



BALLINA SHIRE

AFFORDABLE HOUSING STRATEGY

Adopted 25 March 2010



people • place • prosperity

EXECUTIVE SUMMARY

The purpose of this strategy is to outline a range of initiatives that Council and others may pursue to improve housing affordability in Ballina Shire. The viability of these strategies are dependent, however, on a number of factors 'coming together', in terms of Federal and State Government activities, private and/or 'third-sector' interests and financial circumstances.

The strategy provides the following:

- an outline of the statutory and regulatory framework that affects housing affordability;
- an outline of the key demographic characteristics and trends in Ballina Shire that have a bearing on housing affordability issues now and into the future;
- a brief discussion on what needs to be achieved, the implications of low housing affordability on the local economy and social fabric of Ballina Shire, and the range of factors that have contributed to the present situation;
- the presentation of a number of policy options or strategies available to Council to address housing affordability issues. These are presented along a spectrum of 'facilitation' of outcomes to direct 'intervention'. These strategies will form a 'tool-kit' for Council to utilise as circumstances allow.

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1 Introduction

1.1 Introduction

Housing is a fundamental human need, and the cost, suitability and availability of housing each play an important role in an individual's ability to participate in community life. Housing affects a number of important aspects of community living including lifestyle, spending, community interaction and wellbeing.

The development of healthy, sustainable communities is dependent on a range of factors including housing. Housing plays a fundamental role in building connections between people and place. The creation of jobs, the building of infrastructure such as schools, hospitals and other community facilities are also key factors. There is a need to tailor the housing and community solutions to meet the emerging population trends.

The competition for housing in Ballina Shire is strong, due to rapid and sustained population growth and tourist pressures, particularly because of the increasing popularity of the area as a 'sea change' destination for retirees.

The Ballina Shire is an area where incomes are relatively low, while rents and housing prices are relatively high. The level of income an individual or household earns has a significant impact upon the type of housing that they are able to access.

1.2 Implications of low housing affordability

Ballina Shire, like much of Australia, is currently facing a major challenge in housing affordability, particularly for first homebuyers who, as a result of increasing housing costs and relatively

stable household incomes, are less able to enter the housing market.

The impact of poor housing affordability is not, however, limited to those individuals and families who are unable to access housing, as it can potentially have broader impacts on the local and national economy. High house prices threaten the health of the economy, due to the impact interest rate movements can have on the presently high levels of household debt. As interest rates rise, households must pay more to cover the cost of housing and so have less disposable income available to spend on other items within the economy.

A lack of affordable housing may also impact on the local supply of workers, particularly for 'key workers'. Key workers in Ballina Shire include those in the service industries (such as retail and hospitality trades), construction, health and education sectors. These essential sectors traditionally have low to moderate level wages, making it difficult for some workers to access affordable housing.

If key workers are unable to gain access into the home buyer's market they will have to rent privately in a market where there is currently little choice. They may also be forced into shared housing, commuting long distances to work or retraining to a higher-paying profession. It is possible, therefore, that as many of our key workers find it increasingly difficult to access housing there may well be a 'recruitment crisis' in many service industry areas, which could have significant long term impacts upon the wellbeing of the broader community.

There is a possibility, therefore, that high housing costs may lead to labour

shortages as families and individuals become less able or willing to pay the higher house prices required to live in the region. This situation may well worsen with the ageing of the population as the demand for several 'key worker' groups increases in the future (particularly in the health sector), while the overall demand for housing increases at the same time, due to the much anticipated mass migration of relatively wealthy retirees to the region.

The consideration of housing affordability is required under the State Government's Far North Coast Regional Strategy (FNCRS). Therefore, the Local Environmental Plan (LEP) and Council's growth management planning needs to consider housing affordability in conjunction with development in existing urban areas and in future development areas. This needs to occur in the context of Council's and the State's planning framework.

1.3 Consultation in the preparation of the strategy

During the preparation of this strategy Council consulted with a number of government and non-government organisations and representatives of the development industry. Two workshops were held, facilitated by an external facilitator. A discussion paper was prepared and distributed prior to the workshops.

The purpose of the workshops was to canvas the extent to which Council should, and can, be involved in addressing affordable housing issues, identify potential barriers and discuss a range of potential strategies.

The outcomes of these consultations are detailed in a document titled *"Report to Council on the Affordable Housing Strategy Discussion Paper*

Workshops held on Tuesday June 16th 2009".

The groups were in broad agreement with respect to each other regarding what Council's key direction or focus should be, in addressing housing affordability, namely:

- *Providing leadership*
- *Actively facilitating partnerships*
- *Advocating on a state and national level*
- *Encouraging/forcing diversity in housing stock supply*
- *Utilising existing skills, resources and experience*
- *Ensuring key issues, such as public transport are considered*
- *Developing an Affordable Housing Model Village*

What is Affordable Housing?

Housing is generally considered to be "affordable" if households have to pay no more than 30% of their income on housing costs (eg. rent, mortgage, rates and maintenance). If households are paying more than 30% of their income for housing, such households are referred to as experiencing "housing stress".

Affordable housing for whom?

When we talk about housing affordability, it is important to define for whom.

Clearly, households on low to moderate incomes are more vulnerable to housing stress. Low to moderate income is defined as households with 50-120% or less of the median non-metropolitan household income, which includes households with an annual income of less than \$49,608 (2006 Census).

The housing affordability situation has become so acute, however, that now even households on higher than moderate incomes are vulnerable to housing stress. The housing affordability challenge is therefore one which affects a broad section of our community. Thus, providing affordable housing means providing housing options that are affordable for a cross section of our community.

2 Background - governance framework

2.1 Introduction

Council's capacity to address housing affordability is affected by the governance framework within which local government in New South Wales operates, including the statutory framework that guides the constitutional and land use planning aspects of Council operations. The following section outlines key legislative opportunities and constraints that apply to councils in relation to housing affordability.

Firstly, however, Council's comprehensive long-term community strategic plan, which forms the basis for Ballina Shire Council's strategic framework, is outlined.

2.2 Ballina Shire Sustainability Strategy

Council's comprehensive long term strategic plan, *People, Place, Prosperity: A Framework for a more sustainable Ballina Shire 2025* is intended to guide the future of the shire for the next 20 years. The Framework embraces the principles of sustainability and establishes eight core visions (see below) and a series of aims and strategies for the achievement of the visions. These visions, aims and strategies will, where relevant, guide Council's strategic land use planning.

A built environment contributing to health & wellbeing

A diverse & prosperous economy

A healthy natural environment

Diverse & balanced use of our land

People attaining health and wellbeing

Resilient and adaptable communities

Responsible & efficient use of resources

Transparent and accountable governance

The Framework advocates a range of strategies within these visions, which are relevant to housing affordability, namely:

A built environment contributing to health & wellbeing

- Promote built spaces & infrastructure that minimize intrusion on natural areas & beaches
- Promote principles for infrastructure & urban development that minimize impact on natural habitat areas
- Develop & enforce principles for infrastructure & urban development that minimizes negative impacts on water quality
- Create built environments & infrastructure that promote social interaction & an active community
- Develop diverse types of housing to meet community needs
- Encourage adaptive reuse
- Promote distinctive villages & towns
- Design built environment & infrastructure to minimize fragmentation of land areas
- Find ways to integrate heritage & contemporary aspirations in the design of built environments
- Encourage building & site design that provides transition between urban uses
- Identify significant & iconic heritage items & places throughout the shire

A diverse & prosperous economy

- Build links between sectors to better coordinate land use efficiency

- Attract & retain business, services, & facilities in neighbourhoods
- Encourage new business sectors to the shire
- Promote diversity of & within sectors
- Develop tourism options that preserve our social & environmental assets

A healthy natural environment

- Support efforts to adopt best practice in all forms of land use
- Protect prominent areas of vegetation, waterways, & geological landforms

Diverse & balanced use of our land

- Develop planning guidelines & instruments to direct good environmental design
- Promote the 'sense of place' for different localities
- Maintain or develop transition areas between urban settlement areas
- Define appropriate & compatible uses for different areas in the shire
- Establish planning controls that enable integrated land use
- Develop transition areas between different land uses
- Develop criteria for circumstances when buffer areas are desirable
- Encourage more passive movement within & between localities
- Locate land uses to maximize transport & resource efficiency

People attaining health and wellbeing

- Promote positive social interactions at neighbourhood level
- Improve the overall health status of individuals
- Facilitate access to health promoting programs, activities & facilities
- Promote holistic & integrated understanding of health

Resilient and adaptable communities

- Create opportunities for informal social interactions for all age groups
- Encourage multiple use of public spaces
- Make public spaces attractive & user-friendly
- Restrict the development of environmentally inappropriate buildings & infrastructure
- Identify the features of villages & towns that make them different from one another & that contribute to the sense of place associated with them
- Promote better understanding of the needs of different land users
- Develop information about the needs & activities of various land uses & where they occur in the shire
- Develop strong links between local business & communities
- Build sense of community & belonging
- Facilitate access to health services, regardless of age, socio-economic circumstances or location
- Develop diverse housing stock within localities to cater for different age groups & economic status
- Build transport infrastructure that is equitable & meets needs

Responsible & efficient use of resources

- Encourage less reliance on individual car use
- Locate land uses to maximize efficiency & effectiveness of resource use.

2.3 The Statutory Planning Framework

The statutory planning framework relating to housing affordability issues centres on the following key NSW legislation:

- The Local Government Act 1993 and Regulation 2005

- The Environmental Planning and Assessment Act 1979

2.3.1 The Local Government Act 1993

The *Local Government Act 1993* and *Local Government (General) Regulation 2005* requires NSW councils to prepare social plans to assess, plan for and promote the wellbeing of their communities. A key indicator of such wellbeing includes the provision of a diversity of housing, including affordable housing, to meet the community's needs.

The Local Government Charter (s.8 of the LG Act 1993) includes the following principles that are to guide a council in the carrying out of its functions:

- *to provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively*
- *to exercise community leadership*
- *to properly manage, develop, protect, restore, enhance and conserve the environment of the area for which it is responsible, in a manner that is consistent with and promotes the principles of ecologically sustainable development.*

Arguably, seeking to ensure an adequate supply of affordable housing is an objective that is consistent with the above elements of the Local Government Charter.

2.3.2 The Environmental Planning and Assessment Act 1979

The *Environmental Planning and Assessment Act 1979* (EPAA) is the key planning legislation in the state of

New South Wales. The Objects of the Act at Section 5 include:

- (a) to encourage:...*
- (viii) the provision and maintenance of affordable housing.*

The plan making provisions of the EPAA (s. 26(d)) allow for local environmental plans to include provision for:

- providing, maintaining and retaining, and regulating any matter relating to, affordable housing*

When assessing a development application, the EPAA requires that the determining authority (the Council, Minister or the Court) consider "the likely impacts of that development, including environmental impacts on both the natural and built environments, and the social and economic impacts in the locality" (s.79C). Such impacts could include the social impacts of development likely to reduce opportunities for low cost housing.

Division 6A of the EPAA makes specific provision for the levying of developer contributions for the purpose of affordable housing, through contribution plans or developer agreements. The capacity of local government to levy development contributions for affordable housing is, however, subject to the area in question being identified in a State Environmental Planning Policy (SEPP) (s.94F) that identifies there is a need for affordable housing in that area (SEPP 70). Whilst Ballina Shire is not currently identified in SEPP70, the legislative framework exists for it to be included, should this be considered by Council and the State Government as being appropriate. For more information on SEPPs see the following section.

The EPAA also provides for local councils to enter into planning

agreements with developers to collect contributions for any public purpose, including “the provision of (or the recoupment of the cost of providing) affordable housing” (s 93F (2)(b)). These provisions provide a transparent framework for the use of planning agreements (including requirements for public exhibition) and the capacity to register an Agreement with the Registrar-General and thereby bind successors in title to terms of the Agreement. Agreements must be voluntary and a planning authority cannot require an applicant to enter an agreement as a condition of making an application or of development consent. However, when determining an application, a planning authority is to take into consideration any relevant planning agreement. Significantly, the legislation provides for planning agreements to be negotiated at the rezoning, as well as the development application stage.

State Environmental Planning Policies

State Environmental Planning Policies (SEPPs) relate to matters of significance to New South Wales, and affect local planning in two main ways. SEPPs may specify directions about the content of local plans (either Local Environmental Plans or Development Control Plans, discussed below). For instance, they may enable or require certain local government areas to include particular housing related provisions in their local plans. SEPPs may also contain directions about the way in which particular types of developments are to be assessed – for instance, matters to be considered or special consultation procedures to be followed.

SEPPs of particular relevance to affordable housing, in Ballina Shire, currently include the following:

State Environmental Planning Policy (SEPP) (Seniors Living) 2004

This policy aims to ensure a sufficient supply of accommodation for older people and people with a disability by relaxing local residential development controls, subject to strict locational and design criteria, to ensure that such housing is of a high quality, well located, and consistent with the character and feel of local neighbourhoods.

State Environmental Planning Policy (SEPP) 21: Caravan Parks

This policy ensures that development consent is required for new caravan parks and camping grounds and for additional long term sites in existing caravan parks.

State Environmental Planning Policy (SEPP) 36: Manufactured Home Estates

This policy aims to ensure that manufactured home estates (MHEs) are well designed and well serviced, and situated in appropriate locations. The policy enables MHEs to be established on land where caravan parks are permitted, subject to criteria relating to location, access and the provision of services. The SEPP also permits, with consent, the subdivision of estates by community title or by lease up to 20 years. There is provision for a council to be excluded from the SEPP if its LEP is consistent with the Section 117 Direction on Manufactured Home Estates and Caravan Parks. More information on Section 117 Directions is provided below.

State Environmental Planning Policy No. 65 – Design Quality of Residential Flat Development (SEPP 65)

This SEPP is intended to improve the design quality of some forms of residential flat developments by introducing a series of design principles and providing for the establishment of Design Review Panels to provide independent expert advice to councils on applications for

residential flat developments. In assessing residential flat developments under the SEPP, planning authorities are required to consider Design Principle No. 9 – “Social Dimensions”, which states that:

- “Good design responds to the social context and needs of the local community in terms of lifestyles, affordability, and access to social facilities.
- New developments should optimise the provision of housing to suit the social mix and needs in the neighbourhood or, in the case of precincts undergoing transition, provide for the desired future community.”

State Environmental Planning Policy No. 70: Affordable Housing (Revised Schemes) (SEPP 70)

This SEPP identifies a need for affordable housing in a limited number of local government areas (Sydney/Wollongong/Newcastle) and amends relevant local and regional environmental planning instruments to enable mandatory levying of development contributions to provide for affordable housing. If these provisions were to be extended to other areas of NSW, an amendment to the SEPP would be required.

Affordable Housing State Environmental Planning Policy (SEPP) 2009

This SEPP aims to facilitate the development of affordable housing by relaxing certain development standards where affordable housing is to be provided. The SEPP contains a number of mechanisms to achieve this.

The SEPP makes secondary dwellings ("granny flats") complying development provided it meets certain criteria, thus requiring certification by a building certifier rather than requiring development consent.

The SEPP enables the NSW Department of Housing (Housing

NSW) to undertake development (including subdivision) without consent only where such development would not result in buildings taller than 8.5 metres or result in more than 20 dwellings on a single lot, and only in areas where such development may (otherwise) be lawfully carried out with consent. Housing NSW must, prior to carrying out such development, take into consideration any issues raised by the Council (within a timeframe provided for such comment) and take into account the NSW Government's Seniors Living Policy.

The SEPP provides 'density bonuses', in the form of additional permissible 'Floor Space Ratio' (FSR) for infill development where affordable housing is to be provided. It also places restrictions on the reasons for refusing consent.

This SEPP also enables a consent authority to grant consent to development for a residential flat building or multi dwelling housing in areas where such housing is not permissible in the LEP, where such development is carried out by on the behalf of a 'social housing provider'. This provision only applies to land in Ballina Shire within 400 metres of land zoned Commercial Core or Mixed Use (or equivalent) in the Local Environmental Plan. The consent authority can refuse to grant consent if it considers the development would not be compatible with surrounding land uses.

The SEPP also relaxes development controls relating to a number of other development types including group homes and boarding houses.

In most instances the affordable housing developed in accordance with the SEPP must be leased to and managed by a community housing provider for a period of 10 years, able to be sold thereafter.

Section 117 Directions

Also at the State level, Section 117 of the EPAA enables the Minister for Planning to make special directions about the content of local environmental plans. Section 117 Directions guide local plan making by specifying matters to be addressed, included or retained in local environmental plans. Currently, there are two Section 117 Directions of particular relevance to affordable housing in Ballina Shire.

Direction No. 18: Manufactured Home Estates and Caravan Parks

This Direction aims to ensure that councils retain existing zones of land that permit caravan parks, when preparing new local environmental plans, and specifies additional provisions for caravan parks and manufactured home estates.

Direction No. 21: Residential Zones

This Direction contains requirements governing the creation, alteration or removal of a residential zone boundary or provision. A central requirement is that draft local environmental plans should not reduce the permissible residential density of a zone; rather, as much as possible, provide for a variety of housing forms and increase permissible residential density of land.

Local Environmental Plans

A council's local environmental plan (LEP) is the main planning instrument that applies at the local level. LEPs are prepared by local councils but must be approved by the Minister for Planning. Local environmental plans typically contain overall planning objectives, a system for land use categorisation such as zoning, significant development controls and special provisions for certain developments or types of developments.

The NSW State Government has recently introduced a standard LEP to

standardise the format of LEPs. NSW local government areas are currently developing new plans in line with the standard LEP. The standard LEP allows for a mix of types of housing in most residential and mixed-use zones. The standard LEP also allows councils to specify their own local planning objectives and provisions relating to housing, subject to approval by the Department of Planning.

Local environmental plans can be important local instruments to protect existing sources of low cost housing and promote additional affordable housing stock within an area.

Development Control Plans

Development control plans (DCPs) may contain more detailed development controls than LEPs. They are also prepared by local councils and do not need to be approved by the Minister for Planning. There are opportunities for Council to use its DCP to promote affordable housing.

2.3.3 Far North Coast Regional Strategy 2006

The purpose of the Far North Coast Regional Strategy (FNCRS) is as follows:

"The purpose of the Regional Strategy is to manage the Region's expected high growth rate in a sustainable manner. The Regional Strategy will protect the unique environmental assets, cultural values and natural resources of the Region while ensuring that future planning maintains the character of the Region and provides for economic opportunities. In addition, future growth will be managed by preventing the spread of coastal development and encouraging the development of non-coastal centres — ensuring adequate land is available and appropriately

located to sustainably accommodate the projected housing, employment and environmental needs of the Region's population over the next 25 years."

One of the key stated objectives of the strategy is to: *"protect the region's coastline from excessive population pressure, provide affordable and appropriately located housing and diversify and grow the Region's economic base."*

The Actions of the Strategy include (relating to 'Settlement and Housing') the following:

"Local government will consider a range of affordable housing strategies, including forms of low cost housing, suitable zonings and development controls to improve housing choice, and specific schemes. These strategies must be consistent with relevant State policies."

2.4 Federal Government Housing Affordability Initiatives

2.4.1 Senate Select Committee

The Federal Government recently established a Senate Select Committee to inquire into and report upon the barriers to home ownership in Australia, including:

- a. *the taxes and levies imposed by State and Territory Governments;*
- b. *the rate of release of new land by State and Territory Governments;*
- c. *proposed assistance for first home owners by State, Territory and the Commonwealth Governments and their effectiveness in the absence of increased supply;*
- d. *the role of all levels of government in facilitating affordable home ownership;*
- e. *the effect on the market of government intervention in the housing sector including planning and industrial relations laws;*
- f. *the role of financial institutions in home lending; and*
- g. *the contribution of home ownership to retirement incomes.*

Ballina Shire Council made a submission to the Select Committee.

The Select Committee report, released in June 2008, brought down 32 recommendations addressing a broad range of issues including taxation policy, labour, planning, construction standards and finance related matters.

2.4.2 Policy Initiatives

The Federal Labour Government has recently introduced several policy initiatives to address housing affordability. These are outlined below.

Housing Affordability Fund

The Housing Affordability Fund aims to lower the cost of new, moderately priced homes by encouraging all levels of government to work together to address planning blockages for new developments and reduce infrastructure charges.

The scheme aims to achieve an improvement in housing affordability by providing funding to State or local government to support two key outcomes, namely:

- To 'streamline' development assessment processes. The hope is that this will result in a reduction in development timeframes, which will reduce the holding costs for developers and that these savings will be passed on to home buyers; and
- To reduce infrastructure costs associated with development. Direct funding (to a value of no more than \$10,000 per dwelling) of

some infrastructure would be provided on the condition that the Council and the benefiting developer/s ensure that cost savings will be passed on to home buyers.

The main challenges with respect to this scheme appear to include the following:

- Local government 'processes' and 'procedures' are not the only issues with respect to the timely resolution of planning matters. Other important factors include:
 - Inadequate, incomplete or incompatible development applications;
 - Staff shortages;
- Difficulty with ensuring that infrastructure cost savings will be passed on to home buyers. Benchmarking is required to demonstrate that savings are being made, but these are difficult to define, and it is unclear that such a scheme would be in the interests of developers (required to essentially be 'locking-in' a future below benchmark sale price).

National Rental Housing Affordability Scheme

The National Rental Housing Affordability Scheme (NRHAS) aims to increase the supply of affordable rental housing units by providing an annual \$8,000 financial incentive per dwelling to investors who rent-out approved dwellings at 20 per cent or more below current market rates, to low and moderate income households.

A number of potential financial and organisational models are proposed, including utilising not-for-profit housing companies, private development companies and investment funds.

There is potential for this fund to be utilised to increase the availability of affordable rental housing in Ballina Shire, via several of the strategies outlined further in this paper.

It is worth noting, however, that whilst there is a need for affordable rental housing, a supply of rental housing does not replace the need for affordable home ownership. The benefits of home ownership over rental housing are well documented. These benefits include the following:

- increased community stability;
- greater 'sense of belonging' for residents;
- improved incentive effects for house maintenance and upkeep (which also reduce administration and maintenance burdens on government or other agencies responsible for rental housing); and
- a range of health and psychological benefits.

3 Demographic trends in Ballina Shire

3.1 Demographic summary

The following summarises key demographic facts about Ballina Shire (LGA):

- LGA population of 40,265 in 2006, from 38,158 in 2001;
- Population growth of 2,107 (approx) people between 2001 and 2006;
- Household growth greater in lone person households and couple families without children relative to couple families with children (the traditional nuclear family);
- The majority of population growth during the 2001 and 2006 period occurred in the over 50 years old age groups;
- Declines occurred in the under 15 year age group and the 30-49 year old age group between 2001 and 2006;
- Overall the population continues to age with the median age increasing from 41 years old in 2001 to 43 years old in 2006;
- In 2006 the LGA's median weekly household income was \$779, compared with \$1,027 for Australia as a whole;
- Between 2001 and 2006 the number of households that fully owned their dwellings fell from 6,535 to 6,166 (a 5.6% decline);
- Between 2001 and 2006 the number of households in the process of purchasing their dwelling increased from 2,941 to 3,907 (a 32.8% increase).

Key housing related demographic statistics for Ballina Shire are provided in the following table.

Table 3.1. Summary of key demographic statistics, Ballina Shire 1986-2006.

Year	1986	1991	1996	2001	2006
Population (raw Census Count)	23,416	30,120	34,702	37,218	38,971
Population (Estimated Resident Population)	23,416	30,192	34,650	38,158	40,265
Total Dwellings	N/A	12,099	14,779	16,127	17,129
Occupied Dwellings	9,519	11,239	13,412	14,921	15,837
Population Growth Rate (%) Between Census Years	N/A	5.2	2.8	1.9	1.1
Average Annual Increase (persons)	N/A	1,355	892	702	421
Percentage Change in Population between Census	N/A	28.9	14.8	10.1	5.5
Occupancy Rate (persons/dwelling)	2.46	2.68	2.59	2.49	2.46

3.2 Population distribution and growth

The resident population of Ballina Shire is estimated (as of 2006) at approximately 40,000 people. In the twenty years between 1986 and 2006 the population of the shire increased by 60%, at an average rate of 728 additional residents per year. However, consistent with the regional trends, the rate of population growth has declined more recently. For example, between 1986 and 1991 the population growth rate was 4.3% per annum; between 2001 and 2006 it was 1.1% per annum.

The areas within the shire that experienced the most growth, between 1996 and 2006 were Skennars Head (5.6%), Lennox Head (5.0%), Wardell (3.1%, from a low base), West Ballina (2.1%) and Wollongbar (2.0%). The areas within the shire that experienced the least growth in the same period were East Ballina (0.3%), and Alstonville (1.1%). The population of Ballina Island declined (-0.7% per year) between 1991 and 2006. The likely reasons for this decline include a declining occupancy rate (fewer people per dwelling), and the relocation of the Tinkerbell Caravan Park off the island during this period. The distribution of the population throughout the shire, as of 2006, is shown in the following chart.

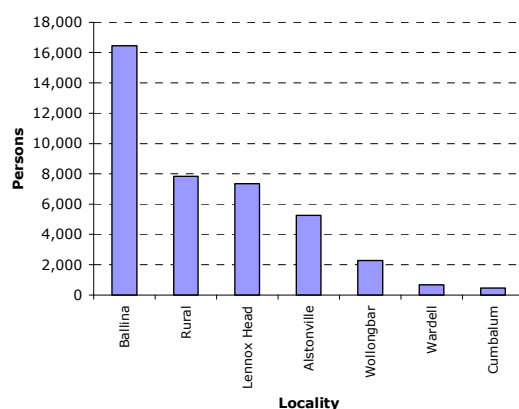


Figure 3.1. Population of Ballina Shire by Locality, 2006

(Source: ABS 2007)

The 1986-1991 period had the highest rate of net migration to the shire of an average of 1,138 persons per year, with the growth rate since 1991 trending downward, although still at a strong rate (over 600 persons per year on average).

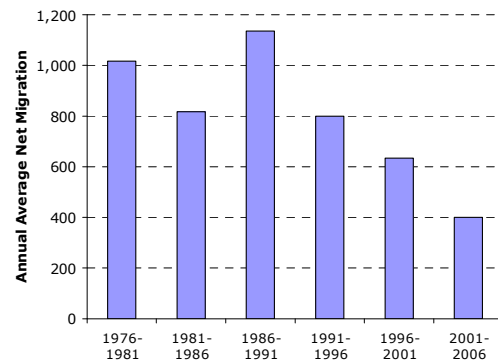


Figure 3.2. Net migration Ballina Shire 1976-2006

(Source: ABS 2007)

The major demographic trends affecting migration rates in Ballina Shire include the following:

- The inflow of older migrants to lifestyle (particularly coastal) regions;
- The outflow of younger migrants from rural and regional areas to inner metropolitan regions; and
- The nation-wide ageing of the Australian population, particularly the transition of the post-WWII generation, the 'Baby-Boomers', into retirement.

Projections of future population growth (prepared by the NSW Department of Planning) suggest that the population of Ballina Shire is likely to increase at a rate of approximately 540 additional people per year (on average) over the next 20 to 30 years. This rate of growth would result in a shire population of approximately 54,000 persons by 2031.

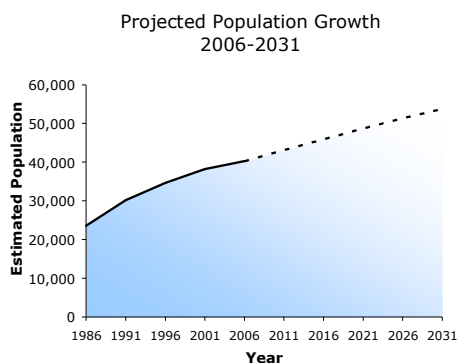


Figure 3.3. Population projections, Ballina Shire 2006-2031

(Source: NSW Department of Planning).

The population of Ballina Shire is anticipated to age significantly over the forthcoming 20 year period, as shown in the following graph, mirroring demographic trends in Australia as a whole.

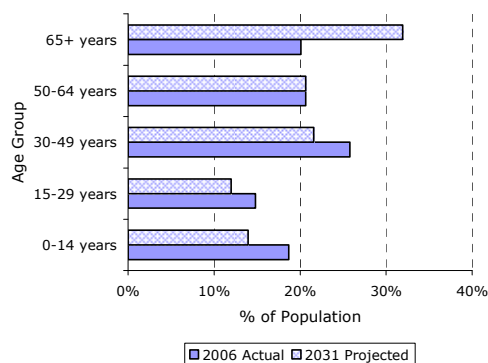


Figure 3.4. Ballina Shire age profile, actual (2006) and projected (2031).

(Source: ABS 2007)

Population ageing, combined with projected higher rates of family dissolution, is expected to result in a continued fall in average household size. This reduction in household size has the effect of increasing the number of dwellings required to house the same population. This may have implications for some localities of Ballina Shire, where capacity for (or rates of) redevelopment and expansion are low, meaning that the population capacity of those localities may stabilise or decline over time, if intensification of development does not occur.

The degree of change occurring in household types is shown in Figure 3.5 below, which shows the composition of the change in household types that occurred in Ballina Shire between 2001 and 2006.

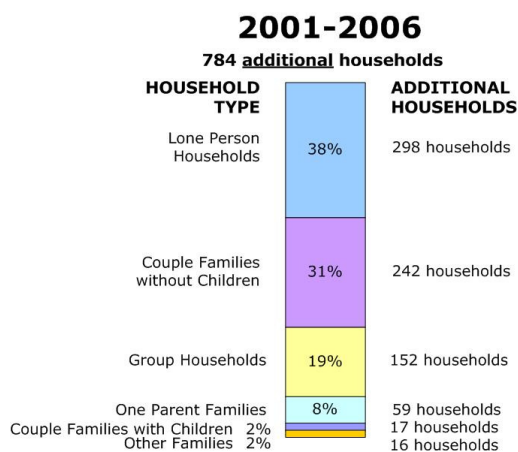


Figure 3.5. Composition of change in household types, Ballina Shire 2001-2006.

The above figure shows that of the 784 additional households in Ballina Shire between 2001 and 2006, 38% of those households were comprised of lone person households, 31% were 'couple families without children' households. Only 2% of the additional households were the 'traditional family' type, 'couple families with children'. This trend is anticipated to continue and further increase in the future.

3.3 Housing Trends

3.3.1 Dwelling form

The single detached dwelling (separate house) has traditionally been, and continues to be, the most common dwelling type in Ballina Shire. Specifically, three-bedroom dwellings are the most common dwelling type in Ballina Shire with over 6,799 occupied dwellings, comprising 45% of the total occupied dwelling stock. The share of four bedroom dwellings and of one bedroom dwellings has, however, increased the most over the 1986 to 2006 period, as shown in Figure 3.6 and Table 3.1.

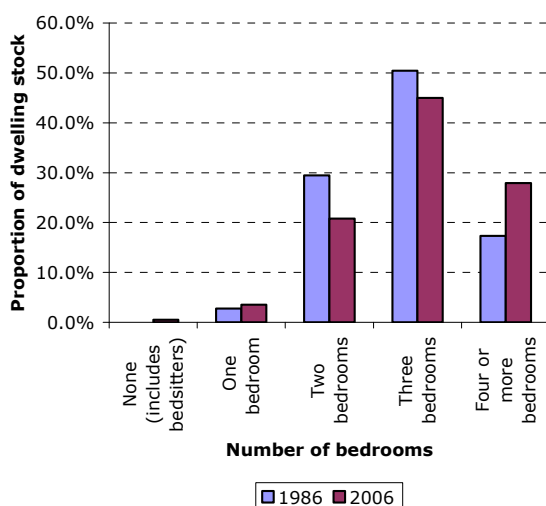


Figure 3.6. Dwelling size by number of bedrooms Ballina Shire 1986 and 2006

(Source: ABS 2007)

Dwellings with four or more bedrooms increased in terms of total dwellings from 17.3% in 1986 to 27.9% in 2006. One bedroom dwellings also increased from 2.8% in 1986 to 3.6% in 2006. Three bedroom dwellings and two bedroom dwellings both declined as a proportion of total dwellings between 1986 and 2006, from 50.4% to 45.0% for three bedrooms and 29.5% to 20.8% for two bedrooms, even though the total number of dwellings increased (in the case of three bedroom dwellings substantially).

3.3.2 Dwelling Tenancy

The housing tenure characteristics of Ballina Shire are shown in the Table 3.2 on the following page. The majority of dwellings within Ballina Shire are fully owned or in the process of being purchased (64.6% of all dwellings). More of Ballina Shire's dwellings are fully owned or being rented, and less are being purchased, compared with the State as a whole.

3.4 Housing Demand and Supply Forecast

Ballina Shire Council's planning over the last 20 years has resulted in the

identification of significant areas of land that appear to have potential for future residential development. These areas appear sufficient to accommodate the population demand projected for Ballina Shire beyond the next 20-30 years, as shown on Figure 3.7 below, for each of Ballina Shire's urban localities. For the purpose of the figure 'Ballina' includes Ballina Island, West Ballina and North Ballina. The red dot on the figure represents the number of dwellings required in 2031 to accommodate the projected population for the locality.

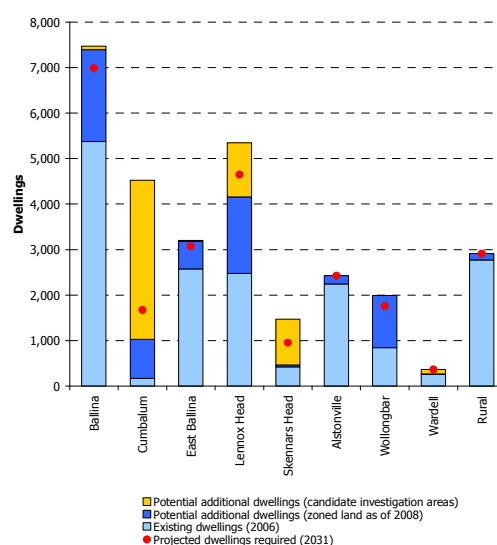


Figure 3.7. Dwelling Supply, Existing 2006, Potential and Required, Ballina Shire.

As the above figure shows, the main future growth areas in the shire are the localities of Cumbalum, Lennox Head and Wollongbar.

This forecast of housing demand and supply suggests that sufficient supply exists in lands identified in the local growth management strategy to accommodate the forecast population demand, over the long-term.

In the shorter term however, supplies of urban zoned land need to be regularly augmented (via rezoning of suitable lands) to provide a diversity of residential opportunities within the various urban settlements and distinct housing markets (or sub-markets).

Table 3.1. Dwelling type characteristics Ballina Shire 1996 & 2006

Dwelling Type	Ballina Shire				New South Wales
	1996	2006	1996	2006	2006
	Occupied Dwellings	Occupied Dwellings	%	%	%
Separate house	8,916	10,698	66.5%	67.5%	69.7%
Semi-detached, row or terrace house, townhouse etc:					
One storey	1,194	1,326	8.9%	8.4%	4.9%
Two or more storeys	603	667	4.5%	4.2%	4.8%
<i>Total</i>	<i>1,797</i>	<i>1,993</i>	<i>13.4%</i>	<i>12.6%</i>	<i>9.8%</i>
Flat, unit or apartment:					
In a one or two storey block	1,303	2,023	9.7%	12.8%	6.6%
In a three storey block	150	131	1.1%	0.8%	6.0%
In a four or more storey block	9	59	0.1%	0.4%	6.3%
Attached to a house	83	37	0.6%	0.2%	0.2%
<i>Total</i>	<i>1,545</i>	<i>2,250</i>	<i>11.5%</i>	<i>14.2%</i>	<i>19.0%</i>
Other dwelling:					
Caravan, cabin, houseboat	811	826	6.0%	5.2%	1.0%
Improvised home, tent, sleepers out	43	14	0.3%	0.1%	0.1%
House or flat attached to a shop, office etc.	78	52	0.6%	0.3%	0.3%
<i>Total</i>	<i>932</i>	<i>892</i>	<i>6.9%</i>	<i>5.6%</i>	<i>1.4%</i>
Dwelling structure not stated	227	7	1.7%	0.0%	0.1%
Total	13,417	15,840	100.0%	100.0%	100.0%

(Source: ABS Time Series Profile (Table T15), 2007)

Table 3.2. Tenure type characteristics, Ballina Shire 1996 & 2006.

Tenure Type	Occupied Dwellings		% of Dwellings		NSW
	1996	2006	1996	2006	2006
Fully owned	6,323	6,357	47.1%	40.1%	33.2%
Being purchased	2,455	3,924	18.3%	24.8%	30.2%
Rented	4,057	4,545	30.2%	28.7%	28.4%
Other tenure type	205	237	1.5%	1.5%	0.8%
Tenure type not stated	380	776	2.8%	4.9%	7.4%
Total	13,420	15,839	100.0%	100.0%	100.0%

(Source: ABS Time Series Profile (Table T16), 2007)

The projected supply and demand for residential zoned land is shown in the following figure, on the basis of projected population growth and anticipated land releases.

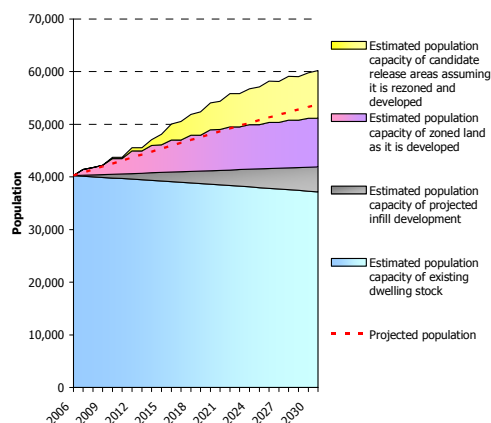


Figure 3.8. Projected Residential Zoned Land Demand and Supply, Potential Population Accommodated 2006-2031.

What this broad balance between demand and supply does not reflect, however, is the availability of 'appropriate housing'. Changing household types and population ageing mean that a greater diversity of housing types (traditional single detached housing, units, townhouses, apartments and seniors living) will likely be required into the future.

3.5 Housing affordability

The affordability of housing is fundamentally a matter of the balance between income and housing costs. Household incomes are set by the broad economic conditions, while housing costs are a combination of house prices, transaction costs (such as conveyance and stamp duty) and financing costs (interest rates).

The extent and severity of the housing affordability challenge in Ballina Shire is reflected in the following key facts:

- The median household weekly income in Ballina Shire increased from \$607 in 2001 to \$776 in 2006,

an increase of 27.8% over five years;

- The median dwelling sale price (houses and units combined) in Ballina Shire increased from \$178,500 in 2001 to \$370,000 in 2006, an increase of 107% over 5 years. The median sale price for separate houses increased from \$190,000 in 2001 to \$405,000 in 2006, an increase of 113%. The price of units increased from \$129,000 in 2001 to \$268,000 in 2006, an increase of 108%. The change in the median sale price for houses and units is shown on Figure 3.9;
- Housing costs have risen substantially between 2001 and 2006, with high rates of 'housing stress' being apparent throughout the LGA;
- The median weekly rent for Ballina Shire increased from \$150 to \$210 per week between 2001 and 2006, an increase of 40% over the five years;
- The median monthly housing repayment for Ballina Shire increased from \$884 in 2001 to \$1,287 in 2006, an increase of 45.6% over five years.;
- The large jump in monthly housing loan repayments, for Ballina Shire residents, which occurred over the five-year period between 2001 and 2006 is shown on Figure 3.10;

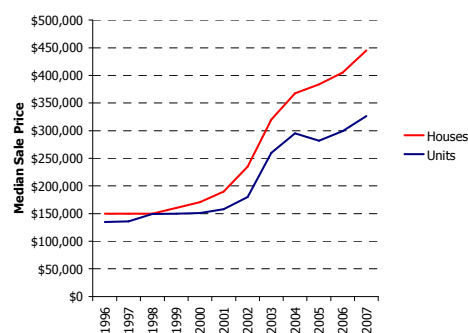


Figure 3.9. Median Sales Price, Houses and Units, Ballina Shire 1996-2007

(Source: Ballina Shire Council)

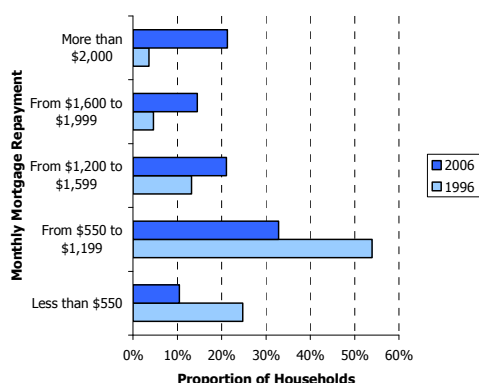


Figure 3.10. Monthly Housing Loan Repayment, 2001 & 2006

(Source: ABS 2007)

The following table identifies the number and percentages of very low, low and moderate income households who are in home purchase stress*.

Table 3.3. Proportion of very low to moderate income households in home purchase stress, Ballina Shire 2006.

Household income group	Households in home purchase stress	% of household income group
Very low income	184	79%
Low income	310	62%
Moderate	322	40%

(Source: Valuers General & Rental Bond Board*)

The following table shows the proportion of the housing stock that is considered 'affordable' for very low to moderate income households, in Ballina Shire.

Table 3.4. Proportion of housing stock affordable for very low to moderate income households, Ballina Shire 2005-2007.

Proportion of housing stock affordable for households on:	June Qtr 2005	June Qtr 2006	June Qtr 2007
Very low incomes	0%	0%	0%
Low incomes	1%	0%	0%
Moderate incomes	15%	10%	11%

(Source: Valuers General & Rental Bond Board*)

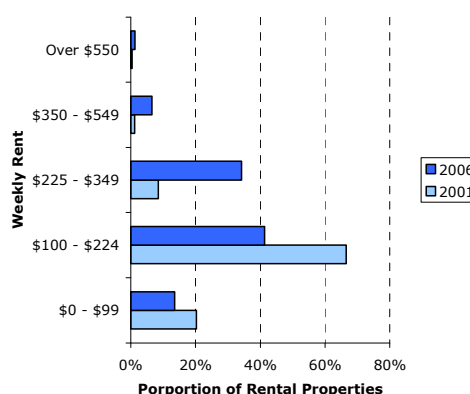


Figure 3.11. Weekly Housing Rental Costs, Ballina Shire 2001 & 2006.

(Source: ABS 2007)

The housing stress situation is particularly acute for low to moderate income households, as shown in the following table*.

Table 3.5. Proportion of very low to moderate income households in rental housing stress, Ballina Shire 2006.

Household income group	Households in home rental stress (total rental properties)	% of household income group
Very low income	753 (808)	93%
Low income	202 (262)	77%
Moderate income	179 (857)	21%

(Source: Valuers General & Rental Bond Board*)

The State housing stock does not have a substantial dampening effect on the level of housing stress, due to a

* Based on Census data: Very low Incomes = incomes of less than 50% of non-metropolitan NSW median household income; Low Incomes = 50-80% of non-metropolitan NSW median household income; Moderate Incomes = 80-120% of the non-metropolitan NSW median household Income. Average Weekly Earnings (AWE) are used to index the household incomes. A property is regarded affordable if the loan repayment is less than 30% of the household incomes. A 30-year loan period and 10% deposit are assumed. The most recent interest rate during the last two quarters of each period is used. The proportion (%) of affordable purchase is reported only where 30 or more properties are sold, based on transfer date (not contract date) for the previous two quarters.

decline in the Department of Housing stock over recent years (DOH).

The level of housing stress evident in Ballina Shire (at the 2006 Census) is shown in Figure 3.12. The level of housing stress in Ballina Shire is compared with other local government areas in the region (and some parts thereof) in Figure 3.13. The level of housing stress in Ballina Shire in 2006 was comparable with Lismore City and the majority of the Tweed Shire, greater than Kyogle, Richmond Valley and rural parts of Lismore Local Government Area, but less than the overall housing stress level in Byron Shire. Over the region as a whole, approximately 22-23% of all households were paying 30% or more of their gross household income on housing.

What is a low to moderate income household?

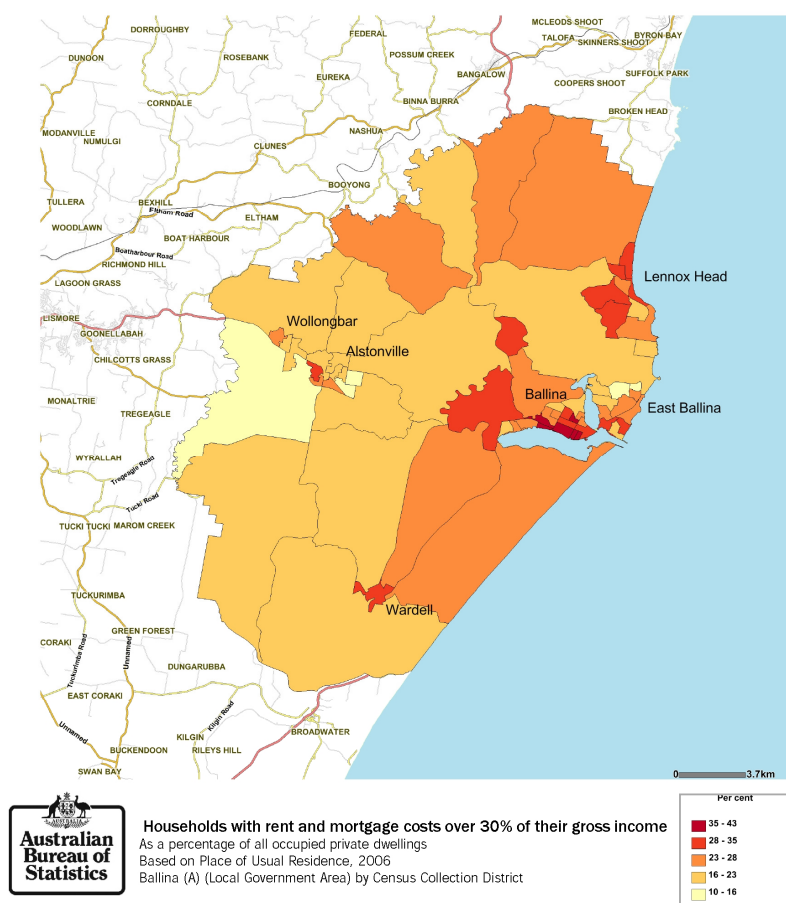
A 'very low income household' is defined as a household having an income of less than 50% of non-metropolitan NSW median household income; A 'low income household' has 50-80% of non-metropolitan NSW median household income; and a 'moderate income household' has 80-120% of the non-metropolitan NSW median household income.

Based on 2006 Census data:

Very low income household = annual income of less than \$20,670 per year.

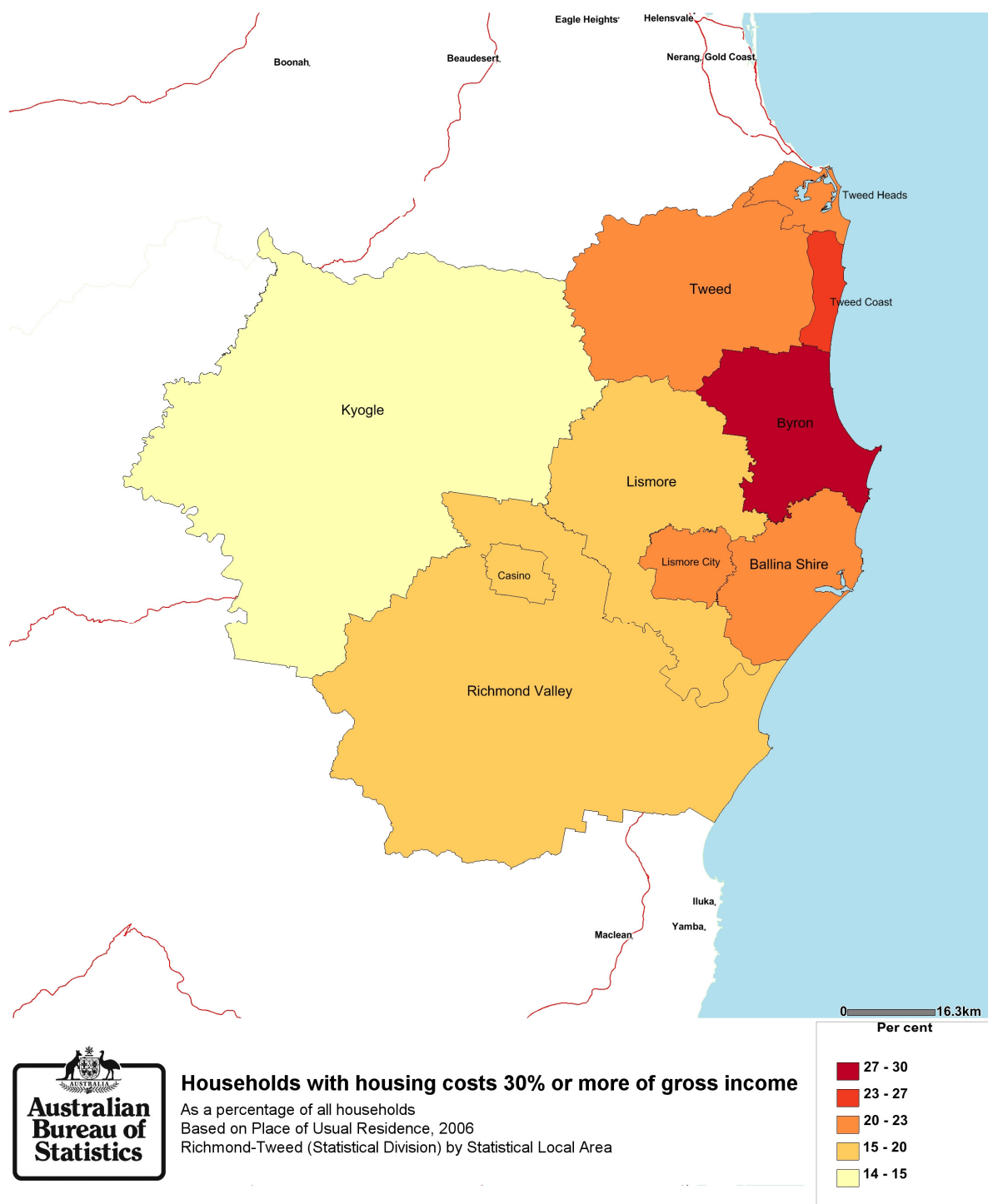
Low income household = annual income between \$20,670 and \$33,072 per year.

Moderate income = annual income between \$33,072 and \$49,608.



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Figure 3.12. Proportion of households for which rent or mortgage costs comprise over 30% of their gross income, Ballina Shire 2006.



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Figure 3.13. Proportion of households for which rent or mortgage costs comprise over 30% of their gross income, Far North Coast Region of NSW 2006.

4 Factors in Affordable Housing

4.1 What needs to be achieved?

The aim of the Housing Affordability Strategy is to identify and respond effectively to key concerns of the community with respect to the availability of affordable housing.

Adequately addressing the housing issues facing Ballina Shire, however, requires a dual focus, namely:

- Affordability - seeking to ensure that housing (either rental or owner-occupied) is fairly accessible for all members of the community; and
- Appropriateness - seeking to ensure that the 'housing stock' reflects the housing needs of the community.

These two compatible concepts are further explained below.

4.1.1 Affordable housing

The term 'affordable housing' simply refers to the need to ensure that the cost of housing (rental or owner-occupied) is not excessive in terms of household income, focusing particularly on low to moderate-income households. A benchmark often used in determining if housing is affordable is that no more than 30% of household income should be needed to cover the cost of housing.

Beyond the phenomenon of rising house prices, which essentially 'freeze-out' prospective first homebuyers, local residents may face affordability problems in circumstances such as the following (New South Wales Department of Housing 2006):

- A resident retires and needs smaller and more affordable

housing that is not available in their community;

- A resident loses their spouse or partner and can no longer afford the rent on the family home;
- Adult children in a local family require independent housing;
- Working households want to start a family but will lose some of their earning potential and, therefore, capacity to pay for their housing;
- The capacity of a family to pay for their existing housing is reduced through long-term illness or disability;
- A lower paid worker can obtain employment in the local area but cannot afford to live there.

Thus to be effective, housing policy needs to address issues of affordability for a broad cross section of the community.

4.1.2 Appropriate housing

Population projections for Ballina Shire suggest a significant aging of the population will occur along with a major shift in household types, including a significant increase in the number of lone person households and couple families without children. Both of these trends are likely to have major implications for the adequacy of existing dwelling forms and types to meet future housing needs.

Three-bedroom detached dwellings are the most prevalent housing type in the Ballina Shire. These dwellings are being, and have been built primarily to meet the needs of families with children. The housing needs of our community, however, are likely to undergo significant changes over the next 20 years for various reasons. For example, over the next 20 years:

- Many of today's children will be looking to find their own place to live;
- As this group's needs are different to those of families it is reasonable to assume that they will be looking for alternative types of housing that are affordable and appropriate to their particular needs;
- Many of today's parents will be approaching retirement and they are also likely to be looking for alternative housing, as their existing family homes may well be larger than they need; and
- It is anticipated that the number of single person households and couple only households will increase substantially. These groups of people may well be seeking appropriate types of housing such as villas, units and townhouses.

The housing needs of the ageing population represent a particular challenge which, due to its scale, is worthy of special consideration. An ageing population requires a broad range of accommodation types ranging from independent 'seniors living' establishments through to full care facilities. In particular, the need for full care places is likely to increase due to the expected rise in the numbers of persons over 80 years of age. However as the population ages, generally, there will be a demand for a broad range of housing appropriate to older people at various stages of life and levels of health and mobility.

Understandably, most people want to remain independent as they age. However as people age their house design needs change, e.g., wider doors and stair support may be required. Whilst existing dwellings can be retrofitted, it is less costly in the longer term to consider these issues and provide basic 'accessible' features when the dwellings are constructed. However, people's personal circumstances, such as housing needs

and changing health and income, tend to change as they age. This can mean that staying in existing housing can become impractical or simply not possible. Finding appropriate and affordable housing, within the person's community, can then become a major challenge, during a personally difficult period in that person's life.

To be adequate, accommodation needs to be accessible and suited to residents' needs. Ideally, housing should be located close to key services and infrastructure to maximise opportunities for people to access and use such facilities. At the same time such housing needs to be affordable. For many people, following retirement, the capital value of existing dwellings is likely to comprise their major asset. The option of 'down-scaling' dwellings may, therefore, be a major source of savings management for many people during retirement.

The available housing stock may, however, be slow to change, particularly when such significant demographic change (as we are likely to see) is to occur within a period that is shorter than the average replacement age of dwellings.

Future housing development should seek to be appropriate to the needs of both existing and future residents. Attention should be paid to ensuring that there is a diversity of housing options for people across the spectrum of age and lifestyle choice. Ideally, Council should encourage the development of variety in the housing stock, to meet the anticipated future housing needs of the community.

It is apparent that a diverse range of dwelling types will be required in the future, and that it is likely that future demand will be higher for housing appropriate to smaller households, as the number of single-person households and couples without children increase. The challenge is to provide opportunities for our towns

and villages to change and adapt with the changing needs of residents to provide flexibility in lifestyles and finances, as people's circumstances change. An inability to provide for this flexibility may result in the occupation of inappropriate housing (too large or too small) and/or in inconvenient locations (distant from friends & family or services).

It is anticipated, therefore, that the future demand for housing may require a greater component of higher density development in some locations in the future. That said, the three-bedroom house is, and is likely to remain, the most prevalent dwelling type in Ballina Shire. Low density residential areas are highly valued by residents for their low scale, ample private open space, residential amenity and 'family friendly' character. The availability of this lifestyle option should be retained. However, maintaining an adequate mix of housing will be necessary to meet the diverse and growing housing needs of the present and future residents of Ballina Shire.

4.2 What are the implications of low housing affordability?

The impact of poor housing affordability is not limited to those individuals and families who are unable to access housing, as it may potentially have negative impacts on the local economy and the broader community. High housing costs can threaten the health of the local economy, due to the potential for high housing costs to affect spending on other goods and services.

The fact that the population of Ballina Shire is ageing also presents a particular set of challenges. An ageing population means that there is an increasing ratio of older persons to younger persons (which is the same as saying that the 'dependency ratio' will increase). The implication of this

is that the demand for workers, and in particular aged care workers, will likely increase at a time when the rates of labour-force participation are expected to be in decline.

Thus, a lack of affordable housing may also impact on the local labour supply, particularly for a range of 'key workers'. For Ballina Shire 'key workers' include those in the service industries (such as retail and hospitality trades), construction, health, childcare and social support sectors. These essential sectors traditionally have relatively low to moderate level wages, making it difficult for some workers to access affordable housing in the vicinity of their workplace.

The 2006/07 NSW State of the Regions Report (National Economics 2007), prepared for the Local Government Association, identifies other possible legacies of the recent boom in house prices, including:

A household sector which is divided between active beneficiaries of the boom, stay put passive beneficiaries, and the victims of the boom - both over-indebted first home buyers and households locked out of home ownership by high land costs.

4.3 What has caused low housing affordability?

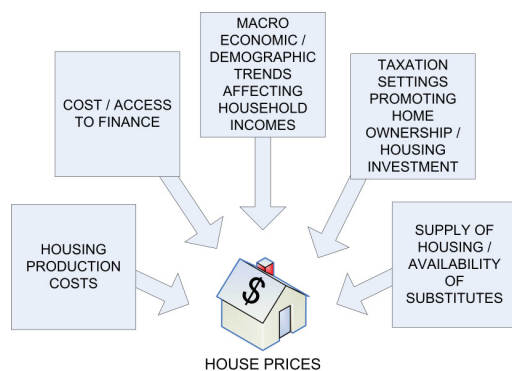
To effectively address the housing affordability challenge, consideration of its causes is required. The following section broadly discusses the causes and contributing factors to the current housing affordability situation.

House prices are affected, directly or indirectly, by a number of key factors, including:

- Housing production costs;
- The cost and accessibility of finance;

- Macro-economic / demographic trends affecting household incomes;
- Taxation settings promoting home ownership/housing investment; and
- The supply of housing and the availability of substitutes.

While aspects of these factors relate to Ballina Shire's particular circumstances, the housing affordability situation is not confined to specific local government areas. It is necessary, therefore, to look at both local and broader factors that are contributing to low housing affordability.



(Source: Gurrán et al 2008)

For the purpose of this paper, the above factors affecting housing affordability have been divided into two distinct sub-sets, namely:

- demand side factors; and
- supply side factors

4.3.1 Demand side factors

Factors which affect the demand for housing include the following:

- Population growth;
- Rising real incomes;
- The availability of credit to finance housing purchase by owner occupiers and investors;
- The treatment of housing for taxation purposes; and
- Expectations of future capital gains.

Population growth

Population growth is both a local and a nation-wide issue. Demand for housing in Ballina Shire is high, due to a combination of the warm temperate climate, attractive coastal environment and proximity to higher order services and infrastructure that make Ballina Shire an attractive retirement destination. The difference in house prices between capital cities and the North Coast of NSW had also traditionally been a factor, however the convergence of city and coastal house prices may have dampened this effect in recent times. Much of this anticipated 'retirement migration' is, however, yet to occur, with members of the baby-boom generation only now approaching retirement age.

Household purchasing power

An increase in the households' purchasing power available for housing is an obvious prerequisite for a rise in house prices. A rise in purchasing power can come from either one or a combination of the following:

- increasing real (inflation adjusted) household incomes;
- a reduction in other household costs so that a greater share of the household budget is available to meet housing costs; and
- an increase in the availability of and/or a reduction of cost in borrowings.

The influence of all three of these factors has been apparent over the past decade, through a rise in real household incomes, falling consumer prices due to a high currency exchange rate and booming imports from Asia, and significant growth in borrowing.

Low interest rates and an increase in the variety of housing related finance products, which include reduced down-payment and household income requirements, and home loans with

redraw facilities and revolving credit lines has substantially increased the availability of credit to households and investors.

The boom in housing credit evident since the mid 1990s is shown in Figure 4.1, which also shows that the majority of this housing related credit growth has gone towards the purchase of existing dwellings rather than construction of new dwellings or the purchase of newly constructed dwellings.

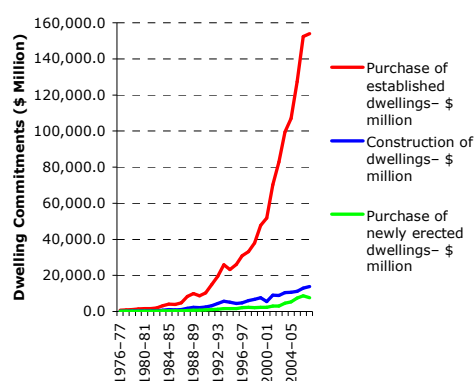


Figure 4.1. Dwelling finance commitments, Australia 1976-2008.

(Source: ABS Australian Economic Indicators Table 3. (inflation adjusted, 2008 dollars))

Household gearing (borrowing as a proportion of the value of household assets) has increased as a result, as shown in Figure 4.2.

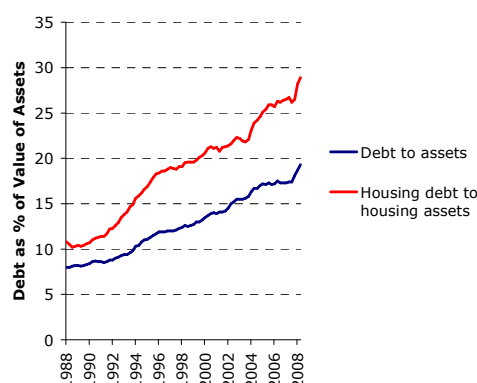


Figure 4.2. Household gearing, Australia 1988-2008.

(Source: RBA Bulletin Statistical Table B21)

Despite the increase in the value of household assets (most significantly the value of housing), the costs of housing purchase (relative to income) have also increased, as shown in Figure 4.3 which plots housing-related interest payment costs relative to household disposable income.

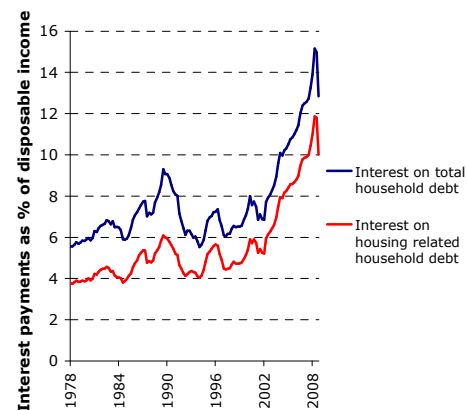


Figure 4.3. Interest payments as a proportion of disposable household income, Australia 1977-2008.

(Source: RBA Bulletin Statistical Table B21)

The above figures indicate that Australian households have, as a whole, increased their level of debt in both absolute (funds borrowed) and relative (relative to assets and income) terms. The above also shows that households are now affected to a higher degree than in the past by changes in interest rates, as mortgage repayments consume a larger proportion of household budgets.

A major contributor to the rise in house prices over the last few decades has been the increasing perception of housing as an asset above and beyond the value of housing as an item of consumption (involving the consumption of 'housing services').

This has had implications for house prices due to the nature of asset-related decision making combined with easily obtainable credit. This has been confirmed by studies of the decisions of house purchasers (of both

investor housing and owner-occupied housing) that have shown that expectations of capital gain outweigh 'economic fundamentals' (such as expected rental returns) in explaining house price rises (Duscansky & Koc 2007). Further, due to the power of these capital gains expectations, there is a tendency for rises in house prices to increase the demand for housing rather than decreasing it, contrary to what the standard economic demand and supply model assumes (Kholdy & Sohrabian 2008). This process has been further reinforced by the impact of rising housing equity during the boom which provided balance sheet comfort and collateral to support further borrowing.

Further, expectations of capital gain in housing have been reinforced by certain incentives present in the taxation system. These include:

- the exemption of owner-occupied housing from capital gains tax and land tax;
- the availability of negative gearing for housing investments, that is the treatment of interest payments as tax deductible against other income;
- the rate of capital gains tax liability for all assets including housing investment was halved in 1999, thus increasing the potential returns from housing investment.

The above factors, combined with the easy availability of credit, have contributed to a housing investment boom (by both 'investors' and owner-occupiers), beyond values that might be supported by 'fundamental values' particularly household incomes. The outcome is low housing affordability and increased household vulnerability to interest rate movements.

4.3.2 Supply Side Factors

Supply side factors are those that impact on the availability, and or cost,

of housing or land for housing on the market.

Supply side factors include the following:

- the availability of appropriately zoned land;
- the availability of public infrastructure to service the growing population including roads, water, sewerage, and community and commercial facilities;
- ownership, finance and incentive arrangements that are conducive to land being offered for sale in response to housing demand; and
- housing production costs.

The availability of appropriately zoned land

Ballina Shire Council undertakes regular long-term strategic planning to determine local housing needs and facilitate housing provision by the market. This broad strategy is supported by more refined local strategies that address planning and urban growth issues specific to individual urban settlements.

In the case of Ballina Shire, the broader work considers potential land demands and identifies potential local land supplies. Local land supplies include the supply of undeveloped urban zoned land, assumed rates of infill development and potential future urban areas that have been identified via a broad sieve-mapping process to identify potential development sites (subject to subsequent assessments undertaken at rezoning stage).

In Ballina Shire's case, there is approximately 400 hectares of undeveloped zoned land currently available for residential development. This equates to a potential supply of 4,100 dwellings (at conventional housing densities), relative to an anticipated total demand of approximately 320 dwellings per year

for the shire as a whole. When considered in combination with the development potential of existing vacant lots and potential redevelopment (at current rates) within existing urban areas this equates to approximately 20 years worth of supply at current rates of population growth.

When potential future development areas are included, that is land not currently zoned for residential development (but identified in Council's Growth Management Strategy), there is an additional potential 4,500 dwellings (on top of the 4,100 dwellings referred to above). Thus, in the case of Ballina Shire, total potential land supplies as described above are, in theory, sufficient to accommodate the anticipated demand for residential housing for 30 or so years, at current rates of population growth. This assumes that land zoned for residential development is in fact developed and at a rate commensurate with demand, and that anticipated demand projections are accurate.

With regard to the second assumption it should be noted that the projections of housing demand are to a large extent subject to what might be called a 'chicken and egg bias', in that the rates of anticipated future population growth are usually based on recent growth rates, which are themselves affected by the supply of dwellings. Thus, basing future rates of land release strictly on recent rates of (possibly constrained) land release could be a self-limiting strategy. This is a clear argument for providing an adequate 'buffer' of lands available for development to provide flexibility and allow the market to respond to higher levels of demand, which is what Ballina Shire Council attempts to provide through its growth management framework.

Notwithstanding the, 'in theory', sufficient land supply situation

described above, house prices in Ballina Shire have increased substantially in the last few years. This situation is of course not peculiar to Ballina Shire, and is mirrored throughout Australia and in a number of other advanced industrialised countries around the world, including the USA, New Zealand and the UK. This suggests both that housing supply may indeed be constrained at a lower rate than demand, and that other 'supply side' factors may be contributing to this situation.

Infrastructure availability

Infrastructure impacts on housing affordability in two key ways, namely:

- adding to the cost of development via the imposition of costs on developers, for on-site and off-site infrastructure, which are passed on to land purchasers; and
- delays in the timing of infrastructure delivery can impact on development timeframes. Where development is debt-financed such delays can add substantially to holding costs (due to debt repayments), which are passed on to land purchasers.

Council determines future infrastructure requirements based on expected rates of population growth. As such, the delivery of infrastructure required to service future urban development is undertaken in response to demand (from development) within the context of a longer-term infrastructure delivery program.

The levying of development contributions on development is considered further under 'Housing Production Costs' below.

Other factors constraining land supply in Ballina Shire

Population growth rates (and migration rates), in Ballina Shire, have declined over the past few years, relative to

earlier periods (outlined above), despite the widely anticipated high level of demand. This suggests that land supply may indeed be a factor contributing to high land prices in Ballina Shire, at least relative to other similar coastal regions - noting of course that land supplies in coastal localities that have adequate employment opportunities and services are inherently limited.

However, as shown above, the availability of land for housing is not a simple matter of Council ensuring there is an adequate supply of appropriately zoned land, as Ballina Shire has a large potential supply of developable land. It is likely, therefore, that 'other factors' are affecting the actual supply of urban land, such as the following:

- delays in obtaining development consent due to State Government involvement;
- disputes between landholders / developers;
- incomplete, deficient or incompatible development proposals;
- timelines inherent in the development process; and
- perverse incentives inherent in the nature and structure of the property development market.

State Government Involvement

In Ballina Shire's experience State Government involvement has affected the timelines in obtaining development consent for at least one major urban growth area. Introduced ostensibly to 'streamline' development consents, it would appear the opposite has in fact occurred (see case study box).

CASE STUDY

Pacific Pines Estate, Lennox Head

The Pacific Pines Estate (comprising approximately 90 hectares) was rezoned in 1989 and staged subdivision occurred thereafter in a fairly straight forward manner (with approximately 230 lots created by 2000). In 2002 the State Government introduced a requirement for Ministerial (masterplan) approval for major developments in the coastal zone under State Environmental Planning Policy No 71 - Coastal Protection, applications for which were assessed by the Department of Planning in Sydney.

The developers of the land in question sought and obtained Masterplan approval, but this took 2 years and four months (Dec 2003 to March 2006) to achieve. Following this, the State Government introduced a Major Projects application process requiring further concept plan approval by the Minister. The application was approved by the Minister in December of 2008.

The majority of the property in question changed hands during the intervening period. It is noted also that further action to proceed with development could conceivably have occurred if the landholder was sufficiently motivated prior to the introduction of Part 3A of the Environmental Planning and Assessment Act 1979. Consequently, it is eight years since the last subdivision stage was approved in this release area.

This case of the Pacific Pines Estate (see above box) highlights the time implications of development proposals being determined by agencies far removed from the local level. This applies to infill development as much as new release areas, as much of Ballina Shire's future growth areas are located in the 'coastal zone', with the implication that the Minister for Planning is now the Consent Authority for many development applications which were once the responsibility of Council.

Landholder disputes

Dispute between landholders has stalled the development of another major urban growth area in Ballina Shire, the Wollongbar Urban Expansion Area (see box).

CASE STUDY

Wollongbar Urban Expansion Area

The Wollongbar Urban Expansion Area was rezoned for residential purposes in 2002 and comprises over 80 hectares of land in a number of separate landholdings. Disagreements have occurred over the coordination and costs associated with the delivery of essential urban infrastructure and design issues affecting the development yields of the various parties.

The case of delays in the development of the Wollongbar Urban Expansion Area demonstrate how competition between developers can in some cases be seen as limiting rather than facilitating development outcomes.

Incentives in the Property Market that affect supply

It is apparent that substantial profits can be made from the land development process simply through obtaining "development rights", that is by rezoning land from rural to urban or by increasing the permissible yield of urban land, without any need to actually create lots or construct dwellings. Strategic planning undertaken by councils, while necessary to achieve a logical development pattern, avoid urban sprawl and facilitate the efficient provision of infrastructure, does to some extent assist land speculators as to where to focus their efforts. By increasing the number of times the land is transferred between parties before it gets to households (with each party obtaining a profitable return) increases the time taken and cost

involved in releasing land to the market, ultimately increasing the price paid for an allotment of land by households.

Further, the price of lots released onto the market will depend on a number of factors, including what the market will bear (affected by demand) and importantly at the local level by development costs, particularly the price paid to purchase the land prior to development. If the development is undertaken by the original landowner/farmer the lots may be marketed at a lower price than if the land was purchased by a land developer who must pass on the higher land cost to prospective purchasers (in order to obtain the investor's required rate of return). However, with low holding costs, there may be little incentive for the farmer-developer to release lots at the "socially-optimal" rate (in response to demand).

On this last point, in rural and regional areas in particular, the majority holdings of transitional rural-urban land in an area are often held by a relatively small number of landholders (whether farmers, speculators or developers), such that opportunities to exploit market advantage (monopoly or oligopoly position) may also be a factor in explaining land supply constraints. This has been the case in a number of instances in Ballina Shire. Arguably, the potential to achieve real and effective competition within local land markets is inherently limited.

This then presents something of a challenge, with development more likely to proceed with fewer landholders rather than many (whose interests might conflict), however having fewer landholders may reduce competition in the marketplace than might otherwise be the case.

It should also be noted that even where the intentional withholding of land from development (land banking)

is not the initial motivating factor of landholders, changing market conditions can encourage withholding land, if expected sale prices, and therefore profits, fall. In such circumstances landholders are encouraged to hold onto the land until market conditions (and therefore prices) improve.

Timelines inherent in the land development process

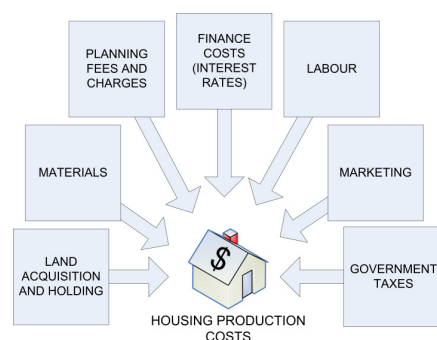
There are inherent limitations to the speed with which supply can respond to a surge in demand. In the case of Ballina Shire there has typically been a time lag of 2-3 years between when subdivision consent is granted and lots become available at an established rate. This lag is related to the time required to undertake complex and involved construction works required to open up the new development areas.

Housing Production Costs

Housing production costs are affected by a range of factors, including:

- Land acquisition and holding costs;
- The costs of building materials and equipment;
- Planning fees and charges (State and local Government);
- Finance costs (interest rates)
- Labour costs;
- Marketing costs; and
- Government taxes.

On top of these basic costs can be added business related administration costs and the developers' profits.



(Source: Gurran et al 2008)

Local government policy can influence the above, both positively and negatively, for example:

- Planning fees and charges, including development application fees and infrastructure contributions, directly impact on development costs;
- The efficiency of development assessment processes and infrastructure provision can impact on the time and therefore holding costs of development; and
- The availability of development opportunities (land supply) can affect land acquisition costs (land prices), as well as labour costs (indirectly affected by housing supply).

Land supply considerations, with respect to Ballina Shire, are discussed above.

With respect to timelines for infrastructure delivery, Ballina Shire Council determines future infrastructure requirements based on expected rates of population growth, supported by data on development activity. As such, the delivery of infrastructure required to service future urban development is undertaken in response to demand (from development) within the context of a longer-term infrastructure delivery program.

The other major ways in which local government directly impacts on building costs is via the charging of development application fees and the levying of infrastructure contributions. The transparency of these costs is also an important consideration, as uncertainty adds to risk and therefore to the finance-related costs for developers.

Development application fees are charged to cover administrative costs associated with the assessment of development applications. Whilst these charges do add directly to development costs they are low

relative to total development costs and because these charges can be easily calculated prior to development they have minimal impact on development costs associated with uncertainty.

Infrastructure costs are costs that are incurred due to the need to service development with essential urban infrastructure such as roads, water and sewerage and community facilities such as open space. Development contributions are usually provided by developers as a mixture of in-kind works and monetary contributions. Additional voluntary infrastructure embellishments may also be provided, where developers consider these may improve the marketability of the development.

To the extent that these infrastructure charges (or requirements) are levied to provide local amenities, facilities and infrastructure, they provide direct benefits to the future residents, with respect to accessibility, amenities and aesthetic appeal which enhance the attractiveness of the neighborhood and thus the value of the dwellings. Surveys of new residents suggest that although the level of knowledge about development contributions is low, once the nexus between contributions and facilities is explained to them, residents appreciate these benefits and have generally been willing to pay them (UDIA 2007).

It is noted, however, that contributions that are levied but do not directly provide or improve the facilities available to the neighborhoods affected, such as State contributions for public transport, health and education (which are levied in Sydney's growth areas and are foreshadowed for high growth regions including Ballina Shire), may have a negative impact on dwelling supply as excessive charges discourage development activity.

Whilst infrastructure charges can generally be passed on to home

purchasers during buoyant market conditions, when market conditions are depressed (or an 'affordability ceiling' on house prices has been reached) contributions and charges can act as an impediment to the further supply of developable land and therefore of new dwellings. The UDIA explains:

In many cases once development feasibilities have taken account of the suite of levies and charges applied to the land, the residual value, or the amount the development can afford to pay the vendor, is below the value of the existing use, which in most cases on the urban fringe is an agricultural use. Accordingly vendors are withholding their land from the market, further constraining supply.
(Source: UDIA 2007)

Studies also suggest that local charges and contributions are not the major cost component attributable to 'government charges'. Whilst detailed figures are not available for Ballina Shire, industry data available from Sydney's Growth Centres indicate that State charges including the GST, stamp duty and State infrastructure contributions amount to \$99,000 per lot. This is compared with \$40,000 per lot for local (s94) infrastructure contributions (UDIA 2007). It is noted that total Council contributions in Ballina Shire are currently approximately \$20,000 per lot for new release areas.

Planning and the regulation of development

No discussion of housing development would be complete without mention of the increasing complexity of the planning system and mounting requirements relating to threatened species protection, environmental health standards and urban design outcomes that have likely contributed to the time required to bring housing onto the market. What is also clear,

however, is that development that does not achieve a balance with respect to its impact on the broader environment would not be acceptable to local communities.

It can also be argued that the NSW land use planning system is fundamental to providing profitable development opportunities in conjunction with healthy and attractive living environments (Gurran *et al* 2008). This is achieved in a number of ways, including:

- By reducing the potential for negative impacts to occur from neighbouring development, due to

poorly designed, sited or intrusive development, which might reduce the value of surrounding sites and development;

- By reducing the potential for monopolistic behaviour, by promoting a range of development opportunities;
- By assisting in the coordination of essential shared services needed to support new development; and
- By protecting the environmental qualities, health and safety and aesthetic values, which make these places attractive places in which to live, work and relax.

SUMMARY

In summary, the above discussion of factors affecting housing affordability identifies a number of issues, namely:

- **a number of factors have contributed to the housing affordability situation, which can be grouped into 'demand side' and 'supply side' factors;**
- **demand side factors include population growth, increases in household purchasing power and incentives in the taxation system towards housing investment. It is also suggested that credit availability has been a significant demand side factor in the recent surge in house prices;**
- **supply side factors include the availability of appropriately zoned land, the availability of infrastructure and delays in obtaining development consent due to State Government involvement, disputes between landholder / developers, timelines inherent in the development process; and incentives inherent in the nature and structure of the property development market;**
- **local councils are constrained in the degree to which they can facilitate urban development, to accommodate anticipated population demands. Notwithstanding, Council attempts to maintain an adequate 'buffer' of appropriately zoned land to facilitate a rate of residential development adequate to meet demand;**
- **ensuring an 'adequate' supply of urban zoned land is only part of the land supply picture and a number of other factors, relating particularly to market structure, clearly come into play in explaining the actual supply of constructed dwellings.**

5 Policy Strategies

5.1 Council's role in housing affordability

As discussed above, the causes of the present housing affordability situation are complex and include a range of factors that are subject to local, State, National and international influences. The task for local councils is to identify ways in which local policy and or action can positively influence housing affordability most effectively and efficiently, given local circumstances and available resources.

The following section outlines a number of policy options that are relevant at the local level, and that Council will seek to pursue under appropriate circumstances and conditions.

Most of the opportunities for local councils to affect the provision of affordable housing are on the 'supply' side of the issue (refer to the previous section for discussion of the demand and supply side issues). The majority of demand side issues are affected by broader national and international circumstances including legislative and tax arrangements and international financial conditions that are beyond

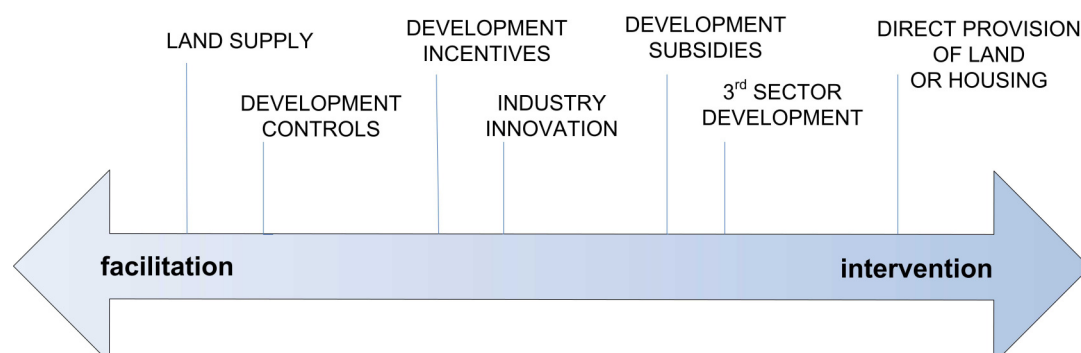
the scope and direct influence of local government.

The strategies that follow represent a 'toolkit' that Council will utilise as circumstances and conditions allow. As noted above, delivering affordable housing will require the concerted action of a range of parties, both government and non-government, public and private (and 'third-sector'). Bringing these parties (organisations, subsidies & opportunities) together, by brokering partnerships, is seen as a key role for Council in facilitating affordable housing outcomes.

5.2 Facilitation - Intervention spectrum

Conceptually, the options that are available to Council lie along a spectrum, from facilitating certain development outcomes (such as through Council's role as local planning authority) all the way to Council actively intervening in the local housing market, as a land developer.

This spectrum is represented in the graphic below.



5.3 Affordable Housing Objectives

The objectives of this strategy is as follows:

5.3.1 Objective 1

Objective: *To engage in affordable housing policy, consulting with appropriate stakeholders to identify and develop opportunities to increase the availability of affordable housing.*

- Rationale:
- Delivering on affordable housing outcomes will require ongoing commitment.
 - Dealing with the issue will require a range of strategies to be implemented, from the broad to the specific.
 - Policy discussion and development is ongoing and new strategies continue to be developed at national, state and local levels.
 - A key role for Council in the area of affordable housing, identified through industry and stakeholder consultation, is providing leadership in addressing housing affordable issues.

5.3.2 Objective 2

Objective: *To seek to improve Council's systems, procedures and frameworks to facilitate better affordable housing outcomes.*

- Rationale:
- Opportunities exist to encourage a greater diversity of housing stock and raise industry awareness of affordable housing opportunities.
 - While development controls aiming to facilitate affordable housing are already in place, due to the introduction of the State Government's Affordable Housing SEPP, Council's own internal processes for considering such matters, such as pre-lodgement meetings for affordable housing developments, may improve outcomes.

5.3.3 Objective 3

Objective: *To facilitate partnerships between Government, private sector and community sector partners to increase the affordability of housing opportunities.*

- Rationale:
- A key role for Council in the area of affordable housing, identified through industry and stakeholder consultation, is partnering with other sectors to deliver housing affordable outcomes.
 - This role could take various forms, from bringing partners together to actively partnering with others to deliver affordable housing.

5.4 Affordable Housing Strategies

Council acknowledges that there are limitations on the extent to which local governments can affectively address housing affordability. As outlined in the preceding sections of this strategy, affecting the affordability of housing is a significant and complex challenge. Consequently, addressing the issue will require a range (and combination) of appropriate strategies by the private sector agents, and Local, State and Federal Governments.

This section presents a number of affordable housing strategies that Council will pursue to address housing affordability, where circumstances and opportunities allow. The following table thus provides the basis for Council's strategy for addressing housing affordability issues in Ballina Shire, by way of a strategy 'tool kit'.

It is noted that the viability of a number of the strategies identified below rely upon a number of other factors coming together, such as motivated private-sector or third-sector (not-for-profit) developers, opportunities to leverage federal funding (subsidies), suitable development sites, the appropriateness of development incentives available through State policy (Affordable Housing SEPP) and compatibility with local circumstances and needs.

Table 5.1 details the following:

<i>Strategy</i>	Strategy title - relates to the 'facilitation-intervention spectrum' (refer to Section 5.2)
<i>Outline</i>	Provides a brief description of the strategy
<i>Rationale</i>	Rationale of how/why the strategy might affect housing affordability
<i>Preconditions</i>	Lists the elements or conditions required for the strategy to be effective
<i>Responsibility</i>	Identifies the agent or body responsible for delivering the strategy

The table is followed by further detail on each of the strategies identified.

Table 5.1. Affordable Housing Strategy Toolkit

Strategy	Outline	Rationale	Preconditions	Responsibility
Maintain an adequate supply of zoned land	<ul style="list-style-type: none"> Council's Local Growth Management Strategy seeks to maintain adequate supplies of urban land and infill development opportunities to accommodate projected population growth. 	<ul style="list-style-type: none"> Provides for population growth, thus seeking to balance housing supply with demand. Supports changing local housing needs. Managed land release is necessary for coordinated and cost effective infrastructure provision. 	<ul style="list-style-type: none"> Council's growth management policy is being reviewed in accordance with FNCRS as part of the Ballina Shire LEP 2010 project. 	<ul style="list-style-type: none"> Council
Development controls	<ul style="list-style-type: none"> Council's development control plan is being reviewed, to improve development outcomes, user friendliness and ease of implementation. The NSW Government's Affordable Housing State Environmental Planning Policy (SEPP) has the effect of relaxing a number of development controls relating to residential development. 	<ul style="list-style-type: none"> Clarifying development control requirements may reduce holding costs associated with urban developments. To the extent to which these cost savings are passed on to purchasers this may improve housing affordability. Relaxing development standards may increase the construction of dwellings. 	<ul style="list-style-type: none"> Relaxing certain development controls should only occur where other community objectives (for example infrastructure needs, residential amenity and heritage values) are appropriately protected. 	<ul style="list-style-type: none"> Council NSW State Government

Strategy	Outline	Rationale	Preconditions	Responsibility
Development incentives	<ul style="list-style-type: none"> The NSW Government's Affordable Housing State Environmental Planning Policy (SEPP) provides a new framework for development incentives and relaxes certain development controls linked to affordable housing. Council might facilitate such development by raising awareness within the industry, streamlining through pre-lodgement meetings, managing community engagement & brokering partnerships. 	<ul style="list-style-type: none"> Can make providing affordable housing attractive and profitable for private or third sector developers. Understanding the opportunities that may exist and appreciating what is required can be the major barrier to change by the development / building industry. 	<ul style="list-style-type: none"> Motivated developer/s Appropriate development site/s Developers need to understand local needs and be sensitive to the local neighbourhood character. 	<ul style="list-style-type: none"> Development proponents Third sector developers Council (processes & procedures)
Encourage industry innovation	<ul style="list-style-type: none"> Information events / seminars for local building and development industry Sponsor and organise Innovation awards or affordable & sustainable housing products. Industrial land rent subsidies for affordable housing 'start-ups'. 	<ul style="list-style-type: none"> Affordability can be affected by innovation in the building industry, through new products and construction methods. Understanding the opportunities that may exist and appreciating what is required can be the major barrier to change by the development / building industry. 	<ul style="list-style-type: none"> Sufficient industry interest Funding available for event, co-sponsorship & prize. 	<ul style="list-style-type: none"> Council Peak industry bodies State & Federal Government grant

Strategy	Outline	Rationale	Preconditions	Responsibility
Development Subsidies	<ul style="list-style-type: none"> Council may investigate opportunities to leverage Federal Governments Housing Affordability Fund (HAF) & National Rental Affordability Scheme (NRAS). 	<ul style="list-style-type: none"> The Federal Government's HAF can subsidise infrastructure delivery for new housing estates where such savings are passed on to home buyers. NRAS provides a subsidy direct to rental investors where such housing is managed by a community housing provider for affordable housing for a period of 10 years. Both schemes require appropriate structures to be in place. 	<ul style="list-style-type: none"> Third sector partners 	<ul style="list-style-type: none"> Council in partnership with
Support third sector development	<ul style="list-style-type: none"> Not-for-profit development companies are a growth industry at present due to opportunities to leverage federal funding and state legislation. 	<ul style="list-style-type: none"> Third sector development companies delivering affordable housing projects are an expanding sector. 	<ul style="list-style-type: none"> Third sector partner/s seeded and ready to participate in delivering affordable housing. 	<ul style="list-style-type: none"> Third sector partners in partnership with Council
Direct provision of affordable housing	<ul style="list-style-type: none"> Council engages in property development from time to time, to support Council's other activities. Council may prioritise existing Council rental stock to key workers. 	<ul style="list-style-type: none"> May more easily leverage incentives available through HAS & NRAS, compared to private sector. 	<ul style="list-style-type: none"> Appropriate opportunities and favourable economic conditions Monies invested in Council's property developments are required to achieve positive returns. 	<ul style="list-style-type: none"> Council's Land Development Committee & Commercial Services.

5.4.1 Maintaining adequate land supply

Maintaining sufficient land supply is a fundamental role of local councils in planning to accommodate growth in population and employment. Council seeks to maintain an adequate supply of residential zoned land, and achieves this via its strategic planning framework and strategic land release program as outlined in the Ballina Urban Land Release Strategy (2000). As outlined in above, Ballina Shire currently has an adequate supply of residential zoned land identified through this framework.

Maintaining such supply is, however, complicated by a number of factors such as those described in Section 4 of this strategy. Council does, however, seek to maintain an adequate 'buffer' of undeveloped residential zoned land to accommodate the uncertainties associated with residential development.

It is noted that Council is currently reviewing its planning framework for accommodating future population growth as part of the comprehensive review of the Ballina Local Environmental Plan (LEP). Following this review the local growth management framework will be outlined in Council's Local Growth Management Strategy, in accordance with the NSW Government's Far North Coast Regional Strategy.

5.4.2 Development Controls

Councils play a significant role in housing through the zoning of land. Council's framework for influencing future housing developments is provided via the NSW planning system in the preparation and implementation of its Local Environmental Plan (LEP) and Development Control Plans (DCPs), which stipulate what types of development are permissible within specific areas, and outline development standards to which development must conform.

A fundamental role for Council exists in encouraging developers to provide a greater diversity of dwelling types in residential developments. In Ballina Shire's case, consideration may also need to be given to the potential for intensification of residential development in existing urban areas in proximity to commercial and community services and facilities. This will, however, require prior consideration of:

- Infrastructure capacity to accommodate infill development (including roads, water and sewerage);
- Urban amenity and community perceptions; and
- The implications of climate change (and particularly the potential for sea-level rise).

A number of strategies are available, should Council consider that encouraging infill development is desirable. Examples of affordable housing strategies relating to development controls, include the following:

- Amending the Local Environmental Plan (rezoning) to allow for *increased dwelling densities* near major activity nodes, such as commercial and community facilities, supported by changes to the development control plan;
- Require developments over a certain size/scale to provide a particular *mix of dwelling forms* (or subdivision lot sizes), via the LEP or DCP; and
- *Encouraging adaptable housing* - this is housing for which the initial design of the building allows the structure of the dwelling to change over time, with minor internal renovations. This may involve allowing the structure of the dwelling to

change, relatively easily, from a four-bedroom family home, to two two-bedroom units (and possibly back again) as the needs of the community, and the occupants of the dwelling, change over time.

The NSW Government's 'Affordable Housing SEPP' (State Environmental Planning Policy) has introduced a number of relaxations of development standards, to support affordable housing outcomes. The SEPP has the following effect:

- 'Secondary dwellings' ("granny flats") are complying development where the development meets certain criteria. This means the development does not require development consent, but certification by a building certifier;
- Restrictions are placed on the consent authority on reasons for refusing development consent, thereby relaxing certain development standards;
- Allows residential flat buildings, which are to be developed by social housing providers or public authorities, to be approved where they are otherwise prohibited.

The relaxation of development standards, provided for by the SEPP, does however require sensitivity to local circumstances, including neighbourhood character, transport and housing needs and infrastructure capacity. Engagement with Council on these issues, in relation to affordable housing developments, will therefore be required to achieve good outcomes. Pre-lodgement meetings with development proponents of affordable housing developments are one means of achieving better outcomes.

5.4.3 Development incentives

The idea behind development incentives is to encourage private sector developers to provide affordable housing. This may be achieved by enabling developers (via the planning and or rating systems) to either reduce costs or increase the profitability of projects in circumstances where affordable housing is to be provided, by either facilitating an increase in development yield. Affordable housing can, in this instance, be provided via facilitating a portion of the dwelling stock to be affordable housing.

The best example of a development incentive is a *development bonus* - Council could provide, via the local environmental plan, opportunities to increase the permissible development yield of a site where a proportion of the development is dedicated or otherwise made available as affordable housing. The affordable housing component of the development could be dedicated (or leased for a period, such as 10 years) to Council or a nominated Social Housing Provider for the housing to be sub-leased to low to moderate income households.

The NSW Government's 'Affordable Housing SEPP' (State Environmental Planning Policy) has introduced a number of development incentives for affordable housing developments including:

- 'Density bonuses', in the form of a higher permissible Floor Space Ratio (FSR), are given where affordable housing is to be provided. The affordable housing component of the development must be leased at a 20% discount to the market rate to a community housing provider for a 10 year period (available to be sold thereafter); and

- Restrictions are placed on the consent authority on reasons for refusing development consent, thereby relaxing certain development standards with associated cost savings, for developments providing affordable housing.

5.4.4 Encouraging Industry Innovation

Innovation in the housing industry should be supported to provide a broader range of housing products, as well as products which better reflect (and to some degree anticipate) the significant demographic changes that will occur over the next 20 years.

Innovative design, materials and construction techniques could improve housing affordability (and sustainability) through cost savings on materials and reducing construction times (and therefore building labour costs). Prefabricated dwelling construction could provide substantial benefits in this regard.

There is potential for such innovation to support other compatible community objectives such as encouraging more sustainable urban forms and facilitating development appropriate to the coastal character of the region and that reflects the topographic constraints of some potential or future urban release areas.

With respect to building to reflect topographic constraints, it is noted that a number of Ballina Shire's major urban release areas will involve development of sloping land. The majority of existing residential development, particularly modular homes, is geared predominantly to slab-on-ground construction that can require substantial landscape modification (cut and fill). Such works may add substantially to housing development costs. Thus, encouraging industry adaptation to light-weight and alternative methods of construction could both reduce the costs of construction and minimise the landscape impacts of future development.

Council will, where appropriate, support industry innovation in the following ways:

- Innovation information events - Council may facilitate information events such as inviting prominent 'experts' in the field of affordable and adaptable housing to give presentations to industry participants such as developers, builders, social housing providers, State agencies and Council staff and Councillors. Presentations could include information about innovative building materials and construction techniques.
- Affordable housing innovation awards - An event could be sponsored (by Council, other government agencies and industry groups) for an innovation in affordable housing awards. Criteria could be established relating to affordability, simplicity of construction, sustainability and site compatibility (such as flat land, sloping land etc). The winner/s could receive recognition and possibly the opportunity to display their product (housing) on a prominent (vacant) site.

CASE STUDY

The ACT Government

In 2008 the ACT Government introduced the Chief Minister's Special Affordable Housing Award as part of the Master Builders and Boral Excellence in Building Awards.

In order to be eligible for the Special Affordable Housing Award, entrants were required to demonstrate a strong commitment to affordable housing through activities such as easing housing stress for medium and low income earners; innovative and comprehensive multi faceted strategies; affordable house and land products; easing entry into home ownership; and encouraging excellence in affordable dwelling construction and design.

- Industrial land rent subsidies - Ballina Shire Council is a major landholder of industrial land. It is conceivable that Council could provide a rent subsidy for affordable housing enterprises such as not-for-profit housing providers and /or prefabricated affordable housing 'start-ups'. A variation on this theme would be for Council to provide subsidised (or rent-free) space for the establishment of an affordable housing 'display village' in a prominent location.

5.4.5 Development Subsidies

Development subsidies work by reducing costs of development, which may be passed on to homeowners. Infrastructure subsidies are the most obvious example of a development subsidy, although tax concessions can also be considered as subsidies. Such tax related subsidies are not considered here however as these lie largely outside the ambit of local council responsibilities.

There are a number of development subsidies that could conceivably be applied at a local government level. These include targeted reductions to rates and development application fees, infrastructure subsidies and low interest loans or underwriting affordable housing developments. It is noted, however, that for any such subsidies given alternative sources of funding must be found to accommodate the short-fall in funding for infrastructure or services created by the subsidy. Council does not have, within its present budget, capacity to accommodate such shortfalls. It is further noted that a considerable challenge associated with such subsidies is how to ensure that the subsidy is passed on to home purchasers.

Notwithstanding the above, it is noted that the Federal Government's 'Affordable Housing Fund' (HAF) is such an alternative source of funding. The HAF aims to reduce infrastructure costs associated with development by providing an infrastructure subsidy (to a value of no more than \$10,000 per dwelling) on the condition that the Council and the benefiting developer/s ensure that cost savings will be passed on to home buyers. The viability of this strategy will rely on the right circumstances and appropriate partnerships coming together.

5.4.6 Third-Sector Development

The 'third-sector' refers to non-government not-for-profit commercial entities that operate for a public purpose. Third-sector entities can include charities, consumer and legal advocacy organisations and special purpose not-for-profit organisations.

There is potential for third sector organisations to play a role in housing affordability in a number of possible ways, including the following:

- Managing affordable housing stock obtained through the implementation of other strategies, such as those outlined in this paper;
- Directly undertaking affordable housing projects by acting as bridging organisations between government (Local, State and Federal), investors or other financial entities (such as banks) and affordable housing homeowners or renters.

One of the key challenges with providing affordable housing subsidies or, in the case of certain developments approved in accordance with the Affordable Housing SEPP, is how such housing can be managed or administered, as well as how to maintain the subsidy to households over the long-term in a manner that does not require long-term administrative commitments by local government. Supporting the development of third-sector affordable housing entities could provide an appropriate mechanism for addressing this issue.

Examples of third sector strategies that may be pursued, depending on opportunities, include the following:

- *Supporting community housing providers* - Affordable housing stock, generated via other strategies outlined in this paper or by other means, may be head-leased to and managed by an approved not-for-profit community housing provider. Such providers would then sub-lease the properties to eligible low to moderate income households;
- *Sponsorship of a not-for-profit development company* - Would involve supporting the development of a 'third-sector' not-for-profit development company vested with the task of developing affordable housing stock within the region. Such stock could then be managed by a community housing provider, Community Land Trust or an arm of the same (or other) not-for-profit organisation. An example of this strategy is the Brisbane Housing Company (see box).
- *Establish a Community Land Trust* - A Community Land Trust (CLT) is a not-for-profit organisation established to preserve the affordability of home ownership units over the long term. It does this by selling homes to qualified low to moderate-income families, but retaining ownership to the land under these individual homes and holding it "in trust" for future generations. Buyers of land trust homes agree that when they move they will sell their home to another low or moderate-income household at a price that is affordable (facilitated through the CLT). This strategy shares elements of affordable rental housing, home ownership and 'shared-equity' housing investment.

CASE STUDY

The Gold Coast Housing Company

The Gold Coast Housing Company (GCHC) is an independent, not-for-profit organisation which provides affordable housing in south east Queensland. GCHC has a portfolio of affordable housing development that include rental units, subsidised sales and market sales dwellings, to meet the needs of a variety of households. The company is also moving towards trialing a 'shared-equity' model of affordable housing.

GCHC is structured to be tax efficient and ensure residents' access to Commonwealth Rent Assistance, and to minimise GST. The Company uses income from rents and market sales to manage and maintain its properties, and any surplus to fund further expansion.

5.4.7 Direct provision of affordable land or housing

The direct provision of affordable housing concludes the spectrum of affordable housing at the intervention end. This involves a major intervention to correct obvious market failures on the supply side. A number of strategies are available involving direct provision of affordable land or housing.

The direct provision of affordable land or housing could involve Council obtaining developable land (either through the divestment of surplus public land or strategic acquisitions) followed by a combination (depending on the circumstances) of rezoning, precinct planning, obtaining development consent, servicing with infrastructure, constructing dwellings, then on-selling the land and/or housing to home purchasers. Alternatively, Council might obtain the land, then sell, on-lease or contract land developers, under competitive tender, to service (with public infrastructure) and market the land to home purchasers. An alternative example of this strategy would be where a Council over time gradually purchases potential redevelopment sites (underutilised land within existing urban areas) over time until

sufficient area is obtained to facilitate a more comprehensive and economical redevelopment of a site.

The appropriateness of these strategies depends on several key factors including the following:

- The perceived cost-benefits associated with the expected level of risk and anticipated rewards from such intervention;
- The fiscal position of Council, which might enable Council to be involved, and to what degree, and the need for Council to receive a commercial return on its investment; and
- Broader economic conditions which are amenable to such strategies.

Direct intervention, by government, into the local land/housing development market could take the form of two separate but related strategies as outlined below:

- *Land banking* - This strategy aims to directly affect the supply of affordable developable land either by the development of surplus public land or the strategic acquisition of land as an adjunct to Council's commercial operations, which is then released onto the market in response to demand. This strategy aims to facilitate a better balance between the demand for and supply of land for housing;
- *Land development* - This strategy is similar to Land Banking, except that Council could, as an adjunct to Council's commercial operations, undertake the development of residential dwellings, for either sale or rental.

CASE STUDY

The Ballina Shire Council (and its prior incarnation Tintenbar Shire Council prior to 1977) has had a long history of involvement in the local property development industry, although not for the stated aim of addressing housing affordability.

The Council's first involvement in housing-related development involved the development of Crawford Park estate in Alstonville, after the acquisition of the land in 1973. The development included 133 single dwelling sites and a medium density site, as well as a shopping complex area and blocks for recreation, sporting facilities and the Alstonville Swimming Pool. Profit from the development provided funding for the construction of Alstonville's Olympic Swimming Pool.

Following the amalgamation of Tintenbar and Ballina Council's in 1977, the Council developed Prospect, Chikiba and Angels Beach Estates at East Ballina. Whilst this development was not undertaken with a view to providing affordable housing, the income derived from the development provided funding for a number of community facilities including the acquisition of land now comprising the Ballina-Byron Gateway Airport and Ballina Waste Facility and land for the Russellton and Southern Cross industrial estates, which Council continues to develop.

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