

ITEM 5 AFFORDABLE HOUSING - TARGETING OF FEDERAL FUNDING

Council received a Commonwealth grant through the 'Building Better Regional Cities' program to support home ownership in the West Dapto area. Due to rapidly rising land prices and the statutory personal income limits specified by the grant, the scheme wasn't as successful as hoped.

Council subsequently entered into a Memorandum of Understanding with the Federal Government to allow the reallocation of the balance of the funds, being \$10.4M at the time, to assist with the improvement of affordable housing in the region. Following a review of options as to how the funds should be used, Council established a revised program to assist the delivery of affordable housing in the Wollongong Local Government Area.

To date, \$4.34M has been allocated via a competitive process to the Illawarra Community Housing Trust Ltd for the delivery of affordable housing.

This report presents a modified recommendation to Council for the allocation of the balance of the total pool of funds.

RECOMMENDATION

Council resolve to combine the balance of the Commonwealth grant to deliver a scheme in the Wollongong Local Government Area via a competitive process, with priority for the southern suburbs of Wollongong. Schemes will be assessed on their ability to –

- a Target those in greatest need of housing security.
- b Demonstrate innovation and new ways of delivering services, including secure and affordable rental and/or pathways to home ownership for low to moderate income earners.
- c Return an income stream such that they can be continued or expanded beyond the initial funding.
- d Incorporate housing options designed as energy efficient and sustainable.

REPORT AUTHORISATIONS

Report of: Kerry Hunt, Director Community Services - Creative and Innovative City
Authorised by: Greg Doyle, General Manager

ATTACHMENTS

There are no attachments for this report.

BACKGROUND

In June 2012, Council received a Commonwealth grant under the 'Building Better Regional Cities' program of \$13.9M for the West Dapto Urban Release Project. Council entered into a funding agreement to use this funding for:

- 1 Upgrading sections of Shone Avenue and West Dapto Road (\$4.M) which has been completed.
- 2 Reallocating \$9.2M to assist low to moderate income earners in purchasing a home in West Dapto, known as the West Dapto Home Deposit Assistance Program.

On 22 July 2013, Council resolved to exhibit the proposed West Dapto Home Deposit Assistance Program, as it provided financial assistance for private gain. The proposed program was exhibited from 25 July to 22 August 2013, and two submissions were received.

On 9 September 2013, Council resolved that -

- 1 *The West Dapto Home Deposit Assistance Program be included as an amendment to Council's Annual Plan 2013-14, subject to a successful notification being made to the ACCC.*

- 2 *The Financial Assistance Policy be amended to include a specific Program for the West Dapto Home Deposit Assistance Program, subject to a successful notification being made to the ACCC.*
- 3 *Quarterly reports be provided to Council for the term of the West Dapto Home Deposit Assistance Program.*
- 4 *Council write to the appropriate new Federal Ministers requesting that the Federal Government match or increase the previous Government's allocation as a way to stimulate the housing market in the Illawarra and help bolster the local economy.*

For a number of years the funds were effectively locked up, with scheme's parameters impractical and the Government unwilling to adjust them. In October 2017, a Memorandum of Understanding (MOU) was entered into between the Commonwealth and Council to utilise the financial benefit gained under the program, to continue to facilitate the delivery of affordable housing in the region. The MOU says the funds are to be used to '*continue to facilitate the delivery of affordable housing in the region*'.

While not compelled to, Council applied interest to these funds and the \$9.2M grew to \$10.4M, which was held in a reserve account.

Following a review of options as to how funds should be used, Council's resolution of 10 December 2018 (Minute 178) outlined a range of options including the balance of the Commonwealth grant be committed to two delivery areas, of equal sums being; 3a an expression of interest process whereby not-for-profit organisations are requested to provide affordable housing schemes for consideration of funding and, 3b an affordable home-ownership scheme for low to moderate income earner leveraging Council owned land in West Dapto. An extract from the resolution is as follows:

- 3 *That the balance of the Commonwealth grant be committed to two delivery areas, of equal sums being –*
 - a *An expression of interest process whereby not-for-profit organisations are requested to provide affordable housing schemes for consideration of funding.*
 - b *An affordable home-ownership scheme for low to moderate income earners.*
- 4 *That the delivery areas in 3a and 3b be limited to schemes delivering homes in the Wollongong LGA.*
 - a *That schemes exhibiting innovation and new ways of delivering services are encouraged.*
 - b *That schemes targeting, but not limited to, single women aged over 50 are encouraged.*
 - c *That schemes constructed so as to return an income stream such that they can be continued or expanded beyond the initial funding, are encouraged.*
- 5 *That the delivery area in 3b be a scheme that combines the Commonwealth grant with Council owned land in the West Dapto land release area to provide new housing.*
 - a *That the new housing described above be designed as energy efficient and sustainable high quality residences.*
 - b *That mechanisms for home ownership include but not be limited to joint ownership models and rent to buy options.*
 - c *That the scheme at 3b include a component for returning an income stream such that it can be continued or expanded beyond the initial funding.*
 - d *That the University of Wollongong be approached as a potential partner to develop the design of energy efficient and sustainable housing.*

Part 3a Status

Following an expression of interest and subsequent tender process for not-for-profit organisations to provide affordable housing schemes, Council, on 9 December 2019, awarded a tender to the value of \$4.34M to the Illawarra Community Housing Trust Ltd (trading as Housing Trust) to deliver Part 3a of the

above resolution. A funding agreement was entered into via Council resolution 7 December 2020 for the delivery of affordable housing. The balance remaining from the process for Part 3a was \$760,000.

Part 3b Status

Planning for the delivery of Part 3b has continued to be explored after an initial proposal for West Dapto was withdrawn in response to market conditions and to allow for reassessment of current plans and strategic outcomes.

Housing Market Changes

In a rapidly changing market place including increasing land and housing costs, Council has undertaken a review of the resolution of 2018. This review included Councillor briefings and a workshop, along with a meeting with the Federal Member for Whitlam, Mr Stephen Jones MP to consider revised options to expedite release of the funds for the delivery of affordable housing in the city.

It is noted for the purpose of this report, the definition of 'affordable housing' is as follows:

"Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs, such as food, clothing, transport, medical care and education. Housing is usually considered affordable if it costs less than 30% of gross household income"*

** Nationally agreed definition by Australian housing, planning and local government ministers*

Table 1 below provides a definition of low and medium-income bands in accordance with the *Environmental Planning and Assessment Act 1979*, the *Affordable Rental Housing State Environmental Planning Policy 2009, Clause 6(1)*. And *State Environmental Planning Policy No 70 – Affordable housing (Revised Schemes) Clause 8*.

Table 1 – Low- and Medium-Income Bands

INCOME BANDS	% OF MEDIAN INCOME	ANNUAL INCOME RANGE (SYDNEY) 2020-21	ANNUAL INCOME RANGE (REMAINDER OF NSW) 2020-21
Very Low	50% median	\$49,300	\$41,900
Low	50% - 80% median	\$78,900	\$67,000
Moderate	80% - 120% median	\$118,300	\$100,500

The following table indicates current median house prices in five suburbs across the Wollongong Local Government Area, along with median weekly rental prices.

Table 2 - Median House Prices and Median Weekly Rental

Suburb	Median House Price	Median Rental Per Week
Dapto (inc West Dapto)	\$585k	\$460
Berkeley	\$570k	\$420
Port Kembla	\$700k	\$450
Wollongong	\$893k	\$520

Suburb	Median House Price	Median Rental Per Week
Corrimal	\$800k	\$560

Source: Property Value. Core Logic as at 1 July 2021

As indicated in Table 2, the median house price in Dapto/West Dapto is \$585,000. This means under the above definitions a household income more than \$90,000 pa is required to meet the affordable housing criteria.

Impact of COVID-19 on Affordable Housing

A report conducted by the Australian Housing & Urban Research Institute in mid-2020 showed that there was widespread impact on the experiences of Australian renters in the private rental market resulting from COVID-19. The report indicated that people's employment, ability to pay rent, living environment and risk of eviction were affected.

Research also indicates, due to the movement of people to outer metropolitan and regional areas, a number of these areas have experienced a decrease in the supply of accommodation and an increase in the demand of accommodation in the private rental market. This has led to increases in prices of dwellings in these regions. The Anglicare 2021 Rental Affordability Snapshot reveals that while there are more listings of rental properties at the time of the Snapshot (March each year) compared to last year, there were still less than 1% affordable properties for people on low incomes in the Illawarra.

Significant movements in purchase prices for houses also occurred in these areas noting that from the 181 houses sold in Dapto in the last 12 months, the median sale price increased by 15.8% with houses only taking an average of 25 days to sell. The combination of less stock on the market and the high rental yields have resulted in a significant growth of demand for dwellings in regional areas such as Wollongong or Dapto. In relation to the Covid-19 period alone, in April 2020, the median house price for Dapto was \$533,000, whilst in March 2021 the median house price was \$585,000 (PropertyValue.com/CoreLogic). Research also suggests that there is a trend towards rising demand for lifestyle properties in regional areas due to the lower housing process and lower population levels in areas such as the Illawarra when compared to capital cities, noting that the Illawarra as a region has recorded both the largest rise in housing values as well as the biggest jump in home sales over the past 12 months. A further contributor to the demand is Australia's expats returning home during Covid-19 (some 40,000 came back during 2020), people working remotely, and opting for a tree change or sea change (The Agency Property Report April 2021).

PROPOSAL

In response to changing market conditions as outlined above and to expediate release of funds, an amendment to the 2018 Council resolution is proposed.

It is proposed Council consider combining the balance of funds available for affordable housing into a revised scheme to take to the market via a competitive process. This approach removes geographical constraints, provides for solutions that combine elements desired by Council and secures a quicker release of funding into the market for delivery.

It is therefore proposed Council resolve to combine the balance of the Commonwealth grant to deliver a scheme in the Wollongong Local Government Area via a competitive process, with priority for the southern suburbs of Wollongong. Schemes will be assessed on their ability to –

- Target those in greatest need of housing security.
- Demonstrate innovation and new ways of delivering services, including secure and affordable rental and/or pathways to home ownership for low to moderate income earners.
- Return an income stream such that they can be continued or expanded beyond the initial funding.
- Incorporate housing options designed as energy efficient and sustainable.

This proposal does not impede the progression of other items listed in the Council resolution of 10 December 2018.

PLANNING AND POLICY IMPACT

This report contributes to the delivery of Our Wollongong 2028 goal “We have a healthy community in a liveable city”. It specifically delivers on the following:

Community Strategic Plan	Delivery Program 2018-2022	Operational Plan 2021-2022
Strategy	4 Year Action	Operational Plan Actions
5.3.1 Housing choice in the Wollongong Local Government Area is improved, taking into account population growth, community needs and affordability	5.3.1.1 Prepare a Housing Study and Strategy incorporating Affordable Housing issues	Deliver the Council resolution for affordable housing (targeting of Commonwealth Funding)

SUSTAINABILITY IMPLICATIONS

This proposal incorporates sustainability goals and any future competitive process to deliver affordable housing as a result of Council’s resolution will be required to demonstrate options that are energy efficient and sustainable.

RISK MANAGEMENT

Risks and appropriate controls have been considered in the preparation of this report.

- The Memorandum of Understanding between Council and the Commonwealth requires Council to use reasonable endeavours to continue to facilitate the delivery of affordable housing in the region. The proposal contained within this report conforms with this requirement.
- With the state of the current housing and property markets as discussed within this report, the value of the investment diminishes over time. It is intended, following Council resolution, a revised process will go to market prior to the end of this calendar year.

FINANCIAL IMPLICATIONS

The balance of funds are held as restricted cash and while not compelled to, Council has applied interest to these funds and the \$5.91M has grown into \$6.55M.

CONCLUSION

Council has successfully released funds identified for affordable housing to a registered community housing provider as per Part 3a of its resolution of December 2018. This report acknowledges significant changes have occurred in the part since 2018 and as a result alternative options for the distribution of funds for the consideration of Council have been prepared.

Council remains committed to deliverable affordable housing options for its community through this funding program.