

## **Compass Housing Services' Submission to Central Coast Council Draft Affordable and Alternative Housing Strategy**

Compass Housing Services (Compass) would like to congratulate Central Coast Council for its recognition of the importance of affordable housing, and for taking a proactive approach to its delivery within the local government area through the Draft Affordable and Alternative Housing Strategy (the Strategy).

Compass is a Tier 1 Community Housing Provider with 30 years' experience and a strong presence in the Central Coast region. Compass currently manages approximately 700 social and affordable housing dwellings in the Central Coast LGA. Our experience in the region aligns with the Strategy's identification of the substantial need for additional social and affordable housing, now and into the future.

Compass would like to thank Council for the opportunity to comment on the Draft Strategy and offers the following feedback.

### **GENERAL OBSERVATIONS:**

Australia has some of the least affordable housing anywhere in the world. The decline of housing affordability in Australia is having a deleterious effect on the living standards of low to moderate income households and creating serious social and economic risk.

There is currently no effective mechanism for producing private market housing that would be affordable for low to moderate income earners. As such, there will continue to be significant pressure on all levels of government for increased market intervention to facilitate the creation of subsidised housing.

The Central Coast LGA currently has more than 3,000 households on the social housing register, with expected waiting times of 5-10+ years for all types of dwellings. The projected population growth for the Central Coast is likely to add significantly to demand, for a system that is already failing to keep up. The extent of the looming challenge is set out later in this submission.

Compass has extensive experience in the provision of additional social and affordable housing. Since 2008 Compass has delivered over 400 dwellings under a range of funding schemes including the federal government's Nation Building Economic Stimulus Plan, the joint state and federal National Rental Affordability Scheme, the Australian Government's Supported Accommodation Innovation Fund and earlier schemes such as the Debt Equity Scheme and the Affordable Housing Innovation Fund. Compass is also currently in the process of delivering a substantial parcel of additional social and affordable dwellings in the Central Coast LGA under the NSW Government's Social and Affordable Housing Fund (SAHF). Compass would welcome the opportunity to partner with Council over the long-term, not just on existing identified sites but on future opportunities as they arise.

Due to the complexity of the Strategy, it may be advisable to form a Council sub-committee or other formal Council supported group as an ongoing affordable housing taskforce, including external stakeholders, that takes carriage of implementation and partnership management. Likewise, it may

be beneficial to nominate a specific Council Officer position to be accountable for Strategy implementation, servicing the taskforce and reporting.

Compass fully endorses Council's support of the "housing first" approach which has been internationally evidenced as the most effective method to reduce homelessness to a residual level. However, there appears to be some contradiction between a "housing first" approach, and the multiple proposals for crisis or transitional accommodation contained elsewhere in the Strategy. Whilst there is a limited role for Transitional Housing, time limited periods of secure tenancy frequently prove inadequate to address the complex needs that may have multiple elements. Premature movement into the private sector often results in the individual cycling back through homelessness as the tenancy almost inevitably fails.

Compass has similar concerns around the adequacy of caravan parks, boarding houses, and tiny homes as a response to homelessness. It is worth noting people living in boarding houses are technically included within the ABS definition of "homeless", while those in caravan parks are considered to be "marginally housed". Compass is of the view that a similar case could be made with regard to tiny homes.

## **SPECIFIC OBSERVATIONS:**

### **Table 2-1**

The table setting out relevant affordable housing income and cost benchmarks is a useful tool to conceptualise the nature of the challenge, however, further consideration could be given to the validity of the "30% rule" in the context of home purchases. For example, based on the 30% rule, the table indicates that a property valued at more than 6 times median household income still falls within the definition of "affordable", as the relatively low interest rates of the day mean mortgage repayments comprise 30% of household income. In this scenario however, any increase in interest rates, or decline in household income, would result in the household immediately falling into housing stress. The scenario also requires the household to have a 20% deposit, something that would likely represent a major obstacle for renters on the Central Coast where median rents already comprise more than 30% of the gross household income of median income renters.<sup>1</sup> A more useful measurement of affordability for purchase prices is the median multiple, i.e. the median dwelling price divided by the median gross household income.

### **Section 2.3 – Growing need for Affordable Housing**

Compass commends Council for its recognition of the impact the relatively lower incomes of residents has on overall affordability. Earlier this year Compass released the [Affordable Housing Income Gap Report](#) which found even median income renting households in the Central Coast would experience housing stress if renting a median priced dwelling.

Compass also welcomes the Strategy's recognition that "rule of thumb" measures like the 30% rule don't take into account the adequacy of the housing in question, or the high social and economic costs of commuting for those who are forced to travel long distances from their "affordable" housing to reach their place of employment.

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<sup>1</sup> Compass Housing Services – [Affordable Housing Income Gap 2018 Report](#).

### Strategy 3:

Compass welcomes the proposal for multi-tenure development on Council owned land, however, would advise caution in terms of the inclusion of transitional housing. International evidence strongly supports the adoption of “housing first” responses, even for clients who have histories of chronic homelessness.<sup>2</sup> The Common Ground approach in Australia is a good illustration of the benefits of a housing first approach, over a more traditional transitional accommodation model.

Evidence of the effectiveness of shared equity schemes is also equivocal. While they can help low income buyers obtain a foothold in the market, there is also evidence to suggest poorly designed schemes can represent the “worst of both worlds”. In some instances, the extent of the value home owners are required to give up when they sell can leave them unable to purchase another property. Similarly, equity partners typically cap their downside risk at less than 20%, placing the buyer in the position of owning the bulk of the downside risk while also having to give away a large percentage of any potential upside. Moreover, if house prices appreciate rapidly, the amount payable to the equity partner could result in the process having been more expensive to the homeowner than a conventional mortgage. Shared equity schemes can also stimulate demand for property without necessarily stimulating supply, thereby reinforcing rising house prices and, because they require access to conventional finance, are of limited value to low income households. There is also the potential for tension between capital driven homeowners and yield driven institutional investors.<sup>3</sup>

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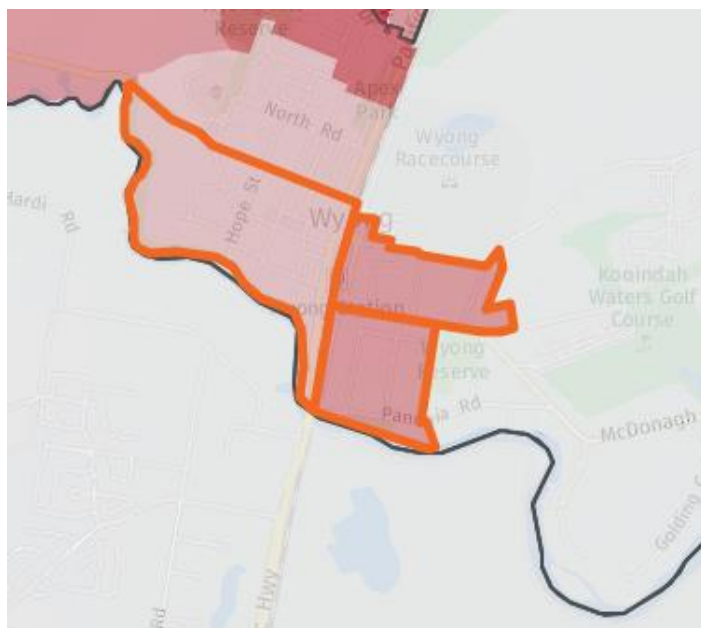
<sup>2</sup> What is the Housing First model and how does it help those experiencing homelessness?  
<https://www.ahuri.edu.au/policy/ahuri-briefs/what-is-the-housing-first-model>

<sup>3</sup> Financing affordable housing: a critical comparative review of the United Kingdom and Australia.  
[https://www.ahuri.edu.au/\\_data/assets/pdf\\_file/0016/2059/AHURI\\_Final\\_Report\\_No72\\_Financing\\_affordable\\_housing\\_a\\_critical\\_comparative\\_review\\_of\\_the\\_UK\\_and\\_Australia.pdf](https://www.ahuri.edu.au/_data/assets/pdf_file/0016/2059/AHURI_Final_Report_No72_Financing_affordable_housing_a_critical_comparative_review_of_the_UK_and_Australia.pdf)

### Strategy 6:

Compass is supportive of the potential re-zoning of developable land within 400 metres of selected town centres and within 800 metres of selected railway stations and transport nodes, however, would encourage council to assess the existing density of social housing within these zones before permitting the construction of additional social housing, to ensure overall densities are not excessive. For example, the areas near the Wyong town centre, (outlined in orange in Figure 1) already have social housing densities ranging from 10.8% to 21.4%.

Figure 1:



### Strategy 10

Compass would support an amendment of the DCP to limit the parking requirements to 0.6 per studio or one bedroom apartment and 1 space for two bedroom apartments. Our experience is that parking spaces in well-located social and affordable housing complexes are frequently under-utilised.

### Strategy 12

With regards to the possibility of small lot subdivisions of 200m<sup>2</sup>, Compass is of the view Council should require exceptional design and energy performance with resident running costs and amenity being the primary focus. For example, having consideration to standard sizing would reduce material waste in the construction phase and potentially reduce build time due to a reduction in the labour required to handle materials e.g. cutting and assembling. Developing a product based on a smart design using standard material sizes would also allow bulk discount efficiencies leading to a more affordable end-product.

### Strategy 14

Although allowing smaller floor spaces for one-bedroom apartments can lead to modest improvements in affordability, good design, amenity and energy performance also need to be considered and applied as a developmental control. This would provide a level of amenity and energy performance that not only goes beyond the initial purchase but delivers running cost advantages and savings for the end resident.

### **Strategy 16**

Compass is supportive of the proposal to lobby the state government for an affordable housing levy in the Gosford Town Centre. Increased density and/or FSR and height increases would also be welcome in proximity to the CBD and railway stations.

### **Strategy 19**

Compass is supportive of all the proposed components, however, suggests it may be beneficial for the Strategy to identify the barriers faced by people with histories of debt, or poor tenancies, which can become amplified in competitive rental markets where real estate agents are able to select renters with good track records. The existence of formal and informal “blacklists” also adds additional barriers to private rental.

### **Strategy 20**

Compass encourages Council to consider alternatives to “transitional” housing as a response to homelessness. As noted in the General Observations section above, whilst there is a limited role for transitional housing, the time limited periods of secure tenancy are often inadequate to address the complex factors that have contributed to an individual’s homelessness. Premature movement into the private sector generally results in the individual cycling back through homelessness as the tenancy almost inevitably fails.

Compass is highly supportive of the idea of a pilot program to build relationships between homelessness services and private real estate agents. A Gold Coast initiative to work with real estate agents has been successful in reducing evictions and has made private rental more accessible to low income tenants and those with complex barriers such as mental health issues and could serve as a model for a similar program in the Central Coast.

### **Strategy 21**

Compass would welcome Council’s advocacy of title or management transfers of existing public housing to community housing providers. There is strong evidence the ability to leverage can be a powerful contributor to additional social housing supply. Compass has delivered several hundred properties using this method.

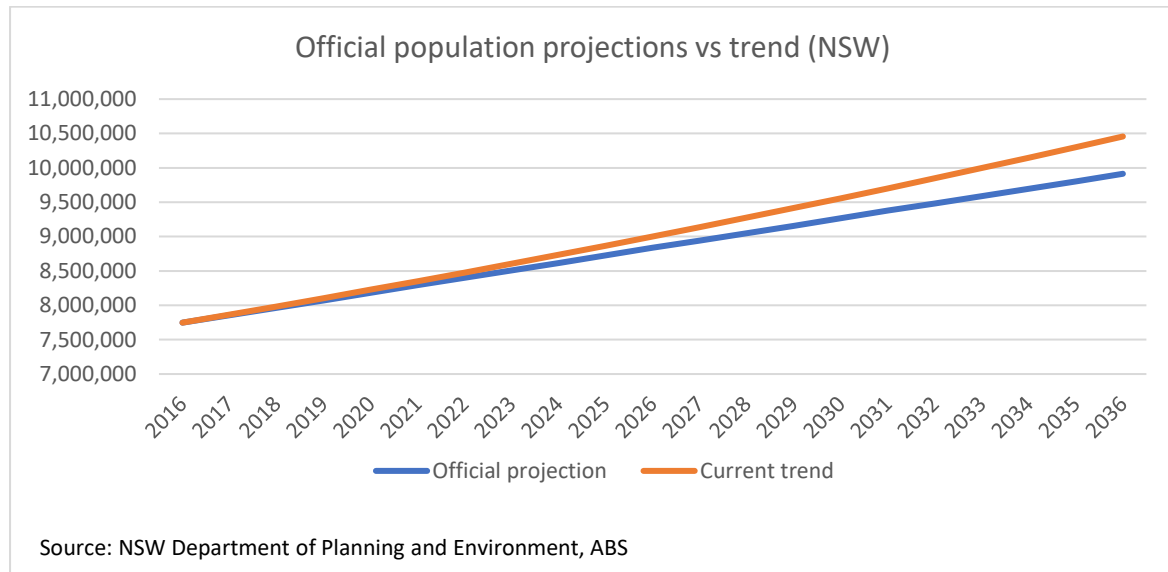
Maximising the capacity of CHPs to contribute to additional supply is particularly important considering the critical nature of the challenge. As noted above, Central Coast Council currently has more than 3,000 households on the social housing register, with expected waiting times of 5-10+ years for all types of dwellings. The projected population growth for the Central Coast is likely to add significantly to the level of unmet need.

To ensure low income households in the Central Coast are not placed at greater risk of housing stress or homelessness, it may be useful for the Strategy to include targets for new social housing construction that are sufficient to clear the existing backlog in the relevant allocation zone/s, and to ensure social housing comprises not less than 6% of all new dwellings projected to be required within the Central Coast LGA. For example, the Department of Planning and Environment estimates the Central Coast will require an additional 41,500 dwellings by 2036. Compass is of the view that at least 2,490 of those additional dwellings should be social housing.

It is worth noting also, the population projections produced by the NSW Government, and therefore the implied dwelling requirements, assume an annual growth rate much lower than that experienced over the past five years. The projections assume a state-wide population growth rate

starting at 1.37% per annum and declining to 1.12% over the 20-year period. For this to happen, the current rate of population growth in NSW would have to decline substantially. The population of NSW has grown by significantly more than 1.37% in each of the last five years. Actual population growth in NSW for the 2016 calendar year was 1.51%. Population growth for the 16-17 financial year was even higher at 1.57%. If population growth were to continue at its current level, by 2036 the population of NSW would be close to 10.4 million, more than 540,000 above the official projections – a discrepancy more than one and a half times the entire current population of the Central Coast LGA.

Figure 2:



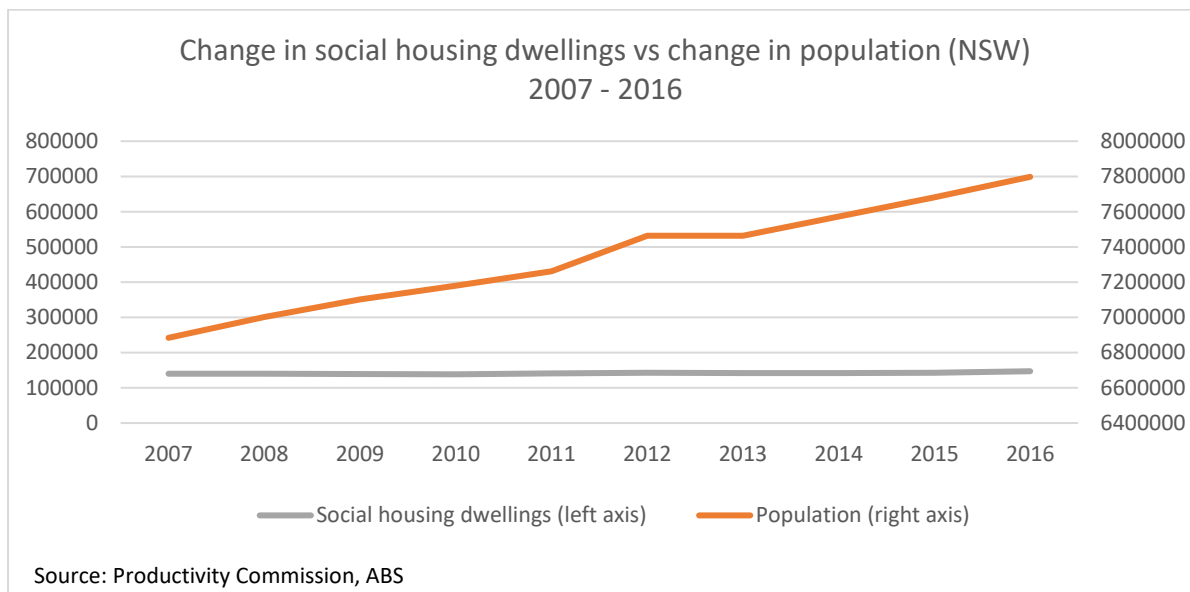
While the bulk of NSW’s population growth is projected to occur within the Sydney Metropolitan Area, the implications for the Central Coast are also significant. For example, the Central Coast area is currently scheduled to absorb approximately 3.47% of NSW’s total population growth over the period in question. If population growth continues at the current higher rate, rather than falling to the levels assumed in the official projections, and if intra-state population flows remain consistent, the Central Coast will see its population grow by an additional 18,823 on top of the official projection of 75,500 – a discrepancy of around 25%. As noted above, the projected population growth should, at a minimum, require the construction of an additional 2,490 social housing dwellings. A conservative estimate of the cost of supplying those dwellings would be in the vicinity of \$500 million<sup>4</sup>. Were the actual population growth to be 25% higher than forecast, it would inevitably add to the implied dwelling requirement, and therefore the requirement for additional social housing<sup>5</sup>.

<sup>4</sup> Based on construction cost per dwelling of \$200,000.

<sup>5</sup> It should also be noted that the numbers listed above most likely understate the true future demand for social housing in the Central Coast as they do not take account of the number of dwellings required to accommodate those on the existing waiting list, or the fact that many existing social housing dwellings are near the end of their useful life and will need to be either replaced or substantially upgraded over the period in question if they are to remain habitable.

Over the past decade, the rapid increase in the population of NSW has not been matched by a commensurate increase in the supply of social housing. While the population increased by almost a million people, the supply of social housing dwellings barely moved. In fact, were it not for some federal investment during the GFC, the supply of social housing in NSW would most likely have declined over the period in question.

Figure 3:



## **Strategy 22**

As noted elsewhere in this submission, Compass has reservations about extending the scope of transitional housing. The evidence suggests putting people into long-term housing is a better option than placing them on time limited tenancies and expecting them to resolve their barriers to private rental in a finite period.

## **Strategy 24**

Compass strongly supports the resourcing and promotion of a homeless hub to provide referrals and support in response to imminent homelessness, however, believes proposals (b) through to (h) are not consistent with a housing first approach to homelessness.

Compass strongly supports proposals (i) and (j), in particular, the idea of assertive outreach to mental health facilities, public hospitals and other institutions to ensure those most at risk of homelessness do not “exit into homelessness”.

Compass would also welcome Council advocating for greater resourcing of mental health support in the region. The experience of Compass staff operating in the Central Coast region is that while there are a number of agencies providing referrals for support, there is a shortage of mental health support workers available to provide the necessary support.

## **Conclusion:**

Compass once again wishes to commend Central Coast Council for their attention to this critical issue and for the opportunity to provide feedback on the Draft Affordable and Alternative Housing Strategy. We look forward to continuing our productive relationship in the years ahead.

Sincerely,

***Martin Kennedy***

***Manager of Research and Public Affairs***

***Compass Housing Services***

***(for and on behalf of the Compass Central Coast Affordable Housing Strategy Workgroup.)***