

STRATEGIC PLANNING POLICY  
REVIEW

# CCBC Affordable Housing Policy Review

For consideration

May 2020

## Introduction

On 15 August 2017, the City of Canada Bay Council revised the CCBC Affordable Housing Policy (AH policy). The purpose of the AH policy is to establish Council's approach to affordable housing. The policy:

- Defines the type of housing referred to in the AH policy
- Outlines Council's principles (role and approach) to affordable housing
- Clarifies the intent of Council's involvement in affordable housing
- Provides management guidelines for the ongoing operation of affordable housing units owned by Council (Annexure 1 of the AH policy).

The purpose of this CCBC Affordable Housing Policy Review is to review Council's Affordable Housing Policy (AH Policy), including Annexure 1, in relation to the principles in Schedule 2 of *State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes)* (SEPP 70).

## Context

On 28 April 2020, Council received Gateway determination for planning proposal PP\_2020\_CANAD\_001\_00, to amend the Canada Bay LEP to align with the Eastern City District Plan and implement the first stage of the Canada Bay Local Strategic Planning Statement (LSPS).

Condition 1(b) of the determination is to, prior to exhibition, amend the LSPS planning proposal to include a review of the rental lifting strategy in Council's Affordable Housing Policy in relation to the principles in Schedule 2 of *State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes)* (SEPP 70).

### SEPP 70, Schedule 2

SEPP 70 enables Councils that are listed in the SEPP, which includes the city of Canada Bay Council, to levy affordable housing contributions under the LEP and in accordance with an approved Affordable Housing Contribution Scheme. Clause 10 of SEPP 70 requires that a consent authority is to have regard to the affordable housing principles set out in Schedule 2 before imposing such a condition.

Schedule 2 of SEPP 70 includes the following principles:

1. Where any of the circumstances described in section 7.32 (1) (a), (b), (c) or (d) of the *Environmental Planning and Assessment Act 1979* (the Act) occur, and a State environmental planning policy or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.
2. Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
3. Affordable housing is to be made available to very low, low or moderate income households, or any combination of these.
4. Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income.
5. Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.
6. Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
7. Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.
8. Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

### Council's Draft Affordable Housing Contribution Scheme

Council's LSPS planning proposal includes a Draft Affordable Housing Contribution Scheme (AHCS) (refer Attachments 14-17 of the planning proposal). The scheme sets out how, where, and at what rate development

contributions will be collected by Council under SEPP 70 and used to provide affordable housing in accordance with the SEPP.

The AHCS will apply to new development in the following draft Affordable Housing Contribution Areas:

- Rhodes East;
- The Parramatta Road Corridor Urban Transformation Strategy (PRCUTS) precincts of Burwood, Homebush and Kings Bay;
- 160 Burwood Rd, Concord (Bushell's site); and
- Other areas within the City of Canada Bay where a planning proposal is approved for residential or mixed-use development and an uplift of land value is created, and where Council resolves to include the area in this AHCS scheme and the Canada Bay LEP,

With the exception of:

- Development for non-residential floorspace (unless identified as adaptable floor space)
- Exempt development
- A dwelling house that results in the creation of less than 200sqm of residential floor space
- Refurbishment or repair of a building that results in additional residential floorspace less than 100 sqm
- Development for the purposes of affordable housing or social housing
- Development of community facilities, public roads or public utility undertakings.

All development within the draft Affordable Housing Contribution Areas will be required to make a contribution towards the provision of affordable housing, as a condition of development consent. The contribution may be made in the form of dedication of one or more dwellings within the development, or as a monetary contribution to the equivalent value.

Affordable Housing properties acquired by Council under the AHCS will be transferred in property title to the City of Canada Bay Council, or to Council's nominated Community Housing Provider (CHP).

Management of affordable housing contributions and dwellings, including rental income received from the affordable housing stock, will be undertaken by Council's Housing Manager. Council's Housing Manager is selected under Council's Procurement Policy and required to have demonstrated experience and expertise in the management of affordable housing. Rental income will be managed by the Housing Manager in accordance with the terms outlined in Council's AH Policy.

Contractual arrangements with Council's current Housing Manager expire on 30 September 2021.

### *Council's Affordable Housing Policy*

Council's Affordable Housing Policy (AH Policy) includes a 'rental lifting strategy' in Annexure 1, which provides guidance for the ongoing operation and management of affordable housing units owned by Council. The guidance is intended to ensure that affordable housing units owned by Council are operated and managed in a way that is financially sustainable.

The guidance aims to assist local residents and/or local employees on low to moderate weekly incomes to access affordable rental housing in the Canada Bay Local Government Area (LGA) by:

- Improving access to rental housing that is affordable for low to moderate income households, and in turn alleviate housing stress;
- Ensuring the affordable rental housing mix is appropriate to the changing needs of households with regard to size and type, location, sustainability and community connectedness; and
- Efficiently managing revenue provided through the affordable rental housing program to procure, manage, maintain and grow the affordable rental housing portfolio in the City of Canada Bay.

The guidance seeks to achieve these aims by requiring Council's Housing Manager to implement strategies that incorporate:

- targeted promotion following some vacancies to dual income and or higher income couples or families (within the bands of the eligibility criteria) for placement in 2 or 3 bedroom properties;
- targeted income assessment for some dual and higher income earners (within the bands of the eligibility criteria) to select the higher rental amount of 30% income or 75% market rent ; and
- that properties be tenanted, as usual, in the absence of applicants for which a rental lifting strategy would apply.

The affordable housing dwellings are required to be offered for rental at below market rental prices in accordance with National Rental Affordability Scheme (NRAS) regulations.

### Recommendation:

That the 'rental lifting strategy' in Council's Affordable Housing Policy be amended to ensure consistency with Clause 10 of SEPP 70 (the principles in Schedule 2), having regard to this review.

## Review of CCBC Affordable Housing Policy in relation to SEPP 70, Schedule 2

*1 Where any of the circumstances described in section 7.32 (1) (a), (b), (c) or (d) of the Act occur, and a State environmental planning policy or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.*

Housing needs should be viewed as a spectrum, with one end of the spectrum requiring subsidised forms of housing and the other end of the spectrum able to be provided for through market housing.

The housing supply continuum <sup>1</sup>							
Emergency shelters / crisis accommodation	Transitional / supported housing	Social housing (including public housing)	Affordable (community rental) housing	Affordable home ownership / shared ownership	Private market affordable rental housing (including boarding houses and student accommodation, which may be government subsidised)	Private market rental housing	Home ownership
Government subsidised housing			Non-market housing		Market housing		
Very low income households			Low and moderate income households		Moderate to high income households		

The role of Councils in the delivery of affordable housing is to contribute towards the housing needs of households on very low, low and moderate incomes, in a way that is financially sustainable for Council's affordable housing portfolio. Council is not a provider of fully funded or public housing and tenants are required to contribute a portion of their income towards rent, which is used to maintain the dwellings and to gradually expand the portfolio over time to provide more affordable housing. The City of Canada Bay Council currently operates through the services provided by a Community Housing Provider (CHP).

### Definitions <sup>2 3</sup>

**Government subsidised housing** includes social and public housing. It is delivered by State Government Agencies, Community Housing Providers (CHPs) and organisations such as the Aboriginal Housing Office. It provides for the housing needs of very low income earners and people experiencing disadvantage and is accessed through the state housing application system.

**Non-market housing**, including community rental housing, is delivered and managed primarily by CHPs. It provides for very low to moderate income earners, including key workers essential to a city's economic sustainability and social diversity. Rent for community rental housing is typically less than 30 per cent of the gross income of very low to moderate income households.

**Market housing** is delivered by the private sector. It includes private homes for rent and sale to the broader community, and also specialist housing such as boarding houses and student accommodation, which are rented to certain target markets and which may be government subsidised.

**Very low income households** are households with an income of less than 50% of the median income for Greater Sydney.

**Low income households** are households with an income of more than 50% but less than 80% of the median income for Greater Sydney.

<sup>1</sup> After *Housing Issues Paper*, City of Sydney, April 2015

<sup>2</sup> Clause 8 SEPP 70, definition of "affordable housing"

<sup>3</sup> After *Housing Issues Paper*, City of Sydney, April 2015

**Moderate income households** are households with an income of more than 80% but less than 120% of the median income for Greater Sydney.

*Recommendation:*

Amend the **Types of Housing** section to clarify that the scope of the AH Policy is provision of subsidised and community rental housing for very low, low and moderate income households.

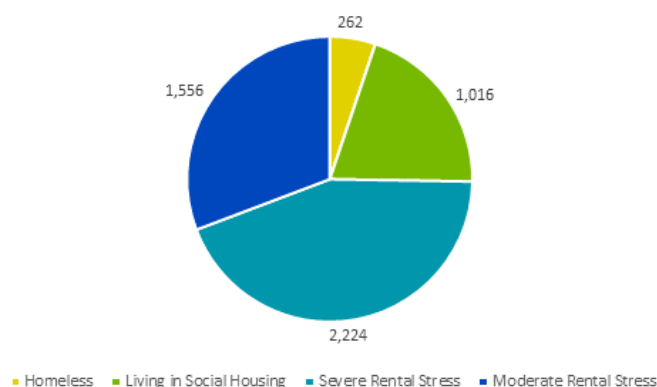
*2 Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.*

For the purposes of this principle, the size and scope of a 'locality' is not clear. However, as the Canada Bay LGA is relatively small in size and comprised of Centres that are relatively contiguous with each other, and as the purpose of the AH Policy is to contribute towards the affordable rental housing needs of the LGA as a whole, it can be reasonably assumed that the Canada Bay LGA is a locality. Treating the LGA in its entirety as a locality also increases the options available to the Housing Manager and other providers to achieve flexibility in tenancy and housing mix to achieve overall financial sustainability.

For further discussion and recommendations about developing and maintaining socially diverse residential populations representative of all income groups, refer to principles 3 and 4 below.

*3 Affordable housing is to be made available to very low, low or moderate income households, or any combination of these.*

The Canada Bay Local Housing Strategy (LHS) states that there was demand for an additional 5,058 subsidised and affordable dwellings in 2016. This includes households, including lone person households, who are either homeless (262), experiencing severe rental stress (2,224) or moderate rental stress (1,556), or currently living in social housing (1,016). This equates to 42% of households renting in the City of Canada Bay LGA experiencing rental stress (paying more than 30% of household income on rent).



*Demand (by number of households) for Social and Affordable Housing in 2016*

*Recommendation:*

Amend the **Objectives of Property Management** section to clarify that the AH Policy aims to assist local residents and/or local employees on very low, low to moderate weekly incomes to access affordable rental housing in the Local Government Area.

*4 Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income.*

Council's AH Policy currently requires recipients of affordable rental housing in the City of Canada Bay to meet income and other eligibility criteria as set out in the Policy.

**Income eligibility criteria** are based on the tenant eligibility criteria of the Australian Government National Rental Affordability Scheme (NRAS) Regulations. NRAS, which is being phased out, was an Australian Government initiative to stimulate the supply of new affordable rental dwellings. It offered incentives for ten years, indexed annually to the rental component of the CPI, on condition that throughout the ten-year period the dwellings were rented at 20 per cent or more below the market rate to eligible households. Income eligibility was dependant on households not exceeding gross income limits according to household composition. Eligible tenants would cease to be eligible tenants if the combined household gross income exceeded the income limit for

their type of household by 25% or more in 2 consecutive eligibility years. The Canada Bay Local Housing Strategy states that all NRAS dwellings will be lost from the pool of affordable housing once their 10-year subsidy expires and that by 2026 Canada Bay will have no NRAS dwellings.

**Additional eligibility criteria** include that applicants be permanently employed and with priority given to key workers in specified sectors, including health services, childcare, school education, emergency services, public transport, Council employees, retail, labourers, manufacturing, and hospitality.

Annexure 1 of Council's AH Policy currently requires that weekly rent for each affordable housing dwelling be set at no more than 75% of weekly market rent for a comparable dwelling or 30% of NRAS eligible income amount. This approach, plus targeted promotion of vacancies to higher income applicants (who meet the eligibility criteria) and targeted income assessment to select higher rental amounts (of 30% income or 75% market rent), is referred to as a 'rental lifting strategy'.

The Gateway determination states that *NRAS tenant income eligibility criteria and rent setting mechanisms (which indicates 75% of market rent) were not devised to be applied to properties delivered under affordable housing contribution schemes operating under SEPP 70. Affordable housing rent setting policy for SEPP 70 schemes should ensure tenants pay no more than 30% of household income in rent and that applicants are not selected on their ability to pay.*

#### *Recommendation:*

Amend the **Eligibility Criteria** and the **Setting of Rent** sections to remove references to the National Rental Affordability Scheme (NRAS) and amend the eligibility criteria that are based on the NRAS for future affordable housing.

**Move references to NRAS** to a separate section that would apply only to properties remaining under the NRAS and which will cease to be active when the NRAS ceases operation for Council properties.

Undertake a **separate financial sustainability assessment** of how Council-owned affordable housing units can be operated and managed to provide for the needs of very low, low and moderate income households in a way that is financially sustainable. The assessment would inform amendments to the AH Policy. It should include investigation of different scenarios of tenancy and housing typology mix, relative to different portfolio sizes. It should distinguish between the current contractual arrangements for the existing housing stock and potential new arrangements going forward. Given that Council currently owns only 26 affordable housing dwellings, and that this number is anticipated to significantly increase under Council's AHCS, the number of dwellings managed under the current 'rental lifting strategy' will come to be significantly outnumbered (and eventually replaced) by dwellings managed under amended eligibility and rent setting requirements.

#### *5 Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.*

The AH Policy is consistent with this principle.

#### *6 Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.*

The AH Policy is consistent with this principle.

Refer to Annexure 2 of the AH Policy, which states that *Where monetary contributions are received by the City of Canada Bay Council in lieu of affordable housing dwellings, the contribution funds are to be held by Council for the purpose of maintaining or increasing the affordable housing portfolio.*

#### *7 Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.*

The AH Policy is consistent with this principle.

Refer to Annexure 2 of the AH Policy, which states that *Where monetary contributions are received by the City of Canada Bay Council in lieu of affordable housing dwellings, the contribution funds are to be held by Council for the purpose of maintaining or increasing the affordable housing portfolio.*

#### *8 Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.*

The AH Policy is consistent with this principle.

## Recommendations

1. Amend the 'rental lifting strategy' of Council's AH Policy to ensure consistency with Clause 10 of SEPP 70 (the principles in Schedule 2), having regard to this review.
2. Amend the Types of Housing section to clarify that the scope of the AH Policy is provision of subsidised and community rental housing for very low, low and moderate income households.
3. Amend the Objectives of Property Management section to clarify that the AH Policy aims to assist local residents and/or local employees on very low, low to moderate weekly incomes to access affordable rental housing in the Local Government Area.
4. Amend the Eligibility Criteria and the Setting of Rent sections to remove references to the National Rental Affordability Scheme (NRAS) and amend the eligibility criteria that are based on the NRAS for future affordable housing.
5. Move references to NRAS to a separate section that would apply only to properties remaining under the NRAS and which would cease to be active when the NRAS ceases operation for Council properties.
6. Undertake a separate financial sustainability assessment of how Council-owned affordable housing units can be operated and managed to provide for the needs of very low, low and moderate income households in a way that is financially sustainable. The assessment would inform amendments to the AH Policy.