



## **POLICY**

### *Affordable Housing Policy*

**Approved by:** City Strategy Committee on 10 August 2009

**Next Review Date:** - August 2012

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## **Introduction**

Increasing the number and mix of people living in the city centre to an optimum level to sustain activity and vitality is essential to achieving the Council's vision of "*A vibrant, populous and sustainable Capital City built on Adelaide's heritage and lifestyle*".

It will also directly support the aim of the State Strategic Plan to increase South Australia's population to 2 million by 2050.

Council initiatives supporting residential growth, together with demographic change, lifestyle preferences favouring city living and an influx of overseas students, have helped make the City of Adelaide one of the fastest growing local government areas in South Australia.

This increase in activity is helping to generate the vitality and creativity to sustain a vigorous cultural life and support viable new enterprise and employment. It is also contributing towards a more environmentally sustainable pattern of development for metropolitan Adelaide by helping to reduce the need for travel and making best use of the public transport network.

Growth will be affected by local and international economic conditions; however prospects in the long term for continued growth are good.

The private development market is responding to changing housing demand as the City's demographic profile shifts with an ageing population overall and an influx of younger adults, students and households without children. However the market is not able to meet all needs at a viable price.

Housing affordability is a major challenge in all of the Australian capital cities with lower income students and key workers (such as hospital staff, hospitality, and retail workers) increasingly priced out of the inner city housing market. In recent years the City of Adelaide has experienced considerable growth in residential capital values and rental costs. This has made renting and purchasing in the City unaffordable for many households in the low to moderate income ranges.

Without intervention by Government, the housing needs of low to moderate income households will not be met in the City and Council's strategic directions will be compromised.

Provision of accommodation to meet acute housing needs for the lowest income households (social housing) is a primary responsibility of the State and Australian Governments.

The Affordable Housing Policy guides Council's approach to delivery of affordable housing and provides the policy base on which State and Australian Government financial support will be sought.

## **2. Council Roles**

Residential development in the City is primarily a function of the private sector responding to market demand.

Council can facilitate residential growth in the City by consolidating residential development / mixed-use sites for release to private developers. It can also facilitate growth by providing research information and marketing support to the residential development sector.

Affordable housing for those on low to moderate incomes, which is largely being squeezed out in the current City housing market, is not formally a responsibility of any

one level of Government or housing provider. It is in this area that Council can take on a direct role as a housing provider, supported by State and / or Australian Government programs to bridge the viability gap. The operation of such housing will be in accord with the Adelaide Rental Housing Program Operating Guidelines. Through direct ownership of a portfolio of affordable housing Council can capture any future capital gains on the value of the property to help generate resources for future projects.

Council can also facilitate delivery of affordable housing by entering into partnering arrangements with other parties in the following circumstances:

- Where development and ongoing ownership by the Council alone of an affordable housing project is not assessed as viable (taking into account realistic estimates of capital gain and acceptable levels of risk), or
- Where other parties approach the Council for support to enable an affordable housing project to proceed that they have initiated.

Homelessness and acute housing need are primarily responsibilities of the State and Australian Governments through the emergency and social housing sectors.

### **3 Definitions**

#### Residential Population

The population whose usual place of residence is in the City - officially measured by the ABS Estimated Resident Population figure for the City.

#### Overnight Resident Population

The number of people actually spending the night in the City, including temporary visitors, guests in hotels and hostels etc. - officially measured by the five-yearly ABS Census of Population and Housing.

#### Affordable Housing

Affordable housing is housing that is sustainable for a household with a gross income less than 120% of the household median gross income for metropolitan Adelaide.

#### Adelaide Rental Housing Program

Refers to the Council owned stock of affordable housing and its management.

#### Eligible tenant

An eligible tenant for affordable housing provided in the Adelaide Rental Housing Program is a working or student household with an income in the 'moderate income' band between 80% and 120% of the household median income for metropolitan Adelaide as assessed from time to time. Projects supported by Australian or State Government funding schemes, or by agreements with other partners, will favour working and student households and will meet the tenant income eligibility requirements of the scheme or partnership agreement.

### **4 Legislative Requirements and Policy Context**

In adopting this policy, it is recognised that there are specific legislative requirements to be met as well as corporate goals.

The Local Government Act 1999 states that in the performance of its role and functions a Council must give due weight to *State and national objectives and strategies concerning the economic, social, physical and environmental development and management of the community.*

*South Australia's Strategic Plan* includes the following targets relevant to affordable housing in the City:

- **Total population:** increase South Australia's population to 2 million by 2050, with an interim target of 1.64 million by 2014.
- **Interstate migration:** reduce annual net interstate migration loss to zero by 2010, with a net inflow thereafter to be sustained through to 2014.
- **Affordable housing:** increase affordable home purchase and rental opportunities by 5 percentage points by 2014.
- **Overseas migration:** increase net overseas migration gain to 8500 per annum by 2014.
- **Share of overseas students:** double South Australia's share of overseas students by 2014.

The *Housing Plan for South Australia* has a target for 15% affordable housing, including 5% high needs housing, in all significant new developments. This requirement is incorporated into the *Planning Strategy for Metropolitan Adelaide* endorsed by the State Government in December 2007.

The consultation draft of "*Planning the Adelaide we all want - Progressing the 30-year Plan for Greater Adelaide,*" released by the State Government in July 2009, sets out the proposed planning approach for the metropolitan area to meet the targets of *South Australia's Strategic Plan*. It includes the following draft targets for the City of Adelaide by the year 2038.

- |   |        |
|---|--------|
| • Net additional population -                     | 16,300 |
| • Net additional dwellings -                      | 9,700  |
| • High needs housing - net additional dwellings - | 500    |
| • Affordable housing - net additional dwellings - | 950    |

Council's *Creating Our Future*, City of Adelaide Strategic Plan 2008-12 includes the following:

**"Outcome 1 - Populous Capital City;**

- *A Capital City that has grown to achieve a sustainable "critical mass".*

**Strategic Directions**

- *Increase resident population density and activity in the central City.*
- *Promote housing choice.*

**Strategies**

- *Continue to attract and accommodate more residents in the City through housing projects, legislative and policy reforms, promotion and incentives.*
- *Broaden housing options through strategic housing projects, development policy and guidelines.*

### **Key Projects and Services**

- *Residential growth support program which includes affordable housing support, advocating for legislative change, promoting the advantages of City living and management programs for mixed use areas."*

Creating our Future also includes the following specific target for affordable housing:

### **Affordable Housing**

- *Deliver a total of 150 affordable housing units by 2012."*

The Affordable Housing Policy complements Council's Residential Growth Plan 2004-2010 which sets the wider program of actions to work towards Council's residential population targets.

In managing its portfolio of affordable rental housing Council will need to comply with both the Residential Tenancies Act 1995 and the Community Titles Act 1996 (if applicable). The Residential Tenancies Act 1995 will have primacy in the event of conflict between these pieces of legislation.

## **5. Policy Objectives and Principles**

The objectives of the Policy are:

- to strengthen social mix and housing choice in the City by increasing the supply of affordable rental dwellings; and
- to accelerate affordable housing supply and attract subsidies and other investment.

The Policy is underpinned by the principles that

Council support will give priority to the delivery of affordable housing which will:

- contribute to the creation of Culturally Vibrant communities;
- be part of mixed use developments, supporting social mix and housing choice;
- maintain access to the City housing market for students and / or key workers on low to moderate incomes;
- be of a reasonable quality, well located close to transport nodes and well designed;
- be undertaken in a manner that minimises risk to Council, including partnering arrangements with State Government and / or non-government organisations where appropriate; and
- be cost effective and financially sustainable: by re-investing capital growth; maximising the equity held in properties; and accessing State and / or Australian Government support where available.

It is anticipated that the implementation of this Policy will:

- help increase the rate of residential growth in the City;
- ensure a coordinated and sustainable approach to affordable housing development in the City; and
- provide direction and structure for the development of affordable housing in the City.

## 6. Policy Statements

- 6.1 An 'Affordable Housing Project Reference Group' will be convened to provide expert advice on affordable housing to the administration.
- 6.2 Council will acquire sites and use its land bank from the Strategic Property Portfolio to secure desired residential outcomes, including delivery of affordable housing and student accommodation. Proceeds from disposal of land or property in the Strategic Property Portfolio will be re-invested to sustain an ongoing program which helps deliver Council's targets.
- 6.3 Council will require inclusion of at least 15% affordable housing on sites in its Strategic Property Portfolio which are released, wholly or in part, for residential development. Council will develop mechanisms to guarantee these affordable housing outcomes.
- 6.4 Subject to a business case demonstrating viability for each project, and subject to Council's financial position in relation to its Long Term Financial Plan, Council will acquire and own a portfolio of affordable rental housing in its own right.
- 6.5 Council projects to deliver affordable housing in the City will target working and student households in the 'moderate income' band with incomes between 80% and 120% of the household median for metropolitan Adelaide, as assessed from time to time. Projects supported by Australian or State Government funding schemes, or by agreements with other partners, will favour working and student households and will meet the tenant income eligibility requirements of the scheme or partnership agreement.
- 6.6 Affordable dwellings owned by the Council will be rented out (unfurnished) to eligible tenants at no more than 80% of market rate.
- 6.7 In the event that there are more applicants than available dwellings, priority in allocating tenancies will be given to households in which at least one member is employed in the City of Adelaide.
- 6.8 Council as landlord will accept all normal responsibility for property maintenance etc as required under the Residential Tenancies Act 1995 and other relevant legislation.
- 6.9 Management of dwellings in the Adelaide Rental Housing Program will be contracted to a Rental Management Agency in the event that Council does not manage the tenancies. The Rental Management Agency will be a registered Land Agent or equivalent with regard to legislative requirements. Management of the tenancies will take place in accordance with the Residential Tenancies Act 1995.
- 6.10 The Rental Management Agency will have discretion with regard to the selection of tenants who meet the eligibility criteria.
- 6.11 Any car-parking spaces provided ancillary to Council affordable housing will be made available for rent separately at full market price with a first right of refusal offered to residential tenants.
- 6.12 Council will seek support from available State and Australian Government programs to achieve affordable housing outcomes.

- 6.13 Consistent with the policy objectives and principles Council may sell off affordable dwellings from its projects or from the Adelaide Rental Housing Program:
- 6.13.1 to underpin and to sustain the provision of affordable housing by realising capital gain and re-investing the returns to increase progressively the stock of affordable housing in the City.
  - 6.13.2 to support social mix by selling properties as affordable housing to buyers in the appropriate income range. This may include sales to eligible buyers (as defined by State Government programs) using equity based loans in which the Council maintains an equity stake in the property to be realised on eventual re-sale.
- 6.14 Council may facilitate and support the delivery of new affordable rental housing through partnering arrangements with State Government, private investors, not for profit organisations and / or other organisations in the following circumstances:
- Where development and ongoing ownership of an affordable housing project by the Council alone is not assessed as viable (taking into account realistic estimates of capital gain and acceptable levels of risk), or
  - Where other parties approach the Council for support to enable a project to proceed that they have initiated, taking into account realistic estimates of capital gain and acceptable levels of risk.
- Council's contribution in such arrangements will be such as to enable the project to proceed, or include desirable features (such as shoptop housing, sound environmental design) which would not otherwise be provided.
- 6.15 Council will facilitate the development of student accommodation in the City through its Educational Institution and Accommodation Attraction Program, working in collaboration with the State Government, Education Adelaide and Institutions as appropriate.
- 6.16 Subject to project viability and Development Plan requirements, Council affordable housing projects may be located in any part of the City.
- 6.17 Council will ensure that the Adelaide (City) Development Plan is periodically reviewed and maintains support for residential growth, mixed-use development and the development of a range of housing, including student accommodation and affordable housing, in appropriate locations in the City.

## **7. Monitoring and Review**

Council's Annual Report will include information on residential growth and affordable housing development in the City.

The Affordable Housing Policy will be reviewed in 2012.