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Study focus: Draft Housing Diversity Study and Strategy Review

Authors

The Housing Diversity Study has been prepared by HillIPDA Urban Economists, Planners and Valuers, together with Professor Nicole Gurran and Professor Peter Phibbs from the University of Sydney.

What is the purpose of the study?

The Housing Diversity Study has been prepared by Hill PDA and Sydney University for UrbanGrowth NSW (UGNSW) in partnership with the City of Sydney (CoS) Council investigating:

- Current issues relating to housing availability, affordability and diversity across the entire CoS Local Government Area (and therefore the Central to Eveleigh study area as part of this analysis) ;
- The value of housing diversity to the social and economic success of global cities together with examples of how other global cities are trying to deliver diverse housing outcomes;
- Practical initiatives that can be implemented in the short and medium term by UGNSW in partnership with the CoS Council to support market and non-market (not-for-profit, Community Housing Providers) sectors enhance housing diversity in the CoS LGA.

The Study defines housing diversity as:

A mix of housing that supports healthy, thriving and socially cohesive communities whilst enabling the efficient and effective operation of CoS areas as a core component of a competitive Global Sydney. It includes a diversity of housing types, tenures, sizes and price points across affordable housing, private rental and properties to purchase.

How has the study been prepared?

A range of methods were used to inform the Study including:

- Analysis of demographic and market data;
- A review of relevant academic and industry research relating to housing diversity;
- A review of Australian and international urban renewal case studies and the initiatives implemented to improve housing diversity;
- The testing of ideas with key industry experts and representatives; and
- The testing of potential options to better understand how they can improve 'Viable Diversity' – which is the ability for a project to:
 - achieve a positive financial return (viability) to allow delivery to be partially/fully funded by the private sector, and
 - maximise affordability outcomes from government funding.

What are the key findings?

- **The Need for Diversity** – over the next 16 years, the CoS is anticipated to achieve rapid employment growth (+137,000 jobs representing 18% of Sydney's total job growth) whilst increasing its residential population by over 90,000 people (close to 50%). Whilst Sydney consistently ranks well internationally in terms of lifestyle, amenity and city branding (e.g. the Mercer Index and Anholt-GfK Roper City Brands Index), the city's scoring on infrastructure provision and housing affordability are often cited negatively within the overall ranking. This has the potential to impact negatively on Sydney's ability to attract global talent and compete with other cities.
- **Who is affected by the Housing Diversity Challenge** – housing diversity and affordability is at a critical point for low and moderate income city workers (professional and knowledge workers) as well as with essential urban workers who are supporting Sydney's position as a global city. Significant challenges are also being faced by families, students and existing communities.

- **The Housing Diversity Gap** – the study shows that there is a growing housing diversity gap within the CoS LGA.
- On the **demand** side, the gap is characterised by two growing trends:
 - An increasing divide between wealthy and poor households;
 - An increasing mismatch in age profile with Greater Sydney (i.e. the CoS LGA has a comparatively younger population).
- On the **supply** side, the gap is also characterised by two growing trends:
 - The increasing mismatch between demand and supply (i.e. increasing demand for smaller dwellings); and
 - A growing disparity between income levels (e.g. ability to pay) and housing cost (for both rent and sale) resulting in declining housing affordability.
 - For example nearly 50% of households in the CoS LGA cannot afford to purchase a 1 bedroom apartment. This challenge becomes even more apparent for 2 and 3+ bedroom homes.
- **International and Australian Research** – was undertaken to identify the variety of new approaches to achieve housing diversity including London (Pocket Living and Fizzy Living), New York (the 5 Borough, 10 Year Plan), Brisbane (the Brisbane Housing Company) and Melbourne (the Commons and smaller apartments).
- **Initiatives and Innovations to Address the Housing Diversity Challenge** – the Study identified 14 potential initiatives. We sought feedback on these from government stakeholders, the community housing sector, academics and the private sector and further tested the feasibility of these using market information and location data.

On this basis, Hill PDA identified 5 key initiatives for the short to medium term. These form part of five overarching recommendations as follows:

1. **A Housing Diversity Target** – An aspiration to provide 20-30% of new dwelling as a mix of sizes, tenures (i.e. for rent or purchase) and price points considered more broadly as housing diversity;
2. **Design Innovation and New Housing Models** – providing more flexible designs across the full spectrum of apartment sizes (i.e. studios to 4 bedroom at market sizes and considering more compact forms) to meet the needs of city workers, essential urban workers, students and existing communities broadening the range of price points and tenures;
3. **Develop an Intermediate Housing Model for Sydney** – building on the innovation and lessons from models such as Pocket Living in the UK to develop opportunities for moderate income city workers and essential workers to own a home in the CoS LGA – includes the potential for a moderate income rental model;
4. **A Community Housing Provider (CHP) Support Package** – facilitate ability of CHPs to leverage existing government finance, land and tax concessions whilst improving this sector’s ability to respond to the CoS LGA’s Housing Diversity Gap; and
5. **Proof of concept Projects and Joint Ventures** – between UGNSW, the CoS Council, CHPs and or the private sector, develop innovate housing models that can be replicated by the market to improve a diversity of supply opportunities.

What does this mean for Central to Eveleigh?

We are investigating a number of possible initiatives that could deliver a diverse mix of housing to support a healthy, thriving and socially cohesive community. We are engaging a cross section of Community Housing Providers (CHPs), as well as several State Government departments and service providers to better understand which could deliver the greatest benefits in the short to medium term.

While this body of work does not address social housing, we are also working closely with the Department of Families and Communities (FACS) to look at housing diversity initiatives in future possible public housing renewal projects. This could include mixed tenure models with social, affordable and market housing.

The final housing diversity study, together with further investigation and consultation, will also inform the Central to Eveleigh Urban Transformation Program's urban transformation strategy. When complete, the strategy will drive the future shape of this part of the city and guide future decisions on rezoning and development applications.

This does not constitute government policy, the Department of Premiers and Cabinet is currently working on a wider policy framework and approach. Our initiatives will be one of the inputs to help inform this larger piece of work.

Initiatives

Apartment design innovation

- Compact options to test if a range of smaller apartments with excellent design can achieve more affordable price points for purchasers and renters – for initial implementation on affordable housing projects
- Flexible options to test if apartments can be designed to allow flexible change between small and larger apartment layouts (extension to dual key concept)
- Design for long term rental where personal rooming accommodation may be smaller on the basis that excellent shared spaces provide high amenity.

Capital support for Affordable Housing Projects

- Debt support options for CHPs by identifying the most capital efficient method for levy capital (or potentially government support) to improve the risk of construction finance and long term project finance
- Equity support options including practical implementation of density bonuses, compact design, affordable housing levy mechanisms and government land contribution.

Governance to support permanent housing affordability for dwellings and to support shared ownership

- Controls on purchase that limit buyers to target income groups and/or establish the dwelling price at a discount to prevailing market
- Simpler or clarified shared ownership models.

Creation of a 'moderate income' or 'intermediate' housing product

- Develop a business and governance model to support development of housing for moderate to upper moderate income earners – sometimes referred to as city makers
- Work with CHPs to investigate if this model can be delivered through existing corporate frameworks.

Creation of a Community Housing Provider development 'scheme'

- More partnered based commercial arrangements to ensure the practical delivery of the affordable housing initiatives above.

Work in partnership to deliver more housing choices

- Seek to identify potential affordable housing development partners who can participate in potential projects in the short to medium term – including community groups, the private sector and Council
- Design led and community engagement focussed ‘design competition’ to demonstrate and test innovative and compact apartment housing types.