

Building Community Acceptance for Community Housing: Summary Report



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This report has been prepared for

NSW Federation of Housing Associations Inc.
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Development Strategy

by

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1 Background

1.1 Objectives of the Study

The **purpose** of the study is to better understand the nature of and reasons for community opposition to affordable housing so that social and affordable housing proponents are able to develop strategies and mechanisms that build support for appropriate developments. The **objectives** of the project are to:

- Enhance the capacity of community housing providers and other affordable housing proponents to complete developments on time and on budget, and deliver positive community outcomes;
- Increase opportunities for community housing providers to engage in major developments, urban renewal and large scale management opportunities through building awareness among key stakeholders of the industry's capability; and
- To improve the acceptability of social and affordable housing in the wider community.

The project does this through the development of a strong evidence base regarding the need and demand for affordable housing across NSW; key barriers to the development of affordable housing including those related to community and institutional opposition to affordable housing at the local level; and the development of 15 case studies of various types of affordable housing developments in high need localities that add to leanings from existing literature.

The development of evidence based training materials and resources to assist affordable housing proponents in gaining community and institutional support for proposed developments and to successfully 'negotiate' the planning system forms the next stage of the project.

1.2 Stages of the Study and Reporting

The study is reported in five stages:

This **Summary Report**, which draws together the key findings of the study;

Part 1: Background Report which sets out the need and demand for affordable housing across NSW, and key barriers to the development of affordable housing including those related to community and institutional opposition at the local level. Part 1 also provides the criteria for the selection of case study developments, including areas of highest need and significant institutional opposition to affordable housing;

Part 2: Reports on the affordable housing context, housing need and effective strategies for the provision of affordable housing in the **Central to Eveleigh Urban Transformation Area**;

Part 3: Reports on the affordable housing context, housing need and effective approaches to the provision of affordable housing in the **Parramatta Road Urban Transformation Area**;

Part 4: Case Study Report that provides detailed analysis of the primary research conducted on 15 case study developments, including key learnings that will form the basis of training materials.

2 Overview of Selected Literature

This section provides a summary of selected literature related to community opposition to affordable housing, and effective ways of building support for such housing. The reader is referred to Section 2 of the *Background Report (Part 1)* for detail.

Community opposition to affordable housing is not a recent phenomenon, nor is it unique to Australia. Such opposition is well documented in academic literature from North America,¹ the United Kingdom and, to a lesser extent, Australia,² and is generally regarded as part of a broader trend toward increased opposition to various forms of unwanted developments.³

Whilst sharing many of the characteristics described in the ‘NIMBY’ literature,⁴ community opposition to affordable housing arguably carries a range of connotations that distinguish such opposition from that related to other land uses. Overseas and Australian studies of community opposition to affordable housing have generally found three main areas of concern for opponents:

- Potential impacts on the host neighbourhood (e.g. concerns about increased crime, stigmatisation of the local area and subsequent reduced property values);
- Characteristics of future tenants (e.g. concerns about who is likely to live in affordable housing and perceptions about their behaviour, as well as issues related to who is ‘deserving’ of affordable housing); and
- Built form and the planning process (e.g. bulk and scale, style or character, density, reduced or lack of community consultation in decision making, fears that it will be ‘substandard’ accommodation).⁵

The conflation of all types of ‘affordable housing’ with ‘social housing’ as an increasingly residualised and stigmatised housing tenure, as well as legislation that has facilitated for more dispersed sites for affordable housing and the fast tracking of some arguably poorer quality developments, has also provided multiple, fragmented and increasing opportunities for community

¹ See for example Tighe, R (2010) Public Opinion and Affordable Housing: A Review of the Literature, *Journal of Planning Literature*, 25(1), pgs 3-17.

² See for example Ruming, K (2014) “It wasn’t about public housing, it was about the way it was done”: challenging planning not people in resisting the *Nation Building Economic Stimulus Plan*, Australia. *Journal of Housing and the Built Environment*, 29:39-60; Ruming, K (2014b) Social Mix Discourse and Local Resistance to Social Housing: The Case of the *Nation Building Economic Stimulus Plan*, Australia. *Urban Policy and Research*, Vol 32, Issue 2, pgs 163-183; and Davison, G., Legacy, C., Liu, E., Han, H., Phibbs, P., Nouwelant, R., Darcy, M. and Piracha, A. (2013) Understanding and addressing community opposition to affordable housing development, AHURI Final Report No.211. Melbourne: Australian Housing and Urban Research Institute.

³ See for example Shively, C (2007) Understanding the NIMBY and LULU phenomena: reassessing our knowledge base and informing future research, *Journal of Planning Literature*, 21:255-266.

⁴ The ‘Not in My Backyard’ phenomenon familiar in popular culture and academic literature since the term was introduced in the 1980s (see, for example, Shively, C (2007) Understanding the NIMBY and LULU Phenomena: Reassessing Our Knowledge Base and Informing Future Research, *Journal of Planning Literature*, 21: 255-266).

⁵ Iglesias 2002, Tighe 2012, Scally & Koenig 2012, Nguyen et al 2013, Davison et al 2013

opposition in more recent years. Moreover, as some authors note, there is not a ‘homogenous discourse’ of opposition to affordable housing.⁶

The development of both community-wide and project-level strategies to effectively overcome such opposition are thus required. These include a detailed understanding of the local socio-economic, planning and policy context, and genuine engagement with concerns of and respect for the host community distinctly related to this form of development. Proactive, street-level community consultation by proponents, a willingness to negotiate on design, building ongoing relationships with decision makers, showcasing positive examples of well-designed and managed developments, and ensuring that, wherever possible, proposed developments are compliant with planning controls and reflect local character are noted as among the more effective ways to address community opposition.⁷

Positive leadership by a prominent community housing provider, with strong institutional links to and support from local government and active promotion of their role in affordable housing advocacy is also noted as particularly useful, with Port Phillip Housing Association highlighted as a leading example in this regard.⁸

Nonetheless, tension is evident in the literature about the extent to which such strategies can be effective in reducing community opposition, which often relates more to perception than to reality. Such perceptions include fears about safety or social disorder from the presence of affordable housing tenants, and about declining property values. Such concerns and resultant opposition are said to be particularly evident in wealthier, gentrifying, socially homogenous communities and/or areas with a high level of home ownership and a predominance of single family homes, as well as in areas that are facing urban decline.⁹

Strategies proposed in such contexts include undertaking a detailed social and environmental audit of potential localities, providing for targeted community engagement strategies in such areas, and potentially avoiding areas where there are likely to be heightened levels of opposition.¹⁰ Whilst this may be prudent, it is also likely that rapidly gentrifying areas are those more likely to need affordable housing, including for historical populations facing displacement through ongoing redevelopment.¹¹

⁶ See for example Ruming, K (2014) “It wasn’t about public housing, it was about the way it was done”: challenging planning not people in resisting the *Nation Building Economic Stimulus Plan*, Australia. *Journal of Housing and the Built Environment*, 29:39-60

⁷ See detailed review of literature related to effective action in Section 2.8 of JSA. 2016. *Building Support for Affordable Housing: Background Report Part 1* prepared for the NSW Federation of Housing Associations.

⁸ Press, M (2009) *Community Engagement and Community Housing: Lessons and practical strategies for local government for responding to contested community housing proposals*, Report prepared for the City of Port Phillip, July. Accessed online at: <http://www.chfv.org.au/database-files/view-file/?id=1010>.

⁹ Davison et al (2013) p 12 Citing Cook et al (2012b) and Taylor (2013); Press, M (2009) *Community Engagement and Community Housing: Lessons and practical strategies for local government for responding to contested community housing proposals*, Report prepared for the City of Port Phillip; and Dear (1992) *Understanding and overcoming the NIMBY syndrome*. *Journal of the American Planning Association*, 58(3), 288-300.

¹⁰ Davison et al (2013) *op cit*.

¹¹ See for example Stubbs, J. 2003. *Battle for the Right to the City: opportunities for an emancipatory social practice in a gentrifying urban landscape*, PhD Thesis (unpublished) RMIT, Melbourne

With regard to addressing community perceptions about the social and economic impacts of affordable housing, the provision of counter 'evidence' and general community education can be important, but appear to be less effective than a change in attitude arising from familiarity with and exposure to affordable housing within a local neighbourhood.¹² Studies that indicate that a majority of residents close to affordable housing developments that initially faced strong community opposition had resolved their concerns after the development was completed and occupied, and generally reported minor or no adverse impacts, and sometimes positive impacts, from the completed development, would tend to support this hypothesis.

Ultimately, many of the strategies employed to overcome community opposition to affordable housing have proven to be relatively ineffective to changing fundamental attitudes or prejudice toward affordable housing, particularly in communities with characteristics likely to heighten such opposition. Despite such opposition, many projects have been approved and constructed where proponents have been able to ensure their project achieves the design quality and compliance to allow it to successfully negotiate the planning process. In this regard, there is a considerable difference between *overcoming opposition* and *achieving project approval*.¹³

The extent of significant opposition to affordable housing developments is also questioned by some authors noting, for example, research conducted in relation to the Commonwealth's Nation Building Economic Stimulus Program, which showed that only a small minority of developments were in reality controversial, and that only a small minority of councils in affected areas actually expressed strong concern about local affordable housing developments.¹⁴

The importance of strong leadership by government decision-makers, in particular local government, is thus noted. Scally et al suggest that in order to more effectively deal with community opposition to affordable housing, planners and policy makers need to:

- anticipate opposition,
- better understand public perceptions,
- develop more effective procedures for countering public opposition and changing perceptions, and
- recommit themselves to equitable outcomes.¹⁵

¹² See for example Davison, G., Legacy, C., Liu, E., Han, H., Phibbs, P., Nouwelant, R., Darcy, M. and Piracha, A. (2013) Understanding and addressing community opposition to affordable housing development, AHURI Final Report No.211. Melbourne: Australian Housing and Urban Research Institute; and Goetz (2008) Words Matter: The importance of issue framing and the case for affordable housing, *Journal of the American Planning Association*, 74(2), pgs 222-229

¹³ See for example Scally, C. 2012. 'The Nuances of NIMBY: Context and Perceptions of Affordable Rental Housing Development' in *Urban Affairs Review*, 49(5) pgs 718-747.

¹⁴ Shepherd and Abelson (2010) Review of Implementation of the National Building and Jobs Plan in NSW and Potential Application for Other Projects, p 104. Available online at: <http://www.applieconomics.com.au/pubs/reports-and-journals/2010/>

¹⁵ Scally, C. 2012. 'The Nuances of NIMBY: Context and Perceptions of Affordable Rental Housing Development' in *Urban Affairs Review*, 49(5) pgs 718-747.

Such an explicit commitment to affordable housing as a matter in the public interest as a wider community benefit, the presence of a clearly articulated strategic position, and willingness to withstand unreasonable local political pressure by a minority of residents against affordable housing, appear to be important in facilitating affordable housing developments at the local level. Ultimately, these are matter of political will at the State and local levels.¹⁶

¹⁶ Stubbs, J. 2003. *Battle for the Right to the City: Opportunities for an Emancipatory Planning Practice in a Polarising Urban Landscape*, PhD Thesis, RMIT (Faculty of the Constructed Environment).

3 Priority Areas for Affordable Housing

3.1 Overview

The assessment of priority geographic areas for affordable housing across NSW provides part of the criteria for the selection of case study developments, reported in Part 4 of this study. Directing strategies to overcome community resistance to affordable housing is likely to be most beneficial in areas of greatest housing need and most significant community and institutional opposition. The needs analysis contained in Part 1 of the *Background Paper* can also provide part of the evidence base for awareness raising among local government authorities and the community in these priority areas in later stages of the project.

Areas of priority need for affordable housing were examined in a range of ways in Part 1 of the *Background Report*, and are reported in summary here. This includes through an examination of relevant case law, in particular which LGAs were most represented in relevant cases and the basis for and outcomes of such litigation; a housing market analysis which compared evidence of housing need with likely demand; and a preliminary analysis of the economics of redevelopment to understand likely areas of greatest redevelopment pressure.

Each of these areas is looked at in turn below.

3.2 Summary of Relevant Case Law

3.2.1 Overview of Approach

JSA undertook a review of all affordable housing cases that have come before the NSW Land and Environment Court from 2009 (the gazettal of *SEPP (Affordable Rental Housing) 2009*) to the present. Cases related to boarding house developments and affordable (social, key worker and/or discount market rental) housing were undertaken separately due to the differences in community and institutional reactions to these two forms of affordable housing in the literature.

Cases were reviewed to understand the areas from which most litigation was originating, and the basis for and outcomes of such litigation.¹⁷ Being involved in Land and Environment Court proceedings did not necessarily mean that there was community opposition to the proposal. However, those areas where more cases have resulted in litigation provide an indication of where there may have been a higher level of affordable housing activity and opposition (see Section 4, Part 1 of the *Background Report* for detailed case law analysis).

¹⁷ It is noted that this does not necessarily reflect the number of applications actually lodged with NSW councils. Despite numerous attempts to gain an insight into the total number of applications approved and withdrawn in key LGAs, poor publicly available data and access to council documents prevented this aspect of the research from occurring. Nonetheless, the review of LEC cases below does provide some insight into the main areas where applications are likely to be lodged, and the reactions of councils to these applications.

3.2.2 Comparison of boarding house & affordable housing case law

Most prominent councils areas

JSA's review of all LEC cases where applications for new affordable housing and boarding house developments lodged under SEPPARH could be identified indicate that eight councils have been particularly litigious. These eight councils, Parramatta, Hurstville, Ashfield, Bankstown, Manly, The Hills, Marrickville and Pittwater, have each been involved with five or more such Land and Environment Court decisions between 2009 and 2015, accounting for more than 60% of all decisions in this area over the period.¹⁸

The largest number of boarding house cases originated from the LGAs of **Parramatta, Ashfield, Hurstville, Manly and Marrickville**; whilst the largest number of affordable housing cases originated from the LGAs of **Pittwater, Hurstville, Bankstown, The Hills and Manly**.

JSA's survey of community housing providers (CHPs), discussed later, indicated that there is some overlap between those councils most prominent in Land and Environment Court actions involving refusals of affordable housing developments and areas where CHPs identified problems, namely **Ashfield, Hurstville and Parramatta** LGAs (with Sutherland LGA also cited by CHPs). These were areas where community opposition was most strongly experienced with regards to a development applications lodged by CHPs, although it is also noted that only minority of CHPs were involved in significant developments and not all council areas were covered by their applications.

There also appears to be some difference between the LGAs most often represented in litigation and those identified in the literature for having more extreme community reactions,¹⁹ that is,

- Metro Councils: Parramatta, Ryde
- Outer Metro Councils: Wyong, Wollondilly
- Regional Councils: Armidale, Bathurst, Lake Macquarie, Wollongong,

with Parramatta being the only common area between the literature and case law reviews.

Outcomes of Decisions

Overall, **more cases relating to boarding house development applications** were identified than affordable housing applications (55 and 33 cases respectively). For both boarding house and affordable housing applications, the largest number of appeals occurred in 2012, followed closely by 2015, likely related in the former to the introduction of the 'local character test'²⁰ and other amendments to the SEPPARH that arguably weakened its provisions at this time.

¹⁸ JSA 2016 *op cit*.

¹⁹ Davison et al (2013); Ruming (2014); and Shepherd and Abelson (2010).

²⁰ 2011 saw the introduction of amendments to SEPPARH including the 'local character test'. This amendment stated that the consent authority must consider whether the proposal is compatible with the local character of the area in the case of infill affordable housing developments and boarding houses. The parameters and criteria of such an analysis are not clearly specified, for example, in a relevant guideline, and many councils do not provide objective guidance to applicants. This leaves each council to decide upon these on a case by case basis, and considerable uncertainty. The case law reviewed at Section 4.4.3 of *Part 1 of the Background Report* is instructive in this regard.

It is interesting that, on appeal, **boarding house developments were more successful** in gaining Court approval than affordable housing developments. The majority of appeals against a refusal of an *affordable housing* application were dismissed (58% - that is, the LEC approved 42% of developments on appeal), while 62% of boarding house appeals were upheld (that is, the LEC approved 62% of developments on appeal).

This perhaps indicates that grounds for refusal of boarding houses by councils were not regarded as being as reasonable or supportable as those related to other forms of affordable housing, and/or that physical amenity impacts related to boarding houses were not as significant as those related to infill affordable housing apartments, with the latter more likely to be high rise developments.

Reasons given for refusal

Local Government

Reasons for refusal of a boarding house development by a local authority generally followed a similar pattern to reasons for refusals of affordable housing applications.

Physical character was strongly represented in reasons for refusal of both boarding houses and affordable housing development applications (31% and 46%, respectively), with 'physical character' in our analysis including bulk and scale; compatibility with local character; heritage; and setbacks, landscaping and other such onsite issues.

However, **physical amenity in the surrounding context** did not feature as strongly in affordable housing refusals as in boarding house refusals, accounting for 12% and 33% of the reasons for refusal respectively, with 'physical amenity' in our analysis including noise and privacy impacts; parking and traffic issues; solar access and other physical impacts on neighbours.

The next highest reason for refusal for both affordable housing and boarding houses were **administrative issues** such as non-compliance with the legislation or the SEPPARH and lack of proper documentation (19% and 13% respectively); and **adverse residential amenity impacts** such as internal design of the building, size or amenity of rooms, etc (12% and 9% respectively).

Interestingly, explicit issues related to **social impacts** and matters in the public interest were not common reasons given for refusal of a development application for affordable housing or boarding houses.

Land and Environment Court

Generally speaking, **reasons given for the dismissal of an appeal by the NSW LEC** tended to be similar for both boarding houses and affordable housing.

Physical character remains the most prominent reasons for dismissal of an appeal (approval of a development by the Court) for boarding houses (30%) and particularly for **affordable housing developments (59%)**. More specifically, for affordable housing developments, the most common reason for dismissal was that the development was **incompatible with the character of the local area**, accounting for almost half of the reasons for dismissal.

Other more common reasons for the dismissal by the Court of both boarding house and affordable housing appeals were **administrative issues** (22% and 24% respectively); and **residential amenity** (8% and 10% respectively).

Physical amenity in the surrounding context was a more prominent reasons for dismissal of an appeal in boarding house appeals (16%), than affordable housing appeals (3%); whereas again social impacts, access and egress and public interest were not commonly cited as reasons for dismissal of an appeal for boarding house or affordable housing appeals.

Community Objections

Perhaps most relevant to the current study, the level and nature of resident opposition was quite different to what may be intuitively assumed in the cases reviewed.

Affordable housing and boarding house development proposals were the subject of resident objections in less than 40% of cases for each type of development (39% each). Further, the nature of objection was principally related to physical amenity such as parking and traffic, and noise, overshadowing and privacy impacts in the case of both affordable housing and boarding house development prop (55% and 50% respectively), whilst the next highest rate of objections related to incompatibility with the physical character of the locality and related issues such as bulk and scale, setbacks and landscaping (34% and 25% respectively).

Importantly, social impact concerns constituted only 4% of objections in the case of affordable housing proposals, with only 1% specifically related to fears about the profile and behaviour of future residents. Social impact-related objections were slightly higher in the case of boarding house developments (13% of objections), with 10% related specifically to fears about the profile and behaviour of future residents, but still a small minority.

Although these figures may mask greater underlying opposition based on preconceptions about affordable housing residents, this perhaps calls into question the extent to which such concerns should be a significant focus of future action to address community opposition to affordable housing and boarding houses. Given other evidence from case studies reported later, it appears more likely that ‘affordable housing’ (including boarding houses) is getting caught up in the general opposition to densification of older suburban areas.

It is also likely that the suitability of the site for more intensive development may be an issue, for example, site constraints that lead to adverse configuration of the development on the site; and/or an attempt to maximise development opportunity and feasibility through attempting to further reduce planning standards. This is perhaps inevitable in the trade-off between affordability and amenity.

3.2.3 Implications for future action

Character test and physical character

One of the most important issues for affordable housing development applications is to ensure that they satisfy the **local character test**, with overlap between this and other explicit reasons for refusal by councils and the Court such as **bulk and scale, setbacks and the like**. However, it is noted that this has both objective and subjective elements, and that clear local guidance is generally not

provided by local government in this regard. Such guidance by local government is likely to greatly reduce refusals and the expense and delay of Court actions.

In the event that a local council does not provide such guidance, the case law cited at Section 4.4.3 of Part 1 of the Background Report does provide some guidance. Those planning a development should have the local area assessed by a well-regarded professional, and use this assessment to determine if a development can be compatible with the local area and incorporate relevant design elements into the proposal. However, it is also noted that applicants frequently have an expert assessment of local character undertaken as part of their environmental assessment, so that a developer could be regarded as being 'between a rock and hard place' with regard to this issue.

Arranging pre-DA lodgement meetings with the relevant council, ensuring compliance with relevant standards to the greatest extent possible, and seeking and implementing the advice of a well-regarded professional may not always assist with heading off a refusal, but is likely to provide a better basis for a Court appeal against a refusal. Ensuring that the site is suitable for the development, that required standards can be achieved, and that there are no significant constraints is also likely to be important in the early stages of planning for the development.

In the case of an appeal where this is at issue, the relative success of boarding houses is noted and should provide some encouragement for applicants wishing to proceed with a development. Proactively addressing these issues is likely most important for affordable housing developments, but also for boarding houses despite lesser credence being given to this by the Court.

Proactively Addressing Other Issues

The next most important reason for LEC refusal related to **administrative issues**. This again highlights the importance of pre-DA meetings with council officers to ensure that all relevant documentation is provided and studies undertaken. Seeking the advice of a well-regarded town planner is also strongly advised during the early stages of planning the project to ensure that compliance with the legal and technical aspects of the SEPPARH can be met, including a strategic approach to site selection that ensures that the site is suitable, within an accessible area, etc.

Physical amenity in the surrounding context is also an important issue for refusal. In particular, commissioning appropriate parking and traffic studies from a reputable professional early in the planning process to ensure that there are likely to be no major barriers in relation to the site; and ensuring that the site is also suitable with regard to the ability to achieve appropriate privacy and solar access outcomes and to mitigate potential noise impacts (e.g. related to the proximity to low rise dwellings or other sensitive uses), is likely to make refusal more problematic for the consent authority. This is likely to be **far more important for boarding houses**, likely due to the fact that they are often introducing multiple residents on single blocks within a lower density suburban environment.

Achieving an appropriate balance between affordability and amenity is likely to be important, although **residential amenity** accounts for 10% or less of refusals. Adequate consideration for the internal layout of boarding houses, and the amenity of rooms is important in this regard; and being judicious about the number or rooms or apartments included in developments in the context of the

constraints of the site is also important, although this could adversely affect the financial viability of the project and mean that less people are assisted.

Finally, it is difficult to firmly recommend effective ways that community opposition to affordable housing and boarding house developments based on **social impacts**, including concerns about the nature of future residents, could be addressed in this context, given that very few developments that proceed to hearing have stated reasons for refusal related to these issues, and such concerns form a small minority of resident objections in any case.

Although education regarding the nature of likely future residents *maybe* worthwhile, the literature indicates that such education may not be effective in the face of community prejudice without strong institutional support and direct experience of living with affordable housing tenants as neighbours in completed developments.

Proactively addressing the more substantive issues outlined above, particularly in relation to physical character, administrative issues and impacts related to amenity in the context of the surrounding locality, and the suitability of the site in terms of location and constraints to development is important in reducing the likelihood that such underlying issues regarding preconceptions about affordable housing and boarding house residents will gain traction or legitimacy with consent authorities, and mean that such developments will have an increased likelihood of approval.

3.3 Housing Market Analysis

3.3.1 Affordable Housing Definition and Benchmarks

Before looking at relative housing need across NSW, it is first important to agree a common definition of ‘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.

For the purpose of this study, the statutory definition of ‘affordable housing’ under the *NSW Environmental Planning and Assessment Act 1979 (NSW)* is adopted, being housing for very low, low or moderate income households, where ‘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 Sydney SD.²¹

As a commonly used rule of thumb, housing is considered to be affordable where households pay less than 30% of their gross household income on their rent or mortgage payments. 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’.

²¹ As defined in *State Environmental Planning Policy No 70 (Affordable Housing)*

The following table provides benchmarks that are used in this study when referring to ‘affordable housing’, in 2016 dollars, and are consistent with relevant NSW legislation.

Table 3.1: Affordable Housing Income and Cost Benchmarks

	Very low-income household	Low-income household	Moderate-income household
Income Benchmark	<50% of Gross Median H/H Income for Greater Sydney	50-80% of Gross Median H/H Income for Greater Sydney	80%-120% of Gross Median H/H Income for Greater Sydney
Income Range (2)	<\$783 per week	\$784-\$1,253 per week	\$1,253-\$1,879 per week
Affordable Rental Benchmarks (3)	<\$235 per week	\$236-\$376 per week	\$377-\$564 per week
Affordable Purchase Benchmarks (4)	<\$228,000	\$228,001-\$364,000	\$364,001-\$545,000

Source: JSA 2016, based on data from ABS (2011) Census indexed to March Quarter 2016 dollars

- (1) All values reported are in March Quarter 2016 dollars
- (2) Total weekly household income
- (3) Calculated as 30% of total household income
- (4) Calculated using ANZ Loan Repayment Calculator, using 4 January 2016 interest rate (5.37%) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan and 30% of total household income as repayments.

3.3.2 Key Indicators of Housing Need and Demand

Looking first at housing cost relativities against likely demand, the following graph ranks the price of one and two bedroom strata dwellings weighted by the number of very low, low and moderate income households across LGAs in NSW, showing the top 20 LGAs by this measure.

Of note, a median priced one bedroom strata dwelling in Greater Sydney would be affordable to only the top 50% of moderate income renters, whilst a median priced two bedroom unit would be affordable to only the very top of the moderate income band.

Priority LGAs by this measure are all within the inner and middle ring suburbs of Sydney, with the exception of Newcastle, as shown in **Figure 3.1** below.

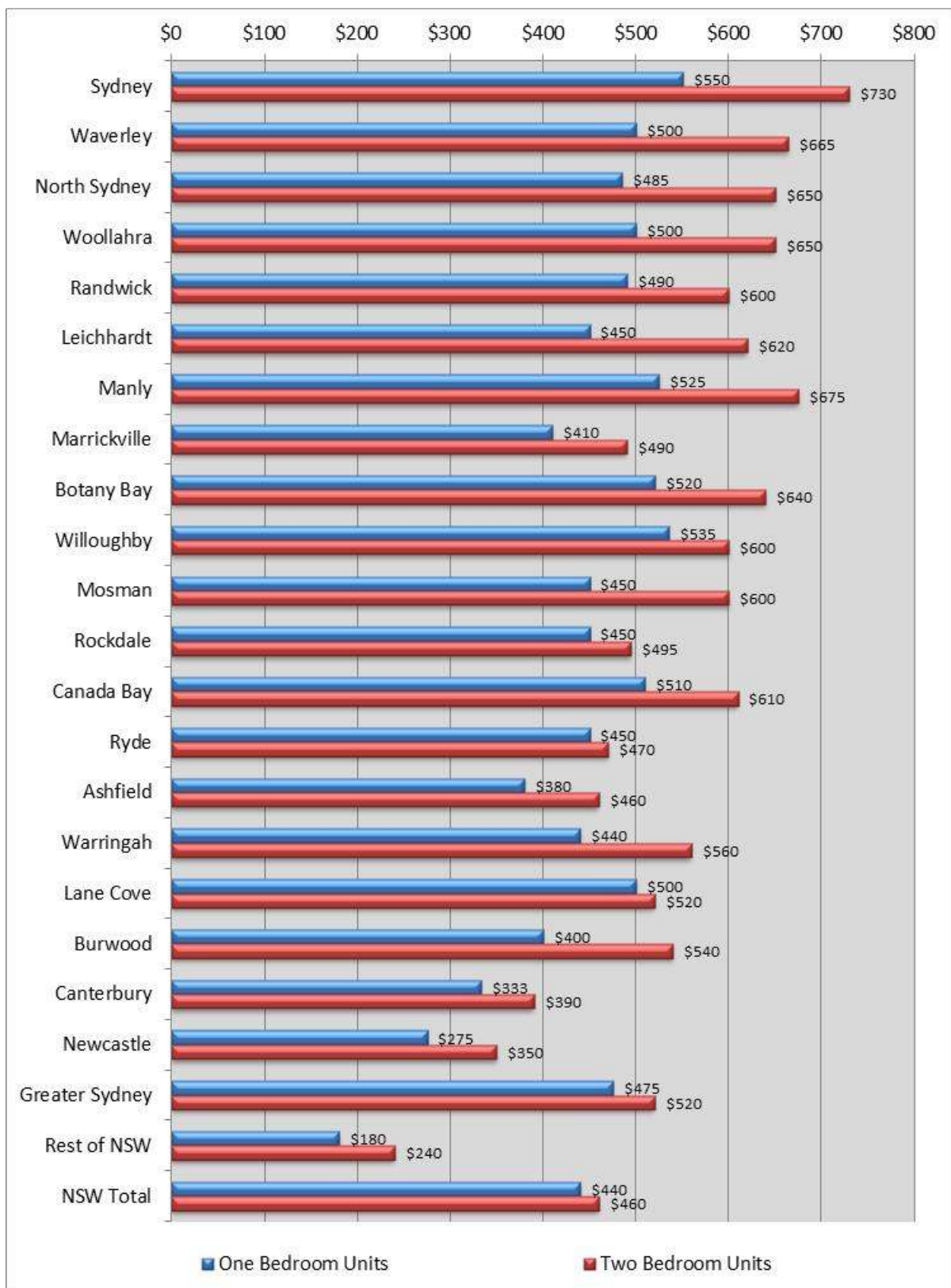


Figure 3-1: Median Weekly Rent for One and Two Bedroom Units weighted by Number and Proportion Very Low and Low Income Private Renters – Top 20 LGAs in NSW

3.3.3 Housing Stress

Another important indicator of priority areas for affordable housing intervention is the relative rate and quantum of housing stress in an area, where a very low, low or moderate income household is paying 30% or more of its gross income on housing costs.

This time, each LGA in NSW was ranked according to the *number* of private renters in housing stress and then ranked by the *proportion* of private renters in housing stress, with an average taken of the two rankings. The top 20 LGAs are shown in the following figures for very low income renters and low income renters.

Despite the very high relative cost of housing and housing stress in many inner city areas, when looking at this measure of need (which also factors in absolute number of households in housing stress), a range of outer ring LGAs and several regional areas are also elevated in the ranking of **very low income** households in housing stress. The lower cost of housing in these areas is offset by the lower average income of residents in many of these areas. Not surprisingly, virtually all very low income private renters in these areas are in housing stress.

When looking at **low income** households, a somewhat different picture emerges, with an increased number of inner city LGAs in the top 20 areas for need, and no regional areas ranked. As well as reflecting local housing markets, this likely indicates that some low income households have managed to maintain a toehold in these areas and have not faced the level of displacement that has already occurred for very low income households, although such displacement is likely with ongoing gentrification and redevelopment of older, lower amenity dwellings in the future.

In other words, the reason that many expensive, inner city areas do not appear in the top 20 LGAs is because of earlier displacement of very low and low income households from these areas in earlier waves of gentrification.

Figures 3.2 and 3.3 provide more detail on areas with highest rates of housing stress among renters adjusted for the total numbers in rental stress.²²

3.3.4 Alignment with areas with highest rates of litigation

With regard to the case law reviewed above, it is also relevant that a number of the LGAs that are represented several times in the top 20 LGAs for affordable housing need overlap with the most litigious areas. These are **Marrickville, Ashfield, Manly, Parramatta, Hurstville, Parramatta, Bankstown and The Hills LGAs**.

²² Both measures are important, for example, an LGA may have a very high proportion of renters in housing stress, but a relatively small number of renters.

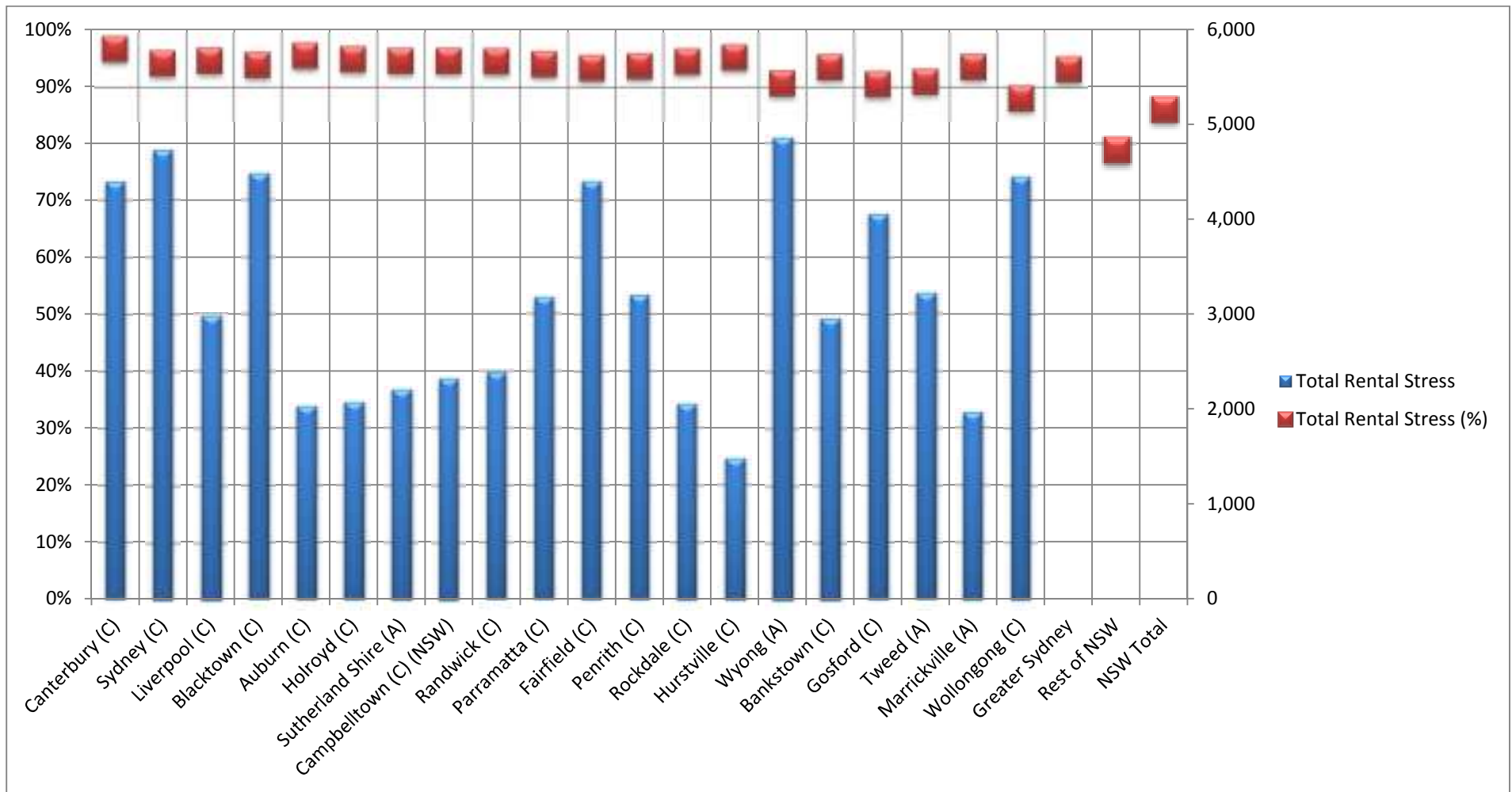


Figure 3-2: Local Government Areas with High Numbers and Proportions of Private Renters with Very Low Incomes in Rental Stress (As a proportion of Very Low Income earners)

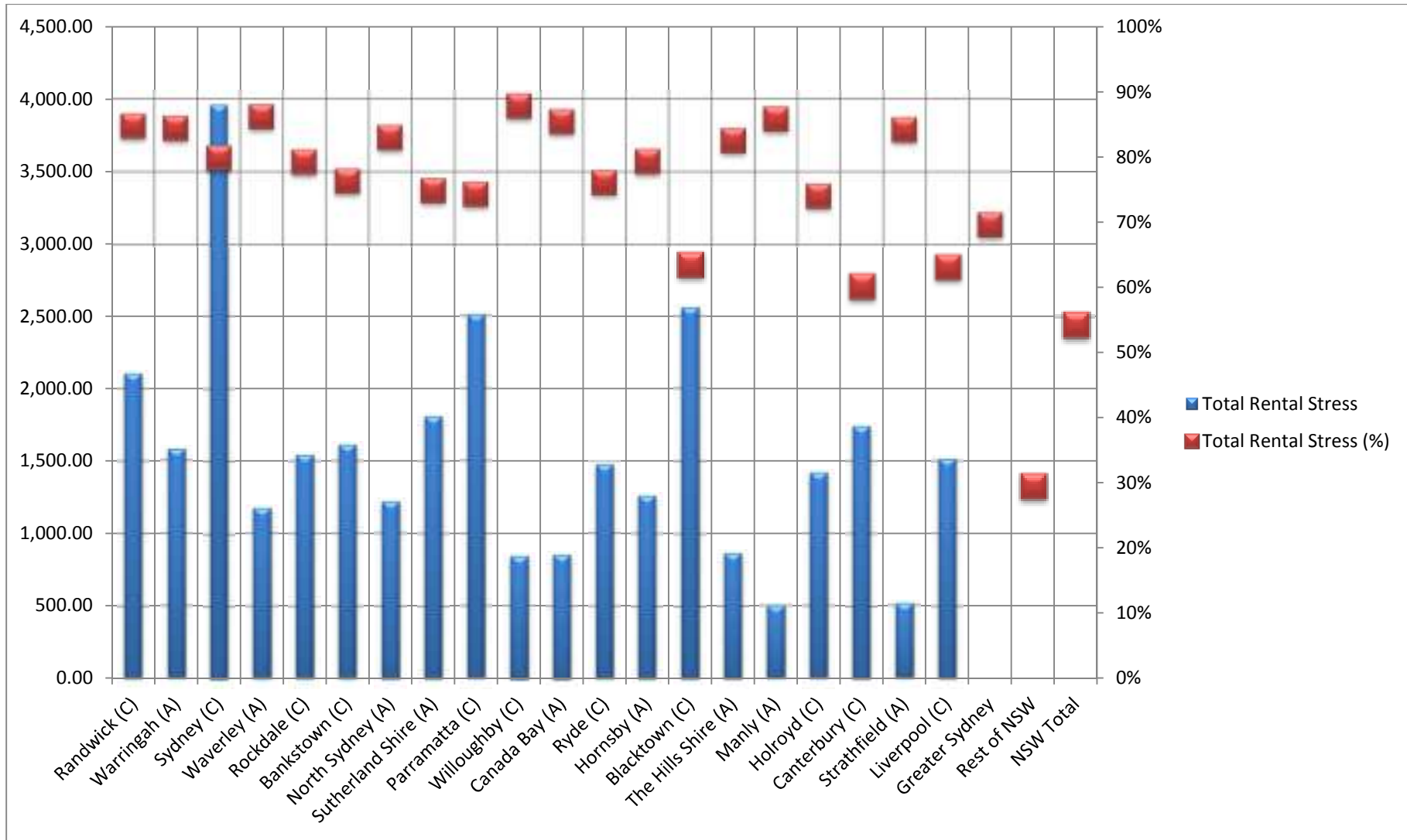


Figure 3-3 Local Government Areas with High Numbers and Proportions of Private Renters with Low Incomes in Rental Stress (As a Proportion of Low Income Earners)

3.3.5 Supply and Affordability of Housing for Smaller Households

It is also important to understand the need for smaller rental accommodation such as studio and one bedroom apartments and boarding houses, given the increasing need and demand for such accommodation due to decreasing affordability and demographic change, and the level and nature of opposition to boarding houses and densification in high need areas, discussed later.

Smaller studio and one-bedroom dwellings are the generally the lowest cost and most affordable conventional housing product. Given the lack of data on New Generation Boarding Houses, they could also be regarded as a proxy for this form accommodation, particularly where such accommodation is not readily available in an area.

The major target group currently taking up accommodation in Boarding Houses are lone person households who are in need of rental accommodation, due both to the size and amenity of rooms and restrictions on residency by children.²³

As such, the analysis focuses on supply- and demand- side issues for lone person households currently renting through the private market. Given the study involves the selection of case studies in priority areas where there is likely to be significant unmet demand for affordable housing, the top 20 areas for a range of indicators of relatively supply and demand have again been highlighted, and are shown in Figures 3.4 and 3.5 below.

Overall, under-supply of smaller dwellings (studios and one-bedroom apartments) suited to smaller renting households is evident in both inner and middle ring areas of Metropolitan Sydney such as City of Sydney, Waverley, North Sydney, Marrickville, Ryde, Canterbury, Randwick and Ashfield; and in larger or higher amenity regional areas such as Albury, Newcastle, Wyong, Gosford, Wagga Wagga, Coffs Harbour and Wollongong. Although housing *affordability* is most critical in the inner and middle ring areas of Metropolitan Sydney, *supply* of such smaller dwellings is much more also plentiful.

Relatively high levels of housing stress among smaller households in two-bedroom dwellings in key regional areas also indicates supply constraints in these areas, in particularly the lack of one-bedroom dwelling options in many regions, including those with relatively high levels of lone person private renters. It is also likely that there will be increased upward pressure on smaller properties that is available in high amenity coastal regions and those linked to the Sydney jobs market, exacerbating affordability issues over time. The economics of development often does not facilitate such development through the private market, however, as discussed later.

The highest need LGAs are again shown below in relation to these measures of likely housing need.

3.3.6 Alignment with areas with highest rates of litigation

Four of the LGAs that were the most litigious in relation to boarding houses in the case law review above were among the highest priority LGAs for smaller accommodation, in particular boarding houses and studio apartments, that is **Marrickville, Ashfield, Manly and Parramatta LGAs**.

²³ JSA (2016) *op cit*.

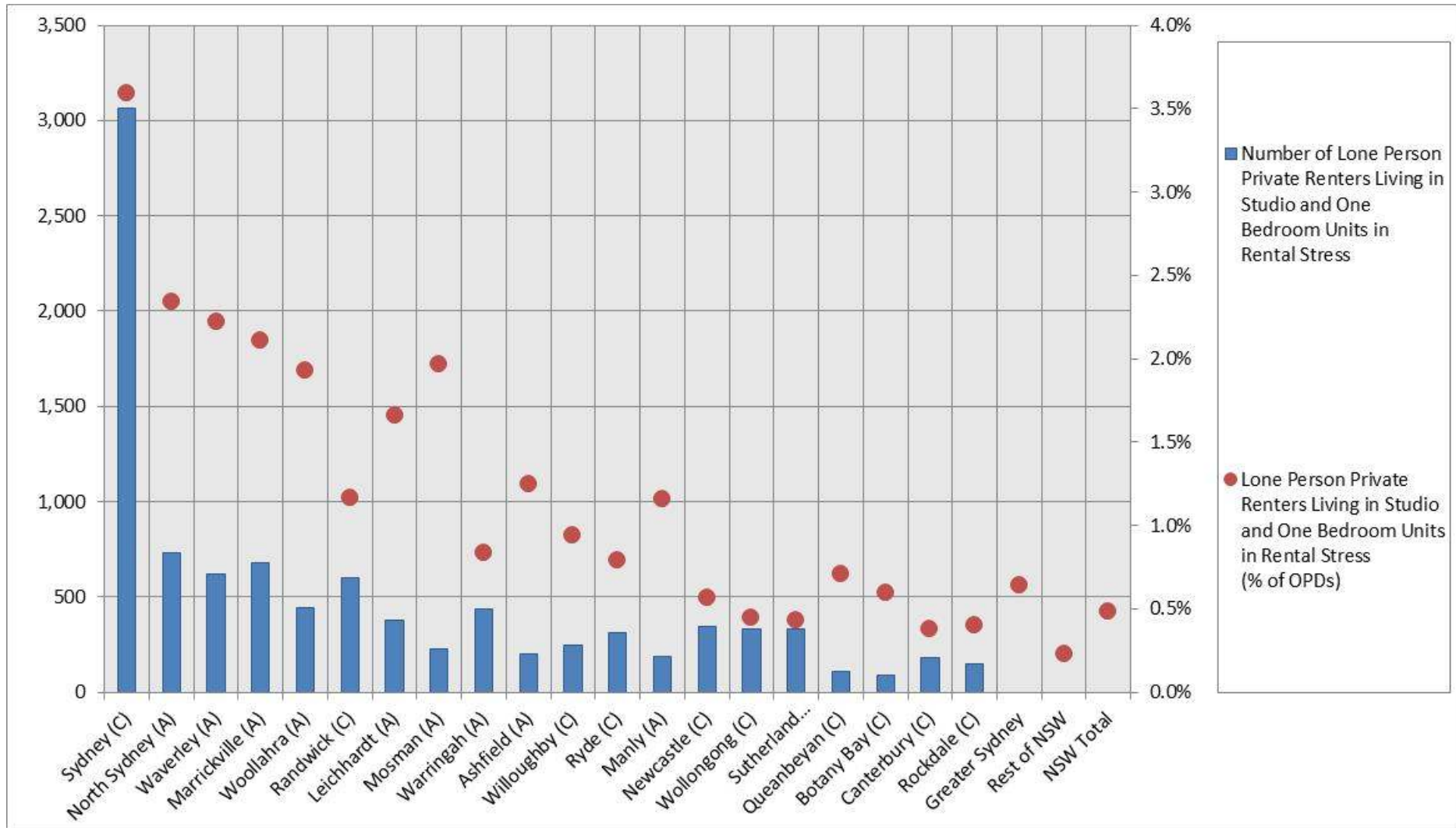


Figure 3-4: Number and Proportion of Lone Person Private Renters living in Studio and One Bedroom Units that are in Rental Stress (Top 20 LGAs)

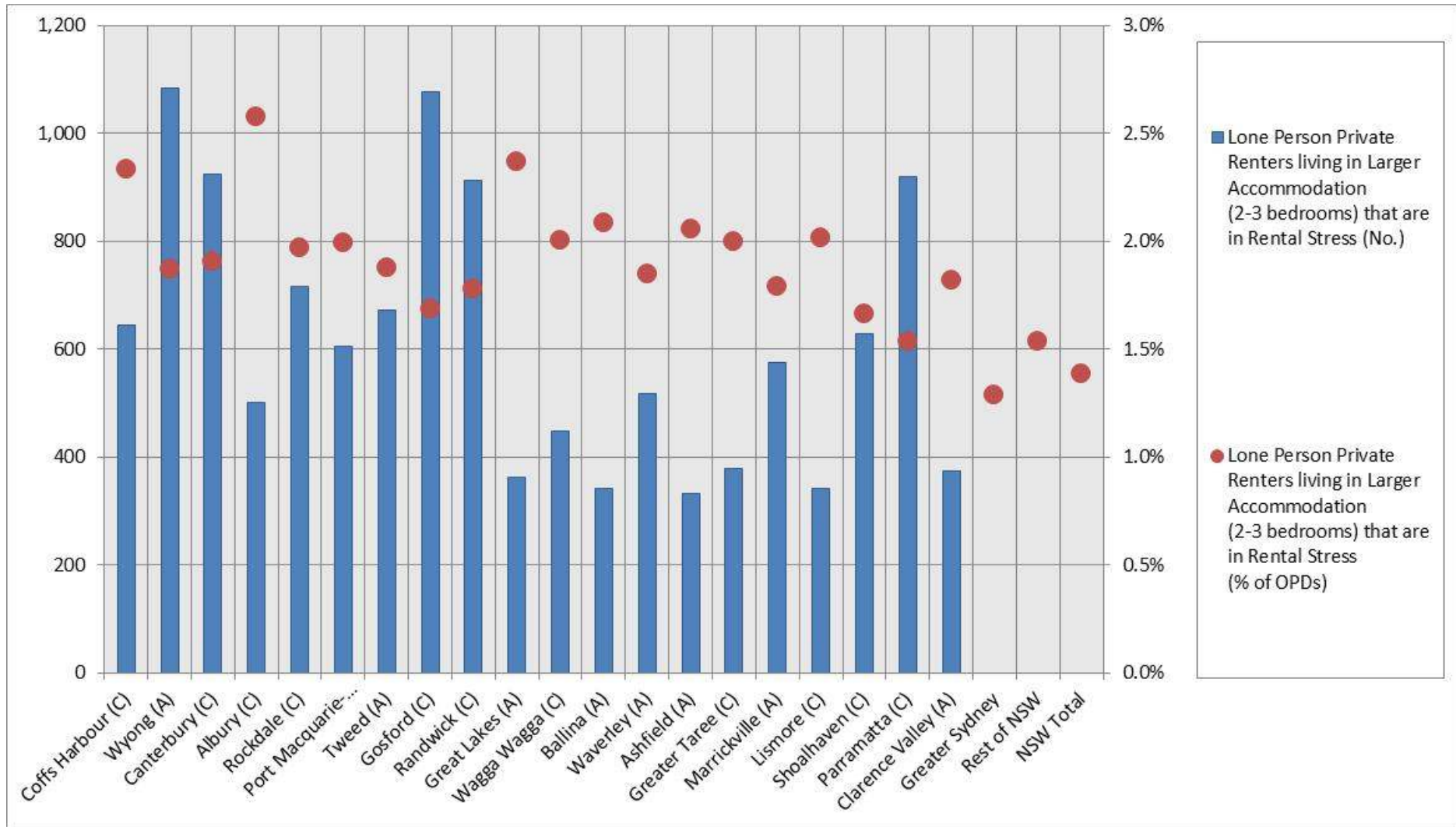


Figure 3-5: Local Government Areas with High Numbers and Proportions of Lone Person Private Renters living in Larger Accommodation (2-3 Bedrooms) that are in Rental Stress

3.3.7 Conclusions

By far the major challenge is to provide *anything* that can be affordably rented by very low and low income households in Greater Sydney, and in high amenity coastal regions and those linked to the Sydney jobs market. To be affordable to these groups, rent of less than around \$235 per week and \$375 per week respectively would be required, and this is available in few of these areas.

It is here that New Generation Boarding Houses could potentially make a significant contribution. Smaller studio and one bedroom apartments are also important for 'lower cost', if not 'affordable' accommodation for smaller very low and low income households. However, as noted, such developments are more likely to be caught up in the anti-density sentiment in higher value, rapidly gentrifying areas.

As discussed later, strong intervention through the planning system to create affordable housing for the vast majority of those who need it, and strong institutional support, will be required in much of Greater Sydney and economically linked regions. A particular focus on well-located inner and middle ring areas, and in transit oriented locations, that are currently subject to ongoing gentrification and displacement of historical populations, and the non-replacement of more affordable dwellings lost in the process through the market will be required to meet priority housing need. Economically linked or high amenity regions such as Wyong, Gosford and Tweed would also benefit from such intervention.

3.4 The Economics of Redevelopment

A preliminary assessment of economics of redevelopment for **New Generation Boarding Houses** was undertaken to further understand likely demand and affordability issues across LGAs in NSW for the key target groups. As noted above, these are one of the only forms of rental accommodation in many high need areas that *could* be affordable to low and moderate income households when provided through the market.

The modelling indicates that **rates of return on investments (ROIs)** are likely to be favourable for the redevelopment of a separate house to a purpose built boarding house in much of NSW, and that it *can* be broadly affordable under some assumptions modelled, including a 5% return on investment (ROI). The more favourable ROIs compared with houses in some areas also indicates that there is likely to be ongoing pressure for redevelopment, and that rents would be expected to be affordable to low and moderate income households in particular in a wide range of areas as supply constraints decrease. This includes a number of inner and middle ring LGAs, where the need for affordable housing is greatest.

Modelling that assumes **estimated market rents** and a voluntary cap on rental to capture land tax benefits are also likely to be affordable in a range of areas, though less so in inner Sydney, although pressure for redevelopment in these and other areas is likely to be significant. The modelling of estimated market rents *without* rental capped to capture land tax benefits is generally much less favourable in terms of affordability for low and very low income households in high value areas,

where higher rents make rent capping less attractive to boarding house investors. Again, the pressure for development is considerable in many areas modelled.

Regardless of 'affordability', the likelihood that rents on boarding house rooms will on average be around 75% that of a studio or one bedroom apartment (and probably less for a smaller single room) still provides for a 'lower cost' housing options for smaller households in more expensive markets.

Nonetheless, the fact that there remains **significant affordability gaps** for very low and low income households related to even this lowest cost form of accommodation indicates that market intervention through the planning system and direct government funding remain critical in high value markets. This is particularly if the housing needs of very low income households, and low income families, are to be met.

The economics of redevelopment of **other apartment types** have been considered using a similar methodology specifically in relation to Urban Growth NSW urban renewal areas in *Background Reports* from *Parts 2 and 3* of this study, summarised below. The reader is referred to these *Background Reports* for detailed discussion and methodology.

4 Urban Transformation Areas

4.1 Overview

This section provides an overview of the Parramatta Road Urban Transformation Area (PRUTA) and the Central to Eveleigh Transformation Area (CEUTA).

The PRUTA and CEUTA form discrete areas of inquiry for this study. In particular, it is important to understand the extent and nature of housing need, the demographic and housing context, and the ability of the market to provide affordable housing taking into account future plans for redevelopment, and thus the extent to which these areas will need to be the subject of planning intervention to provide affordable housing.

This analysis provides a further context to the empirical part of this study with regard to current and future affordable housing need, the vulnerability of these areas to community resistance to affordable housing development, and the need for particular actions to overcome such resistance in the area.

The reader is referred to the *Background Report of Responding to Community Resistance to Affordable Housing Developments – Part 2: Central to Eveleigh Urban Transformation Area*, and *Part 3: Parramatta Road Urban Transformation Area* for more detail.

4.2 Parramatta Road Urban Transformation Area Demographic and Housing Context

4.2.1 Overview of PRUTA

The Parramatta Road Urban Transformation Area is part of a corridor that connects Sydney CBD to Sydney's second CBD, Parramatta. It is a priority area for the long term growth and improvement of Sydney. UrbanGrowth NSW is leading an integrated project team and collaborating with councils along the corridor to deliver the *Parramatta Road Urban Transformation Strategy*. The strategy will be the NSW Government's 30 year plan for how the corridor will grow and bring new life to local communities living and working along the corridor.

4.2.2 Demographic and Housing Affordability Trends

The suburbs, local government areas and eight Urban Renewal Precincts along the Parramatta Rd corridor are quite diverse in terms of demographic and housing market trends.

Demographic trends

In aggregate, areas along the corridor are at or below the median for the ABS (2011) SEIFA Index of Relative Socio-economic Disadvantage, with areas generally becoming more disadvantaged as one progresses west along the Parramatta Rd corridor. Nonetheless, there are pockets of significant

disadvantage in most Urban Renewal Precincts related to concentrations of social housing, lower cost private rental, and older more disadvantaged historical populations and recently arrived and migrant families, including in areas with the most advantaged profiles overall.

In aggregate, suburbs and SA1s (small Census areas) fronting the Parramatta Road Urban Transformation Area (PRUTA) corridor have a much higher than average rate of flats and units and private rental than Greater Sydney; but a relatively low level of social housing (only 4.1% of occupied private dwellings compared with 5.1%), with Leichhardt, Camperdown and Homebush Precincts having a particularly low level of social housing.

Housing Affordability

Affordable Rental

At the time of the 2011 Census, PRUTA Precincts and related suburbs were, in aggregate, providing a lower than average proportion of private rental accommodation that was affordable to very low and low income households, despite the much higher proportion of flats and units compared with Greater Sydney, and the age and relatively low amenity of apartments in some of these areas. The only area with a *higher* than average proportion of properties affordable to **very low income households** in 2011 was **Auburn Precinct**, while Taverns Hill and Camperdown had a *very low* proportion of such properties.

Auburn and Granville were the only areas that were relatively well supplied with rental properties affordable to **low income households**, whilst Homebush, Taverners Hill and Camperdown had a very low proportion of such properties affordable. Not surprisingly, levels of housing stress among very low and low income renters are very high in most of these areas.

More recent rental and purchase data show a worsening situation, with median priced strata dwellings advertised for rent in early 2016 (as a conservative proxy for newly constructed properties) now much less affordable in many of these areas.

A snapshot of all rental properties advertised for rent in relevant suburbs during the week commencing 15 February 2016 is also telling. It indicates that **Boarding House accommodation provides the only opportunity for affordable rental to very low income households in the PRUTA, with a very limited supply of such properties.** Low income households can affordably rent a one bedroom apartment or bed-sit in Granville, Auburn, Lidcombe and Annandale-Stanmore as well as a boarding house room where available; although affordable rental for low income households needing anything larger is not available.

Moderate income households have greater choice, being able to affordably rent a one bedroom apartment or bed-sit in all areas; a two bedroom apartment or house in all areas except Leichhardt-Petersham and Annandale-Stanmore; and a three bedroom apartment or house in Granville, Auburn and Lidcombe.

A very narrow range of affordable rental choice is available for very low and low income households within these markets, and virtually none for low and very low income families. Affordable rental is also very constrained for moderate income families in most areas.

Affordable Purchase

Real (CPI adjusted) increases in median **purchase** prices in suburbs around the eight PRUTA Precincts between 2010 and 2015 indicate that there has been considerable pressure on strata dwellings across the area, with well above average real increases in the price of strata dwellings in suburbs around Annandale/Stanmore and Leichhardt/Petersham, and in Lidcombe, Auburn and Burwood/Concord. As such, there is clearly strong market pressure at the lower end of the market, as well as within more premium areas.

Importantly, there were **no housing products** in the first, second or third quartiles that would have been affordable to very low or low income purchasers in suburbs along the Parramatta Rd corridor in 2015, and only a limited range of products (small strata dwellings) in a few suburbs that would have been affordable to moderate income purchasers (in Granville and Auburn).

Our linear regression analysis indicates that ‘cost’ *could* be reduced and, in some cases ‘affordability’ increased, for new build products in *some* areas. The major impost on the **cost of purchase** of strata dwellings across the board would be addressed by a reduction in parking requirements, strata area and limiting dwellings to one bathroom.

Although providing benefit in terms of increased affordability to some moderate income households in a few areas, even under such optimistic scenarios **the benefit would be relatively narrow in its impact, and will not make such products affordable to the vast majority of low and very low income households, nor to most moderate income households in most areas.**

4.3 Central to Eveleigh Urban Transformation Area Demographic and Housing Context

4.3.1 Overview of CEUTA

The *Central to Eveleigh Urban Transformation and Transport Program* aims to progressively transform government-owned land along the rail corridor in the inner city over the next 30 years. It will help to meet current and future needs for local residents and a growing global Sydney by providing new community facilities and open space, a mix of new housing and employment opportunities, and improved connections across the rail corridor.²⁴ The program is likely to be rolled out in stages, with the first precinct expected to be North Eveleigh (West).²⁵

4.3.2 Demographic and Housing Affordability Trends

Demographic trends

The Central to Eveleigh Study Area includes the whole of Eveleigh, Darlington, Chippendale and Haymarket, as well as the majority of Ultimo, Surry Hills and Redfern and parts of Waterloo,

²⁴ See <http://www.centraltoeveleigh.com.au/>

²⁵ Based on email correspondence from Vanessa Gordon, UrbanGrowth NSW, 6 April 2016.

Alexandria, Erskineville and Newtown. In 2011, there were around 50,000 people living in some 20,000 dwellings in the Study Area (ABS 2011).

The majority of precincts outlined in strategic documents²⁶ had no population at the time of the 2011 Census (North Eveleigh, Redfern Station, Central Station, Lawson St to Cleveland St, Australian Technology Park and Transformation Area Precincts), although The Platform affordable housing development has subsequently been constructed by City West in North Eveleigh Precinct, and is the subject of a case study in Part 4 of this *Background Paper*.

The three precincts with resident population in 2011 (South Eveleigh, Waterloo Estate and Redfern Estate Precincts) were generally very disadvantaged and contained significant public housing, and a reasonable component of private rental housing that was affordable to moderate income households. In particular, Waterloo Estate and Redfern Estate Precincts were extremely disadvantaged, with SEIFA Index of Relative Socio-economic Disadvantage scores in the bottom 1% of areas for NSW, and with 78% and 90% of dwellings social housing.

Housing Affordability

Overview

Given the lack of housing as a basis for comparison in most of these the eight Urban Renewal Precincts, and for ease of analysis, Urban Renewal Precincts were broadly combined as follows:

- The “Eveleigh Combined Precinct” consisting of North Eveleigh, South Eveleigh and Redfern Station Precincts with analysis based on the suburbs of Erskineville, Alexandria, Newtown and Darlington;
- The “Redfern Waterloo Combined Precinct” consisting of Redfern Estate and Waterloo Estate with analysis based on the suburbs of Redfern and Waterloo; and
- The “Central Station Combined Precinct” consisting of Central Station Precinct and Lawson St to Cleveland Precinct with analysis based on the suburbs of Ultimo, Chippendale and Surry Hills.

Affordable Purchase

An analysis of data for all properties sold in 2015²⁷ for suburbs proximate to the Urban Renewal Precincts showed that there were no separate house or strata products housing products in the first, second or third quartiles that would have been affordable to very low, low income or moderate income purchasers, even for a one-bedroom strata unit.

It is also important to understand whether affordability *could* be increased under certain conditions for new build products delivered through the market in the future, and thus the type of planning intervention that would be useful. Modelling indicates that that the major impost on the cost of strata dwellings would be reduced by a reduction in parking requirements, as well as limiting dwellings to one bathroom or otherwise restricting the strata are.

²⁶ See <http://www.centraltoeveleigh.com.au/>

²⁷ Using EAC RedSquare database for all properties sold in the 2015 calendar year

Nonetheless, facilitating or mandating such requirements through planning system would not make major inroads into affordability for the vast majority of those who need affordable purchase housing. Under the most optimistic scenario, **new studio apartments with one bathroom and no parking space** would be expected to be affordable to moderate income households in Eveleigh and Central Station Combined Precinct (100% of target group) and in Redfern Waterloo Combined Precinct (upper 40% of the moderate income target group) based on proxy suburbs.

All other dwellings would **not be affordable** to moderate income households, and no dwellings (including lower amenity studio apartments) would be affordable to very low or low income households.

As such, it is likely that relying upon the market to provide affordable housing without significant planning intervention - primarily the direct creation of such housing through inclusionary zoning under s94F and/or voluntary planning agreements under s93F of the Act to capture a reasonable share of uplift in land values, and partnerships on government land - is not feasible.

Affordable Rental

A snapshot of all rental properties advertised in March/April 2016²⁸ within relevant suburbs shows similar affordability trends to those reported for purchase above.

Based on this recent snapshot, very low income households are excluded from the affordable private rental market across all product types, whilst boarding house accommodation provides the only opportunity for affordable rental to low income households, with a limited supply of such properties. Moderate income households could affordably rent a one bedroom apartment or studio in all areas, but no other product is affordable, and the bottom half of the moderate income range is excluded from affordable rental entirely, apart from in boarding houses.

Again, the direct creation of affordable housing using planning mechanisms available for capturing a share of land value uplift created through the planning system, or through direct funding of affordable (including social) housing, are likely to be the only ways to provide for the vast majority of renters who need affordable housing in the CEUTA.

4.4 Policy Implications in PRUTA and CEUTA

4.4.1 Overview

As noted, there are extremely limited opportunities to provide affordable purchase housing for any very low or low incomes households, and most moderate income households, through the market in most PRUTA Precincts and in all CEUTA Precincts. Opportunities to rent affordably for those most in need of affordable housing are likewise highly constrained, and clearly worsening.

The ongoing displacement of very low and low income people, and inability to accommodate incoming low and moderate income households including key workers, is a significant risk of

²⁸ The week commencing 30 March 2016 using realestate.com

redevelopment of these areas, noting again the relatively low level of social housing in many of these areas.

As such, significant planning intervention through mechanisms available will be required for virtually any affordable housing to be created in these areas in the future.

The primarily planning mechanisms available involve capturing a reasonable and equitable share of uplift in land values resulting from rezoning or significant changes to controls - either through mandating development contributions for affordable housing through s94F of the Act (inclusionary zoning/contributions plan); or seeking contributions for affordable housing as a public purpose under s93F of the Act through a voluntary planning agreement.

Development partnerships between government, community housing providers and potentially the private sector on government land within the PRUTA and CEUTA will also be an effective strategy in the housing market context.

Mandating or encouraging certain types of dwellings, to be delivered through the market, will also have some benefit to a relatively narrow range of moderate income households.

Proactively addressing community opposition to future affordable housing developments, or any other avoidable constraint to increasing such properties in PRUTA and CEUTA Precincts, in particular of smaller strata dwellings and New Generation Boarding Houses, will also be critical.

4.4.2 Economic Modelling of Opportunities for Land Value Capture and Incentive-Based and Mandatory Mechanisms in PRUTA

Mandating or providing incentives for smaller dwellings through the market

Mandating or providing incentives for smaller dwellings through relevant planning instruments is likely to be of benefit in providing some lower cost housing through the market. However, it will only provide affordable purchase to a narrow range of the target groups, specifically some moderate income households in some areas.

- Providing a **new 1 bedroom strata dwellings with one bathroom and no parking space** would be expected to be affordable to moderate income households in Granville (100% of target group), Auburn (top 75%), Lidcombe (top 25%) and Homebush/Concord West/North Strathfield (top 75%). In suburbs to the east of Homebush, even these reduced planning controls would not be sufficient to make such dwellings *affordable* even to moderate income households in these high value markets.
- **New 2 bedroom strata dwellings with one bathroom and no parking space** would be expected to be affordable to some moderate income households in Granville (top 50%) and Auburn (top 25%) only. Two bedroom units would not be affordable to any of the target groups in any other areas, even under this more optimistic scenario.

Mechanisms to share an equitable proportion of land value uplift

There appears to be considerable land value uplift associated with variations to planning controls related to zoning, height and density, providing an opportunity for **capturing a reasonable and equitable share of the expected uplift under s94F and/or s93F of the Act** for the purpose of affordable housing.

Preliminary economic modelling of the expected land value uplift from the redevelopment of existing housing and existing residential flat buildings for six, eight, fourteen and twenty story development across the various Urban Renewal Precincts in PRUTA has been undertaken. Depending on the allowable height, contribution rates have been calculated based on a 50:50 sharing between affordable housing and the developer of value uplift above a 'normal' profit of 10%.

The following provides a summary of a detailed Precinct by Precinct analysis in Sections 3.6.1 and 3.6.2 in Part 3 of the *Background Report*.

- In **Granville Precinct**, whilst there appear to be plentiful redevelopment opportunities, there are currently more limited opportunities to capture land value uplift under proposed controls due to relative economies, apart from redevelopment of large sites and areas of separate housing for 6-8 storey apartments.
- In **Auburn Precinct**, again whilst there are significant redevelopment opportunities, there are currently more limited opportunities to capture land value uplift under proposed controls due to relative economies in most areas.
- The **Homebush Precinct** allows for 6 storey, 8 storey and 14 storey development, with significant redevelopment opportunities. A general levy of 10-15% of saleable area (between one apartment in seven to one apartment in ten) appears sustainable in this Precinct, noting that this is a preliminary assessment of what could be provided for if there were no other site constraints or additional imposts.
- The **Burwood Precinct** allows for 3 storey, 6 storey, 8 storey and 14 storey development, again with extensive redevelopment opportunities apparent from a visual inspection. A general levy of 15% of saleable area (one apartment in seven) appears sustainable in this Precinct, although again detailed analysis would need to be undertaken to verify this in relation to specific areas.
- The **Kings Bay Precinct** allows for 3 storey, 6 storey, 8 storey and 14 storey development, again with good redevelopment opportunities. There is likely to be significant uplift with rezoning, and a general levy of 15% of saleable area (one apartment in seven) appears sustainable in this Precinct, with validation again required.
- The **Taverners Hill precinct** allows for 3 storey, 6 storey, and 8 storey development, with good redevelopment opportunities. There is likely to be significant uplift with rezoning, with a

general levy of 15% of saleable area (one apartment in seven) apparently sustainable in this Precinct.

- The **Leichhardt Precinct** allows for 3 storey and 6 storey development. A general levy of 10% of saleable area (one apartment in ten) appears sustainable in this precinct. While such a levy might discourage three storey development, such development is marginal in this precinct because of the density of existing development, and would be expected to proceed only with further increases in height.
- The **Camperdown Precinct** allows for 6 storey and 8 storey development. A general levy of 10% of saleable area (one apartment in ten) appears to be sustainable in this precinct from our preliminary analysis.

This is looked at in detail in Section 3.6 of the *Background Report: Part 3*.

4.4.3 Economic Modelling of Opportunities for Land Value Capture and Incentive-Based and Mandatory Mechanisms in CEUTA

Preliminary economic modelling of the expected profit from the redevelopment of existing housing and existing residential flat buildings for six, eight, fourteen and twenty story development across the various precincts indicates the following:

- Mandating a proportion of smaller strata dwellings with limited parking and one bathroom through relevant planning instruments is unlikely to represent a major impost on redevelopment in CEUTA Precincts based on preliminary modelling.
- Considering mechanisms to capture an equitable and reasonable share of land value uplift resulting from planning actions under s94F and/or s93F, potential contributions have been calculated in a preliminary way. Depending on the allowable height, contribution rates have been calculated based on a 50:50 sharing between affordable housing and the developer of value uplift above a 'normal' profit of 10%.
 - For Eveleigh Combined Precinct, on a brownfields site specifically within the North Eveleigh Precinct, contribution rates of 29-35% of saleable area appear to be sustainable, with sustainable contribution rates in residential areas within the Eveleigh Combined Precinct overall ranging from 8% for eight stories to 29% for 20 stories.
 - For the Central Station Combined Precinct, sustainable contributions could range from 2% of saleable area for eight storey development to 29% of saleable area for twenty storey development.

- For the Redfern Waterloo Combined Precinct, sustainable contributions could range from 16% of saleable area for 6 storey development to 33% of saleable area for twenty storey development.
- By comparison, it is noted that, under the Redfern-Waterloo Affordable Housing Contribution Plan 2006, affordable housing levies are 1.25% of gross floor area.²⁹

This is looked at in detail in Section 4.6 of the *Background Report: Part 2*.

²⁹ Sydney Metropolitan Development Authority *Redfern Waterloo Draft Affordable Rental Housing Strategy 2011-2030*.

5 Key Findings from Case Studies

5.1 Overview

Fifteen case studies were selected for detailed examination taking into account a range of factors from the above analysis.

These factors included areas of highest affordable housing need and likely demand from the housing market and economic analysis; well-located areas with significant future opportunities for redevelopment, in particular Urban Transformation Areas; areas where significant community opposition to affordable housing is likely from an analysis of case law and the literature; a mixture of the types of affordable housing developments most likely to be relevant in these contexts; and developments suggested from the survey of community housing providers within such areas.

Selection according to these factors sought to ensure that the study and subsequent training materials would be directed to LGAs where they are likely to be most beneficial to the creation of new affordable housing, and overcoming community resistance to such developments.

Case studies that met the criteria for selection were selected for analysis, although identifying case studies that met these criteria within or close to the PRUTA, CEURA and some high need areas was more problematic.

This section provides a summary of key findings from the fifteen case studies undertaken as part of this study. The reader is referred to *Background Report Part 4: Case Studies* for a detailed discussion on each development referred to below.

5.2 Key Findings from Case Studies

Despite considerable growth and diversification of the community housing sector in recent years, there are a relatively small number of community housing providers that have experience undertaking their own affordable housing development projects.

Further, much of the affordable housing development that has been undertaken in recent years³⁰ appears to have been located outside of areas with a particularly high need for affordable housing and a high demand for redevelopment, such as the more expensive inner and middle ring suburbs and PRUTA and CEUTA areas.

Apart from City West Housing, which has a unique revenue stream and advantage over other providers to create projects in high land value areas of the inner City, other CHPs who are constructing their own developments reported that the high cost of land is a particular barrier to a financially viable project unless it is donated by a Council or via the State Government. As such,

³⁰ Since the introduction of NRAS and SEPPARH, but apart from the Nation Building Economic Stimulus Projects

the locations where CHPs are primarily undertaking projects are in lower cost or outer ring areas in the southwest and west of Sydney (e.g. Bankstown, Blacktown, Campbelltown, Fairfield, Liverpool and Penrith LGAs), **with far fewer projects in the more rapidly gentrifying middle or inner ring LGAs, such as Ashfield, Marrickville, Leichardt and Parramatta LGAs.**

Further, our mapping of the location and distribution of NRAS incentives over the past decade also show that far more NRAS packages have been granted in outer ring and regional areas, noting that a high number of incentives that have been granted in the inner city have been for large student studio accommodation (e.g. Broadway UniLodge).

Many factors have likely contributed to the lack of affordable housing developments in areas of highest need, where there is nonetheless strong pressure for redevelopment. For CHPs land cost is highly prohibitive and for all proponents (regardless of type), community and local political opposition to increased density in wealthier, rapidly gentrifying areas has undoubtedly played a role in some developments either having greater difficulty gaining approval or being rejected altogether (see for example Ashfield Council: Pembroke case study,³¹ and case law review³²).

Many of the findings from the literature review regarding community opposition to affordable housing, particularly with regard to the characteristics of communities most likely to actively oppose to such developments, was mirrored in the case studies, with such areas more likely to be older, wealthier, more socially homogenous, and especially where the local area is changing from predominately low rise detached dwellings to higher density. In this regard, 'affordable housing' appears to be caught up in the backwash of general community resistance to densification in areas in transition, so that it can sometimes be difficult to distinguish between opposition that is related to affordable housing rather than density *per se*.

Together with increased difficulty in implementing affordable housing projects in increasingly expensive areas, the likelihood of higher levels of community resistance in such areas has implications for achieving increased supply of affordable housing in Urban Transformation Areas where UrbanGrowth NSW is engaged. It indicates that strong institutional support from local and State governments, as well as proactive intervention through the planning system in implementing land value capture mechanisms such as those described above, are likely to be required to create affordable housing where it is most needed.

It also appears that the 'housing legacies' of an area can contribute to the perception residents have about proposed developments. In other words, poor perceptions or stigma attached to nearby social or affordable housing can affect how residents view future affordable housing developments, regardless of the proponent. Interestingly, the converse is also true in a few cases, where familiarity with proximate social housing neighbours can allay concerns or increase empathy toward these groups (see for example North Sydney Boarding House Case Study).

The survey responses of neighbours living near new affordable housing developments revealed that their experience of the new development and their new neighbours is mixed. It is difficult to make definitive statements with regard to the results of the survey, due to small sample sizes at each site,

³¹ See *Background Report Part 4: Case Studies* for a detailed discussion.

³² *Background Report Part 1* for a detailed discussion.

and relatively low response rates, and some apparent differences between surveys conducted face to face compared with those mailed back. Further, not all questions were asked of respondents in relation to all developments, as not all were completed and tenanted (e.g. Beresford Road, Strathfield and Kiora Road, Miranda).

Regardless, the level of **tangible adverse impacts** on neighbours from the new affordable housing developments across the case study sites appears to be relatively low. The number of neighbours indicating that they have made a complaint, to Council, the tenancy manager or the police, about the new building(s) or their new neighbours was also relatively low, but was nonetheless 12%, with a majority related to noise, loud music and domestic disputes. Moreover, issues raised by neighbours do not appear to be outside the range of what could be expected in terms of normal neighbour relations (e.g. concerns about management of pets, noise from a party during the Grand Final), and living alongside a construction site (e.g. disruption of footpath and parking during construction).

However, in a small number of isolated cases, noise, disturbance and domestic violence are reported to have had tangible and adverse impacts on a small number of neighbouring households (e.g. a child having to sleep in another room due to the disturbance from continued arguing of neighbours). Issues appear to be related to one or perhaps two tenants in a complex, and some of these issues had not been addressed satisfactorily from the point of view of neighbours. **This flows on to their perceptions about the affordable housing complex generally, and highlights the need for prompt and effective intervention on the part of tenancy managers to such relatively isolated issues.**

5.3 Key Findings from Case Studies of Boarding House Developments

Five New Generation Boarding House developments were examined as case studies. These types of developments have been portrayed in the media, particularly in Sydney, as highly controversial and a lightning rod for community opposition regarding the 'type' of people who they fear will be future tenants (e.g. 'transients', 'paedophiles', 'deviants' and 'drug addicts').³³ This is in contrast to the actual objections raised by opponents of affordable and boarding house developments, discussed above.

The cross section of case studies shows how these types of development may or may not be controversial, prior to approval and once completed and tenanted, due to a variety of factors. These include the location of the development, the size, scale and design of the development, the way in which the development is marketed by private proponents (e.g. rental cost/price point), and the quality and responsiveness of community housing management.

³³ For a recent example, 'You wouldn't like a boarding house next to your home': Cromer residents speak out against development, Sydney Morning Herald, 14 October 2015, accessed online at <http://www.smh.com.au/nsw/you-wouldnt-like-a-boarding-house-next-to-your-home-cromer-residents-speak-out-against-development-20151014-gk9byh.html#ixzz48sCVLBpz>

Two of the boarding house developments were in inner city locations (Camperdown and Annandale) located along Parramatta Road, with a mixture of neighbouring land uses. They provide examples of SEPPARH and NRAS being used to create in effect small studio apartments that are designed for students and working professionals, with rental price points that are only affordable to individuals and couples at the top end of the moderate income band. These developments have not been controversial for neighbours during the planning process or since development. There were very few or no concerns raised formally prior to approval, and neighbours who responded to our survey indicated that no adverse impacts have been experienced since development. With one of these case studies, JSA was unable to obtain any response from neighbours. This was the only case study out of fifteen where no response was received, and appears to be an indication of the low level of concern about the development.

Two of the boarding house case studies showed the introduction of this type of development into areas with a somewhat mixed housing typology, but where many low rise separate homes remain in the neighbourhood. Moreover, in these two cases (Pembroke Street, Ashfield and Roberts Street, Strathfield) there were also heritage qualities to the neighbourhoods that were of concern to some neighbours. The design, scale and management of the two developments are in stark contrast to the previous two developments mentioned, and to each other.

The Pembroke Street development, progressed by a private proponent and now managed by a CHP (Hume Community Housing), is smaller in scale with considerable attention to design, and the creation of a building sympathetic to the character of the neighbourhood. The CHP is managing the property to a high standard and is actively engaged with their tenants, including the provision of an easily accessible on site manager. Possibly as a result, very few neighbours reported experiencing any negative impacts from the development since it has been completed, despite many raising concerns about the development during the approvals process.

The Roberts Street development, with a private proponent and managed by a private real estate agent, is much larger. In contrast to Pembroke Street boarding house, the design is more of a departure from the low rise homes in the street, although there is also a mix of multi-storey developments surrounding it. Interestingly, more neighbours report experiencing negative impacts from the development since it has been completed, including about the way the building is managed (e.g. light spillage from lighting in common areas left on at night), the loss of on-street parking, and lingering concerns about 'who' might be living in the development in the future.

The fifth case study at Wollstonecraft is an example of a partnership development between a Council and CHP, with some involvement with LAHC. Whilst the development is in a highly unaffordable part of North Sydney, with a wealthy older demography that would predict increased levels of community opposition, the existing built form is a mix of housing typologies including some medium density social housing, and the site itself has been successfully managed by the community housing provider for many years. There was very little concern about the proposed development reported by neighbours. The fact that Council was a leading player in the development, informed the community about the development, and that the street already has a reasonable proportion of social housing and familiarity with mixed tenure in the locality, likely contributed to its easy passage through the planning system.

5.4 Insight from CHPs who have undertaken affordable housing development

Key insights from community housing providers in their responses to the CHP survey about overcoming or avoiding community opposition mainly included the following.

- Communicating effectively and working constructively with local council prior to lodgement of a DA is overwhelmingly regarded by CHP proponents as essential when planning and delivering an affordable housing development (although, in one notable case study, Shoalhaven Council had a long engagement with the local CHP and had given the land to the CHP, but had refused the development based on subsequent vehement community opposition, indicating that this is no guarantee of council support). The development of a long-term relationship to raise the profile of community housing is also viewed as important.
- CHPs who have carried out their own developments note the importance of pro-actively communicating with neighbours and the local community ‘at the street level’ about their proposals as they are being developed, as difficult as this may be at times when there is a lack of understanding of affordable housing and fears about what affordable housing may bring to a neighbourhood.

5.5 Experience of Adjacent Neighbours

A door knock survey targeted 372 immediately adjacent neighbours across the fifteen sites, with a stamped return envelope provided for mail back responses. Access to a number of adjoining unit blocks was not possible due to security and inability to contact the strata committee, so mail back was the only method of response in these cases.

Overall, 67 neighbours from across the fifteen case study sites completed a survey about their experience of newly built affordable housing. Of these, 58% were completed face-to-face and 28% were mailed back. There are limitations with the latter, as there were often contradictory responses to questions, and no ability to interrogate this further.

The survey obtained an overall response rate of 18%. As such, the survey provides a more *qualitative* perspective on views, although percentages are reported below to give a sense of the overall weight of opinion.

Of the 67 survey respondents a majority (60%) owned their homes outright, whilst 42% had lived in their homes for more than 10 years. Further:

- 80% reported that they had positive or mostly positive experiences living in their neighbourhoods;

- 54% reported that they were aware of the proposed affordable housing development in their neighbourhood prior to its approval and construction, and of these, 45% reported that had concerns about the development before it was built and occupied.
- 45% provided detail on up to three main concerns each that they had had about the proposed development **prior** to its construction and occupancy. The most common concerns related to fears about the characteristics and behaviour of future tenants of the new development (28% of all concerns provided); concerns related to increased parking and traffic congestion (22% of all concerns reported); the design of the proposal (e.g. bulk, scale, overlooking) (16% of all concerns); and concerns about an increase in density (13% of all concerns provided).
- Fifty out of 67 respondents answered the question, ‘how would you describe the impact of the new affordable housing development on your neighbourhood **since it has been built** and lived in?’ In response, 36% reported that they had experienced only or mostly negative impacts from the development since occupancy; 54% reported that they had experienced no impacts (46%) or mostly positive impacts (8%) of the development; and 10% had not lived in the locality prior to the development’s construction.
- 12% reported that they have made a complaint about the new affordable housing development since it has been built and occupied to either a tenancy manager, Council or the police. Five complaints were raised regarding noise and disturbance (e.g. yelling, loud music, arguing or domestic violence). Two complaints were made related to issues during the construction regarding light spillage, noise, property damage. One complaint related to conflict over parking and blocking access, while another related to the management of pets.

It is noted that there were conflicting responses from a number of surveys (generally those mailed back) who reported that they were not aware of the development before it was approved and built, and reported that they did not know it was affordable housing, who likewise reported that they had had concerns about it *before* it was approved and built, or were expressing concerns now. It is difficult to know whether these respondents were expressing unfounded fear or concern by being made aware of this through the survey, or whether they had genuine concerns about the development based on their actual experiences. The former appears to be more likely in many cases, given responses of other respondents and the fact that in some cases where respondents reported negative impacts, the properties were not yet tenanted.

5.6 Local Government Responses

5.6.1 Respondents

At the time of writing, JSA had interviewed or received written responses from 7 of the 11 Councils contacted including Blacktown City Council, Burwood Council, Canada Bay Council, North Sydney Council, Parramatta Council, Shoalhaven Council and Sutherland Council.

Responses were not received from four of the case study Councils - Ashfield Council, City of Sydney, Leichhardt Council or Strathfield Council.

5.6.2 Affordable housing policies

Councils were asked about their approach to affordable housing in general and whether or not they have a specific strategy or plan in place.

Four of the seven councils surveyed do have a specific strategy around the provision and protection of affordable housing in their areas (Canada Bay, North Sydney, Parramatta and Shoalhaven), some of which are particularly pro-active and supportive. North Sydney Council has been particularly pro-active over the years, in terms the protection of existing affordable housing, maintaining a portfolio of Council owned properties managed by a local community housing provider, and by providing new affordable housing in partnership where possible in an exceptionally unaffordable market within Sydney.

Canada Bay and Parramatta both have affordable housing strategies and both have utilised Voluntary Planning Agreements (VPAs) to negotiate a contribution of units for affordable housing from developers. Parramatta noted their support for the inclusion of affordable housing in the UrbanGrowth NSW redevelopment in the Parramatta North Precinct. While Canada Bay Council, noted particularly that they have a 'strong preference to move beyond ad hoc arrangements and implement an inclusionary zone' with specific requirements for affordable housing, such as its current negotiations with the NSW Department of Planning in Rhodes East where Council aims to provide a minimum of 5% affordable housing.

Shoalhaven Council, operating in quite a different market to the metropolitan Sydney councils, has been cognisant of the need to maintain and create opportunities for the provision of affordable housing as local conditions are changing rapidly as unaffordability in the Sydney region pushes further down the coast. They have previously prepared (but not adopted) an affordable housing strategy, and are currently preparing a new affordable housing strategy and policy in a more supportive council environment.

Blacktown, Burwood and Sutherland do not have a specific approach or strategies with regard to affordable housing, but refer more to their efforts to provide for housing and dwelling 'choice' in terms of size and density in order to facilitate greater affordability in their areas.

5.6.3 Experience with SEPPARH

Councils were asked about their experience with the *SEPP Affordable Rental Housing 2009* (SEPPARH) since its introduction in 2009 and their approach to assessing such applications. The seven Councils have had different experiences with the SEPP, for example, Parramatta Council reported that it has had 42 development applications under SEPPARH in four years, while the Shoalhaven has received few 'large' applications under the SEPP, although it has had many applications for secondary dwellings.

Common amongst many of the respondents is the notion that applications are assessed in line with the conditions of the SEPPARH, and that issues arise where what is proposed has impacts on neighbour or resident amenity and may or may not be compliant with Council's own controls (e.g. LEP/DCP) particularly with regard to open space and parking. **The tension between the intention of the SEPP in overriding local controls in some areas to achieve a social outcome and the councils' views in this regard was apparent**, and discussed further in relation to case law above.

Burwood and Sutherland Councils noted that boarding house applications in particular have raised concerns of local neighbours about future impacts (e.g. concerns about future 'social problems') and issues with regard to such housing types meeting the 'local character test'. Blacktown Council and Canada Bay Council each made specific comments about some of the shortcomings of SEPPARH including the 'short-term' nature of the provision to provide affordable housing (e.g. ten years) and the use of the provision by developers to 'bypass controls' in order to maximise yield yet allocate only 'obligatory percentages of units to affordable housing and nothing more'.

Shoalhaven Council noted that with regard to secondary dwellings, SEPPARH could be improved or further 'articulated' in terms of design in order to avoid 'boxes in the backyard'.

5.6.4 Response to Case Studies

Councils were asked specific questions about the case studies located in their areas, particularly whether the applicant could have done anything differently to have better facilitated the DA process or addressed Council concerns earlier; and whether there have been any impacts of the case study developments since they have been built and tenanted.

Again, providing sufficient information and complying with SEPPARH and local controls (e.g. LEP/DCP) as much as possible were common recommendations across the seven Councils. Where community opposition is present, Sutherland Council noted that further consultation with neighbours and Councillors could have been done to allay concerns.

Interestingly for the current study, Blacktown Council notes that they are now '*guided by the community's reaction*' to proposed affordable housing developments under SEPPARH. Applications that receive objections based on local amenity must be reported to and determined by Council, while applications that receive no objections are allowed to be approved by an officer under delegated authority from Council.

5.7 Learnings from Case Studies

A number of key learnings are evident from the case studies, with many of these supporting findings from the literature and case law outlined above.

Proactive communication between proponents and neighbours during the planning process, during construction and following occupation is important in understanding the nature of community concerns, potentially reducing the level of opposition to a proposal, mitigating adverse impacts experienced by neighbours and promptly responding to complaints raised where possible in the post-occupancy phase.

Communicating with neighbours about a proposed development prior to lodgement in order to understand the nature of their concerns and provide some scope for their input into design, for example, are important conversations to have despite concerns about ‘stirring up’ concerns among some residents that may have lay dormant had they not been informed.

It is recommended that proponents anticipate and be prepared for community opposition to their proposals, particularly in areas with characteristics described in the case studies and the literature, and imperative that proponents understand the nature of the opposition that may surround their proposal so that they can determine how best to respond to it.

The impact of affordable housing developments on on-street parking, particularly SEPPARH developments that are likely to increase in density and provide for reduced parking is likely to be of concern for many neighbours, especially in locations where on-street parking is already affected by redevelopment. Proponents are encouraged to undertake research and due diligence with regard to the nature of the on-street parking issues present in the locality or street where a project is proposed. Regardless of whether a proposal may be compliant with SEPPARH in terms of its parking provision and proximity to transportation, the impact to on-street parking is likely to be one of the most concerning issue for many neighbours in areas that are perceived to be already congested based on the case studies in inner and middle ring areas in particular.

Proactive communication and long-term relationship building with local government authorities is also likely to be highly beneficial. Pre-DA meetings to understand how council officers may interpret the provisions of the SEPP, its alignment with normal council planning controls, and key issues such as the local interpretation of the ‘character test’ are also key strategies in anticipating and heading off avoidable opposition to a proposed development. Building support and understanding at the political (councillor) level also appear to be a key factor in addressing future misunderstanding and opposition.

Responsive and high quality tenancy management is likely to be critical to develop and maintain a harmonious relationship between existing neighbours and new tenants, especially where there have been concerns raised about the characteristics and behaviours of ‘who’ is going to be living in the new affordable housing development. Proponents, whether private or community, are encouraged to facilitate a good relationship between neighbours and the tenancy manager such that neighbours are aware of the process for raising a complaint and achieving redress.

Negative impacts on neighbours related to excessive noise and nuisance, especially where domestic violence is suspected, should be dealt with and resolved by management as soon as possible. It is an unfortunate reality that the poor behaviour of as few as one household or individual within a development can not only negatively impact the experience of many residents, but can contribute to an overall poor perception of affordable housing amongst neighbours and the wider community.

Despite these findings, the literature, case law review and analysis of case studies makes it clear that there will continue to be opposition by some communities, and vehement opposition by a small but sometimes persuasive minority of community members. Combined with an ongoing mistrust of SEPPARH, and resistance to densification by some councils, influencing and predicting the responses of councils to affordable housing (including boarding house) proposals is likely to remain difficult.

Noting the difficulty in implementing affordable housing projects in increasingly expensive areas where they are most needed and the likelihood of higher levels of community resistance in such areas, the need for strong institutional support from local and State governments and proactive intervention through the planning system is again noted.