedroom		2 bedroom		3 bedroom		4 bedroom		5 room	10 rooms
	House	Unit	House	Unit	House	Unit	House	Unit	Group House	Boarding House
Cammeray		1		5					1	
Cremorne		1		1						1
Crows Nest	1	6	1			2	1			
McMahons Point					1					
Neutral Bay		19		3		1				
North Sydney		12		1						
Waverton		1		1		3		3		
Wollstone-craft		1		1						
Total		42		13		7		4	1	1

Source: Link Housing Ltd 2013

The vast majority of properties managed by Link Housing Ltd are funded partially or fully under CSHA, with the balance affordable housing. There are 43 tenancies in North Sydney Council Joint Venture Properties.

Table 9.4: Funding Sources for NSCH Dwellings

Program	Total No. of Tenancies
Capital Program	362
Capital Stock Transfer	55
Crisis	19
HPA FFS	7
Leasehold	366
NSC JV	43
NBESP	219
Short-Term Lease	8
Affordable	63
Total	1142

Source: Link Housing Ltd 2013

60% of tenants had been housed by Link Housing Ltd for less than 5 years, and 23% for less than 2 years.

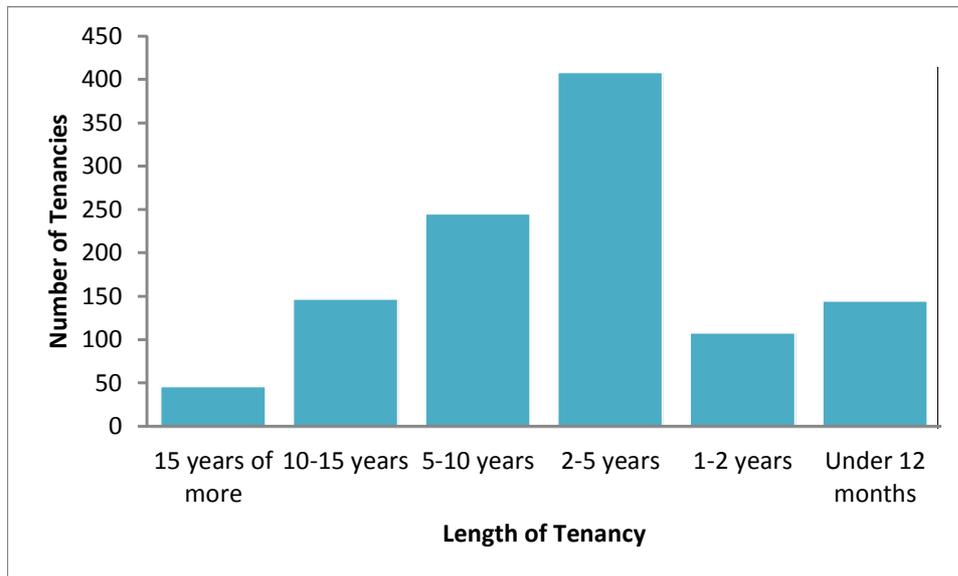


Figure 6-2: Length of tenancies as at September 2013

Source: Link Housing Ltd 2013

96% of tenants are paying below market (subsidised rents).

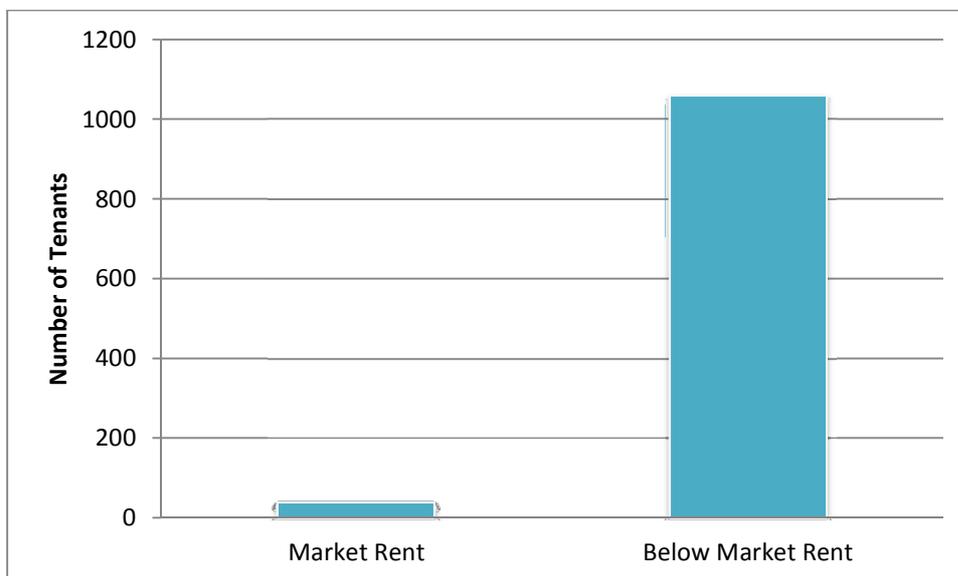


Figure 6-3: Proportion of households paying market rent 2013

Source: Link Housing Ltd 2013

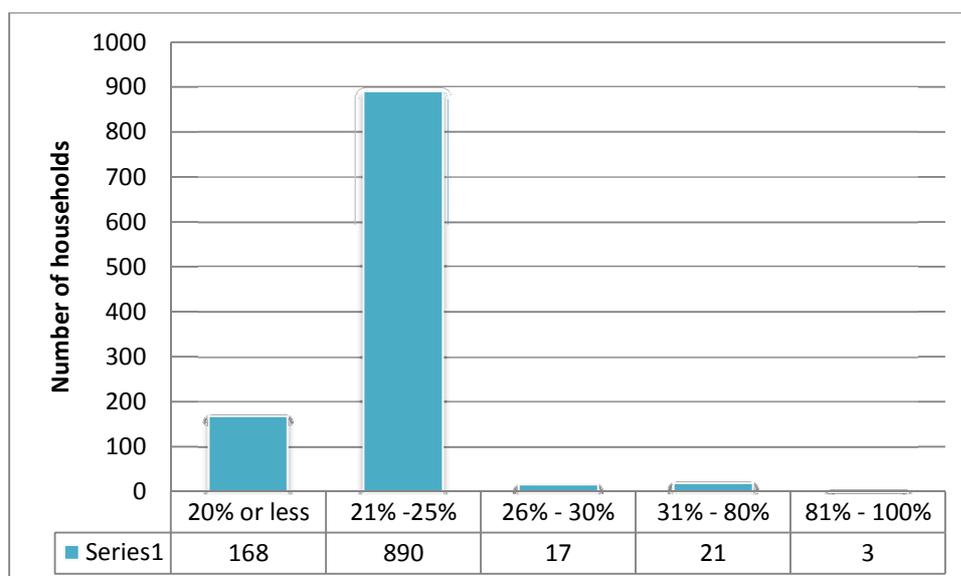


Figure 6-4: Proportion of household income paid in rent 2013

Source: Link Housing Ltd 2013

6.3.2 NSCH Tenant Profile

The age profile of tenants of Link Housing Ltd is somewhat older than the general population and 51% have a disability, as shown below.

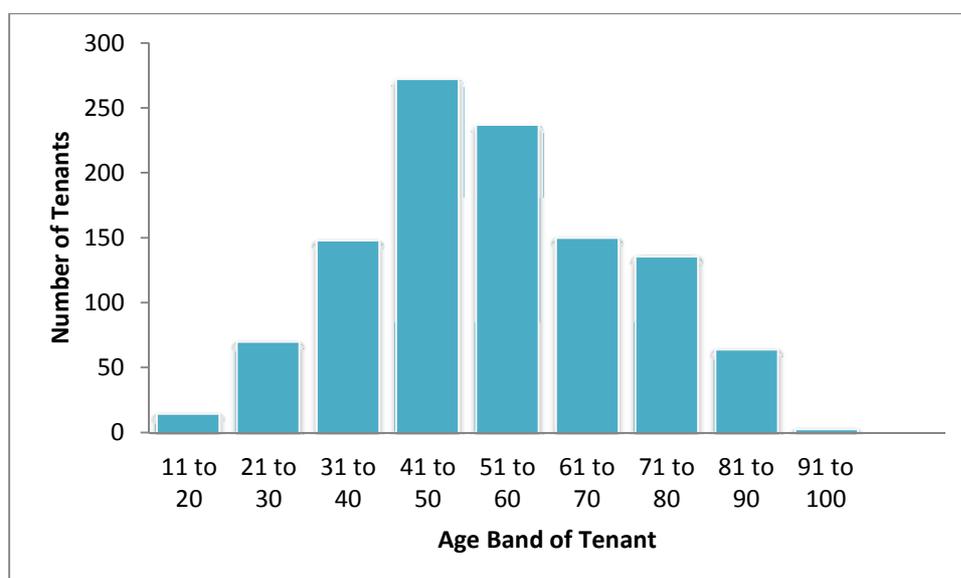


Figure 6-5: Age Profile of Tenants 2013

Source: Link Housing Ltd 2013

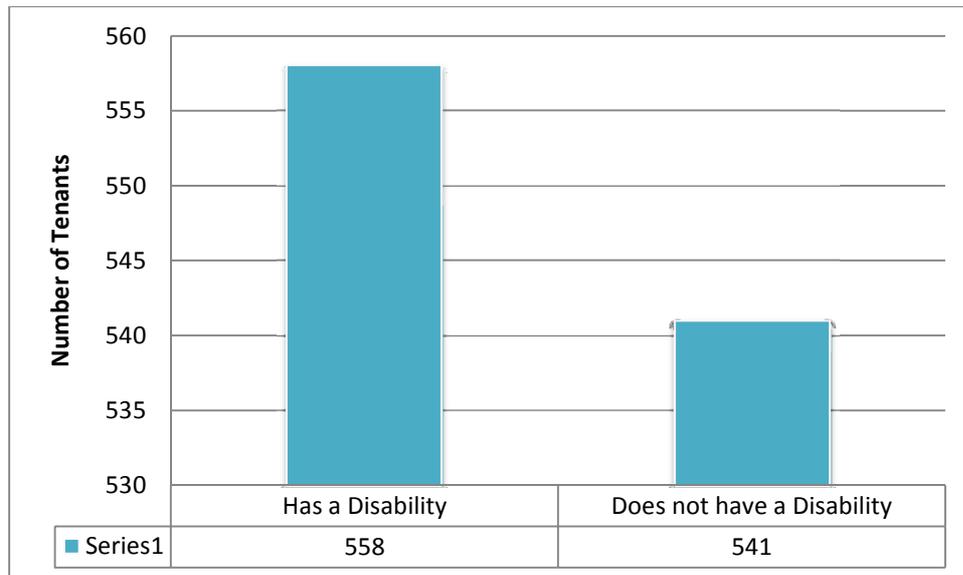


Figure 6-6: Incidence of Disability

Source: Link Housing Ltd 2013

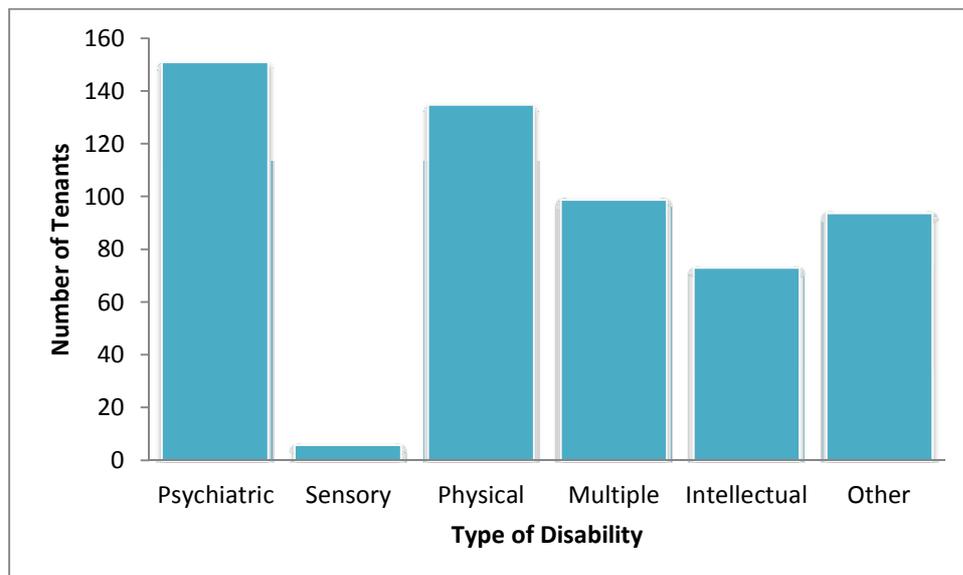


Figure 6-7: Types of disability among those with a disability

Source: Link Housing Ltd 2013

Importantly, a very high proportion of those housed by Link Housing Ltd are in lone person households (49%), with the other main household group single parent families. Together, these make up around 80% of households housed by Link Housing Ltd.

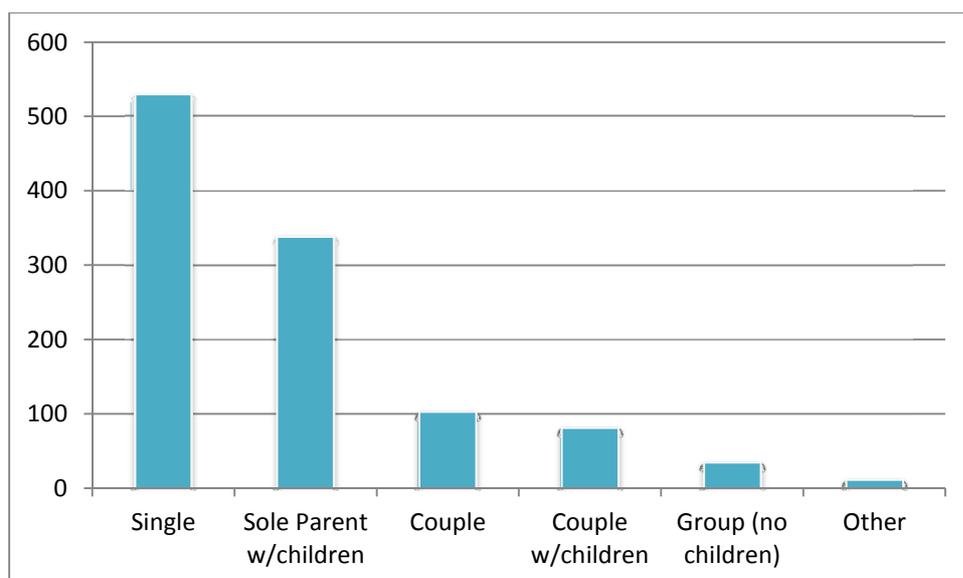


Figure 6-8: Household Types

Source: Link Housing Ltd 2013

Given the age and level of disability reported above, it is not surprising that 76% of households were on some form of government pension or benefit. Even though 21% were reported to be in paid employment, as shown below the fact that a much smaller proportion were paying market rent indicates that this employment may be casual, part-time and /or very low paid.

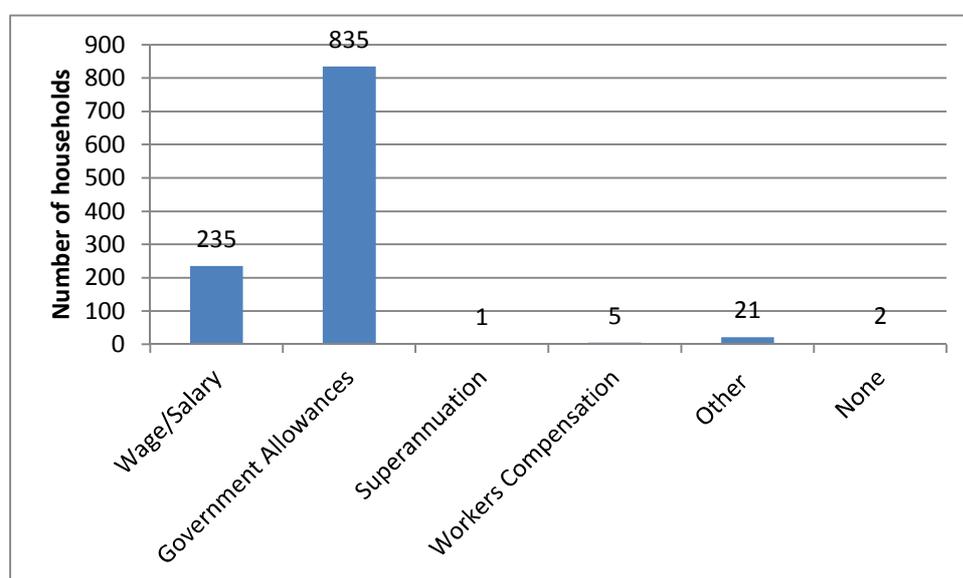


Figure 6-9: Main source of household income

Source: Link Housing Ltd 2013

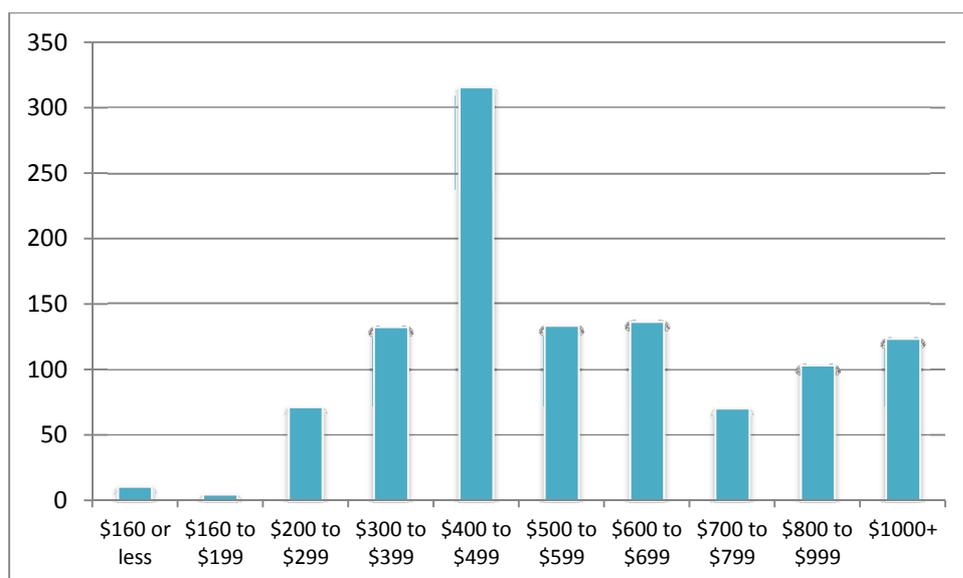


Figure 6-10: Households by weekly income bracket

Source: Link Housing Ltd 2013

6.4 North Sydney Council Owned Properties

As far as we can ascertain from the records, Council has some level of ownership in 39 houses and multi-unit dwellings, 2 boarding houses with 15 single units - in all in 22 properties, and a retirement village complex, as shown in the following table (provided all dwelling units in the given properties are owned or part owned by Council). These properties are managed by multiple organisations including North Shore Community Housing, Phoenix House Youth Services, Taldumande Youth Services, North Sydney Retirement Trust, and NSW DOH.⁹⁴ The following table provides a breakdown of these social housing properties by suburb within North Sydney LGA. Of these, Link Housing Ltd appears to manage 29 individual dwellings in 12 properties on behalf of Council, including the 2 boarding houses. It is noted that this requires verification from Council and NSCH.

⁹⁴ Ellis, M (2006) Community Housing Lower North Shore (CHLNS) & the Donations Report, Report to General Manager of North Sydney Council, North Sydney Council Reports, 10 May, p4.

Table 6.4: North Sydney Council Owned Properties

Address	Street	Suburb	Post Code	Dwelling Type	NSC Ownership	NSW DOH Ownership	Managed by...
12	Lytton Street	Cammeray	2062	4 units - 2 bedroom walk-ups	51.00%	49.00%	Link
287	Miller Street	Cammeray	2062	boarding house w/ 5 single living units	13.74%	80.77%	Link
34	Boyle Street	Cremorne	2090	boarding house w/ 10 single living units	100.00%	0.00%	Link
55	Huntington Street	Crows Nest	2065	1 house - 2 bedroom	100.00%	0.00%	Link
23	Nicholson Street	Crows Nest	2065	1 house	100.00%	0.00%	Link
7-17	Nicholson Street, Level 1	Crows Nest	2065		100.00%	0.00%	Housing NSW
3-5	Sophia Street	Crows Nest	2065	6 units - 1 bedroom	100.00%	0.00%	Link
250	West Street, Sexton's Cottage	Crows Nest	2065	1 house w/ museum - 1 bedroom	100.00%	0.00%	Link
85	Kirribilli Avenue	Kirribilli	2061	1 house	100.00%	0.00%	Housing NSW
40	McDougall Street	Kirribilli	2061	Council owned land, DOH owned housing with lease until 2037	100.00%	0.00%	Housing NSW
23	Queens Avenue	McMahons Point	2060	1 house - 3 bedrooms	100.00%	0.00%	Link
25	Queens Avenue	McMahons Point	2060		100.00%	0.00%	Housing NSW
124	Ben Boyd Road	Neutral Bay	2089	5 bedroom house	44.40%	55.60%	Taldumande Youth Services

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Address	Street	Suburb	Post Code	Dwelling Type	NSC Ownership	NSW DOH Ownership	Managed by...
							Inc.
17	Ben Boyd Street	Neutral Bay	2089	1 x 2 bedroom duplex, 1 x 3 bedroom duplex	37.15%	62.85%	Link
4	Clark Road, James Milson Village (65-67 High Street)	Neutral Bay	2089	[Number of units unknown]	100.00%	0.00%	North Sydney Retirement Trust
429D	Alfred Street	North Sydney	2060	5 units - 1 bedroom	24.16%	75.84%	Link
2-24	Cunningham	North Sydney	2060		100.00%	0.00%	Housing NSW
5	Macarthur Ave	North Sydney	2060	2 units - 3 bedroom	47.72%	52.28%	Link
2	Tucker Street	North Sydney	2060	4 units - 1 bedroom	26.00%	74.00%	Link
215	Chandos Street	St Leonards	2065	3 bedroom detached house	41.33%	58.67%	Phoenix House Youth Services
19	Clifton Street	Waverton	2060	Lease to DOH until 2040	100.00%	0.00%	Housing NSW
30	Euroka Street	Waverton	2060	Lease to DOH until 2040	100.00%	0.00%	Housing NSW
67	Euroka Street	Waverton	2060	Lease to DOH until 2040	100.00%	0.00%	Housing NSW

Source: NSC Data 2008, 2013 and Link Housing 2013.

7 Appendices

Appendix A: Housing Stress 2006 and 2011

Appendix B: Rent and Sales 10 year trend

Appendix C: Migration

Appendix D: Commuter Profile

Appendix E: Addressing Current Need for Affordable Rental Housing

Appendix F: North Sydney LGA Demographic Profile

Appendix G: Regression Analysis

Appendix H: SEPPARH Provisions, Implications