

Ryde Hunters Hill Community Housing Co-op Ltd

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Submission to

City of Ryde's

**Talking Future Housing:
Residential Housing
Strategy**



19th August 2008

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Background

What is Ryde Hunters Hill Community Housing Co-operative?

Ryde Hunters Hill Community Housing Co-op Ltd (RHHCH) is a not-for-profit community housing association providing long term general and supported accommodation to around 190 households. As a community housing provider, the organisation's key benefit is to provide secure and affordable housing for people on low incomes or with special needs.

We originated in Ryde LGA in 1984, where our office and most of our community housing stock is still located. Over the past 20 years, we have expanded our services to a further 6 LGAs - Auburn, Baulkham Hills, Hornsby, Hunters Hill, Parramatta and Willoughby. In the past 5 years we have tripled the number of homes we have been able to provide to the community and in the next five years we expect to double our current number.

We provide two main types of services. These are:

- Tenancy management services to our current tenants or those on our waiting list to provide secure affordable housing across the properties we currently manage.
- Growth services, which seek to increase the amount of community housing stock through head leasing on the private market, managing stock on behalf of other private, government or not-for-profit agencies, and acquiring or developing new capital stock. The latter includes through development partnerships with government, not-for-profit or commercial organisations, including debt-equity partnerships to leverage resources and increase the amount of stock that can be developed.

Reason for Making this Submission

The City of Ryde (hereafter 'Council') can play an important role in responding to ever-increasing housing need in its local community. This includes developing future partnership arrangements with RHHCH in expanding new affordable (including community) housing stock in the local area. These are discussed later in this submission.

Further, a number of State and Federal Government funding opportunities to increase affordable rental stock have recently been made available to the private, local government and community housing sectors. If it chooses, Council can work with RHHCH to position itself to take advantage of these opportunities over the next few years. There is an urgent need to move quickly to take advantage of these opportunities, and this is also discussed below.

Finally, it is hoped that this submission will highlight some of the ways that Council can respond more effectively to local housing need, particularly working in partnership with us, and RHHCH welcomes further discussions with Council in this regard.

The Increasing Need for Affordable Housing in the Ryde Community

There is a common misconception that 'affordable housing' means 'public' or 'social' housing. However, many of the residents facing affordability problems in Ryde LGA would fall outside the eligibility criteria for public housing, or would be unlikely to meet criteria for priority housing allocation.

Given the serious and growing affordability issues facing the LGA described below, it is highly likely that the need for affordable housing could affect many in the Ryde community at some stage in their lives. This could be a young adult who wants to live near where they grew up, an aging parent who needs to move closer to their family, or through an unexpected change in life circumstances like an accident, illness or divorce. Importantly, even a good single wage or salary is not enough to buy or rent affordably for many residents in Ryde LGA who are not already homeowners. Housing affordability thus affects our ability to **maintain social diversity** in our communities.

However, lack of affordable housing not only affects the quality of life of individual families, who may be sacrificing basic necessities to pay for their housing. It also has a serious impact on employment growth and local economic development. The loss of young families and workers in lower paid essential service jobs is bad for **local economies**, and is contributing to labour shortages in many areas of Sydney and related regions. This is contributing to a lack of labour supply among 'key workers' who are essential to various services including childcare, aged services, health care and hospitality, but whose wage does not allow them to access rental or purchase housing close to where they work.

The following section provides an overview of population and housing trends relevant to Council's consideration of housing needs in the local community.

Housing Need in Ryde LGA

Relevant Population and Housing Trends

Ryde LGA's population grew from around 94,500 to 97,000 from 2001-06 (a 2.6% increase), which was a somewhat lower growth rate than Sydney Statistical Division (SD) and Lower Northern Sydney SD. The LGA has a similar age structure to Sydney SD, however, most of the increase in more recent years has been in the oldest age groups, and the LGA is forecast to have relatively low population growth over the next 25 years. Ryde also has a similar makeup of various family types as Sydney SD, but has experienced little growth in couples with no children and a small decrease in couples with children, but significant increases in one-parent families and lone person households.

Nonetheless, it is predicted that the LGA will need to allow for around 12,000 new dwellings under the Inner North Regional Strategy by 2031 largely due to household formation by young adults, the demand for housing from increasingly smaller households, and to take up its share of regional population growth. The LGA is designated to take the majority of growth in the Inner North.¹ Like other areas, the aging of Ryde's population and decreasing household size will have a

¹ NSW Department of Planning (2007).

significant impact on the need to ensure housing stock created is appropriate to changing needs.

Importantly, 10% of Ryde LGA's total population receives an aged pension, which is much higher than surrounding LGAs,² and most likely relates to the higher rate of persons aged 65 and over, the lower rate of self funded-retirees, and the higher retention rate of older people. Ryde also has a higher rate of people in receipt of Newstart Allowance (job search) than surrounding areas,³ and a relatively high proportion of people requiring high levels of assistance compared with LNSSD and Sydney SD, indicating quite high levels of serious disability.⁴

Ryde's median household weekly income is similar to that for Sydney SD. However, it shows a significantly less well-off profile compared with the Lower Northern Sydney SD and surrounding areas, as shown in the following graph.

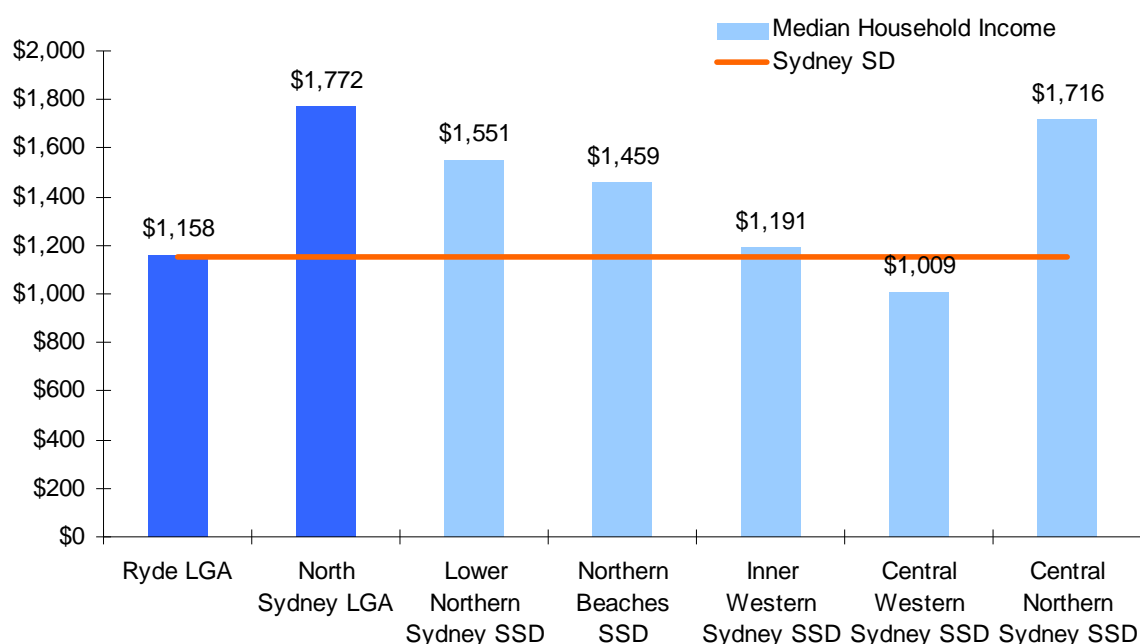


Figure 1: Median Household Income (Weekly)

Source: ABS (2006) Census of Population and Housing, Basic Community Profile

The type of dwellings available for residents to purchase or to rent is important for affordability reasons (flats, units and apartments are typically lower cost than traditional detached dwellings), and due to the need for smaller more manageable dwellings to meet the needs of a rapidly ageing population. Key local housing trends include:

- o A higher than average level of high- and medium-density homes (29% and 15% respectively compared with 24% and 12% for Sydney SD);
- o A slightly higher than average level of renters, likely due to the higher proportion of higher density stock;

² ABS (2006) National Regional Profiles; Centrelink (2008).

³ *Ibid.*

⁴ ABS Census (2006): People with a profound or severe disability are defined as, “needing help or assistance in one or more of the three core activity areas of self-care, mobility and communication because of a disability, long term health condition lasting six months or more, or old age”.

- o Higher level of owner occupancy and considerably lower level of purchasing, likely due to the historical cost of housing that enabled older residents to own their homes, the higher than average supply of multi-unit dwellings for rent by local younger workers and tertiary students, and the relatively low incomes of residents that make purchasing a home more difficult in recent years;
- o A lower than average proportion of public housing (4% compared with 5% for Sydney SD), but a slightly higher than average proportion of community housing.

It is noted that the community housing sector, though small, is growing and makes up almost 1% of housing stock in Ryde LGA. There is a much higher proportion of community housing in the local housing market than in surrounding areas, as shown in the graph below.

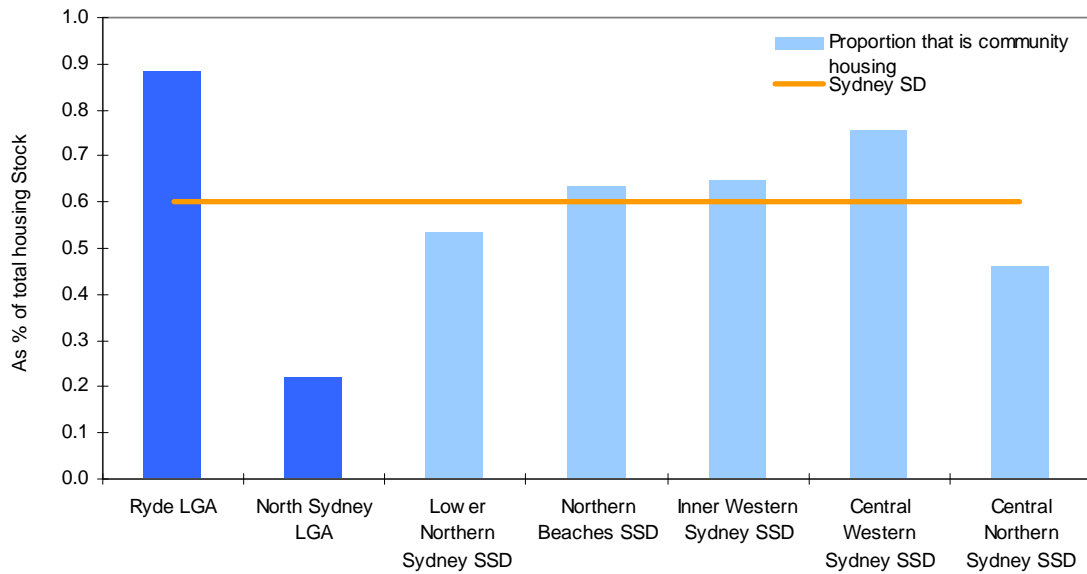


Figure 2: Community Housing as a % of total occupied dwellings
Source: ABS Census of Population and Housing (2006)

Who lives in rental housing in Ryde LGA?

To understand local housing need, it is important to understand who lives in the various types of rental accommodation – social rental housing (public and community) and private rental housing - and the relationship of this housing to the home purchase market.

Whereas 60% of private rental accommodation in Ryde LGA and Sydney SD is rented by families, social rental housing is increasingly occupied by smaller households, with around half of public and community rental occupied by lone persons. The following graph shows the makeup of community housing, which has a slightly lower proportion of homes rented to families than the Sydney SD average for community housing.

Ryde Hunters Hill Community Housing Co-op Ltd

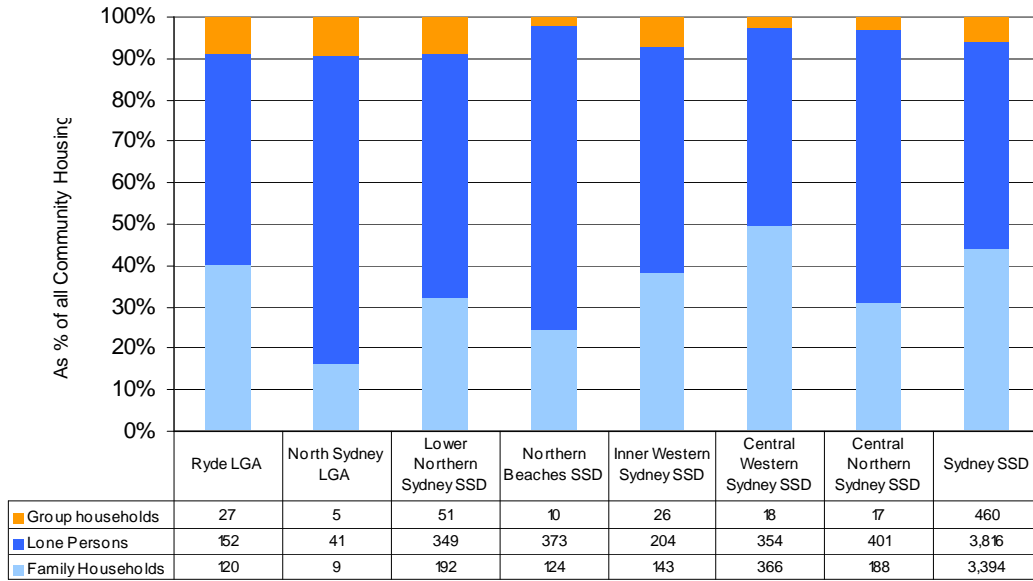


Figure 3: Household Type of Households in Community Housing, 2006
Source: ABS Census of Population and Housing (2006)

Like public housing, more than 80% of households in community housing are low- to very low-income earners, as shown below. This is in sharp contrast to private rental, where only 35% of households are on low or very low incomes.

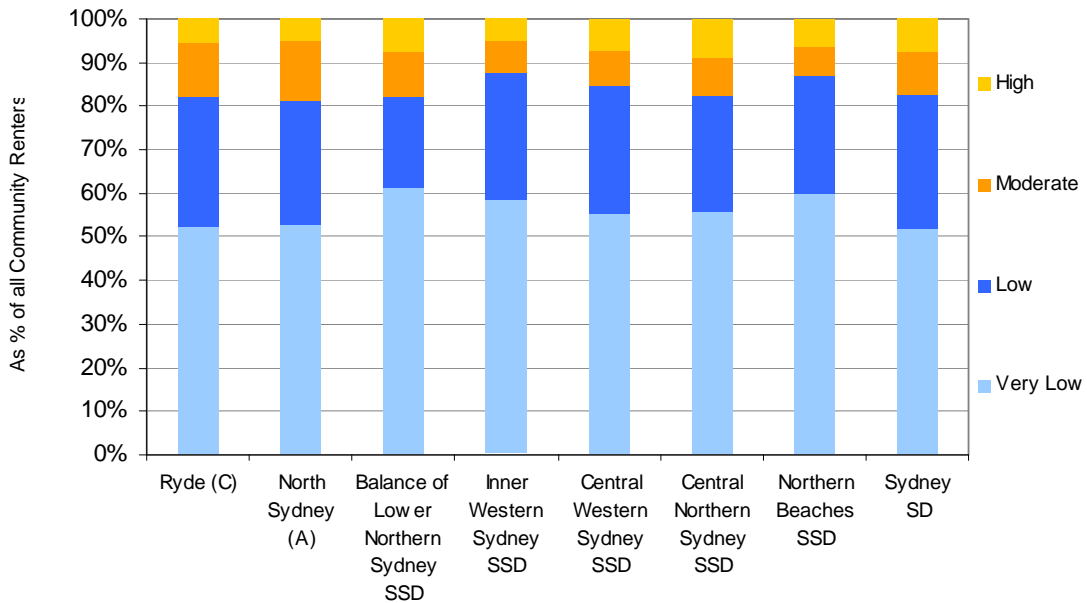


Figure 4: % Very Low, Low, Moderate and High Income Community Housing Households
Source: ABS (2008) Special Order

In general, those renting social housing in Ryde and Sydney SD have a very old age structure, with around 60% aged 55 years and over and around 20% aged 35-54 years, compared with around 10% and 40% in these age groups respectively for private rental housing. The following graph shows the age breakdown in community housing in Ryde LGA compared with Sydney SD and surrounding areas.

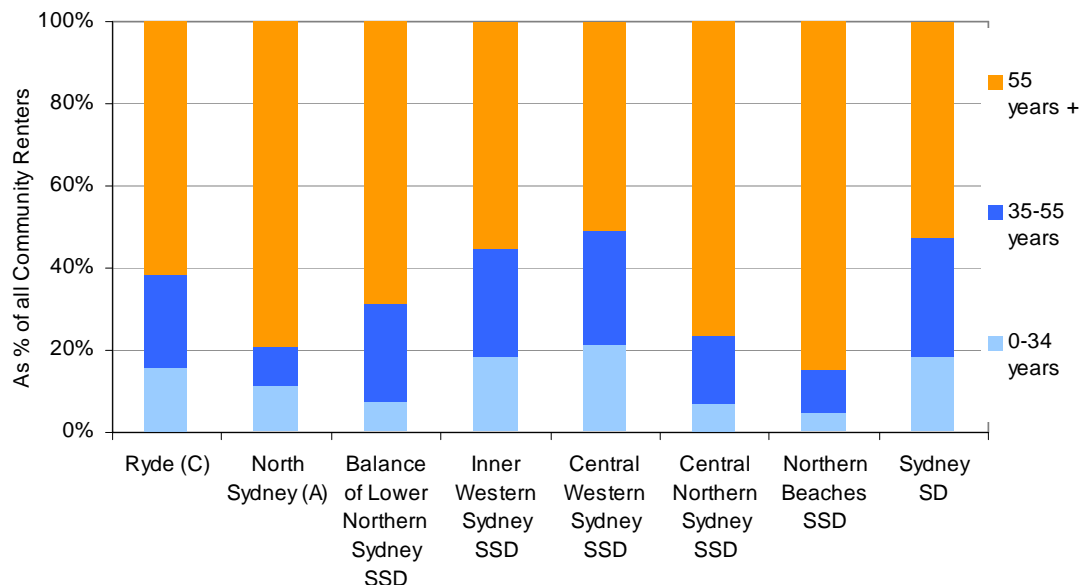


Figure 5: Community Rental Households by Broad Age Categories
Source: ABS Special Order (2008)

Local Housing Affordability and Housing Stress

Housing purchase and rental in Ryde LGA is increasingly unaffordable for many local residents, and particularly those on low- to moderate-incomes.

Like Sydney SD, housing prices in Ryde have escalated over the past decade or so, meaning that it is increasingly difficult for local families to purchase a home in the area. Most recently, housing purchase prices increased by almost 11% in the 12 months to 2007/08 compared with only 4.5% for Sydney SD.⁵ Increasingly, young people and families who would have bought their own home are renting for longer periods of time, some permanently. As such, rental is no longer a 'transitional' tenure. However, rental cost is growing more rapidly than purchase costs in many parts of Sydney at the present time.⁶

A low to moderate income family is said to be in 'housing stress' when they pay more than 30% of household income on housing costs, and are therefore at risk of after-housing poverty. Around 70% of low-income families in Ryde LGA are in housing stress compared with around 63% of those in Sydney SD, or around 2,750 low-income households in the LGA. Though the median cost of housing is lower than many of the surrounding LGAs,⁷ the lower income levels in the LGA mean that it is not affordable to many local residents. Though flats and units are still slightly below the median purchase price for Sydney, 3+ bedroom homes are now more expensive than the Sydney SD median.⁸ The following graph, reproduced from a study recently undertaken for RHHCH by JSA, shows the comparative situation in Ryde LGA.

⁵ NSW Department of Housing Rent and Sales Report (2007; 2008).

⁶ *Ibid.*

⁷ NSW Department of Housing (2008) Rent and Sales Reports, March Quarter 2008.

⁸ *Ibid.*

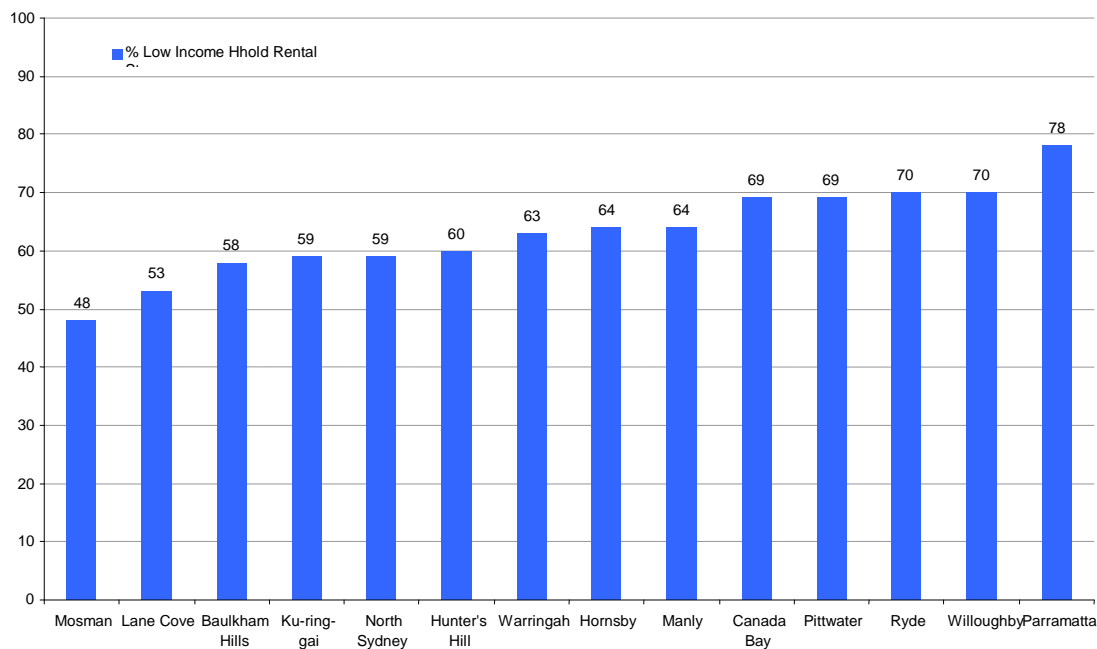


Figure 6: % Low Income Households in Rental Stress (Local Benchmarks)
Source: JSA 2008

Importantly, the vast majority of these households are in private rental. Although some of these would be eligible for social housing, it is likely that many would either just miss out on the income eligibility threshold, or would be unlikely to be housed in the foreseeable future as they are not sufficiently 'high need' to be classed as 'priority' applicants. Given the current pressures on public housing described below, many of those eligible are likely to have around a 10-year wait for public housing. This deters many from applying.

It is also likely that many of these households would be employed in lower income including part-time or casual jobs in the local labour market. Further, around 1,000 moderate income households in Ryde LGA were in housing stress, though their income is likely to exclude them from public housing. These include 'key workers' (those employed in relatively low-paid essential services jobs) whose income is increasingly inadequate to keep up with the escalating cost of housing in recent years.

This is a significant local housing affordability gap of around 4,600 low-to moderate-income renting households. The seriousness of the situation has recently been recognised by the Federal Government in its planning for the roll out of the National Rental Affordability Scheme (NRAS). Together with 25 least affordable LGAs in NSW, the Federal Government rates the Ryde LGA as having 'high' housing need for rental housing out of around 160 LGAs.⁹

Importantly, this means that Ryde LGA is likely to be given a high priority for State and Federal Government Affordable Housing programs, described below.

⁹ Australian Government, 2008, *National Rental Affordability Scheme Prospectus*, Attorney general's Department, p.

Community Housing Is Critical to Future Affordable Housing Growth

The Retreat of Public Housing

Severe constraints to increased provision of public housing stock in NSW have been evident for some years. This is mainly due to increased demand arising from changes in the NSW demographic and housing market context, increasing liabilities from an aging stock of public housing and a more disadvantaged tenant profile, as well as significant reduction in capital grants from the Federal Government over the past decade under the Commonwealth State Housing Agreement. The latter is related to an increased emphasis on demand-side strategies including reliance on Commonwealth Rent Assistance in preference to supply-side strategies including direct provision of capital funding by government.

This has led to a net decrease in social housing stock over the past decade. As at 2007, there were less than 122,000 social housing dwellings – a decrease of 13,000 dwellings since 1997, or approximately 10%.

Although some of this stock is now identified as ‘community housing’ due to stock transfers over the past decade or so, this is estimated to account for around a quarter of stock ‘lost’ with the remainder accounted for by sales, demolitions and vacant dwellings still in departmental ownership.¹⁰ Very little new social housing stock is being created and that which is being developed is not offsetting the real loss in such accommodation.¹¹ The change in social housing stock over a ten-year period expressed as a proportion of all occupied dwellings is graphed below.

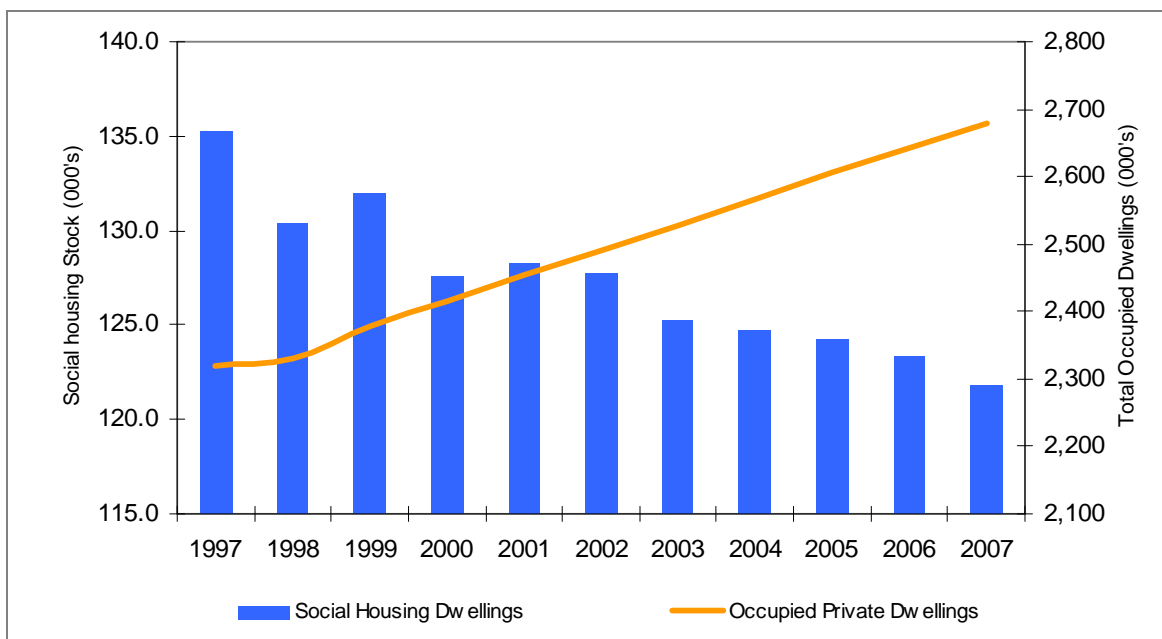


Figure 7: Change in NSW Social Housing Stock, 1997-2007

Source: ABS, Australian Social Trends 1997-2007 (2008)

¹⁰ Stubbs, J. Foreman, J. and Goodwin, A. 2005, *Leaving Minto: The Social Impacts of Public Housing Redevelopment*, Social Justice and Social Change Research Centre UWS.

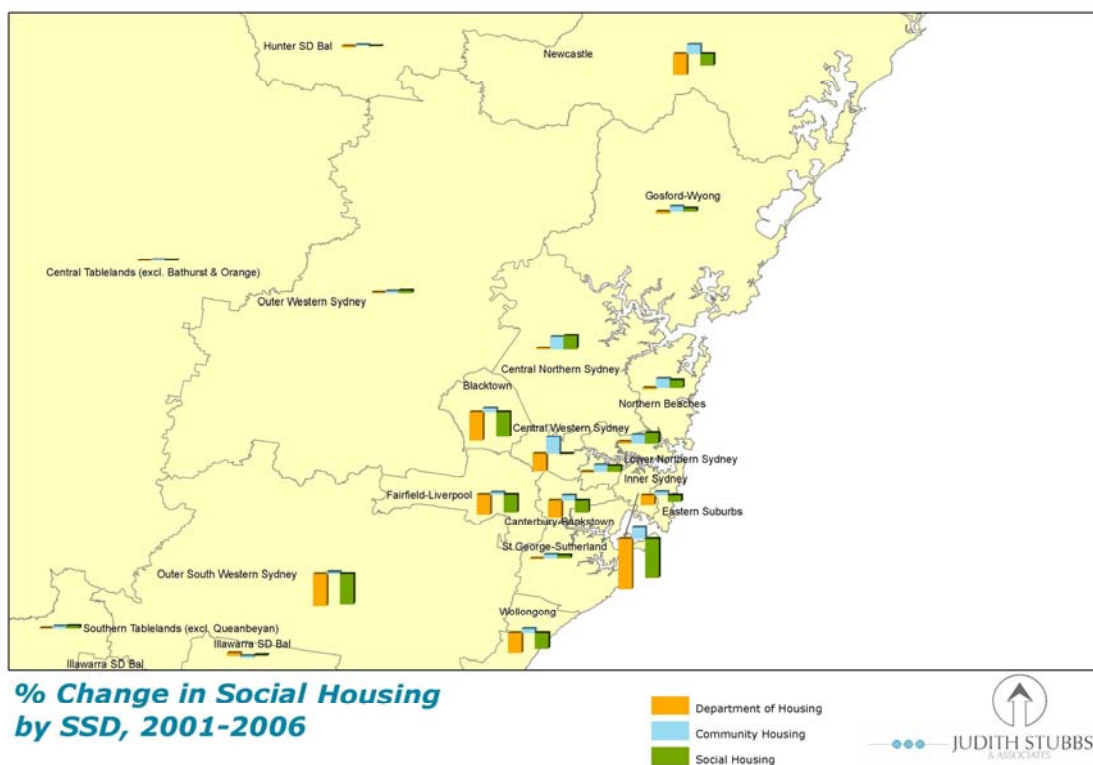
¹¹ *Ibid.*

Increased Reliance on Community Housing ‘Growth’

The following map is reproduced with permission from a study recently undertaken for RHHCH by JSA. It illustrates the change in public and community housing stock across statistical sub-divisions between 2001 and 2006.

In general, there have been large decreases in public housing across outer western Sydney, central western and outer southern Sydney. To the north, there have been some modest increases in both public and community housing during the five-year period. As can be seen, the main increase in social housing in Lower Northern Sydney (in which Ryde LGA is located) over the past 5 years has been in community housing stock.

Recent directions by the NSW State Government indicate that community housing providers will be the main vehicles for growth in social housing over the next 5-10 years, with the sector expected to triple in size.¹² Though a reasonable amount of this will be through stock transfers from public housing for community housing providers to manage on behalf of the State Government, there is also expected to be a significant amount of ‘real growth’ through development and management partnerships (e.g. with the private sector and local government), through debt-equity projects and through new funding opportunities outlined below.



¹² The directions for community housing growth in NSW are set out in *Planning for the Future: Community Housing 2007-12* (DOH /OCH 2007).

New Funding Opportunities for Affordable Housing

There are a number of recently announced opportunities to capture State and Federal Government funding or incentives to assist in the development of new affordable housing. The main ones include the Affordable Housing Innovation Fund, which seeks to use debt-equity partnerships to leverage scarce social housing resources. Recent initiatives by the Federal Government such as the National Rental Affordability Scheme (NRAS) also rely upon less traditional partnerships between local and state government, the community and private sector to increase the supply of affordable rental stock, and to make scarce resources 'go further'. These are briefly summarised below.

- The **NSW Affordable Housing Innovation Fund (AHIF)** aims to encourage the growth of the community housing sector and enable community housing providers to attract private investment and financing, thus maximising the amount of affordable housing that can be provided.¹³ Up to 60% of the total cost of a project is provided by the NSW State Government, with the balance provided through a mix of debt and equity. Often the equity is provided by a partnering council in kind (generally surplus land or housing) or in cash (from developer contributions including through s 94, Planning Agreements and/or density bonuses).

Finance is secured by the community housing providers and only community housing providers can apply for this funding. Project grants for individual projects for the first two AHIF rounds have been in the order of \$1.3 million, with projects worth on average \$3.2 million, and average number of dwellings per project around 12. A total of \$22 million is available over the next 2 funding rounds and competition for funding is strong.¹⁴ Recent changes announced include the fact that this money will now be packaged up with funding available under the NRAS (discussed below).

- The **National Rental Affordability Scheme (NRAS)** aims to significantly increase the stock of affordable or low cost rental housing financed through large institutional investors, private developers and not for profit organisations. It aims to create a total of 100,000 new rental properties across Australia renting for at least 20% below market rent over the next 5-10 years. The main mechanism is an annual refundable tax credit for private developers of \$6,000 per annum from the Federal Government, and cash or in-kind contribution from the NSW State Government of \$2,000 per annum, a total subsidy of \$80,000 over 10 years. This seeks to enable properties to be rented at below market rent.

The stock created must be retained as low cost rental accommodation for at least 10 years after which time it may be sold. The subsidy can only be applied to *new* private rental, and scale is important – the Federal Government will generally only consider applying the subsidy to proposals of 100 or more dwellings for private developers and 20 dwellings for not-for-profit organisations, though it appears that a 'proposal' may apply to more than one 'project', and may cover several LGAs and be staged over time to achieve the required scale.

¹³ NSW Department of Housing, NSW Affordable Housing Initiatives, accessed online 6 June 2008.

¹⁴ Presentation Will Rodin, NSW Centre for Affordable Housing, Byron Shire, 4 June 2008.

Neither of these sources of funding are assured, and competition is likely to be significant. However, it seems likely that the Federal Government will be keen to fund early proposals to make sure the NRAS targets are met. There are a number of funding rounds before the mid-January 2009, and also during the period to mid-2009. These funding and subsidy opportunities are likely to make more marginal projects viable in certain circumstances.

There are real opportunities available for Councils working in partnership with community housing providers to take advantage of this funding. The need to achieve 'scale' (a minimum of 20 properties) also makes partnerships across council areas advantageous (e.g. where a community housing provider like RHHCH covers more than one LGA and develops partnership relationships with multiple local authorities).

Growth Through Partnerships with Local Government

One of the most important avenues for growth of community housing currently available is through management and development partnerships with local councils.

The most productive avenues for partnerships include the following.

- Council can **identify surplus land and/or buildings** that can be developed or redeveloped for affordable housing partnerships. There are many examples of where this has occurred, to the benefit of local government and the community housing provider, and ultimately the community. An example of a three-way affordable housing partnership between the private, government and community sectors was that between City of Port Phillip Council, Port Phillip Housing Association, Inkerman Properties Pty Ltd, Vic Urban and others in the Inkerman Oasis Project.

A 1.2-hectare former council depot site in St Kilda was rezoned residential. A private developer was appointed after an open tender project to develop the land in exchange for creating community housing to an agreed value (e.g. the value of the land). Around 240 units were developed including 32 units of Affordable Housing, where moderate-income working families pay 75% of market rent. These units are managed by Port Phillip Housing Association, with title to the properties jointly with Council and the Community Housing Association.

Variations on this type of partnership are possible where a council has identified surplus land or redundant (brownfields) sites that could be used as part of an affordable housing partnership. Much smaller partnerships than the one described are most common, and City of Ryde should not be deterred from this type of approach if it has small surplus lots, or even facilities that may be able to be redeveloped as mixed use developments (e.g. where there may be an underground car park, above ground retail or commercial and shop-top community housing as is currently being pursued by a near-by local council.

- Use of its **approvals and strategic planning role** to create affordable housing including:

- Capturing a reasonable proportion of private benefit created through the approval and/or rezoning processes for use as a public benefit (affordable housing), through the development and implementation of a **Voluntary Planning Agreement Policy** under the NSW Environmental Planning and Assessment Act;
- Providing for **developer incentives** in strategic precincts/sites where the developer agrees to contribute a portion of the additional profit created to Council's Affordable Housing Program (again, through a VPA).
- Depending on the arrangement with the partnering council, community housing providers have the potential to leverage resources through debt-equity projects, where Council provides equity in cash, land or dwellings, and the community housing provider contributes any surplus funds and also borrows against the equity available. The provider then manages the dwellings created under an MOU or similar with council. This makes the best use of scarce resources available, and increases the amount of stock that could otherwise be created. Again, current opportunities through State and Federal Government described above can be 'rolled into' this partnership, further increasing the amount of stock that may be constructed or purchased.

Working Together for Mutual Benefit

Concluding Remarks

It is understood that Council is currently undertaking an *Affordable Housing Study and Strategy*, and that these types of approaches will be explored in detail as part of this work. RHHCH commends the work of Council in this regard, and would be pleased to support and assist with realising any of the strategies or initiatives that Council develops as part of this process.

We hope that we will have the opportunity to discuss these issues further during the development of Council's *Affordable Housing Study and Strategy*, and that this will lead to valuable collaborations in this important policy area in the future for the benefit of both of our organisations, and most importantly, for those local residents who need affordable housing now and in the future.

Ryde Hunters Hill Community Housing Co-op Ltd

19th August 2008