

29 November 2019

NSW Productivity Commission
GPO Box 5469
SYDNEY NSW 2000
Via email: ProductivityFeedback@treasury.nsw.gov.au

To Whom it May Concern

Thank you for the opportunity to provide a submission in response to the NSW Productivity Commission's Discussion Paper, *Kickstarting the Productivity Conversation* (October 2019). The enclosed submission from Bridge Housing Limited ('Bridge Housing') specifically provides input on Priority Area 5 – *Planning for the housing we want and the jobs we need*.

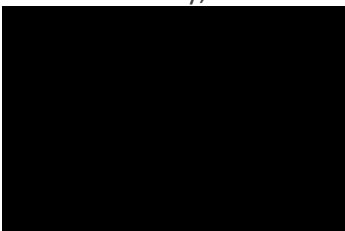
Bridge Housing is a Tier 1 community housing provider registered under the National Regulatory System for Community Housing. Our mission is to improve lives through affordable homes and quality services, which we provide to people on low to moderate incomes. Between 2006 and 2019, Bridge Housing has increased the number of properties that we own or manage from 650 to 3,560. Our properties are located in 21 Local Government Areas (LGAs) across Sydney and provide accommodation for more than 5,000 people.

Over the last three years, Bridge Housing has been actively involved in the financing, development and delivery of 250 of new, high-quality social or affordable housing properties across Greater Sydney. Our development capacity was enhanced by the then Federal Government's National Rental Affordability Scheme. In 2019, to facilitate our future development and acquisition program, Bridge Housing secured a loan of \$51 million from the National Housing Finance and Investment Corporation (NHFIC). The loan has been used to refinance our existing development program and to fund our recent acquisitions in Ashfield, Marrickville and Punchbowl, totalling 30 units. More recently, Bridge Housing's development capacity has been enabled by the use of Community Housing Leasing Program subsidies.

We believe that direct investment in social and affordable housing is a key strategy to drive productivity in our cities. Using the community housing sector as a vehicle to increase affordable housing supply should be central to the productivity discussion.

Further information about Bridge Housing is provided in the attached [2019 Annual Report](#). Please do not hesitate to contact me at: [REDACTED] if you have any queries about our submission.

Yours sincerely,



Response to the NSW Productivity Commission’s Discussion Paper – *Kickstarting the Productivity Conversation* – October 2019

This submission from Bridge Housing provides feedback in response to the NSW Productivity Commission’s Discussion Paper, *Kickstarting the Productivity Conversation*. As a Tier 1 registered community housing provider with over 30 years’ of expertise in the management and development of social and affordable housing and support services, Bridge Housing has elected to provide comment and recommendations on Priority Area 5 – *Planning for the housing we want and the jobs we need*.

The submission addresses each of the six issues identified by the NSW Productivity Commission:

1. Unlocking the potential of our employment zones
2. Build dwellings that better match our preferences
3. Providing greater housing choice to balance labour mobility with tenure security
4. Making the most of our public spaces and green space
5. Moving toward more efficient and equitable developer contributions
6. Minimising red tape and complexity

Issues	Comments and recommendations
<p>1. Unlocking the potential of our employment zones</p>	<p>The NSW Productivity Commission has acknowledged that housing affordability is an “ongoing challenge” in the context of continued population growth. However, there is emerging evidence to suggest that an increased supply of affordable housing in well-located areas can contribute to improved productivity outcomes, job growth and economic prosperity for individuals, households and local communities.</p> <p>According to the City Futures Research Centre study, <i>Strengthening Economic Cases for Housing</i> (2019), enabling people to move closer to a wider range of jobs in Sydney would potentially create a \$17.7 billion boost to the NSW economy over a 40-year period. To achieve this, the NSW Government would be required to invest in 125,000 new affordable rental homes in well-located areas over a 10-year period.</p> <p>Bridge Housing supports the introduction or increased use of mixed-use zones to provide more affordable housing options near employment and education opportunities, in accordance with the community’s changing housing needs. This may require the amendment of planning instruments to ensure that affordable housing, such as boarding houses and granny flats, can be built in as many residential and mixed-use zones as possible.</p> <p>The recent state-wide introduction of <i>SEPP 70 – Affordable Housing</i> (Revised Schemes) represents a significant opportunity for State Government and Local Government to introduce new and additional affordable housing mechanisms, particularly through the preparation of Local Housing Strategies and associated review of Local Environment Plan (LEP) and Development Control Plan (DCP) controls. For example, several local councils, including the City of Canterbury-Bankstown Council, Northern Beaches Council and the City of Parramatta Council, have correctly identified the need to align their employment zones with increased affordable supply.</p>

With regard to *SEPP (Affordable Rental Housing)*, Bridge Housing recognises the potential for the boarding house provisions in to be misused to deliver boarding houses that are not used as genuine affordable housing, and which may have an adverse impact on the amenity and character of the neighbourhood. It is recommended that new generation boarding houses are subject to similar rent control provisions as affordable housing, to ensure they provide genuine affordable dwellings to people in greatest need.

Separate to the planning system, Bridge Housing has managed the affordable housing programs for Waverley Council since 2013 and on behalf of the City of Canada Bay Council since 2015. These programs are designed to address the housing needs of key workers with a demonstrated need for affordable housing and to reside close to their employment. Alternatively, local councils could prioritise the allocation of affordable rental housing to people with a disability, older people and people with a long-term connection to a local area. By investing in affordable housing programs, local councils can retain an increased social mix in their neighbourhoods and ensure that affordable rental housing is available to key workers and people in need.

Although there are a range of planning mechanisms that can be leveraged to deliver more affordable housing, it is clear that some population groups experience significant barriers when seeking employment, which cannot be resolved through the provision of affordable housing alone. Bridge Housing is aware that many of our working-age residents (aged 17-70 years) require additional assistance and support to access employment and education opportunities. Within this context, our supported employment program, *A Bridge to Work*, has been highly successful in delivering positive outcomes for our residents. The program is funded by the Department of Social Services and delivered in partnership with CoAct, an employment services provider. Since the program's commencement in July 2018, 31 residents have been placed in employment. Of these, 17 residents have been employed for six months or more.

2. Build dwellings that better match our preferences

Bridge Housing supports the development of LEP and DCP controls to ensure that the planning system can deliver a diverse range of dwellings, including apartments, low rise medium-density housing, seniors housing, accessible housing and, most significantly, affordable housing. While each location requires a tailored approach, the following principles are consistently relevant to providing quality affordable housing supply that best meets community need:

- **Selecting accessible locations:** Locating affordable housing in close proximity to transport, amenities and employment opportunities is particularly important for affordable housing residents to ensure their transport costs are minimised and they have good access to services and employment options. This means prioritising sites that are within 800 metres of a train station and/or 400 metres of a bus stop and close to social services, education and jobs.
- **Meeting demonstrated need:** Planning and delivery of affordable housing should be informed by detailed demographic analysis and other evidence bases. Consideration should be given to selecting

locations in the Community and Justice Services (FACS) allocation zones with high numbers of social housing applicants and wait times of five years and over, as well as areas with higher rates of rental stress in the private market.

- **Setting affordable housing targets:** The establishment of reasonable affordable housing targets at a local level is critical to demonstrating leadership and measuring success. The Greater Sydney Commission and Landcom have established affordable rental housing targets of 5 to 10 per cent, whilst some Greater Sydney councils, including Inner West Council, have committed to a 15 per cent target. Whilst these efforts are welcomed, Bridge Housing recommends that the NSW Government commit to a 30 per cent affordable rental housing target for government-owned sites.
- **Delivering high quality design:** Bridge Housing employs best practice in the design and delivery of new affordable homes and involves tenants in the process. As new projects are completed, Bridge Housing conducts post-occupancy evaluation through its Tenants Talk Design program to give tenants a real say in the way their homes are designed and improve the design of our future developments. Bridge Housing's Design Guidelines demonstrates our commitment to design quality.
- **Ensuring accessibility:** Supporting people to live comfortably as their needs change can have a positive impact on tenants' health and wellbeing and allows people to age-in-place. Bridge Housing has a strong and demonstrated commitment to providing accessible dwellings with 100% of all new dwellings delivered required to achieve the Livable Housing Australia Silver level standard and a minimum of 10% to 15% of the housing to achieve the higher Accessible housing and Specialist Disability Accommodation Improved Livability Standards.
- **Place making:** Bridge Housing's place making strategy, *Places People Want to Live*, outlines a three-stage approach to community place-making and engagement, developed through 30 years of housing expertise.

With regard to the planning system, suggested mechanisms to deliver additional affordable housing through LEP and DCP controls include:

- Conducting a GIS analysis of sites with opportunity and constraint factors where bonuses for affordable housing may be delivered
- Ensuring there is a sufficient supply of appropriately zoned land and a flexible mix of permitted uses in a range of residential and mixed-use zones to ensure there is sufficient affordable housing supply, support services and community facilities
- Including a minimum requirement for affordable housing contributions for residential development in any central locations
- Introduce planning incentives (e.g. floor space bonuses) to encourage affordable housing
- Consider site specific planning dispensation to ensure any floor space bonus utilised for affordable housing can be fully utilised on

	<p>the site (site coverage and height controls), especially when developed and owned by CHPs</p> <ul style="list-style-type: none"> • Allow variations (where appropriate) on certain controls for specific affordable housing developments. For example, special provisions may apply to housing providers who are developing accessible housing for people with a disability or older people • Consider the use of planning dispensations to incentivise the delivery of affordable housing, such as reduced car parking requirements or a range of dwelling mixes that meet the requirements of affordable housing tenants • Consider the introduction of special rate levies for affordable housing to enable an increased number of key workers to live in the areas that they work in • At a local council level, considering the application of a fast-track approval process for affordable housing development where appropriate.
<p>3. Providing greater housing choice to balance labour mobility with tenure security</p>	<p>Bridge Housing strongly supports increased efforts by the NSW Government to 'level the playing field' by providing a more stable source of housing supply, noting there is already a significant shortfall of social and affordable housing in NSW. The Community Housing Industry Association (CHIA) NSW commissioned the City Futures Research Centre to estimate affordable housing need in the research study, <i>Filling the Gap: Costing a National Affordable Housing Program</i> (2019). According to the analysis, Greater Sydney has a current shortfall of approximately 125,000 homes which are affordable to households in the bottom two income quintiles. In order to meet our growing population needs and changing demography, Greater Sydney will require an additional 75,000 affordable homes by 2036.</p> <p>Community housing providers such as Bridge Housing have significant capacity to support governments in 'levelling the playing field' and delivering more social and affordable housing. Organisations such as Bridge Housing are values-driven, community-focused and committed to delivering new social and affordable rental housing supply on an ongoing, rather than time-limited basis, wherever possible. As such, tenants can enjoy an increased level of tenure security and stability compared to the private rental market.</p> <p>State and local governments can leverage the following benefits when partnering with CHPs to deliver additional social and affordable housing:</p> <ul style="list-style-type: none"> - Access to specific tax provisions for not-for-profit organisations - Development expertise in affordable and social housing - Extensive experience in the management of social and affordable housing and the delivery of coordinated support services for people with complex needs - Equity in existing social and affordable housing properties - The ability to secure lower-cost finance from NHFIC - Access to council or State Government owned land vested or leased at below market prices.

As a result of these benefits, state governments have increasingly engaged with CHPs to manage and grow the supply of social and affordable housing across Australia. However, research undertaken by the Australian Housing and Urban Research Institute (AHURI) has consistently demonstrated that the provision of social and affordable housing supply is contingent upon a form of government subsidy. This subsidy is required to cover the funding gap between the cost of building, maintaining and managing social and affordable housing, compared with the amount that low and moderate income tenants can afford to pay.

According to Lawson et al (2018), the most economical approach for building, maintaining and managing social housing over a 20-year period is for governments to provide a direct capital grant operating subsidy (\$9 billion) to CHPs. In contrast, a funding model relying on CHPs raising debt from the market would cost government \$11.8 billion in annual subsidies.

To address housing affordability in Greater Sydney, it is recommended that State and Local Governments actively collaborate with CHPs (including Bridge Housing) and other key stakeholders to investigate all available mechanisms to deliver affordable housing. This may involve the establishment of a cross-sector Memorandum of Understanding (MOU) to deliver more affordable housing supply in a particular area, initiating a competitive tender process for affordable housing to be managed by CHPs and/or identifying joint development opportunities between registered CHPs, private developers and government using state-owned or council-owned land.

Other key mechanisms to increase affordable housing supply include:

- Maintain and build partnerships with CHPs to investigate opportunities for joint ventures or opportunities on low-cost sites for affordable housing or other opportunity sites, including Council-owned resources such as car parks (where both parking and affordable accommodation is delivered)
- Work with CHPs (through the NDIS program) to increase the provision and support of Specialist Disability Accommodation and other types of disability accommodation
- Explore the planning controls for build-to-rent and the feasibility of partial high-income generating uses such as visitor accommodation, standard build-to-rent residents and affordable housing components. It is noted there may be opportunities to deliver build-to-rent models in locations where other forms of residential accommodation are not permissible as the model preserves consolidated ownership.

Setting affordable housing targets

As previously mentioned, the setting of reasonable affordable housing targets is crucial to addressing housing affordability. Given that an estimated 1 per cent of Greater Sydney's housing supply was delivered as affordable rental housing supply through the Affordable Rental Housing SEPP and Voluntary Planning Agreements between 2009 and 2017 (Gurran et al, 2018), it is clear there is a significant and untapped

	<p>opportunity for NSW to increase its annual output of affordable rental housing supply in line with international jurisdictions such as England (43% of affordable housing supply between 2015-16) and San Francisco (12% per annum).</p> <p>Bridge Housing considers there is significant scope for NSW to achieve an output of affordable rental housing which is comparable to in England and San Francisco, whilst ensuring that this housing is accessible to very low and low-income households in greatest need. As such, we recommend the following targets:</p> <ul style="list-style-type: none"> • A minimum requirement of 10 – 15 percent for affordable rental housing is mandated for all new developments on land which is identified for inclusionary zoning purposes • A minimum requirement of 30 per cent for social and affordable housing is mandated on public land when they are rezoned for residential development
<p>4. Making the most of our public spaces and green space</p>	<p>Bridge Housing supports the NSW Productivity Commission’s objective to maximise the use of public and green space, particularly in the context of a growing population and an increased shift towards apartment living in Greater Sydney. Given the already significant undersupply of social and affordable housing in Greater Sydney, it is recommended that affordable housing supply is explicitly recognised as a key strategic priority by the NSW Productivity Commission as a means of improving productivity.</p> <p>Accordingly, Bridge Housing recommends that the NSW Government:</p> <ul style="list-style-type: none"> • Develop an outcomes framework to provide an evidence-based approach to determining the most significant and ‘best use’ of government land. Such a framework should include social outcomes (e.g. the provision of social and affordable housing) • Undertake an audit to investigate the feasibility of providing social housing and/or affordable rental housing on State-owned land prior to planning for development, redevelopment, lease or sale of that land. In addition, the NSW Government should mandate that all government land includes a minimum affordable rental housing target of 30 per cent before it is sold, rezoned or redeveloped. • Consult with not-for-profit organisations and Property NSW and LAHC regarding the potential redevelopment of underutilised sites and/or sites that may be available for disposal in future for affordable housing purposes. In the event that a site is identified for sale, consider initiating a select tender involving CHPs who can leverage off cash flows and tax benefits to deliver additional affordable housing. • Investigate density bonuses for the provision of affordable housing on business or urban services land, but only where the employment/services function of the land is not diminished.

<p>5. Moving toward more efficient and equitable developer contributions</p>	<p>Bridge Housing strongly supports the NSW Productivity Commission’s efforts to create a more equitable and efficient developer contributions scheme at a state-wide level. We recommend maximising the return on affordable housing contributions by:</p> <ul style="list-style-type: none"> • Entering into Voluntary Planning Agreements for new developments to provide funding for affordable housing. This involves setting a target for percentage of development either as dwellings or as a cash contribution, particularly where higher volume outcomes can be achieved through cash contributions. • In addition, all VPAs (State and Local) should explicitly exclude affordable housing development projects from having to make infrastructure contributions (in the form of money, land, and/or works-in-kind). • Consolidating and directing contributions secured by Council to CHP and State-government social and affordable housing redevelopment projects where appropriate • Requiring that all affordable housing projects are managed by CHPs to ensure that housing is provided to people in greatest need • Excluding affordable housing from all State Special Infrastructure Contributions • Undertaking an audit of all affordable housing approved developments to ensure any affordable housing approved and developed under the SEPP (Affordable Rental Housing) is managed and rented in accordance with the DA approval. <p>In addition to these mechanisms, Bridge Housing recommends that the NSW Government commit to the establishment of a centralised data collection system to monitor affordable housing. The purpose of this system would be ensure that new and existing affordable housing properties are managed correctly and allocated to people in need, as per the <i>NSW Affordable Housing Ministerial Guidelines</i> (Department of Family and Community Services, 2019). Bridge Housing strongly recommends that this system is developed by the Department of Industry and Environment’s Property and Housing Division, in consultation with CHPs, to ensure that the data collection system is robust, measurable, reliable and can be clearly understood by internal and external stakeholders.</p>
<p>6. Minimising red tape and complexity</p>	<p>Bridge Housing believes that the delivery of affordable housing needs to be incentivised by the NSW Government, with proactive councils and communities being rewarded for accommodating additional affordable housing. In order to avoid ‘undermining’ the funding required for local and State infrastructure projects, Bridge Housing supports the establishment of an Affordable Housing Infrastructure Fund (AHIF), or its equivalent, to offset local and state infrastructure contributions which would otherwise be lost.</p> <p>To meet the overall need for affordable housing by 2036 identified by CHIA NSW, Bridge Housing supports advocacy efforts to establish a 200,000 Affordable Dwellings Strategy across Sydney with access to the AHIF to assist in infrastructure funding or similar fiscal imposts. It is proposed that the Strategy is based on the Social and Affordable Housing Fund (SAHF) program which has already been rolled out in NSW. Access</p>

to a SAHF-like scheme would need to be simplified to reduce tendering and implementation costs and timely access to funds.

Bridge Housing strongly supports the option of developers being able to make **cash payments under SEPP 70 or alternative mechanisms**.

However, it is important that local councils are supported to create a framework that permits the timely expenditure of the funds raised into the delivery of housing, so that CHPs such as Bridge Housing can also leverage off the NHFIC and other subsidies that may already be in place. In terms of monitoring progress, Bridge Housing considers that it is vital for local councils to establish clear five-year targets for the delivery of affordable housing and a framework that assesses the relative success rates of each identified mechanism. Similarly, the impact of any State or Australian Government policy setting should also be tracked.

The potential opportunities presented by the redevelopment of underutilised public land need to be realised and monitored on an annual basis. The establishment of an appropriate framework for public assets in the LGA and the processes required for their potential redevelopment and/or disposal is strongly supported by Bridge Housing.

To incentivise Council (and local communities) to identify appropriate sites, a local community might be rewarded with funds from the AHIF to be spent by Council on other community or social infrastructure in the area, such as open space, playground upgrades, tree planting etc.

Bridge Housing is concerned that too heavy a reliance may be placed on the private sector to solve the affordable housing issues facing NSW and other processes and mechanisms need to be identified and put in place.

There is a need for advocacy for affordable housing at all levels (CHP, Council, State and Federal Government and the broader community) working together for coordinated outcomes.

Partnerships that combine all three levels of Government may be the hardest to achieve, but have the greatest potential to achieve coordination and success on the ground through a combination of good processes, effective mechanisms, access to land, and access to funding.