

State Environmental Planning Policy (Affordable Rental Housing) 2009 and affordable housing in Central and Southern Sydney

A research report commissioned by Southern Sydney Regional Organisation of Councils (SSROC)

Dr Laurence Troy, Dr Ryan van den Nouwelant & Prof Bill Randolph

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By Laurence Troy, Ryan van den Nouwelant & Bill Randolph

City Futures Research Centre

UNSW Built Environment

UNSW Sydney

cityfutures.be.unsw.edu.au

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Executive Summary

This report evaluates the dwellings delivered under the State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP) in Southern and Central Sydney. It was commissioned by the Southern Sydney Regional Organisation of Councils (SSROC). One central aim of the AHSEPP is to facilitate the private development of diverse housing options, and housing with lower rents than the existing market context. Since its introduction, there has been little analysis to understand if the policy has realised this aim, either in the SSROC region or across the New South Wales.

Assessing the outcomes of the AHSEPP is contingent on the local context, with considerable variation in housing type, cost and tenure across the SSROC region. Ultimately performance of the AHSEPP needs to be judged relative to the housing context, rather than in aggregate across a metropolitan region. This report's findings are drawn from analysis of development application data collected by NSW Department of Planning and Environment and provided directly by SSROC councils, rental bond data collected by NSW Fair Trading and Australian Census data available through the ABS. The key findings of the report are summarised here.

Secondary Dwellings

- Over **8,000** were approved across the SSROC region in the decade to June 2017
- At nearly 2,000 approvals, growth in 2015/16 was **six times higher** than the year before the AHSEPP began
- **Over half** were in Canterbury-Bankstown
- Secondary dwelling approvals represented around **1 in 12** new dwellings built in the decade to 2016
- **Rents were marginally higher** than comparable dwellings in each area
- Very few were formally entering private rental market
- Provisions of the AHSEPP appear most likely to facilitate additions to an existing dwelling, to accommodate larger or more complex household types

Boarding Houses

- Nearly **300** new boarding houses were approved across the SSROC region since the SEPP began, with a median size of 16 rooms
- Over **9,000** new boarding rooms were approved (including through expansions of existing boarding houses)
- **Nearly two thirds** of the rooms were in the City of Sydney
- **Over half** of the rooms were targeted **student accommodation**, concentrated around the universities
- Rooms were **only marginally cheaper than 1-bed units** near the universities, but 20-40% cheaper elsewhere
- New boarding houses were **more common in urban renewal contexts**, not established low-density suburbs
- Provisions of the AHSEPP appear most likely to facilitate alternatives to residential flat buildings that comply with the Apartment Design Guide, and that would have offered more diversity in tenure and unit size

Infill Affordable Housing

- There is very little data assessing the outcomes of these provisions, as the dedications of affordable housing are buried in conditions of consent
- Preliminary estimates suggest the provisions are having little impact in most parts of the SSROC region
- The exception to this is Canterbury-Bankstown, where many developments are eligible for the density bonus even when delivering a median, or even premium, market product

Overall, despite the stated objectives of the AHSEPP, it has delivered very little genuinely affordable rental housing for very-low to low income households. Over the longer term, the AHSEPP needs to be integrated within a broader affordable housing strategy, and more explicitly linked to supporting the delivery of local affordable housing targets required as part of the Greater Sydney Region Plan.

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Introduction

This report has been prepared for Southern Sydney Regional Organisation of Councils (SSROC), by City Futures Research Centre at UNSW Sydney. The aim of the report is to understand the dwelling and affordability outcomes of dwellings approved under the State Environmental Planning Policy (Affordable Rental Housing) 2009 (AHSEPP) across the SSROC region. Specifically, the project will address the following questions:

1. What has been the impact of the AHSEPP in terms of facilitating affordable housing, including secondary dwellings, infill affordable housing and boarding houses?
2. What is the mix of affordable housing (secondary dwellings, infill affordable housing and boarding houses) generated through the AHSEPP (e.g. in terms of dwelling unit size, boarding house block size)
3. What is the geography of the ‘affordable housing’ units facilitated through the AHSEPP? In what kinds of localities have such developments been concentrated?
4. Within the boarding house cohort, what is the split between student housing and ‘mainstream’ provision? What is the ownership structure of the cohort?
5. To what extent are boarding house units found satisfactory as long-term accommodation (including consideration of issues such as property management effectiveness, car parking provision)?
6. What are the policy and strategy implications of these outcomes for future affordable housing provision?

The findings presented in this report are based on analysis of a combination of data. Datasets were sourced from the development approval records from the Department of Planning and Environment, extracts directly from each councils' development application records systems, rental bond board data from NSW Fair Trading and Census of Population and Housing data from Australian Bureau of Statistics. The methodology relies on data matching across these different sources to reveal both housing and affordability outcomes related to the AHSEPP across the SSROC area. The lack of consistency in reporting on development approvals, diversity in record keeping practices and the fragmented responsibility for maintaining various datasets means that understanding apparently simple questions, presents a considerable challenge. Understanding with some certainty how many and where dwellings are being approved under the SEPP and how they impact the wider housing market ought to be central to understanding the impact of the AHSEPP, yet has not been undertaken previously on this scale.

The report is separated into six parts, with this first giving a brief introduction to the issues and outline of the central aims. The second section describes the methodology for processing and matching different datasets and outlines key limitations imposed by this disparate data sources. The third section presents the analysis of housing and development outcomes generally across the study area. The final three sections focus on the key dwelling type outcomes permitted under the AHSEPP, secondary dwellings, infill affordable housing, and boarding houses. A brief conclusion summarises the report's key findings.

Background

The NSW Government introduced the AHSEPP with the central aim of increasing the supply and diversity of affordable rental and social housing in the state. Three components of the AHSEPP were:

- to allow boarding houses in a number of residential and mixed-use zones,
- to permit ‘secondary dwellings’ as a complying development category in residential zones, and
- to provide floor space bonus incentives where affordable units are included as part of a residential flat building development.

The changes were broadly justified on the basis that these built forms would contribute to affordable rental supply in different housing markets across NSW. The aim of these three particular components was to incentivise the private sector delivery of affordable rental housing.

Available data, preliminary research and media coverage on these changes have suggested that the AHSEPP has indeed facilitated notable increases in the construction of both secondary dwellings and boarding houses. However, the precise scale, geography and affordability of this housing remains in question.

Introducing secondary dwellings as a complying development category aimed to facilitate infill suburban densification through the development of small units (up to 60m²). The objective was to diversify housing stock by creating a supply of smaller, more affordable rental accommodation. Legally indivisible from associated ‘primary dwelling’, secondary dwellings are ensured to be occupied as rental dwellings, or as additions to a main dwelling (e.g. fulfilling the terms ‘granny flat’ or ‘teenagers retreat’).

Reporting in the metropolitan development monitor suggested a dramatic increase in secondary dwelling applications. However, there is no analysis to date to identify what the housing market outcomes have been. To what extent are these dwellings in fact adding to the pool of rental housing, who lives in them, and what price point within the local housing market are tenancies offered? In other words, have these dwellings generated more affordable housing supply and met the intention of the AHSEPP?

Unlike secondary dwellings, specific data at metropolitan level is not currently being collected on the location and extent of boarding houses approved under the AHSEPP. But like secondary dwellings, little is known on tenant profile and how far these new dwellings are meeting the intentions of the AHSEPP. Any information about boarding houses needs to be unpacked from bespoke extracts of each council’s development approval records.

An important question about boarding house development is the extent to which they are specifically designed for occupation as student housing. Notably large numbers of boarding house development approvals have been noticed in Randwick and City of Sydney, and are anticipated to be partly attributable to this factor. More generally, concern has been expressed by SSROC that boarding house provisions of the AHSEPP were delivering bed sit units at a price point unaffordable to single people on very low incomes.

Finally, the floor space bonuses for including affordable housing in a residential flat building (or larger development that incorporates a residential flat building), is the least understood. Like boarding houses, there is no data collected on the outcomes of these provisions, with the additional challenge that they are not a separately defined land use in council development approval records (they are part of the residential flat building). As such, there is very little known about the numbers and locations of development approvals that employ the AHSEPP incentives, the actual dedication of affordable housing within those developments, and the ongoing provision of the affordable housing through community housing providers.

This project aims to address these gaps in planner and policymaker understanding of affordable housing outcomes of secondary dwellings, boarding houses and infill affordable housing developments generated under the AHSEPP across the area of Southern Sydney Regional Organisation of Councils.

Data and Methodology

DPE Housing Monitor data

Secondary dwelling data has been sourced from dwelling approval data collected by NSW Department of Planning and Environment (DPE). The data is an address level record based on reporting from individual councils that is submitted quarterly to DPE. Address information was of relatively high quality, allowing for a near complete geocoding match rate across the SSROC area. The data itself distinguishes between development application types and includes a separate category for new secondary dwellings, however does not distinguish boarding houses, and infill affordable dwellings would be subsumed within a new multi-unit application.

Some concern was expressed by the SSROC reference group over the quality of the data supplied to DPE by councils, because of diversity of record management practices and levels of reporting by private certifiers of secondary dwellings back to councils. This project initially aimed to make some assessment of DPE data quality based on bespoke data extracts from councils for this project, however the diversity in data quality supplied to this project, and the absence of data from a number of councils (discussed further below) means that this was not possible. However, where Complying Development Certificates (CDC) have been lodged with the council and reported to DPE, the dataset used for this analysis includes CDC applications.

Council Development Application data

Currently DPE do not require councils to report specifically on boarding house or ‘infill affordable’ development numbers and, as such, they do not hold any data relating to this part of the AHSEPP. Key data was requested for this project from approvals and property databases of SSROC councils. In addition to having the intent of validating secondary dwelling data, this council-supplied data would enable some analysis of boarding houses and infill affordable developments. Data requested included:

- application number/ID
- application category
- applicant name
- date submitted
- date determined
- determination
- consent authority
- development value
- application description
- approved GFA
- number of bedrooms
- number of boarding rooms
- total and encumbered apartments (for infill)
- CC status and date
- OC status and date
- property ID
- property address
- legal title
- property owner
- land-use zone and FSR

All councils were able to provide some data, however not all areas of recently merged councils were provided. Also, the format and details provided varied considerably. Generally, sufficient data was provided to analyse applications and approvals, with insufficient data to analyse actual completions or detailed occupancy patterns. Boarding house applications were coded by development type (new, expanded, other variation of existing approved use) and by size (number of boarding rooms, from application description in some cases) and location (council and surrounding land-use). Applications on university-owned properties were excluded, but other applications identified as student housing were included. When not provided by councils, some details (like consent authority or determination) were inferred in cases where it was indicated by other data.

Rental Bond Board data

Each new tenancy in NSW is required to lodge the bond money with the NSW Fair Trading rental bond board and is required to be based on four weeks rent for the rental property. This lodgement generates a record of when and where new tenancies were entered and how much rent is payable on the dwelling. This data has been provided to City Futures Research Centre at address level, and enables a comprehensive picture of rental volumes and prices to be established across New South Wales. This data was first cleaned using OpenRefine, which is open access software designed to identify and clean inconsistencies and errors in the dataset. The focus of this cleaning process was on the address fields, which are needed to enable geocoding of each record.

Rental bond data from 2009 to second quarter of 2017 was cleaned and collated and approximately 833,000 records covering the SSROC area were extracted. These records were geocoded using the GNAF, with approximately 91% of records having an address matched, see Table 1. This resulted in a data loss of around 9% due to incomplete address records in the raw bond files. While in broad terms this represents a considerable dataset across the SSROC area, the rate of data loss introduces a degree of uncertainty when trying to quantify rates of rental of new secondary dwellings and boarding rooms.

Table 1 Rental bond board data geocode match rate for SSROC area

	Number Records
Matched	758,536
Unmatched	75,346
Total	833,882
<i>Data loss (% unmatched)</i>	<i>9.0%</i>

Further care is needed in the interpretation of rental bond data in relation to boarding house approvals, as it is not always a requirement for owners to lodge bonds for boarding room occupants. However, it is noted in the discussion on boarding houses below, some boarding houses do effectively operate like standard tenancies, and in those circumstances they would be required to lodge a bond. Ultimately these differences are likely to be informed by the particular target market each individual operator is seeking to capture. It does mean that obtaining comprehensive rental price levels of boarding rooms is not possible through this method.

ABS 2006 and 2016 Census of Population and Housing data

Data has been compiled based on the 2006 and 2016 Census of Population and Housing and all figures are based on counts of dwellings based on place of enumeration counts. This data is to provide a comparative baseline of dwelling stock and composition across each of the council areas to enable an assessment of relative impacts of dwellings approved under the AHSEPP. The purpose is to understand the relative contribution of AHSEPP dwellings to the overall stock of housing by council area and understand the relative contribution of AHSEPP dwellings in terms of dwelling diversity (primarily based on size of dwellings).

However, it is not possible to know exactly how secondary dwellings and boarding rooms are being captured within census counts. Secondary dwellings pose a considerable challenge given that many represent an addition or expansion of a primary dwelling. In such cases, the secondary dwelling may not be counted as a separate dwelling. In other cases, where secondary dwellings have been constructed as a distinct dwelling (with street entrance and letterbox, for example), it may have been counted. ABS dwelling counts are based on national address files, in combination with completed census forms and it is not known to what extent all secondary dwellings result in distinct postal addresses, as by their nature they do not result in separate title.

Similarly, with boarding houses, it is not clear if they are treated as individual apartment dwellings or captured under boarding house classifications within the census. For these reasons, any comparisons of dwelling approvals to census figures are illustrative only, to give an indication or relative impacts, but does not assume that census figures include these counts within dwelling figures.

Joining data sets

The methodology for this project is based on data matching three principle sources to identify where approvals of different types are occurring, and affordability outcomes of those dwellings. Point location approval information was matched with point location rent bond information to enable estimates of outturn prices and rates of entry into the rental market. Data matching was implemented by geocoding address fields using the Geocoded National Address File (GNAF) from all data sources. Geocoded addresses were spatially joined to cadastral lot boundaries as both secondary dwellings and boarding houses should exist on single titles, and not within strata complexes. Infill affordable housing was too inconsistent to map or matched to rent bond data.

When matching bond data with lots that have had a secondary dwelling approved, it is possible that any particular bond relates to the primary dwelling on the lot and there is no way of establishing whether this either includes rental of the secondary dwelling, or whether it relates to the secondary dwelling only. Bonds data has therefore been reported based on number of bedrooms which allows for larger and smaller dwellings to be identified. Based on the requirements of the AHSEPP it is assumed that secondary dwellings will generally be 2 bedrooms or smaller, with the primary house on a lot having a larger number of bedrooms.

The main limitation of this method is this data loss through the various stages of geocoding and matching. As discussed above, the address recording of the rental bond data is poor, resulting in 9% of records being lost, while there are some questions above the overall quality of reporting of development application data. However, this combination of datasets represents the best available information that has been collated to understand affordability outcomes of AHSEPP.

Dwelling Profile and Change 2006 to 2016

The SSROC region presents a very diverse housing context both in terms of housing stock distribution, size of dwellings, and tenure composition. This section is intended to provide a brief overview of the dwelling context by local government area across the SSROC region, and a point of comparison of dwelling change resulting from the approvals under the AHSEPP. The first part describes dwelling structure and composition at 2016 census and the second part outlines key changes between 2006 and 2016.

Dwelling profile 2016

One of the central intentions of the AHSEPP was to facilitate a diversity in housing options across Sydney, and Figures 1 and 2 cumulatively show the distribution of dwelling types and dwellings sizes across SSROC area. Figure 1 shows the distribution of dwelling types with Canterbury-Bankstown recording the largest share of houses (attached and detached) at 72% of the stock while City of Sydney recorded the lowest share with 20% of stock being houses. Figure 2 shows the proportion of dwelling sizes with Sutherland having the smallest proportion (26%) of 1 and 2 bed dwellings, compared with 79% in City of Sydney.

Figure 3 shows the tenure breakdown by LGA based on total dwelling counts (place of enumeration). This chart reveals a high diversity of tenure outcomes across SSROC with owner occupier rates ranging from 27% in City of Sydney to 69% in Sutherland. This chart also includes an ‘other’ category, which includes dwellings that were either recorded as unoccupied on census night or occupied with non-resident households (e.g. visitors). Counts of these dwellings have been included to demonstrate the considerable size of dwelling stock not being utilised as long-term accommodation. In City of Sydney, this amounts to 31% of the total stock compared with Sutherland at 14%. Broadly this chart reveals the extent to which the housing markets across each LGA is dominated by owner occupiers or investors. As discussed in relation to secondary dwellings, this variation may underlie some varying motivations for the development of secondary dwellings across the SSROC region.

Figure 1 Total dwellings by type at 2016 Census

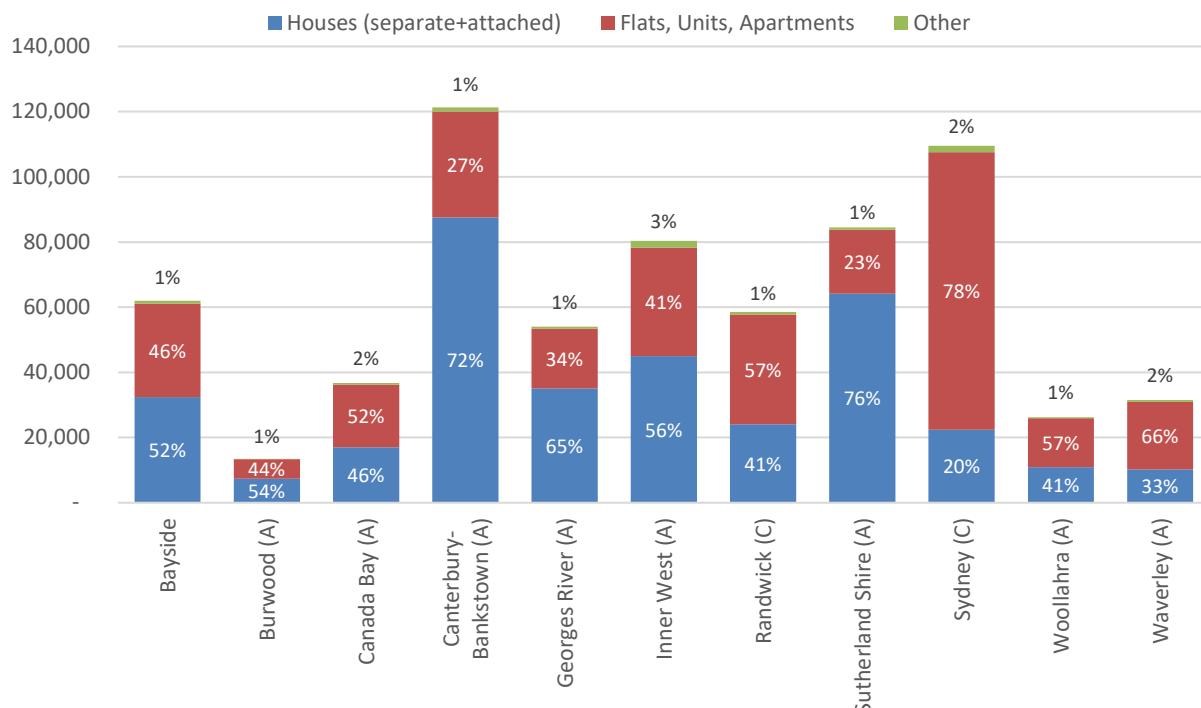


Figure 2 Dwelling size proportions at 2016 Census

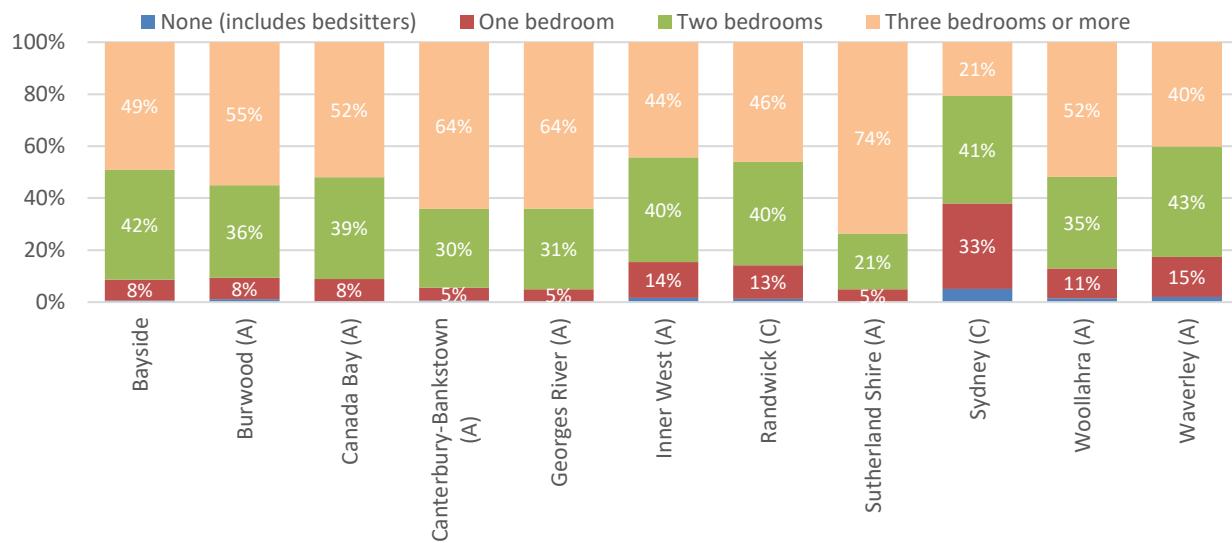
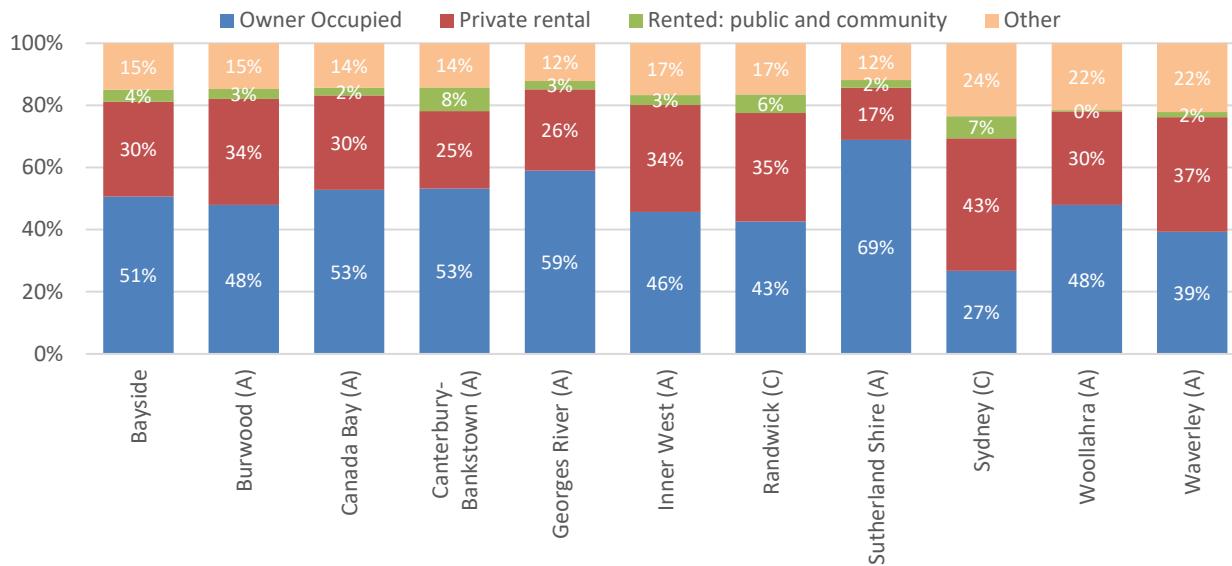


Figure 3 Tenure break based on counts of dwellings at 2016 Census



Note: 'Other' includes visitor only households and dwellings vacant on census night

Dwelling change 2006 to 2016

The AHSEPP was introduced in 2009 and covers the majority of the 2006 to 2016 census periods. Tables 2 and 3 show both the volume change and proportion change in different dwelling types over the census period. Overall, the development of flats, units and apartment comprise the majority of dwelling growth across the SSROC region with only Sutherland building more separate and attached houses than multi-unit dwellings.

Table 2 LGA change in number of dwellings by type 2006 to 2016

	Houses (separate + attached)	Flats, Units, Apartments	Other	Total
Bayside	824	8,106	446	9,374
Burwood (A)	-81	1,864	103	1,897
Canada Bay (A)	-182	8,342	364	8,530
Canterbury-Bankstown (A)	4,425	5,795	606	10,821
Georges River (A)	556	3,683	285	4,514
Inner West (A)	-977	6,521	726	6,276
Randwick (C)	-419	5,689	350	5,628
Sutherland Shire (A)	1,827	1,468	405	3,704
Sydney (C)	917	21,691	1,409	24,009
Woollahra (A)	-401	940	146	689
Waverley (A)	-998	1,959	270	1,230
Total SSROC	5,491	66,058	5,110	76,672

Table 3 LGA percentage change as proportion of dwelling type totals 2006 to 2016

	Houses (separate + attached)	Flats, Units, Apartments	Other	Total
Bayside	2.6%	39.3%	108.8%	17.8%
Burwood (A)	-1.1%	45.5%	156.1%	16.4%
Canada Bay (A)	-1.1%	76.6%	192.6%	30.2%
Canterbury-Bankstown (A)	5.3%	21.7%	92.9%	9.8%
Georges River (A)	1.6%	25.0%	108.0%	9.1%
Inner West (A)	-2.1%	24.3%	54.2%	8.5%
Randwick (C)	-1.7%	20.3%	76.1%	10.6%
Sutherland Shire (A)	2.9%	8.1%	138.2%	4.6%
Sydney (C)	4.3%	34.2%	256.2%	28.1%
Woollahra (A)	-3.6%	6.7%	80.7%	2.7%
Waverley (A)	-8.9%	10.5%	98.2%	4.1%
Total SSROC	1.6%	26.8%	109.2%	12.7%

Table 4 LGA change in dwelling numbers by dwelling size 2006 to 2016

	Studio	1-bed	2-bed	3-bed	TOTAL
Bayside	74	1,790	3,610	2,781	8,255
Burwood (A)	20	387	642	646	1,695
Canada Bay (A)	28	1,675	3,636	2,288	7,627
Canterbury-Bankstown (A)	-133	1,586	1,185	5,906	8,544
Georges River (A)	-5	644	903	2,576	4,118
Inner West (A)	72	1,553	364	3,319	5,308
Randwick (C)	151	1,548	1,026	2,328	5,053
Sutherland Shire (A)	-21	397	277	2,522	3,175
Sydney (C)	776	10,427	9,891	4,405	25,499
Woollahra (A)	-23	44	354	1,032	1,407
Waverley (A)	56	441	425	1,294	2,216
TOTAL SSROC	995	20,492	22,313	29,097	72,897

Table 5 LGA percentage change in dwellings as proportion of dwelling size change by dwelling size 2006 to 2016

	Studio	1-bed	2-bed	3-bed	TOTAL
Bayside	30.2%	71.6%	19.1%	11.9%	18.3%
Burwood (A)	18.9%	66.6%	18.2%	11.1%	16.9%
Canada Bay (A)	29.5%	164.2%	41.2%	16.1%	31.6%
Canterbury-Bankstown (A)	-17.0%	44.3%	3.9%	9.6%	8.8%
Georges River (A)	-3.0%	41.0%	6.5%	9.2%	9.4%
Inner West (A)	6.8%	20.0%	1.4%	12.5%	8.5%
Randwick (C)	31.3%	32.0%	5.5%	11.4%	11.4%
Sutherland Shire (A)	-9.7%	12.8%	1.7%	4.8%	4.4%
Sydney (C)	22.2%	59.3%	39.2%	33.6%	42.9%
Woollahra (A)	-6.7%	1.9%	5.1%	10.6%	7.2%
Waverley (A)	12.5%	13.1%	4.2%	14.9%	9.8%
TOTAL SSROC	13.4%	42.5%	12.4%	11.0%	14.6%

Secondary Dwellings

Secondary dwellings have long been a feature of urban development however their treatment was previously varied across different local government areas of Sydney. The introduction of the AHSEPP in 2009, in combination with standardised planning controls, made secondary dwellings a form of complying development making it easier to develop secondary dwellings across the entire Sydney Region. This section is divided into three parts, the first quantifying and understanding the spatial distribution of secondary dwelling outcomes since 2007 across SSROC. The second part examines the affordability outcomes of secondary dwellings based on an analysis of rental bond data, and the final section offers some preliminary conclusions on the impacts of the AHSEPP and wider issues for the urban development process in Sydney.

Dwelling Outcomes

Overall 8,212 secondary dwellings were approved across the SSROC region between July 2007 and June 2017. Figure 4 shows secondary dwelling approvals by financial year since 2007 for the SSROC region as a whole, with 291 approved in 2007/08 compared with a peak of 1,885 in 2015/16, a six-fold increase. Data on secondary dwellings approved prior to the introduction of the AHSEPP has been included as a point of comparison to provide a base line upon which the impact of the SEPP can be assessed. These figures indicate that there was an immediate effect of the introduction of the AHSEPP in 2009, with approvals more than doubling between 2008 and 2013. The 2013/14 financial year shows a dramatic increase in the rate of approvals jumping from 548 to 1,116 in a single year. This change, however, only partly reflects possibilities of the development approval process enabled by the AHSEPP, and is likely driven by the highly inflationary context of the wider housing market that began around 2012. Rapid housing price and rent escalation since 2012 would likely have given significant impetus to drive a whole range of investment in housing, including in the form of secondary dwellings.

This temporal growth pattern has not been experienced across all local government areas, with four out the eleven local government areas showing no upward trend in approvals. Figure 5 shows the number of approvals by financial year for local government areas that experience overall growth in approvals since 2007, while figure 6 shows four local government areas where approval rates have been relatively flat over this period. They are also the LGAs with the lowest number of total approvals.

Figure 4 Secondary dwelling approvals in SSROC area by financial year, 2007/08 to 2016/17

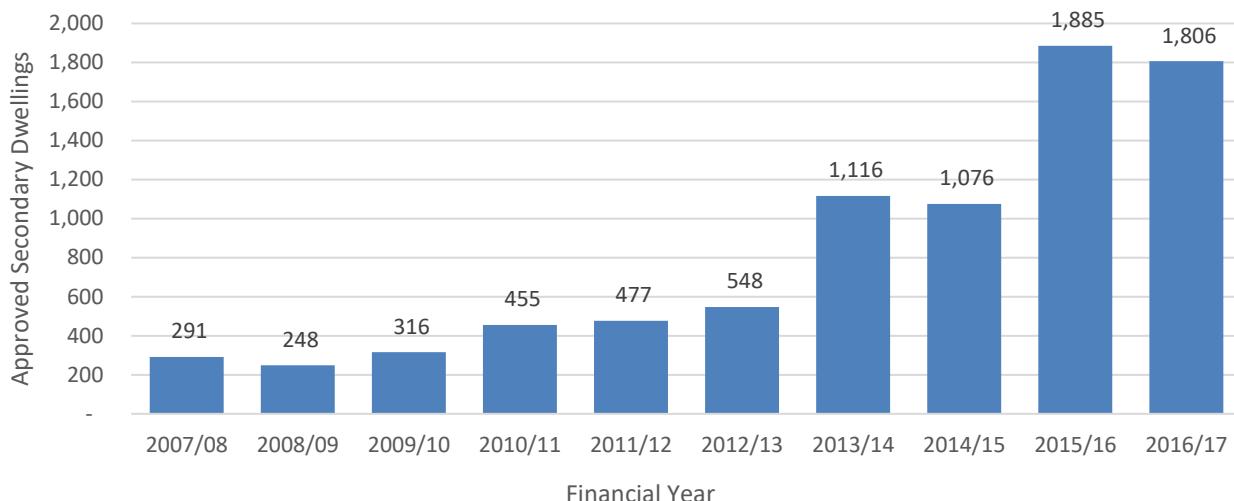
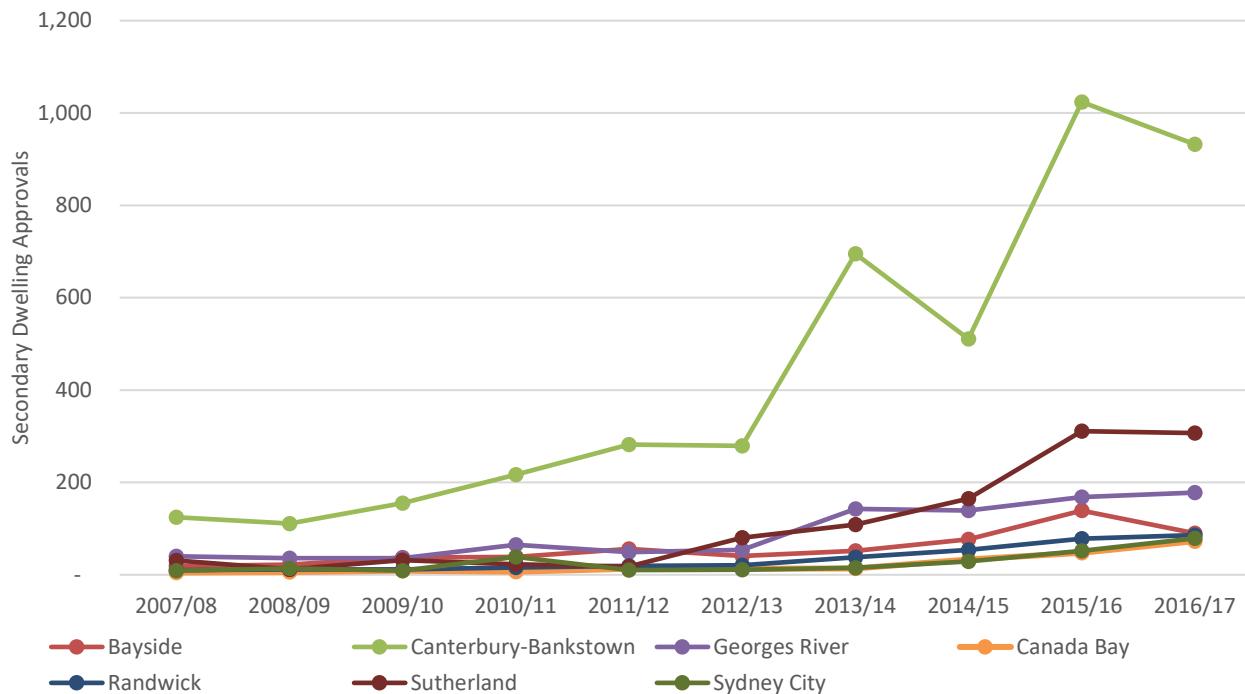
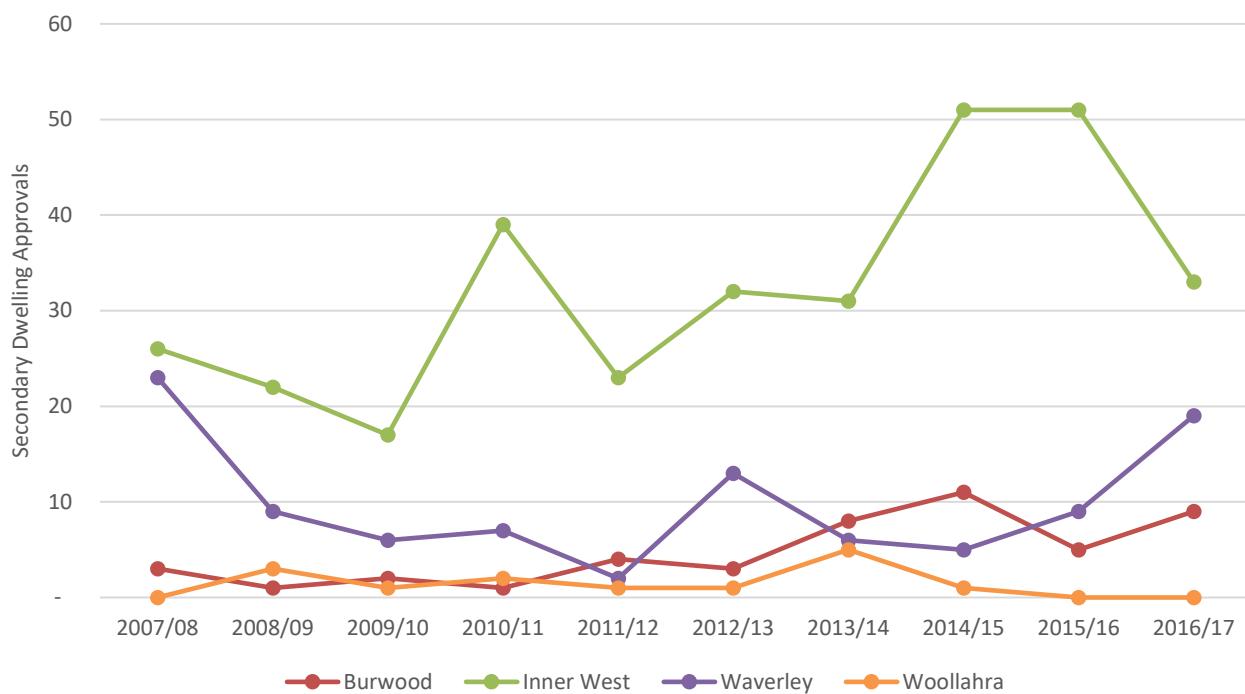


Figure 5 Secondary dwelling approvals by LGA and financial year (growth areas), 2007/08 to 2016/17**Figure 6 Secondary dwelling approvals by LGA and financial year (stable areas), 2007/08 to 2016/17**

The spatial distribution of secondary dwelling approvals is considerable, with 52.7% of approvals being located within the Canterbury-Bankstown LGA alone with only 0.2% of approvals being located in the Woollahra area, see Figure 7. It should be noted, however, that the LGAs with the largest share in approvals, Canterbury-Bankstown and Sutherland are also two of the largest LGAs geographically and by dwelling counts (see Figure 1), so proportions will partly reflect total dwelling share. However, when approvals are mapped at point level, it is clear that this concentration is also a reflection of a spatial distribution of approvals themselves.

Figure 8 shows approvals at point level across the SSROC area while Figure 9 shows approvals by SA2, with the vast majority located in the west and south of the SSROC area. In many respects this should come as no surprise, as it is in precisely these locations where the land structure and planning context provides the most opportunity for this type of development to occur. Despite the concentration, Figure 8 shows that approvals are occurring across the entire region, with the exception of Woollahra and the former Botany Bay council area. However, it is not immediately apparent if this difference is due to the absence of approvals or poor reporting to DPE. Council based DA records from these two areas that were supplied as part of this project were of generally low quality, as discussed in the methodology section above, and as such raise issues over completeness. Even though both these areas are built up, the overall dwelling distribution shown in Figure 1 combined with an analysis of eligibility conducted by Thomas (2016), suggests that opportunity would exist for higher rates of development. Understanding if trends displayed are low due to reporting process, or if there are underlying forces in the housing sub-markets, would require further investigation.

Figure 7 Distribution of secondary dwelling approvals by LGA, July 2007 to June 2017

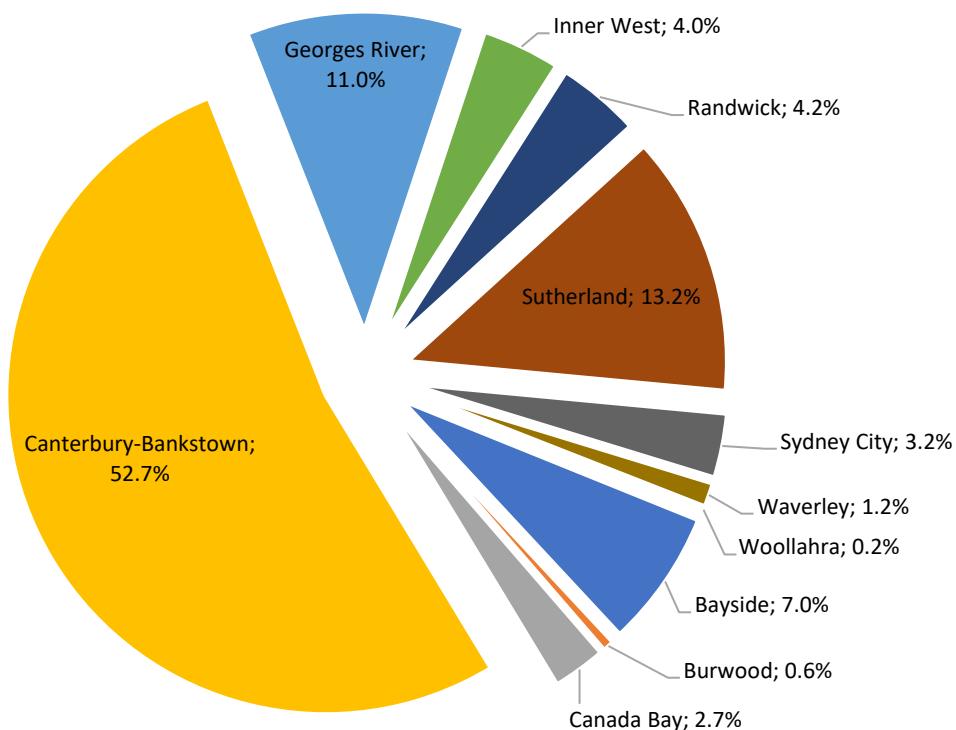


Figure 8 Point level secondary dwelling approvals for SSROC area, July 2007 to June 2017

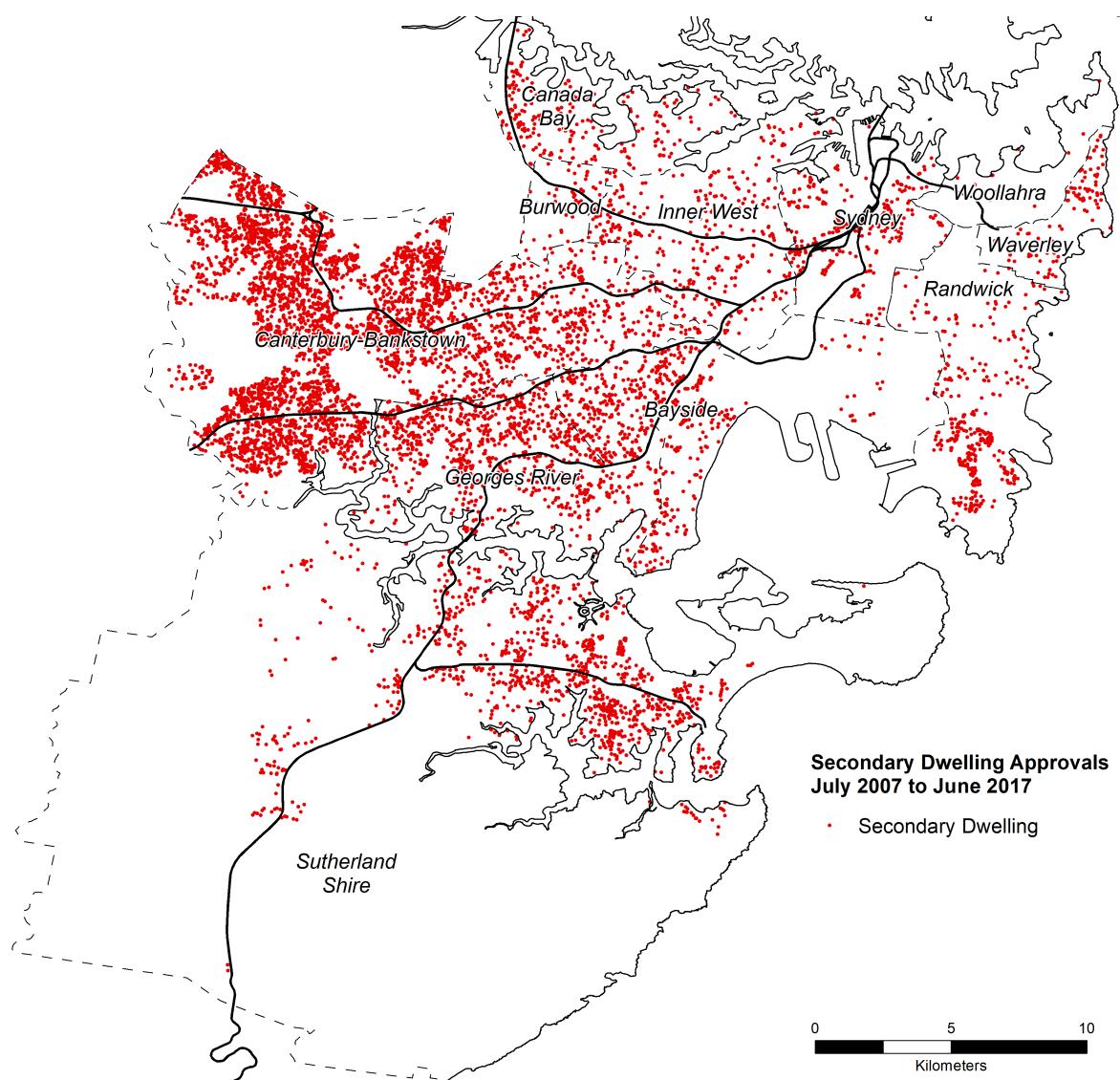
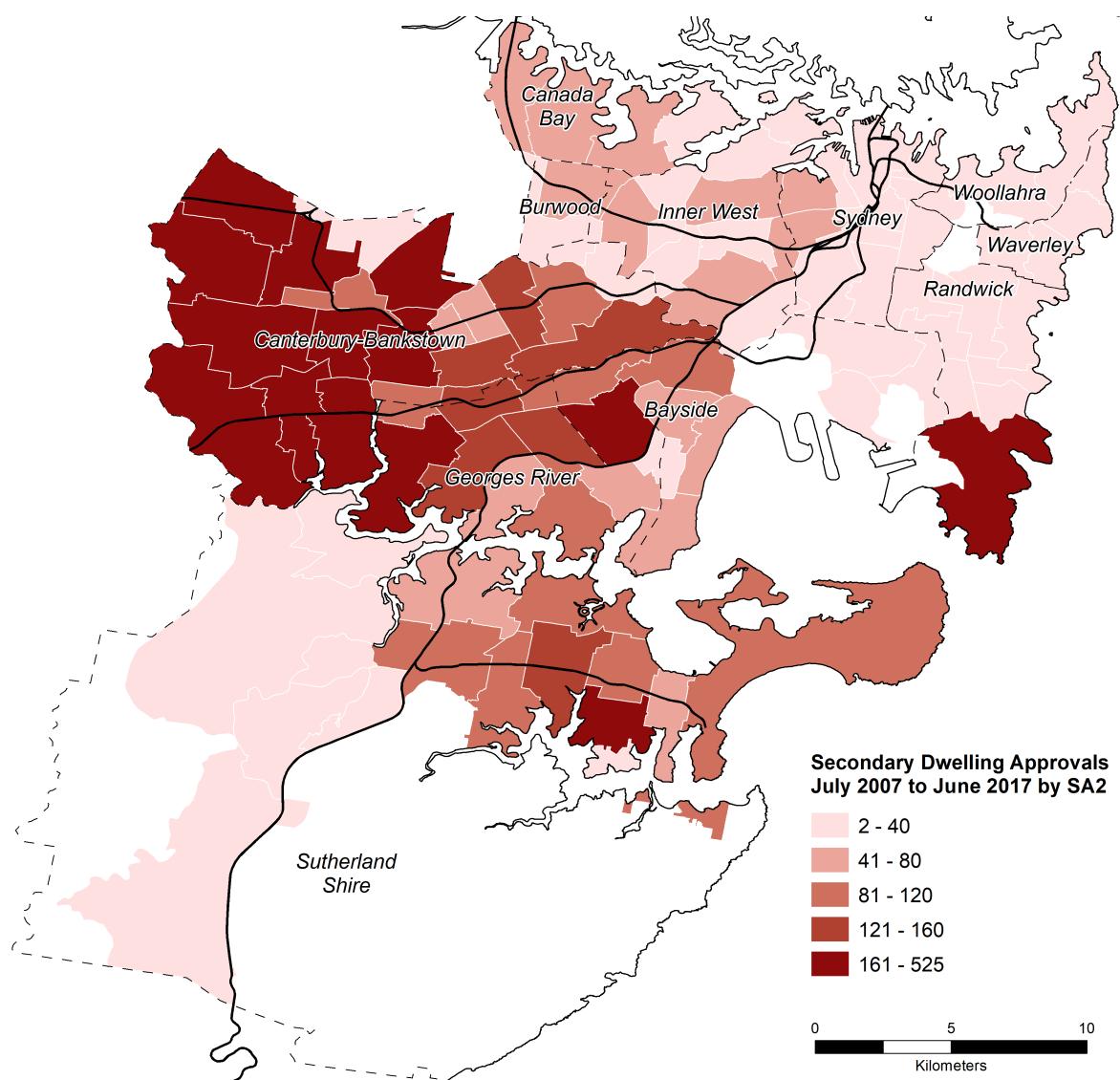


Figure 9 Secondary dwelling approvals by SA2 for SSROC area, July 2007 to June 2017



These spatial differences in approvals indicate that impacts are highly variable across the region. At this point it is useful to compare approval numbers with overall dwelling growth based on 2006 and 2016 census figures. Table 6 outlines total dwelling growth and the number of secondary dwelling approvals by LGA. As noted in the methodology section above, some caution is needed when interpreting this table, as it is not clear if census dwelling counts include all secondary dwellings as separate dwellings or are part of a larger main dwelling. If we consider secondary dwellings to be in essence separate dwellings, or at least have the potential to be, then it is useful to compare total numbers against total dwelling growth as an indicator of scale. Table 6 shows that secondary dwelling approvals were equal to 31.4% of dwelling growth in the Canterbury-Bankstown area and 21.1% in the Sutherland Shire area. Across the entire SSROC region, secondary dwelling approvals were equal to 8.4% of all dwelling growth. Both in aggregate and particularly in some local government areas, secondary dwelling approvals potential represent one of the most significant forms of dwelling growth since 2006.

It should be noted that figures for dwelling growth in the house category (see Table 2) are lower than the secondary dwelling approvals for the same period, indicating that at least some portion of the secondary dwelling growth is either not being captured in official statistics or they are not resulting in new dwelling opportunities in the local housing market. In other words, they are producing an outcome more akin to a 'granny flat' in which its use is an extension of the main dwelling.

Table 6 Comparison of TOTAL dwelling growth 2006-2016 with secondary dwelling approvals 2007-2016

LGA	New Dwellings 2006-2016 (ABS)	Secondary Dwellings 2007-2016*	Secondary Dwellings as % of New Dwellings
Bayside	9,374	482	5.1%
Burwood	1,897	38	2.0%
Canada Bay	8,530	148	1.7%
Canterbury-Bankstown	10,821	3,399	31.4%
Georges River	4,514	730	16.2%
Inner West	6,276	292	4.7%
Randwick	5,628	260	4.6%
Sutherland Shire	3,704	781	21.1%
Sydney	24,009	188	0.8%
Waverley	1,230	80	6.5%
Woollahra	689	14	2.0%
Total	76,672	6,412	8.4%

* While the time period is not identical, the low rate of secondary dwelling approval in 2007 suggest that very few would have been approved between census night 2006 and when recording of secondary dwellings began in 2007.

While this may offer opportunities for extended family members to live together, thus providing a housing solution, there remains wider questions about the desirability of this form of development and alignment with the intentions of the SEPP. Previous work by Liu and Easthope (2017) have documented the rise of multi-generational households in Sydney, which has in part contributed to increases in aggregate household sizes over the past 15 years and is highly likely that this type of dwelling activity underlies some these wider social changes. The extent to which secondary dwellings form part of a driver or outcome of this change is not possible to determine from this data and would require further work.

Finally, one of the central intentions of the AHSEPP was to implement an easier approval process for secondary dwellings through complying development provisions. Table 7 shows that on average, only 23% of all approvals were completed using the CDC process. While this in itself is not necessarily problematic it does suggest that there are wider drivers behind the rapid uptake of this form of development since the introduction of the AHSEPP. In some areas, the lower rate of CDC applications reflect the general lack of sites available for secondary dwelling development where it would meet the requirements of the complying development code. In other words, because of other constraints, would be required to go through a formal development approval process.

Table 7 Rate of complying development certificates for secondary dwelling approvals by LGA, July 2007 to June 2017

LGA	CDC	DA	CDC Proportion
Bayside	124	448	22%
Burwood	19	28	40%
Canada Bay	54	167	24%
Canterbury-Bankstown	1,197	3,134	28%
Georges River	237	671	26%
Inner West	44	281	14%
Randwick	22	324	6%
Sutherland Shire	164	924	15%
Sydney	2	265	1%
Waverley	0	99	0%
Woollahra	1	13	7%
TOTAL	1864	6354	23%

Affordability Outcomes of Secondary Dwellings

A central intention of the AHSEPP is to encourage more affordable rental housing by facilitating development that will deliver smaller, and therefore less expensive, dwellings into the local housing market context. This relies first on increasing supply of dwellings in total numbers that are generally smaller in an area where there are few opportunities to rent similarly sized dwellings, and second deliver dwellings that are cheaper to rent when compared with the overall stock of housing. For these reasons, affordability is assessed based on the volume of new secondary dwellings reaching the rental market compared with the overall stock of smaller dwellings in an area, as well as the out turn price of new secondary dwellings.

Overall, affordability of rental across metropolitan Sydney has been declining over the past decade, with the SSROC area no exception. Table 8 provides an overview of the change in median rents by LGA between 2009 and 2017. With the exception of Waverley where rents increased by 54% over this period, all other local government areas experience similar levels of rental price increase of between 30% and 41%. This is despite the large increases in supply of housing, and the large increases in supply of smaller 1 and 2 bed dwellings across most of the SSROC area, as shown in Table 4.

Table 9 shows the median rent for 1 and 2 bedroom dwellings on lots where secondary dwellings have been approved, compared with all 1 and 2 bedroom dwellings across the SSROC region. This is intended to show the differences in recorded rents of secondary dwelling compared with the general stock of housing. A 1 and 2 bedroom criteria has been used here in an attempt to distinguish between parent dwellings on a given lot which are likely bigger than the secondary dwelling, while the SEPP itself has a size restriction of 60m². With the exception of Bayside and Georges River, secondary dwelling units appeared to be marginally more expensive than comparable sized units in the area. In many respects this should come as no surprise as there is no requirement that secondary dwellings approved under the AHSEPP are rented at lower than market rates and these dwellings are likely to be newer and potentially therefore more expensive compared with other 1 and 2 bed options in the area.

Whether secondary dwellings impact on overall feasibility will partially depend on how many enter local rental markets. There is no guarantee that this type of development will provide additional rental options, nor that it will be comparatively less than other housing. Table 10 shows the rate at which lots with secondary dwellings have had a bond lodged against them after approval was granted and is intended to give an indication of the relative differences between each of the LGAs. Actual rates of rental of new secondary dwellings are likely to be different to the figures below as all bonds, including that of potentially the parent dwelling, have been included in this table. However, the 9% data drop out of the rental bond dataset will result in an underestimation of actual rates.

Notwithstanding these limitations, the relative share between each LGA demonstrates both a scale of potential impact on housing affordability, and indicates differential drivers of secondary dwelling development across SSROC area. Table 10 shows that on average 24% of lots with a secondary dwelling approved have bonds lodged. In other words, only 24% of approvals are formally entering the private rental sector, with this figure lower across most local government areas. It is needs to be acknowledged that private rental may occur in unofficial ways and where bonds are not lodged through the rental bond board. There is however no data available on the extent to which this occurs.

Table 11 shows the number of lots that have a secondary dwelling approved and where a bond was lodged in the second quarter of 2017, compared with the total number of bonds lodged in that quarter. This indicates that for most LGAs, lots with a secondary dwelling approval account for less than 1% of new bonds. The figure for Georges River and Canterbury-Bankstown is much higher at 2.1% and 5.9% respectively, though still low in overall terms.

These figures do not suggest, however, that these dwellings are sitting empty, rather they are providing housing other than long term rental. Current housing market conditions are driving other outcomes that are not specifically considered or addressed by the AHSEPP. Household sizes have increased over the past decade, which has been underpinned by a deterioration in housing affordability. Younger people are remaining at home longer, while there has also been a noted increase in multi-generational households across Sydney. Secondary dwellings may offer alternative accommodation pathways in this context allowing separated living of multi-family or extended family households. The extent to which this underpins the development of secondary dwellings cannot be discerned from this research. However, in terms of directly addressing the supply of affordable rental accommodation in the SSROC area, secondary dwelling approvals do not appear to meet this objective.

Table 8 Median rent changes for all dwellings 2009 to 2017 by LGA

LGA	Median Rent		Change
	2009	2017	
Bayside	\$400	\$560	40%
Burwood	\$420	\$558	33%
Canada Bay	\$500	\$650	30%
Canterbury-Bankstown	\$340	\$470	38%
Georges River	\$380	\$500	32%
Inner West	\$400	\$565	41%
Randwick	\$460	\$650	41%
Sutherland Shire	\$390	\$530	36%
Sydney	\$460	\$640	39%
Waverley	\$480	\$740	54%
Woollahra	\$550	\$775	41%

Table 9 Secondary dwelling bonds and all bonds comparison, Jan 2016 to July 2017

	Matched SD Lots 1 and 2 bed median	All bonds 1 and 2 bed median	Difference
Bayside	\$450	\$520	70
Burwood	\$720	\$520	-200
Canada Bay	*	\$600	
Canterbury-Bankstown	\$420	\$410	-10
Georges River	\$450	\$460	10
Inner West	\$500	\$500	0
Randwick	*	\$600	
Sutherland	\$480	\$460	-20
Sydney City	\$670	\$620	-50
Waverley	\$750	\$700	-50
Woollahra	*	\$695	-

* Insufficient data (less than 20 bonds with recorded rents)

Table 10 Number of secondary dwelling approved lots with bonds (2009 to 2017) lodged

LGA	SD lots with NO bonds lodged	SD lots WITH bonds lodged	Total SD Approvals	Ratio of approvals to bonds lodged
Bayside	452	90	542	17%
Burwood	39	8	47	17%
Canada Bay	164	51	215	24%
Canterbury-Bankstown	3,089	1,119	4,208	27%
Georges River	703	163	866	19%
Inner West	214	101	315	32%
Randwick	263	79	342	23%
Sutherland	862	190	1,052	18%
Sydney City	190	72	262	27%
Waverley	76	21	97	22%
Woollahra	10	3	13	23%
Total	6,062	1,897	7,959	24%

Table 11 Secondary dwelling lot comparison of bonds lodged 2nd quarter 2017

LGA	All bonds	SD matched bonds	Proportion
Bayside	2,058	14	0.7%
Burwood	542	3	0.6%
Canada Bay	1,367	6	0.4%
Canterbury-Bankstown	2,933	172	5.9%
Georges River	1,410	29	2.1%
Inner West	3,132	13	0.4%
Randwick	2,178	17	0.8%
Sutherland Shire	1,513	25	1.7%
Sydney	7,501	9	0.1%
Waverley	1,230	2	0.2%
Woollahra	874	1	0.1%

Related Planning Issues

If secondary dwellings are broadly not delivering additional supply of affordable housing yet is resulting in substantial contribution to growth in some areas, it suggests that the AHSEPP is being used as a vehicle to deliver on alternative housing ambitions. It is not possible to understand these wider impacts with the information available, however, it does raise a number of questions. Is this SEPP being used as a vehicle for what would otherwise be considered an extension to an existing dwelling, and therefore required to meet other planning obligations under normal development approval processes? If this is the case, are there other requirements that ought to be placed on the development of secondary dwellings or should this type of development be considered outside the AHSEPP.

As was noted in Table 6, the growth in secondary dwellings has been substantial particularly in the west and south of the SSROC region. While the evidence above suggests limited overall impacts on housing affordability outcomes, the volume of approvals raise a number of broader planning related issues. This kind of incremental growth in dwelling is not generally factored in planning for growth across the Sydney region. In the case of Canterbury-Bankstown where secondary dwellings account for 31% of dwelling growth between 2006 and 2017, this figure represents a substantial contribution to dwelling stock levels. While this may be viewed as beneficial to delivering dwelling growth, if it has not been factored in growth estimates and not form part of local infrastructure and service planning, then this represents a significant black spot in the planning process. Additional pressures on public transport, schools, local amenities and facilities, water infrastructure and road networks are likely to result without any plan in place to address additional demand.

Boarding Houses

One key set of provision of the AHSEPP incentivised the development of boarding houses. The incentives included a broader permissibility across residential and commercial zones, with the proviso that a threshold of access to public transport was met. The incentives also included additional floorspace, 20% typically, over what is otherwise permitted for residential flat buildings. The provisions also set out a number of minimum standards that, if met, could not be used as grounds for refusing an application. The most controversial of these standards has related to the required level of car parking.

While the accompanying material distinguished the intended developments from ‘traditional’ boarding houses (with a ‘new generation’ moniker), as a statutory land-use they are synonymous with boarding houses that predate the SEPP. Some points of difference relate to the provision individually let boarding rooms (cf. dormitory style bedrooms) and of individual en suites and kitchenettes for each boarding room (cf. shared facilities). However, like their predecessors, boarding house developments under the AHSEPP offer a form of medium-to-long term housing that meets the needs of a section of society not met in other rental housing. Despite some anecdotal commentary in media around these provisions, there is no known systematic evaluation of the outcomes.

First, the Department of Planning does not monitor the dwelling outcomes of boarding house developments (as it does for secondary dwellings, for instance). This includes numbers, sizes or locations of approved boarding houses. In terms of location, after concerns about the siting of new boarding houses in low-density neighbourhoods, amendments made in 2011 curtailed some initial permissibility. This included assessing applications against an undefined ‘local character’ and increasing parking requirements when thresholds of access to public transport are not met. In light of ongoing concerns about the impacts of boarding houses (on street parking capacities), currently proposed amendments (as of May 2018) will further curtail the incentives to develop boarding houses, with even greater parking requirements.

Second, material accompanying the currently proposed amendments also conceded that the Department of Planning has not evaluated the tenant outcomes of the provisions.¹ It notes that there is evidence of a range of tenants, but it is silent on the suitability of boarding rooms for tenant needs, including affordability. Earlier material, accompanying the introduction of the AHSEPP, alluded to the boarding houses (and the SEPP generally) as addressing the long public housing waiting lists. This implies that, at least initially, boarding rooms could be expected to meet the needs of households on very low incomes. This is in contrast to a growing volume of student housing, which is often pitched as a premium product with additional facilities and services (more akin to serviced apartments). Student housing is not a defined statutory land use and so is approved under these provisions.

Third, although outside the planning system, most boarding house developments would meet the criteria of registration under the Boarding House Act 2012, for which a register is maintained by NSW Fair Trading. This act has implications relevant to the boarding house provisions in the AHSEPP achieving their intent. It sets parameters around boarding house management, occupancy agreements with tenants and ongoing monitoring obligations for local councils. However, there is evidence of a gap between the two regulatory processes.

This section is arranged around these three areas, attempting to provide insights on: the numbers and locations of approvals; the affordability for tenants; and the operation and ongoing tenancy issues. The section primarily draws on data provided by SSROC councils. This data was not consistently provided, meaning some caution is necessary when drawing conclusions from it.

¹planning.nsw.gov.au/Policy-and-Legislation/State-Environmental-Planning-Policies-Review/~/media/404DB4B0D8AF4DAEBD0C182D578F5251.ashx

Dwelling Outcomes

Overall, there is evidence of the boarding house incentives making some impact on the supply of low-cost rental housing in some markets, but this is not consistently the case. The data provided by councils showed that since 2009, over 280 new boarding houses had been approved.² In addition to this, nearly 60 applications were approved that increased the capacity of existing (or previously approved) boarding houses. As shown in Figure 10, nearly one third of this was in the City of Sydney alone, with an additional one third in the Inner West and Randwick LGAs combined.

The data is not complete in terms of the numbers of boarding rooms within these approved developments: capacity was only identified for 242 of the 281 approved new developments; and only 49 of the 57 approved boarding house expansions. Within this subset, the approvals translate to 8940 and 229 new boarding rooms, respectively. As shown in Figure 11, the distribution of boarding rooms was even more concentrated, due to a handful of very large boarding houses approved in the City of Sydney. The City of Sydney, therefore, hosts over half the new boarding rooms, with Randwick and Inner West LGAs again hosting much of the remaining growth. Relatedly, although nearly 9,000 rooms in under 250 boarding houses suggests quite large new developments, the median new boarding house size was only 16 rooms across the 242 analysed.

Figure 10 Boarding houses approved (in new and expanded BHs), SSROC region by LGA, 2009 to 2017

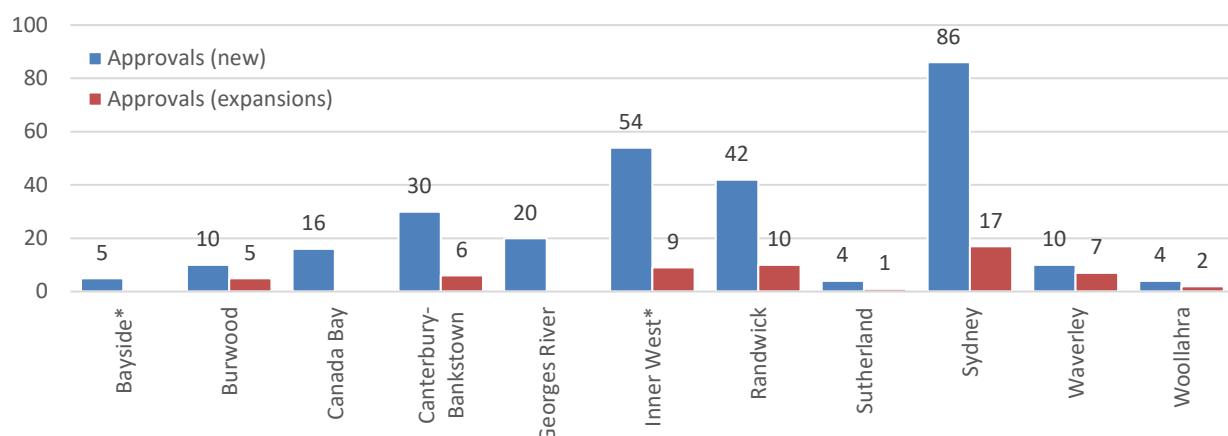
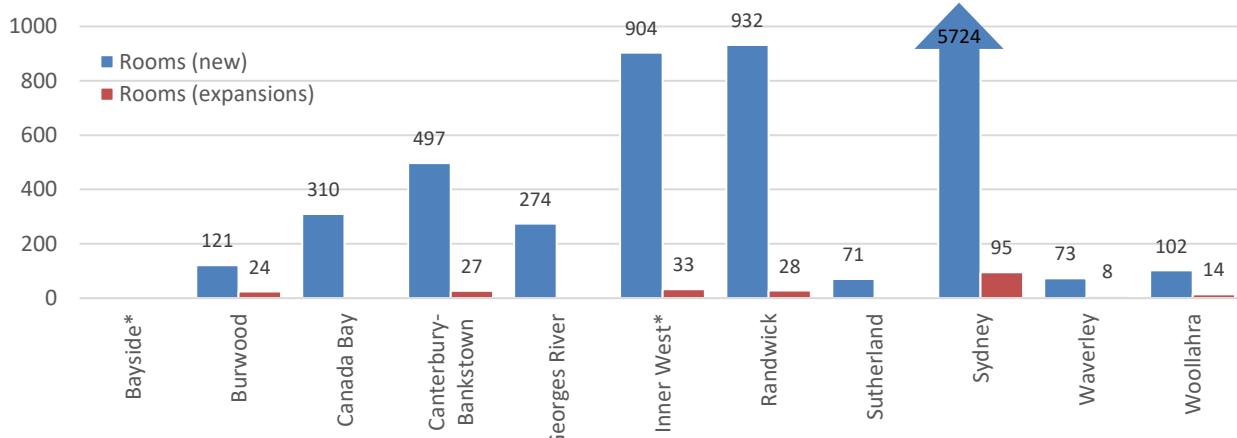


Figure 11 Boarding rooms approved (where known; in new and expanded BHs), SSROC region by LGA, 2009 to 2017

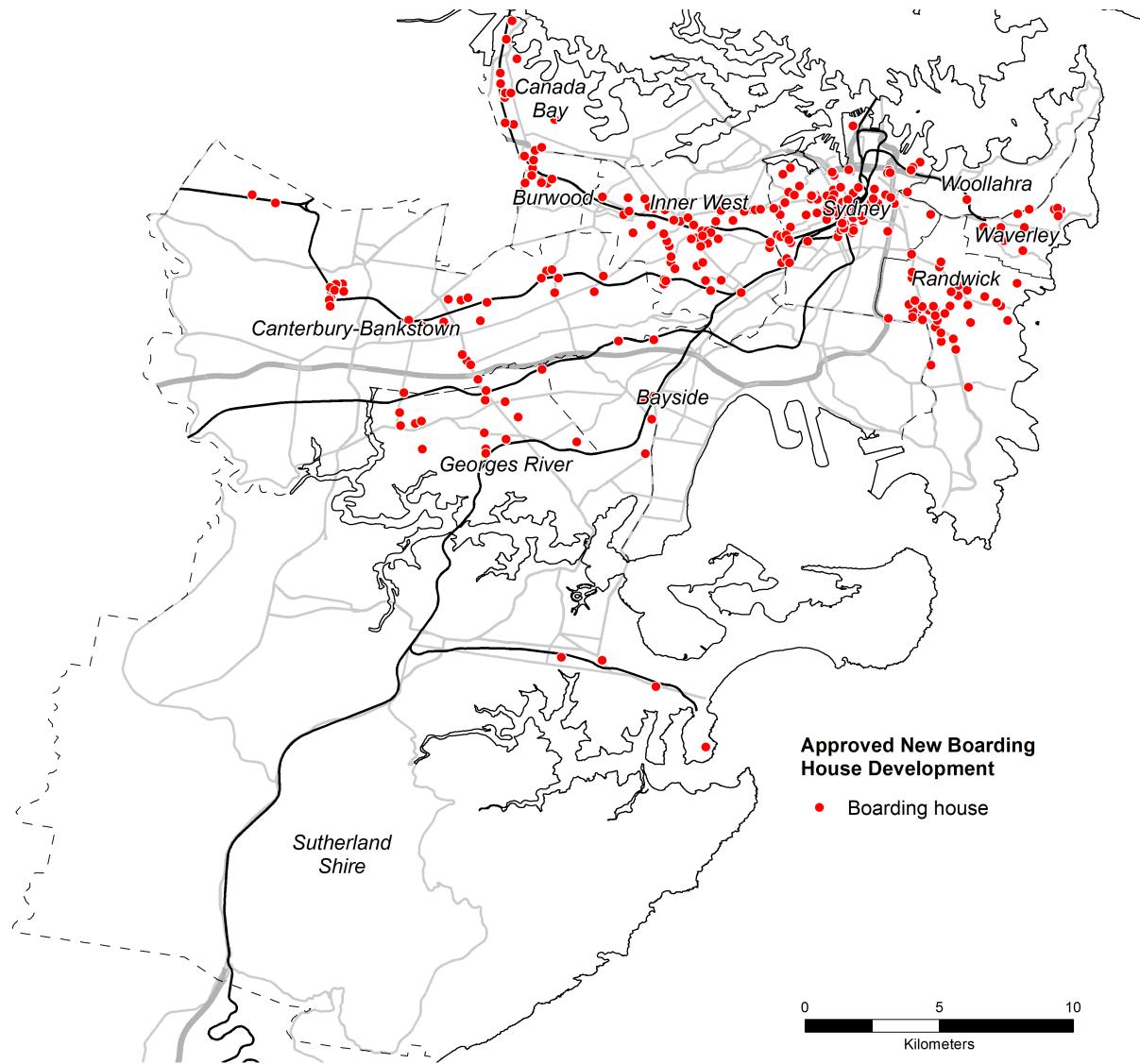


² no data was provided for former Leichhardt and Botany Bay councils, as noted by an asterisk in the figures

Spatial trends

The concentration of boarding houses in the City of Sydney, Randwick and Inner West LGAs shows that a boarding house is more likely to be a feasible development option in high-cost, inner-city areas. This distribution of boarding houses can also be seen in Figure 12 below. The figure also shows, though, that there were new boarding house approvals in all areas for which data was provided (i.e. excluding the former Botany Bay and Leichhardt LGAs).

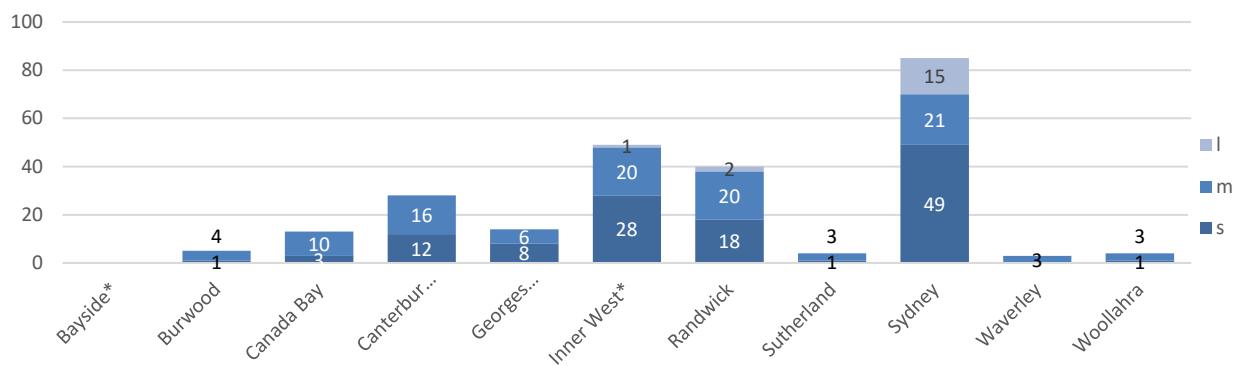
Figure 12 Distribution of boarding house approvals across SSROC area, 2009 to 2017



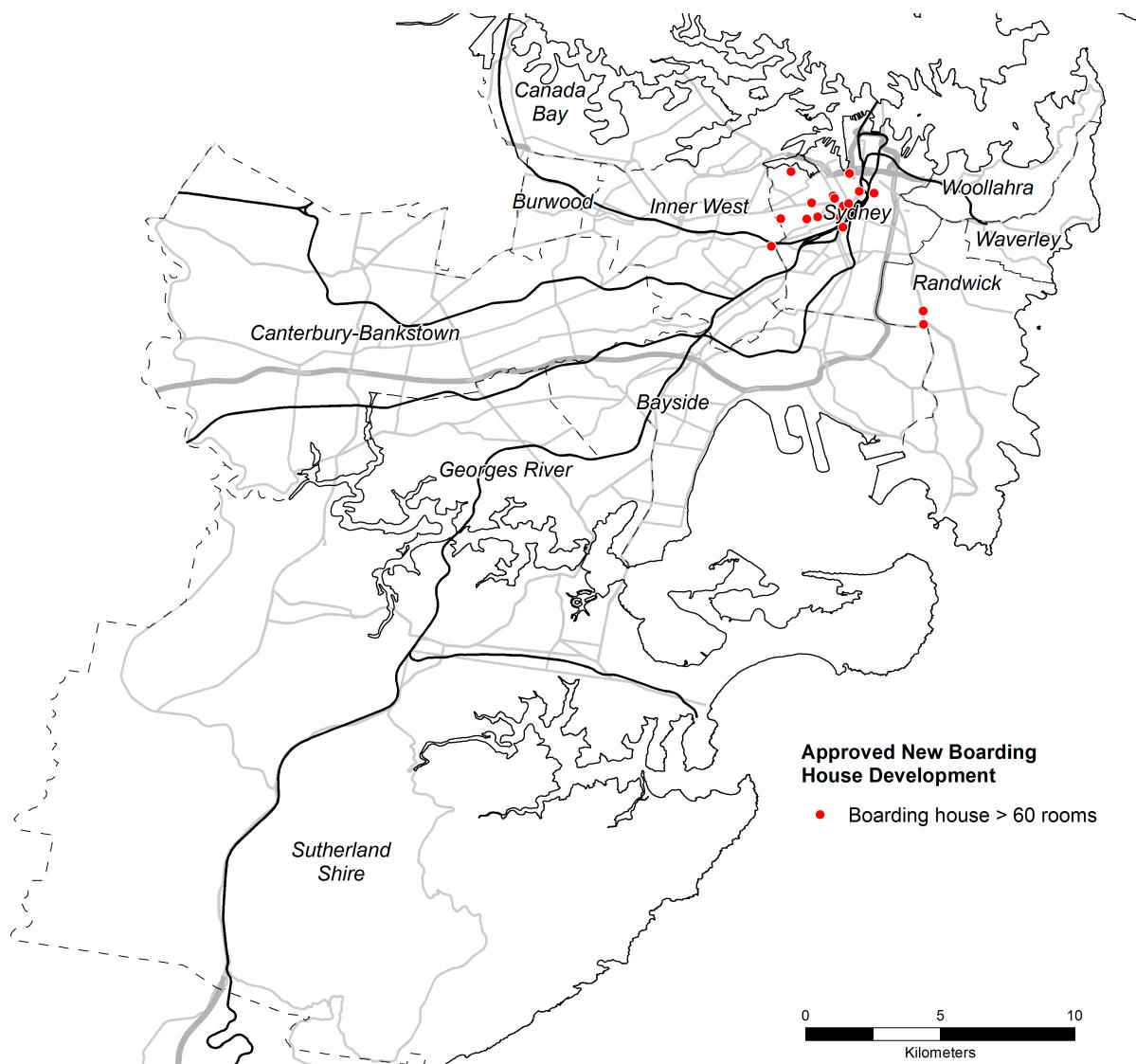
Within the land-use category of ‘boarding houses’, there are quite different types of developments. And distinguishing them provides a more detailed picture of what has been delivered under these AHSEPP provisions. While each boarding house will be unique, three categories identified through the analysis reveal distinguishing features and implications. The three categories are:

- Small boarding houses: up to 15 boarding rooms
- Medium boarding houses: 16-60 boarding rooms
- Large boarding houses: more than 60 boarding rooms

Figure 13 shows that the large boarding houses are most concentrated, but the mid-size boarding houses are found in similar numbers across more of the SSROC LGAs. Each size is considered below.

Figure 13 New boarding houses approved by size (where known), SSROC region by LGA, 2009 to 2017

Large boarding houses were found to be, in almost all instances, targeted student housing. In most cases, this was explicitly revealed by the proponent or DA description. In the rest, it was implicitly evident by being close to University of Sydney, UTS or UNSW, as shown in Figure 14. As noted, despite representing a small proportion of the boarding houses, this size development accounted for over half of the boarding rooms. This means over half the outcomes of these provisions of the AHSEPP since its introduction is targeted student housing. The majority of boarding houses of this scale, are in areas not identified by councils as residential (B1-3, B5-8; SP2 or in SSD precincts) as shown in Figure 16 below, which has implications for the commercial objectives of those zones, discussed below.

Figure 14 Large boarding house applications (more than 60 rooms), 2009 to 2017

Medium boarding houses also had clusters around the universities (and so potentially add to the quantum of student housing) but were also present along the train lines and high-frequency bus routes, as shown in Figure 15. This scale development was found to mostly be located in high-density residential areas (R3, R4, B4), as shown in Figure 16 below. These developments were found to be predominantly major redevelopments of obsolete land uses, in areas anticipated for urban renewal. As such they represent an alternative to redeveloping a site as a residential flat building.

Figure 15 Medium size boarding house applications (16 to 60 rooms), 2009 to 2017

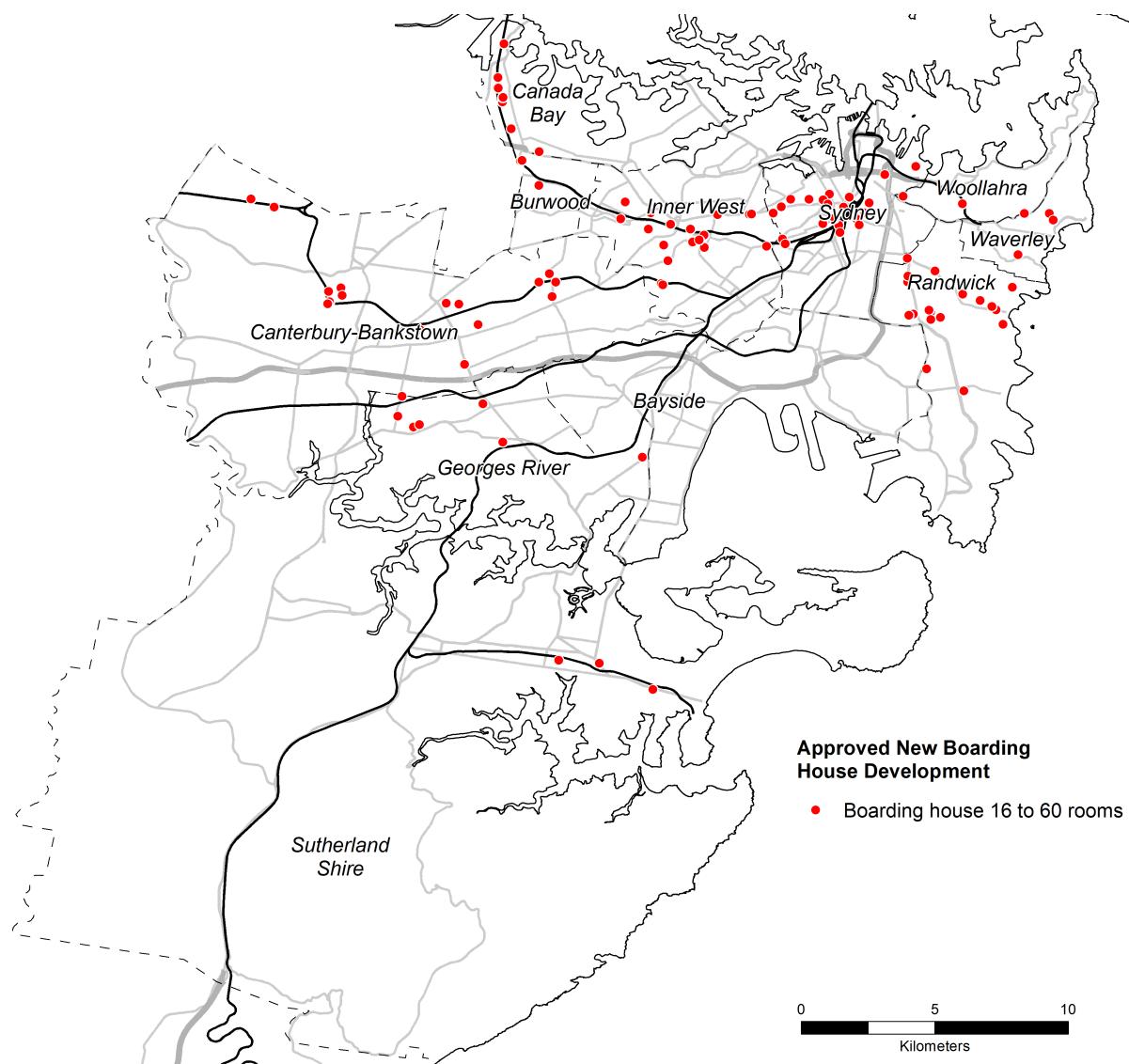
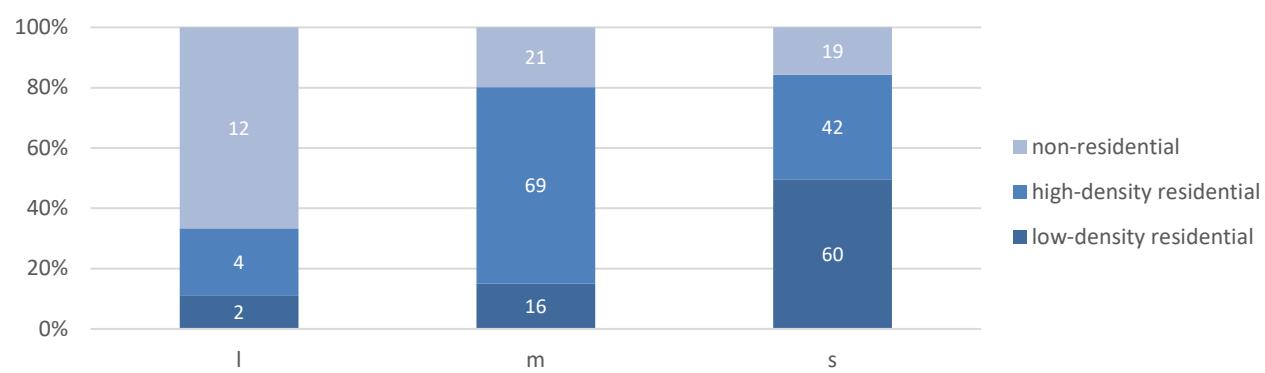
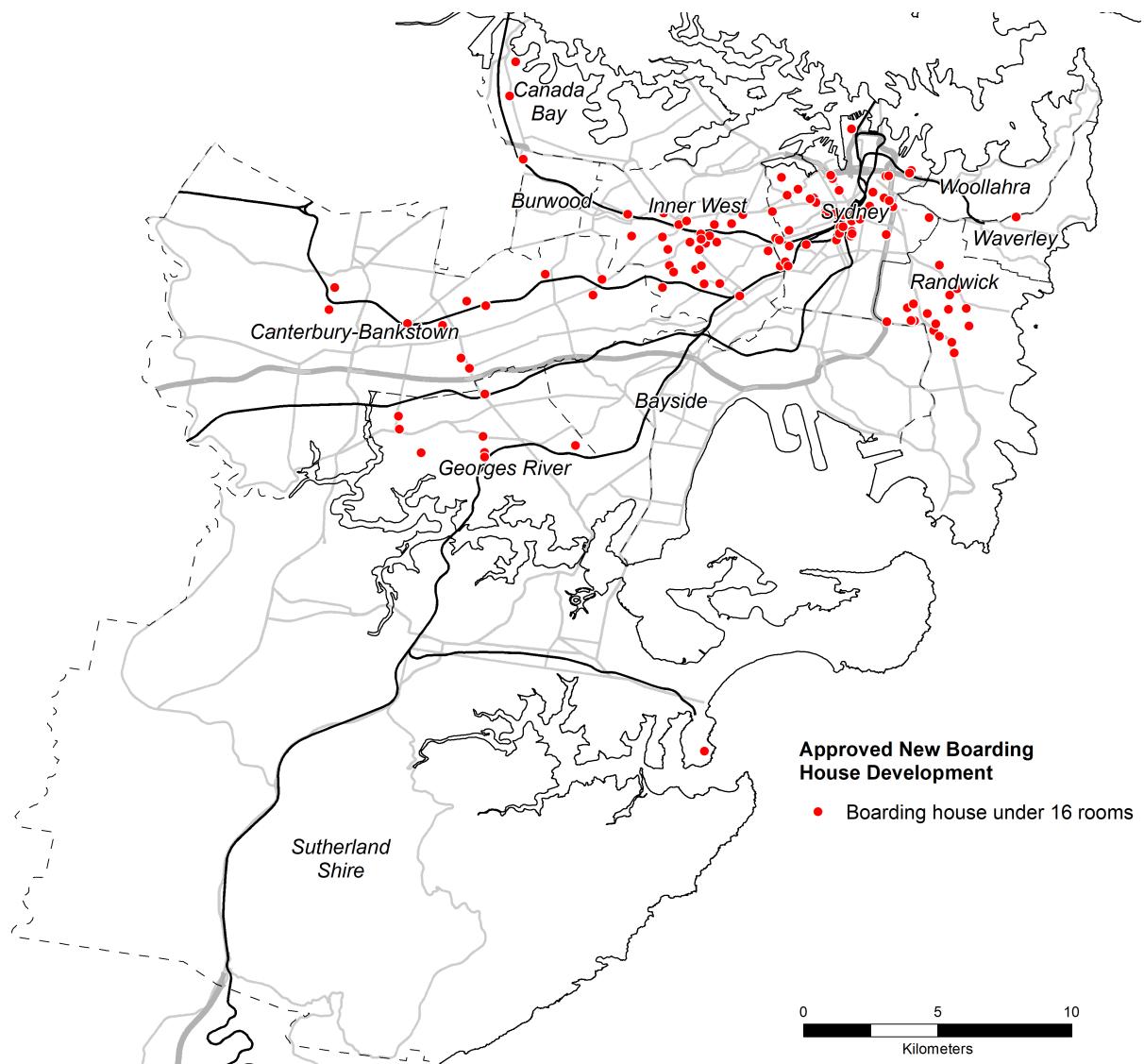


Figure 16 Distribution of approved new boarding houses by zoning, SSROC region by boarding house size, 2009 to 2017



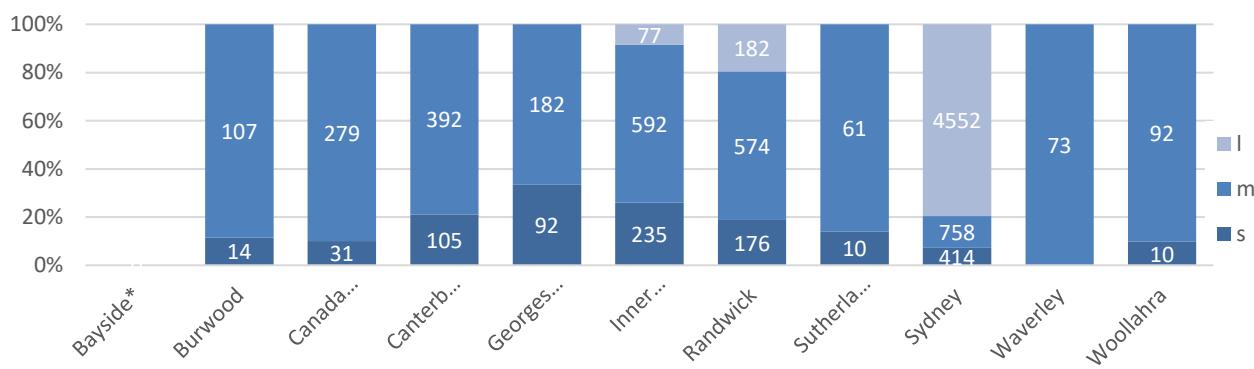
Small boarding houses were found to be the most heterogeneous, in terms of evident business model and clientele. But this form of development is, in many respects, formalising existing ‘share house’ living arrangements of multiple adults. Larger examples of this group (and some medium sized boarding houses) have raised community opposition. Over half are in low-density residential zones (R1, R2) as shown in Figure 16 above, where they were typically replacing one (or more) private houses. Despite being in low-density residential areas, they are largely within public transport corridors, as shown in Figure 17.

Figure 17 Small boarding house applications (15 rooms or less), 2009 to 2017



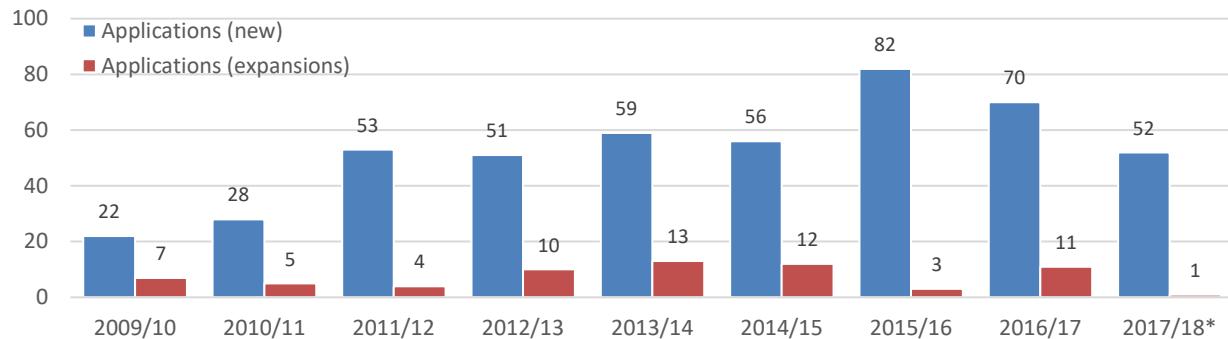
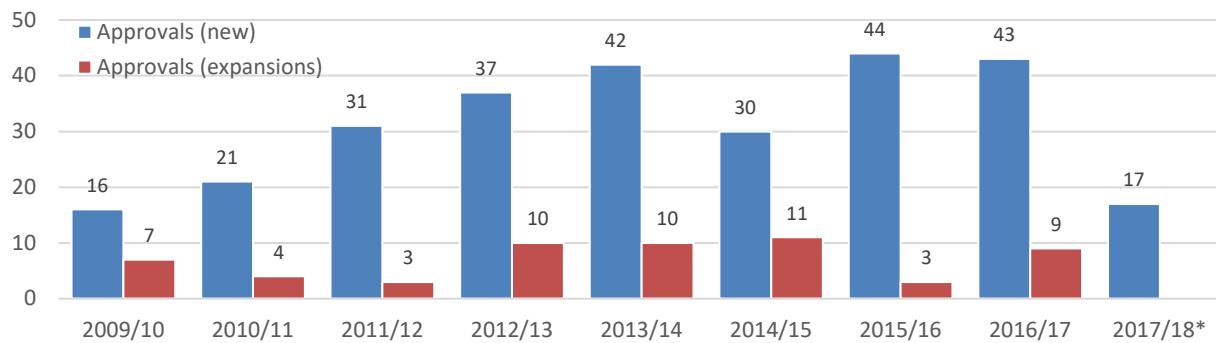
This hierarchy reveals that the extent to which the boarding house measures in the AHSEPP are realising their stated objectives is much more limited after student housing developments are set aside. Excluding the large boarding houses, across the SSROC region around 4,000 rooms in 220 boarding houses have been developed in the last decade. The extent to which student housing erodes the provision of more general diversity in low-cost options is most acute in the City of Sydney, as shown in Figure 18, where it accounts for around 80% of approved boarding rooms.

In terms of overall outcomes, it is important to note that this is only a summary of approvals: it was not possible with the data provided to be able to consistently assess whether the proposals had actually been built and occupied. In some instances there were multiple approvals for the same site, suggesting that not all this capacity has been realised. Another limitation of the data is knowing consistently whether the boarding rooms included manager units, and whether the rooms were for single or double occupancy.

Figure 18 Distribution of approved new boarding rooms (where known, by boarding house size), SSROC region by LGA, 2009 to 2017

Time trends

As expected with any change in planning controls, it has taken time to translate to meaningful numbers on the ground. Applications and approvals have both increased in recent years, as shown in Figure 19 and Figure 20. The growing rate of applications likely reflects the fact that the boarding house sector (owners, developers, financiers) has become more embedded in Sydney's housing market, and because changing housing market dynamics (particularly around decreasing affordability) increase the feasibility of boarding house developments. The increase in approvals appears to simply be a function of the higher number of applications received, with the rate of approval generally lower in more recent years (approximately 70% up to 2014, and approximately 60% since, see Figure 24 further below).

Figure 19 Boarding house applications (for new and expanded BHs), SSROC region by financial year**Figure 20 Boarding houses approved (in new and expanded BHs), SSROC region by financial year**

As shown in Figure 21, approved new boarding houses are generally increasing in size, with the median approved new boarding house in the last two years having over 20 rooms. In part, this is likely due to amendments, media coverage and general risk reducing the feasibility of smaller boarding houses in low-density residential areas. Figure 22 shows that smaller boarding houses have decreased in both number and proportion in recent years.

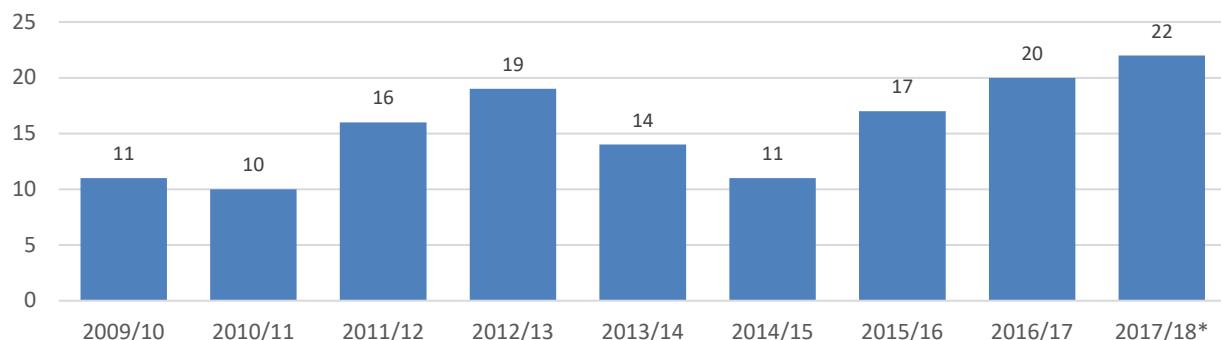
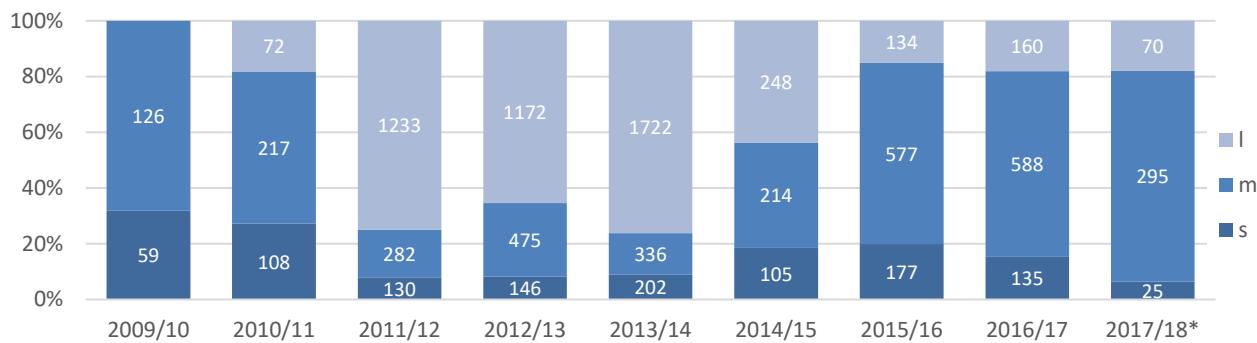
Figure 21 Median approved new boarding house size (where known; number of rooms), SSROC region by financial year**Figure 22 Distribution of approved new boarding houses (where known, by boarding house size), SSROC region by financial year**

Figure 22 also shows that, in contrast to larger student housing developments, medium boarding house developments have been growing as a share of new boarding houses in recent years. This is further shown in Figure 23, with the majority of boarding rooms now being delivered in medium boarding houses.

Figure 23 Distribution of approved new boarding rooms (where known, by boarding house size), SSROC region by financial year

Process trends

The analysis also revealed that boarding houses are becoming more burdensome for councils. While this is potentially a function of the concern they raise in the community, it is also likely a function of their increasing complexity – as shown above, they are now akin to residential flat buildings in scale. Figure 24 shows, as noted above, lower proportions of applications are being approved. Further, Figure 25 shows approvals are taking longer (in gross terms; ‘stop the clock’ instances were not provided), and Figure 26 shows a relatively low proportion of boarding house determinations are made under delegation.

Figure 24 Proportion of applications for new boarding houses approved, SSROC region by financial year

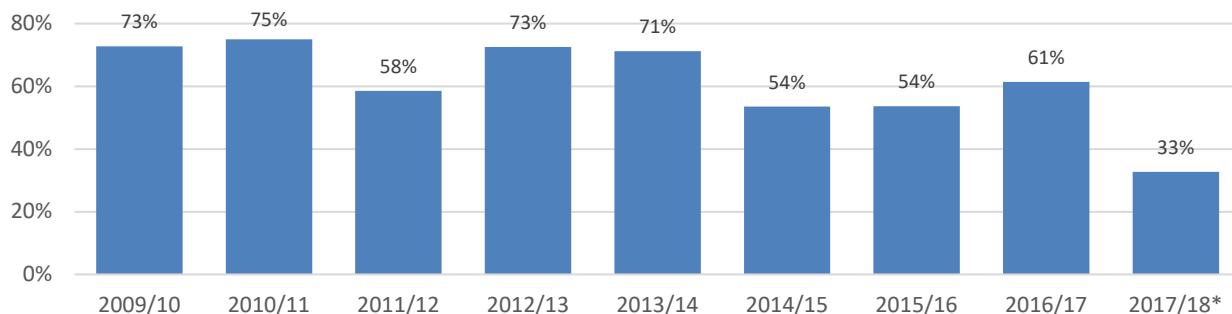
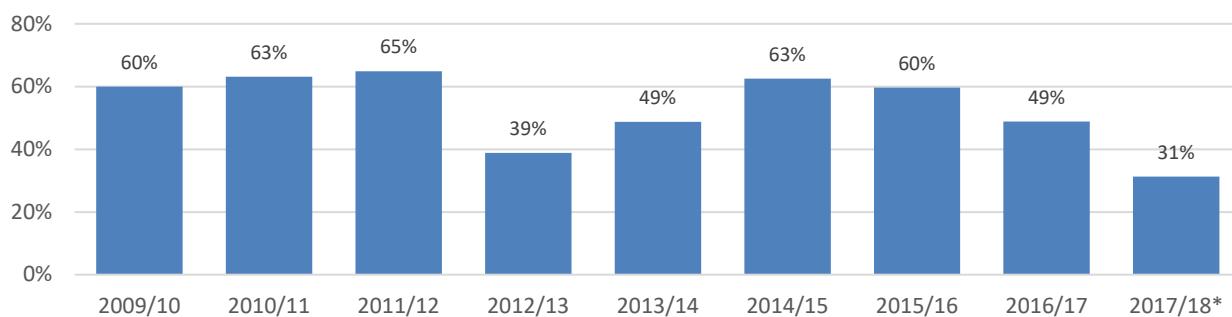


Figure 25 Median gross determination times for new boarding house applications (where known; count of days), SSROC region by financial year



Figure 26 Proportion of applications for new boarding houses determined under delegation, SSROC region by financial year



As with boarding house size, the data on approval authority and determination times were not comprehensive, and were provided in a variety of formats. Also, beyond what the data analysis revealed, there was evidence of boarding houses challenging planning processes. While it was not possible to systematically assess the history of development applications for particular properties, it was noted that there were many instances of repeated applications for boarding houses on a given site. This is likely a function of the lack of clarity around the relatively new provisions, but also a function of the fact that boarding houses were being considered by proponents looking to explore less conventional development models to maximise their returns.

Affordability Outcomes

Housing diversity

One of the key rationales for encouraging more boarding houses was to increase housing diversity across Sydney. This analysis suggests that, despite the attention paid to boarding houses in established low-density neighbourhoods, new boarding houses are not adding much diversity into areas dominated by large family housing. As Figure 27 shows, new boarding houses are more likely to be developed as alternatives to new residential flat buildings, commercial buildings or mixed-use developments in areas undergoing urban renewal. Only one third of applications were in low-density residential zones, where there is less likely to currently be many small, rental options. This distribution is even more pronounced when considering the supply of new boarding rooms, as shown in Figure 28, with only around one in five boarding rooms are in low-density suburbs (after excluding large, student housing dominated, boarding houses).

In terms of housing diversity, the concentration of new boarding rooms in urban renewal contexts undermines this aim of the SEPP, as these contexts already have small, rental options. As shown in Figure 29 and Figure 30, new boarding houses are much more common in areas already over-represented by both smaller dwellings and by rental dwellings (relative to the rest of Sydney, as per 2016 census data). In these contexts, it is more likely that the provisions of the SEPP are undermining unit mix controls in the Apartment Design Guide that aim to ensure diversity through a supply of larger apartments and owner-occupied products too. In fact, among the data provided are examples of boarding houses included as part of mixed-use developments and functionally incorporated into residential flat buildings.

Figure 27 Number of new boarding houses approved by zone and development size (where known), SSROC region 2009 to 2017

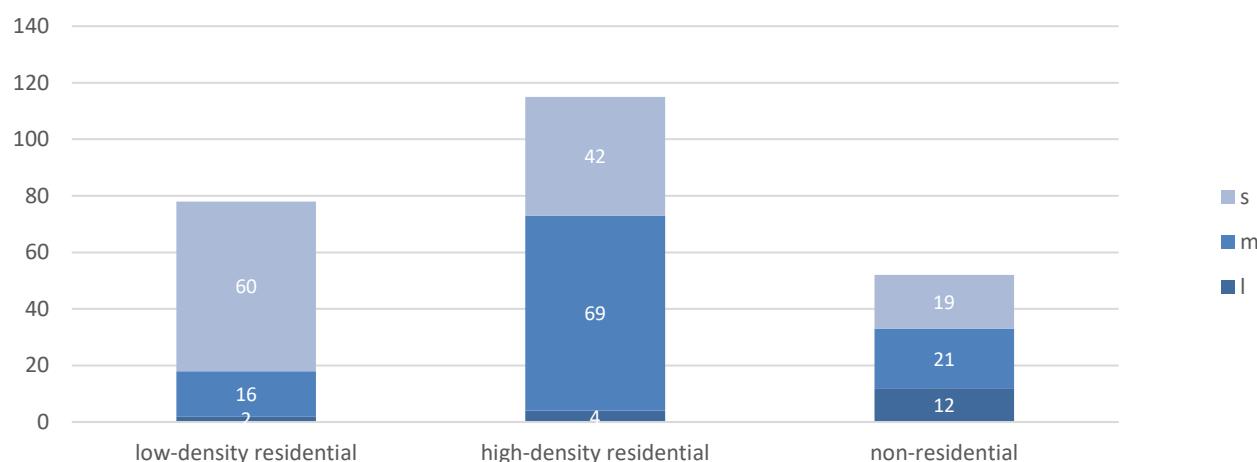


Figure 28 Number of boarding rooms approved by zone and development size (where known), SSROC region 2009 to 2017

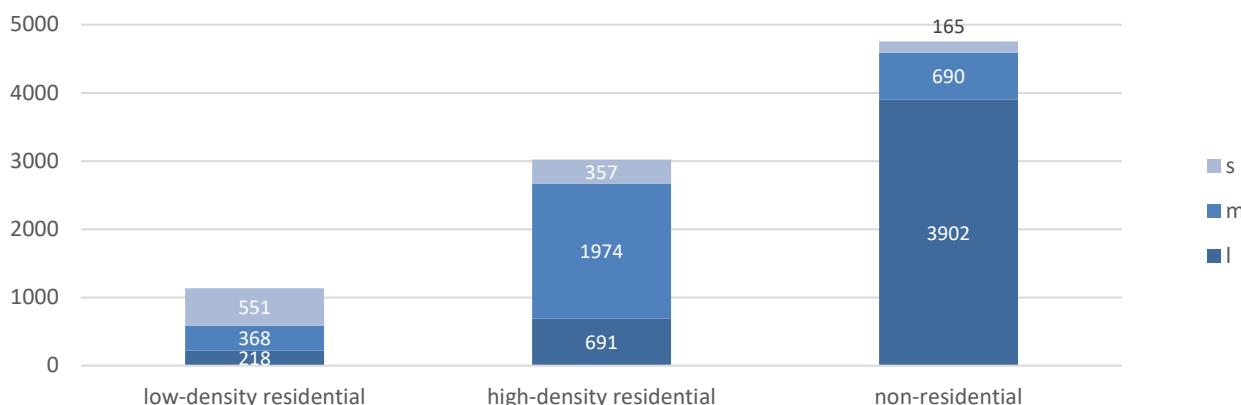


Figure 29 New and expanded boarding houses, overlaid over/under city-wide rate of small (0 or 1 bed) dwellings, 2009 to 2017

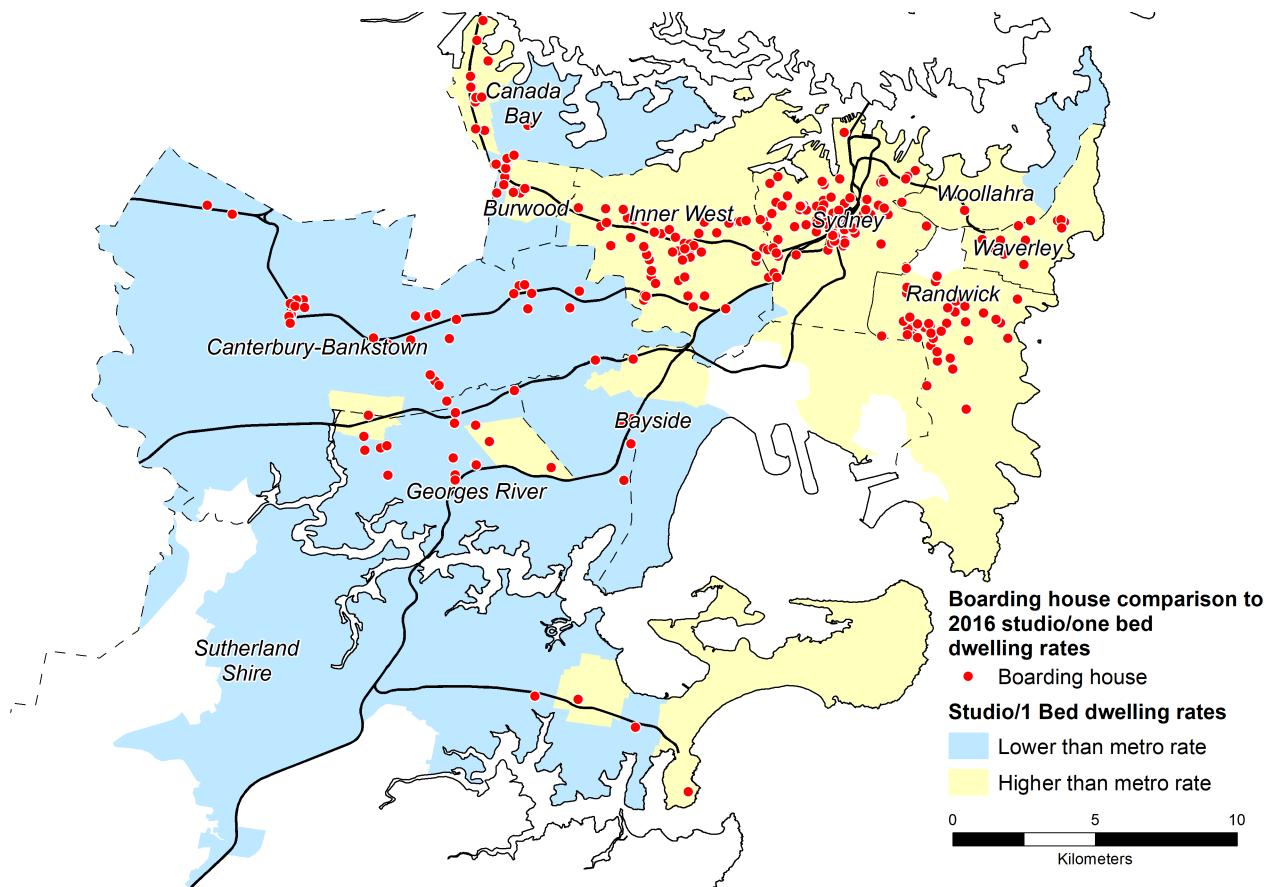
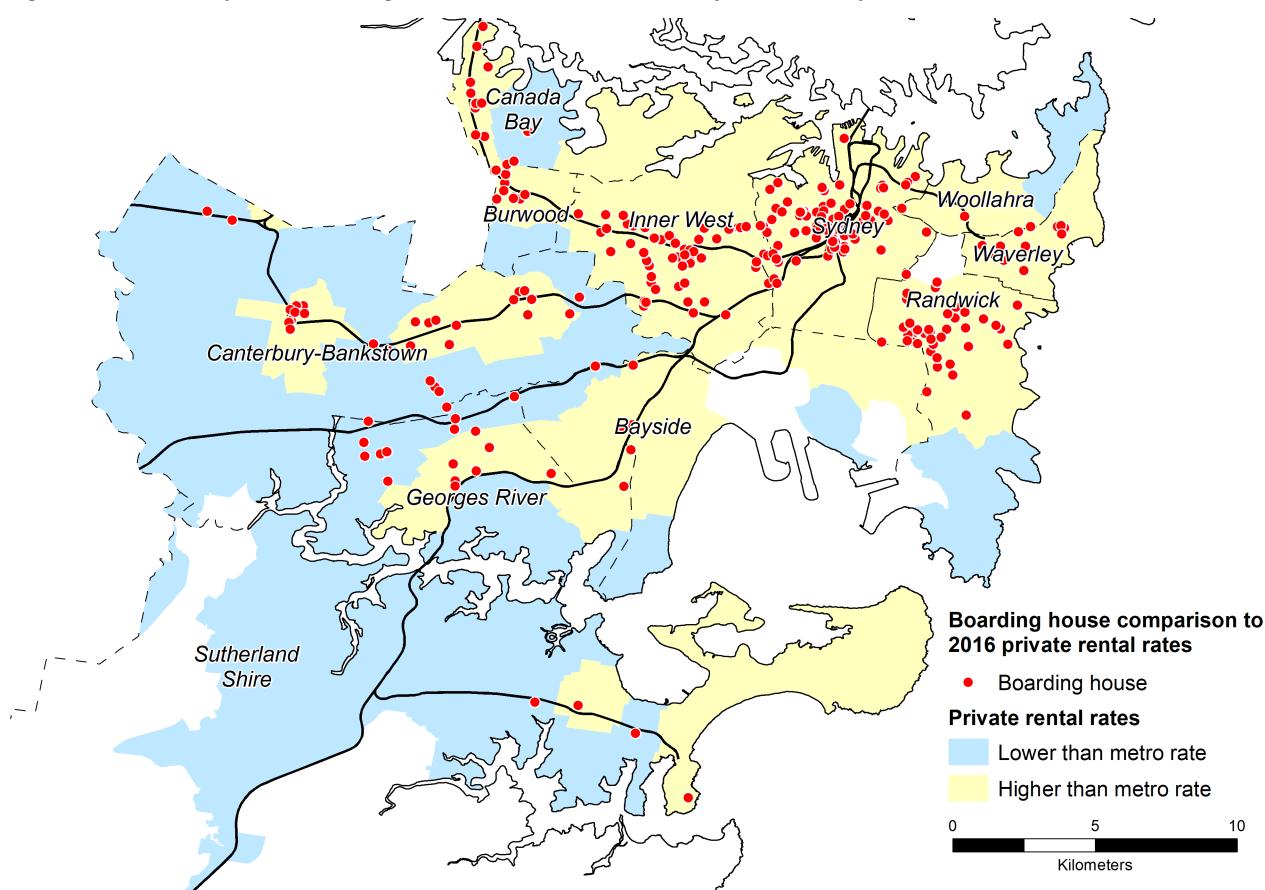


Figure 30 New and expanded boarding houses, overlaid over/under city-wide rate of private rental, 2009 to 2017



Affordability

One ongoing concern about the boarding house provisions in the AHSEPP is that, unlike other sections of the SEPP, there is no constraint on the rent that can be charged for a boarding room. Using a similar method to that described in the previous section on secondary dwelling approvals, it was possible to identify properties that had both a boarding house development approval and one or more rental bonds lodged. Only tenancies identified as starting after a determination (or within two months before a determination) were considered.

Not all periods and council areas had sufficient bonds to calculate a median price across all years, but Figure 31 shows the median boarding room rate according to this data and compares this with the overall median for tenancies of 1-bedroom dwellings in the same LGA/year (the bond board data does not identify studio units separately). In summary, the boarding rooms do represent a discount – of between 10 and 40% – compared with one-bedroom units in the same area. It should be noted that this is not a comparison of equals: many of the bonds for 1-bedroom apartments will be older buildings (and so likely cheaper); and, of course, boarding rooms (which must be below 25sqm, excluding wet areas) will be smaller than many 1-bed apartments. However, these two categories of dwelling can be considered a single sub-section of the rental housing market for one to two adults, making this broad comparison appropriate.

Furthering the above consideration of whether boarding rooms are adding a small, rental housing option where there are no alternatives, Figure 32 considers rental bond volumes. It shows that boarding rooms represent a sizeable addition (>20%) to the supply of smaller rental dwellings in some locations (relative to the 1-bedroom units being rented). As noted, boarding rooms were added only sporadically to these markets though. Also, in those locations where boarding rooms contribute additional supply to a limited stock of small, rental options (e.g. Burwood and Canterbury-Bankstown LGAs), boarding rooms did not appear to offer a significant increase in affordability, compared with 1-bed units. The conclusions that can be drawn from this method are only indicative, however, as only around half of the approved boarding houses were matched with bond data.

Figure 31 Median rent for boarding room and 1-bed unit (latest year with sufficient boarding room data), SSROC region by LGA

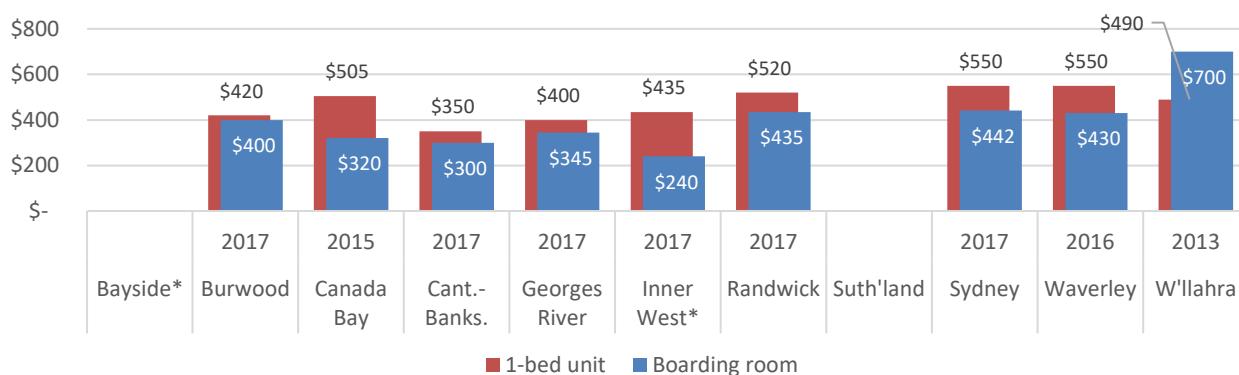
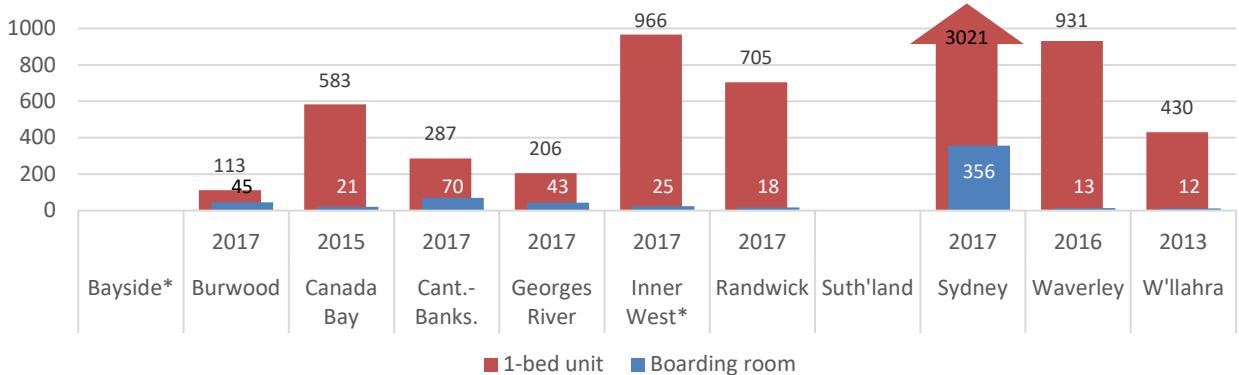


Figure 32 Volume of bonds lodged (latest year with sufficient boarding room data), SSROC region by LGA

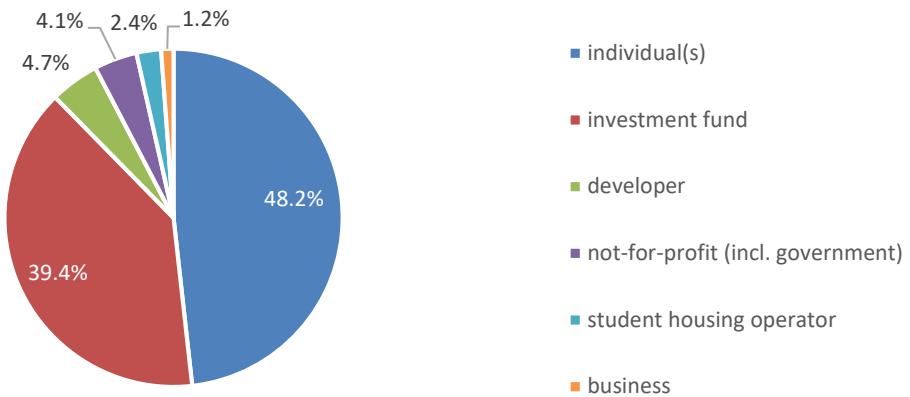


Owners, Operators and Occupant Outcomes

The analysis also indicates that the boarding houses are not typically owned and operated as a commercial business: with passive investors owning; developers and consultants acting as proponents during the development applications; and – although not systematically analysed – traditional real estate agents managing the tenants. We sought to interview boarding house operators, outside the student housing sector, to assess how shared spaces and services were provided and managed, and whether they were meeting the needs of occupants. These operators were intended to be identified through proponent and owner details provided through the development application data. However, as outlined below, outside the student housing sector and not-for-profit community housing sector, there is no private ‘boarding house sector’ to interview. Data provided was not comprehensive, but the owners of some 167 properties with approved new boarding houses were identified, and the proponents (applicants) were identified for 207 properties with approved boarding houses. (In many cases these overlapped.)

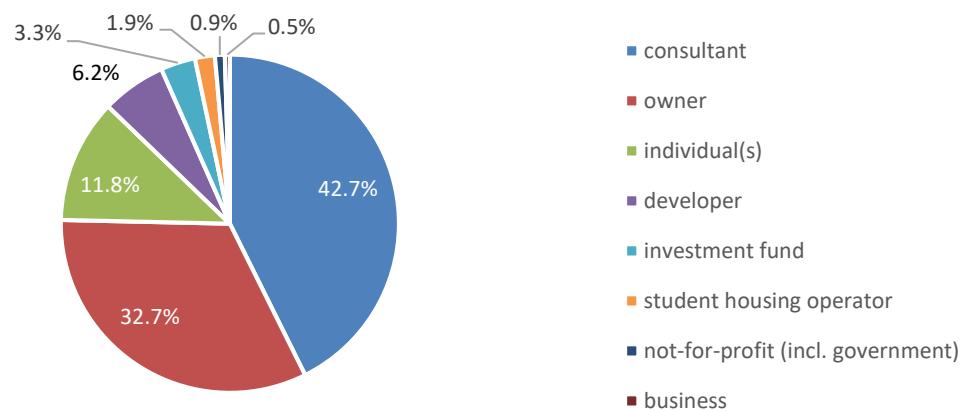
In terms of owners, there was not evidence of any clearly active boarding house operators. As shown in Figure 33, the most common type of owner was one or more individuals. While an individual owner might be an active operator, it is expected that in most cases individuals will be passive investors – as with other rented residential properties. In any event, contact information for these individuals was not readily obtainable. After individuals, the second most common owner type was an investment fund, or similar. The names of the businesses were checked for web presence, and evidence of activity as an active boarding house operator, but all were found to be shell companies with no evident commercial presence outside ABN registers and the like. The small proportion outside these two groups was fragmented into community housing providers, student housing operators, developers and businesses with a core activity other than boarding house operations.

Figure 33 Distribution of identified property owner types, sites with approved new boarding houses, SSROC region 2009-2017



Similarly, outside the student housing sector, there were few evident proponents involved in the active management of the boarding houses. As shown in Figure 34, the most common proponent was identified as a consultant – an architect or planning consultant – which gave little guidance as to the eventual structure of the boarding house operations. The second most common proponent type was the listed property owner – already discussed – followed by another individual (for whom contact data is not readily obtainable). The few remaining proponents again comprised of investment vehicles, developers, student housing operators, community housing providers, and unconnected businesses. The consultants and developers were further investigated, but none were found to identify themselves as specialists in boarding houses.

Figure 34 Distribution of identified development proponent types, sites with approved new boarding houses, SSROC region 2009-2017



Some further investigation was made into approved boarding houses that could be confirmed as complete and in operation, to try and find boarding house operators to interview. However, it was found that boarding houses were being sold and rented through traditional real estate channels, with no mention of on-site manager's residence or common facilities. Examples are shown in Figure 35 and Figure 36.

Figure 35 Excerpt from a rental advertisement for a boarding room approved under the SEPP

14/76 Marion Street, Bankstown NSW 2200
\$380

Available from Wednesday, 30th May 2018

Minutes to station!!

Enjoy these studio apartments, one of the best that Bankstown has to offer, within minutes walk to everything. Each stunning studio features open plan living area with built-in, combined tiled lounge & dining room, modern kitchen with stainless steel appliances. Large bathroom with Internal laundry, secure complex with video intercom. Power included & internet extra \$15.00 per week

Steven Portolesi
Strathfield Partners

Call

Apply Email agent

S P STRATHFIELD PARTNERS REAL ESTATE AGENTS

Figure 36 Excerpt from a sale advertisement for boarding house approved under the SEPP

1-10/327 Trafalgar Street, Petersham NSW 2049

Price Upon Application

10 Beds | 10 Baths

Est. repayment \$1,846/month

Can I afford this property?

Blue Chip Investment - Whole Building Of 10 Studio Apartments To Be Sold In One Line

Destined to delight both investors and the on-trend individual, this high-end studio complex lifts the bar on leading edge urban living. The intelligent design and contemporary interiors are guaranteed to add to the lustre of Petersham's reputation as the focal point of the increasingly vibrant Inner West.

- o Boutique development of 10 studio apartments
- o Spacious layout, light-filled interiors with north-facing balconies
- o High quality, low maintenance features and fittings
- o Elegant kitchens with stone bench tops and stainless steel SMEG appliances
- o LED down lighting, frameless shower screens and air conditioning
- o Easy access to cafes, cosmopolitan restaurants and C.B.D transport

Rainer & Horne

Frederico Fraga...

Call

Email agent

Rainer & Horne

Property type: Block of Units
Internal area: Unknown
Land area: Unknown

It is outside the scope of this report to interrogate the legal nuances of tenure in boarding houses, but it is important to understand the outcomes of the SEPP within the broader housing system. The definition of a boarding house, under the SEPP is a dwelling that is "wholly or partly let in lodgings". This distinguishes it from other rental units, in that a rental tenancy agreement (linked to a bond held by the rental bond board) is not required. As noted above, not all boarding rooms were matched to a rental bond. In part this relates to development approvals never being taken up, but in part it reflects the fact that boarding rooms are let as lodgings rather than rental tenancies.

This does mean that the developments approved as boarding houses with rental tenancy agreements in place are not meeting the definition of that land use, insofar as they are not let as lodgings. This is a technical point, and renting a self-contained room (rather than letting a bed) has many practical benefits for the occupant. And, even in the absence of a rental tenancy agreement, occupant might be considered a tenant (and so afforded certain rights under the Residential Tenancies Act 2010) if a degree of control over the premises is given to the occupant.

In some respects, this distinction aligns with the material accompanying the SEPP that identify 'new generation' and 'traditional' boarding houses. The broader issue at hand here is the extent to which boarding rooms are expected to function, in practical terms, in the same way as other privately rented apartments or houses. The evidence above

suggests this is the case in practice. This, in turn, has two implications that need to be better resolved if the planning system is to continue to encourage the development of boarding houses.

The first is the extent to which compromises made within the individual unit are being offset by services and shared spaces in the building. There is little evidence of on-site management being enforced, although that is a requirement of for any approved boarding house with a capacity above 20 occupants. Similarly, in the absence of an active manager – either onsite or otherwise – there is little to suggest the common living rooms (also required for any boarding house above five rooms) and other amenities will be well maintained and made available in a functional way to off-set the limited space in the private dwellings. On the whole, more evidence is needed to know whether boarding rooms are meeting the housing needs of their occupants.

The second implication is the extent to which other regulations, under the Boarding House Act 2012, can be expected to regulate ongoing operations. Again, to be clear, it is outside the scope of this report to offer legal interpretation. However, to be covered by that legislation the boarding house needs to let beds, rather than rooms, which seems to exclude many buildings approved under the AHSEPP as boarding houses. In practice, there was evidence of discrepancies between the boarding house register (as required by any boarding house covered by the 2012 act) and the data provided by councils, although this was not systematically investigated. Were approved boarding houses covered by the Boarding House Act 2012, councils have the obligation to inspect and monitor compliance with planning and building codes, and operating standards under the Boarding House Act 2012. In the absence of such regulatory oversight, a greater onus is on the development application process to ensure standards of dwellings are appropriate to occupant needs.

Finally, as already noted, it is clear that boarding houses are, in many contexts, formalising an existing ‘share house’ segment of the private rental market. While this suggests new boarding houses are not adding to the supply of low-cost rental (if a share house occupied by five co-tenants is replaced with a five-room boarding house, then no additional supply is added to the market), it could well mean a higher living standard for those who previously were part of a share house. This includes students, particularly international students, for whom the introduction of boarding houses has the potential to offer more security and privacy over previous housing arrangements. Again, more evidence is needed to draw any conclusions about the extent to which boarding rooms are an appropriate housing outcome for the occupant.

Summary of Policy Issues

The three sizes of boarding house, articulated above, provide a useful starting point for examining the issues associated with boarding houses approved since the introduction of the SEPP.

First, the **large boarding houses** (over 60 rooms) are, as noted, almost exclusively for student accommodation. Clearly there is a need to find suitable housing for this population, with international and domestic student populations growing. The unique geography of universities and the potentially unique demands of student populations means that it would warrant a more specific policy response, rather than a solution being sought through a SEPP intended to facilitate affordable rental housing across Sydney. It should also be noted that the product offered through major student accommodation providers, whilst cheaper than renting an entire dwelling, is not necessarily an affordable housing product. In some respects, it is more akin to premium housing products like serviced apartments or the emerging build-to-rent products that offer tenant services beyond accommodation.

Beyond the limited extent to which large boarding houses offer a genuine response to a shortage of affordable rental housing, their location and scale suggests such a development type warrants a more concerted policy response. In particular, the large extent to which these developments are outside residential zones has some important ramifications. To be clear, councils do permit residential uses in commercial and other zones in some cases. However, if the scale of residential population growth is beyond that anticipated, and so planned for, there is the potential for large student housing complexes to both strain the limited residential amenities in commercial centres and serve to undermine employment and industrial agglomeration objectives of those zones. Where other residential uses are not permissible, there is also the potential for large boarding house developments to distort land values and so the achievement of planning objectives. While the development wave of these larger boarding houses seems to have passed, insofar as it equates to student housing, discussion around an ill-defined ‘build-to-rent’ housing typology may rekindle larger commercial operations in the residential space.

Second, **medium sized boarding houses** (of between 15 and 60 boarding rooms) have emerged over the decade to be the dominant form of boarding house. There is evidence that the price point of boarding rooms is below other accommodation in the same areas. However, while the price point is lower, so is the level of accommodation. Comparisons of boarding room rates and 1-bedroom unit rents in the same show a differing degree of discounting, with around 20% lower rents on average.

Importantly, medium boarding houses are largely being approved in high-density residential areas (which are largely sites of urban renewal). As such, they are evidently competing with other apartment developments that are otherwise anticipated to be delivered on those sites. This undermines any sense that extending this size boarding house into middle-ring parts of Sydney translates to a greater diversity in housing stock there.

In contrast, it suggests that the urban renewal underway will be less diverse – both in terms of unit mix and tenure mix. Examples were uncovered of a boarding house, as a development category, being built alongside a residential apartment (as, for example, two of six floors of a development). This has implications for the integrity of unit mix and minimum lot size controls of the Apartment Design Guide. It is also unclear how such a development is legally structured, given that the other floors will likely be subdivided into a strata plan, while boarding houses are expressly prohibited from doing so. Even if the boarding house component remains in a single title (either within a strata scheme or as a separate stratum in Torrens title), being integrated into a strata-titled building will effectively lock in a land use and remove the potential for redevelopment or adaptation in the future, something the single ownership requirement facilitated.

Related to the fact that boarding houses are being developed instead of residential flat buildings is the extent to which boarding houses are providing management and shared amenities to off-set the compromise in the individual boarding rooms. Evidence suggests that boarding houses are largely managed through traditional real estate channels, and additional servicing is minimal. In short, there needs to be a much more considered policy that determines if blocks of small, self-contained, rented studios are a desirable component to the residential apartment market. That policy consideration should include more detailed analysis of both how boarding houses sit with SEPP 65 and how boarding houses sit with ‘registerable boarding premises’ under the Boarding House Act 2012. Currently, it seems as if ‘new generation’ boarding houses are falling into a gap between the two.

Finally, **small boarding houses** (up to 15 rooms) continue to be approved, despite ongoing community opposition in some parts of Sydney, and amendments to the controls (including the most recent changes to parking requirements) that curtail their feasibility. The trend over time suggests that this form of development will make a limited contribution to Sydney's housing stock and therefore is unlikely to represent an adequate planning response to address as shortage of affordable rental options for Sydneysiders in lower density housing markets.

Questions about these small boarding houses, and their location in low-density residential neighbourhoods, have been the subject of much public discourse. Even within this smaller-scale boarding house, it is clear that they are considered out of character for many low-density neighbourhoods. Irrespective of subjective debates about 'character', boarding houses represent an intensification of land use in parts of Sydney that have not otherwise been earmarked for growth under compact city plans that direct new development away from established suburbs. If they continue to be built at all, given recent amendments, small boarding houses will likely make even less of an impact on Sydney's housing supply in the future. And rather than offer additional supply, they will likely only formalise existing 'share houses', a form of housing that is already well established in Sydney's housing market.

Infill Affordable Housing

A third set of provisions in the AHSEPP relate to the voluntary inclusion of affordable rental housing within multi-dwelling developments. A floorspace bonus incentivised the take-up of these provisions among private developers.

To be eligible for the floorspace bonus, a developer (and subsequent owners) must dedicate a proportion of the units as affordable housing for ten years. This means it is rented to households earning up to 120% of Sydney's median income and they pay no more than 30% of their income. According to the 2016 Census, that median income was \$1,750/week. This means any unit rented to tenants earning under \$2,100/week (and charging up to \$610/week) counts towards eligibility. The proportion of units dedicated to this cohort will dictate the floorspace bonus. Although it varies by the underlying floorspace limits and the exact proportion of floorspace dedicated to affordable units, typically 50% of units being dedicated under the AHSEPP will translate to a 20% increase in the permissible floorspace.

The number of developments taking up these incentives has not been systematically monitored, nor has the implementation of the incentives – in terms of both dedicating and supplying a proportion of units as affordable rentals for the required minimum of 10 years. Ongoing compliance is expected to be realised through an additional requirement that the tenancy be managed by a registered community housing provider (CHP). However, having a relationship in place with such a manager is not consistently included as a condition of consent, essentially making compliance impossible to ascertain.

The data request sent to councils for this project included a request for any development applications that took up these provisions of the SEPP, but not all councils were able to systematically account for them. In almost all cases, relevant developments were identified from the open text description of the application. This means the data is potentially incomplete, and the findings, outlined below, are only tentative.

The first finding is that, for most parts of the SSROC region, the provisions are having little impact. From the data supplied, applications for infill affordable housing were only identified in seven of the 11 LGAs that comprise the SSROC region. In total, only 107 approved developments since 2009 were potential matches for the provisions. Of this, 60 were in Canterbury-Bankstown council, with Georges River the only other LGA to have more than 10 approved developments under the provisions.

The second finding is that the provisions are, in many cases, not incentivising the inclusion of affordable housing in private developments. Where details of the applicant or owner were provided (four of the seven LGAs), a significant number (12 of the 23 approvals) were government or CHP-led developments. In these cases, it was not clear if the enabling provisions of the SEPP were required. And in any event, the inclusion of affordable housing is a function of ownership rather than planning regulation. (However, the provisions could increase the number of dwellings delivered by these owners if the incentives are taken up.) It is possible that a proportion of developments in the other four former LGAs are similarly the development of government or CHP owned sites. However, based on a sample of applications that were approved by a JRPP or the LEC, it appears most were the result of private developers including affordable housing, as intended by the AHSEPP.

The third finding is that the provisions are likely to be delivering a housing product already being delivered by the market. As noted, the majority of approvals (56%) were within the Canterbury-Bankstown LGA. This is to be expected, due to the housing market dynamics in this LGA. In short, in this part of Sydney typical market-rate apartments, and typical tenants, are below the upper threshold for eligibility for the floorspace bonus.

Take Campsie, for example, the most frequent location for infill developments under these provisions of the AHSEPP identified from the data received. According to realestate.com.au suburb trends, a typical two-bedroom apartment rents for \$500. This translates to 30% of households earning \$1,670. But based on 2016 census data, the median household income in Campsie was \$1,240, well below the proscribed Sydney median income level.

This means a two-bedroom apartment rented out at or above the market median rental price to a household earning 130-170% of the local median income would still be within the definition of affordable housing under the AHSEPP. To be clear, this would be a premium product being rented to a relatively wealthy household in the local context. While many CHPs would baulk at managing such a tenancy, there remains questions as to the outcomes of these provisions in such locations. Further, these calculations yield similar outcomes for most parts of Canterbury-Bankstown and Georges

River LGAs, which account for over three quarters of the approved developments under these provisions identified in this research.

Notwithstanding this perverse allocation of the criteria for ‘affordable housing’, where the dedication of affordable housing within private developments can be ascertained, between one third and half are identified as affordable housing. Again, data was incomplete, but at least 2,200 total dwellings were approved under these provisions. Assuming that these rates of dedication are typical, that translates to between 600 and 1,000 units dedicated to be rented as affordable housing for 10 years. Due to the differing scale of developments, over three quarters of these dedicated units would be in Canterbury-Bankstown LGA, and could be expected to be rented out at market rates typical of this LGA. Of the 107 approved developments (including CHP/government led), 67 were identified as residential flat buildings and 40 as townhouse/row house/villa developments.

Conclusions and Recommendations

This report has provided some of the most in depth analysis of the outcomes of the AHSEPP to date, particularly in relation to the private sector development of infill affordable housing, secondary dwellings and boarding houses. The findings are based on a detailed analysis of the best datasets available and, notwithstanding the limitations of the data already outlined, provide significant insights into the outcomes of the AHSEPP across the SSROC region. This section concludes with some recommendations to address the identified shortcomings of the AHSEPP, particularly through improving the evidence base that policy decisions are founded on.

Summary of findings

Overall, there was evidence of the provisions of the SEPP being taken up, across all three components assessed. Based on the data collected, estimated approvals of around 8,000 secondary dwellings, 4,500 boarding rooms (and another 4,500 student accommodation rooms), and somewhere between 600 and 1,000 dedicated units through the affordable infill provisions have been achieved.

There was, however, evidence that in all three cases this take up of the provisions by the private sector was not translating to the aims of the AHSEPP being achieved. Most secondary dwellings were not reaching the formal rental market. Over half the boarding rooms were dedicated student accommodation rather than the traditionally understood boarding house. And the dedicated units of affordable infill developments were concentrated in neighbourhoods where they are least likely to overcome the market failure to deliver rental options to low-income households.

Problematically, in all three cases, these units were identified (or, in the case of infill apartments, estimated) to be offered at little discount to comparable, and in many cases unaffordable, market product. Further, it was clear the distribution of the take up was not even: half the secondary dwellings we identified were in Canterbury-Bankstown and two thirds of the boarding rooms (including student accommodation) were in the City of Sydney. In many cases, a detailed geographical analysis revealed the take up was higher in contexts where rental options or small housing options were already available. Conversely, therefore, these outcomes do not represent a substantial gain in small or rental options in areas otherwise lacking in this option.

This is not to say the take up of the provisions was without value. Secondary dwellings outside the rental market are able to accommodate complex and growing households, potentially providing an alternative to household formation that is being suppressed by high housing costs. There has also clearly been a latent demand for student accommodation, previously met through insecure and substandard housing, that is now more adequately being met. And there was evidence that the infill housing provisions were enabling the not-for-profit sector to compete better in the infill development market.

In conclusion, though, it is clear the AHSEPP offers much room for improvement. Most disconcerting is the fact that, however much development the provisions are stimulating, very little genuinely affordable rental housing, for very-low to low income households, is being delivered, despite the stated objectives of the AHSEPP. The following recommendations will hopefully assist in future amendments to state and local government strategies to deliver suitable affordable housing options across household size and income spectrums.

Secondary dwelling recommendations

1. *Better estimate household growth in specific locations caused by secondary dwellings.*

The identified uneven distribution of secondary dwelling approvals means some established residential suburbs are subject to significant household growth. These are not always locations identified for growth in strategic plans meaning infrastructure has not been planned to support growth there.

2. *Develop clearer expectations around the role of secondary dwellings in the housing market.*

In different markets, secondary dwellings are evidently reaching the rental market at different rates. Expectations about the extent to which these new dwellings will contribute to needed rental supply needs to account for this. Relatedly, where secondary dwellings are primarily offering an alternative housing pathway for a single household

in response to wider affordability problems, the nexus with delayed household formation needs to be better understood. This is not, it should be noted, a contribution to the supply of affordable rental housing.

3. Assess the impact of ‘missing middle’ incentives on secondary dwellings.

Soon-to-be introduced medium density housing codes will dramatically reduce the relative feasibility of a secondary dwelling development. Much of the current incentive to develop secondary dwellings will be lost, as they are more constrained in size and subdivision than the incoming infill options. That being the case, it can be expected to reduce the take up of the secondary dwelling provisions, and so the extent to which medium density infill more generally can make any meaningful contribution to affordable rental housing supply in Sydney.

Boarding house recommendations

4. Better estimate household growth in specific locations caused by boarding houses.

As with secondary dwellings, some established residential suburbs are seeing more growth in boarding houses than others. Anticipating this will similarly enable better planning for supporting infrastructure there. But it will also enable much observed community consternation – borne out of uncertainty – to be better addressed.

5. Link incentives for developing boarding houses to affordability of boarding rooms.

The observed expansion of boarding rooms as a housing option to a wider segment of the population, particularly through self-contained ‘new generation’ boarding rooms, means many are being delivered at a price point that is not affordable to low-income households. While wider permissibility enables this broader supply, development incentive is less justifiable when it is only delivering market-rate housing. Existing incentives for low-cost boarding rooms, such as land tax exemptions, provide a precedent for price points that could be explored for more targeted planning incentives that aim to provide affordable rental options.

6. Evaluate the needs of boarding room occupants to assess the appropriateness of shared spaces and services.

The expectation in boarding houses, even ‘new generation’ ones, is that compromises in individual units will be offset by the provision of shared spaces and services. The requirements of the AHSEPP in this regard, though, were largely untested. It was not possible in the scope of this research to assess this, but there is a need to better understand the housing needs of boarding house occupants and assess if the regulatory provisions of the AHSEPP (the size, number and type of common spaces and thresholds to provide them, as well as requirements regarding onsite management) are appropriate (see Clinton, forthcoming).

7. Provide clearer guidance on the intersection of the AHSEPP and provisions under the Boarding House Act 2012.

There remain significant gaps in understanding of rental tenancy agreements versus occupancy agreements, the application of that legislation to boarding houses developed under the AHSEPP, and general expectations about the commercial operation and management of boarding houses approved under the AHSEPP.

Infill affordable housing recommendations

8. Link incentives to provision of housing that is affordable to lower-income households in the local area

Using Sydney-wide thresholds for household incomes, and so rental price points, has resulted in incentives being taken up in areas where those thresholds represent a relatively higher rental payment. As such, the take up of the incentives are not translating to the supply of affordable housing options across Sydney, with the most unaffordable areas much less likely to see the take up of the incentives. More perversely, the current structure incentivises new supply that is unaffordable to low-income households in the areas where it is being delivered. New locally determined income thresholds are needed to better match outturn rents to the capacity of local households to afford them.

9. Ensure consistent dedication of affordable units and provide a process for monitoring and enforcement

The imposition of conditions of consent to dedicate affordable housing was found to vary considerably. In some cases the actual units were not identified (just a required proportion of floorspace). In most cases, there was no established relationship with a community housing provider to manage tenancies. While such details are intended to be provided later, even after nine years of the AHSEPP being in force, there was little information available about numbers and types of units being dedicated. As such, it was not possible to assess how effective enforcement of these conditions has been, both at the issuing of the occupation certificate, but also throughout the 10-year period of the affordable units being encumbered.

10. Evaluate how the infill affordable housing provisions can facilitate development by community housing providers

There is evidence that these provisions are providing a channel for CHPs to develop infill housing. But the community housing sector has changed significantly since 2009. Any amendments to these provisions should consider how higher development capacity will improve feasibility, or how other provisions can provide an easier path through the development process for the CHP sector. This should work with the emerging funding and subsidy systems now in development at NSW and Commonwealth levels. *Prima facie* evidence is that NRAS, which is specifically mentioned in these provisions of the AHSEPP, has since ended; so is not an appropriate system to rely upon.

Broader recommendations to plan for affordable housing

11. Position boarding rooms, secondary dwellings, etc., in an overarching housing policy

As noted, it was clear that the AHSEPP was making an impact on the supply and diversity of new housing growth. However, despite this, many of the observed outcomes evidenced in the research do not meet the original objectives of the AHSEPP. It is also clear that, for example, demand for secondary dwellings will be contingent on other housing policy directions (such as the ‘missing middle’ policy). This highlights the need for an overarching State affordable housing policy framework within which the specific components of supply analysed in this report (secondary dwellings, boarding houses and infill affordable housing) can be more fully articulated under separately drafted provisions. Similar conclusions about the need for an overarching strategic approach to the supply of affordable housing have recently been reached by other research into affordable housing delivery (Gurran et al 2018). As outlined below, any new policy in this area needs to be explicit in how it defines affordable housing in each local market context and provides clear mechanisms for monitoring and compliance of outcomes to ensure that development approvals under such a framework actually deliver what they are meant to deliver.

12. Develop planning mechanisms that deliver a wider range of affordable rental housing

The outcomes of AHSEPP provisions assessed almost exclusively provide low-cost housing options for singles or, at most, couples. This means that there have been no affordable rental outcomes that meet the needs of low-income families or other household types under the AHSEPP. Similarly, the evidence in this report suggests that affordable rental options are not being delivered in areas where the need is greatest. There needs to be a more targeted and direct approach to support the supply of affordable rental in Sydney across the spectrum of housing needs.

13. Establish clear affordable rental housing supply targets

In concert with an overarching local housing strategy or an assessment of the needs across a full spectrum of affordable rental housing types (such as is required under provisions of the new Plan for Greater Sydney), there needs to be established affordable housing targets. On the basis of the evidence in this report, we have concluded that the AHSEPP has not delivered rental dwellings in sufficient numbers in the right context to have had a substantial impact on the supply of genuinely affordable rental housing. However, in assessing the outcomes of the AHSEPP, there was no evidence of expected outcomes, in terms of volume, location, housing type or price. This meant there is no benchmark against which to assess its effectiveness. Clearer expectations, in the form of stated targets any policy is intending to achieve need to be established.

14. Incorporate a wider range of planning mechanisms to support the supply of affordable rental housing

In parallel of the above recommendations, and the conclusion that the provisions of the AHSEPP have not made a sufficient contribution to genuine affordable rental housing supply across the housing need spectrum, it must be concluded that the voluntary incentives are evidently not sufficient. With the exception of some use of this SEPP by affordable housing providers, the outcomes demonstrate the relative ineffectiveness of planning-based incentives of this type to boost supply of affordable rental housing. Many of the housing types not delivered through the AHSEPP, such as affordable family housing and housing options for the very-low income range, will not be delivered through planning mechanisms alone. However, there are established precedent for the role of the planning mechanisms to facilitate the delivery of such products. Recent explorations into the wider application of SEPP70, for example, may help achieve what the AHSEPP has failed to.

15. Develop better data management and tracking frameworks to monitor and evaluate the impact of planning controls

Currently there is no consistent recording of development applications that utilise the AHSEPP, the number and types of units dedicated under the infill affordable housing provisions, or the room numbers and occupant capacities of the boarding houses. Development approval data held by DPE did not allow identification of boarding houses and infill affordable housing and it was evident from council-supplied data that capacity does not exist across councils to provide such data to DPE. Due to the incompleteness and low quality of data, many components of the analysis were necessarily couched as indicative rather than definitive. In trying to understand the long-term impacts of affordable rental supply – the central objective of the AHSEPP – the lack of recording and monitoring presents a considerable barrier.

Although development assessment processes are rightfully focused on individual applications, there needs to be better integration of consistent and robust data collection through this process. Improving practices in this regard is seen as a basic step towards proper long-term monitoring and evaluation of the performance of the AHSEPP.

Other planning policy area recommendations

16. Develop a more deliberate policy response to meet the need for student accommodation

Where boarding rooms have been delivered in large numbers, it appears that they most were specifically for the student accommodation market. There is a clear need to provide this type of accommodation in close proximity to major universities, and the outcome has been a positive one. However, the formalisation of a specific policy focus on student accommodation potentially offers a far better outcome for the residential and commercial communities around the universities as well as the students, international students in particular, who otherwise find the private rental market difficult to navigate for a range of reasons.

The AHSEPP is not the most appropriate mechanism to address these student accommodation needs. Also, some of the resulting pressures on, for instance, the realisation of other objectives in commercial precincts where student housing is being built, has not been addressed. Ultimately, student accommodation falls outside the purpose of the AHSEPP.

17. Consider more fully the implications of relaxing Apartment Design Guide standards

The delivery of boarding rooms within residential flat buildings represents a circumvention of ADG standards, both in terms of minimum unit size and unit mix. This relaxation of ADG standards, which the boarding house provisions have come to enable, cannot conclusively be considered appropriate unless it is considered in concert with the intent and implementation of the ADG and SEPP65. This includes the operation of SEPP65 in ensuring minimum levels of amenity within individual buildings, but also the role of SEPP65 in guiding sustainable urban renewal precincts more widely.

In many respects, the lessons learnt through the development ‘new generation’ boarding houses could inform future amendments to regulatory frameworks guiding apartment design, including multiple dwellings in a single title (elsewhere developed as ‘dual key’ apartments), and the provision of and functional and valued shared facilities and spaces.

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