



Affordable Housing Land Proposal

Introduction

Most of the need for affordable housing in the Central Coast is from very low-income households, and from the bottom half of the lower income band and lower income families.

Housing is generally considered to be 'affordable' when very low, low- and moderate-income households are able to meet their housing costs and still have sufficient income to pay for other basic needs such as food, clothing, transport, medical care and education. This is generally accepted to be where such households pay no more than 30% of their gross household income on housing costs.

As the private market is not providing adequate affordable housing, and is unlikely to do so even with strong planning intervention, the direct creation of social and affordable housing for diverse groups including lower income key workers, older pensioners and retirees, people with a disability, people at risk of homelessness, and very low and low income families is the only effective strategy for such groups.

Housing is not only a fundamental basic human right, but affordable housing is a necessity. Housing has unique economic, psychological, and symbolic significance. Affordable housing improves the quality of life of residents by leading to better health, adequate jobs, financial stability, security, and population diversity; and the economic benefits are the creation of jobs, opportunities for economic development, increased job retention and productivity, and the ability to address inequality.

Secure affordable housing provides the base for education and employment, it allows for families to grow and for people to age in place. Housing gives children the opportunity to improve and succeed academically, maintain their health and well-being, and achieve financial success later in life, whilst reducing costs to society in the long term.

A key recommendation of the Central Coast Affordable and Alternative Housing Strategy (CCA&AHS) is the direct creation of affordable housing. Council can facilitate this by dedicating underutilised Council-owned land as sites for affordable housing development in a partnership as per Strategy 4 of the CCA&AHS.

Background

The Central Coast Affordable and Alternative Housing Strategy is the outcome of detailed research and community consultation conducted by Judith Stubbs and Associates over a 12-month period, and strong commitment and input from local community and industry groups, and elected representatives and staff of Central Coast Council. The Strategy will be implemented in several stages over the next 10 years.

Research from the strategy found that by 2036, around 34,000 Central Coast households would be in housing stress, of these around two-thirds would be in rental stress and one third would be in purchase stress. This is an additional 7,300 households in need of affordably priced housing from 2016-2036. However, since the 2020 Pandemic it is predicted these figures could be higher due to increased inward migration and job losses.

During 2020, the Central Coast experienced an influx of new residents due to the Covid-19 pandemic and the changing landscape it created. Unfortunately, the counter effect of the increased migration has left the Coast with a critically low supply of rental housing with a vacancy rate of 0.4% and an increase in rents of up to \$200 per week, disadvantaging local residents over applicants from Sydney.

The critically low supply of rental housing has taken many opportunities away from those on very low to moderate incomes. Typically, an individual can move up the housing continuum as their economic outcomes improve. For example, someone who is in a smaller one-bedroom unit can complete their traineeship and move into a larger two-bedroom townhouse. This progression is obstructed when there is no 'next step' in the marketplace. It also creates a false economy where people on higher incomes are competing for affordable properties.

Very low-income earners have reduced opportunity and rents increase. This also had negative effects for social housing providers in the local area who are unable to head-lease rental properties to bolster supply for the LGA's most disadvantaged.

The initial focus of the CCA&AHS is on strategies that are most likely to have a practical impact on the supply of affordable housing, including developing multi tenure affordable housing in partnership projects on surplus or underutilised Council or other public land.

The development of affordable housing in a partnership on underperforming Council assets is potentially a cost neutral opportunity for Council to address social and community need on the Central Coast.

The implementation of the CAHL proposal and subsequent development of affordable housing on Council-owned sites could potentially present a future revenue/ income stream. This will be dependent on the model of development proposed by identified providers.

The below table outlines the pre-pandemic target for additional affordable accommodation by 2036.

Potential Targets for Affordable Housing to 2036

		Small renting households	Family renting households	Small purchasing households	Family purchasing households
Additional required 2016-2036	Affordable to Very Low-Income Households	1900	1400	500	200
	Affordable to Low Income Households	500	900	500	600
	Affordable to Moderate Income Households	100	100	200	400
Total required in 2036	Affordable to Very Low Income Households	8000	5900	2100	1400
	Affordable to Low Income Households	2100	3800	1900	2300
	Affordable to Moderate Income Households	500	900	800	1800

Source: JSA calculations, using data from ABS Census of Population and Housing 2016 and NSW Government Planning and Environment, 2016 New South Wales State and Local Government Area Population and Household Projections, and Implied Dwelling Requirements.

Not only will development of sites increase vitally needed affordable housing on the Coast, to reduce housing stress, it will contribute to reaching the required housing targets needed to house the projected population growth of the LGA.

Context

The Council Affordable Housing Land (CAHL) Proposal has been developed as the framework to establish affordable housing developments in a partnership on Council land.

Strategy 4 of the CCA&AHS recommends:

- a. Council will dedicate at least three Council-owned sites for affordable housing partnerships as the Strategy is rolled out, ensuring that sites are:
 - well located with regard to transport and/or services
 - not environmental lands or have environmental constraints that render the site unsuitable
 - maximise the yield of social and affordable housing and
 - are able to achieve favourable economics (at least break even in the first year).

- b. These lands will be identified through a 'Council Affordable Housing Land (CAHL) Proposal' that may be initiated during each term of Council.
- c. This process will:
 - identify up to 10 suitable sites owned by Council
 - exhibit a proposal to utilise these sites for affordable housing partnerships and
 - consider submissions before resolving on locations and initiating any partnership process.
- d. Through the exhibition of the CAHL Proposal, Council will set parameters for each site that will ensure that any resulting development is compatible with the local character of that area.
- e. Of these sites, one will be developed in the short-term, and others will be investigated and developed as the Strategy is rolled out.

Process to determine suitable sites

This process will be applied to select suitable sites for each tranche of the CAHL Proposal. The steps undertaken to determine suitable sites include:

Step 1

An initial review of all potential sites across the LGA.

Step 2

Potential sites refined by:

- Appropriate size for affordable housing
- Appropriate land use (zoning) to permit the development of affordable housing including multi- dwelling or residential flat buildings.
- Proximity within 400m of town centre or 800m of major transport hub
- close to shopping, medical and amenities
- in area of need, high percentage of low-income, small, renting households
- appropriate lot size (more than 800m²)
- yield assumption (based on land size and building height)
- consideration of environmental constraints
- consideration of flood affected land
- Servicing infrastructure (water and sewer)

Step 3

Final due diligence process in consultation with Council's Legal and Property Departments.

Benefits of the proposal

The Affordable Housing Land Proposal presents opportunities for a better use of an underutilised existing Council asset to deliver social and economic benefits to the Central Coast community.

The proposal aims to address blockages in the housing continuum by adopting a mixed tenure model that includes temporary, transitional and community housing options. In addition to affordable rental and purchase. These tenure opportunities create the much needed 'steppingstones' for those who are on pensions, casually employed and or are vulnerable.

The development of affordable housing through this proposal will increase supply, reduce housing stress and contribute to reaching the required housing targets needed to house the projected population growth of the LGA.

The social benefits of this development are critical as they have the potential to match and even exceed the commercial return. Increasing the resident population in any town will also stimulate the local economy, as more people live, work and spend their money locally. This is especially true for lower income earners who are less likely to participate in more niche markets.

There are new models of affordable development that harmonise both commercial and private tenure, creating a 'best of both worlds' outcome and a cost benefit to co-locating services. For example, shop-top or foyer models allow for the expansion of business precincts and or community spaces which will not only service residents but achieve outcomes for the existing community.

Development is also directly linked to job creation and the Affordable Housing Land Proposal is an opportunity to seek explicit local employment targets. The impact of this will be to create jobs for local people in a leading local industry, construction.

It is a key requirement of the CCA&AHS to deliver an affordable product to the market within the following price points as outlined in the table of income and cost benchmarks below:

Affordable Housing Income and Cost Benchmarks

	Very low-income household	Low-income household	Moderate-income household
Income benchmark	<50% of Gross Median H/H Income	50-80% of Gross Median H/H Income	80-120% of Gross Median H/H Income
Income range	< \$926 per week	\$927- \$1482 per week	\$1483- \$2225 per week
Affordable Rental Benchmarks	< \$277 per week	\$278- \$444 per week	\$445- \$667 per week
Affordable Purchase Benchmarks	< \$230,000	\$230,000- \$380,000	\$381,000- \$500,000

Source: JSA 2019, based on data from ABS (2016) Census indexed to March Quarter 2020 dollars

SEPP 70 defines 'very low-income' households as those on less than 50% of median household income; 'low-income' households' as those on 50-80% of median household income, and 'moderate-income' households as those on 80-120% of median household income.

Design of Affordable Housing Developments

Any development will be carefully designed to ensure it is complementary to our community and weaves into the urban fabric of the Central Coast. Well-designed affordable housing:

- provides the universal values of health, security, safety, fairness and opportunity for all.
- fits in with the local character of our suburbs
- has minimal social impact on an area
- incorporates elements that enhance safety, liveability and practicality
- will ideally be sustainable, energy efficient and utilise Universal Design and Crime Prevention through Environmental Design principles
- will be well managed and maintained
- will be guided by community engagement and consultation of stakeholders
- is inclusive, allowing all residents to be a part of the community
- is complimentary to the housing density of our suburbs and will include open space options for residents
- will be of mixed tenure, meaning units for sale, for private rent, affordable rent and may contain some social housing options to cater for all housing needs on the Central Coast

Mixed Tenure developments

As indicated in the CCA&AHS the recommended tenure for development is a mixed tenure approach. Mixed tenure models that incorporate alternative (special needs), social housing, affordable (discount market rent) housing, and private rental and/or owner-occupied housing are preferred as they generally improve social inclusion, reduce stigma and have the ability to cross subsidise the social or alternative housing components of a development.

Mixed tenure developments co-located with community, cultural or recreational uses, for example, also have the advantage of enlivening the street scape and making more efficient use of land in CBD locations.

Any development will be required to incorporate mixed tenure, limiting the private market proportion to no more than 30%. This will ensure that developments address the requirement for affordable housing supply to those in the very low and low household income thresholds.

Example of how mixed tenure can work



The UNO Apartments, in Adelaide, South Australia, is a mixed-use building that brings together residential and commercial tenancies, along with affordable and social housing, and a youth homelessness crisis service. It was constructed on an underutilised site in Adelaide's CBD and consists of 146 apartments, including 30 apartments used for Youth Services. With cafes on the ground floor and commercial tenants on Levels 1 and 2, the UNO Apartments are a mixed-use development with appeal to a range of buyers and budgets. It is a great example of how development can transform a location, provide unique features and stimulate the economy.

Potential Partnership Options

Below are potential examples of partnership models that could be pursued between Council and an identified provider:

Return Market Value of Land

As the development is multi tenure Council could recoup the value of the land through the sale of a portion of units developed that equates to the market value of the land.

Retain Dwellings

Council could retain a portion of the units that equates to the market value of the land either in perpetuity or to be added to Council assets in the Affordable Housing Portfolio.

Build to Rent Model

This is a relatively new model in Australia but has been very successful in the United Kingdom. First State Super has recently completed a development of this model with proceeds from rental income going back to members. Build to rent refers to a residential development in which all apartments are owned by the developer and leased out to tenants. This is opposed to the common build-to-sell method, where a developer builds a residential development and sells the apartments to individuals to either live in or rent out as an investment. Build to rent is particularly attractive for a reliable, steady income. Council could retain several units that equate to the land value and rent to long term tenants.

Long-term Land Lease

Council could lease the land at an agreed amount to the developer for a fixed term.

Council as the Developer

Council could fund the development of affordable housing and then employ a property manager/ CHP to tenant and manage ongoing.

Community Facility Contribution

The land value could be the contribution from Council to include a community facility within the development such as a Community Centre, Cultural Centre, etc.

Sale of Land

Land could be sold to the developer at a subsidised rate for the exclusive development of affordable housing.

Community Land Trust

A form of shared ownership of a property, where the land component of a residential property is owned by community based, not-for-profit legal entity (in this case Central Coast Council) and the actual building is owned (or leased long-term) by an individual household.

Implementation of the CAHL framework

Procurement approach

An open Expression of Interest (EOI) process will be undertaken with the intent to form a site-specific panel of Affordable Housing Providers for a trial site who possess the relevant experience and capability in the development of affordable housing models.

It is intended that a further EOI process will be undertaken for future sites beyond the initial trial site.

Following any EOI process, a Request for Proposal (RFP) open tender process will be undertaken utilising a Government approved Tender panel.

The RFP assessment criteria may include but not be limited to the following:

- Demonstrating a clear relationship with a Registered Community Housing Provider (CHP), to ensure that the affordable housing developed will remain well managed and maintained.
- The financial capability of the tenderer including any successful funding bids to be used for the development.
- Development/ construction experience including previous affordable housing developments.
- The tenderers readiness to commence development or preparations required.
- The operating model for the ongoing tenancy management and maintenance of the development.
- The tenure-mix (multi-tenure is preferred) and occupant demographics meet the needs of the community.
- The financial viability and return on investment for all partners involved in the development including Council
- The social return on the investment for the community.
- The consideration of the co-location of a multi-purpose community facility and services within the development.
- The rent and purchase price are targeted at very low- and low-income renting households and low-income purchasing households and may include Temporary or Transitional Accommodation specifically for formerly homeless clients.
- The development will conform with local character of the area and be well designed.
- Local employment targets, with the impact of this being the creation of jobs for local people in a leading local industry, construction.

Following the RFP process a preferred supplier will be recommended in accordance with Council's procurement processes.

A formal contractual arrangement will then be developed with the preferred supplier.