BAYS WEST PRECINCT

AFFORDABLE HOUSING NEEDS

Urbanista

Prepared by Urbanista for
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on the lands of the Gadigal people of the Eora Nation

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1. INTRODUCTION

The purpose of this report is to support the development of an affordable housing program for the White Bay Power Station (and Metro) sub-precinct of the Bays West project by researching affordable housing needs and documenting these in an evidence base which will satisfy the requirement of section 7.32 of the Environmental Planning and Assessment Act 1979 (EP&A Act) and the State Environmental Planning Policy (SEPP) Housing 2021.

To develop a robust and forward-looking evidence base for affordable housing in Bays West we have utilised a range of data sources. As the Census 2021 data is not yet fully released some analysis is of necessity drawn from 2016 Census. We have also been mindful that COVID-19 has had wide-ranging social and economic impacts and the full consequences of these are unknown.

The paper is structured as follows:

Section 1	Introduction
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2. WHAT IS AFFORDABLE HOUSING?

Affordable housing means housing that is appropriate to the needs of a household and within its means[1]. It is generally accepted to be housing that costs no more than 25–30% of the gross income of low to moderate income earners.

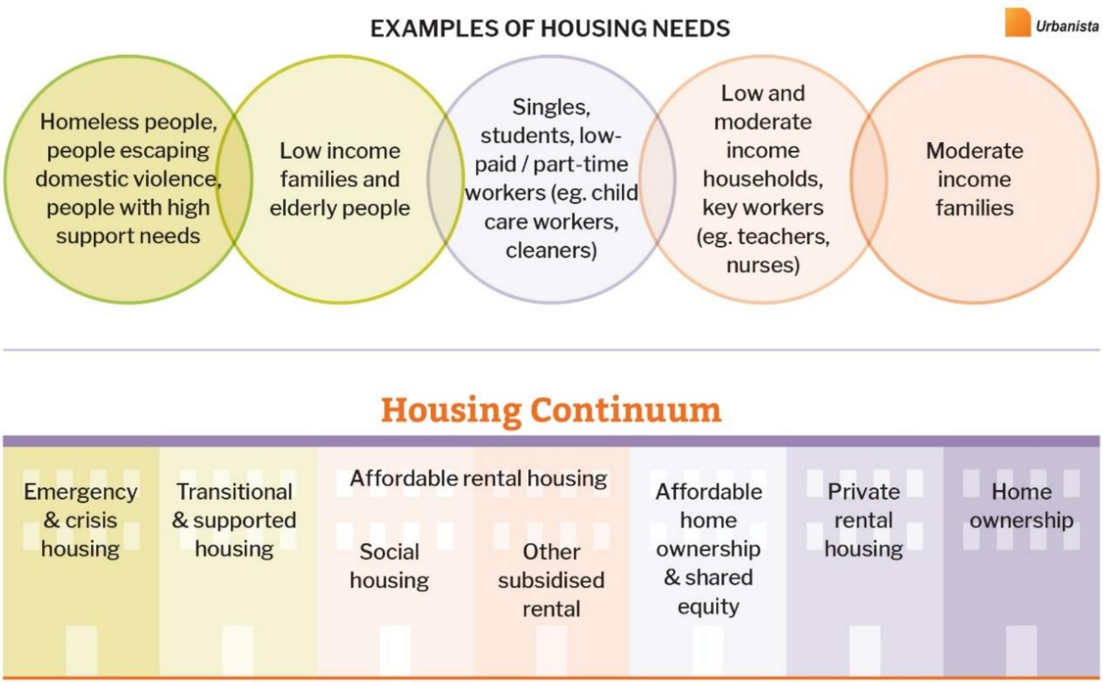
Under the NSW planning framework, affordable housing is specifically defined. The *Environmental Planning and Assessment Act 1979* (Act) defines affordable housing as "housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."

The Bays West Affordable Housing Program defines Affordable Rental Housing as housing that is owned and managed by government, a Recommended Community Housing Provider, or an Eligible

[1] NSW Local Government Housing Kit prepared by Urbanista for NSW Department of Communities and Justice, Module 1 – 2.

Community Housing Provider and rented to very low to moderate income households. As illustrated in Figures 1 below, this definition takes in a broader range of households than are eligible for social housing and includes key workers who live on low to moderate incomes.

Figure 1: Housing Continuum



Source: Urbanista[2]

3. THE IMPORTANCE OF AFFORDABLE HOUSING

The availability of a suitable range of housing is vital to every community's ability to function in an efficient, equitable, prosperous and sustainable way. Housing is critical to basic human needs for shelter, security and connection within communities. Housing is also a key city-shaping consideration influencing streetscapes and urban form. It plays an important economic role at a local, state and national level, affecting the buoyancy of the economy, the efficiency of businesses and labour force availability.

Liveable, sustainable and prosperous communities need a range of well-designed housing, connected to transport and employment opportunities, services and outdoor space. Diverse housing that meets changing needs enables inclusive and stable communities.

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[2] Refer further at [NSW Local Government Housing Kit] prepared by Urbanista for NSW Department of Communities and Justice, Module 1 – 3.

Meeting people's housing needs also has wider economic, social and environmental impacts. Insufficient housing and a lack of appropriate and affordable housing put economic growth and global competitiveness at risk. At regional and local levels offering more housing choices helps labour markets function, for example by improving labour mobility and ensuring sufficient workers are available to support local businesses.

Especially in inner Sydney, there is a sizable shortfall in the housing available for very low, low and many moderate income households. Specific interventions are needed to ensure that a diversity of housing, including affordable housing is provided.

Shortages of housing, a lack of diverse housing and predominance of housing that is unaffordable increase the risk of discrimination against certain groups and can reinforce patterns of exclusion and segregation and undermine the broader social and economic goals for liveable and prosperous communities.

4. PLANNING AND POLICY CONTEXT FOR PROVISION OF AFFORDABLE HOUSING

Bays West is located on the north-eastern edge of the Inner West LGA. Planning for the area is guided by and referenced in the following inter-connected strategic documents which guide land use, transport and infrastructure planning for Sydney:

- Greater Sydney Region Plan: A Metropolis of Three Cities
- Eastern City District Plan
- Future Transport 2056
- State Infrastructure Strategy 2018-36
- NSW Freight and Ports Plan 2018-23
- Bays West Place Strategy

Also relevant are the local government strategic planning documents developed by both the Inner West and City of Sydney Councils, which have been developed in response to Greater Sydney Commission District Plans. Of relevance for this project are the:

- Our Place Inner West – Housing Strategy
- Inner West Affordable Housing Policy
- Housing for All: City of Sydney Local Housing Strategy
- City of Sydney Affordable Rental Housing Strategy
- Various background reports prepared to develop the Stage 1 Bays West Masterplan.

Housing the city is one of the key directions of *A Metropolis of Three Cities.* When prepared, the plan recognised the significant barrier that people face accessing housing that is affordable, "Greater Sydney has been measured as being one of the least affordable housing markets globally and is the least affordable Australian city."

To support the provision of housing to meet future population growth and changing housing needs and respond to the challenges for low and moderate income households, the plans objectives for *Housing the city* are greater housing supply and housing that is more diverse and affordable.

Further, the plan found that affordable rental housing targets in the range of 5-10 per cent of new residential floor space are viable within Greater Sydney, noting that this would be tailored to nominated areas and subject to viability. It identified the need for further work by the Greater Sydney Commission (now the Greater Cities Commission) to support the implementation of the Affordable Rental Housing Targets including consideration of allocation, ownership, management and delivery models.

The Eastern City District Plan identified the need for an additional 157,500 homes between 2016 and 2036 across the Eastern District. Specific actions for housing (16 and 17) in the plan required councils to develop local housing strategies to provide the housing needed and prepare Affordable Rental Housing Schemes.

In 2020 the Inner West Council adopted its local housing strategy, *Our Place - Inner West* to guide its planning for housing in response to the District Plan and local circumstances. It found there is a large demand for affordable housing in the LGA with almost 10% of households (predominantly renters) experiencing housing stress. The *Inner West Affordable Housing Policy* also highlights the failure of the housing market to provide housing that is affordable for very low and low income households.[3]

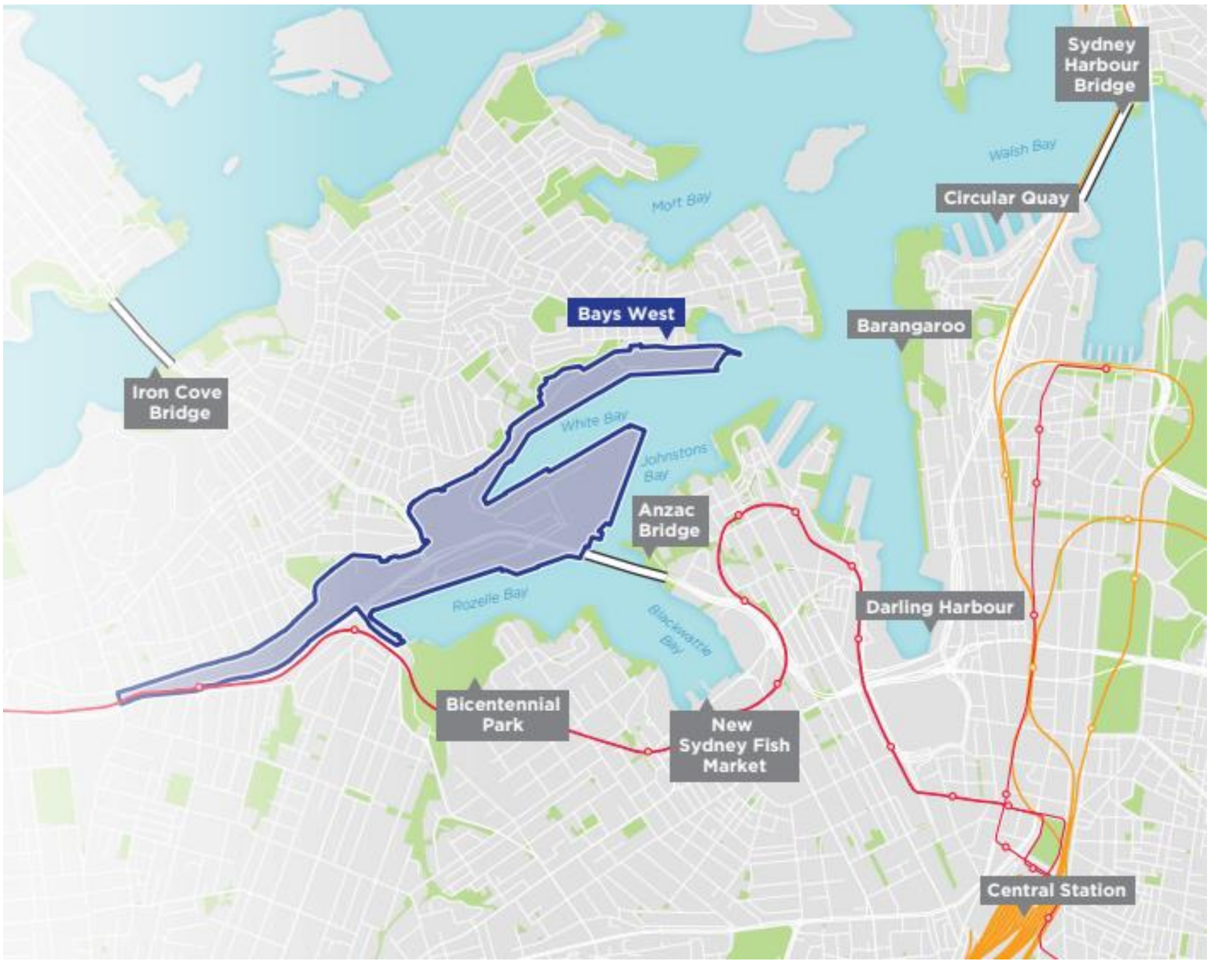
The Bays West Place Strategy highlights the opportunity urban renewal of the precinct presents to address key commitments and objectives set out in these strategies and plans "including the delivery of a strong economy, well-connected communities and quality local environment".[4] In relation to affordable housing, the planning framework includes *Strategy Direction 2 Deliver a range of housing, including affordable housing, to support the jobs created in the precinct and the ongoing growth of the Eastern Harbour City and metropolitan Sydney.*

The recognition of affordable housing as an integral part of the urban renewal for Bays West is an important component for delivering the NSW Government's vision for the area as an innovative and sustainable new place for living, recreation and working. The proposal to include affordable housing (in perpetuity) in the area will respond positively to the directions in the Greater Sydney Regional Plan and Eastern Harbour District Plan, which recognise the importance of affordable housing to sustainable communities and the aspirations of the Inner West Council to move towards closing the affordability gap.

While the provision of affordable housing will help respond to current and future housing needs in the area, it also speaks to the history and culture of the area as a working class suburb housing low income households. As stated in the vision for the precinct, "Bays West will represent a new kind of Sydney urbanism that respects and celebrates Country." Ensuring that indigenous people have access to housing that is affordable will be important to the fulfillment of this vision.

[3] Inner West Affordable Housing Policy May 2022
[4] Bays West Place Strategy

Figure 2: Location of Bays West Precinct



Source: Bays West Place Strategy, NSW Department of Planning, Industry and Environment, November 2021

5. SOCIO-ECONOMIC CONTEXT

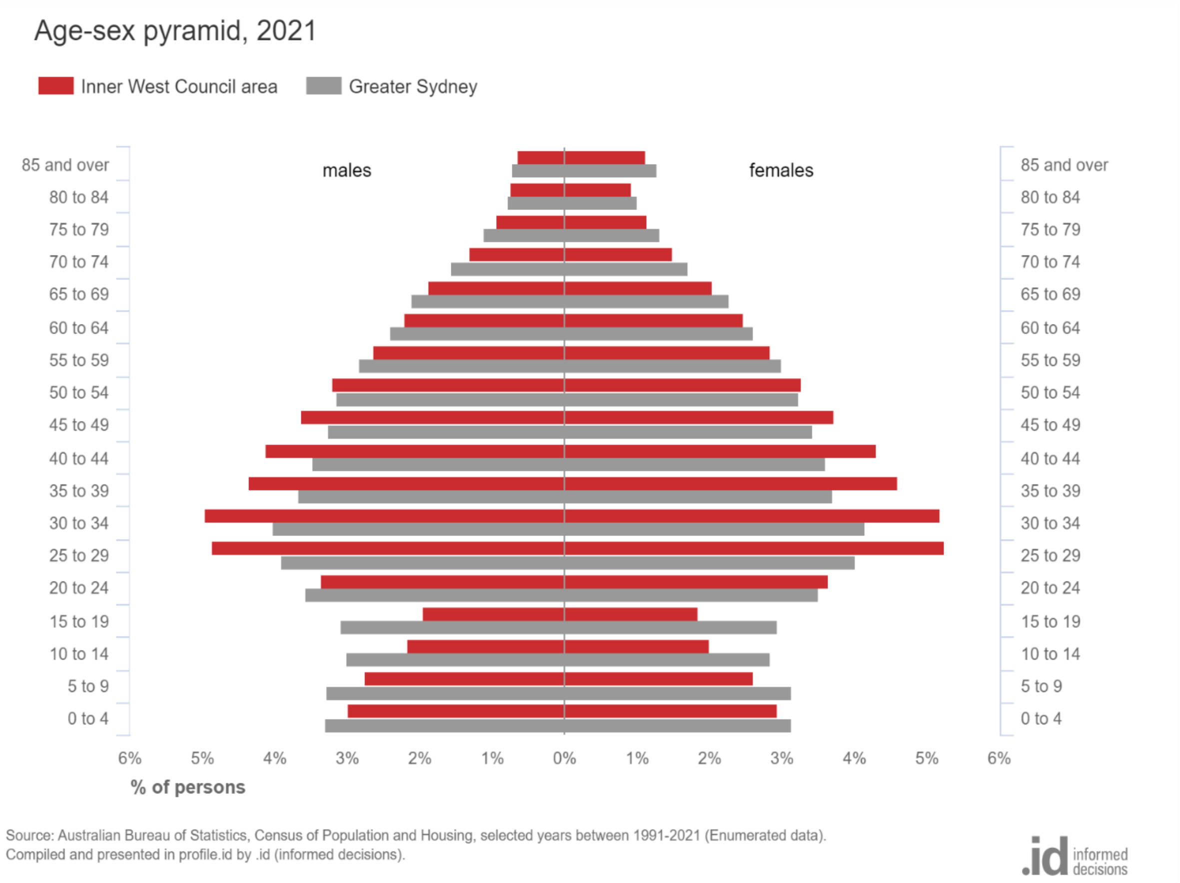
Bays West is located on the eastern edge of the Inner West LGA, adjacent to other inner city precincts of Glebe and Ultimo-Pyrmont within the City of Sydney LGA and within 5 km from the Sydney CBD.

Population characteristics

The ABS Estimated Resident Population for the Inner West LGA in 2021 is 199,759[5]. This is an increase of 8,565 between 2016 and 2021. The average household size was 2.28 persons.

At the 2021 Census, the Inner West had a higher proportion of working age adults relative to Greater Sydney. In contrast, the proportion of children in all age groups was lower than Greater Sydney.

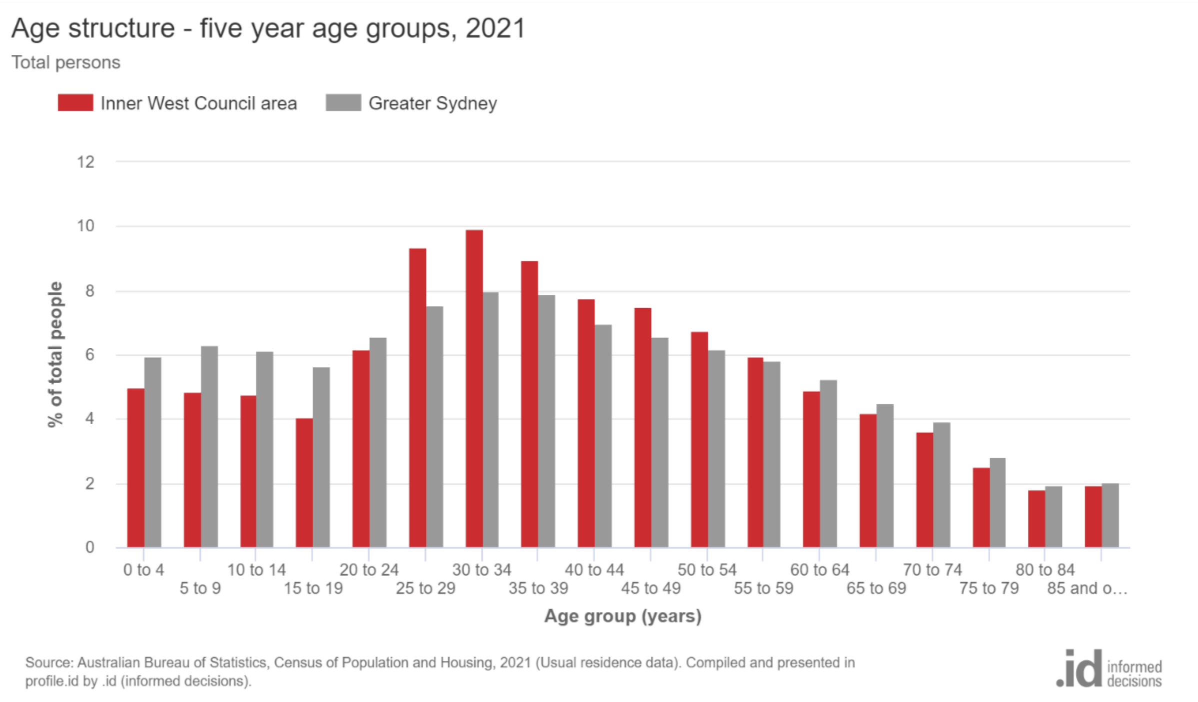
Figure 3: Age-sex pyramid 2021



Source: profile.id

[5] profile.id

Figure 4: Age structure 2021



Source: profile.id

Over the five years between 2016 and 2021 Census, the number of lone person and couples without children have increased as a proportion of all households in the Inner West. At the 2021 Census, the proportion of couples without children increased at a higher rate than couples with children and now represent 25.7% of the population. Couples with children declined as proportion of overall households in Greater Sydney and the Inner West.

Table 1: Household type 2021 and 2016

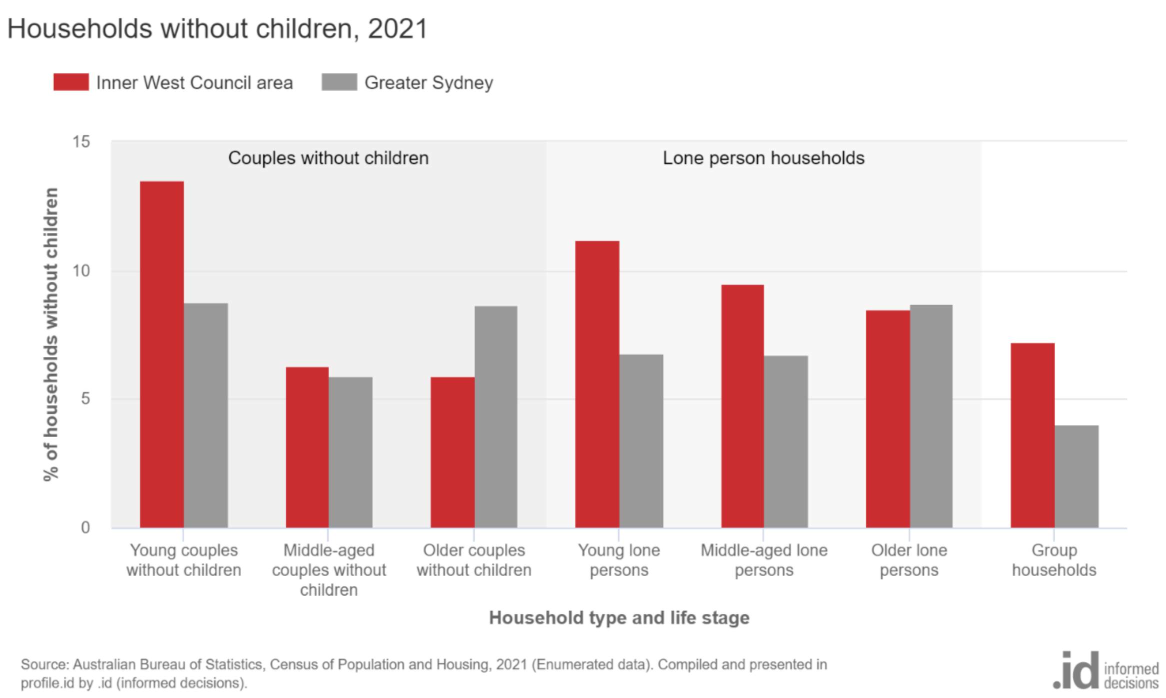
Inner West Total households (Enumerated)	**2021**			**2016**			**Change**
Households by type	Number	%	Greater Sydney %	Number	%	Greater Sydney %	2016 to 2021
Couples with children	19,077	24.8	34.4	18,812	25.3	35.3	+265
Couples without children	19,761	25.7	23.3	17,677	23.8	22.4	+2,084
One parent families	6,255	8.1	10.5	5,895	7.9	10.4	+360
Other families	985	1.3	1.2	1,075	1.4	1.3	-90

Inner West Total households (Enumerated)	2021			2016			Change
Group household	5,558	7.2	4.0	6,401	8.6	4.5	-843
Lone person	22,451	29.2	22.2	18,952	25.5	20.4	+3,499
Other not classifiable household	2,378	3.1	3.7	4,745	6.4	4.7	-2,367
Visitor only households	507	0.7	0.6	744	1.0	0.9	-237
Total households	76,972	100.0	100.0	74,301	100.0	100.0	+2,671

Source: Australian Bureau of Statistics, [Census of Population and Housing]2016 and 2021 compiled by profile.id

Looking more closely at the predominant household types, the Inner West has a higher proportion of younger households by comparison with Greater Sydney. While the proportion of older lone persons is similar, the Inner West has a smaller proportion of older couples without children.

Figure 5: Households without children 2021



Source: profile.id

Table 2: Population Groups 2021 and 2016

Inner West Council area: Total people (Usual residence)	2021			2016			Change
Population group	Number	%	Greater Sydney %	Number	%	Greater Sydney %	2016 to 2021
Males	89,169	48.8	49.4	88,736	48.7	49.3	+433
Females	93,648	51.2	50.6	93,302	51.3	50.7	+346
Aboriginal and Torres Strait Islander population	2,162	1.2	1.7	2,029	1.1	1.5	+133
Australian citizens	153,955	84.2	80.8	142,764	78.4	79.5	+11,191
Eligible voters (citizens aged 18+)	124,875	68.3	61.4	114,482	62.9	60.0	+10,393
Population over 15	156,126	85.4	81.6	154,125	84.7	81.3	+2,001
Employed Population				99,571	95.2	94.0	
Overseas visitors (enumerated)	307			2,236			-1,929

Source: Australian Bureau of Statistics, Census of Population and Housing 2016 and 2021 (Usual residence). Compiled and presented in profile.id by .id (informed decisions).

Aboriginal and Torres Strait Islander peoples

Indigenous people and Indigenous communities typically experience much greater challenges in accessing suitable and secure housing than the rest of the community. Rates of homelessness and overcrowding are substantially greater for Indigenous Australians, along with a raft of other negative indicators.

The provision of culturally appropriate housing in the right locations must be a top priority across the state. This housing must be locally tailored and flexible, and designed collaboratively with the community.

A range of culturally appropriate tenure options is needed that recognise the close connection between Aboriginal people and the land, the obstacles to mainstream home ownership and the difficulties experienced by Aboriginal people in accessing secure private rental housing.

Strong Family, Strong Communities is a ten-year plan to improve the well-being of NSW Aboriginal families and communities through housing. The four pillars of focus for the strategy are:[6]

1. **Housing Solutions** - delivering housing solutions with Aboriginal families based on demand for social and affordable housing.
2. **Client Outcomes** - achieving better outcomes with Aboriginal tenants and clients through partnerships with Aboriginal organisations, human services agencies, and by creating study, work and business opportunities.
3. **Growing the Sector** - strengthening and growing Aboriginal Community Housing Providers (ACHP) through sector investment, regulation and the transfer of housing and property management.
4. **Data and evidence** - improving data collection, evaluation and analysis to plan and in invest in the future.

At the 2021 Census there were 2,162 Aboriginal and Torres Strait Islander peoples in the Inner West local government area. The proportion in the Inner West (1.2%) is slightly lower than the proportion for Greater Sydney (1.7%). The number of people and their proportion of the total population increased slightly in the Inner West and across Greater Sydney in the five years to 2021.

In 2021 a very high proportion (71.8%) of Aboriginal and Torres Strait Islander households living in the Inner West were renting with a significantly lower median weekly household income ($1,793) than the LGA overall ($2,340).[7]

It is important to examine the specific needs of Aboriginal and Torres Strait Islander households and to identify the kinds of housing challenges experienced by these households.

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[6] Strong Family, Strong Communities | Aboriginal Housing Office (nsw.gov.au)

[7] Australian Bureau of Statistics 2021 Census Quickstats *Aboriginal and/or Torres Strait Islander people*

Dwellings and housing tenure

In 2021, there were 85,455 total dwellings in the Inner West, an increase of 4,843 between 2016 and 2021[8]. In line with changes in household composition, the average household size has declined from 2.35 to 2.28 persons over the same period and remains lower than the average household size of 2.68 for Greater Sydney.

Most of the housing stock in the Inner West is medium and high density. The proportion of high density dwellings increasing between 2016 and 2021. As would be expected in an inner city location, this is significantly higher than the proportions of medium and high density housing for Greater Sydney.

Table 3: Dwelling type 2021 and 2016

Inner West Council area - Dwellings (Enumerated)		**2021**			**2016**		**Change**
Dwelling type	**Number**	**%**	**Greater Sydney %**	**Number**	**%**	**Greater Sydney %**	**2016 to 2021**
Separate house	23,181	27.2	53.4	19,316	24.0	55.0	+3,865
Medium density	34,743	40.8	18.8	37,480	46.6	20.3	-2,737
High density	25,605	30.1	27.1	21,505	26.8	23.5	+4,100
Caravans, cabin, houseboat	16	0.0	0.1	18	0.0	0.2	-2
Other	1,397	1.6	0.4	1,424	1.8	0.5	-27
Not stated	171	0.2	0.2	630	0.8	0.4	-459
Total Private Dwellings	**85,113**	**100.0**	**100.0**	**80,373**	**100.0**	**100.0**	**+4,740**

Source: Australian Bureau of Statistics, Census of Population and Housing 2016 and 2021. Compiled and presented by .id (informed decisions).

The Inner West also has a higher proportion of 1 and 2 bedroom dwellings, with 2 bedrooms dwellings predominant across all bedroom categories. This is significantly higher than Greater Sydney.

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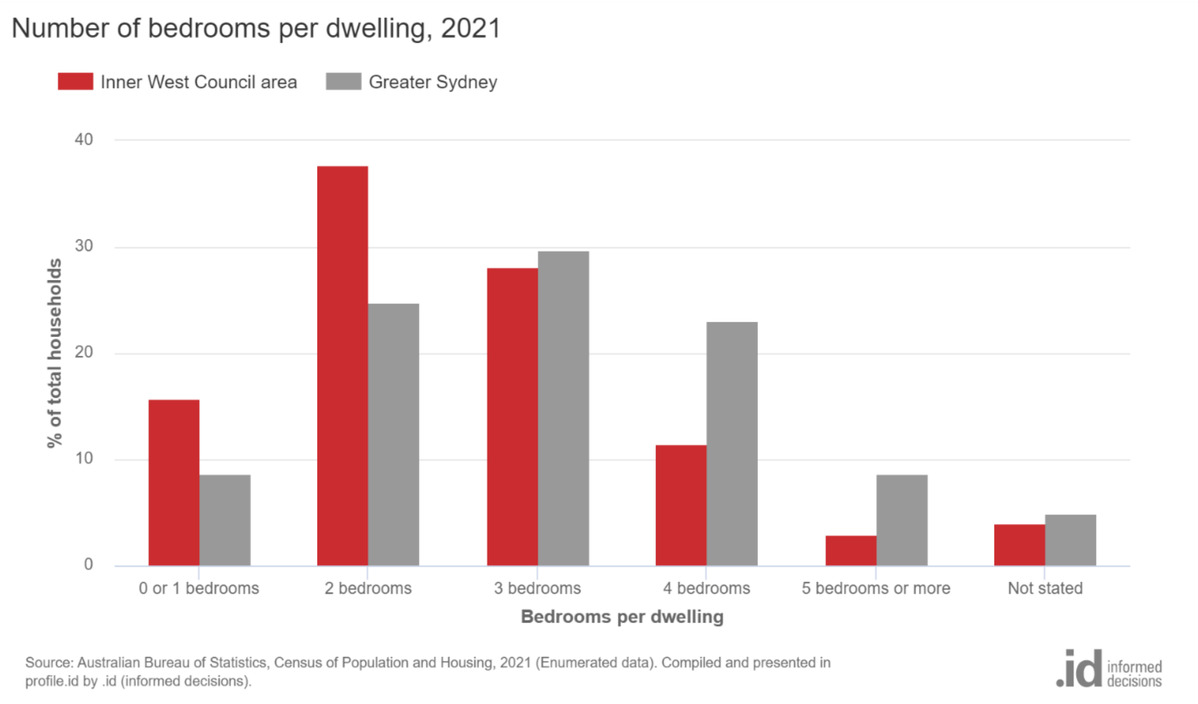
[8] profile.id Inner West Council area, dwelling type

Figure 6: Number of bedrooms per dwelling 2021



Source: profile.id

The pattern of housing tenure in the Inner West, which is characterised by a high proportion of rental households, remained relatively constant between 2016 and 2021. The proportion of households renting is significantly higher than for Greater Sydney. The percentage of dwellings being rented in the Inner West increased slightly from 43.6% in 2016 to 43.8% in 2021. There was also a slight increase in both the proportion of households that owned outright and that owned with a mortgage. These are slightly lower than the proportions for Greater Sydney.

Table 4: Housing Tenure 2021 and 2016

	Inner West		Greater Sydney	
Tenure	**2021**	**2016**	**2021**	**2016**
Owned Outright	25%	24.7%	27.8%	29.1%
Owned with a mortgage	29%	28.4%	33.3%	33.2%
Rented	43.8%	43.6%	35.9%	34.1%
Other tenure type	1.3%	0.5%	1.7%	0.9%
Not stated	0.9%	2.8%	1.3%	2.7%

Source: Australian Bureau of Statistics Quickstats 2021 and 2016 Census

Income

The latest Census shows a shift towards higher income households in the Inner West. The median weekly household income $2,340 in the Inner West remained higher compared to $2,077 in Greater Sydney. In 2016 14.3% of households had a weekly household income of less than $650 and 31.2% of households had a weekly income of more than $3,000. In 2021, the households with a weekly household income of less than $650 fell to 12.1% while those with more than $3,000 increased by 8% to reach 39.8%.

Table 5: Low and high household income 2021 and 2016

Median weekly household income	2021		2016	
	Inner West	NSW	Inner West	NSW
Less than $650	12.1%	16.3%	14.3%	19.7%
Greater than $3,000	39.8%	26.9%	31.2%	18.7%

Source: Australian Bureau of Statistics Quickstats 2021 and 2016 Census

Key workers

Despite a long tradition of housing a working class population, over time, significant changes have occurred changing the make-up of the area. Much of the Inner West has become increasingly popular for a range of households due to its proximity to the city and harbour to the east, well-serviced transport links and amenities[9]. This has put upward pressure on housing prices limiting the ability of lower income households such as key workers to afford to purchase and in many cases rent housing suited to their needs.

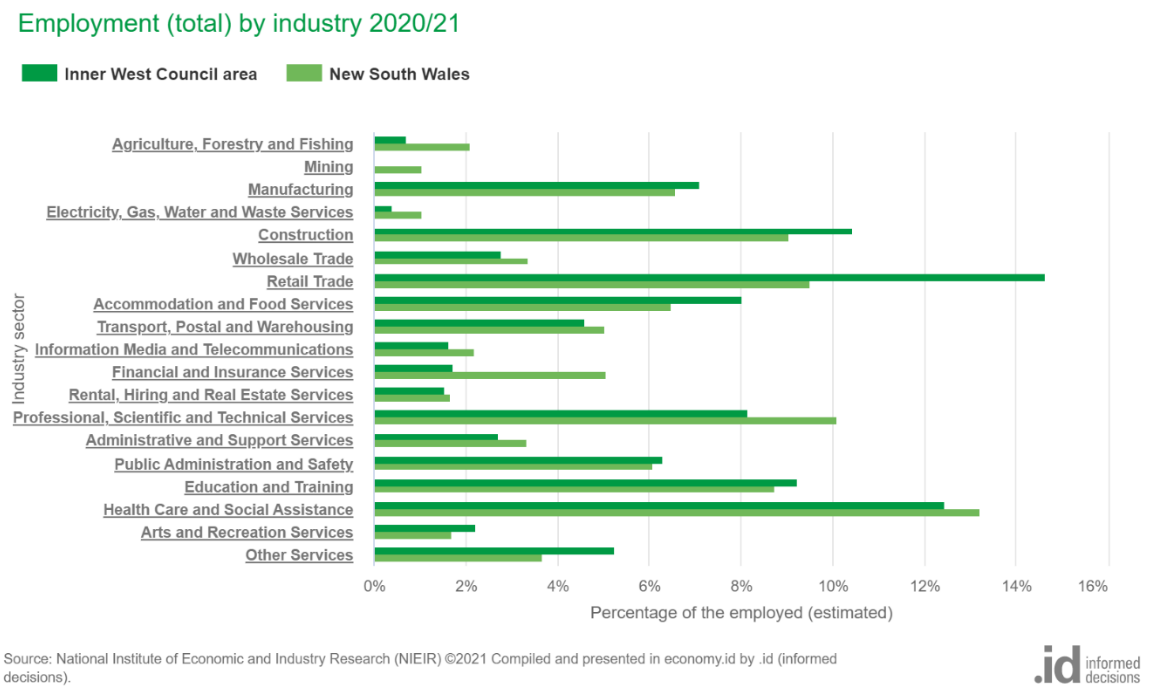
As many key workers are typically not eligible for social housing or Commonwealth Rent Assistance, the availability of affordable housing in an area is critical. Further, because many key workers are generally population-serving they can often find work in locations where people live. [10] This means there is little incentive for them to move to or remain in expensive housing market areas with unaffordable housing costs.

There is no consistent or universal definition of what constitutes a key worker although key public service workers including teachers, nurses, police and fire and emergency personnel are typically

[9] Our Place Inner West – Housing Strategy
[10] AHURI Final Report No. 355 Housing key workers: scoping challenges, aspirations, and policy responses for Australian cities. 2021 Catherine Gilbert, Zahra Nasreen, Nicole Gurran

included. In the context of COVID-19 there is evidence that an expanded definition, with occupations in delivery services and retail food services are now also seen as important to the functioning and resilience of cities in times of crisis.

Figure 7: Employment by industry 2021/21



Source: profile.id

As shown in Figure 7, the working population in the Inner West is characterised by a high number of workers in key worker occupations (retail trades, health care and social assistance, manufacturing and education). The Our Place - Inner West Housing Strategy noted that more than one quarter of households in housing stress in the Inner West included key workers, with almost 84% of these renting households.[11]

As older, key workers who are owner occupiers retire, younger key workers who experience difficulty finding housing that is affordable will likely move to lower priced housing elsewhere. A reduced pool of keyworkers living locally will constrain the ability of new and existing businesses to recruit. Given its proximity to the CBD it is likely that a shortage or decline of key workers residing in the Inner West would also impact services and businesses in the CBD and other inner city commercial and retail precincts.

[11] Our Place Inner West – Housing Strategy

6. INNER WEST HOUSING MARKET

Overview

"From the end of September 2020, through to the end of March 2022, Australian home values saw an extraordinary upswing. During this period, the national CoreLogic Home Value Index increased 27.8%. Across Australian capital cities and broad 'rest-of-state' regions, increases in the index ranged from 14.7% across regional Northern Territory dwelling values, to 42.4% in regional NSW."[12]

House prices

Dwelling values in Australia are 11.2% higher over the 12 months to June 2022, down from a cyclical peak of 22.4% recorded in the 12 months to January 2022. This has slowed over the last three months to June 2022, Sydney recording the greatest decline of capital cities at -2.8%. Sydney dwellings are now 3.1% below the record high recorded in January 2022 (Core Logic Monthly Housing Monitor July 2022).

In line with the broader market, the median house price in the Inner West LGA, has increased over the past 5 years with a significant upswing between 2020 and 2021. Table 6 shows the median house price for the Inner West increased by a significant 28% over the period to reach $2.14m for the December quarter 2021. This is well above the median for Greater Sydney and more aligned with other inner city areas such as City of Sydney.

Sales prices for strata title properties (flats, units and townhouses) while also higher than the median for Greater Sydney are closer to the median and not as proximate to prices in the City of Sydney LGA.

Table 6: Median Sales Price for the December Quarter 2017 to 2021

Median Sales Prices						**% Change**
	2017	2018	2019	2020	2020-22	2020-22
Greater Sydney						
Strata	$738,000	$725,000	$740,000	$750,000	$805,000	7%
Non Strata	$1,040,000	$949,000	$1,015,000	$1,070,000	$1,400,000	31%
Total	$865,000	$830,000	$860,000	$875,000	$1,075,000	23%
City of Sydney						
Strata	$895,000	$870,000	$937,000	$890,000	$986,000	11%
Non Strata	$1,675,000	$1,470,000	$1,673,000	$1,790,000	$2,190,000	22%
Total	$1,023,000	$975,000	$1,040,000	$985,000	$1,123,000	14%

[12] ANZ Core Logic Housing Affordability Report May 2022

Median Sales Prices						**% Change**
Inner West						
Strata	$789,000	$738	$792,000	$810,000	$865,000	7%
Non Strata	$1,533,000	$1,380	$1,614,000	$1,678,000	$2,140,000	28%
Total	$1,290,000	$1,118	$1,268,000	$1,338,000	$1,630,000	22%

Source: Department of Communities and Justice Rent and Sales Report – Sales tables December Quarter 2021.

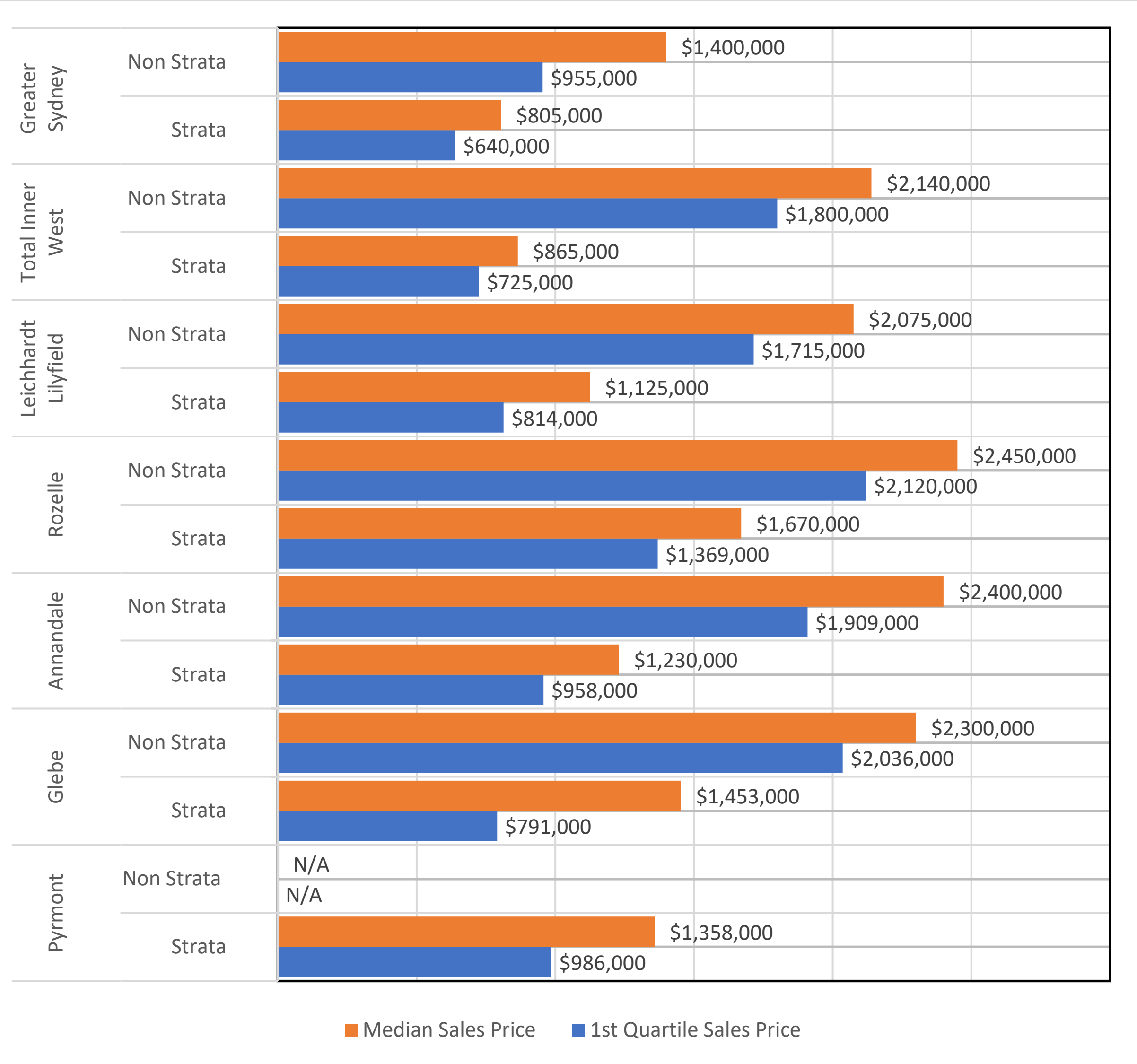
Sales data below for the postcodes adjacent to the Bays West Precinct highlight the area's alignment with the higher priced inner localities. First quartile sales prices for Rozelle are significantly above a million dollars. The annual change in median values is well above the levels for the Inner West LGA overall.

Table 7: First Quartile and Median Sales Price and Number of Sales for December Quarter 2021

Postcode		Dwelling Type	1st Quartile Sales Price	Median Sales Price	Annual change Median	Annual change Count
Pyrmont	2009	Strata	$986,000	$1,358,000	25%	21%
	2009	Total	$1,001,000	$1,390,000	26%	23%
Glebe	2037	Strata	$791,000	$1,453,000	67%	180%
	2037	Non Strata	$2,036,000	$2,300,000	37%	52%
	2037	Total	$1,270,000	$1,900,000	32%	109%
Annandale	2038	Strata	$958,000	$1,230,000	43%	7%
	2038	Non Strata	$1,909,000	$2,400,000	37%	6%
	2038	Total	$1,750,000	$2,030,000	23%	7%
Rozelle	2039	Strata	$1,369,000	$1,670,000	31%	-10%
	2039	Non Strata	$2,120,000	$2,450,000	51%	-11%
	2039	Total	$1,715,000	$2,265,000	43%	-10%
Leichhardt/	2040	Strata	$814,000	$1,125,000	23%	22%
Lilyfield	2040	Non Strata	$1,715,000	$2,075,000	29%	19%
	2040	Total	$1,387,000	$1,755,000	17%	20%
Total Inner West		Strata	$725,000	$865,000	6%	4%
		Non Strata	$1,800,000	$2,140,000	28%	19%
		Total	$903,000	$1,630,000	21%	12%
Greater Sydney		Strata	$640,000	$805,000	7%	7%
		Non Strata	$955,000	$1,400,000	31%	13%
		Total	$775,000	$1,075,000	22%	3%

Source: Department of Communities and Justice Rent and Sales Report – Sales tables December Quarter 2021.

Figure 8: Median and First Quartile Sales Value for Strata and Non-Strata by Locality (Dec 2021)



Source: Department of Communities and Justice Rent and Sales Report – Sales by postcode Dec Quarter 2021

Rents

Covid-19 appears to have had a significant impact on rental markets. Areas with relatively high exposure to overseas holidaymakers and people working in tourism and hospitality saw downward pressure on rents through the pandemic, leading to an improvement in affordability in some areas of Sydney and Melbourne. It is likely that the return of overseas tourism and increased migration will create renewed upward pressure on housing costs. [13]

In the year from March 2020 to March 2021, the median rent for units declined across Greater Sydney while median rents for houses increased slightly. By contrast the median rent for both houses and units the Inner West and Greater Sydney fell in the same period, with the reduction more significant in City of Sydney. By March quarter 2022 however, median rents had increased for all dwelling types in these areas.

Table 8: Median Weekly Rent for the March Quarter 2018 to 2022

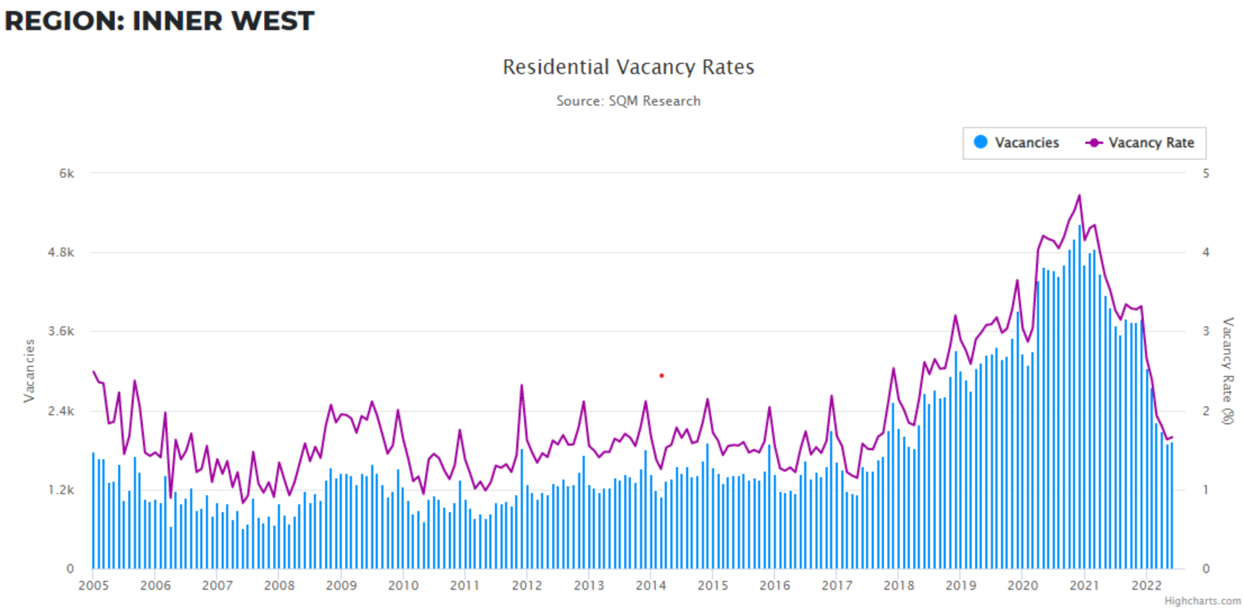
Median Weekly Rent					
	2018	2019	2020	2021	2022
Greater Sydney					
House	$550	$550	$550	$570	$620
Unit	$550	$540	$530	$480	$500
Total	$550	$530	$525	$500	$530
City of Sydney					
House	$810	$775	$800	$700	$800
Unit	$650	$650	$650	$550	$600
Total	$630	$650	$649	$550	$600
Inner West					
House	$780	$795	$780	$760	$795
Unit	$515	$500	$495	$450	$460
Total	$590	$575	$555	$500	$530

Source: Department of Communities and Justice Rent and Sales Report – Rent tables March Quarter 2022

[13] ANZ Core Logic Housing Affordability Report May 2022

The sharp fall in the vacancy rate from 4% in May 2020 to 1.6% in June 2022 for Sydney and from 4.7% to 1.7% for the same period in the Inner West LGA[14] points to a shortfall in supply of rental accommodation and is likely to put upward pressure on rents across Sydney and in the Inner West.

Figure 9: Residential Vacancy Rates June 2022



Source: SQM Research

Affordability for low and moderate income households

The NSW Affordable Ministerial Guidelines establish the income thresholds used to determine eligibility for affordable housing according to the definition in the EP&A Act. These are updated annually. The current thresholds are shown in Table 9.

Table 9: Current income eligibility limits for affordable housing 2021-22

Income bands	% of Median Income	Annual Income Range (Sydney)	Annual Income Range (Remainder of NSW) 2021-22
Very Low	50% median	$49,800	$42,300
Low	50-80% median	$79,800	$67,700
Moderate	80-120% median	$119,600	$101,600

Source: NSW Affordable Housing Ministerial Guidelines 2021-22

[14]Residential Vacancy Rates SQM Research

These income levels are used together with current house prices and rents to determine whether low and moderate-income households can afford to purchase or rent housing that is affordable, using the benchmark that housing costs in excess of 30% are unaffordable and place households in housing stress.

As Table 10 below demonstrates, very low, low and moderate income households cannot afford a median priced strata dwelling unit in the Inner West or even a dwelling priced at the first quartile of dwelling sales values for strata units. Non-strata units have not been included in the table as they are not remotely in reach of households in the very low to moderate income range. Furthermore, these figures are based on access to a 20% deposit and buying costs including stamp duty (totally around $173,000 for a first quartile dwelling). This level of savings is not available to most lower income households, particularly those living in unaffordable housing with little if any surplus income.

Table 10: Purchase capacity and affordability of dwellings, Inner West

PURCHASE CAPACITY		**Monthly income**	**30%**
	Very Low	$4,147	**$1,244**
	Low	$6,647	**$1,994**
	Moderate	$8,463	**$2,539**

PURCHASE AFFORDABILITY			
1st Quartile Strata Dwelling		**Median Strata Dwelling**	
Purchase price	$725,000	Purchase price	$865,000
Buying costs est.	$28,000	Buying costs est.	$34,000
20% deposit	$145,000	20% deposit	$173,000
Loan @ 80%	$580,000	Loan @ 80%	$692,000
Monthly repayments	$3,665	Monthly repayments	$4,375
as % of household income		as % of household income	
Very Low	**88%**	**Very Low**	**105%**
Low	**55%**	**Low**	**66%**
Moderate	**43%**	**Moderate**	**52%**

Assumptions: 20% deposit, 6.5% interest rate, Principal and interest repayments over 30 year loan term.

Source: Department of Communities and Justice Rent and Sales Report – Rent tables March Quarter 2022

New dwellings being delivered in the vicinity of Bays West will be priced at the upper price points commensurate with other harbourside suburbs and not affordable for low or even moderate income households. New supply of affordable housing dwellings requires prescriptive policy settings and requirements for financial contributions/subsidies.

With the urban renewal of the Precinct, combined with the proposed transport and other infrastructure enhancements, upward pressure on land values will push dwelling prices above market increases.

As house prices and rents in the Inner West are higher than many other areas in Sydney it would be difficult for low and moderate income households to be able to afford to purchase, rental is the most affordable option. However in the Inner West, as is evident from Table 11 below, even moderate income households are in housing stress if they rent a median priced rental house. While first quartile and median rents for strata units are affordable for moderate income households, around 60% of all rental dwellings are 1 or 2 bedroom dwellings and may not be suited to all households.

Table 11: Current rent as a proportion of weekly income

		Weekly Household Income		
March 2022		**Very Low** **$957**	**Low** **$1534**	**Moderate** **$1953**
Ist Quartile Rent				
Units	$380	39%	25%	19%
Houses	$650	68%	42%	33%
Median Rent				
Units	$460	48%	30%	24%
Houses	$795	83%	52%	41%

Sources: Department of Communities and Justice Rent and Sales Report – Rent tables March 2022, NSW Affordable Housing Ministerial Guidelines 2021-22.

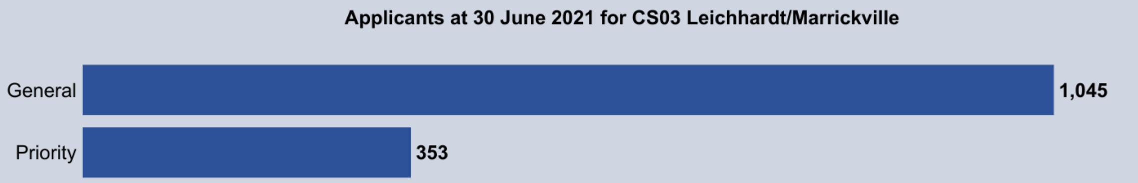
7. CURRENT HOUSING NEED

Social Housing

Most suburbs in the Inner West LGA are located within the Leichhardt/Marrickville Allocation Zone[15]. There are currently 1,045 applicants on the general housing wait list and 353 on the priority housing wait list. Current wait times for social housing in this zone exceed 10 years for most dwelling types.

Figure 10: Applicants and wait times for social housing Leichhardt/Marrickville Allocation Zone, June 2021

Expected waiting times for general applicants	CS03 Leichhardt/Marrickville
Expected waiting time for a studio/1-bedroom property	**5 to 10 years**
Expected waiting time for a 2-bedroom property	**10+ years**
Expected waiting time for a 3-bedroom property	**10+ years**
Expected waiting time for a 4+ bedroom property	**10+ years**



Source: Department of Communities and Justice Resource Centre

Wait list numbers in allocation zones for all parts of the Eastern City are shown in Table 12. Suburbs in the Inner West have some of the highest numbers of applicants. However the demand for social housing is influenced by a range of factors including the number of applicants on the wait list and the number and type of social housing dwellings in the area.

Table 12: Wait times for social housing Eastern City Allocation Zones June 2021

Location	Allocation Zone	General	Priority	Total
Eastern City	Inner City	626	287	913
	Eastern Suburbs	995	222	1,217
	Leichardt/Marrickville	1,045	353	1,398

[15] Ashbury, Ashfield and Summer Hill are in the Inner West Allocation Zone.

Location	Allocation Zone	General	Priority	Total
	Northern Suburbs	1,363	419	1,782
	Northern Beaches	541	195	736
	Canterbury	694	108	802
	Inner West	1159	260	1,419
	Sutherland	498	151	649
	St George	1,408	282	1,690
	Total	8,329	2,277	10,606

Source: Department of Communities and Justice Resource Centre

According to the ABS there were 2,573 social housing dwellings in the Inner West LGA at the 2016 Census[16]. Updated figures for the LGA are not currently available, however it is expected that any increases in social housing dwellings in the past 5 years would be modest. It is therefore expected that current wait times will continue or lengthen.

Housing stress in private rental market

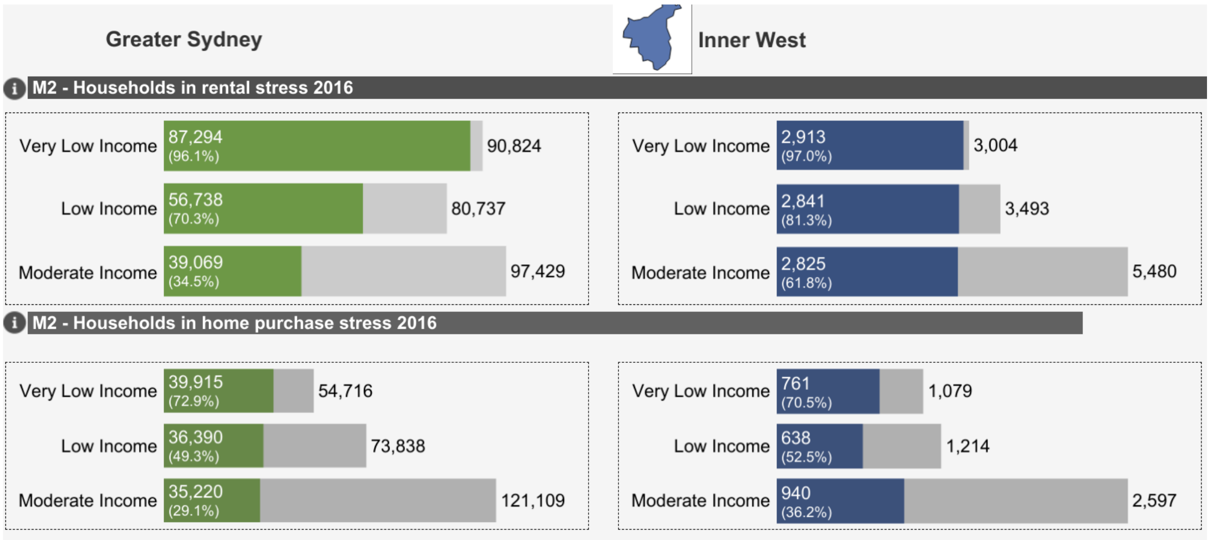
Housing affordability generally refers to the relationships between income and housing costs (e.g. mortgage and rental costs, rates and maintenance). Housing can be said to be affordable if a household is able to meet their housing costs, as well as their other essential needs.

To understand the affordability problem, it is necessary to examine the flow-on effects of unaffordable housing, some of which has historically been encapsulated in the term "housing stress". In effect, a household under housing stress is one that finds housing costs encroaching on funds needed for other household essentials. The common measure used to determine housing stress is when lower income households pay more than 30 per cent of their gross income on housing costs.

The most recently available comprehensive analysis of housing stress, based on 2016 data, shows very high proportions of very low, low and moderate income households in Greater Sydney and in the Inner West experiencing housing stress. While it is expected that a very high proportion of very low and low income households would be in rental housing stress in the Inner West, due to higher housing costs, it is concerning that more than half of moderate income households were also experiencing housing stress.

[16] Our Place -Inner West

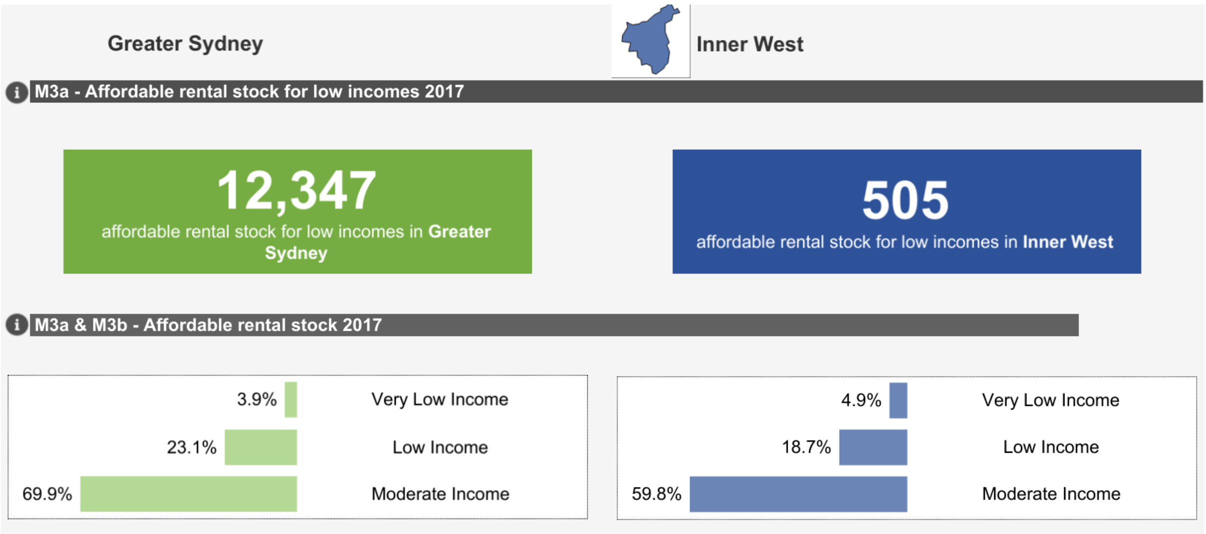
Figure 11: Households in housing stress – Greater Sydney and Inner West 2016



Source: NSW Local Government Housing Kit Database.

A further perspective on the need for affordable housing is to consider how much of the supply of housing could be affordably rented by lower income households. The most recent data available from the Department of Communities and Justice (DCJ) shows that in 2017 only 505 properties were able to be affordably rented by very low, low and moderate income households, with most affordable for only moderate income households. This measure does not take into account whether there are sufficient properties available to rent or that lower income households are able to compete with higher income households when applying.

Figure 12: Number of affordable rental properties Inner West and Greater Sydney 2017



Source: NSW Local Government Housing Kit

Looking at current rents against typical key worker incomes shows that in 2022 the market is still inaccessible for low and moderate income households. Table 13 shows that all types including cleaners, motor mechanics and teachers would be required to spend well in excess of 30% of income in rental payments.

Looking at the capacity of key workers to afford rental accommodation shows the very limited options in the private rental market. While this is based on new bonds lodged (and therefore rents may be somewhat higher than existing rents), it is likely that more key workers will be forced to other more affordable locations.

Table 13: Affordability of private rental for key workers Inner West 2022

Occupation	Weekly income	Household and Dwelling	1st quartile rent Weekly	Median rent Weekly	% income % (first quartile rent)	% income median rent
Nursing Assistant Nursing assistant 1st year	$883.4	Single, 1br unit	$340	$400	38.49%	45.28%
Motor Mechanic Vehicle industry RS&R Level 4	$893.6	Single, 2 br unit	$425	$500	47.56%	55.95%
Cleaner Cleaning service employee Level 3	$940.9	Single parent and 1 child 2br unit	$425	$500	45.17%	53.14%
Waiter Level 3 - food and beverage attendant Grade 3	$853.6	Couple and 1 child, 2br unit	$425	$500	49.78%	58.58%
Teacher and Nurse Academic teacher Level C.1 and Registered Nurse (3 days /week)	$1691.1 + $796.8 $2487.9	Couple and 2 children, 3 br house	$750	$850	30.1%	34.18%

Source: Department of Communities and justice Rent and Sales Report – Rents March Quarter 2022, Australian Government Fair Work Ombudsman Pay Guides July 2022.

Given the ongoing increase in house prices and rents highlighted earlier in this report, which have increased at a rate higher than increases in household income, it can be expected that the proportion of lower income key worker households in housing stress will grow, or these households will move to more affordable locations outside of the Inner West LGA.

8. FUTURE HOUSING NEED

The Eastern City District Plan identified the need for an additional 157,500 homes between 2016 and 2036 across the Eastern District. The medium growth scenario for the Eastern City District is 48,350 dwellings with supply in the Inner West expected to be 3,360. The supply of new housing in the Inner West has been small relative to the adjoining City of Sydney and other LGAs which have had greater opportunities for urban renewal.

COVID-19 has had major impacts on the way Australia functioned over the last 18 months. Australia's international borders closed in March 2020 and had partially reopened by November 2021. While the NSW Government notes that the full economic and social consequences of the pandemic for NSW and Sydney are still unknown but will be felt going forward, it expects the NSW population to continue to grow and underlying demand for housing to remain strong.[17]

The 2022 NSW Population Projections show that the NSW population will continue to grow on average by 85,000 people each year over the next 20 years reaching 9.873 million by 2041. The population in Greater Sydney will grow to approximately 6.1 million by 2041. As shown in the table below, the population in the Inner West is forecast to grow at a slower rate than the City of Sydney and New South Wales.

Table 14: 2022 NSW Population Projections

Year	Inner West	City of Sydney	New South Wales
2001	166,693	128,901	6,530,349
2006	167,602	164,597	6,742,690
2011	180,301	183,281	7,2185,29
2016	191,194	222,717	7,732,858
2021	199,863	239,511	8,166,757
2026	198,517	236,491	8,462,770
2031	202,086	255,232	8,933,640
2036	206,836	276,140	9,404,886
2041	212,283	296,401	9,872,934
Total Change	45,590	167,500	3,342,585
Total % Change	0.27	1.30	0.51
Annual % Change	0.30%	1.07%	0.95%

Source: Department of Planning and Environment 2022

[17] Department of Planning and Environment Sydney Housing Supply Forecast

There are many factors which will affect future demand for affordable housing. It is difficult to predict how population growth, rates of household formation, the amount of new housing built, housing costs and the decisions made by individuals will impact demand with any certainty. If the number of very low, low and moderate income households in housing stress were to grow at the same rate as forecast population growth for the Inner West (an annual increase of 0.30%), the number of households in housing stress would increase from 8,579 in 2016 to 9,246 in 2041.

Increased population growth and demand for housing will likely result in sustained upward pressure on housing costs in the Inner West and a shortfall in housing that is affordable for very low, low and moderate income households.

It is expected that the renewal of Bays West with additional residential, retail and commercial uses will also increase demand for affordable housing. As research into housing preferences[18] shows that people generally prefer to remain in their local area, provision of affordable housing is critical to at least provide for existing key workers and offset increased demand.

9. STATUTORY BASIS FOR AFFORDABLE HOUSING CONTRIBUTIONS

The objects of the Environmental Planning and Assessment Act (1979) (referred to onwards as the Act) set out in section 1.3 include:

- to promote the social and economic welfare of the community and a better environment via the proper management, development and conservation of the State's natural and other resources;
- to promote the delivery and maintenance of affordable housing.

Division 7.2 of the Act allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument. Together with the State Environmental Planning Policy (SEPP) Housing 2021 (the Housing SEPP), Division 7.2 provides the statutory basis for levying contributions under Affordable Housing Contribution Schemes (AHCSs).

The Housing SEPP recognises that there is a need for affordable housing within all local government areas in the State. The Section 7.32 of the Act allows for the collection of contributions for affordable housing where such a need has been identified in a planning instrument and where one of the following applies:

(a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or

(b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or

(c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or

(d) the regulations so provide.

[18] Eastern City District Plan, Greater Sydney Commission

In respect to the Bays West Precinct, it is submitted that development as envisaged in the Master Plan and State Environmental Planning Policy (Precincts – Eastern Harbour City) 2021 (SEPP EHC), will satisfy the requirement for the collection of affordable housing contributions under Section 7.32 of the Act on the bases that:

- the proposed development will reduce the availability of affordable housing within the area;
- the proposed development will create a need for affordable housing within the area;
- the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site.

The proposed development will reduce the availability of affordable housing

The estimated future workforce and new residents that will be located within the Precinct when fully developed will increase demand for housing within the locality and its surrounds.

Added demand for housing arising from the estimated future workforce of 12,350 to be employed in the commercial and retail floorspace in the Precinct will place upward pressure on rental prices, thus reducing the availability of affordable housing.

The projected 8,400 new residents will also impact housing supply. Their demand for services within the local area will lead to an expansion of businesses and workers, which will translate to an increased demand for housing. The additional demand from these workers, will also reduce the supply of available affordable housing.

The proposed development will create a need for affordable housing

The redevelopment of the Precinct will create a need for affordable housing in order to achieve an inclusive community where people from a range of income levels can live.

As the market analysis in Section 6 demonstrates, housing in the area is not being supplied at a level affordable for rent or purchase by very low, low or moderate income households. The premium location offered in Bays West is expected to attract higher sales prices still. There is a need for provision of affordable housing if the goal of an inclusive community, which includes opportunities for these households, is to be achieved.

A further aspect of need arises from the local workforce. Key workers employed in the Precinct will require affordable housing in proximity to their place of employment. Indeed, access by local businesses to a conveniently located workforce will be critical for the economic success of Bays West.

The proposed development is allowed only because of the rezoning of a site

The land comprising the White Bay Power Station (and Metro) sub-precinct currently supports the disused power station together with industrial and allied land uses. The proposed development will arise from the full redevelopment of the sub-precinct, made possible only by the rezoning of the sites comprised within the sub-precinct.

10. CONCLUSIONS

The analysis in this report supports the following key conclusions:

- The Inner West is a significant source of private rental accommodation and many local workers in key worker occupations are renting.

- Existing high levels of housing stress for private renters up to and including moderate income households and long wait times for social housing, indicate a high need for affordable housing.

- Ongoing increased housing costs and tightening rental market and continued population growth are expected to increase the number of very low, low and moderate income households in housing stress, or force them to relocate to other more affordable locations. This shift would have flow-on impacts for businesses and services within the Inner West and the Sydney CBD that employ key workers and further exclude ATSI households from accessing affordable housing as a high proportion renting privately are already experiencing housing stress.

- While renewal in Bays West will increase supply of housing in the eastern part of the LGA, the amount of new housing is not expected to put downward pressure on housing costs. Prices (and rents) will likely reflect the higher costs of housing in the adjoining suburbs of Rozelle and Balmain in the Inner West as well as Glebe, Ultimo-Pyrmont in the City of Sydney LGA.

- The provision of affordable housing through the establishment of an affordable housing contributions scheme for Bays West would help to meet the demand for affordable housing in the Inner West and support the vision for the Precinct.

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