

3 Planning, Funding & Policy Environment

3.1 Overview

This section provides an overview of the funding and policy environment that provides a context to demographic and housing trends outlined above, and to strategic responses to growing affordability issues in the Bega Valley Shire (BVS).

This context includes policy and funding direction from NSW State Government related to the provision and management of social and affordable housing delivered through the Land and Housing Corporation (LAHC), Department of Communities and Justice (DCJ) and Community Housing Providers (CHPs). Since 2016, the ten-year strategy, *Future Directions for Social Housing in NSW*, has set priorities in this area with many of its aims largely progressed as at 2021. More recently, LAHC has released its Portfolio Strategy (December 2020) that sets a 20 year vision and priorities to grow and change its portfolio, which may have an impact on neighbourhoods in the Bega Valley particularly those with existing social housing stock and estate areas.

This context also includes NSW Government planning policy direction that can facilitate social and affordable housing development by private and public sectors through the planning system.

In 2017, the (now) NSW Department of Planning, Industry and Environment (DPIE) finalised a series of Regional Plans for strategic land use across NSW.²² The Regional Plans set the framework, vision and direction for strategic planning and land use as well as planning for future needs for housing, jobs, infrastructure, the environment and communities.

All local government areas in NSW have also been directed to prepare a Local Strategic Planning Statement (LSPS) to set out a 20-year vision for its land use to be considered in conjunction with relevant State and Regional planning policies and plans to guide planning decisions and the preparation of development controls in local environmental plans.²³ *BVS LSPS 2040* provides this vision and framework for the area.

More recently, DPIE released *Housing 2041: NSW Housing Strategy* a '20 year end-to-end housing strategy which covers everything from homelessness to home ownership' for the state for the first time.²⁴ The issue of affordable housing is a priority of the Strategy, with 'Affordable Housing' listed as one of the four 'Housing System Pillars'.²⁵ The importance of the use of State Government land for affordable housing is emphasized at a number of points in the Strategy, noting that,

²² NSW Department of Planning, Infrastructure and Environment, Regional Plans, <https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans>, accessed 11/02/2021.

²³ <https://pp.planningportal.nsw.gov.au/publications/local-strategic-planning-statements>, accessed 16/02/2021.

²⁴ NSW Department of Planning, Infrastructure and Environment, *Discussion Paper: A Housing Strategy for NSW*, May 2020, <https://www.planning.nsw.gov.au/Policy-and-Legislation/Housing/A-Housing-Strategy-for-NSW>, accessed 22/04/2021.

²⁵ NSW Department of Planning, Infrastructure and Environment (2021) *Housing 2041: NSW Housing Strategy*, p 9.

...the NSW Government has an important role to play in the provision of social and affordable housing solutions, including through the use of government owned land. We know that safe, secure and affordable housing contributes to physical and mental health benefits and positive wellbeing outcomes. By investing in housing on government-owned land, we can deliver more social housing and improve housing affordability for our communities. Similarly, responses to homelessness have the potential to contribute to reduced healthcare costs, reduced crime and improved outcomes for employment or education opportunities. By providing more direct investment, the NSW Government can support transition pathways across the housing spectrum.²⁶

The State Environmental Planning Policies (SEPPs) that currently facilitate the delivery of diverse and affordable housing (the Seniors SEPP, Affordable Rental Housing SEPP and SEPP 70) are being reviewed and will be replaced by a new *Housing SEPP* as part of the Housing Strategy for NSW. Preliminary information provided by DPIE about the new SEPP sets out amendments to be made to the existing SEPPs and new definitions for housing products to be introduced into the Standard Instrument LEP including 'build-to-rent housing', 'student housing' and 'co-living'.²⁷

There is also reform underway to establish a new policy framework for Short Term Rental Accommodation (STRA), such as those operated through platforms like Airbnb, with new planning rules to take effect 1 November 2021.

There have been short term policy and funding initiatives by the NSW Government related to the provision of housing in response to the 2019/20 bushfires and the COVID-19 pandemic. These initiatives were not intended to be permanent and as at April 2021 some have already ceased.

Importantly, this context also includes the policy and planning directions of the BVSC as set out in the LSPPS and other relevant documents such as (but not limited to) the *Residential Land Strategy 2040*, *Community Strategic Plan 2040* and the *Climate Resilience Strategy 2050*.

3.2 NSW Government provision and management of social and affordable housing (LAHC, DCJ)

3.2.1 Future Directions for Social Housing in NSW (2016)

There have been a range of NSW State Government initiatives to support the growth and maintenance of social and affordable housing that have been delivered under the **ten-year strategy**, *Future Directions for Social Housing in NSW (2016)* which has three main priorities:

- To increase the supply of social housing in order to address the demand, including a waiting list that has grown to 60,000 households;

²⁶ NSW Department of Planning, Infrastructure and Environment (2021) Housing 2041: NSW Housing Strategy, p 7.

²⁷ NSW DPIE, Explanation of Intended Effect for a new Housing Diversity SEPP, July 2020.

- To develop/provide more opportunities, incentives and/or support for people to avoid social housing altogether or to shorten their length of tenure by successfully transitioning into the private market; and
- To improve the social housing experience for tenants.

The first priority, to grow the supply of social housing, is to be achieved through ‘significant expansion and redevelopment of stock through partnerships with private sector developers and finance’, by:

- Transferring the management or ownership of 35% of social housing stock in NSW to the community housing sector;
- Introducing measures to ensure that social housing is better utilised to meet the needs of tenants (e.g., reducing under occupancy, improving allocations, and building new dwellings that are smaller and more ‘fit for purpose’ including through the Communities Plus redevelopment program); and
- Providing \$1 billion in ‘ongoing financial support’ through the Social and Affordable Housing Fund (SAHF) for development of new social and affordable housing undertaken by consortiums and partnerships involving community housing providers.²⁸

Future Directions in regional and rural NSW

Importantly, *Future Directions for Social Housing in NSW* identifies that people living in regional and rural areas in NSW have different needs to those people living in urban areas, with 18 out of the 20 estates that were identified by the government as ‘highly disadvantaged’ being located in regional and remote areas.

Future Directions reports that a framework will be developed to focus on ‘renewing and reconfiguring the regional portfolio’ and ‘expanding the types of houses built, including secondary dwellings and market testing other cost-effective housing delivery options, such as dual occupancy dwellings’, and that:

- A program of acquisitions to replace existing stock and expand supply will be implemented in major regional centres which have good access to services and employment;
- Crown Land in rural and regional areas that may be suitable for the current and future needs of social housing will be identified under the Crown Lands Review; and
- Options for the use of shared equity loans will be investigated to help increase home ownership in regional areas where commercial lenders may be unwilling to take on the full mortgage risk, which could assist in freeing up the supply of private rental stock.²⁹

Progress of key *Future Directions* initiatives (as at 2021)

In early 2021, progress on these key initiatives has included:

²⁸ NSW Government (2016) *Future Directions for Social Housing in NSW*, <https://www.facs.nsw.gov.au/about/reforms/future-directions>, accessed 22/04/2021.

²⁹ NSW Government, *Future Directions for Social Housing in NSW*, pg. 25,

- Management Transfer Program has transferred the tenancy management of around 14,000 social housing tenancies to community housing providers in Sydney and regional NSW, such that 32% of social housing stock in NSW is now managed by a CHP. Social housing dwellings in the Bega Valley Shire Council have not been included in this program.³⁰
- Communities Plus program was described as a ‘new approach to delivering integrated communities and improved social outcomes’ via redevelopment of existing Land and Housing Corporation (LAHC) sites undertaken in partnership between the government and non-government and/or private sector. The program is well underway in existing estates of Waterloo, Ivanhoe and Telopea in Greater Sydney.³¹ There are no Communities Plus program sites in the Bega Valley Shire Council.
- Social and Affordable Housing Fund (SAHF), through which the NSW Government has invested over \$1 billion in markets by the NSW Treasury Corporation to generate returns that are applied to NSW Government payments to service providers to deliver 3,400 social and affordable homes with service packages around NSW. There were two SAHF procurement processes that resulted in contracts with nine service providers to deliver the housing and service packages. All dwellings are expected to be delivered by 2023. It does not appear that any of these additional dwellings were funded for Bega Valley Shire.³²

Other aspects of *Future Directions*

Place Plans

Another initiative of *Future Directions* was the **Place Plans** program in existing social housing estate communities, which included Eden. The program was designed to focus on:

- Better access to opportunities such as improved educational outcomes and pathways to training and jobs. This includes building life skills, resilience and community engagement to break down stigmas and foster community leadership;
- Timely access to effective and coordinated services such as integrated case management;
- Building a stronger and safer community with a positive identity;
- Supporting Aboriginal community healing and activities to foster community pride; and
- Improving the physical environment in social housing areas, including infrastructure and community facilities such as working with council and residents to improve the appearance of homes, streets, parks and community facilities.

JSA was engaged by (then FACS) DCJ in 2018 to facilitate workshops with Place Plan teams in the Illawarra, Shoalhaven and Southern District as the program commenced in Warrawong, Goulburn, East Nowra and Eden.

³⁰ Management Transfer Program Overview, <https://www.facs.nsw.gov.au/housing/living/management-transfer-program/management-transfer-program-overview>, accessed 22/04/2021.

³¹ Social and Affordable Housing Fund Overview, <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/SAHF/overview>, accessed 22/04/2021.

It is understood that the Place Plan program **closed on 30 June 2020**.³³ Consultation and work undertaken in Eden through the Place Plan program is relevant to this work.

Boarding House Financial Assistance Program

As part of Future Directions, DCJ offered grants of \$10,000 per room to encourage the construction of new Boarding Houses or the addition of new rooms to existing premises under the Boarding House Financial Assistance Program, as well as fire safety upgrade grants for boarding houses. As at 2021, DCJ advises that these programs are both under review and no further applications are being accepted.³⁴

Increasing community sector capacity

As evidenced by the Management Transfer Program mentioned above, other initiatives have focused on increasing community housing sector capacity to deliver and manage such housing, regulatory support to increase their professionalism and capacity and an increasing emphasis on development and management partnerships with CHPs that can make the most efficient use of Federal and State Government funding and resources. The rationale for such partnerships is to increase affordable housing constructed through leveraging State and Federal funding including through access to Council or other publicly-owned land, access to resources created through the planning system, or through the accumulated funds or the borrowing capacity against equity of larger CHPs.

There are some key differences between the community housing sector and state housing authorities that provide potential financial and resource advantages, and make them attractive affordable housing partners. Whereas DCJ is not eligible to receive Commonwealth Rental Assistance (CRA) payment CHPs are able to receive 100% of CRA paid to tenants as part of rent calculation which often enables CHPs to operate at or above breakeven point and potentially generate an operating surplus. Their ability to enter into debt against equity financing arrangements, from which State Government is generally precluded, is also an advantage in entering into development partnerships. There is also an expectation that CHPs will leverage (raise finance against) stock transferred from State Government to them.

The significant economic slowdown in 2009 prompted Federal Government actions to stimulate growth, of which the social housing system was a major beneficiary that delivered some growth in absolute terms in the NSW sector that has been declining relative to need for some decades. However, post-stimulus, the supply of such housing still falls far short of the current and projected need for affordable housing. Many low and moderate income households in housing stress would

³³ NSW Department of Communities and Justice, Place Plan Program – A Future Direction Initiative, <https://www.facs.nsw.gov.au/about/reforms/future-directions/initiatives/place-plan-program-a-future-directions-initiative>

³⁴ NSW DCJ, Boarding House Financial Assistance Program, <https://www.facs.nsw.gov.au/providers/housing/affordable/develop/chapters/new-supply-grants>, accessed 23/04/2021.

not be eligible for social housing, and those very low income households that are eligible generally face a waiting time of many years. In the context of the COVID-19 pandemic, the social housing sector in NSW has thus far not been a major recipient of State or Federal initiatives to stimulate economic growth through development.

Very low and low income renting households remain problematic groups for whom to achieve affordable housing outcomes, especially in the absence of direct funding and significant subsidies for such groups. As discussed later, the majority of those in housing stress or affordable housing need are very low income renting households, and most would find it difficult to access public and community housing in the current funding environment.

The main registered CHPs providing services in the Bega Valley Shire include Southern Cross Housing, Mission Australia (Homeless Support Services), Community Housing Limited (in partnership with the Bega Eco Neighbourhood Development Inc). There are also a range of other agencies that provide social and affordable housing, Specialist Homelessness Services and/or housing support services to particular target groups including South East Women and Children Services (SEWAC); Tulgeen Disability Services; Social Justice Advocates of the Sapphire Coast; as well as Aboriginal organisations that own dwellings and/or provide housing support programs including Twofold Aboriginal Corporation, Bega Local Aboriginal Land Council, Merrimans Local Aboriginal Land Council, Eden Local Aboriginal Land Council and Katungul Aboriginal Corporation.

Registered CHPs and other Not For Profit agencies provide partnering opportunities for Council in the future development of sites, leveraging of capital, and in the effective long-term management of housing and tenancies (see the Case Study Booklet for examples of the types of partnership projects that have been undertaken in other areas).

Private Rental Assistance Programs

DCJ provides a number of programs under the housing pathways program to assist eligible people to enter or remain in the private rental market³⁵ including:

- **Private Rental Subsidy** program that assists people to access affordable accommodation in the private rental market who meet social housing eligibility criteria, are approved for priority status on the NSW Housing Register, have a disability or are at risk in their current accommodation. The rental subsidy (capped at the median rent for Sydney middle ring suburbs) is set so that a tenant pays no more than 25% of their income plus Commonwealth Rental Assistance in rent. The situation of tenants is thus similar to those renting from a CHP.
- **Tenancy Guarantee** of up to \$1,500 payable to landlords and real estate agents to cover possible rental arrears and/or property damage over and above the rental bond, intended to encourage private landlords and real estate agents to rent properties to people who are having difficulties entering the private rental market.

³⁵ NSW DCJ, Help Renting in the Private Market, <https://www.facs.nsw.gov.au/housing/help/ways/renting-private-market>, accessed 23/04/2021.

- **Brokerage Services** to assist with finding rental properties and entering into tenancy agreements.
- **Rent Choice** is a form of Private Rental Assistance (PRA) under Housing Pathways that supports households to access safe and affordable housing in the private rental market. It provides medium term financial assistance for up to three years for low to moderate income households, to enable them to secure and sustain a tenancy in the private rental market. The program assists clients to access support services, including training and employment opportunities, to build capacity to continue living independently after the Rent Choice assistance ends. It ensures that clients are supported in their transition to sustainable independence.³⁶

Unfortunately, we were unable to find any specific data for Bega Valley Shire.

3.2.2 Land and Housing Corporation Portfolio Strategy 2040

The Land and Housing Corporation (LAHC) Portfolio Strategy sets a twenty-year vision and priorities to grow and change the State-owned housing portfolio in order to ‘house more vulnerable people and families in better quality modern homes and improve our financial sustainability as a self-funded housing provider’.³⁷

The strategy sets out why changes are needed and what the organisation will ‘do more of, less of and differently’ with a key focus on generating alternate funding to create new social housing through their broker role, new financing partnerships and building market homes to rent/sell to fund social projects; working in partnership with industry, CHPs and the Aboriginal Housing Office (AHO) to leverage and make the best use of public land and property; and importantly using local area strategies and portfolio analysis to inform decision making and in assessing impacts of decisions on portfolio value.³⁸ It would be useful to review any local area strategies and portfolio analysis that LAHC has undertaken for the Bega Valley Shire Council area, such as with regards to estate areas in Bega and Eden. Council could/should consider requesting this information from LAHC for the purpose of developing the Affordable Housing Strategy.

3.2.3 Covid-19 Stimulus Funding for Social and Affordable Housing

NSW Government reports that \$250m in stimulus funding in the 2020/21 Budget was earmarked to accelerate delivery of new social housing homes by LAHC, including 298 new homes across 24 projects in regional areas. Moreover, \$200m was allocated to accelerate repairs and maintenance and upgrade more than 3,500 social housing dwellings across NSW. We are not aware of any funding that was directed specifically to Bega Valley Shire.³⁹

³⁶ NSW DCJ, Rent Choice Policy, 17 November 2020, <https://www.facs.nsw.gov.au/housing/policies/rent-choice-policy>, accessed 23/04/2021.

³⁷ NSW LAHC, Portfolio Strategy 2020, December, <https://www.dpie.nsw.gov.au/land-and-housing-corporation>, accessed 27/04/2021.

³⁸ NSW LAHC, 2Portfolio Strategy 2020, December, <https://www.dpie.nsw.gov.au/land-and-housing-corporation>, accessed 27/04/2021, pp 2.

³⁹ NSW DPIE, Social and affordable housing and jobs created in regional NSW: Achievements and Activities

3.3 The NSW Planning Context

3.3.1 Affordable Housing support in EP&A Act and related policies

Background

The retention and creation of affordable housing for very low, low and moderate income households through the planning system becomes more important in the context of constraints to federal policy and funding. There are significant opportunities for local government to support the creation and maintenance of affordable housing through core planning legislation and policies in NSW compared to most Australian states. However, there are also significant constraints to action by local government, principally arising from its subordinate relationship to state government in Australia, its lack of planning autonomy, the prescriptive nature of the land use zoning system compared with other international jurisdictions like the UK, its constrained economic position and constraints to raising capital through debt financing.

Nonetheless, local government has an implicit role in affordable housing and an impact on affordability through land use zoning, controls, the timing of land release, location of services and facilities, and the levying of rates and development contributions. It can also choose to play a more proactive role in the creation and retention of affordable housing through active intervention in the market through the development of appropriate planning mechanisms and strategies, as discussed below.

Opportunities and constraints of principal legislation and related policies

Unlike jurisdictions such as Western Australia, where the principal planning legislation is silent on the matter of affordable housing, the *Environmental Planning and Assessment Act 1979 (NSW)* (the Act) has express provisions related to the delivery and maintenance of affordable housing (Section 1.3(d)), and others which may be used to support such housing through the planning and approvals process. NSW local government accordingly has roles and responsibilities relating to affordable housing under planning legislation including state environmental planning policies (SEPPs). There are definitions and benchmarks related to ‘affordable housing’ in core legislation and related policy, particularly in SEPP70 and the Affordable Rental Housing SEPP.

Importantly, it is a requirement of the Act that a consent authority take into account the social and economic impacts of a development application as part of a merits assessment under s4.15(1)(b). This has obvious applicability to development applications that may result in the loss of affordable or low cost housing, such as low cost flats, boarding houses and caravan parks, as well as the assessment of the benefits of an application involving the creation of affordable housing, particularly where this is balanced against other factors as part of the merits assessment. The ability to seek mitigation for loss of affordable housing as part of conditions of consent is also possible

April 2019 to December 2020, March 2021,
https://www.dpie.nsw.gov.au/__data/assets/pdf_file/0004/365008/Regional-Achievements-Brochure-A4-10-MAR-2021.pdf, accessed 23/04/2021.

under this head of consideration. A growing body of case law in the NSW Land and Environment Court related to social impacts is also relevant.

Likewise, a consent authority is required to consider whether a proposed development is in the public interest under s 4.15(1)(e), and a growing body of case law has likewise determined that it is in the public interest to give effect to the objectives of relevant legislation. It is relevant in this regard that the Act has as an objective ‘the delivery and maintenance of affordable housing’ (1.3(d)).

As such, on the face of it, local government has a role and indeed a statutory responsibility to seek to preserve and create affordable housing through the planning and assessment process. However, there are also limitations to local government’s power under the Act, particularly in relation to the levying of mandatory contributions for affordable housing, though arguably its constraints are not as great as some would perceive.

Dealing first with mandatory contributions, in June 2000, further amendments were made to the Act in relation to affordable housing to provide consent authorities with the specific power to require, as a condition of consent, the dedication of land free of charge or the payment of a monetary contribution for affordable housing in certain circumstances. Sections 7.32 and 7.33 were introduced to provide consent authorities with the express power to impose such conditions ‘if a State Environmental Planning Policy (SEPP) identifies that there is a need for affordable housing within an area’ and certain other conditions are met.

The relevant SEPP for this purpose is SEPP 70 Affordable Housing (Revised Schemes) (SEPP 70), which amends relevant local and regional environmental planning instruments to enable the levying of development contributions to provide for affordable housing. SEPP 70 provides guidance regarding the requirements for assessing housing need, setting contribution levels, apportionment, administration and accountability, and specifies relevant income and rental criteria. The SEPP applies to the whole State, including differential income benchmarks for regional NSW.

Other express provisions are also contained within the Act to further the affordable housing objectives.

Voluntary Planning Agreements

S7.4 of the Act provides for the making of a voluntary planning agreement in relation to a proposed amendment to a planning instrument or development application. Under such a planning agreement, the developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose. ‘Affordable housing’ as defined in the Act is one of the listed ‘public purposes’.

A planning agreement is generally advertised in conjunction with the development or rezoning application to which it relates, and forms part of the conditions of consent. A planning agreement is registered and runs with the title to the land, and is binding on, and enforceable against, the owner of the land from time to time as if each owner for the time being had entered into the agreement. The provisions also provide for administrative, reporting, review and other accountability requirements like other forms of development contributions, and may be used in place of or as well as levies with respect to other infrastructure under normal development

contributions provisions of the EP&A Act. Importantly, a planning agreement does not have to demonstrate nexus between the development and the public purpose for which it was made.

SEPPARH and Boarding Houses

The gazettal of State Environmental Planning Policy (Affordable Rental Housing) 2009 (SEPPARH) aimed to provide a consistent planning regime to encourage and enable the provision of different types of affordable housing to various target groups. In particular, SEPPARH aims to facilitate the provision of affordable housing through zone liberalisation, the provision of incentives for delivery of new affordable rental housing including close to places of work, facilitating the retention and mitigation of the loss of existing affordable rental housing, and the development of housing for special needs groups including social housing, New Generation Boarding Houses and supportive accommodation such as General and Transitional Group Homes for disadvantaged groups.

The SEPPARH has helped to facilitate and increase the supply of quality Boarding Houses to meet the needs of a variety of residents including key workers, those who need more flexible housing options and those with special needs and to provide a more appropriate regulatory framework to deliver Boarding House services that promote and protect the wellbeing of residents. The SEPPARH includes standards for proposed Boarding Houses that must be satisfied prior to development consent. The Government also provided various incentives for proprietors of Boarding Houses, such as land tax exemption or reduction in land value, and grants for essential fire-safety works.

Legislation and regulatory support for Boarding Houses, including the Boarding Housing Act 2012 (NSW) has also provided a more robust framework for such development, improved management requirements, design standards and amenity, and increased the attractiveness of this form of development as a legitimate tenure form.

Well designed and managed 'New Generation' Boarding Houses provide a significant opportunity for housing a range of smaller low and very low income households affordably in the local context, including as part of multi-tenure developments. Relevant case studies are provided in the Affordable Housing Case Studies Booklet that accompanies this Background Report.

3.3.2 NSW Housing Strategy & SEPP reforms

A Housing Strategy for NSW

In May 2021, the NSW Government released *Housing 2041: NSW Housing Strategy* and the 2021-2022 Action Plan. *Housing 2041* sets out a twenty-year vision for housing in NSW, 'that NSW will have housing that supports security, comfort, independent and choice for all people at all stages of their lives'.⁴⁰ This vision is set out across four pillars of housing supply, diversity, affordability and resilience. The objectives of the pillars are interrelated and together contribute to economic, health and social wellbeing outcomes for NSW⁴¹ and include:

⁴⁰ NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 8.

⁴¹ NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 8.

- To deliver housing supply in the right locations at the right time;
- To provide housing that is diverse and meets varied and changing needs;
- To provide housing that is affordable and secure; and
- To deliver enduring and resilient housing.⁴²

Housing 2041 refers directly to affordable housing and the role that the planning system and direct interventions in providing a greater supply of affordable housing in Greater Sydney and regional NSW. The Strategy notes that apart from existing planning mechanisms already embedded at the local level, there is potential for NSW Government to increase the delivery of well-designed and well-located affordable housing across the state through:

- development of appropriate government-owned land for affordable housing;
- planning and development projects that encourage build-to-rent;
- new communal living models; or
- encouraging incentives to build affordable housing in mixed-tenure communities.⁴³

The Strategy also aims to provide increased support for those most in need including by continuing to invest in the social housing portfolio, reducing social housing waiting times, supporting the CHP sector, providing ongoing support and programs to reduce homelessness and support those with complex needs, and by *'increasing the supply for affordable housing to meet agreed targets in both metropolitan and regional areas'*.⁴⁴

The *Housing 2041: 2021-2022 Action Plan* details short-term actions to address and respond to the COVID-19 pandemic and recent environmental disasters (drought, bushfires and floods) against the five priority areas including:

- Enabling access to and promoting the use of **data** and evidence-based decision making through co-ordinating access to housing data, enhancing the ePlanning program and cross-sector collaboration and coordination through improved access to NSW Government housing data and evidence;
- Providing planning, **regulation** and guidelines to support NSW Government housing objectives;
- Maximising the impact of **government owned land**, investment or assets and government-led development projects or funding to achieve the housing vision through continued;
- Establishing a **research agenda** that invests in best practice and new ways of building and living, to promote innovation and delivery of effective housing solutions and to promote sustainable and energy efficient homes; and
- Working with **local governments and communities** to achieve the NSW Government housing objectives including collaboration to plan for and deliver housing.⁴⁵

⁴² NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 25.

⁴³ NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 32.

⁴⁴ NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 26.

⁴⁵ NSW DPIE, *Housing 2041: Housing Strategy NSW*, 2021-22 Action Plan, <https://www.planning.nsw.gov.au/Policy-and-Legislation/Housing/A-Housing-Strategy-for-NSW>.

With regard to regional NSW, *Housing 2041* notes that short-term impacts of the COVID-19 pandemic have reduced affordability in some regional housing markets due to increased demand from people from metropolitan areas moving to regional areas but that the long-term effects are uncertain.⁴⁶

The 2021-2022 Action Plan sets out a range of activities, many of which are relevant to a Councils and other proponents seeking to grow the supply of affordable housing, some of these include:

- Establishing a Regional Housing Supply Monitor to provide a more reliable and consistent approach across the State to allow Councils and State Government to better plan for new services and align infrastructure investments with housing and employment opportunities (Action 1.2.2);
- Establishing a register of NSW Government land and assessing its suitability for housing outcomes that will be publicly available and allow stakeholders (like CHPs and others) to identify opportunities and submit proposals for the use of state-owned land for housing (Action 1.3.2 and Action 3.6.1);
- Finalising the Housing SEPP (Action 2.1.2, see sub-section below);
- Investigate development of new sources of sustainable funding for affordable housing (Action 2.1.5);
- Undertake a review of key worker housing provision across NSW (Action 2.1.6);
- Implement proposed changes to the build to rent sector (Action 2.6.1);
- Partner with local governments, CHPs and developers to trial ways of facilitating temporary accommodation options for people experiencing homelessness (Action 2.6.2);
- Support on-going growth of CHPs (Action 3.1.1);
- Partner with councils to develop modern, fit-for-purpose social and affordable housing on LAHC land and support implementation of local housing strategies (Action 5.1.2);
- Support councils to explore potential use of under-utilised operational land for the purpose of housing (Action 5.1.3); and
- Encourage all NSW councils to develop an affordable housing contribution scheme and seek changes to their LEP to capture affordable housing contributions under SEPP 70 (Action 5.2.1).

Housing/Housing Diversity SEPP

In July 2020, NSW DPIE released an explanation of intended effect for a new Housing Diversity State Environmental Planning Policy (SEPP) that sets out a series of proposed amendments and updates to three current SEPPs that facilitate delivery of diverse housing including the Seniors SEPP, the Affordable Rental Housing SEPP and SEPP 70. A new SEPP is proposed to consolidate and update these SEPPs. The information released introduces new land use terms including build-to-rent housing, student housing and co-living. Some key amendments to the current SEPPs relate to boarding houses, councils' ability to mitigate the loss of affordable housing by requiring monetary contributions, group homes, council to set maximum size for secondary dwelling in a rural zone, land used for seniors developments and locational requirements for seniors

⁴⁶ NSW DPIE, *Housing 2041: Housing Strategy NSW*, pp 4.

developments related to transport and facilities and the delivery of social housing by LAHC on government-owned land.

The *Housing 2041* 2021-22 Action Plan reports that the Housing SEPP (referred to as Housing Diversity SEPP in the discussion paper) will be finalised in 2021.⁴⁷

Short Term Rental Accommodation (STRA)

A new policy framework and planning rules for Short Term Rental Accommodation (STRA) in NSW will take effect from 1 November 2021. STRA refers to a dwelling used by the 'host' to provide accommodation in the dwelling on a commercial basis for a temporary or short-term period often facilitated through online booking platforms like Stayz, Airbnb and Booking.com.⁴⁸

The framework will set a new definition for STRA including 'hosted-STRA' where the host resides on the premises during the provision of the accommodation and 'non-hosted STRA' where the host does not reside on the premises. There will be an exempt development pathway for 'hosted STRA' in a dwelling 365 days per year and for 'non-hosted STRA' in a dwelling 180 days per year in Greater Sydney and nominated regional LGAs (that includes Bega Valley Shire) and 365 days per year in other locations. There will also be exemption of bookings of 21 consecutive days or more from daily limits for non-hosted STRA dwellings to support mobile workforces that may stay longer and have lower amenity impacts. A STRA booking cannot last for more than 3 months.⁴⁹

Bega Valley Council has resolved not to apply a 180 day cap to short-term rental accommodation in the LGA. Although such a cap may have increased the likelihood that a dwelling used for STRA would enter the long-term rental market, this appears unlikely in the local context, as by far the highest proportion of STRA is in expensive coastal areas, where STRA rents far exceed long-term rents. Based on rates at the time of writing, these differentials suggest that it still be more profitable to rent on the short-term market, even if a 180 day limit were introduced.

The exempt development pathway will be for STRA undertaken in lawfully constructed dwellings used for the purpose of residential accommodation (dwelling house, attached dwelling, dual occupancy, multi-dwelling housing, residential flat building, secondary dwelling or shop-top housing) in all land use zones in which dwellings are currently permissible, that does not comprise a boarding house, group home, hostel, moveable dwelling, caravan, eco-tourist facility, refuge or crisis accommodation, tourist and visitor accommodation, rural workers' dwelling or seniors housing.

Under the new framework there will be a government-run register of STRA properties to support monitoring and compliance of this type of accommodation.

⁴⁷ NSW DPIE, *Housing 2041: Housing Strategy NSW*, 2021-22 Action Plan, Action 2.1.2, pp 10.

⁴⁸ NSW DPIE, *Frequently Asked Questions: New rules for short-term rental accommodation*, April 2021, <https://www.planning.nsw.gov.au/Policy-and-Legislation/Under-review-and-new-Policy-and-Legislation/Short-term-rental-accommodation>, accessed 27/04/2021.

⁴⁹ NSW DPIE, *Short-term rental accommodation*, <https://www.planning.nsw.gov.au/Policy-and-Legislation/Under-review-and-new-Policy-and-Legislation/Short-term-rental-accommodation>, accessed 27/04/2021.

3.3.3 The Regional Planning Context

Regional Growth and Development

BVSC is part of the South East and Tablelands region for planning purposes.⁵⁰ The DPIE's *South East and Tablelands Regional Plan 2036* indicates that around 280,000 people currently live in the Region. The population of the region is projected to increase by 45,450 people between 2016 and 2036, mainly in places within commuting distance of Canberra and Sydney, in the strategic centres and along the coast. Across the Region, at least 28,500 new homes will be needed to meet population growth and change.

In terms of regional aspirations, the Regional Plan notes that, by 2036, more than 320,000 people will live in the Region, 'enjoying varied and distinct scenic landscapes from the highlands to the coast', with visitors seeking out 'vibrant arts and cultural experiences, as well as year-round recreation and adventure activities'.

It is also envisaged that the South East and Tablelands will be part of a 'borderless region with Canberra as the Metropolitan City at its heart'. As such, Canberra Airport is 'the catalyst for diverse growth opportunities for farmers and agricultural producers, who supply markets across Asia'. In terms of employment, people from across the region will 'access the jobs and services in the nation's capital', with the integrated relationship between the ACT and the South East and Tablelands as a unified 'Canberra region' offering a 'stronger, growing economy within Australia's most geographically diverse natural environment'.

Recognition of the importance of cross-border education, employment and higher order service access has led to a more innovative approach to the development of the *South East and Tablelands Regional Plan 2036*. It takes a cross-border approach to economic investment, infrastructure delivery, servicing provision and housing development. This will facilitate sustainable growth and optimise economic prospects.

The Plan also notes that there are likely to be somewhat different drivers to growth and economic development for Shires like Bega Valley where major towns are more than three hours from Canberra. Investment in the Port of Eden as the deepest natural port in the Southern Hemisphere and a global gateway and a hub for cruise ships and marine activity, drawing visitors to indulge in the world renowned cultural, wildlife and food-based experiences, can act to support future economic growth in the LGA, and also notes the ongoing or increasing importance of nature based tourism, its clean and green image, innovative and value-adding agriculture and aquaculture, growing service industries and tourism-related employment, and opportunities provided by increased telecommuting and more flexible working arrangements that have emerged over recent years. The Merimbula Airport and University of Wollongong Bega Campus, which promotes a cooperative learning environment with a high standard of academic excellence, are also assets in this regard.

⁵⁰ NSW Government (2017) South East and Tablelands Regional Plan to 2036, <https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans>.

Aboriginal Capacity Building, Choice and Empowerment

In line with Opportunity, Choice, Healing, Responsibility and Empowerment (OCHRE), the NSW Government's plan for Aboriginal affairs, which includes building the community's capacity, choice and empowerment to plan for their own future, there is an opportunity to review the landholdings of Local Aboriginal Land Councils to see how they can best be planned, managed and developed for the benefit of the local Aboriginal community. This will allow Aboriginal people to gain greater economic benefit from their land and increase opportunities for economic independence.

Aboriginal Affairs NSW, the Department of Primary Industries and the Department of Planning, Industry and Environment will work with the Local Aboriginal Land Councils to identify their landholdings and map the level of constraint at a strategic scale for each site. This information can inform practical options for the potential commercial use of the land, such as Aboriginal housing and employment opportunities. It could provide economic returns to the Local Aboriginal Land Councils that can be invested in assistance programs in the region.

Housing Supply, Choice and Affordability

The Regional Plan notes that having a ready supply of well-located land for residential development will create downward pressure on house prices, maximise the use of existing infrastructure and protect environmentally sensitive areas.

Local housing strategies need to consider community aspirations. They must be flexible and responsive to shifts in local housing markets for both greenfield and infill developments, and deal with unforeseen constraints, including uneven rates of development or unexpected population growth.

These strategies should plan for a range of housing choices, including retirement villages, nursing homes and opportunities to modify existing dwellings to enable people to stay in their homes as they age. The Regional Plan notes that by far the greatest increase in household to 2036 will be in lone person and couple only households, with a decreasing average household size (from an average of 2.9 ppd in 2016 to 2.2 ppd in 2036), so that an increased in well-located, adaptable dwellings will be critical.

The Plan reports that existing planning strategies show there is enough zoned land with development potential for the market to supply housing in a range of locations; and that the overwhelming need is for greater housing choice in existing centres to cater for the decrease in the average household size. The need for more affordable housing, the needs of tourists and an ageing population is also noted.

It noted that 'focusing growth in existing centres rather than isolated land releases is a sustainable option because it takes advantage of existing job markets, commercial and retail opportunities, and infrastructure such as public transport'.

Of relevance to the forthcoming Affordable Housing Strategy, *Direction 27: Deliver more opportunities for affordable housing*, notes that,

Appropriate planning controls and incentives that can help deliver affordable housing include:

- affordable housing contributions to fund the provision of new housing by community housing providers;
- planning and development controls to facilitate affordable housing development by local community housing organisations.
- Incentives to influence housing affordability include planning incentives, such as increases in density, and new generation boarding houses and secondary dwellings, such as granny flats.

Related Actions are listed as being to:

27.1 Deliver greater housing affordability by incorporating policies and tools into local housing strategies and local planning controls that will enable a greater variety of housing types and incentivise private investment in affordable housing.

27.2 Facilitate greater housing diversity, including studios and one- and two-bedroom dwellings, to match forecast changes in household sizes.

3.4 The Local Planning Context

3.4.1 Bega Valley Shire Local Strategic Planning Statement 2040

The *Bega Valley Shire Local Strategic Planning Statement* sets out the direction for land use over the twenty-year period to 2040. It responds to the *South East and Tablelands Regional Plan* and is underpinned by the *Community Strategic Plan*. Overall, the priorities for growth and change identified are:

- maintain the balance between new development and protection of the environment to retain the existing atmosphere and local charm;
- protect agricultural land, natural resources, scenery and rural vistas, heritage buildings and the low density residential character;
- better urban design in town centres, appearance of towns and provision of housing, especially accommodation for elderly;
- economic growth and diversification, more employment and education opportunities, shopping variety and local food; and
- better public transport options, roads, parking, bike and foot paths, recreation facilities and spaces, community facilities and medical services⁵¹

With regard to housing, the planning priority is that *“residential areas provide a range of housing styles, sizes and tenures that suit people of all ages, income levels and household sizes and enable communities to stay connected and healthy as people move through the various stages in life.”*⁵² The LSPS notes that there is an adequate supply of residential zoned land for housing to 2036, but that housing diversity is limited with mostly single detached 3-4 bedroom dwellings and typically one and two person households.

⁵¹ Bega Valley Shire Council (2020) *Bega Valley Shire Local Strategic Planning Statement 2040*, pp 9.

⁵² Bega Valley Shire Council (2020) *Bega Valley Shire Local Strategic Planning Statement 2040*, pp 26-27, Planning Priority 11, responding to Regional Plan Goal 4: Environmentally sustainable housing choices.

The LSPS also identifies other key characteristics and challenges of the local housing market including:

- Support for the establishment of Rural Land Sharing Communities.
- Limited and reducing rental supply due to continued conversion to short-term rental accommodation for tourism, subsequently reduced rental affordability and increased experience of housing stress.
- Ageing population and increasing need for suitable, smaller and more manageable dwellings that are close to services and facilities.

Stated future directions are:

- Protect good quality agricultural land and areas of high scenic and environmental value by rezoning land for urban residential growth in areas identified in the Residential Land Strategy and support rural residential development that aligns with the Rural Residential Strategy 2020.
- Increase housing density within established urban areas to minimise additional service provision and expansion of the urban/bushland interface and support the viability and vibrancy of town centres and future public transport provision.
- Allow for growth and encourage housing diversity and affordability while enhancing the distinct local character of each place.
- Encourage residential development in sewered villages to provide more affordable housing options, minimise land use conflict and the support continued viability of villages.
- Work with the NSW Land and Housing Corporation and local community housing providers to identify opportunities for affordable housing.
- Investigate opportunities to reduce the per-night cap for short-term rental accommodation following the conclusion of the State Government implementation of the new regulatory framework.⁵³

3.4.2 Residential Land Strategy 2040

The *Residential Land Strategy 2040* responds to other strategic documents and population projects to develop housing directions at the Shire level and local centre level.

Key housing needs include greater housing diversity, increased housing for older people, more affordable housing options and balancing the benefits of short-term rental accommodation with the impact to the local housing market particularly regarding affordability.⁵⁴ Council actions to respond to these housing needs include:

1. Develop an affordable housing strategy to provide a framework to respond to housing need.
2. Work with Local Aboriginal Land Councils to identify opportunities for development of their land to respond to housing needs and support economic opportunities.

⁵³ Bega Valley Shire Council (2020) *Bega Valley Shire Local Strategic Planning Statement 2040*, pp 62.

⁵⁴ Urbanista, *Residential Land Strategy 2040*, Adopted by Bega Valley Shire Council May 2020, pp 10-11.

3. Work with the NSW Land and Housing Corporation and local community housing providers to identify opportunities for affordable housing.
4. Investigate opportunities to reduce the per-night cap for short-term rental accommodation.⁵⁵

Key towns and villages of Bega, Bermagui and Wallaga Lake, Eden, Merimbula, Pambula, Kalaru, Tura Beach and Mirador⁵⁶ are investigated with areas suitable for urban development, seniors housing and social housing identified. It is unclear from the document what criteria or methodology has been used to identify these parcels for the different purposes.⁵⁷

3.4.3 Climate Resilience Strategy 2050

In August 2019, BVSC resolved to recognise the climate emergency and through its *Climate Resilience Strategy 2050* has set out a range of initiatives to combat climate change whilst ensuring economic and social viability particularly in the local agricultural and transport sectors. The Strategy acknowledges that factors that impact community health and wellbeing include housing access and affordability, and the importance of healthy built and natural environments to support individual and community wellbeing.⁵⁸ Climate resilience projects and programs in the Strategy that are relevant to residential development and an Affordable Housing Strategy include:

- Apply smart growth and climate ready principles to new development (L1).
- Review major towns for opportunity for more compact, higher density living opportunities, close to town centres (L2).
- Incorporate new technology into new developments including micro gridding, energy efficiency and virtual gridding (L8).
- Facilitate access of multiunit housing residents to renewable energy generation opportunities (L9).
- Ensure rural residential development adjoins existing development, does not increase infrastructure network, hazard exposure or car reliance (L10).
- Allow for more flexible and sustainable housing options (L11).
- Support for climate ready affordable and community housing (S1).
- Work with neighbouring councils to advocate for greater funding to homelessness services and infrastructure to support vulnerable people within the area (S6).
- Ensure active transport is key priority in town centre CBD planning and design of new subdivisions (LT7).

3.4.4 Community Strategic Plan 2040

The *BVSC Community Strategic Plan 2040, Working towards our future!*, includes goals and strategies relevant to an Affordable Housing Strategy, particularly Goal 7 - Our Shire continues to be a vibrant, enjoyable, safe and affordable place to live and Strategy 16 - Collaborate with relevant

⁵⁵ Urbanista, *Residential Land Strategy 2040*, Adopted by Bega Valley Shire Council May 2020, pp 29.

⁵⁶ Candelo/Bemboka, Cobargo and Wolumla are also discussed without investigation areas or parcels referred to.

⁵⁷ Urbanista, *Residential Land Strategy 2040*, Adopted by Bega Valley Shire Council May 2020, pp 32-47.

⁵⁸ Bega Valley Shire Council, *Climate Resilience Strategy 2050*, pp. 41.

agencies and the private sector to increase the diversity and affordability of new and existing housing, particularly to meet the needs of our ageing population.⁵⁹

⁵⁹ Bega Valley Shire Council, Community Strategic Plan 2040: Working towards our future, pp 40-41.

4 Housing Cost and Affordability

4.1 What is Affordable Housing?

Housing is generally considered to be ‘affordable’ when households that are renting or purchasing 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.

‘Affordable housing’ also has a statutory definition under the *NSW Environmental Planning and Assessment Act 1979 (NSW)*, being housing for very low, low or moderate income households. *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 for Greater Sydney.

As a commonly used rule of thumb, affordable housing is taken to be housing where households pay less than 30% of their gross household income on housing costs. This is often regarded as the point at which such households are at risk of having insufficient income to meet other living costs, and deemed to be in ‘housing stress’. Those paying more than 50% of gross income are regarded as being in ‘severe housing stress’.

‘Low cost’ housing is often, though not always, ‘affordable’. For example, in a premium location, even a small, lower amenity strata dwelling may be ‘unaffordable’ to a very low-, low- or moderate-income household.

The following table provides benchmarks for Rest of NSW that are used in this study when referring to ‘affordable housing’, in Dec 2020 dollars, and are consistent with relevant NSW legislation.

Table 4.1: Relevant Affordable Housing Income and Cost Benchmarks – Rest of NSW (5)

	Very low-income household	Low-income household	Moderate-income household
Income Benchmark	<50% of Gross Median H/H Income for Rest of NSW	50-80% of Gross Median H/H Income for Rest of NSW	80%-120% of Gross Median H/H Income for Rest of NSW
Income Range (2)	<\$626 per week	\$627-\$1,001 per week	\$1,002-\$1,502 per week
Affordable Rental Benchmarks (3)	<\$188 per week	\$189-\$300 per week	\$301-\$451 per week
Affordable Purchase Benchmarks (4)	<\$238,000	\$238,001-\$376,000	\$376,001-\$565,000

Source: JSA 2020, based on data from ABS (2016) Census and ABS (2020) Consumer Price Index, ANZ online home loan repayment calculator, www.anz.com.au/personal/home-loans/calculators-tools/calculate-repayments/

(1) All values reported are in December Quarter 2020 dollars

(2) Total weekly household income

(3) Calculated as 30% of total household income

(4) Calculated using ANZ Loan Repayment Calculator, using 21 April 2021 interest rate (3.19%) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan and 30% of total household income as repayments.

(5) Median household income \$1,168 (ABS Census 2016); CPI 117.2 Sept 2016 109.4 Adjusted income \$1,251

4.2 Why is Affordable Housing important?

There is a common misconception that ‘affordable housing’ refers only to social (public or community) housing. However, many residents facing affordability problems in the BVS LGA are likely to fall outside the eligibility criteria for such housing or be unlikely to access it due to long waiting times.

Anyone in the community could need affordable housing. This includes a young person seeking to live near where they grew up, a recently separated or divorced person with children for whom conventional home ownership may no longer be economically viable, households dependent on one (or even two) low or median waged, key worker jobs, or an older person on a reduced retirement income, including after the death of a spouse.

Lack of affordably priced housing not only affects the quality of life of individual families, who may be sacrificing basic necessities to pay for their housing. It also has a serious impact on employment growth and economic development. The loss of young families and workers in lower paid essential service jobs can adversely affect local economies, which is contributing to labour shortages in some regions of NSW. The displacement of long-term residents reduces social cohesion, engagement with community activities (such as volunteering), and extended family support.

As well as impacting on the health and wellbeing of low income families, and older and younger people, this can contribute to a lack of labour supply among ‘key workers’ who are essential to various services including childcare, aged services, health care, tourism, hospitality and emergency services, but whose wage increasingly does not allow them to access rental or purchase housing close to where they work. Affordably priced housing is thus an important form of community infrastructure that supports community wellbeing and social and economic sustainability, including a diverse labour market and economy, and strong and inclusive communities.

Finally, the location of affordably priced housing is a key issue in terms of social equity and sustainability. Providing a mix of affordably priced housing for different target groups in well-located areas provides for social mix and reduces the potential stigma that can be associated with such accommodation. Locating such housing close to transport and services also provides for the needs of key groups including those with a disability and the frail aged, and reduces car dependency

and the cost of transport, which can be a significant impost on very low, low and moderate income households⁶⁰ and on the environment.

4.3 What are the types of ‘Affordable Housing’?

‘Affordable housing’ **products** include the full range of housing for various target groups. This can include housing that is **subsidised** in some way, from special needs accommodation such as group homes and social (community and public) rental housing for those most disadvantaged in the housing market; to ‘key worker’ (discount market rent) housing, and assisted or subsidised purchase for households who still need some assistance to enter the home ownership market. In *some* areas or housing markets, it also includes housing **delivered through the private market**, typically smaller, lower cost accommodation such as boarding houses, smaller apartments, secondary dwellings and the like.

Social housing and special needs accommodation generally requires ‘deep subsidies’ to be affordable, and rent is tied to a proportion of income (generally no more than 25-30% for a very low or low-income social housing tenant). Affordable housing for moderate-income households including groups like key workers is generally offered at a discounted rate on the rent that would normally apply (typically around 70-80% of market rent); or as subsidised purchase, shared equity and the like for moderate-income purchasers. The latter groups generally do not need such large subsidies for their housing to be ‘affordable’ compared with people who would normally qualify for social rental housing, for example, where deep subsidies will generally be required.

Increasingly, a mix of income groups will be accommodated in the same affordable housing development, along with housing provided on the open market, as part of ‘mixed tenure’ developments.

It should be remembered that only around 5% of dwellings are social rental or special affordable housing products, and that these are generally tightly targeted. As such, the private market constructs the vast amount of housing, so that reducing the cost and increasing the affordability of private rental and purchase housing is an import part of providing for the housing needs of low- and moderate-income households, as well as those on very low incomes who would not be eligible for social housing.

The following table provides an overview of the types of **affordable rental housing** most relevant to the Australian market and policy context.

⁶⁰ See for example Gleeson, B. and Randolph, B. (2002) ‘Social disadvantage and planning in the Sydney Context’, in *Urban Policy and Research Vol. 20(1) pp101-107*; and Kellett, J. Morrissey, J. and Karuppanan, S. 2012. ‘The Impact of Location on Housing Affordability’, *Presentation to 6th Australasian Housing Researchers Conference*, 8-10 February 2012, Adelaide, South Australia.

Table 4.2: Types of Affordable Rental Accommodation

AFFORDABLE RENTAL ACCOMMODATION

Social Rental Housing:

- General

Rental housing provided through the public or community sector where rental costs are generally no more than 25% of gross household income. Social renters are generally on very low-incomes and will often have other special needs. Stringent eligibility criteria (including income and asset tests) generally apply.
- Special needs accommodation

Housing for target groups incl. aged persons, Aboriginal people, people with disabilities, youth and homeless people. May be provided with support agreements with service providers, or as supported group homes, managed communities or other forms of supported accommodation.
- Boarding Houses

Generally multiple single occupants, generally with their own room and sometimes en suite or other private amenities, with shared or communal facilities, on site management and house rules. This is generally provided in one building, though it may be configured in multiple facilities. May also be provided through the market as private lodging or boarding houses, lower cost private hotels, student accommodation, etc.
- Public Housing

Social housing owned and/or managed by a public authority (NSW Department of Communities and Justice - DCJ).
- Community Housing

Social housing owned and/or managed by a Registered Community Housing Provider (CHP). Much of the growth in social housing is likely to be achieved through such providers in the future, either through stock transfers from NSW DCJ, government grants or their own revenue raising and development programs.
- Aboriginal Housing

Aboriginal housing is housing owned by the Aboriginal Housing Office. DCJ or community housing providers manage Aboriginal housing on behalf of the Aboriginal Housing Office. DCJ manages most properties with tenancy conditions similar to those of public housing.

Co-Operative Housing

Housing owned and/or managed by a tenant co-operative on a not-for-profit basis. May be provided within one complex, or as dispersed dwellings. Often formed on the basis of some common need or issues, e.g. women's, disability, Aboriginal or student co-operative.

Discount Market Rental Housing in perpetuity

Sometime referred to as 'key worker housing', an effective rental subsidy is provided on the market rental that would otherwise apply (generally

Time limited Discount Market Rental Housing	<p>discounted by 20-30%). Generally, most appropriate for moderate-income households, but may also make rental affordable to low-income households, depending on the local market. Generally owned and/or managed by a Registered Community Housing Provider. Such housing has been developed, for example, using the National Rental Affordability Scheme (NRAS).</p> <p>An offset is provided to the developer (e.g. additional density, taxation rebate or other subsidy) to provide rental accommodation at typically 80% of market rent to moderate income households for a limited period, typically 10 years. The actual or effective subsidy offsets additional financing costs to the developer, whilst there is an opportunity for additional profit or capital gain at the end of the period for which it must remain 'affordable housing'. Such housing has been developed, for example, using the National Rental Affordability Scheme (NRAS) and/or SEPP (Affordable Rental Housing) 2009.</p>
Private Rental through the Market	<p>Dwellings provided through the market that can be rented for less than other dwellings due to savings related to construction materials or methods, amenity, size or development standards or the local housing market ('lower cost housing'). This private rental housing may also be 'affordable' to very low, low- or moderate-income households, <i>provided</i> it meets the income and housing cost benchmarks set out in Table 4.1 above.</p>

Source: JSA 2015, derived from various sources

The following table provides an overview of the types of **affordable purchase products** most relevant to the Australian market and policy context.

Table 4.3: Types of Affordable Purchase Housing

AFFORDABLE PURCHASE ACCOMMODATION	
Rent-To-Buy Products	<p>Rent-to-buy schemes are typically a form of vendor finance, where a purchaser may pay a small deposit and more than market rent, with the balance going towards paying off the home. Ownership remains with the vendor until the transaction is complete.⁶¹ Other schemes operated by public or community sector housing providers have provided for all or a portion of rent normally paid to go toward building up equity in the home. This has included sale to sitting tenants.</p>
Shared-Equity Products	<p>The cost of purchase is shared with an equity partner (preferably a public or community-housing provider). Housing is kept 'affordable' in perpetuity through contractual arrangements (e.g. secured through a deed of sale and/or covenant against title) that provides for buy-back by the equity partner at an appropriate share of equity and capital gain when the low- to moderate-income purchaser wants to sell. The share is then sold to another purchaser who needs affordable housing. Alternatively, when the dwelling is sold, the sale price, including any capital gain, is split between the equity</p>

⁶¹ Consumer protection agencies, such as NSW Fair Trading publish warnings against such schemes where they are operated privately (as distinct from schemes offered by a social housing provider).

AFFORDABLE PURCHASE ACCOMMODATION

partners. Other states including WA have a more developed sector than NSW in this regard (e.g. through GoodStart (general and for those with a disability), and Aboriginal shared equity scheme).

Property Covenants Similar to shared-equity in that the title is covenanted to ensure either resale to the sponsoring agency at an affordable price, or sale to others at an affordable price, thereby ensuring that a ‘windfall’ profit is not gained by the first subsidised purchaser.

Land Trusts The land is owned by an organisation, such as a community housing provider, who leases the land to an occupier, with the occupier constructing a house on the land. There are often additional opportunities for the occupier to contribute sweat equity to the construction of dwellings. Alternatively, the land might be sold at a lower price, with a covenant requiring sale back to the sponsoring organisation. The effect of such arrangements is to keep the purchase and repayments cost lower than would be the case if the full cost of land were included, and to maintain the housing as affordable housing in perpetuity.

Assisted Purchase Where there is some other mechanism that provides support or assistance to enter the home purchase market. This is more advanced in some states than in NSW. For example, the WA Department of Housing’s *Keystart* program provides low deposit loans to low to moderate income purchasers to purchase 100% of a property. Other approaches involve support for the prospective buyer to bridge the deposit gap through provisions of low interest deposits, or provision of finance on a sliding scale for interest or repayments.

Private Market Housing Dwellings provided through the market that can be purchased for less than other dwellings due to savings related to construction materials or methods, amenity, size or development standards. This private market housing may also be ‘affordable’ to low- or moderate-income households, *provided* it meets the income and housing cost benchmarks set out in **Table 4.1** above.

Source: JSA 2015, derived from various sources

4.4 Comparative Cost of Housing

4.4.1 Overview

This section provides an overview of the changing *cost* of rental and purchase in Bega Valley Shire compared with Rest of NSW (ex-GMR) averages. This provides an indication of the relative price increases experienced in Bega Valley Shire, and the relative pressure on the local rental and purchase markets as a context to the analysis of housing affordability later.

4.4.2 Comparative Rental Cost and Change over Time

Median Rent Change (2017-2020)

The figures below show the trend in median rents from September Quarter 2017 to December Quarter 2020 for different housing products (1BR flats/units, 2BR flats/units and 3BR houses) for Bega Valley Shire compared with Rest of State averages. Values have been adjusted for CPI to December 2020 dollars.

1BR Flats/Units

Bega Valley LGA has largely tracked Rest of NSW (ex-GMR) in terms of the real increase for 1BR unit rents from September 2017 to December 2020, although the rate of increase has been greater over the period compared with Rest of NSW. The median rent for a 1 BR unit was \$250 per week compared with \$225 for Rest of NSW, meaning that local rent was 11% more expensive than average.

Between 2017 and 2020, median rents for 1BR units in Bega Valley Shire increased 16% compared with 13% in Rest of NSW.

This is shown in the following graph.

NOTE: There was insufficient data on 1BR rents for Bega Valley Shire to show all quarters, and the time series begins at 2017 as data for Bega Valley shire was not reported discretely prior to that time in the rent and Sales Reports.

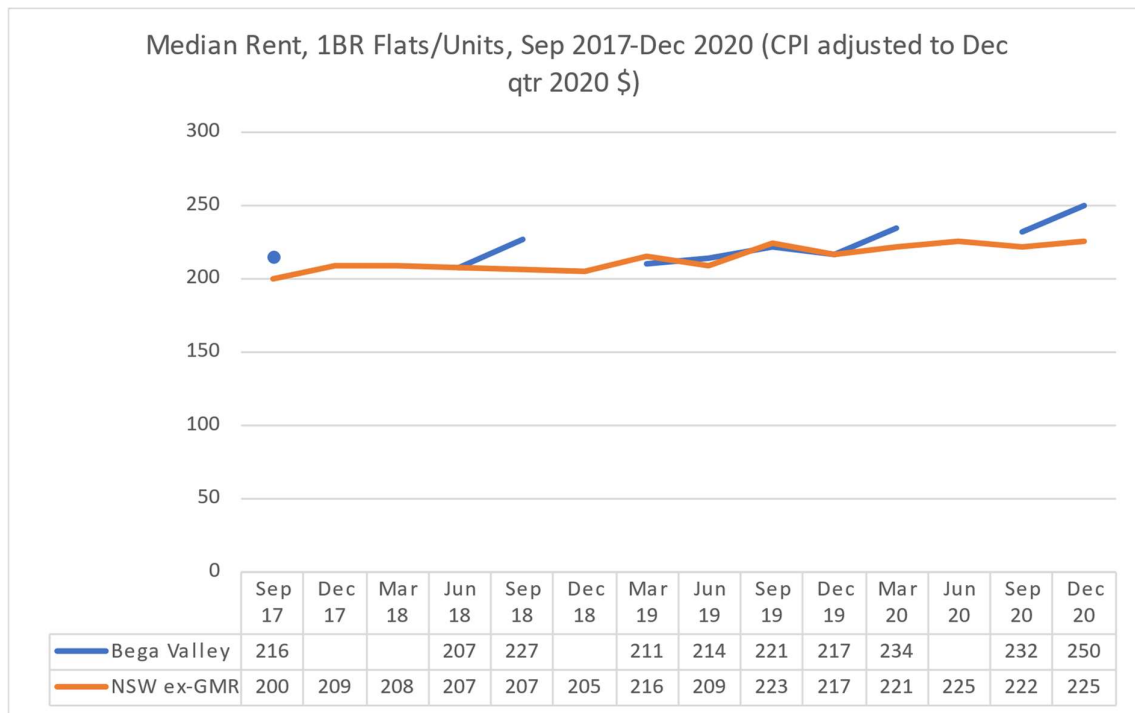


Figure 4.1: Median Rent trend 2017-2020, 1 BR Flats/Units (Dec Qtr 2020 \$)

Source: JSA 2021 derived from Rent and Sales Report No. 134, Rents, Trend Sept Qtr 2017-Dec Qtr 2020; ABS (2021) Consumer Price Index, Australia

2BR Flats/Units

Again, Bega Valley LGA has largely tracked Rest of NSW (ex-GMR) in terms of the real increase for 2BR unit rents from September 2017 to December 2020, although the rate of increase has been greater over the period compared with Rest of NSW. The median rent for a 2 BR unit was \$330 per week compared with \$290 for Rest of NSW, meaning that local rent was 14% more expensive than average.

Between 2017 and 2020, median rents for 2BR units in Bega Valley Shire increased 16% compared with 10% in Rest of NSW.

This is shown in the following graph.

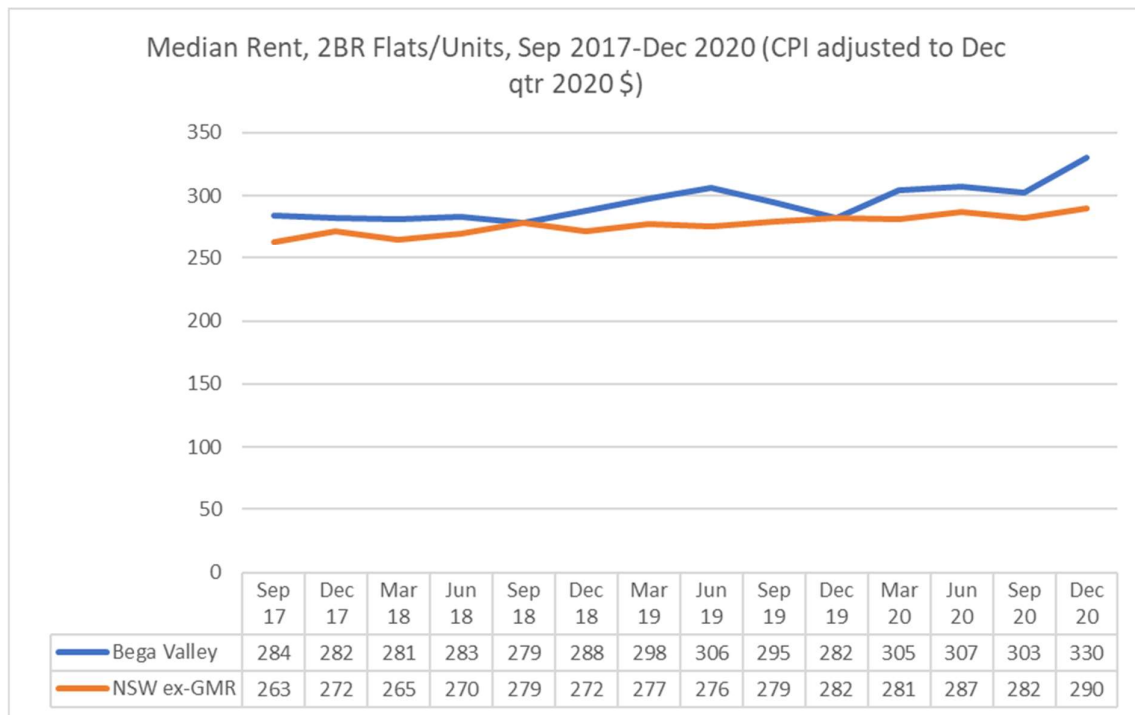


Figure 4.2: Median Rent trend 2017-2020, 2 BR Flats/Units (Dec Qtr 2020 \$)

Source: JSA 2021 derived from Rent and Sales Report No. 134, Rents, Trend Sept Qtr 2017-Dec Qtr 2020, ABS (2021) Consumer Price Index, Australia

3BR Houses

There was an upward trend in the real rents for 3 BR Houses in Bega Valley since at least September Quarter 2017, with some variability likely due to reporting of data, and the rate of real increase in rent greater than for Rest of NSW. Rent increases appeared to peak in June Quarter 2020, with a decline in real rents in the most recent two quarters for which data is available. It will be interesting to review data for the next few quarters when available to see if this trend continues.

The median rent for a 3 BR House was similar to Rest of NSW by December Quarter 2020 (\$380 compared with \$370).

Between September 2017 and December 2020, median rents for 3 BR Houses in Bega Valley Shire increased 3% compared with 6% in Rest of NSW.

This is shown in the following graph.

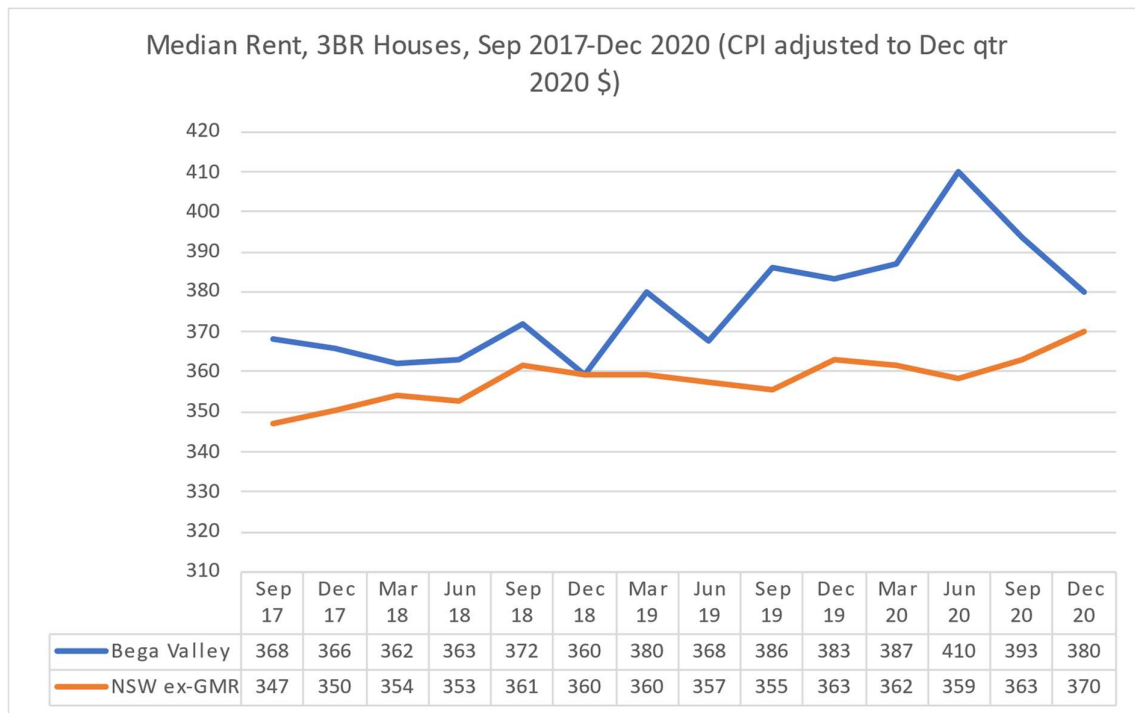


Figure 4.3: Median Rent trend 2017-2020, 3 BR Houses (Dec Qtr 2020 \$)

Source: JSA 2021 derived from Rent and Sales Report No. 134, Rents, Trend Sept Qtr 2017-Dec 2020; ABS (2021) Consumer Price Index, Australia

Rents - Most Recent Quarter (December 2020)

Rental Cost for Separate Houses

Median rents for separate houses in Bega Valley LGA for the most recent quarter for which data is available at the time of writing (December 2020) were somewhat higher than for Regional NSW.

Real increases in rents in the LGA over the past year were lower than for Regional NSW for 2 bedrooms houses, and actually decreased for 3 bedroom houses. However, the real increase in rent for 4+ bedroom houses was double the Regional NSW increase, likely related to relative demand.

Table 4.4: Rent Tables, Houses, December Quarter 2020

	Dwelling Type	1 st Quartile (\$)	Median (\$)	Annual Change Median Weekly Rent (CPI Adjusted)
Bega Valley	2 BR House	\$290	\$330	2.27%
NSW ex-GMR	2 BR House	\$260	\$310	2.47%
Bega Valley	3BR House	\$350	\$380	-0.86%
NSW ex-GMR	3BR House	\$315	\$370	1.92%
Bega Valley	4BR+ House	\$450	\$490	8.03%
NSW ex-GMR	4BR+ House	\$400	\$475	4.70%

Source: NSW Department of Family and Community Services (2021) Rent & Sales Report No 134, Dec Qtr 2020; ABS (2021) Consumer Price Index, Australia

Rental Cost for Flats and Units

Median rents for 2 and 3 bedroom flats and units in Bega Valley LGA were also higher than Regional NSW for the December Quarter 2020. There were insufficient 3 bedroom flats and units for rent in the Quarter for data to be reported.

The analysis also indicates that there was a considerable increase in rents in real terms over the past 12 months, with the rate of increase of Bega Valley rents for 1 bedroom strata dwellings around five times that of Regional NSW; and for 2 bedroom strata dwellings more than six times the average rate of increase. This indicates strong demand for both 1 and 2 bedroom strata dwellings in the LGA. It is noted that there were insufficient rented 3 bedroom strata dwellings in the LGA in the December Quarter for data to be reported.

Table 4.5: Rent Tables, Flats/Units, December Quarter 2020

	Dwelling Type	1 st Quartile (\$)	Median (\$)	Annual Change Median Weekly Rent (CPI Adjusted)
Bega Valley	1 BR Flat/Unit	\$220	\$250	15.42%
NSW ex-GMR	1 BR Flat/Unit	\$185	\$225	3.79%
Bega Valley	2BR Flat/Unit	\$300	\$330	17.00%
NSW ex-GMR	2BR Flat/Unit	\$240	\$290	2.71%
Bega Valley	3BR Flat/Unit	-	-	-
NSW ex-GMR	3BR Flat/Unit	\$320	\$380	4.70%

Source: NSW Department of Family and Community Services (2021) Rent & Sales Report No 134, Dec Qtr 2020; ABS (2021) Consumer Price Index, Australia

4.4.3 Rental Snapshot

On 20 April 2021 a rental snapshot was carried out of all available rental accommodation in the Bega Valley LGA by searching all rental accommodation advertised on www.Domain.com.au using postcodes 2550, 2551, 2546, 2548, 2549, 2632 and 2631. Properties located within these postcodes that were not within the Bega Valley LGA were excluded.

Only 21 properties were advertised at this time, with the number of bedrooms ranging from one and five bedrooms, and just over half of these were advertised as holiday lettings.

Eleven of these properties (52%) were advertised as **holiday lettings** and thus available for short stays, and commanded a premium rental price. Six of the properties were located in Eden and rentals started at “from \$750” per week for a two bedroom apartment and ranged through to a five bedroom house at a weekly rent “from \$1,200” per week (dependent upon the season). These six properties comprised all the rental stock available in Eden. Five holiday rental properties were located in Bermagui and again comprised of all the rental stock available in Bermagui. These properties were made up of three townhouses (two and three bedroom), one apartment (two bedroom) and one house (two bedroom) with a rental range dependent upon the season and ranging between \$650 (off peak) through to \$1,270 (peak).

The remaining ten properties available for **residential lease** comprised of five apartments and five houses with a rental range between \$200 (one bedroom apartment) and \$600 (three bedroom house). Of these ten properties none would be affordable to a household with a **very low** income, two properties would be affordable for a household on a **low** income and six properties would be affordable for a household on a **moderate** income.

As noted above, the Rent and Sales Report for December 2020⁶² for Bega Valley LGA reported a median rental of \$250 for one bedroom accommodation, flats/units and \$330 for two bedroom accommodation, flats/units. The median rental for three bedroom house was \$380 and median rental for a house with four or more bedrooms was \$490. As such, the rent for Strata units were similar in the rental snapshot; however, three bedroom houses captured in the rental snapshot were far more expensive than average, although this may relate to the number available and that they were of high amenity with regard to location and/or design.

The table below sets out details of the properties available for rental.

Table 4-6 Rental properties available for lease as at 20 April, 2021 in Bega Valley LGA

Suburb	Type	Bedrooms	Rental (\$)
Bega	Apartment	1	200
Tura Beach	Apartment	1	330
Pambula Beach	Apartment	2	325
Merimbula	Apartment	2	350
Tathra	House	3	340
Bega	House	3	420
Merimbula	Apartment	3	500
Tura Beach	House	3	560
Pambula Beach	House	3	600
Greendale	House	5	450
Bega	House	5	500

Source: www.Domain.com.au, accessed 20 April, 2021

4.4.4 Comparative Purchase Cost and Change over Time

Median Sales Trend (2017-2020)

The figures below show the trend in median sales price from June Quarter 2017 to September Quarter 2020 for different housing products (All dwellings, Non-Strata and Strata dwellings) for Bega Valley LGA compared with Rest of NSW. Values have been adjusted for CPI to September Quarter 2020 dollars.

⁶² NSW Government Communities & Justice Rent and Sales Report No. 134, December Quarter 2020

Median Sale Price - All Dwellings

Real sale price for 'All Dwellings' for Bega Valley Shire closely tracked that of Rest of NSW from June Quarter 2017 to September Quarter 2020, with each increasing well above inflation, and sales prices generally slightly above that of Rest of NSW.

In real terms, between 2017 and 2020, median sales for All Dwellings in the LGA increased by 47% compared with 50% for Rest of NSW. By September Quarter 2020, the sale price of All Dwellings in the LGA was \$656,000 compared with \$635 for Rest of NSW, or around 3% more expensive.

This is shown in the following graph.

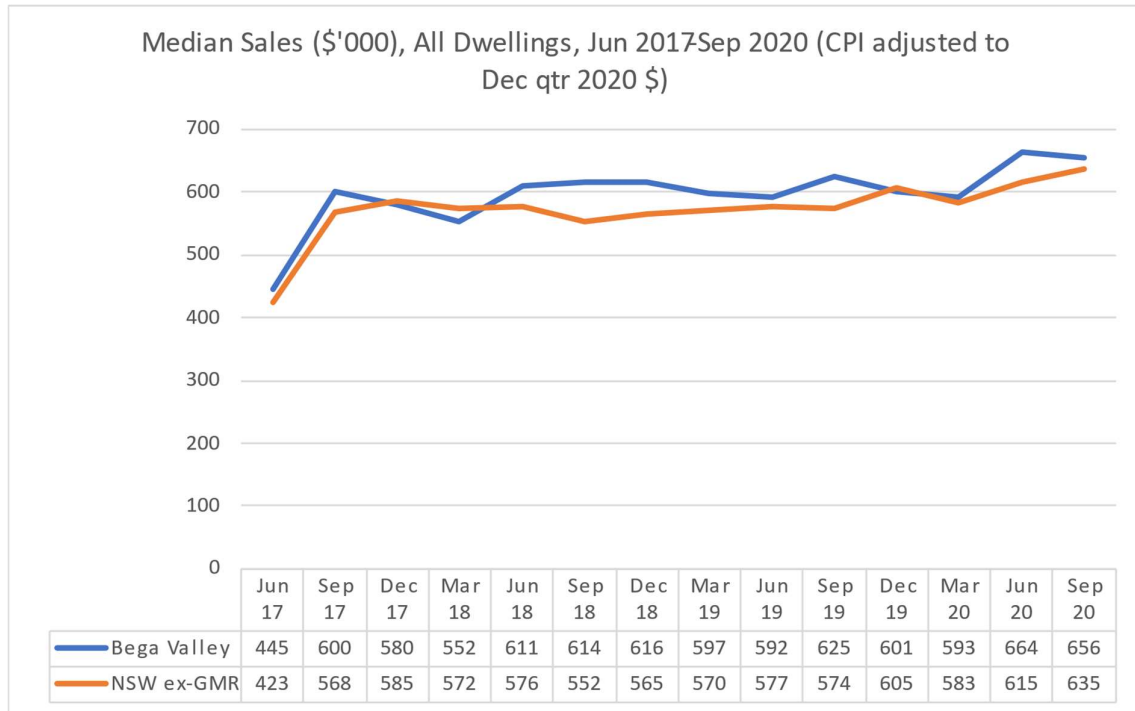


Figure 4.4: Median Sales June Qtr 2017- Sept Qtr 2020, All Dwellings (Sept Qtr 2020 \$)

Source: JSA 2021; Rent and Sales Report No. 134, Sales Trend June Qtr 2017 -Sept Qtr 2020; ABS (2021) CPI Australia.

Median Sale Price - Strata Dwellings

Although largely tracking Rest of NSW, the local sale price for Strata Dwelling has generally been less expensive than Rest of NSW, although each increased well above inflation during the period.

In real terms, between 2017 and 2020, median sales for Strata Dwellings in Bega Valley Shire increased by 43% compared with 41% for rest of NSW. By September Quarter 2020, a median priced Strata dwelling sold for \$524,000 in rest of NSW compared with \$431,000 in the LGA, and was therefore 22% more expensive.

This is shown in the following graph.

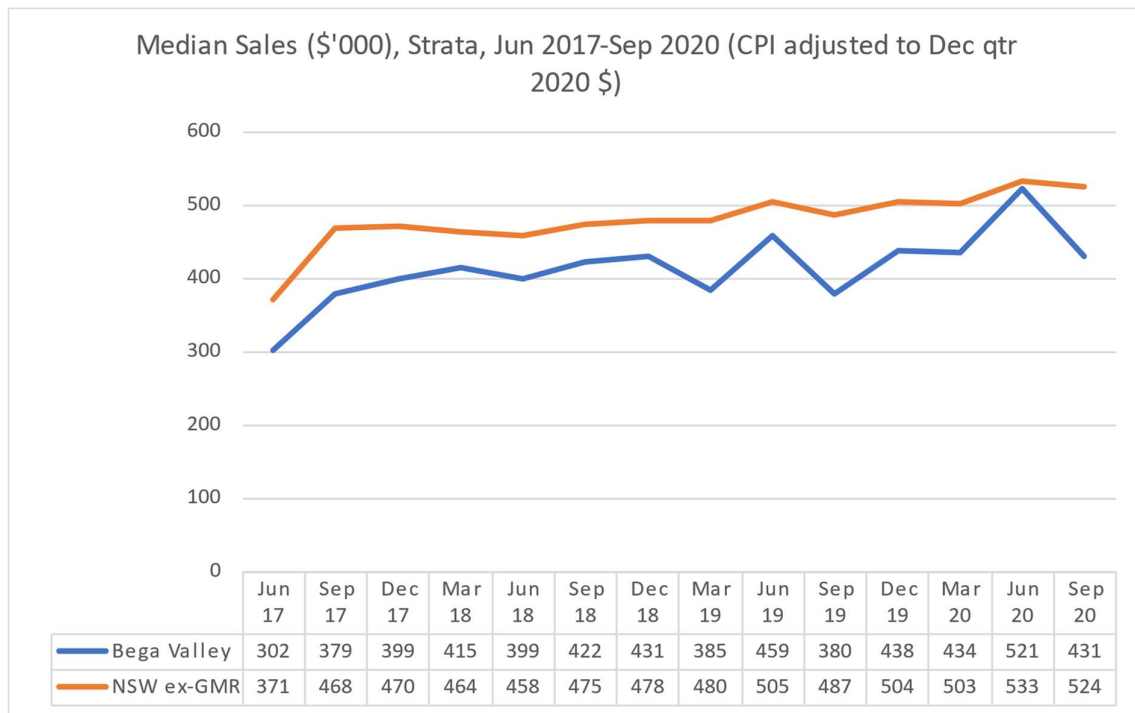


Figure 4.5: Median Sales June Qtr 2017- Sept Qtr 2020, Strata Dwellings (Sept Qtr 2020 \$)
 Source: JSA 2021; Rent and Sales Report No. 134, Sales Trend June Qtr 2017 -Sept Qtr 2020; ABS (2021) CPI Australia.

Median Sale Price – Non-Strata Dwellings

Median sales for Non-Strata Dwellings in the LGA also largely tracked Rest of NSW for the period, and was again well above inflation, although local sale price has consistently been above that for Rest of NSW. The real increase in sale price was slightly below that for Rest of NSW (44% compared with 48%).

By September Quarter 2020, a median priced Non-Strata Dwelling cost \$700 locally compared with \$651 for Rest of NSW, so was around 8% more expensive.

This is shown in the following graph.

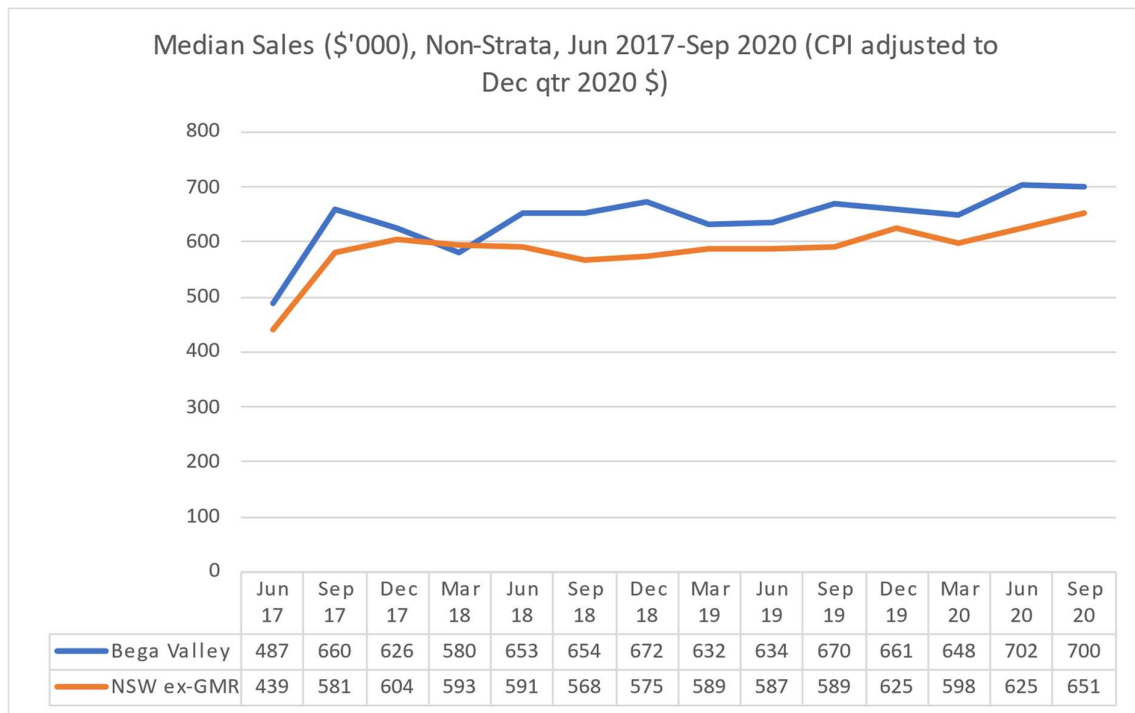


Figure 4.6: Median Sales June Qtr 2017- Sept Qtr 2020, Non-Strata Dwellings (Sept Qtr 2020 \$)
Source: JSA 2021; Rent and Sales Report No. 134, Sales Trend June Qtr 2017 -Sept Qtr 2020; ABS (2021) CPI Australia.

Sales - Most Recent Quarter (September 2020)

The situation for sale price of dwellings in Bega Valley LGA was quite different to that of rental housing in September Quarter 2020.

The local sale price of median priced strata dwellings was considerably less than the Regional NSW average (around 72% of the median purchase price), although the local rate of increase over the past 12 months was higher than average. However, the purchase price of local houses was higher than the Regional NSW average, and the rate of annual increase was quite similar, as shown below.

Table 4.7: Sales Tables, September Quarter 2020

	Dwelling Type	1 st Quartile (\$)	Median (\$)	Annual Change Median Sales Price (CPI Adjusted)
Bega Valley	Strata	\$300,000	\$427,000	3.72%
NSW ex-GMR	Strata	\$295,000	\$520,000	1.25%
Bega Valley	Non-Strata	\$460,000	\$694,000	7.32%
NSW ex-GMR	Non-Strata	\$323,000	\$645,000	6.12%
Bega Valley	Total Dwellings	\$400,000	\$650,000	9.20%
NSW ex-GMR	Total Dwellings	\$317,000	\$630,000	6.28%

Source: NSW Department of Family and Community Services (2021) Rent & Sales Report No 134, Dec Qtr 2020; ABS (2021) Consumer Price Index, Australia

4.4.5 Detailed Sales Data

More detailed sales data is available from the EAC RedSquare data base.⁶³ Data has been obtained for the period 1 January 2020 to end March 2021 and analysed by dwelling type, size, suburb and affordability for strata dwellings (units, townhouses and villas), separate houses and vacant land. Detailed data is contained in **Appendix A**.

The tables below show sales data for Bega Valley LGA for strata and separate houses by bedroom number and for vacant land.

Table 4.8: Sales price by quartile for strata sales in Bega Valley Council area

Bedrooms	1st Quartile	Median	3rd Quartile	No. Properties
0-1	\$159,000	\$250,000	\$278,000	7
2	\$275,000	\$324,000	\$392,000	133
3	\$389,000	\$470,000	\$575,000	65
All dwellings	\$285,000	\$350,000	\$459,000	242

Source: EAC RedSquare data base; JSA calculation 2021

Table 4.9: Sales price by quartile for separate house sales in Bega Valley Council area

Bedrooms	1st Quartile	Median	3rd Quartile	No. Properties
2	\$324,000	\$398,000	\$580,000	40
3	\$420,000	\$515,000	\$623,000	186
4	\$513,000	\$623,000	\$778,000	96
All dwellings	\$400,000	\$530,000	\$674,000	436

Source: EAC RedSquare data base. JSA calculation 2021

Table 4.10: Sales price by quartile for vacant residential land sales in Bega Valley Council area

	1st Quartile	Median	3rd Quartile	No. Properties
Vacant Land	\$180,000	\$239,000	\$300,000	71

Source: EAC RedSquare data base; JSA calculation 2021.

⁶³ Note that data has been cleansed through removal of commercial sales, land greater in area than 1,000 m², sales of multiple properties in one transaction and transactions where parties appeared to be related. The amount of data entered for each sale varies, with some entries having all fields, and others have price only, as a result the data set varies with the type of analysis uses, so that some differences across analyses may be an artefact of the data, rather than a systematic variation.

4.4.6 Regression Analysis of Sales Prices

A further analysis of RedSquare sales data has been carried out to understand the impact on prices of various factors such as location, number of bedrooms and lot size. The results of the analyses are shown in the tables below.

For **separate houses**, prices have risen significantly since late 2019, with the modelling suggesting **increases of 25% in real terms** over the period when adjusting for variables acting as proxies for the quality of housing. Price increases with additional bathrooms and increasing car spaces. These indicators are likely to be acting as proxies for the quality of the housing, with larger and newer housing likely to have more bathrooms and garage space.

A range of other variables, including number of bedrooms and size of the block were not statistically significant indicators of sales price. There was also no statistically significant differentiation in price across suburb in Bega Valley LGA. While it is likely that some locations would attract higher prices than other areas, there is not sufficient variation or quantity of data to detect a trend.

The main conclusion is that the sales price of separate housing in Bega Valley is set by the quality of the housing.

Table 4.11: Linear regression analysis for separate houses for suburbs in Bega Valley LGA

Variable	Results	Comment
R ²	0.30	The model predicts 30% of the variation in house prices
Days	\$310.36, p=0.000	Average prices increased by \$150,000 since December 2019, a rise of about 26%
Bathroom	\$152,070, p=0.000	Each bathroom adds \$152,000 to the price of a house
Car spaces	\$26,761, p=0.004	Each car space adds \$27,000 to the price of a house
Constant	\$343,310, p=0.000	

Source: JSA 2021, based on EAC RedSquare database.

For **strata dwellings**, real prices have risen significantly from December 2019, but to a lesser extent than separate houses, with an increase of 16% over the period. Price increases with **additional bedrooms, additional bathrooms and additional car spaces**. Average prices appear to be higher in beachside locations with a **large price premium for Tathra** and a **lesser premium in other areas including Bermagui, Pambula and Tura Beach**.

The effect of smaller dwellings on affordability can also be seen here. As an example, a two bedroom one bathroom villa or apartment in Bega with one parking space is predicted to sell for \$331,000, making this dwelling affordable to some low income households. More importantly, 60% privately owned apartments in Bega Valley are in private rental as are 43% of semi-detached, row houses etc, so that **increasing the supply of apartments and multi dwelling housing will increase the supply of private rental stock, and increasing the supply of smaller dwellings will**

add to affordable rental stock through the market, particularly in non-premium areas like Bega and Eden, which would be desirable areas for increased density.

Table 4.12: Linear regression analysis for strata properties for suburbs in Bega Valley LGA by bedroom

Variable	Results	Comment
R ²	0.56	The model predicts 56% of the variation in strata prices
Days	\$123.89, p=0.019	Average prices increased by \$60,000 since December 2019, an increase of about 16%
Bedrooms	\$70,539, p=0.000	Each bedroom adds \$71,000 to the price of a strata dwelling
Bathroom	\$86,136, p=0.000	Each bathroom adds \$86,000 to the price of a strata dwelling
Car spaces	\$45,673, p=0.000	Each car space adds \$46,000 to the price of a strata dwelling
Bermagui	\$47,238, p=0.101	Strata dwellings in Bermagui cost an additional \$47,000 on average, noting that the variable is not statistically significant at the 95% level of confidence
Pambula	\$49,956, p=0.068	Strata dwellings in Pambula cost an additional \$50,000 on average, noting that the variable is not statistically significant at the 95% level of confidence
Tathra	\$148,950, p=0.000	Strata dwellings in Tathra cost an additional \$149,000 on average
Tura Beach	\$33,835, p=0.091	Strata dwellings in Tura Beach cost an additional \$34,000 on average, noting that the variable is not statistically significant at the 95% level of confidence
Constant	\$56,701, p=0.071	

Source: JSA 2021, based on EAC Red Square database.

Unlike sales of houses and strata dwellings, there is **no statistically significant change in price for blocks of land over the period**. There was no statistically significant variation in price with the area of the block, with lot sizes typically varying between 500 m² and 1,000 m².

The development of vacant land in Bega suburb is likely to contribute to the supply of affordable housing, with entry level project homes estimated to cost around \$210,000,⁶⁴ giving an all up price of \$342,000 and affordable to 25% of low income households and all moderate income households.

Table 4.13: Linear regression analysis for land sales for suburbs in Bega Valley LGA

Variable	Results	Comment
R ²	0.53	The model predicts 53% of the variation in land prices
Bermagui	\$145,300, p=0.000	Blocks of land in Bermagui cost an additional \$145,000 on average compared to Bega
Eden	\$87,970, p=0.036	Blocks of land in Eden cost an additional \$88,000 on average compared to Bega
Merimbula	\$110,640, p=0.001	Blocks of land in Merimbula cost an additional \$111,000 on average compared to Bega
Pambula	\$130,750, p=0.001	Blocks of land in Bermagui cost an additional \$131,000 on average compared to Bega
Tathra	\$328,050, p=0.000	Blocks of land in Tathra cost an additional \$328,000 on average compared to Bega
Tura Beach	\$165,530, p=0.000	Blocks of land in Tura Beach cost an additional \$166,000 on average compared to Bega
Wallaga Lake	\$163,390, p=0.001	Blocks of land in Wallaga Lake cost an additional \$163,000 on average compared to Bega
Constant	\$132,360, p=0.000	

Source: JSA 2021, based on EAC Red Square database.

4.5 Comparative *Affordability* of Housing

4.5.1 Overview

This section looks at the relative *affordability* of various rental and purchase products delivered through the private market, that is, whether very low, low and moderate income households would be paying more than 30% of their gross household income on housing costs in accordance with the statutory definition and benchmarks set out in **Table 4.1** above. It is important to understand the extent to which the market is providing, or can potentially provide, affordably priced housing for key target groups so as to evaluate the extent to which market intervention through the planning system is required, and the most effective types of intervention. Further, the vast majority of

⁶⁴ Rawlinsons Basic standard 140 m², brick veneer plus 10% for GST and 30% for other costs.

housing is delivered through the market, so that understanding its capacity to deliver affordability in the local context is crucial.

4.5.2 Affordability of Rental Properties

Rental Houses – Affordable for Whom?

Virtually no separate houses of any bedroom size were available to Very low or low income renting households in Bega Valley in December Qtr 2020. A median priced 2 or 3 bedroom house was affordable to the top 80% and 47% respectively of moderate income households, whereas a 4 bedroom house in the LGA was only affordable to higher income households.

The affordability situation for separate houses was quite similar for Rest of NSW, as shown in the table below.

Table 4.14: Rent Tables, Houses, December Quarter 2020

		2 BR House		3 BR House		4BR+ House	
		Q1	Median	Q1	Median	Q1	Median
Bega Valley Shire	Weekly Rent	\$290	\$330	\$350	\$380	\$450	\$490
	Affordability (NSW ex-Greater Sydney)	Affordable to 9% of low income band	Affordable to 80% of moderate income band	Affordable to 67% of moderate income band	Affordable to 47% of moderate income band	Affordable to <1% of moderate income band	Affordable to higher incomes only
NSW ex-Greater Metropolitan Region	Weekly Rent	\$260	\$310	\$315	\$370	\$400	\$475
	Affordability (NSW ex-Greater Sydney)	Affordable to 36% of low income band	Affordable to 94% of moderate income band	Affordable to 90% of moderate income band	Affordable to 54% of moderate income band	Affordable to 34% of moderate income band	Affordable to higher incomes only

Source: NSW Department of Family and Community Services (2021) Rent Report No 134, Dec Qtr 2020; ABS (2016); ABS (2021) Consumer Price Index Australia, Dec 2020

Rented Flats and Units – Affordable for Whom?

The affordability situation for strata dwellings was quite similar to that of separate houses in the LGA, although the availability of one bedroom strata dwellings would be an advantage for smaller households.

A median priced one bedroom unit in the LGA was affordable to the upper 45% of low income households, although **even a first quartile 1 bedroom flat was not affordable to any very low income households** and to only around the upper 70% of the low income band.

Two bedroom units in the LGA were generally only affordable to moderate income renting households. There was insufficient 3 bedroom strata dwelling in the LGA for data to be reported by DCJ, however, trends in relation to smaller dwellings indicate that these would only be available to higher income renting households if they were available through the private market.

The affordability situation is better in NSW (excluding the Greater Metropolitan Region), where a 1 bedroom unit was just affordable to the upper end of the very low income range, and other strata products were also more affordable than for Bega Valley renters.

This is shown in more detail in the following table.

Table 4.15: Rent Tables, Flats & Units, December Quarter 2020

		1 BR Flat/Unit		2 BR Flat/Unit		3BR Flat/Unit	
		Q1	Median	Q1	Median	Q1	Median
Bega Valley Shire	Weekly Rent	\$220	\$250	\$300	\$330	-	-
	Affordability (NSW ex-Greater Sydney)	Affordable to 71% of low income band	Affordable to 45% of low income band	Affordable to <1% of low income band	Affordable to 80% of moderate income band	-	-
NSW ex-Greater Metropolitan Region⁶⁵	Weekly Rent	\$185	\$225	\$240	\$290	\$320	\$380
	Affordability (NSW ex-Greater Sydney)	Affordable to 1% of very low income band	Affordable to 67% of low income band	Affordable to 54% of low income band	Affordable to 9% of low income band	Affordable to 87% of moderate income band	Affordable to 47% of moderate income band

Source: NSW Department of Family and Community Services (2021) Rent Report No 134, Dec Qtr 2020; ABS (2016); ABS (2021) Consumer Price Index Australia, Dec 2020

⁶⁵ Includes Greater Sydney and regional areas around Newcastle and Wollongong

4.5.3 Affordability of Purchase

Sales – For Whom Affordable?

The affordability of purchase in Bega Valley Shire is also very constrained for very low and low income households.

Assuming that a new build dwelling in the LGA would reflect at least the median purchase price, a median-priced Strata dwelling in the September Qtr 2020 was only affordable to around the upper 70% of moderate income households; whilst a median priced Non-Strata dwelling was only affordable to a higher income purchasing household.

Affordability for purchasers was similarly constrained in Rest of NSW.

This is shown in more detail in the following table.

Table 4.16: Sales, September Quarter 2020

		Strata		Non-Strata		All Dwellings	
		Q1	Median	Q1	Median	Q1	Median
Bega Valley Shire	Sale price	\$300,000	\$427,000	\$460,000	\$694,000	\$400,000	\$650,000
	Affordability (NSW ex-Greater Sydney)	Affordable to 53% of low income band	Affordable to 72% of moderate income band	Affordable to 54% of moderate income band	Affordable to higher incomes only	Affordable to 86% of moderate income band	Affordable to higher incomes only
NSW ex-Greater Metropolitan Region	Sale price	\$295,000	\$520,000	\$323,000	\$645,000	\$317,000	\$630,000
	Affordability (NSW ex-Greater Sydney)	Affordable to 57% of low income band	Affordable to 22% of moderate income band	Affordable to 37% of low income band	Affordable to higher incomes only	Affordable to 41% of low income band	Affordable to higher incomes only

Source: NSW Department of Family and Community Services (2021) Sales Report No 134, Sep Qtr 2020; ABS (2016); ABS (2021) Consumer Price Index Australia, Sep 2020; Assuming a thirty-year loan, compounded monthly, at 3.19% per annum, with a 20% deposit

4.6 Housing Stress

4.6.1 Overview

A commonly used measure of underlying **need for affordable housing** is the number of households in 'housing stress', or at risk of after-housing poverty.⁶⁶ A broad 'rule of thumb' for 'housing stress' is when a very low, low or moderate income household is paying more than 30% of its gross income on rental or mortgage repayments, and 'severe housing stress' when such a household is paying more than 50% of its income on such housing costs.

Other factors will clearly affect the financial and social wellbeing of a family, including the adequacy and appropriateness of their housing, and costs that are unequally borne by some households, for example, high health care or transport costs where they live in a regional or rural area.⁶⁷

As such, housing stress is useful as a broad metric for understanding the comparative affordability of an area, and indicates the potential scale of the problem for strategic planning purposes.

In total, there were around 2,000 households in housing stress in the LGA in 2016, comprising 1,341 households in rental stress and 668 households in purchase stress. By far the most serious affordability problem when considering housing stress is among **very low and low income renters**, who combined make up 58% of all households in housing stress in the LGA. When moderate income renters are added, renters make up around two-thirds of those in housing stress. Very low income household (renting or purchasing) are far more likely to be in **severe housing stress** than other income groups, that is, paying more than 50% of their gross household income in rent.

Very low and low income purchasing households make up 33% of those in housing stress, with this quite evenly distributed across the three income groups. As noted, a very high proportion of very low income households are in severe housing stress. It is likely that many in this income group have experienced a change in life circumstances after purchasing their home, for example, divorce, unemployment or retirement, as very low income households would generally be unable to obtain a housing loan without significant capital or savings.

Whilst housing stress amongst purchasers is also a serious issue, this group often have an appreciating asset and their income to repayments ratio generally decreases over time. Long-term renters do not have these benefits, and are particularly hard hit where the real cost of rental continues to grow.

The following table shows this in more detail.

⁶⁶ See for example Yates, J. 2007. *Housing Affordability and Financial Stress*, AHURI Sydney University, who notes that, often 'housing stress' is defined by the 30-40 rule, that is, that a low income household (in the lowest 40% of household income) will pay no more than 30% of its gross income on housing costs. This broad rule of thumb is often extended to the low to moderate income groups as defined under SEPP 70.

⁶⁷ See for example Gleeson, B. and Randolph, B. (2002) 'Social disadvantage and planning in the Sydney Context', *Urban Policy and Research* Vol 20(1) pp101-107; and Kellett, J. Morrissey, J. and Karuppannan, S. 2012. 'The Impact of Location on Housing Affordability', *Presentation to 6th Australasian Housing Researchers Conference*, 8-10 February 2012, Adelaide, South Australia.

Table 4.17: Break Down of Relative Housing Stress among Income and Tenure Groups

Housing Stress Summary: Bega Valley LGA			
INCOME BAND	RENTAL STRESS (Severe + Moderate)	PURCHASE STRESS (Severe + Moderate)	TOTAL STRESS
Very Low	766 (38%)	196 (10%)	962 (48%)
Low	402 (20%)	233 (11%)	635 (32%)
Moderate	173 (9%)	240 (12%)	413 (20%)
Total	1,341 (67%)	668 (33%)	2,009 (100%)

Source: JSA 2021, derived from ABS 2016 Census, Table Builder

This is now looked at in more detail for different tenure groups.

4.6.2 Housing Stress among Renters

As noted above, at the time of the 2016 Census, there were almost **1,350 renting households in housing stress** in Bega Valley LGA (67% of all very low, low and moderate income households in housing stress).

There is a similar rate of housing stress among very low and low renting income households in the LGA compared with rest of NSW, with 82% of all local very low income renters in housing stress, and 60% of low income renting households in housing stress. The rate amongst moderate income renters was much lower than for these other income groups (28%).

The following graph shows the relative housing stress among renters for these areas.

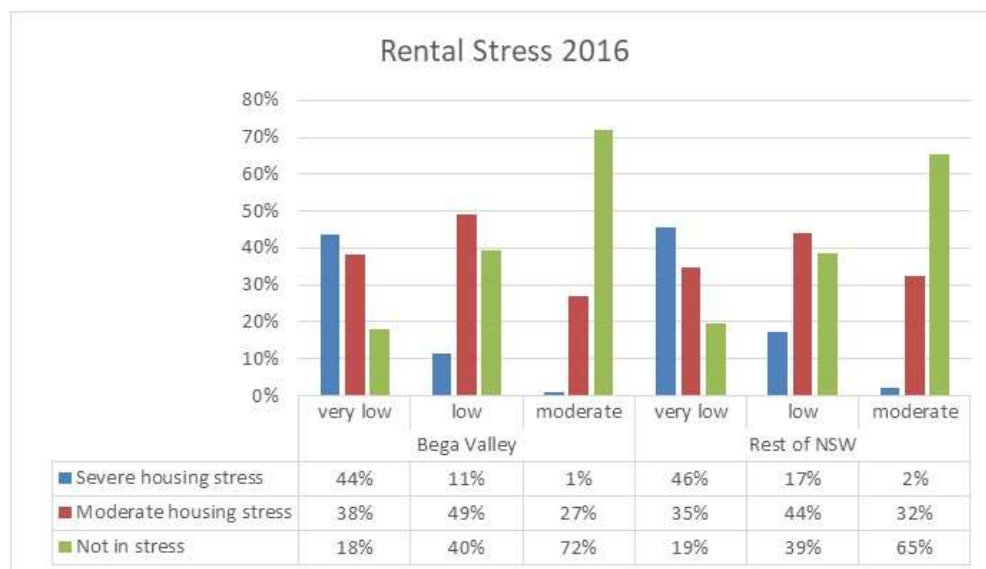


Figure 4.7: Housing Stress among very low, low and moderate income renting households

Source: JSA 2021, derived from ABS Census, Table Builder 2016

The following table shows that the majority (57%) of the 1,341 households in rental stress in the LGA were on **very low incomes**, with 30% on low incomes and 13% on moderate incomes.

However, rental stress is experienced disproportionately by some household types.

- Lone person households also make up a largest proportion of the renting households in stress (638 households or 48% of renting households in housing stress), noting also that 75% of the lone person households in rental stress are very low income earners.
- One family households with children (couple parents, single parent and other one families) were the next largest group (428 households or 32% of renting households in housing stress). Of these, 80% were on very low and low incomes.

The breakdown by income and main household type of those in rental housing stress in Bega Valley LGA is set out in the table below.

[NOTE: the numbers below differ from those in Table 1.17 above due to the non-inclusion of 'not stated' and the unreliability of data for household types not shown in the table due to small sample size and Census randomisation].

Table 4.18: Households in rental stress for Bega Valley LGA

	All Renting Households in Stress	Lone person renting households in Stress	Couple renting households in Stress	One family w/ children renting households in Stress	Group and other renting households in Stress
Very Low Income Households	766 (57%)	481 (75%)	15 (19%)	151 (35%)	0 (0%)
Low Income Households	402 (30%)	126 (20%)	46 (57%)	190 (45%)	23 (88%)
Moderate Income Households	173 (13%)	31 (5%)	19 (24%)	87 (20%)	3 (12%)
Total in Stress	1,341 (100%)	638 (100%)	81 (100%)	428 (100%)	26 (100%)
Total very low, low, mod income renting households	2,212 (61% of whom are in stress)	1,004 (64% of whom are in stress)	231 (35% of whom are in stress)	709 (60% of whom are in stress)	55 (47% of whom are in stress)

Source: JSA 2021, based on data from ABS Census of Population and Housing 2016 (Table Builder)

4.6.3 Housing Stress among Home Purchasers

At the time of the 2016 Census, there were 668 purchasing households in housing stress in the LGA.

There is a somewhat lower rate of housing stress among purchasers than for Rest of NSW, as shown in the following graph.

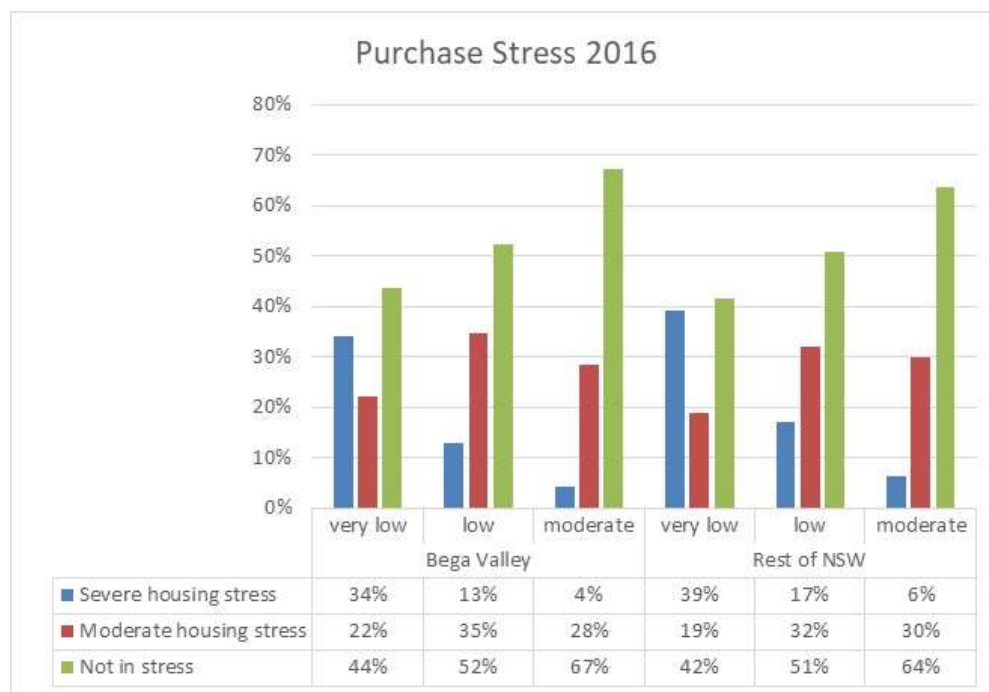


Figure 4.8: Housing Stress among very low, low and moderate income purchasing h/holds

Source: JSA 2021, derived from ABS Census, Table Builder 2016

Again, purchase stress is not evenly distributed across households.

- The largest group were one **family households with children**, who made up around 40% of purchasing household in housing stress, with the highest proportion on moderate incomes.
- However, taken together, lone person households and couple only households (groups requiring smaller dwellings) make up the largest group (around 45% of need for affordable purchase housing).

The breakdown in income and main household type of those in purchase stress in Bega Valley LGA is set out in the table below.

[NOTE: the numbers below differ from those in Table 1.17 above due to the non-inclusion of ‘not stated’ and the unreliability of data for household types not shown in the table due to small sample size and Census randomisation].

Table 4.19: Households in purchasing stress for Bega Valley LGA

	All Purchasing Households in Stress	Lone person households in Stress	Couples without children purchasing households in Stress	One family w/ children purchasing households in Stress
Very Low Income Households	196 (29%)	68 (39%)	16 (15%)	39 (16%)
Low Income Households	233 (35%)	68 (39%)	40 (36%)	85 (34%)
Moderate Income Households	240 (36%)	40 (22%)	54 (49%)	123 (50%)
Total in Stress	668 (100%)	176 (100%)	110 (100%)	247 (100%)
Total very low, low and moderate income purchasing households	1,573 (42% of whom are in stress)	439 (40% of whom are in stress)	373 (29% of whom are in stress)	549 (45% of whom are in stress)

Source: JSA 2021, based on data from ABS Census of Population and Housing 2016 (Table Builder)

The affordability and housing need data discussed above indicate a significant housing affordability problem for the LGA, much of which is not readily able to be addressed through the market, particularly for all very low and many low income households.

4.7 Case Studies

4.7.1 Key Worker Case Studies

Overview

We have analysed the indicative incomes for different types of 'key workers' likely to be on very low, low and moderate household incomes, and the amount that they could affordably pay in rent. This helps to put a more 'human face' on the problem of affordability in the local context.

Award rates for key workers have been taken from the Fair Work Ombudsman website,⁶⁸ with key worker industries including aged care, health, building and construction, education, retail and hospitality.

⁶⁸ <http://www.fairwork.gov.au/awards-and-agreements/awards/list-of-awards> (accessed 22 July 2015)

Examples of some of these very low, low and moderate income 'key worker' households, using the maximum income benchmarks set out above are given below.

Very Low Income Key Worker Households (<\$609 p/w)

Some examples of very low income key worker households are as follows:

- A lone person working part-time as a lower-level aged care worker. This person would earn around \$600 for a 30 hour week.
- An adult working part-time as a process worker at Bega Cheese. This person would earn around \$600 for a 30 hour week.
- A lone person working part-time as a cleaner. This person would earn around \$600 for a 25 hour week.
- A couple with a young child, with one person caring for the child and the other working part-time as a nursing assistant. This couple would be on an income of around \$600 for a 27 hour week. Note that this family may receive Commonwealth Rental Assistance of up to \$50 per week depending on their level of Family Tax Benefit.

These households would need to pay less than \$180 rent per week for their housing.

A very low income key worker household would therefore be unable to rent affordably in Bega Valley LGA.

Low Income Key Worker Households (\$610-\$975 p/w)

Some examples of low income key worker households are as follows:

- An adult process worker, who would earn around \$800 per week.
- A lone person working full-time as a lower-level aged care worker. This person would earn around \$765 per week.
- An adult working full time as a storeman or in warehousing, who would earn around \$775 per week.
- A lone person working full time as a cleaner. This person would earn around \$770 per week.
- A couple with a young child, with one person caring for the child and the other working full-time as an experienced nursing assistant. This couple would be on an income of around \$840 per week. Note that this family may receive Commonwealth Rental Assistance of up to \$50 per week depending on their level of Family Tax Benefit.
- A single parent working full-time as an experienced enrolled nurse. This person would earn around \$900 per week.

These households would need to pay between \$230 and \$270 rent per week for their housing to be affordable under relevant benchmarks.

They would be unable to afford to rent any houses in Bega Valley LGA, and would only be able to rent a median priced one bedroom unit, but nothing larger. This would meet the needs of lone person households and likely some couple only households, but no families with children or people whose circumstances meant that they would need an additional bedroom (e.g. caring for an elderly relative or grandchildren).

Moderate Income Key Worker Households (\$976-\$1,462)

Some examples of moderate income key worker households are as follows:

- A lone person working full-time as an ambulance officer. This person would earn around \$1,000 per week.
- A lone person working as a teacher. This person would earn around \$960-\$1,330 per week depending on grade.
- A lone person working as level one or two registered nurse. This person would receive a gross weekly income of around \$1,100-\$1,185 per week.
- A couple with one person working part-time as a cleaner and the other as an Enrolled Nurse. This couple would receive an income of around \$1,400 per week.

These households would need to pay between \$300 and \$420 rent per week for their housing to be affordable under relevant definitions.

These moderate income key worker households could affordably rent a two bedroom apartment, and likely a three bedroom apartment were these to be available in the local private rental market. They could also afford to rent a two bedroom house, although a three bedroom house would only be available to the upper 40% of this group.

4.7.2 Centrelink Recipients Case Studies

As a subset of households on very low incomes, people who are receiving some form of Centrelink payment, such as a single aged pension, disability support pension or NewStart allowance, would be excluded from affordable rental in most housing products in the LGA.

Some examples of the affordability situation of very low income households dependent on Centrelink payments are as follows:

- A single aged pensioner with no superannuation would have an income of \$476 per week including relevant supplements, and could afford to pay \$193 in rent including Commonwealth Rental Assistance.⁶⁹ **This household could not affordably rent even a one-bedroom apartment in Bega Valley LGA.**
- An aged pensioner couple with no superannuation and receiving Commonwealth Rental Assistance. This household would have an income of \$718 per week including relevant supplements, and could afford to pay \$265 in rent including Commonwealth Rental Assistance.⁷⁰ **This household could affordably rent a one-bedroom apartment in Bega Valley LGA, but nothing larger.**
- A single person on JobSeeker Allowance would have an income of \$310 per week, and could afford to pay \$143 in rent including Commonwealth Rental Assistance.⁷¹ **This household could not affordably rent anything in the Bega Valley LGA.**

⁶⁹ Around \$50 per week for eligible households.

⁷⁰ Around \$50 per week for eligible households.

⁷¹ Around \$50 per week for eligible households.

- A single parent household with two children who is receiving parenting allowance and relevant supplements would be on an income of \$700 per week, and could afford to pay \$260 per week in rent including Commonwealth Rental Assistance.⁷² **This household could only affordably rent a one-bedroom apartment in Bega Valley LGA, but nothing suitable for their family.**

4.8 Gap Analysis

4.8.1 Need for affordable housing

Based on levels of housing stress in Bega Valley LGA in 2016, around 2,010 very low, low and moderate income households were estimated to be in housing stress at the 2016 Census, **1,341 in rental stress (67%) and 668 in home purchase stress (33%).**

Around 48% of these households were very low income households (most of them renters) in 2016, with around one-third low income households, and 20% moderate income households. The tenure share is around **two thirds rental and one third purchase** on current trends.

Forecasts by .id Consulting indicate that there will be an additional 3,362 dwellings required from 2016 to 2036. This would equate to an additional **2,733 occupied private dwellings or households** given current rates of vacant dwelling in the LGA.⁷³

Given 15% of all households in the LGA were in housing stress in 2016, and assuming the same rate in 2036, an **additional 245 affordable dwellings** would be required for Bega Valley LGA by 2036.⁷⁴

In addition, 3% of dwellings were rented as social (public and community) housing in 2016, noting that this was much lower than the NSW average of 5%. Given the extent and nature of housing stress amongst very low income renters in the LGA, it is reasonable to assume that the same proportion as NSW should be provided as social housing in the future. As such, an **additional 168 social rental housing dwellings** would be required by 2036. Based on household type distribution for very low income renters in housing stress, this would need to be configured as 75% (126) smaller dwellings and 25% (42) family dwellings.

This would be a total of around **413 additional affordable (including social) housing dwellings** from 2016 to 2036.

⁷² Around \$50 per week for eligible households.

⁷³ 3,362 x 81.3%.

⁷⁴ 2,733 x 15%.

As such, **total projected need for affordable housing would be around 2,425 dwellings by 2036.** On current need and with the assumptions about projections as stated, of these:

- 67% would be renters and 33% would be purchasers;
- 52% would be very low income households, 29% would be low income households and 19% would be moderate income households;
- 70% would need dwellings suited to smaller (one and two person households) and 30% would need dwellings suited to families with children;
- At least an additional 168 social rental housing dwellings would be required by 2036, with around 75% (126) of these smaller, well located strata dwellings and 25% (42) family dwellings.

This breakdown is shown in the table below for existing affordable housing need, projected affordable housing need 2016 to 2036, and total projected affordable housing need (current plus projected).

Table 4.20: Need for Affordable Housing to 2036

		Renting Households			Purchasing Households		
		Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL	Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL
Total Currently Required (2016)	Affordable to Very Low Income Households	590	176	766	131	65	196
	Affordable to Low Income Households	189	213	402	128	105	233
	Affordable to Moderate Income Households	63	110	173	103	137	240
Additional Required 2016-2036 (1)	Affordable to Very Low Income Households	72	21	93	16	8	24
	Affordable to Low Income Households	23	26	49	16	13	28

		Renting Households			Purchasing Households		
		Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL	Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL
	Affordable to Moderate Income Households	8	13	21	13	17	29
Social Rental Housing	SH Affordable to Very Low Income Households (2)	126	42	168	n/a	n/a	n/a
Total Required in 2036 (1)	Affordable to Very Low Income Households	788	239	1027	147	73	220
	Affordable to Low Income Households	212	239	451	144	116	260
	Affordable to Moderate Income Households	71	123	194	116	154	270
	TOTAL	1071	601	1672	407	343	750

Source: JSA calculations, using data from ABS Census of Population and Housing 2016 and .id Consulting Population Forecasts

(1) Calculated using pro-rata household growth from population projections

4.9 Ability of Market to Supply Affordable Housing

Overview

There is relatively limited opportunity for the market to provide affordable housing to meet current and projected need, although it is positive that around 25% of total need to 2036 could be met through the market, **provided there was sufficient supply of housing products most likely to be affordable, including smaller. Well-located strata dwellings and entry level project homes in areas in and around the town centres of Bega, Eden and Merimbula in particular.**

The remaining need is likely to require strong planning intervention and/or the direct creation and/or funding of affordable housing including through partnerships, primarily for all very low income households, and for low income households who are at the lower end of the income range or who are families with children.

An increase in the supply of alternative housing products, including New Generation Boarding Houses/Co-housing through the ARHSEPP, publicly or community owned and managed MHEs, and smaller affordably rented seniors' units, are also like to provide market supply opportunities for affordability.

This has strategic implications, including with regard to the current planning and development regime, and the nature of market intervention that is likely to be effective.

This is discussed in more detail below.

Very low income households

There is no rental or purchase product likely to be affordable to very low income renting or purchasing households in need of affordable housing. This group comprises more than half of those projected to be in need of affordable housing by 2036, or around **1247 households whose need are unlikely to be met through the private market.**

Low income households

If they were to be developed in appropriate localities within the LGA, New Generation Boarding House rooms would be affordable to most low income renting households, noting that they typically rent for around 80% of the rent for a one bedroom strata dwelling. However, as noted elsewhere, there are currently none of these housing products available in Bega Valley LGA.

In terms of other rental products available through the private market, a median priced one bedroom flat would be affordable to around 45% of low income renters. However, even a median priced two bedroom house is not affordable to any low income renters. As such, no households needing family accommodation could be accommodated affordably and only 45% of those needing smaller accommodation could be housed affordably. This would be around 334 low income renting households of those likely to be in need by 2036 whose need will not be met through the market.

In terms of purchase, most low income households could affordably purchase a median priced studio or one bedroom apartments were these to be available. However, only around 30% of low

income families would be expected to be able to purchase a suitable dwelling. This would be around 80 households whose need would not be met through the market under the current conditions.

This would be **415 low income households in total that are unlikely to be catered for** by the private market.

Moderate income households

In terms of rental, most small moderate income renting households projected to be in need by 2036 would benefit from an increase in such dwellings through the market. It is also likely that around half of those in need would benefit from the provision of an increased supply of smaller three bedroom houses and units through the market, although this means that around **70 households projected to be in need may not benefit from market provision.**

In terms of purchase, moderate income smaller households could affordably purchase one and two bedroom strata dwellings in a number of areas. The regression analysis reported elsewhere indicates that entry level project homes constructed on vacant land in areas like Bega, Eden, Merimbula and Pambula could be affordable to most moderate income families, and possibly the upper end of the moderate income band under some conditions in the cheaper areas.

Total unmet need and implications

Unmet need

In total, **the needs of around 1,750 household are unlikely to be met through the market** without strong intervention in the housing market including the active engagement of the planning system and/or direct provision or funding of affordable housing and affordable housing partnerships.

This is around 75% of the total number of households projected to be in need of affordable housing by 2036, meaning that **around 25% of need could be met through the market provided there was sufficient supply of housing products most likely to be affordable.**

Strategic Implications

Given the likelihood that around 70% of affordable housing need will be from smaller (lone person and couple) households by 2036, there would be a significant benefit in actively **increasing the supply of smaller studio, one and two bedroom apartments near major town centres**, as well as from developing a supply of well-located New Generation Boarding Houses through SEPPARH.

The affordability analysis also indicate that moderate income families would benefit from an increase in the supply of **smaller three bedroom apartments with one bathroom**, as well as **entry level two and three bedroom project homes or villas in areas around Bega, Eden and Merimbula in particular.**

Alternative housing types and living arrangements, including increasing the supply of **publicly and/or community owned and managed Manufactured Housing Estates**, and affordable seniors living development consisting of studio, one and two bedroom apartments at affordable rents rather than the supply arrangements that generally apply with private retirement village operators.

The **regression analysis** reported in Section 4.4.6 above indicates that there is the potential to increase the supply of housing that is more affordable to a wider range of groups than those outlined

above, particularly by adjusting the nature of the housing provided in terms of size, fit out, amenity and/or location.

In terms of **separate houses**, increasing the supply of entry level project homes with only one bathroom, less parking and a lower quality of fit out generally would make a difference to affordability to the upper end of low income and most moderate income households.

An important contribution to affordability for the large and growing number of lower and moderate income smaller households in housing need would be a significant increase in the supply of **studio apartments, and one and two bedroom flats and units**, particularly with one bathroom, reduced parking and close to town centres in the non-premium centres/precincts of Bega, Eden and Merimbula. The development of Residential flat buildings would be of particular benefit to renters, as 60% of flats and units enter the private rental market. The development of more, smaller multi dwelling housing in these locations would also be a benefit as around 45% enters the private rental market.

Finally, the regression analysis indicates that **the development of vacant land in Bega suburb, and to a lesser extent in Eden and Merimbula and Pambula, is likely to contribute to the supply of affordable housing**, with entry level project homes (smaller, with less parking and only one bathroom, etc) just affordable to low income households and to all moderate income households.

As discussed later, this has implications for zoning and planning controls, particularly in certain locations and/or precincts.

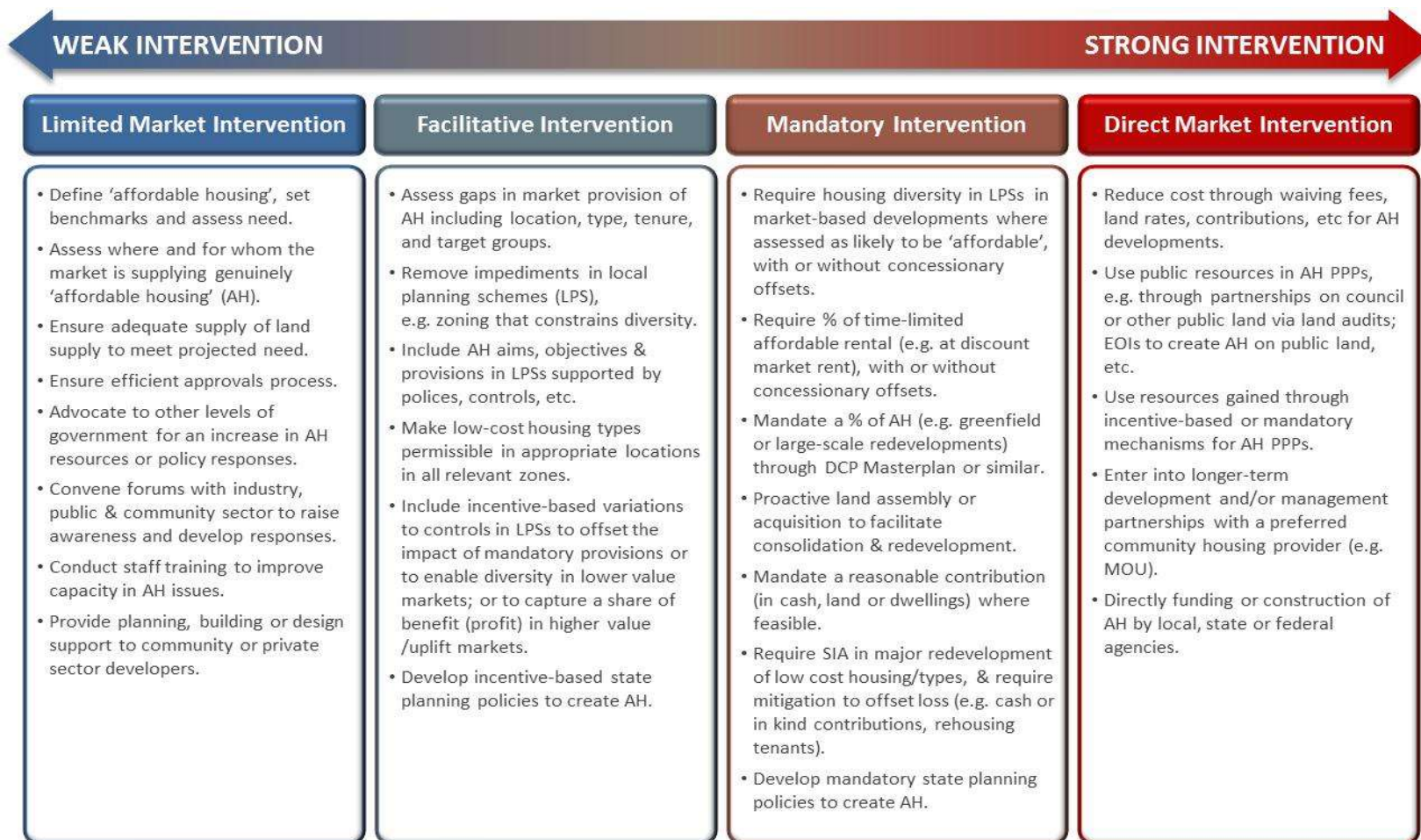
5 Planning Mechanisms and Strategies

5.1 Overview of Mechanisms and Strategies

There are a wide range of strategies available to Council to promote affordable housing in the Bega Valley LGA. These strategies range from light planning intervention in the market to strong intervention or direct provision of affordable housing, as shown in Figure 5.1 below.

This is followed by a detailed assessment of the main mechanisms and strategies that would be effective in the local context.

A **Case Study Booklet** has also been prepared by JSA which showcases a number of ways in which local government has engaged with affordable housing issues in their local communities (provided as **Attachment A**).



Source: Stubbs (2003); JSA (2011)

Figure 5.1: Mechanisms and Strategies to Create Affordable Housing along a Continuum of Planning Intervention

5.2 Limited Market Intervention

5.2.1 Define affordable housing, set benchmarks and assess need

This report provides definitions of affordable housing, sets benchmarks and assesses need for affordable housing. Definitions, benchmarks and delivery targets (against need) can be incorporated in an affordable housing policy. The following are recommended in accordance with statutory definitions and accepted benchmarks.

Table 5.1: Relevant Affordable Housing Income and Cost Benchmarks – Rest of NSW (5)

	Very low-income household	Low-income household	Moderate-income household
Income Benchmark	<50% of Gross Median H/H Income for Rest of NSW	50-80% of Gross Median H/H Income for Rest of NSW	80%-120% of Gross Median H/H Income for Rest of NSW
Income Range (2)	<\$626 per week	\$627-\$1,001 per week	\$1,002-\$1,502 per week
Affordable Rental Benchmarks (3)	<\$188 per week	\$189-\$300 per week	\$301-\$451 per week
Affordable Purchase Benchmarks (4)	<\$238,000	\$238,001-\$376,000	\$376,001-\$565,000

Source: JSA 2020, based on data from ABS (2016) Census and ABS (2020) Consumer Price Index, ANZ online home loan repayment calculator, www.anz.com.au/personal/home-loans/calculators-tools/calculate-repayments/

(1) All values reported are in December Quarter 2020 dollars

(2) Total weekly household income

(3) Calculated as 30% of total household income

(4) Calculated using ANZ Loan Repayment Calculator, using 21 April 2021 interest rate (3.19%) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan and 30% of total household income as repayments.

(5) Median household income \$1,168 (ABS Census 2016); CPI 117.2 Sept 2016 109.4 Adjusted income \$1,251.

5.2.2 Include affordable housing aims and objectives in local planning schemes, and develop a strategy and explicit policy

Include affordable housing aims and objectives in EPIs

The provision and maintenance of affordable housing is one of the objectives of the *Environmental Planning and Assessment Act 1979* and so could be considered to be an objective of instruments under the Act. However, including affordable housing aims and objectives in local planning instruments

sends a clear message of intention to developers and the community regarding Council's commitment to affordable housing and provides the foundation of the legal architecture to support affordable housing in the local area.

The provision of affordable housing could be included, for example, as one of the objectives of the R3, B1, B2, and B4 zones and other zones where this is considered applicable. Again, this would legally support affordable housing development through the planning system, including for affordable housing policies or variations to controls, discussed below.

Develop an affordable housing strategy and policy

Likewise, the development of an **affordable housing strategy and an explicit policy on affordable housing** also signals and supports favoured directions of Council on affordable housing. There are a number of examples of such policies, including those provided at links below.

- Shoalhaven City Council Affordable Housing Strategy:
<https://getinvolved.shoalhaven.nsw.gov.au/29550/documents/61492>
- Inner West Council Affordable Housing Policy:
<https://www.innerwest.nsw.gov.au/community/for-residents/affordable-housing>
- Canada Bay Affordable Housing Policy, which largely focuses on key workers:
<http://www.canadabay.nsw.gov.au/cs-affordable-housing-program---main-page.html>
- Parramatta City Council Affordable Housing Policy, which is more general policy:
https://www.parracity.nsw.gov.au/__data/assets/pdf_file/0018/103563/AffordableHousingPolicy-POLICY298.pdf

5.2.3 Assess where and for whom the market is supplying genuinely affordable housing

Section 4.9 above identifies gaps in market provision of affordable housing, particularly for all very low income households, and for many low income family households and those in the lower half of the low income range, particularly renters.

It is positive that the market could potentially provide for the needs of around 25-30% of those likely to need affordable (including social) housing by 2036, **provided there was sufficient supply of housing products most likely to be affordable**. This includes well-located smaller strata dwellings and entry level project homes in cheaper areas of Bega, Eden and Merimbula, and special housing products such as New Generation Boarding Houses, caravan park and MHEs managed and/or owned by Council or a community housing provider, and affordable seniors' developments.

In total, **the needs of around 1,750 household are unlikely to be met through the market** without strong intervention in the housing market including the active engagement of the planning system to capture value uplift and/or direct provision or funding of affordable housing and affordable housing partnerships.

5.2.4 Setting Affordable Housing Targets

Based on the above analysis, total projected need for affordable housing would be around 2,425 dwellings by 2036, which could form the basis of affordable housing targets. The broad breakdown is as follows:

- 67% would be renters and 33% would be purchasers;
- 48% would be very low income households, 31% would be low income households and 21% would be moderate income households;
- 70% would need dwellings suited to smaller (one and two person households) and 30% would need dwellings suited to families with children;
- At least an additional 168 social rental housing dwellings would be required by 2036, with around 75% (126) of these smaller, well located strata dwellings and 25% (42) family dwellings.

This breakdown of total need (current and projected) is shown in the table below.

Alternately, Council could determine to accept current levels of affordable housing need, and seek to address only that additional need projected from 2016 to 2036 (see Table 4.20 above for detail).

Table 5.2: Need for Affordable Housing to 2036

		Renting Households			Purchasing Households		
		Suitable for Lone Persons or Couples without Children	Suitable for Families with Children	TOTAL	Suitable for Lone Persons or Couples without Children	Suitable for Families with Children	TOTAL
Total Required by 2036 (Current and Projected)	Affordable to Very Low Income Households	788	239	1027	147	73	220
	Affordable to Low Income Households	212	239	451	144	116	260
	Affordable to Moderate Income Households	71	123	194	116	154	270
	TOTAL	1071	601	1672	407	343	750

Source: JSA calculations, using data from ABS Census of Population and Housing 2016 and .id Consulting Population Forecasts

5.2.5 Ensure adequate supply of land to meet projected need

Based on our regression analysis using sales data from EAC Red Square and using published rates for project home construction (reported in Section 4.4.6 above), a three bedroom, 140 m² entry level project home on a greenfield site in Bega *could* be affordable to 25% of low income households. Such an entry level project home would also be affordable to moderate income households in a number of other areas, including a greenfield site in Eden (70% of moderate income households), Merimbula (60%) and Pambula (50%). Reducing the number of bathrooms and garage spaces could also be expected to reduce price of construction and cost to the extent this was passed on to the purchaser.

More generally across the LGA, an entry level project home on a median lot would be affordable to 75% of moderate income households, with land in Bega and Eden generally cheaper than LGA medians.

This underscores the importance of a ready supply of appropriately located developed land to provide affordable purchase housing in Bega Valley LGA. The Residential Strategy identifies an adequate supply of residentially zoned land to 2036 including **around Bega and Eden**.

Based on this regression analysis, provision and development of **additional zoned R1 land around Bega** would also have a significant impact on affordability as this would provide flexibility to develop higher density dwelling types such as Multi dwelling housing. This would include consideration of zoning Investigation Areas R1. Although land in **Eden** is more expensive than Bega, it is still below the LGA median sales price and should also be a focus of such affordability strategies, noting that it is a major service centre. Given the relative affordability of **Merimbula**, this centre could also be a focus for such strategies.

Multi dwelling housing development would also be expected to add to rental stock, although the extent is uncertain as Census data does not discriminate between detached villas and separate houses. Rates of rental would be expected to be around 45% for Multi dwelling housing such as villas, and 61% for flats, units and apartments, which is consistent with most areas in NSW.

The major source of land to meet projected affordable housing need in Bega Valley LGA will be from **redevelopment of existing housing to higher densities around key centres** and development of undeveloped residentially zoned land for housing. The Bega Valley Shire Residential Strategy identifies sufficient zoned land to meet demand until 2036; however, as discussed further below, it would be preferable that this is zoned R1 rather than R2 due to permissibility of a more diverse range of dwelling types in the latter zoning. A focus on the Bega area (and to a lesser extent, Eden and Merimbula) would be important as these areas are not only more affordable, but are likely to be under less pressure from holiday lettings.

5.2.6 Ensure efficient approvals process

This is a matter for consideration by Council and may be relevant to the extent that any delays in approvals are increasing the cost of development, for example, through deferrals or increased holding charges. It is assumed that Council is efficient and compliant with regard to its approvals process, and this has not been assessed as part of this project.

5.2.7 Advocate to other levels of government for an increase in Affordable Housing resources or policy responses

Currently the level of social housing in Bega Valley LGA is 60% of average levels for New South Wales. Based on policy commitments by the State Government, Bega Valley Council should consider lobbying with regard to increasing the supply of social and affordable housing within the LGA.

An audit of land owned by Land and Housing Corporation could also be undertaken to identify underutilised sites and other redevelopment opportunities, particularly for smaller medium density housing as part of an Affordable Housing Strategy. This is also warranted given levels of underoccupancy of social housing, discussed later.

Publicly owned housing is shown in Appendix B, and is discussed further below.

5.2.8 Convene forums with industry, public and community sector to raise awareness and develop responses.

Council can consider opportunities to convene working parties and the like around the provision of affordable housing. This could include raising awareness about the importance and likely viability and higher rates of return on housing products such as New Generation Boarding Houses under *SEPP (Affordable Rental Housing) 2009*, which can provide a good rate of return related to urban efficiency, and more affordable and flexible housing options for very low and low income workers and older people. [Refer Griffith](#)

5.2.9 Provide planning, building or design support to community or private sector developers

Planning support for affordable housing is likely to come from both a commitment by Council and staff training within the planning department so that Council planners are aware of opportunities for the incorporation of affordable housing within developments.

Council could also consider developing guidelines on the construction and design of affordable housing to provide assistance to developers in delivering affordable housing as part of an Affordable Housing Strategy.

Guidance on best practice on the planning, design and management of multi-tenure development incorporating a proportion of social and affordable housing is available in a project conducted by JSA for the NSW Community Housing Industry Association.⁷⁵

5.3 Facilitative Intervention

5.3.1 Overview

The provision of **studio, one and two bedroom apartments and New Generation Boarding Houses** through the market is likely to provide affordable rental and purchase housing for many

⁷⁵ <https://communityhousing.org.au/publications/multi-tenure-developments-best-practice-approaches-to-design-development-and-management/>

low income households (smaller households and some smaller families), particularly in the lower cost areas of **Bega, Eden and Merimbula**. The economics of redevelopment summarised below and in more detail in **Appendix C** indicates that the construction of Residential flat buildings and Multi dwelling housing in B4 and R3 zones are likely to be viable, assuming that undue constraints on development discussed below are removed.

These additional planning constraints are likely to be contributing to the lack of adequate supply of these dwelling types in and around these town centres. Removing or liberalising these controls would be expected to increase the supply of smaller strata dwellings, noting that around 60% of such dwellings provided in RFBs enter the private rental market, and that such dwellings provided in Bega, Eden and Merimbula are more likely to be affordable in the longer-term and less likely to enter the Short Term Rental Accommodation (STRA) market.

The first facilitative strategy is to ensure that there are **no impediments** to the development of such dwellings through the planning system, and to **actively seek to provide opportunities** for their development in appropriate locations through appropriate zoning and controls.

The second facilitative strategy is to **provide incentives** for the development of types of dwellings and developments likely to be affordable when provided through the market.

It is important to understand the economics of redevelopment to identify the impact of planning impediments on supply, and the extent to which their removal will have the desired effect, as well as opportunities for incentives.

The economics of redevelopment is first analysed. This is followed by an overview of opportunities for each of the facilitative strategies available to Bega Valley Shire Council in this context.

5.3.2 Economics of Redevelopment

Overview

This section investigates planning and economic context to the development of Residential flat buildings, Multi dwelling housing and New Generation Boarding Houses within and around in the three major urban centres of Bega, Eden and Merimbula. It is noted the modelling conducted did not include the more onerous LEP and DCP controls, discussed below, but used an indicative 30% footprint to allow for set backs and open space requirements as well as existing Height limits and FSR (where appropriate).

The following provides a summary of findings, whilst **Appendix C** provides a detailed examination of opportunities based on planning and indicative economic analysis within B2, B4 and R3 zones within and around these urban centres. The analysis has been conducted at a desktop level, and has not been ground-truthed in the field due to prevailing Covid lockdown restrictions.

B2 Zoned Land

Generally zoning is quite liberal, with apartment construction (Shop top housing) permissible with consent in all town centre areas and reduced setbacks in town centre areas.

Based on recent sales, however, there are few opportunities for redevelopment for Shop top housing in Bega, Merimbula and Eden B2 zones due to high levels of development providing few

opportunities for value uplift through redevelopment, noting that there are likely to be some remaining low value sites which are developable. The situation in Eden is further confounded by the low value of commercial space, which adds an impost on the residential component of the development, and whether high apartment sales price reflect sales in Eden CBD. Consequently, this zoning would not be expected to provide a significant number of apartments to meet current and projected need.

B4 Zoned Land

B4 zoning provides opportunities for the development of Shop top housing, Multi dwelling housing and Residential flat buildings, as these are permissible with consent in this zone. However, development is constrained by clause 4.1A of BVLEP2013, which requires 250 m² of site area per dwelling in the B4 zone.⁷⁶ This reduced yield effectively excludes Residential flat buildings in the zone, noting that there appear to be a lack of this type of development despite our economic analysis indicating that it would be otherwise viable without this control.

Development may also be hindered by the DCP requirement⁷⁷ that each dwelling at ground level must provide 50 m² of private outdoor space and each other dwelling must have 20 m² of communal open space. This is likely to be appropriate for two storey Multi dwelling housing, as for an FSR of 0.6:1 with a typical dwelling footprint of 50 m², the proportion of the lot for dwelling and yard would be 60%, leaving 40% for setbacks, internal roads and at grade parking. However, these provisions are **likely to adversely impact on apartment and villa development**, due to the greater demand for parking from a higher density development.

We would recommend that the LEP be amended to delete the requirements for 250 m² of site area per dwelling; and that the DCP rely on the provisions of the Apartment Design Guide (noting that these are quite generous by comparison with traditional three storey walk-ups) and on setback requirements rather than providing more onerous controls that are likely to be a significant constraint on development of smaller strata dwellings.

There appears to be a good quantity of developable B4 land in Bega. Merimbula B4 zoning lacks opportunities for development and consideration could be given to extending the B4 zones into the adjacent R3 zoned areas within 400 metres of the B2 zone, noting that once older housing in R3 zones is redeveloped for Multi dwelling housing, it will effectively be quarantined from development as Residential flat buildings in the future due to the high value uplift required to support redevelopment. Alternatively controls in the R3 zone could be amended to increase the viability of Residential flat buildings, as discussed below.

While there are redevelopment sites in Eden, the extent of B4 zoning is limited, and again consideration could be given to extending the B4 zones into the adjacent R3 zoned areas within 400 metres of the B2 zone, or amending controls in the R3 zone, to increase supply and to avoid quarantining against future development for Residential flat buildings.

⁷⁶ Assuming two-bedroom apartments of 70 m², this is equivalent to an FSR of 0.28.

⁷⁷ Clause 3.4.

R3 Zoned Land

Development for Multi dwelling housing in R3 zones is supported by economic modelling, and there appears to be a good supply of re/developable land in Bega, Merimbula and Eden. Modelling has not been carried out for Residential flat buildings, but the economics will be similar to the town houses modelled, and would also likely be viable without unduly onerous controls, discussed above.

As discussed above, development is constrained by clause 4.1A of BVLEP2013, which requires 250 m² of site area per dwelling in the R3 zone and the DCP open space requirements will adversely impact on the economics of villas and Residential flat buildings. There may also be excessive cost imposts from requirement that each dwelling at ground level must provide 50 m² of private outdoor space and each other dwelling must have 20 m² of communal open space.

The other major impediment to development is parking, due to high cost imposts and/or reduction in developable area, noting that the Bega DCP provides for reduced parking in town centre areas of one space per dwelling, without considering the varying household size and vehicle ownership in different sized apartments. The parking provision adversely impacts smaller dwellings as yields on a block are maximised by delivering larger apartments due to greater amortisation of parking.

A lesser parking provision **based on actual vehicle ownership for smaller dwellings**, with a further discount for town centre location would be appropriate. Actual vehicle ownership in Bega Valley Shire for households in bedsits and one bedroom apartments is 0.7 vehicles, and a further reduction to 0.5 vehicles would be appropriate for town centre locations and provide an incentive for the development of such accommodation. For those in two bedroom apartments the actual rate is 1.0 vehicles per dwelling, and for three bedroom apartments the actual rate is 1.3 vehicles. As such, a more equitable provision would be 0.5 spaces for one bedroom apartments, 1 space for two bedroom apartments and 1.5 spaces for three bedroom apartments, which is likely to have the same net effect with regard to total spaces.

See **Appendix C** for detailed planning and economic analysis.

5.3.3 Remove impediments in local planning schemes

Overview

As discussed above, zoning or other controls which reduce opportunities for development of smaller (studio, one and two bedroom) dwellings in Residential flat buildings and/or Multi dwelling housing are likely to be an impediment to the supply of affordable housing and diverse housing. Given the importance of well-located, smaller strata dwellings in providing market-delivered affordable housing for some groups, as well as the projected aging of the population and undersupply of private rental, it is important that undue impediments in local planning schemes be eliminated or significantly reduced.

Controls

B4 and R3 zoning in BVLEP provides opportunities for development of Residential flat buildings and Multi dwelling housing. As noted, re/development is constrained by clause 4.1A of BVLEP 2013, which requires 250 m² of site area per dwelling in the B4 and R3 zones.⁷⁸ This reduced yield effectively excludes Residential flat buildings in the zone and affects the viability of smaller Multi dwelling housing, and this can be seen in the lack of this type of development where our economic analysis indicates it would be otherwise viable.

It is noted that it is important to facilitate the development of Residential flat building where possible in well-located areas as once older housing in R3 zones is redeveloped for Multi dwelling housing, it will be quarantined from development as Residential flat buildings in the future due to the high uplift required to support redevelopment. This is therefore a lost opportunity to provide accommodation that is likely to be most affordable and to meet the needs of an aging population in appropriate service centres.

As discussed, development is also likely to be constrained by the DCP requirement⁷⁹ that each dwelling at ground level must provide 50 m² of private outdoor space and each other dwelling must have 20 m² of communal open space, as well as on parking above *actual ownership* rates for different sizes and types of dwellings.

It is therefore recommended that:

- The LEP be amended to delete the requirements for 250 m² of site area per dwelling;
- The DCP rely on the provisions of the Apartment Design Guide and on setback requirements rather than providing more onerous controls that are likely to be a significant constraint on development of smaller strata dwellings (that each dwelling at ground level must provide 50 m² of private outdoor space and each other dwelling must have 20 m² of communal open space);
- Parking requirements in and around the town centres of Bega, Eden and Merimbula be amended to reflect actual ownership rates, and to provide an incentive for development of one bedroom apartments, that is, to 0.5 spaces for one bedroom apartments, 1 space for two bedroom apartments and 1.5 spaces for three bedroom apartments.

Zoning

As noted, affordable accommodation for some groups in Bega Valley LGA is likely to be provided through the market as smaller strata dwellings in Multi-dwelling Housing, Residential Flat Buildings and Shop top housing developments. B4 and R3 zones, with appropriate controls, are important in this regard in the Bega Valley planning and economic context. In general, zoning is quite liberal under BVLEP, with apartment construction permissible in and around major town centre areas, and typically within walking distance of B2 zones, and with reduced setbacks in town centre areas.

⁷⁸ Assuming two-bedroom apartments of 70 m², this is equivalent to an FSR of 0.28.

⁷⁹ Clause 3.4.

Council should ensure that sufficient re/developable land **in and around centres is zoned B4 and R3** so as to facilitate the construction of Multi-dwelling Housing and Residential Flat Buildings. Typically, this would need to be areas of existing/older separate housing to ensure that redevelopment is supported by the economics of redevelopment. There appears to be sufficient land zoned to meet future dwellings targets under the Residential Land Strategy. However, zoning of R3 and B4 land around urban centres should be maximised wherever possible, and as soon as possible to ensure that lower cost and more affordable housing types (RFBs and Multi dwellings housing) is developed, noting that not all sites will be economically feasible for redevelopment and that future expansion of B4 and R3 zones may be of little utility where land has been sterilized through the construction of high quality separate houses. Alternately, adding RFBs and/or MDH to R2 zones with relevant DCP controls would increase such opportunities.

Consideration should also be given to allowing **Multi dwelling housing in R2 zoning**, and/or **zoning greenfield areas as R1 General Residential**, as this can be an effective way of providing lower cost housing and there are likely to be areas where development of villas and low rise RFBs is supported economically.

B4 and R3 zoning provides the best opportunities for development of Residential flat buildings. There appears to be a good quantity of developable B4 land in Bega. Merimbula B4 zoning lacks opportunities for development and consideration could be given to **extending the B4 zones into the adjacent R3 zoned areas within 400 metres of the B2 zone**, or amending controls in better located R3 zones to bring controls in line with those in B4 zoned areas, for example, with regard to Height and FSR etc (in addition to reduced open space and parking requirements, outlined above).

While there are redevelopment sites in Eden, the extent of B4 zoning is limited, and again consideration could be given to extending the B4 zones into the adjacent R3 zoned areas within 400 metres of the B2 zone or amending controls in better located R3 zones regarding height and other controls to increase supply and to avoid quarantining against future development for Residential flat buildings.

FSR and Height

Based on the preliminary analysis of development economics above, an **increase in height in B2 zones** may improve the viability of shop top housing development to some degree.

More importantly, a **Height increase in R3 zones to that of B4** (amending controls to allow for 13 metre rather than 10 metre Height limit).

Floor area

Any requirement which increases the strata area of a flat, apartment or unit will increase the price of the dwelling and have an adverse impact on affordability. The DCP contains controls related to open space and parking that affect Residential flat buildings. Any such controls should be brought into line with the Apartment Design Guide, as noted above.

Boarding Houses

Planning Issues

Increasingly, Boarding Houses, particularly New Generation Boarding Houses under *SEPP Affordable Rental Housing 2009* are providing affordable accommodation to diverse very low and low income households. New Generation Boarding Houses/Co-housing provide an important opportunity for low and moderate income health workers, visiting professionals, students, and people working on fixed term contracts, and that consultations in the preparation of this Strategy indicate that there is likely to be considerable demand for such accommodation, but relatively low awareness of this opportunity.

There is no data available on boarding house rents in Bega Valley LGA. Based on a rule of thumb of 80% of one bedroom median rental, data for the most recent quarter (December 2020) would predict a rent of \$200 per week and hence not affordable to any very low income household. However, if a resident is eligible for Commonwealth Rent Assistance (Centrelink payments), a room could be affordable to some groups, including an Aged Pensioner and a person on Disability Support Pension, though not a single person on JobSeeker allowance. They will also provide flexible and affordable and/or lower cost accommodation to some very low and many low income key workers in hospitality, retail, health and community services. They are one of the only forms of accommodation likely to be affordable to such target groups.

Boarding Houses are a permissible use in R2 Low Density Residential, R3 Medium Density Residential, B1 Neighbourhood Centre, B2 Local Centre and B4 Mixed Use. There is an FSR bonus available for Boarding House development under *SEPP Affordable Rental Housing 2009*.

As noted, there are no Registered General Boarding Houses in Bega Valley LGA. Based on JSA's experience in other regional areas of NSW, this could be due to a **lack of knowledge about SEPPARH by the development industry**, as our economic analysis indicates that New Generation Boarding Houses are likely to be economically viable, and to provide a good rate of return, in major town centres of Bega Valley LGA.

As such, it is recommended that Council proactively raise awareness about the benefits and viability of New Generation Boarding Houses developed under SEPPARH with the local development and real estate industry, as well as local community housing providers.

Examples of such developments are provided below.

New Generation Boarding Houses for Diverse Target Groups

'Bricks and mortar' could be funded through development partnerships on public land, such as those discussed later (for example, between Council and a local community housing provider active in the area) and could be provided as part of a mixed use development, or as a stand alone option. SEPPARH provides for minimum room sizes for single rooms, option for self-contained facilities (bathroom, toilet, and kitchenette) as well as shared facilities (e.g. common room, share kitchen and outdoor open space) depending on the size of the facility.

Affordable rents are provided for where developers seek to gain Land Tax Concessions (as outlined later), and such facilities can be developed and managed by a private developer or a registered Community Housing Provider, like the New Generation Boarding House pictured below, and operated by Hume Community Housing in Sydney.



Figure 5.2: New Generation Boarding Houses managed by Hume Community Housing (interior)



Figure 5.3: New Generation Boarding Houses managed by Hume Community Housing

Pembroke Street, Ashfield is an example of a modern New Generation Boarding House operated by Hume Community Housing. It offers high quality accommodation with a high quality finish throughout, at an affordable price, mainly to low income working single people and couples.

Each studio features well-appointed living areas, with a fitted fridge freezer, washing machine and tumble dryer as well as having fitted air conditioning. The studio offers a good-sized bedroom area with built in robes and well-appointed bathroom and kitchen. They each have their own balcony or courtyard; and there is also a common area lounge and a common area garden.

To be eligible for accommodation, prospective residents must meet all of the criteria below:

- Be an Australian citizen or Permanent Resident Visa holder, and be currently living in Australia;
- Be in full time or part time work;

- Have links to the area (such as work or close family);
- Meet the income criteria below:
- Single occupancy income must earn between \$50,000 and \$63,000 per annum (the lower half of the 'low income' range in Table 6.1 above);
- Couples occupancy joint income must be between \$70,000 and \$87,000 per annum (the top of the 'low income' household range);
- Children under 18 and pets are not accepted in these properties;
- All leases are signed for a 12 month fixed term period. After the initial 12 months, a further 12 month lease will be offered for those maintaining eligibility.

The income criteria are required in this case as the properties are part of the National Rental Affordability Scheme (NRAS), described elsewhere. However, the income criteria could be varied to include very low income key workers, pensioners, retirees or other single people in Central Coast LGA, which would better meet local need, and given NRAS funding is unlikely to be provided for a local development of this nature (so that the narrower income criteria would not apply).

Supported Boarding Houses

New Generation Boarding Houses can also be provided with some support to frail aged people or those with a disability who have no or very limited capital base (e.g. with a live-in manager, housekeeper, visiting support staff such as personal care workers, in-home meals, cleaning etc), including through FACS or other government funding, through HACC Community Aged Care Packages, or through models such as Abbeyfield which combine a housekeeper with community volunteering and resident engagement (potentially with funded support staff through other funding programs).

The Abbeyfield Housing Model offers a community based group housing option for very low income older people and people with a disability who are in need of housing and support:

- Houses are initiated, developed and managed by volunteers from local communities in partnership with Abbeyfield Australia;
- The houses are integrated into the streetscape and are non-institutional in design and operation, and usually accommodate no more than 10 people;
- Residents are encouraged to be active and involved in the running of the house and the life of the community; and
- The operation of the houses is supported by a formal legal and administrative framework linking the local and national levels;
- Support funding for a live-in housekeeper and visiting support staff can be incorporated through different funding programs.



Figure 5.4: Abbeyfield House, Williamstown, South Australia

Caravan Parks and Manufactured Home Estates

Caravan Parks are an allowable use in areas zoned RU5 Village, SP3 Tourist, RE1 Public Recreation and RE2 Private Recreation under BVLEP.

As noted above, on-site vans and cabins, and sites which are rented where residents place their own home, have the potential to be affordable to some very low income households, and to low income households, particularly where these are owned and managed by Council and/or a community housing provider. However, there appears to be a decreasing supply of permanent sites through conversion to tourist sites in coastal areas. Other permanent sites are likely to come under pressure from conversion to more upmarket, private MHEs, which are unlikely to be affordable to very low and low income households, unless they own their manufactured home outright.

Under SEPP 21, Council is required to impose a development condition specifying the maximum number of sites (if any) within that land that may be used for long-term residence. **Council could consider establishing guidelines encouraging a higher proportion of permanent sites as part of appropriately located parks and MHEs that are principally tourist-oriented developments, and providing for a higher proportion of such sites in licensing arrangements.**

Council could also identify one or two additional sites for residential caravan parks or MHEs, close to transport and/or services, which could be developed as an alternative housing model and managed by a community housing provider. This would require further investigation, and appropriate sites of an appropriate size may not be available.

Secondary Dwellings

Secondary dwellings (“granny flats”) can be a source of smaller rental accommodation. In 2016, such dwellings comprised 0.1% of rental stock in Rest of NSW and none of rental stock in Bega Valley LGA.⁸⁰

Under SEPP (Affordable Rental Housing) 2009, secondary dwellings are permissible in zones R1, R2, R3, R4 and R5.

Non-subdividable secondary dwellings can provide a source of low cost and affordable rental housing, particularly in lower value and/or non-coastal areas, where they are less likely to enter the STRA sector. We understand that Council has measures in place to support secondary dwellings, with wide permissibility and exemptions for developer contributions.

5.3.4 Incentive based variations

Market based incentives

Based on preliminary modelling in **Appendix C**, there appears to be limited opportunities to create significant benefit for developers through the provision of additional height or density within Bega Valley LGA. This is because most opportunities for uplift are associated with rezoning of rural land for residential uses and rezoning of R2 land to higher density uses such as residential flat buildings and multi dwelling housing.

Incentives to enhance opportunities for benefit capture

As discussed above, there are limited opportunities for benefit capture from changes to development controls, with most uplift associated with rezoning of rural land for residential uses and rezoning of R2 land to zoning that allows higher density uses such as Residential flat buildings and Multi dwelling housing (e.g., R1, B4 and R3 zones).

Council could **consider developing a Planning Agreement Policy, whereby Council can capture part of the uplift associated with proposals for changes arising from planning proposals**. This can take two broad approaches. In the first Council could carry out economic modelling and set target contribution rates associated with increased height, density or rezoning. In the second, Council could value uplift on a case by case basis, and take part of the uplift e.g., 50% as an affordable housing contribution, either in cash or in kind.

Opportunities for value capture are most likely to be found in higher value coastal areas.

5.4 Mandatory Intervention

5.4.1 Introduction

Mandating housing diversity is likely to be an effective mechanism for creation of affordable housing. This will be equitable where the mandating of such dwellings does not constitute an undue impost on the viability development.

⁸⁰ ABS Census 2016, TableBuilder

5.4.2 Mandating Housing Diversity

Existing areas

One bedroom strata dwellings are affordable to many low income purchasers and renters in all a number of areas in the LGA and, where they are available, they tend to enter the rental market at a much higher than average rate. Further, amenity of a dwelling generally increases price, so that smaller dwellings with one bathroom are likely to increase affordability. However, such properties are in very short supply in the LGA and are likely to be particularly attractive to lower income older renters as they become less able, or those with an existing asset to sell as need to move from a more remote area.

Council could consider **mandating a proportion** of one bedroom, one bathroom dwellings with a maximum floor area of 50 or 55 m² in Multi dwelling housing developments, Shop top housing developments and Residential flat developments in areas within 400 metres of town centres (for example, one dwelling in five or 20% of dwellings). This is unlikely to be an impost on the profitability of the development where amendments to controls recommended above are implemented. This could be done, for example, using a locality based DCP approach to desired dwelling type/mix in specific precincts and/or more generic provisions relating to required dwellings mix in the DCP for RFBs and MDH.

Two bedroom strata dwellings are affordable to some low income purchasing households and all moderate income households. Again, supply and amenity (dwelling size, appointment and location) are likely to impact on price and affordability for dwellings that have the potential to be more affordable. Again, a DCP-based approach is possible.

As well as encouraging an increased supply of two bedroom strata dwellings, and ensuring that there are no planning impediments to their development as outlined above, Council could consider **mandating a proportion** of two bedroom, one bathroom dwellings with a maximum floor area of 70 or 75 m² in multi dwelling housing developments and residential flat developments in areas within 400 metres of town centres (for example, two in five or 40% of dwellings). Again, amendments to controls outlined above would make this a more viable proposition for developers.

Greenfield sites

Based on the regression analysis above, the price of land is largely independent of the lot size, so there is no evidence that providing smaller lots will increase affordability in the Bega Valley context. However, providing for smaller lots can make more efficient use of infrastructure, potentially reducing the cost of developed land, although this may not be passed on to the purchaser.

Council could **adopt a masterplan approach to Greenfield developments** and include the following types of requirements:

- A proportion of lots to be allocated to Multi dwelling housing (for example, 10% of lots), with mandatory provisions for smaller two bedroom stock above (i.e. two bedroom, one bathroom dwellings with a maximum floor area of 70 or 75 m²);
- A proportion of Dwelling houses of a specified size (for example, three bedroom dwellings with one bathroom and a maximum floor area of 120 m²).

5.4.3 Mandate contribution to or inclusion of affordable housing

As noted above, *SEPP 70 (Affordable Housing)* now covers all of the State and allows mandatory contributions toward affordable housing where contributions do not affect viability of development and a need for affordable housing can be demonstrated.

Based on economic analysis in **Appendix C**, there is likely to be sufficient uplift to justify an affordable housing contribution from:

- Upzoning of R2 land in Bega to zoning that allows Multi dwelling housing and Residential flat buildings (R1, R3 and B4); and
- Upzoning of R2 land in Eden to allow Multi dwelling housing and Residential flat buildings (R1, R3 and B4).
- It is also likely that upzoning of some higher value coastal areas will result in sufficient land value uplift for inclusion in a SEPP 70 scheme; however, this would need to be further explored.

The modelling below estimates the likely value uplift from rezoning of rural land in selected precincts. Modelling is based on a hypothetical 10 ha lot yielding 96 lots of 600 m². Development costs have been estimated at \$11.8 million, or \$123,000 per lot. Land cost has been based on a linear regression analysis of rural land sales for land 10 ha or greater in Bega Valley since January 2020.⁸¹ The modelling assumes that any existing house on the land is subdivided off and sold so as to recover the cost of the house. Sales income is taken as median sales price less 4% for cost of sales and 10% for GST.

It can be seen that significant development uplift is associated with rezoning of rural land in beachside areas, providing opportunities for an affordable housing contribution.

Table 5.3: Preliminary assessment of uplift associated with rezoning of rural land

Area	Development Cost/lot	Land Cost	Total Cost	Median sales per lot	Income	Maximum affordable housing contribution
Bega	\$123,000	\$405,000	\$12,213,000	\$120,000	\$9,907,000	Not viable
Bermagui	\$123,000	\$405,000	\$12,213,000	\$245,000	\$20,227,000	40%
Eden	\$123,000	\$405,000	\$12,213,000	\$214,000	\$17,668,000	23%
Merimbula	\$123,000	\$405,000	\$12,213,000	\$260,000	\$21,466,000	43%
Pambula	\$123,000	\$405,000	\$12,213,000	\$210,000	\$17,338,000	30%
Tathra	\$123,000	\$405,000	\$12,213,000	\$465,000	\$38,390,000	68%

⁸¹ \$85,400 per bedroom, \$4,313 per ha, constant \$362,000, R² = 0.47

Area	Development Cost/lot	Land Cost	Total Cost	Median sales per lot	Income	Maximum affordable housing contribution
Tura Beach	\$123,000	\$405,000	\$12,213,000	\$299,000	\$24,685,000	52%
Wallaga Lake	\$123,000	\$405,000	\$12,213,000	\$265,000	\$21,878,000	45%

Source: EAC RedSquare data base; JSA calculation 2021.

5.4.4 Protect low cost housing

SEPP Affordable Rental Housing 2009 (SEPPARH) provides a mechanism for the protection of low rental residential buildings. Council should ensure that planners are aware of this mechanism and that development applications are routinely assessed with regard to low rental accommodation and that appropriate conditions are put in place.

This could be extended to caravan parks and MHEs that are providing lower cost and affordable housing to very low and low income households. The major pressure is likely to be conversion of caravan parks to 'MHEs' (even if they are not technically under SEPP 36); and gradual conversion of long-term residential sites to tourist uses, which displaces very low income, asset poor households with those more likely to have access to some reasonable asset (a better quality MH).

5.5 Direct Market Intervention

5.5.1 Introduction

As discussed above, there are some significant gaps in market provision of affordable housing to some key target groups. Even under optimistic scenarios, where smaller strata dwellings and New Generation Boarding Houses are provided in key urban centres, major gaps for the most vulnerable target groups are likely to continue.

The remainder of the demand can only be addressed through some appropriate system of transfers. The majority of demand for affordable rental (52%) is from very low income households, and provision of housing to this group will require deep subsidies, either through subsidised housing such as affordable (including social) housing with rent tied to income for very low income singles, families and key workers; or 'affordable housing' with some degree of subsidy such as discount market rent for low income families, key workers, and those whose income or personal circumstances make them ineligible for public or community housing.

It is also likely that the number of very low and low income households able to purchase housing will decrease in the future, and that more of these households will remain in the long-term rental housing market.

As well as the creation of affordable (including social) housing through SEPP 70 Affordable Housing Contribution Scheme, discussed above, the main way that most very low income and

many low income renting households can be affordably accommodated is through the direct creation of affordable rental housing through government funding; the use of Council and other public or community owned land in affordable housing developments and partnerships; and the more efficient use of existing social housing.

A number of relevant strategies are looked at below.

5.5.2 Cost reduction

Council could consider opportunities to waive fees for affordable housing developments for example by providing rate rebates to community housing providers, or reducing development application and construction certificate costs associated with affordable housing developments.

This could make a marginal development more attractive, but it would be preferable that the developer demonstrated the benefits, including that the housing created would be genuinely affordable in the long-term against relevant affordability benchmarks set out above. The most effective use of this type of subsidy would be for developments conducted by a registered Community Housing Provider (CHP).

5.5.3 Provision of Affordable Housing on Council or Public Land

Overview

Given the limitations of market delivery of affordable housing to all very low income households, and to low income purchasing and renting households for some housing products in some areas, an effective way of delivering affordable housing is through development of such housing on public land, and rented through/managed by a community housing provider. This land may be owned by Council, or by another public authority or NGO, and have the potential for development or redevelopment due to being vacant, having a redundant use or being underutilised. It can be developed as a standalone affordable housing development, or as part of a mixed use and/or mixed tenure development.

Such land can be developed under a variety of contractual arrangements. This can be by Council acting alone; or in conjunction with a partnering agency or agencies, such as a registered Community Housing Provider or other NGO. The desired outcomes for Council and the community can be specified by Council, for example, under a competitive EOI process, with performance criteria related to number and mix of dwellings, target groups to be accommodated, expected returns, sharing of risk, title sharing arrangements, etc.

Financially, the arrangement can be structured in a number of ways, depending on Council's preference. It can involve an effective contribution from Council (e.g., in the form of part or all of the capital cost of the land); can be cost neutral (e.g., where some of the units are sold to recoup the cost of the land); or even revenue raising in some markets (for example, where some units are sold to fund the cost of development, and income generating uses such as residential, commercial or retail are provided in the development). The site can also be a 'recipient' site for income generated through contributions to affordable housing generated off site through the planning system (e.g. through incentive-based contributions).

A CHP can be involved as a partner in the development process, can take the lead on development, or can simply be the manager of social and affordable housing created as part of the development process, depending on how much risk Council is willing to accept.

Council has more direct control of the future redevelopment of sites which it owns, manages and/or otherwise controls. However, there are also opportunities to make the redevelopment of other publicly owned sites more attractive to government authorities through the planning system and proactive approaches to such authorities.

Case Studies: Potential Affordable Housing Partnership Sites

JSA has been provided with map layers for Council owned and managed land. A number of potential development sites have been identified for further investigation, with these set out in **Appendix B**. Sites are typically within 800 metres of town centres, or with public transport links to town centres.

Preliminary modelling has been carried out for the following developments:

- Caravan Park / MHE
- Seniors Development
- Residential Flat Building
- Boarding House
- Villa Development

Caravan Park on Council owned land

Council owned land could be partially developed as an affordable caravan park or MHE, containing all long term sites. Modelling has been based on a two hectare development. This model is relevant for areas where seniors housing and caravan parks are permissible. Options considered include onsite cabins for rental, and site rental only.⁸² Infrastructure costs, such as water and sewer, have not been included, and if required will adversely affect the modelling below.

Based on densities at other caravan parks in the area, around 90 bays could be provided on a two hectare site. There is limited public information available on the costs of operating caravan parks. In 2017, Coffs Harbour City Council spent \$2.351 million⁸³ operating four caravan parks with a total of 714 sites,⁸⁴ giving an annual cost of \$3,293 per site, or \$63 per week. The cost of operating a caravan park for residential purposes is likely to be lower than this, as the Coffs Harbour caravan parks include a high level of amenity such as swimming pools and communal facilities; and also provide hire cabins for tourist use, with likely costs associated with regular cleaning.

Site rentals are set to be affordable to single person households on Centrelink payments, and would provide opportunities for people to purchase a second hand caravan, with these available for under \$5,000. There is also an opportunity for people to purchase a manufactured home to place on the

⁸² Rates from Rawlinsons Australian Construction Handbook 2019 plus 30%, cabin price based on AJC Portables Price Guide 2018 plus 10% for site costs.

⁸³ Coffs Harbour City Council (2017) *Financial Statements 2017*, page 25.

⁸⁴ Based on an inspection of site maps at <https://www.coffscoastholidayparks.com.au/parks/>

site, with significant savings from purchasing direct from the manufacturer rather than through a park operator.

The provision of basic one bedroom cabins on site would provide affordable rental to very low income households, including single aged pensioners.

Income typically exceeded costs by around 50%, suggesting opportunities to earn a return on the land. For the mixed development, a 5% return on the land is equivalent to a land value of \$2.5 million per ha.

Table 5-4: Comparison of Options for MHE or Caravan Park

	Provision of sites only	Including basic one bedroom cabin	Half site only and half basic one bedroom cabins
Expected number of sites	90 sites	90 cabins	45 sites 45 cabins
Target groups	Site rental of \$140 p.w. will be affordable to very low income households including for single person households receiving Centrelink payments	Cabin rental of \$190 p.w. will be affordable to very low income households, including single aged pensioners, but will exclude some single person households receiving Centrelink payments	Site rental of \$140 p.w. will be affordable to very low income households including for single person households receiving Centrelink payments Cabin rental of \$190 p.w. will be affordable to very low income households, including single aged pensioners, but will exclude some single person households receiving Centrelink payments
Estimated cost of construction	\$2.9 million	\$6.0 million	\$4.5 million
Annual cost based on 5% interest and typical operating costs	\$443,000	\$596,000	\$519,000
Expected annual income	\$655,000	\$889,000	\$772,000
Ratio of income/cost	1.48	1.49	1.49

Source: JSA 2021

Affordable Seniors' Development

An affordable seniors' development for very low income older renters could be built on Council land.⁸⁵ This model would also apply to serviced self-care housing.

Yield has been based on an FSR of 0.5 and a typical 60 m² dwelling. Based on a 30% footprint, a 2,000 m² site would be expected to yield 10 units. For such a development to be viable, an external source of funding would be required.

⁸⁵ Assumptions included: Rates from Rawlinsons Australian Construction Handbook 2019 plus 40% (with rates indexed), 10% of rent as administration cost.

Higher rents could be charged to offset costs, and achieve a break even scenario, meaning that people would pay somewhat more than 30% of their income, but providing lower cost rental than is often available through the market in a community setting. Income as an affordable housing development could also be increased by having a proportion of couple households, although these households could affordably rent in the private market.

There may also be opportunities for cross subsidisation, such as by including a proportion of larger and/or higher amenity dwellings and taking a bond from asset rich people for these dwellings.

There are not for profit providers in this sector and, if an appropriate site was identified, Council could seek expressions of interest from providers.

Table 5-5: Comparison of Options for Seniors Development

	Single storey self-care units
Expected number of apartments	10 rental units
Target groups	Rental: \$190 p.w.
Estimated cost of construction	\$2.1 million
Annual cost based on 5% interest	\$105,000
Expected annual income based on 10% administration cost	\$89,000
Ratio of income/cost	0.85

Source: JSA 2021

Modelling on Council Owned Land in Bega

The sites available are generally vacant land, underutilised land or car parks. Three options are considered. These are a New Generation Boarding House for very low income renters (assuming social housing rent levels); a Residential flat building providing accommodation for very low and low income renters and low income purchasers; and a Multi dwelling housing development for very low and low income renters and low income purchasers. Note that a demonstration development could also include a mix of these uses in a multi-tenure development. All parking is assumed to be at grade and uncovered.

Apart from the Boarding House (which cannot be strata subdivided), we have assumed one third sales, one third discount market rent and one third social rent. Sales have been taken as the median for Bega for the dwelling type. We have assumed a site area of 2,000 m² for modelling purposes; however, preliminary architectural modelling would be required to confirm assumptions made in modelling.

The **Residential flat building**⁸⁶ was assumed to be two stories and to utilise an FSR of 0.6:1.0 for the site, noting that a bonus FSR of 0.5:1.0 is available under SEPP (Affordable Rental Housing) 2009 (SEPPARH). Development is expected to yield 18 dwellings, and provide affordable rental to low and very low income households, including smaller households on Centrelink payments. Preliminary modelling suggests that income from such a development would exceed costs by 17%.

The **Boarding House** was assumed to utilise part of the bonus FSR, assuming a site footprint of 30% and three storey construction.⁸⁷ Development is expected to yield 44 boarding rooms, all with en suite bathrooms and kitchen in boarding rooms, and providing accommodation to smaller very low income households including those on Centrelink payments. Income exceeded costs by 38%. The design was based on drawings for a high quality multi storey boarding house, and cost savings could be achieved through reduced amenity.

Changing assumptions of the tenant profile to include low income workers in addition to very low income workers and Centrelink recipients would significantly improve the economic viability of the proposal due to the ability to charge higher rents.

The **villa development** was assumed to use an FSR of 0.5, based on a footprint of 30% and single storey construction.⁸⁸ Modelling was based on construction rates for project homes and sales were assumed to be third quartile strata prices for the LGA. Dwellings were assumed to be three bedrooms of 110 m² area with parking at grade. The site is expected to yield 6 such dwellings, providing affordable rental housing for moderate income families and social rental to families on Centrelink payments. Income is modelled to exceed costs by a factor of 5.2.

Amending the assumptions to include a proportion of one and two bedroom strata dwellings would increase the yield and the income from the indicative villa development.

In the case of **redevelopment of car parks**, replacement of parking on site would require construction of a parking station. A 2,000 m² lot would accommodate around 65 cars, and so construction of a parking station would add about \$1.4 million to the project, with an annual cost of \$70,000 at 5%. To fund this would require sale of around two thirds of dwellings, rather than the one third assumed in the modelling below.

⁸⁶ Assumptions included: Additional 15% for balconies, rates from Rawlinsons Australian Construction Handbook 2019 plus 30% for professional fees and profit, minimum sized apartments under the Apartment Design Guide, rents 75% of market or social rent, 10% of rent as administration cost.

⁸⁷ Assumptions included: average of 36 square metres per boarding room including circulation space and common areas with typical 26 square metre room including en-suite and cooking facilities, parking per SEPP (Affordable Rental Housing) for accessible area (0.5 spaces per room), rates from Rawlinsons Australian Construction Handbook 2019 plus 30%, rents 80% of market rent or social rent, 10% of rent as administration cost.

⁸⁸ Assumptions included: rates from Rawlinsons Australian Construction Handbook 2019 plus 30% for oncosts, overheads etc., rents 80% of market or social rent, 10% of rent as administration cost.

Table 5-6: Comparison of Options for Indicative Developments

	Residential Flat Building	Boarding House	Villa development
Expected number of apartments	6 one bedroom rental (3 social rental, 3 discount market rental) 3 one bedroom sales 6 two bedroom rental (3 social rental, 3 discount market rental) 3 two bedroom sales 18 parking spaces	44 boarding rooms (22 social rent, 22 discount market rent) 22 parking spaces	6 three bedroom (2 sales, 2 discount market rental, 2 social rental) 9 parking spaces
Target groups	Rental: One bedroom affordable to low income renters (\$200 p.w.) Two bedroom affordable to low income renting households (\$260 p.w.) One and two bedroom social rental affordable to households on Centrelink payments (one bedroom \$140 p.w., two bedroom \$220 p.w.) One bedroom sales affordable to low income households (\$320,000) and two bedroom sales affordable to moderate income households (\$397,000)	Rental: Half boarding rooms affordable to very low income renters (\$180 p.w.) Balance affordable to single people on Centrelink (\$140 p.w.)	Discount market rent affordable to moderate income renting households (\$300 p.w.) Social rental affordable to family households on Centrelink (\$260 p.w.) Sales affordable to moderate income households (\$550,000)
Estimated cost of construction	\$4.1 million	\$5.3 million	\$1.2 million
Annual cost based on 5% interest (less sales)	\$98,000	\$265,000	\$10,000
Expected annual income based on 80% of market rent and 10% administration cost	\$115,000	\$366,000	\$52,000
Ratio of income/cost	1.17	1.38	5.20

Source: JSA 2021

Redevelopment of Social Housing

There is extensive under occupancy of social housing in Bega Valley LGA. At the 2016 Census, 40% of social housing was three bedroom dwellings. Of these, one in five contained one person and one in three contained two people.

There are likely to be opportunities to redevelop older underoccupied housing to deliver smaller dwellings, such as one and two bedroom Residential flat buildings or New Generation Boarding Houses. This would appear to be supported by DCJ (20201) waiting list data for Bega Valley LGA, which show the expected waiting times for studio, 1 and 2 bedroom public housing dwellings as 5-10 years, and expected waiting times for 3 and 4+ bedroom homes as 2-5 years.⁸⁹

Appendix B contains a list of public housing sites in Bega and Eden. There are many instances of adjacent sites which would be suitable for redevelopment.

For example, there is a cluster of older public housing dwellings that are separate houses on relatively large lots in the area around Bunyarra Dve, Dandar Rd and East St, so that some of these dwellings may be selectively redeveloped to include a proportion of smaller dwellings, and potentially increase social housing stock. This would also help to free up larger dwellings that are underoccupied by providing smaller households with options within their local community. However, this is around 1.5 kms from major supermarkets in Bega, so that it may not be suitable for seniors' development unless serviced by a community bus for regular shopping and health service access.

There are a number of other clusters of similar older houses that would likely be suitable for selective redevelopment in Bega and Eden, for example, around Girraween Crescent Bega, which is around 1km from major supermarkets.

These will be further investigated in the next stage of the project, including through community consultations.

⁸⁹<https://www.facs.nsw.gov.au/housing/help/applying-assistance/expected-waiting-times>