

# DRAFT

## DRAFT AFFORDABLE HOUSING TENANCY POLICY

March 2023

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# 1 Introduction

## 1.1 Background

The objective of this policy is to provide a framework for the management of Strathfield Council's (Council) Affordable Housing properties including establishing arrangements for the management of the properties by Community Housing Providers and criteria for the tenancing and allocation of the properties.

## 1.2 Definitions

### **Affordable Housing**

Affordable Housing is housing that is appropriate for the needs of very low income households, low income households and moderate income households and priced so that these households are also able to meet other basic living costs, such as food, clothing, transport, medical care and education.

### **Council**

Strathfield Council

### **Community Housing Provider**

Community Housing Providers (CHP) are not-for profit organisations that build or manage housing for eligible people who are unable to access appropriate housing in the private market. The community housing sector is a regulated environment in NSW.

### **Housing Manager**

Housing Manager is the person(s) employed or contracted by the appointed Community Housing Provider to manage Council's affordable housing dwellings on a day to day basis.

### **Planning Agreement**

A Planning Agreement is a planning tool that allows planning authorities such as local councils and developers to work together to deliver innovative infrastructure outcomes alongside development proposals. A Planning Agreement could include provision of or monetary contributions for Affordable Housing.

## 1.3 Policy Statement

Strathfield Council is committed to facilitating diverse housing options for the Strathfield community in part through the provision of affordable housing for very low to moderate income households in suitable locations.

This policy is designed to give these households a greater level of housing certainty for a period of up to 3 years, allowing for improved private rental or homeownership prospects at the end of that period.

It is also the intention of the Policy to:

- To promote the future capacity of Council to subsidise allocation of a portion of Council's housing portfolio to households on low incomes.
- Making provision for the full cost of the Policy, including day to day property and planned cyclical maintenance, tenancy management, administration fees and major upgrading works to be covered by rent revenue collected by the Housing Manager; and

- Returning any surplus income generated by the Policy to Council's affordable housing account for future upgrading, new capital works, acquisition or leasing of additional housing stock or related purposes.

#### 1.4 Scope of Policy

This Policy applies to properties within Council's Affordable Housing portfolio. These properties are owned or leased by Council and managed on its behalf by a registered Community Housing Provider appointed by Council.

## 2 Need for Affordable Housing

### 2.1 What is Affordable Housing

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

Very low, low and moderate income households are defined as:

- a very low income household earns less than 50% of the median household income for Sydney.
- a low income household earns between 50% and 80% of the median household income for Sydney.
- a moderate income household earns between 80% and 120% of the median household income for Sydney.

The median household income for the Sydney Statistical Division is as reported by the Australian Bureau of Statistics.

### 2.2 Difference between Affordable and Social Housing

While affordable housing has many goals that are similar to social housing, there are also some key differences, including:

- Affordable Housing is open to a broader range of household incomes than social housing, so households can earn higher levels of income and still be eligible;
- Households do not have to be eligible for Social Housing to apply for affordable housing, though Social Housing eligible households may also be eligible for affordable housing;
- Allocations policy for Affordable Housing is different to Social Housing and may prioritise different target groups;
- Community Housing Providers may invite eligible households on the NSW Housing Register to apply for Affordable Housing properties. However, this does not constitute an offer of Social Housing and the household can refuse this invitation, or an offer of an Affordable Housing tenancy, without penalty to their status on the Register;
- If a household on the NSW Housing Register accepts a tenancy in an Affordable Housing property, they will be regarded as suitably housed and removed from the Register; and
- Rents for Affordable Housing are calculated differently to Social Housing and there are different tenancy arrangements.

## 2.3 Why Affordable Housing is Needed

Affordable housing has a vital role to play in developing sustainable and diverse local communities. Providing housing that is affordable and appropriate to the needs of the local community will also ensure a strong and stable labour force and sustain local businesses.

Rental stress and mortgage stress are apt measurements of the need for affordable housing. Strathfield Local Government Area experiences above average mortgage and rental stress when compared to the wider Sydney Metropolitan area and this is set to increase in the future.

Many households on moderate or lower incomes cannot afford to rent in Strathfield without experiencing housing stress or being forced into sub-standard housing in order to secure affordable rents. The consequences of poor rental and home purchase affordability are substantial with obvious examples being:

- Residents are forced into sub-standard housing.
- Local residents with established ties being driven further away from the area in search of more affordable housing. This is known to undermine social bonds and diversity in the local community.
- The viability of local services and business is undermined by community sector and lower paid employees having to relocate further afield in order to find more affordable housing options.

Strathfield Council is progressing various measures to address the need for affordable housing in the Local Government Area and sustain a culturally vibrant and socio-economically diverse local community.

## 2.4 How Council Acquires its Rental Dwelling Stock

Council obtains its affordable housing rental stock via the following means:

- Developers who have entered into a Planning Agreement with Council. A portion of the development is set aside for affordable housing and transferred to Council's ownership,
- As part of a Planning Agreement, Council may also receive cash contributions used for the purpose of acquiring affordable housing elsewhere,
- As a result of an Affordable Housing Contributions Scheme,
- A condition of consent may stipulate that units are to be transferred to Council following construction; and
- Acquisition of properties with surplus income generated from rent from other affordable housing stock.

# 3 Tenancy Management

## 3.1 Eligibility Criteria

A successful applicant needs to provide documentary evidence as per the Eligibility Criteria under Part 7 of the NSW Affordable Housing Ministerial Guidelines 2022-23.

In addition, applicants must have lived in the Strathfield Local Government Area at the time of application and have lived in the LGA for at least three years prior, or if living in another LGA at the

time of application that they have lived and/or worked in the Strathfield LGA for at least five years in the previous ten years.

Applicants must be in housing need and unable to resolve this need in the medium to long term without assistance. Factors demonstrating need may include currently living in unaffordable and/or unsuitable housing or needing to relocate for employment or family reasons.

This Policy recognises that, on occasion, additional eligibility criteria may be applied to some affordable housing properties. Any additional eligibility criteria must be included in the eligibility policy, including a brief statement of why there is a variation in criteria for some properties.

### 3.2 Income

The maximum income limits for eligibility into properties covered by this Policy are set out in Tables 2 and 3 of the Appendix of the NSW Affordable Housing Ministerial Guidelines. There is no minimum income eligibility limit.

Assessable income is defined in the NSW Communities and Justice Community Housing Rent Policy. Income limits are reviewed annually to reflect consumer price index (CPI) adjustments to social security pensions and benefits or movements in average weekly earnings as applicable and updates are published in the Ministerial Guidelines annually.

### 3.3 Allocations

Vacancies in the Strathfield Council Affordable Housing stock are advertised by the Housing Manager. Advertisements clearly stipulate eligibility criteria including tenure. Applicants who fulfil the criteria become eligible applicants. Eligible applicants, whose household size matches the property size available, are short listed. If necessary, a ballot is drawn from these short-listed applicants.

Eligible applicants are advised of vacancies in the Program that are appropriate to their needs for a period of twelve (12) months following their original application.

Affordable Housing is allocated to a mix of very low, low and moderate income households. However, to ensure a broad tenancy mix, as a guide a target of up to one third of the portfolio is allocated to very low and low income households. To assist in allocating across income bands, the maximum income limits defining each band for different household configurations are set out in Table 3 of the Appendix of the NSW Affordable Housing Ministerial Guidelines.

On occasion, Council may target allocations to a specific population group such as in a housing development for aged households. Where possible, Council will try to achieve the target mix of income bands when allocating within this population. When making an allocation, Council's Community Housing Provider will aim to balance the needs of households in housing stress with the requirement to generate sufficient income to meet finance and other operating costs.

Preference is to be given to the following groups:

- households in housing stress whose housing needs cannot be met in the short to medium term; or
- households with the potential to transition into home ownership in the medium term; or

- social housing applicants and tenants, including those exiting social housing, seeking another choice of housing which may be more suited to their needs.

## 4 Setting and Reviewing Rent

Affordable Housing is let at a discount to market rent which takes account of household income and capacity to pay. The rent for each property does not exceed more than 75% of Strathfield LGA's weekly median rents for a comparable property at the time of commencement. This means that if the median rent is estimated at \$500 per week, then the tenant will pay \$375 per week.

An additional rent reduction of up to 10% from the median is provided to meet the target for allocation of up to one third of the portfolio to very low and low income households in the program.

Regardless of approach, rent setting aims to ensure affordable outcomes. Households on very low and low incomes should not pay more than 25-30% of their gross income in rent.

Greater flexibility in pricing may be applied to moderate income households but, in all cases, the relevant circumstances of the applicant household and their capacity to pay will be guiding principles. Rent payment is required fortnightly in advance.

Where a tenant falls into arrears with their rent payments, they are given a reminder and an opportunity to negotiate with the housing manager a program of repayments. A bond equivalent to two (2) weeks rent is payable by the tenant upon lease commencement or otherwise as agreed between the tenant and the Housing Manager.

Rents may be reviewed annually and adjusted in line with market trends, subject to rent levels meeting affordability requirements set out above. The process for implementing rent increases and all other leasing arrangements will be undertaken by the Housing Manager in accordance with the NSW Residential Tenancies Act 2010.

## 5 Ongoing Eligibility

### 5.1 Tenure

Tenants may participate in the Program for up to three (3) years and consideration may be given for an extension of up to a further two (2) years on the Program, providing a reasonable level of housing certainty, as well as an opportunity to enhance their capacity to enter the private rental market or home ownership by the end of the Program.

Leases will be renewed on a twelve (12) monthly basis. This will provide an opportunity for the Housing Manager to assess annually ongoing eligibility for tenants to remain in the Program.

The Housing Manager will be required to clearly communicate the time period and the objectives to prospective tenants before a Tenancy Agreement is signed.

### 5.2 Eligibility Assessments

To remain in Affordable Housing, households must continue to meet all criteria outlined in section 3 of this Policy, except income. That is, households still need to meet general eligibility criteria, demonstrate an ongoing housing need and not have assets which could reasonably be expected to meet their housing need.

The exception is income, where existing tenants are permitted to earn up to 25% above the maximum eligibility income for moderate income before they become ineligible.

Ongoing eligibility maximum income limits for tenants of affordable housing are updated annually and detailed in Tables included in the Appendix to the NSW Affordable Housing Ministerial Guidelines.

## 6 Rights and Obligations

The rights and obligations of Council and the tenants in the Strathfield Affordable Housing Program will be consistent with the NSW Residential Tenancies Act 2010.

Council or the Housing Manager will conduct an inspection of the premises annually.

## 7 Asset Management

The Affordable Housing dwellings owned by Council will be classified as 'operational' for the purposes of allowing Council to conduct ongoing consolidation of its affordable housing stock.

The Affordable Housing portfolio will be reviewed every five (5) years to determine whether dwellings should be disposed of and replaced or retained and further funds provided for their maintenance or renewal.

The review will consider:

- Timeframes for asset renewals such as painting and replacing floor coverings and other planned maintenance
- Tenancy terms
- Changes in market trends and values.

Consideration will also be given to the results of the Program to date and the type and size of dwellings considered most suitable to deliver the objectives of the program. Towards the end of the five (5) year leasing period or when a unit becomes vacant, Council and the Housing Manager will undertake a condition assessment and make any necessary internal repairs, prior to re-letting.

This strategy aims to minimise Council's ongoing maintenance and renewal obligations and costs as the dwellings age.

Retained earnings from the operation of the Strathfield Affordable Housing Program will be reinvested in adding to affordable housing supply, asset maintenance and management. Retained earnings are funds that are in excess of all operational costs and provision for contingent risks.

## 8 Document Control

### 8.1 Review

This Policy is reviewed at least every four years and when relevant legislation and guidelines change or if Council adopts an Affordable Housing Strategy or Affordable Housing Contributions Plan that may impact on this policy.

Reviews are to consider changes to key principles and housing markets in the affordable housing space. Minor editorial amendments to this Policy and those resulting from changes to legislation and

Commonwealth and State Government guidelines, may be approved by the Director Planning & Environment.

## 8.2 Related Document

- NSW Affordable Housing Ministerial Guidelines
- Environmental Planning and Assessment Act 1979
- Environmental Planning and Assessment Regulation 2021
- State Environmental Planning Policy (Housing) 2021
- Residential Tenancies Act (NSW) 2010
- Community Housing Rent Policy – NSW Government

## 8.3 Version History

This document is the initial adopted/approved version of the Policy.

Version	Release Date	Author	Reason for Change
1	XX/XX/2023	Senior Planner	New document