

A place for everyone

Tackling Sydney's affordable housing crisis



An aerial photograph of a city, likely New York City, showing a dense urban landscape with various buildings, green spaces, and a waterfront area with many boats. A semi-transparent white box is overlaid on the right side of the image, containing the title 'Contents' and a table of contents.

Contents

Overview	03
Failing to fix affordable housing disadvantages everyone	05
We've got an opportunity to get it right	07
Overcoming the challenges	09
The affordable housing initiative	11
Impacts and benefits of the affordable housing initiative	15
Next steps	20
Appendix – What does the Affordable Housing Initiative mean for you?	22
Contacts	25

Overview

Sydney is in the grip of a housing affordability crisis. Not only does Australia's biggest city possess some of the world's most expensive real estate, it's also going to need 725,000 new homes to cope with projected population growth over the next two decades.

While the relentless rise in property values has been good news for some, it's also created a range of unintended consequences for the city as a whole.

The failure of our housing market is widening the divide between older homeowners and a younger generation, which is either locked out of home ownership or pushed to the fringes of cities to seek more affordable rent, leaving them far from jobs and good transport. Fiscal incentives have also benefitted the *haves* instead of the *have nots*, leading to a constrained supply of homes for those on low to middle incomes.

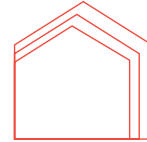
As a result, Sydney faces not only a significant amount of individuals and families in housing stress, but also rising homelessness and significant additions to the already 187,000 Australian households on the social housing waitlist.

To make matters worse, our rental system is one of the world's most unstable and unaffordable. This makes it difficult for low to moderate income earners to be housed in locations with high amenity of living and community benefit that are also near to jobs and services.

If we don't act quickly on the problem of housing affordability, and rental affordability in particular, Sydney will face an exodus of our city shapers and key workers – nurses, police, firefighters, teachers and early childhood educators, social workers; the people who keep our city running – who can no longer afford to live near where they work.

Sydney needs

725,000



new homes
over the next 20 years
to cope with projected
population growth¹



1. Greater Sydney Commission, Draft District Plan Information Note 2, Housing Targets

But discussions around affordable rental housing are often fraught with divergent views about where to locate these dwellings, who should provide them, and what sort of building types are most appropriate.

Much of the debate to date has focused on the supply of new residential apartment-style buildings, with incentives around floor space bonuses and planning agreements for variations to development standards.

We believe the key to gaining traction on affordable housing is not just building more high-rise units, but rather by addressing the so-called ‘missing middle’ – housing options like more townhouses, terraces and manor houses, which are more energy efficient than detached housing and also offer more variety and flexibility for Sydney’s changing demographic.

Our Affordable Housing Initiative provides a solution to address both the missing middle and affordable rental housing through a simple, but potentially profound change to state planning regulations.

We propose an amendment to the SEPP Affordable Rental Housing 2009 (AHSEPP), so that multi-dwelling housing is permissible in the R2 Zone (where such housing is generally prohibited), provided that a proportion of the dwellings are designated as affordable rental housing.



“We propose an amendment to the SEPP Affordable Rental Housing 2009 (AHSEPP), so that multi-dwelling housing is permissible in the R2 Zone (where such housing is generally prohibited), provided that a proportion of the dwellings are designated as affordable rental housing”.



This amendment would allow for the provision of affordable housing in low-scale development of 3-10 dwellings on single residential lots

This amendment would allow individuals, small developers and Community Housing Providers (CHPs) to participate in the provision of affordable housing by undertaking low-scale development (3-10 dwellings) on existing single residential lots.

Development of this size and scale, appropriate to its surroundings, would provide an uplift in density without compromising the character of the area or placing a significant strain on surrounding infrastructure.

The resultant uplift in affordable rental housing across Sydney would also ease commute times by allowing key workers to live closer to jobs and services, improving their quality of life as well delivering a direct boost to the economy: every 30 minutes that these workers can save on their commute to work would generate \$815,000 in economic benefit², which adds up to \$16 billion over a life time³.

The Affordable Housing Initiative is a practical and elegant part-solution to a complex and worsening problem. Isn’t it time we act to make sure our city continues to be a place that people of all ages and from all walks of life can call home?

2. PwC economic modelling. This figure was obtained by multiplying the average value of passenger travel time (\$12.78 per hour in 2013, then indexed by Wage Price Index to 2016 - this gives \$13.69) by the number of key workers living in Greater Sydney (118,816). The number (\$13.69 x 118,816) is then rounded up to \$815,000.

3. PwC economic modelling: The above \$815,000 is multiplied by 2 commuting trips per day per worker, 5 days a week and 50 working weeks in a year over a working life of 40 years (age 25 to 65 for the key workers). The product of the above numbers gives \$16 million.

Failing to fix affordable housing disadvantages everyone

To work well, cities need a diverse mix of citizens and workers. We need teachers, police and nurses as much as we need lawyers, bankers and executives.

Naturally, most people would welcome the idea of living close to where they work. But Sydney's expensive real estate market has pushed many workers, particularly those on low to moderate incomes, to the fringes of the city to seek more affordable housing. But it comes at a cost: research has shown longer commutes to and from work lead to reduced productivity, lower quality of life and more stress⁴.

There are currently an estimated 120,000 key workers⁵ (nurses, police officers, firefighters, teachers and early childhood educators, social workers) living in Greater Sydney, and they account for six per cent of the total Sydney workforce. Sixty per cent of the key workers earn below the New South Wales annual average income of \$59,960⁶.

If we don't act quickly on the problem of housing affordability, and rental affordability in particular, these workers will find it harder and harder to stay in Sydney and we will face an exodus of our city shapers and key workers who can no longer afford to live near where they work.

Those that choose to stay will be forced into longer and longer commutes, adding to traffic congestion, the costs of which are estimated to be \$6.1 billion⁷ in Sydney every year. And that doesn't include the social cost: already, one in four full-time employees in Australia's big cities spend more time commuting than with their kids⁸.

With affordable housing out of reach for many young people, where will the social, elderly care and early childhood workers of the future come from? How will businesses find talented and qualified people to work in critical support roles?

In time, all Sydney-siders will feel the impact of the housing affordability crisis.

120,000



key workers (nurses, police officers, firefighters,

teachers and early childhood educators, social workers) live in Greater Sydney, and they account for 6% of the total Sydney workforce.



60% of key workers

earn below the NSW annual average income of

\$59,960

4. http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171766_351954.pdf

5. Based on the 2011 Census, Australia Bureau of Statistics. The 2011 value was then indexed to produce the 2016 value by applying the NSW population growth (Series 3101.0, Australian Bureau of Statistics, 2016)

6. Based on Series 6302.0 Australia Bureau of Statistics, 2016. It is assumed there are 50 working weeks per year.

7. Department of Infrastructure and Regional Development of Australia (2015). *Traffic and congestion cost trends for Australian capital cities*.

8. Jane-Frances Kelly and Paul Donegan (2015), *City Limits: Why Australia's cities are broken and how we can fix them*.

What is affordable rental housing?

Affordable rental housing is a term used for a dwelling provided to specifically accommodate a low to moderate income household. These dwellings are owned by private developers, investors, local governments, charitable organisations or community housing providers and are rented to eligible households at a discounted market rent, generally 80 per cent. The dwelling must be rented as an affordable housing unit for a period of 10 years and managed by a registered community housing provider under the State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP).



A household is taken to be of low to moderate income and potentially eligible for affordable rental housing, if within these limits⁹:



9. Link Housing “apply for affordable housing” <http://www.linkhousing.org.au/how-to-apply-for-affordable-housing.html>

We've got an opportunity to get it right

Over the next 40 years, Greater Sydney is predicted to grow from having a population of 4.8 million to around 8 million people – that's the size of London. This will create a need for 725,000 new homes over the next 20 years, and so an increase in density isn't optional – it's unavoidable.

But densification does not necessarily mean more high-rise apartments. If we get densification right we have the opportunity to address both housing affordability and what's referred to as the 'missing middle', a diverse array of housing options to meet the needs of a diverse community.

An answer lies in the 'missing middle'

While high-rise apartment buildings can provide a lot of dwellings, a one-size-fits-all approach to housing is neither realistic nor suitable for everyone. The diversity of the population should drive the diversity of our housing, which can be achieved through building types, dwelling sizes, floor space configurations, lot arrangements and location.

In diversifying housing typologies, most choices in housing are available to the population, providing for the individual needs of each household.

Housing options such as townhouses, terraces and manor houses can provide places of high amenity, where communities interact in public and private realms and where services and jobs are within proximity. These 'missing middle' options are also more energy efficient than detached houses and also offer more variety and flexibility for Sydney's changing demographics.

Shaun Carter, NSW Chapter President of the Australian Institute of Architects, believes "low-rise multiple housing is another way of achieving higher residential densities – but with less impact on the character of existing suburban areas."¹⁰



10. Linda Cheng (2016), NSW government introduces draft design guide for medium-density housing. Reference: <http://architectureau.com/articles/nsw-government-introduces-draft-design-guide-for-medium-density-housing/>



Therefore, low-rise, townhouse-style developments on a scale appropriate to its surroundings would provide an uplift in density without compromising the character of the area or placing significant strain on surrounding infrastructure. In fact, well-designed medium density housing can potentially improve the character of a street, creating vibrancy and a greater sense of community.

An opportunity for small developers and landowners – and the social good.

However, not everyone is a fan of increased densification. Large developments of residential apartment buildings or large townhouse complexes are often unpalatable to the community; corporate developers are often not interested in small-scale densification projects.

But what if an initiative to encourage low-rise development was targeted at community housing providers, small developers and individual landowners? Would this be more acceptable to the community?

And what if the development also has an element of ‘social good’ through the provision of an affordable housing dwelling for ‘essential workers’ or ‘key workers’? Would this be a more attractive prospect for existing residents?

Could Sydney address housing affordability and the missing middle simultaneously?

We think the answer is ‘yes’. But any solution has to overcome the two key challenges that stand in the way.

Overcoming the challenges

Key challenge 1: Density control through zoning

The first challenge to uplifting density for the provision of new housing relates to current controls set out by local councils.

The NSW Government has standardised Local Environmental Plans (LEPs) over the last decade, including standardised zone classifications that specify the

type of land use permitted. The residential zones, in particular, are distinctly categorised according to density – R1 General, R2 Low Density, R3 Medium Density and R4 High Density.

In many local government areas (LGAs) the R2 Zone does not permit dwellings of a higher density than a single dwelling or a dual occupancy¹¹. Cast across

to the correlating height and floor space ratio (FSR) controls, and the buildings are generally limited to 2-3 storeys. Additionally, the minimum lot size control often restricts any potential for subdivision.

The density of each lot is therefore generally limited to 1-2 households, with Sydney displaying an expanse of larger suburban lots containing detached dwellings. Compared



11. The Ryde Local Environmental Plan permits *multi-dwelling housing* in the R2 low density residential zone. However, the R2 Zone correlates generally to a height limit of 9.5m (2-3 storeys) and FSR limits of 0.5, thereby rendering the construction of multi-dwelling development unachievable. Marrickville Council permits multi-dwelling housing in the R2 zone, provided they are contained only within existing warehouse buildings.

with other global cities, these lots are up to three times larger than these cities. The retention of these lots at their current densities does not allow for the supply of housing required to meet the demand of the growing population.

Additionally, significant density uplift is only realistically being achieved in concentrated areas outside of any low-density residential zone. These zones are essentially left 'untouched' and therefore excluded from new housing initiatives such as medium density development or affordable housing schemes.

Key challenge 2: (A lack of current incentives for the development of affordable housing)

The second challenge is getting the incentives right because currently there is a lack of incentives for the planning, financing and development of affordable housing.

The National Rental Affordability Scheme (NRAS) allowed for housing to be rented at 80 per cent of the market rate, in exchange for a Commonwealth subsidy allocated to the owners of these properties. This scheme has come to a close, however, and incentives need to be sought elsewhere.

The State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP) currently grants

floor space bonus to development, which incorporates affordable rental housing. Clause 13 of the AHSEPP determines the floor space bonus according to the existing permissible FSR as set out by the local council. Additionally, The Urban Taskforce led by Chris Johnson proposes to intensify this bonus by allowing a standard 20 per cent bonus to the FSR and height limits.

While the existing and proposed bonuses provide some incentive for the construction of affordable housing, this incentive is realistically geared towards the residential flat building.

Although residential flat buildings would provide a rapid increase in dwellings across the state, this building type is neither desirable nor appropriate in all locations. In areas where a distinct historical character is paramount and low-density character is to be preserved, the apartment building is unattainable; which in turn deters the inclusion of affordable housing.

So how might low and medium density areas incorporate affordable housing? And how might the individual or small developers be incentivised to take part in the provision of affordable housing?



The affordable housing initiative

The Affordable Housing Initiative proposes an amendment to planning regulations (SEPP Affordable Rental Housing 2009) so that multi-dwelling housing is permissible in the R2 Zone provided that a proportion of the dwellings are designated as affordable rental housing.

This means that single lots could be developed (but kept low-rise) to provide a small number of townhouses (3-10 dwellings), removing the need for lot amalgamation and limiting large-scale development in low-rise residential areas.

Permitting multi-dwelling construction in the R2 Zone, on the condition that a proportion of the development is designated as affordable rental housing, provides an incentive similar to that of a floor space bonus however geared towards the townhouse-style dwelling. This scale of development will attract small developers and individuals, broadening the scope of those participating in the provision of affordable housing. And bringing the individual into the cause will in turn shift community attitudes

and raise awareness of the need for affordable housing and what this might look like, where awareness is currently lacking.

The Affordable Housing Initiative does not propose amendments to the local LEPs to permit multi-dwelling development in R2 Zones. Instead, where the R2 Zone currently prohibits development of a density greater than a dual occupancy, the AHSEPP will allow for the multi-dwelling land use to be permissible with consent, provided affordable rental housing is incorporated into the development.

This condition would have a collateral benefit of steadying the pace of additional multi-dwelling houses within R2 zones, maintaining the balance of single dwellings and multi-dwelling housing.

To be clear, we are not proposing to turn the R2 zone into the R3 zone, where medium density is currently permitted; this is not about simply allowing more townhouses to be built throughout Sydney. Rather, it's about leveraging the prohibited land use provision of the R2 zone to create an incentive to increase both densification *and* affordable housing simultaneously.

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What are the incentives?

Developers, owners and investors are incentivised to create more 'missing middle' housing (including affordable housing) in the following ways:



An uplift in the density of the subject lot is allowed



Landowners can provide more dwellings within the existing lot, where zoning currently only permits 1-2 dwellings



Single lot owners (individuals, families, investment property owners) are empowered to contribute to the provision of affordable rental housing



Underutilised land can be used more efficiently for the provision of new dwellings



Landowners can enhance the local community through well-designed medium density housing of high amenity



Cross-subsidisation can be achieved through the selling of a proportion of the units at market value while retaining a proportion for affordable rental



What planning amendments are required?

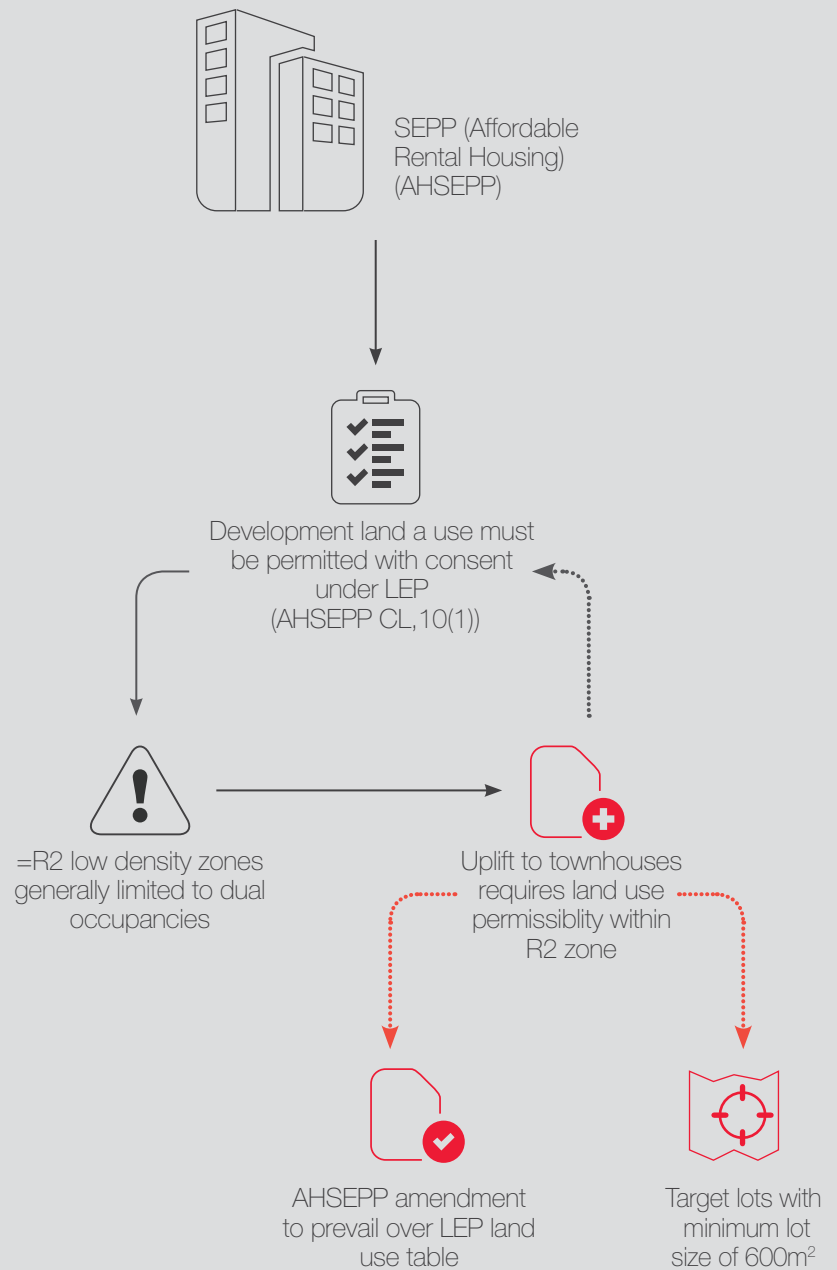
First, an amendment to the AHSEPP will be required, allowing for the land use incentive to take place broadly across NSW. The AHSEPP might incorporate a clause similar to that of the *development near zone boundaries* clause contained in some LEPs¹². The clause might read:

An application for the development of multi-dwelling housing may be considered by the consent authority, where this land use is prohibited in the R2 low-density zone, provided the proposal includes a proportion [to be determined] of dwellings designated as affordable rental housing.

Where the consent authority is the local council, and a development application is sought, the proposal must comply with the controls as set out by the relevant development control plans for multi-dwelling development.

Where the proposal is applied for under complying development, the proposal must comply with the controls as set out by the Medium Density Design Guide and the provisions of the Medium Density Housing Code contained within the State Environmental Planning Policy (Exempt and Complying Development Codes) 2008.

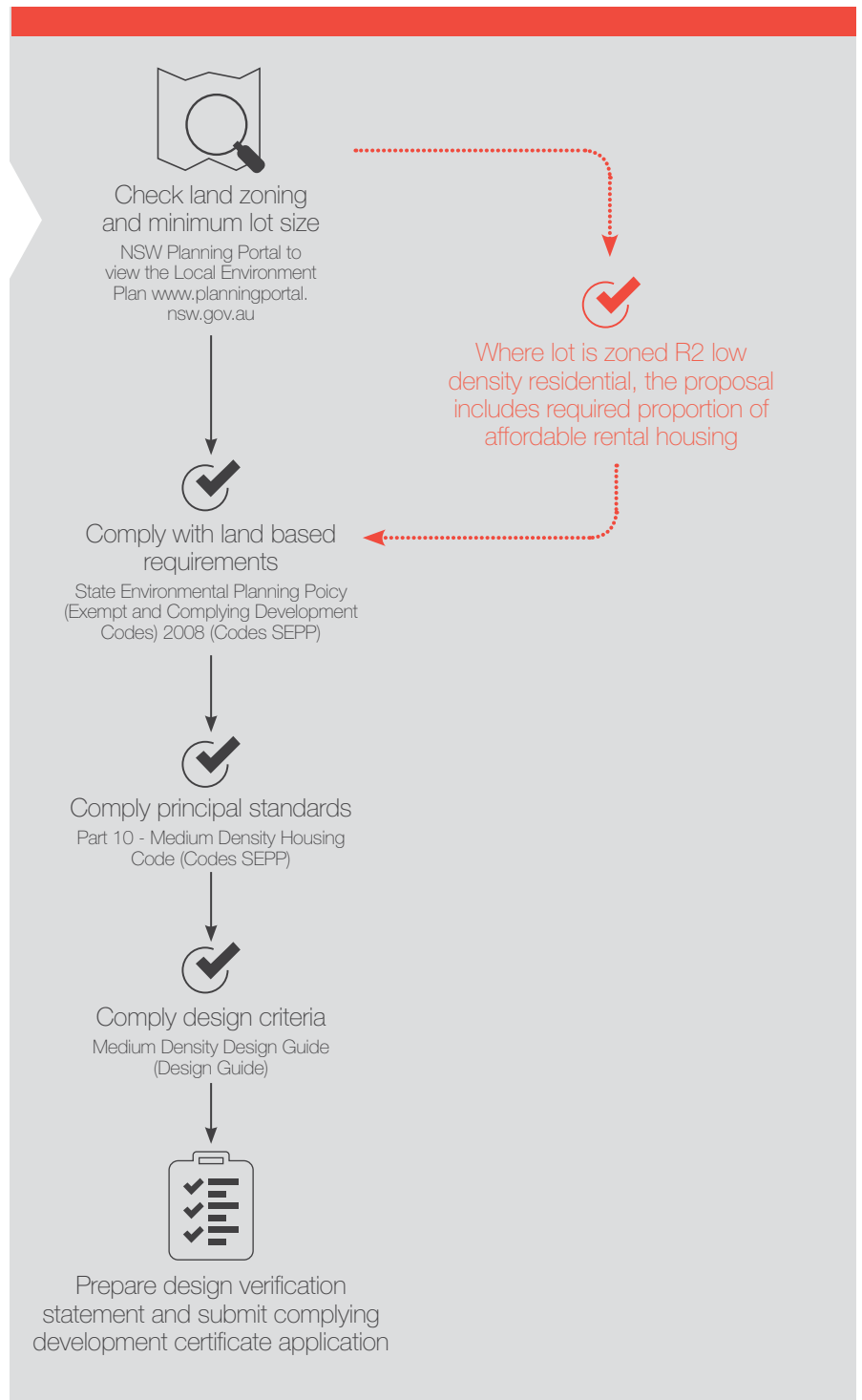
Proposed amendment to AHSEPP for affordable housing



12. A clause relating to development on zone boundaries allows for a prohibited land use to be considered by the consent authority if it is permissible in an adjoining zone, within a 25m distance of the subject site. The consent authority must be satisfied that the proposed land use is logical and in keeping with the objectives and controls of the zone in which it is located.

Complying development provides an avenue for efficient development approval, and the NSW DPE have set out provisions for multi-dwelling housing to be included in this assessment process. The draft Medium Density Design Code and draft Medium Density Housing Code stipulate the provisions to which multi-dwelling housing is to comply, should it be approved as complying development.

This detailed framework and strategic plan to provide multi-dwelling housing across NSW presents the opportunity to incorporate affordable housing into this Affordable Housing Initiative. The AHSEPP will provide the permissibility of the development, while the Codes SEPP will guide the design through compliance requirements.



Impacts and benefits of the affordable housing initiative

Social and economic benefits

The key social benefit from the Affordable Housing Initiative is an increase in the supply of affordable rental housing across Sydney, which would ease commute times by allowing key workers to live closer to jobs and services. Not only would this ease road congestion, but it would also reduce commuter-related stress and improve worker productivity.

For example, key workers who live in suburbs with a higher concentration of moderate income workers spend 50 per cent more time travelling to work compared to workers in the other suburbs in Sydney. And every 30 minutes that Sydney's key workers can save on their commute to work would generate \$815,000 in economic benefit. This could amount to an annual economic benefit of \$407 million and \$16 billion over the life time of these key workers.

These cost savings could be reinvested back into the economy to help pay for services that benefit all Sydney-siders.

We've also looked at what the initiative means for individual landowners, small developers and

investors, and Community Housing Providers. We have provided this on the next page, as well as example scenarios in the appendix so you know exactly what this initiative can mean for you.










Individual landowners initiatives

 <p>No need for lot acquisition and amalgamation on larger suburban lots</p>	 <p>Ability to intensify an already-owned asset</p>	 <p>Ability to sell at least one townhouse at market value, recouping a portion of the construction cost</p>	 <p>Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment, while also receiving a regular rental income</p>	 <p>Potential to occupy one townhouse and live in a diverse and inclusive community nurtured by the development</p>	 <p>Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices</p>
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Small developers and investors initiatives

 <p>No need for lot acquisition and amalgamation on larger suburban lots if desirable</p>	 <p>Ability to intensify a low density property and generate a substantial return on investment for continued investment in the property market</p>	 <p>Delivery of more affordable housing across Sydney</p>	 <p>Ability to sell at least one townhouse at market value, recouping a portion of the construction cost</p>	 <p>Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment</p>	 <p>Ability to sell the affordable housing units to Community Housing Providers and not-for-profit organisations, assisting in their delivery of affordable housing and growth of their assets</p>	 <p>The creation of a diverse and inclusive community nurtured by the mixed tenure development</p>	 <p>Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices</p>
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Community Housing Provider initiatives

 <p>No need for lot acquisition and amalgamation on larger suburban lots if desirable</p>	 <p>Ability to intensify an already-owned asset</p>	 <p>Lowering capital intensity of projects</p>	 <p>Delivery of more affordable housing across Sydney</p>	 <p>Ability to sell at least one townhouse at market value, recouping a portion of the construction cost</p>	 <p>Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment, while also receiving a regular rental income</p>	 <p>The creation of a diverse and inclusive community nurtured by the mixed tenure development</p>	 <p>Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices</p>
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What's the expected uptake?

This initiative focuses on low-rise townhouse development of small scale, between three and 10 dwellings per development, potentially on single lots. While development at this scale will not dramatically boost the supply of housing, it will provide a steady stream of new affordable housing units across the city. Depending on the outcome of other decisions facing Government, this may occur simultaneously with other initiatives geared at accelerating the supply of apartment buildings.

By allowing for single lots to incorporate low-rise affordable housing, the possible groups participating in this initiative widen from what is currently a large-developer market. Small developers, CHPs and single lot owners may partake in the provision of affordable housing through townhouse development.

However, not everyone who owns land will have the ability or inclination to take up this initiative. Redevelopment of a single lot to replace a detached dwelling with multiple townhouses requires capital and construction loans. Individuals and families tied up with mortgages and other expenses may not be in a position to undertake any construction work. Many will prefer to remain in a detached dwelling, invest elsewhere, or simply be uninterested in developing their land.

Similarly, a CHP will only be in a position to redevelop a site, if it has title ownership plus access to a sufficient amount of capital for the construction. These financial limitations will naturally moderate the provision of housing under this initiative. Additionally, not everyone will choose to take up the opportunity to develop their lot.

It's therefore expected that a steady pace of supply will occur, allowing for streets to remain balanced between single dwellings, dual occupancies and townhouse-style dwellings.

Lessons from the dual occupancy experience

The experience of dual occupancy development provides some indication of the potential uptake of the proposed Affordable Housing Initiative. Currently, dual occupancies are permissible in most R2 Zones across the state, with exemptions in place where this type of development is deemed unsuitable. While this land use is generally permissible within low-density areas, the uptake of dual occupancies has been steady and relatively modest when assessed across the state.

For similar reasons stated above, not everyone participates in the construction and provision of dual occupancy development. This has resulted in dual occupancies interspersed across streets of single dwellings, providing smaller-scale rental properties within low-density zones.

More mixed tenure development

There are currently some large precincts across Greater Sydney of single lot public housing. The NSW Government has committed (in *Future Directions for Social Housing in NSW* policy ('Future Directions')) to a renewal of these precincts. It is widely accepted that concentrations of public housing is a problem of spatial disadvantage and negative effects can be demonstrated in terms of health, education, crime, employment opportunities, welfare dependence and self-esteem – often through the development of stigmatised neighbourhoods. To counter this, good design, mixed tenure and layout options can create more

sustainable and socially diverse communities within which social housing is not identifiable.

In contrast to the large-scale estate redevelopments (such as the *Communities Plus* scheme), the Affordable Housing Initiative would result in more mixed tenure through gradual, small-scale redevelopment. A single dwelling on a single lot of land might be replaced by a small townhouse complex, containing a mix of social, affordable and market dwellings. This would not only provide an uplift in housing density but would also ensure that social housing tenants are not displaced due to redevelopment, and would take less political capital than the large-scale projects.

☞ The final commonality great cities and places have is that they are not monocultures... Not only do they have a mixture of things happening, they combine this with a mixture of people... They are home to people from different socio-economic statuses and backgrounds, but are neither ghettos nor enclaves. They have affordable homes suitable for people at all stages of life. There are families with kids, single households, shared houses and more. ☞

Committee for Sydney Discussion Paper, *Making Great Places: Density Done Well*, September 2016

A role for Community Housing Providers

There are significant benefits to an initiative that provides a means for small developers and individual landowners to participate in the provision of affordable housing through low-rise development.

Given the ability to develop a single lot under this initiative, CHPs would have the opportunity to develop lots either currently owned or able to be purchased. This would align with the objectives articulated in Future Directions – to boost the CHP sector.

The current and prospective affordable housing and inclusionary zoning schemes and incentives are generally geared towards large development sites in the form of residential apartment buildings or large townhouse complexes, excluding CHPs from owning and developing these sites. It would be optimal if CHPs were given an increased opportunity to own, develop and manage low-density lots, with the opportunity to sell some dwellings at market rate.

According to Charles Northcote, Chief Executive Officer of BlueCHP Limited, “this initiative would be a game changer for CHP developers, lowering the capital intensity of projects and facilitating higher delivery rates of housing, creating a broader urban footprint for affordable housing and significant community benefits for key workers to be closer to their jobs.”

Dealing with the challenges

Exemptions

Just as high-density development is not appropriate in all locations, neither is medium-density development. Strategic planners within local councils are well equipped to identify areas where townhouses and affordable housing development might be suitable – where uplift and minor intensification is desirable, without compromising the desired future character.

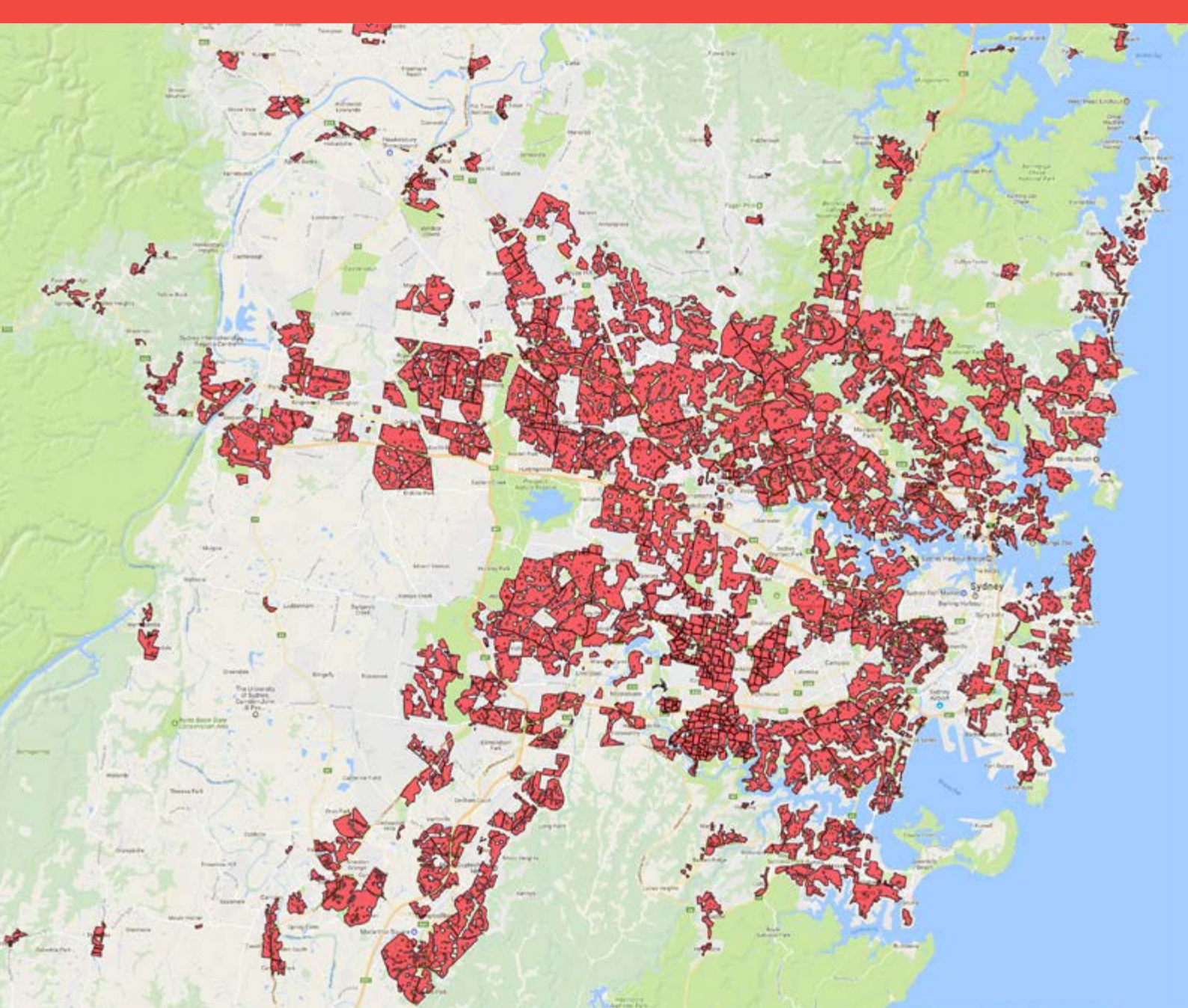
Exemptions from this scheme may be an appropriate measure where streets or areas are of high heritage value or the preservation of an existing character is deemed priority. The Codes SEPP already specifies land to which complying development may not be carried out – heritage conservation areas, ecologically and environmentally sensitive areas, high classes of acid sulphate soils and land subject to coastal hazard. Likewise, these lands would not be eligible for affordable multi-dwelling housing under complying development. As such, a development application to the local council would be required, applied for under the AHSEPP, LEP and DCP.

Desired future character in low density areas

Each local council sets out the desired future character of the LGA, precincts or streets. Objectives for the R2 Zone are contained within the LEP and supported by detailed objectives for each area set out by the DCP. Commonly, the R2 Zone objectives seek to provide for the housing needs of the community while accommodating development that is compatible with the scale and character of the existing area, in a low-density setting.

This is not to say that townhouses are not an appropriate building typology for these low density areas. The traditional terrace houses of the Victorian Period are reflective of a desirable building form for the modern townhouse: 2-4 storey heights, zero or narrow front setbacks, façade articulation, small private open spaces in the rear yard or front balconies. The notable difference is simply the lot configuration – one terrace house per lot. Townhouses have every quality of the traditional terrace, however, more than one dwelling is constructed on one lot. Permitting multi-dwelling development in a characteristically low density area, therefore, may not compromise streetscape character.

There is currently a strong emphasis on height and floor space ratio (or building envelope) to ensure development is sympathetic to an existing streetscape. A misconception, therefore, occurs that development in exceedance of these controls is unsympathetic and incompatible. As a result, the most effective use of the land is compromised in the name of preservation. Shifting the emphasis from mirroring existing building envelopes to how the land can most effectively and sustainably be used will result in creating better places to live. A new building typology will be introduced into a street, however, if the development creates a place of great amenity, and the design of the development does not compromise the amenity of the adjoining properties, the street will thrive.



The R2 Low Density Residential zones across NSW, demonstrating how much of Metropolitan Sydney is locked into low density development.

Identifying areas for new affordable housing

The *Options for Low Rise Medium Density Housing As Complying Development* discussion paper recommends the minimum lot size for townhouse development (under complying development) as 600sqm. Based on this recommendation, areas suitable for townhouse development can be identified initially using existing minimum lot size, mitigating the need for lot amalgamation. In addition to

lot size, important factors for determining development and site suitability include:

- existing character of the street and the wider area
- access to services and transport
- diversity of residents and their housing needs
- surrounding zones and land uses
- the desired future character of the area and its growth potential.

Local government areas (LGAs) containing a large quantity of lots 600sqm or greater can be identified, followed by the identification of these lots within the R2 Zone and within proximity of services and a diversity of land uses.

Next steps

Given the magnitude of the projected need for dwellings across Greater Sydney, an increase in density is unavoidable. Additionally, there is an immediate need for affordable rental housing to house low and moderate income earners near jobs, educational opportunities and services, while providing high amenity of living and community benefit.

Our view is that low-rise townhouse-style development of a scale appropriate to its surroundings would provide an uplift in density without compromising the character of the area or placing significant strain on surrounding infrastructure.

The proposed Affordable Housing Initiative would allow for this style of development in low-density zones, provided a proportion of affordable rental housing is accommodated, addressing both the need for increased dwellings in the form of low-rise medium density and the need for affordable housing.

We've outlined what we think are the next steps for each of the key stakeholder groups to take to make this initiative a reality:

NSW Department of Planning and Environment

- Make an amendment to the AHSEPP.
- Consider what the mandated discount to market rental rate should be.
- Circulate to local Councils the strategic vision for this amendment.

Local councils

- Initiate process for assessing multi-dwelling housing in the R2 Zone.
- Councils may refer to any existing LEP and DCP provisions relating to multi-dwelling housing usually applicable to the R3 Zone.
- Councils may need to formulate a list of desired outcomes for multi-dwelling housing within the R2 Zone.

- Councils to hold community consultation sessions or produce information for the local community explaining the initiative and why affordable housing is desirable. In these sessions, Council would need to address concerns relating to density uplift in residential zones and any potential impacts on the neighbouring residents.

Small developers

- Seek well-designed plans for multi-dwelling housing and consider at the early stages the amenity of the residents and the benefits to the local community.
- Engage with a Community Housing Provider for the management of the affordable rental properties.
- Consider the viability of proposed development in light of mandated discount to the market rental rate for affordable rental property.
- Discuss plans with the neighbouring residents and consider any impacts on the surrounding street.



CHPs

- Continue to liaise with NSW Government regarding its commitment to redevelop 'clusters' of social housing and the applicability of the principles of its estate renewal projects to smaller developments.
- Consider the possibility of undertaking a townhouse development in its own right (absent of the transfer of social housing dwellings from government), with the CHP to retain ownership and/or management of the affordable rental property.
- Engage a developer and designer to produce well-designed plans for multi-dwelling housing consider at the early stages the amenity of the residents and the benefits to the local community.



Landowners, communities and neighbouring residents

- Attend community consultation sessions and seek information from local council.
- Discuss the initiative among the community and seek to inform each other about the need for key workers to be located in your local area (via affordable rental properties) and density uplift.
- Discuss what the initiative could mean for your street and community, as well as potential concerns and how these might be addressed.
- Investigate if you could take part in this initiative with your land parcel, if interested.



Appendix – What does the Affordable Housing Initiative mean for you?

The proposed Affordable Housing Initiative provides an avenue for small developers, CHPs and even individuals and families to participate in the provision of affordable rental housing, for a broader social purpose. Through the AHSEPP amendment, lot owners would be permitted to build townhouse-style development within low density R2 Zones (currently locked into single houses and dual occupancies).

Given the large lots available across many suburbs in Greater Sydney, townhouses could be constructed without the need for lot amalgamation, making the process simpler and economically feasible for landowners and small developers.

This is what the initiative might look like for you – the individual, the developer and the CHP:



Individual landowners

- No need for lot acquisition and amalgamation on larger suburban lots.
- Ability to intensify an already-owned asset.
- Ability to sell at least one townhouse at market value, recouping a portion of the construction cost.
- Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment, while also receiving a regular rental income.
- Potential to occupy one townhouse and live in a diverse and inclusive community nurtured by the development.
- Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices.

Example

Simon and Jennifer have owned and lived in their four bedroom, one storey house in Hornsby for 8 years, which they purchased for \$720,000 and, being ready to downsize, are contemplating their redevelopment options. Investing their savings in renovations will lead only to a return upon the sale of their house, however, Simon and Jennifer would prefer not to move, given their proximity to Hornsby train station, Westfield shopping centre and their familiar local community.

Simon and Jennifer consult Hornsby Council only to discover the legislation allows for them only to renovate, build a granny flat or add on a second smaller dwelling to rent out – which would provide them a moderate weekly income of \$400.

They are then provided the AHSEPP (modified for the Affordable Housing Initiative), telling them they can build some townhouses if they include at least one as affordable rental housing. Simon and Jennifer are excited at the prospect of selling several townhouses at market rate while also providing a good place to live for a key worker within their own community.

Provided with a construction loan and using a portion of savings, Simon and Jennifer construct five townhouses on their 1500sqm lot for a total cost of \$1.8 million. They move into one of the three bedroom townhouses and quickly sell three of the townhouses for \$850,000 each. The remaining townhouse of three bedrooms with a sunny rear yard is rented out for \$465 a week, 75 per cent of its market value. Simon and Jennifer's new neighbours are a young local policeman, his wife who is studying part-time and their newborn baby.



Small developers and investors

- No need for lot acquisition and amalgamation on larger suburban lots if desirable.
- Ability to intensify a low density property and generate a substantial return on investment for continued investment in the property market.
- Delivery of more affordable housing across Sydney.
- Ability to sell at least one townhouse at market value, recouping a portion of the construction cost.
- Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment.
- Ability to sell the affordable housing units to Community Housing Providers and not-for-profit organisations, assisting in their delivery of affordable housing and growth of their assets.
- The creation of a diverse and inclusive community nurtured by the mixed tenure development.
- Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices.

Example

David owns a boutique professional consulting firm and uses business profits to invest in small property developments. David has renovated and constructed houses for the purpose of resale and rental for 15 years, including a number of small townhouse developments across Sydney. This has required lengthy property acquisition and development application processes with the need for lot amalgamation, given the smaller lot sizes available in medium density zones.

David is advised of the provision contained within the AHSEPP (modified for the Affordable Housing Initiative) allowing him to construct townhouses in low density residential zones, provided at least one dwelling is rented as affordable housing. David subsequently purchases two adjoining properties in Canley Vale in Sydney's west, near to the train station and shops, with a short drive to the Georges River. The first property contains a detached dwelling, purchased at \$950,000, generating a previous rental income on the property amounted to \$700 a week. The adjoining property is a vacant lot resulting from a recent subdivision of a large land parcel. This lot was purchased at \$620,000.

David obtains architectural plans for nine townhouses to occupy the amalgamated lots, equaling 2300sqm in area. The development provides a mix of 1, 2 and 3 bedroom townhouses with various floor configurations and open spaces. A communal open space is provided in the centre of the development, to encourage community interaction. Each dwelling contains its own ground floor courtyard or garden, with small balconies at the first floors of the larger dwellings. The cost of construction is \$2.8 million.

David designates three townhouses as affordable rental housing – a 1 bedroom, a 2 bedroom and a 3 bedroom. David sells these dwellings to a private investor who is able to generate a rental income stream over the next 10 years. These dwellings are rented at rates of \$210, \$270 and \$340 a week respectively, 80 per cent of market value, to key worker tenants.

David quickly sells the remaining six townhouses at market value, with the buyers both occupying and renting the dwellings. David generates a total sale of \$3.6 million for the six townhouses and continues to invest his profits into new low-rise townhouse developments for market and affordable rental housing.



Community Housing Provider (CHP)

- No need for lot acquisition and amalgamation on larger suburban lots.
- Ability to intensify an already-owned asset.
- Lowering capital intensity of projects.
- Delivery of more affordable housing across Sydney.
- Ability to sell at least one townhouse at market value, recouping a portion of the construction cost.
- Social benefit of providing affordable rental housing to individuals and families who need to live closer to employment, while also receiving a regular rental income.
- The creation of a diverse and inclusive community nurtured by the mixed tenure development.
- Potential to provide a complex of high amenity through well-designed townhouses, which integrate open space and sustainable practices.

Example

Goodwill Housing is a CHP competitively tendering for the title transfer of a block of four adjoining properties from the NSW Government in the suburb of Malabar. The properties contain single detached houses, all of which are occupied by social housing tenants, with their tenancies managed by the Department of Family and Community Services (FACS). The properties sit in a row and range from 800sqm to 1200sqm in area.

One of the evaluation criteria is the capacity of the CHP to leverage the properties to boost the portfolio of social and affordable dwellings within the housing system. Goodwill undertake an investigation into how to best utilise these assets to create a mixed tenure community, provide best-practice tenant services and leverage the properties as required. The AHSEPP (modified for the Affordable Housing Initiative) enables the CHP to undertake a townhouse development that achieves these objectives. The CHP's proposal includes:

- well-designed architectural plans of four townhouses to replace each existing property, with a mix of 1, 2 and 3 bedrooms and all of which provide sufficient private yards and small balconies at the first floor. A communal open space is incorporated at the front of the property, leading to the entries of each house. The total cost of construction is \$1.4 million.
- a staged construction process so that one existing property is demolished (and replaced with a set of four townhouses) at a time.
- a tenant relocation plan which involves (in collaboration with FACS) any social housing tenants in the property being replaced being temporarily relocated to a dual occupancy in a neighbouring street in Malabar while the construction takes place. Immediately following construction of each set of four townhouses, the social housing tenants are moved back into the townhouse with the most appropriate number of bedrooms (eg a single tenant would be placed in a 1 bedroom townhouse).
- a plan to place two of the remaining townhouses (per set of four townhouses) on the market for sale. These dwellings are estimated to sell for between \$1 to 1.25 million each. The remaining townhouse will be rented as affordable housing, (at approximately \$590 a week, 70 per cent of the market rate, if it were the 3 bedroom townhouse) – generating a moderate revenue stream for the CHP.

The CHP is awarded the title transfer. The outcome is the achievement of a modest community renewal process that results in a small precinct of 18 townhouses of 1, 2 and 3 bedrooms with a diverse community of owners and tenants – four social housing tenants (those previously occupying the single dwellings), four affordable housing tenants (a nurse, an author, a construction worker and a teacher), and 10 privately-owned townhouses occupied by a mix of tenants and owners.

Contacts



Clara Cutajar
Infrastructure &
Urban Renewal Leader
+61 409 223 037
clara.cutajar@pwc.com



Amy Brown
Partner, Infrastructure &
Urban Renewal
+61 409 388 131
amy.a.brown@pwc.com



Ross Hamilton
Partner,
Real Estate Advisory
+61 413 777 447
ross.a.hamilton@pwc.com



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