

Affordable Housing

Policy, procedure, protocol	Policy
Document version	V 3.0
Date adopted by Council	20 October 2015
Minute number	13.144/15
File reference number	ECM 1594397
Due for review	April 2020
Documents superseded	V1.0 – 28/8/2010 – 12.150/10 V2.0 – 16/4/2013 – 13.059/13
Related documents	Clarence Valley Affordable Housing Strategy 2007 Clarence Valley Housing Needs Analysis 2007
Author	Dr Judy Banko, Manager
Section / Department	Social & Cultural Services
Linkage to Our Community Plan	1 Our Society
Objective	1.4 We will have access and equity of services
Strategy	1.4.5 Remove any impediments to, and encourage the supply of affordable housing

Table of contents

1.	Purpose	1
2.	Definitions	1
3.	Background/legislative requirements.....	1
	3.1 Overview	1
	3.2 Policy Approach	2
	3.3 Housing Need Rationale.....	2
	3.4 Target Groups	4
4.	Policy, protocol or procedure statement.....	4
	4.1 What does this policy apply to.....	4
	4.2 How much affordable housing is required;	4
	4.3 What is an affordable housing unit.....	5
	4.4 Large scale developments.....	5
5.	Policy Alternatives.....	6
	5.1 State Environmental Planning Policy (Affordable Rental Housing) 2009	6
	5.2 State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004 (as amended)	6
	5.3 Manufactured Home Estates and Caravan Parks	7
	5.4 Capturing Private/Public Benefit	7
6.	Procedures	7
	6.1 Development Consent	8
	6.2 Planning Agreement	8
	6.3 Local Environmental Plan (LEP)/Development Control Plan (DCP) for a Planning Proposal .	8
	6.4 Form of Contribution	8
	6.5 Affordable Housing Partnerships.....	9
7.	Review and Monitoring of Policy	9

1. Purpose

The focus of the policy is to require, through planning mechanisms, that new large scale development provides appropriate housing stock that is more likely to be affordable and appropriate to the future demographic needs of Clarence Valley Local Government Area.

2. Definitions

For the purpose of this policy, housing is generally considered “affordable” when a very low, low or moderate income household can make its rental or mortgage payments while still being able to pay for other essential goods and services like food, clothing, transport, schooling, utilities and reasonable recreational costs. A basic “rule of thumb” indicates that affordable housing is where rental or mortgage repayments do not exceed 30% of gross household income. A very low to low income household is generally defined as those in the lowest two quintiles of household income (or lowest 40% of income earners), and a moderate income household is one earning no more than 120 % of median household income. The term ‘housing stress’ is generally used to describe low to moderate income households who are at risk of ‘after housing poverty’ as a result of meeting the cost of their housing. Such a low to moderate income household is said to be in ‘housing stress’ when it is spending more than 30% of gross household income on housing costs; and in ‘housing crisis’ or ‘severe housing stress’ when paying more than 50% of income on housing.

It is important to draw a distinction between ‘low cost’ housing and ‘affordable’ housing. Low cost housing will not always be ‘affordable’ to low or moderate income earners. ‘Low cost’ relates to relative price of housing (eg compared with other areas or similar types of housing in absolute terms), where as ‘affordable’ relates to the ability of residents on low to moderate incomes in a particular area to rent or purchase housing without falling into ‘housing stress’. Affordability therefore benchmarks housing costs against income of such households.

‘Affordable housing’ is defined in this policy as housing which can be rented or purchased by low- to moderate-income earners so that they are spending no more than 30% of gross household income on housing costs, and where ‘low-income’ is defined as those earning up to the 4th decile of household income for NSW, and ‘moderate-income’ is defined as earning up to 120% of median household income for NSW.

3. Background/legislative requirements

3.1 Overview

This policy has been informed by relevant documents produced by consultants, Judith Stubbs & Associates (JSA), as referenced through out the policy.

Research conducted¹ indicates that there is clear justification for Council to actively seek to increase the supply of affordable and appropriate housing through its planning instruments and policies. The

¹ See JSA (2009) *Draft Background Paper: Planning Mechanisms for Affordable Housing*

need is related to the large number of those residents in housing stress, and current and projected levels of unmet need for affordable housing. This may be achieved through the development control process, which may include a Planning Agreement or a range of other mechanisms. This policy acknowledges that new development has a responsibility to not exacerbate the identified current and future need for affordable housing. JSA's research also indicates that a level of contribution is within the reasonable capacity of developers to meet, given the additional private benefit created through the operation of Council planning and approval processes.

3.2 Policy Approach

Clarence Valley Council has conducted detailed housing studies to identify the extent and nature of current and projected housing need in the LGA. Council has explored appropriate policy options based on examination of local housing need, housing market and other local conditions, and stakeholder consultations. Policies have been developed within a framework that promotes social, economic and environmental sustainability, and are in line with the aims of the *NSW Environmental Planning and Assessment Act 1979*, the *Mid-North Coast Regional Strategy* (DOP 2006-31), and the *Clarence Valley Sustainability Initiative* (CVC 2006).

Council recognises that there is a need to diversify housing stock and tenure options to meet the changing needs of its community, including the aging of the population, decreasing average household size and socio economic profile. It is committed to encouraging the development of smaller, more manageable, well-located dwellings that allow for positive 'aging in place', as well as continuing to provide for the needs of younger people, families and lower income households through its land release strategies. The needs of older asset poor people who are currently in private rental will also be an increasingly serious issue for the Clarence Valley.

Council is also aware that declining affordability is affecting the sustainability of its community, including the ability to attract and retain younger people and key workers, and enable longer-term, asset poor residents to remain within their local communities. Council is committed to protecting and increasing the amount of housing stock in the LGA that is affordable for purchase and rental to local residents.

Council recognises affordable housing through the inclusion of appropriate aims, zone objectives and mechanisms in its Environmental Planning Instruments, and ensure that these documents encourage the retention and creation of diverse housing opportunities including for affordable housing in appropriate locations. In framing this policy, Council is acutely aware of the need to ensure that the implementation of policies that promote housing diversity and affordability do not act as a disincentive to development, are fairly apportioned, and are open to scrutiny. In this sense, its policies aim to promote reasonableness, transparency, equity and feasibility.²

3.3 Housing Need Rationale

From the most current ABS Census 2011 figures, it confirmed that Clarence Valley is considerably undersupplied with public housing and social housing compared with NSW. In the Clarence Valley in 2011, 3.2% of dwellings were social housing.

² See Clarence Valley Council (2007a) *Housing Needs Analysis Report*; Clarence Valley Council (2007b) *Affordable Housing Strategy*; Clarence Valley Council *Social Plan 2010-14*

In relative terms the levels of 'housing stress'³ in Clarence Valley is below NSW averages, despite being a much more disadvantaged area than NSW generally. This is largely due to the relatively low cost of housing in Clarence Valley compared with NSW, which is heavily influenced by the expensive Sydney housing market. However, levels of housing stress in Clarence Valley are equivalent to those for Australia generally, with lower levels of rental stress and slightly higher levels of purchase stress.

The number of Clarence Valley households in housing stress in absolute terms, current and projected, is significant. In 2011 the Clarence Valley had 11.5% of renters in housing stress. With regard to social housing as a subset of affordable rental housing, and using NSW levels as a benchmark, Clarence Valley was undersupplied by over 300 units of social housing (housing for those on very low incomes) based on NSW average supply. Clarence Valley has less than 1% vacancy rate for rental properties and this will be further impacted by the workers on the highway and support services. After the highway influx diminishes, the vacancy rate will continue to be impacted by the new Grafton Gaol and its inmates' families and Gaol workers.

In terms of projected demand, the Department of Planning predicts an additional 7,100 dwellings will be required in Clarence Valley by 2031.⁴ Assuming these dwellings are occupied private dwellings, this is a 38% increase on the current level of occupied private dwellings. On a proportional basis, and based on current trends, 16% (or an additional 1,100 dwellings), will need to be affordable rental accommodation for low-income households by 2031. Of these additional 1,100 dwellings, 370 would need to be social housing to meet the current NSW level of supply of social housing and 730 would need to be affordable housing. Excluding social housing, which may be provided by government or community housing providers, 1 in every 10 new houses created would need to be affordable private rental. This is conservative, as it does not address existing shortfalls in private rental.

It is important to note that a significant proportion of low to moderate-income renters in housing stress would not be eligible for social (public or community) housing as they may be just above the required income threshold. Of those who *are* eligible, it is expected that a substantial number would not be on the public housing waiting list as long waiting times often discourage such applications, or they are not of significantly high need to be placed on Housing NSW's priority waiting list. As well as the need for social housing, there is also a considerable need for more affordable housing for those who may 'fall through the gaps' in the social housing system. This includes low to moderate income working families including those employed in essential services work ('key workers').

Clarence Valley is undersupplied with smaller more manageable dwellings, with about one third the NSW rate in this housing type. Using the NSW benchmark, there is a shortfall of around 6,000 smaller more manageable dwellings. The high median age and the proportion of 'lone person' and 'couple with no children' households suggests that a need exists for such dwellings, and that this will increase significantly with an aging population. This of course must be balanced against the demands of the market, so that the demand for such dwellings may increase with time, and ongoing monitoring of supply relative to demand is required.⁵

³ Those at risk of after-housing poverty, which is generally calculated as those on very low, low and moderate-incomes paying more than 30% of their gross (or pre-tax) income on housing costs.

⁴NSW Department of Planning *Mid North Coast Regional Strategy 2006-31*, State of NSW, 2006. *Northern Rivers Housing Study December 2013*

⁵ JSA 2009 *Draft Affordable Housing Policy*

3.4 Target Groups

Council is committed to protecting and increasing the supply of housing stock that can be affordably rented or purchased by very low, low, and moderate income households, including target groups identified as having particular housing needs in Clarence Valley. These include:

- Older people
- People with a disability
- Young people
- Young people leaving a juvenile justice centre
- Adults leaving a correctional centre
- Women and children leaving domestic violence
- Aboriginal people
- Low-income single people
- Low-income families
- Key workers
- People living in caravan parks

4. Policy, protocol or procedure statement

4.1 What does this policy apply to

This policy applies to:

- Development Applications or Planning Proposals under Part 3 of the EP&A Act
- Urban Release areas under the CV LEP
- Growth areas under the Mid North Coast Regional Strategy
- Residential Subdivision of 10 or more lots or subdivision of land that has a capacity to be subdivided into 10 or more lots
- Residential flat buildings and other developments of 10 or more dwellings

4.2 How much affordable housing is required;

- 1 unit of affordable housing in each 10 units of housing developed

Research has previously estimated a short fall of around 1,100 affordable dwellings for Clarence Valley LGA based on levels of housing stress. It is estimated that of the additional 7,100 dwellings

required in Clarence Valley Council local government area through to 2031, 370 would need to be social housing and 730 would need to be affordable housing for low income households.⁶

4.3 What is an affordable housing unit

Affordable housing in Clarence Valley Council local government area is locational, with the most affordable location being South Grafton, followed by Grafton, Junction Hill and Maclean.

Housing affordability in Clarence Valley LGA also relates to dwelling type and level of amenity (JSA 2010). Insofar as dwellings find their way into the rental market, construction of 1 & 2 bedroom flats and units is likely to increase the stock of rental housing, particularly if the dwellings are restricted to 1 bathroom and 50-55m² for one bedroom dwellings and 75-80m² for 2 bedroom dwellings.

Affordable purchase housing is most likely to be provided by the construction of 2 & 3 bedroom housing with one bathroom with no garage in the suburbs of South Grafton, Grafton, Junction Hill and Maclean. Two bedroom dwellings should be 95-100m², and 3 bedroom dwellings should be 120-125 m².⁷

Council will accept that affordable housing development provision is being met by housing meeting the criterion in the following table;

Housing Type	Criteria	Number of units/dwellings
1 bedroom flat	50-55 m²	1.0
2 bedroom flat	75-80 m²	1.0
3 bedroom flat	95-100 m²	1.0
2 bedroom detached dwelling	95-100 m²	1.0
3 bedroom detached dwelling	120-125 m²	1.0
Contribution of land to Council	400 m²	1.0

4.4 Large scale developments

Developments providing more than 100 units of housing will require a range of the above housing units to provide diversity of housing stock.

⁶ See JSA (2009) *Draft Background Paper: Planning Mechanisms for Affordable Housing*, Clarence Valley Council

⁷ See JSA (2010) *Draft Affordable Housing Assessment*

5. Policy Alternatives

Alternatives can be proposed to meet the aim of the policy provided that a housing needs assessment is prepared by an appropriately qualified person(s). Presently in 2015 there are State Government planning mechanisms that may assist in meeting the aim of the policy

5.1 State Environmental Planning Policy (Affordable Rental Housing) 2009

The State Environmental Planning Policy Affordable Rental Housing 2009⁸ was implemented 31 July 2009. It enables affordable rental accommodation by:

- the introduction of 'complying development' which will see secondary dwellings (granny flats) and group homes approved in 10 days;
- allowing secondary dwellings in all residential zones;
- allowing dwellings up to 2 storeys in all residential zones; and
- allowing group homes in a range of zones.

It encourages development of affordable housing by:

- density bonuses;
- rental assistance;
- fast-tracking processing;
- improvements to standards for boarding houses to appeal to a wider market; and
- allowing properties to be sold after 10 years without affordable housing restrictions.

It aims to create new partnerships between private and community housing sectors to fast track affordable rental properties and improve their quality. It is particularly suited to infill development.

5.2 State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004 (as amended)

This policy aims to encourage the provision of housing (including residential care facilities) that will:

- (a) increase the supply and diversity of residences that meet the needs of seniors or people with a disability, and
- (b) make efficient use of existing infrastructure and services, and
- (c) be of good design.
- (d) infill self-care housing and serviced self care housing that is well-located in existing areas that allow seniors to:
 - stay in the area they know with good access to transport, local facilities and activities
 - 'age in place', because the housing is capable of being modified for varying levels of disability⁹

⁸ NSW Department of Planning *State Environmental Planning Policy (Affordable Rental Housing) 2009*

⁹ NSW Department of Planning *State Environmental Planning Policy (Housing for Seniors or People with a Disability) 2004 (as amended)*

5.3 Manufactured Home Estates and Caravan Parks

5.3.1 State Environmental Planning Policy No 36—Manufactured Home Estates

This policy helps establish well-designed and properly serviced manufactured home estates (MHEs) in suitable locations. Affordability and security of tenure for residents are important aspects.¹⁰

5.3.2 State Environmental Planning Policy No 21—Caravan Parks

The policy ensures that development consent is required for new caravan parks and camping grounds and for additional long-term sites in existing caravan parks. It also enables, with the Council's consent, long-term sites in caravan parks to be subdivided by leases of up to 20 years.¹¹

5.4 Capturing Private/Public Benefit

It has been identified that there is potential for Council to offer development incentives in the form of concessions that increase developable area or reduce costs, and thus increase developer profit over and above what would normally be gained through the planning and approvals process. A developer will share 50% of the **additional** private benefit (profit) created should they choose to take up the development incentive, with calculations set out in Council's *Draft Planning Agreement Policy 2009* and *Draft Template*.

Council could allow such incentives in the form of:

- Variations to height under clause 4.3 of the Standard Template – such height variations are set out in the clause and related Height Maps, and in Council's DCP. This is in accordance with *LEP Practice Note: Standard Instrument for LEPs 'Height and Floor Space Ratios'*, which provides for variations to height and FSR in 'different zones or different locations within the same zone'. (Clause 4.3 provides for different heights to be shown on the map for different zones or for different land in the same zone, and for Council to otherwise vary height to achieve specific objectives); and
- Variations to development standards that would normally apply under Council's DCP including set backs, parking, landscaping and the like, which have the effect of increasing developable area and/or reducing build costs.

The method selected will be a matter for negotiation between Council and an applicant in the context of Council's *Draft Planning Agreement Policy* and the provisions of its EPIs, and will ultimately be at the discretion of Council.

However it is noted that the recent NSW Planning Framework restricts the use of this process within the Clarence Valley Council LGA at present. Future review and additional work will need to be undertaken to further develop this alternative as a policy option.

6. Procedures

Affordable housing development provision may be implemented through the mechanisms set out below.

¹⁰ Department of Planning *State Environmental Planning Policy No 36—Manufactured Home Estates*

¹¹ Department of Planning *State Environmental Planning Policy No 21-Caravan Parks*

6.1 Development Consent

Development that is dealt with through the development application and development consent process under Part 4 of the Environmental Planning and Assessment Act 1979.

6.2 Planning Agreement

Section 93F of the *Environmental Planning & Assessment Act 1979* allows Council to accept offers from developers for use as a public benefit including affordable housing, roads, parks and recreational facilities.

There are two main ways to achieve Planning Agreements for affordable housing in relation to large-scale developments (Greenfield sites) or redevelopments (Brownfield sites).

- A developer may choose to offer to enter into a Planning Agreement where they consider that there may be some benefit in entering into such an agreement (e.g. in the case of a Planning Proposal).
- Alternately, Council may develop, or require to be developed, a Masterplan DCP or similar plan on large sites. Planning Agreements that apply to the site may include provision for a reasonable affordable housing contribution as part of identified infrastructure to be provided for as part of the development.

See Draft Planning Agreement Template by Judith Stubbs & Associates for details of such a planning agreement.

6.3 Local Environmental Plan (LEP)/Development Control Plan (DCP) for a Planning Proposal

Development Control Plans (DCP) provide a mechanism for addressing affordable housing at a local level. This approach allows for imagination and packaging by the developer(s) such as size of dwellings, price and design. This may be an appropriate outcome for a Planning Proposal.

6.4 Form of Contribution

Guidance is also provided in *Draft Planning Agreement Policy 2009*¹² regarding the framework within which Council will consider offers of such Planning Agreements, including those in compliance with the Act and economic calculations related specifically to housing sub-markets in different localities within Clarence Valley LGA.

Public benefits may be provided in cash or in-kind through negotiations between Council and the applicant. However, decisions regarding which is the more appropriate will vary from application to application. This is in relation to the size of the development, feasibility and efficiency of the form of dedication, and other factors. As such, ultimate determination of whether the dedication is in cash or in-kind rests with Council. These are addressed in more detail in *Draft Planning Agreements Policy 2009*.¹³

Note that a **cash contribution** may often be more appropriate in high land value sites where developer incentives have been provided for under a Planning Agreement. This is because there may be a small number of additional units created, and Council may prefer to gain more dwellings by constructing in a cheaper area or on its own land. As such, these precincts or sites may be thought of as '**donor sites**' for the purpose of making a contribution that will be used more efficiently to develop affordable housing elsewhere in Clarence Valley.

¹² JSA 2009 *Draft Planning Agreement Policy 2009 Clarence Valley Council*

¹³ JSA 2009 *Draft Planning Agreement Policy 2009 Clarence Valley Council*

It may also be preferable to gain a cash contribution from some Greenfield sites which are more remote from shops and services (e.g. because low income families or older people in need of affordable housing are less likely to own a car).

6.5 Affordable Housing Partnerships

6.5.1 Dedication of land and/or money

Clarence Valley Council will seek to enter into affordable housing development and management partnerships with government, community and/or private sector entities to ensure:

- The most effective and efficient use of resources created through planning mechanisms noted above;
- Opportunities for the efficient use of any resources redeployed by Council (e.g. lots or housing dedicated to affordable housing from Council owned resources);
- Protection of stock in perpetuity for affordable rental housing to meet the needs of Clarence Valley residents, and in particular those identified as primary target groups for affordable housing in Council's studies.

Council will ensure the proper management of affordable housing resources created through the implementation of this Policy by entering into a management agreement with an appropriate Community Housing Provider (CHP).

Note that sites developed for affordable housing may be regarded as '**recipient sites**', where housing that has been funded by contributions gained from Planning Agreements related to development incentives or other affordable housing contributions (e.g. through a Masterplan DCP where it is not appropriate to locate housing within the subdivision) may be constructed.¹⁴

7. Review and Monitoring of Policy

Clarence Valley Council is committed to ongoing research into housing needs and issues in its local community, which will continue to form the basis of local housing policy formulation and implementation.

Council understands the need for ongoing monitoring and evaluation of the effects of its policies on local housing needs and issues, and is committed to ongoing monitoring and evaluation.¹⁵

¹⁴ JSA 2009 *Draft Affordable Housing Policy*

¹⁵ JSA 2009 *Draft Affordable Housing Policy*