

Alderman Simon Behrakis

HOBART CITY COUNCIL

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19 July 2019

The Secretary
Select Committee on Housing Affordability
House of Assembly
Parliament House
Hobart TAS 7000

Dear Committee members,

This submission is for the consideration of the Select Committee on Housing Affordability.

It is clear that our state, particularly the south, is experiencing growing pains that have driven housing prices disproportionately high, (at every price point). This has resulted in many Tasmanians facing difficulties in securing stable housing, particularly the most vulnerable in our community on low incomes and others classified as “at-risk”.

Fully accepting the role that social and public housing plays in assisting the most vulnerable in our community to have a home and alleviate housing stress for those living under or near the poverty line, it seems clear that the extreme pressure faced by social housing providers is symptomatic of severe undersupply in the broader housing market.

In 2018, the Hobart City municipality alone saw an increase in population of 783 people¹. In the same year the City of Hobart issued only 108 Building Permits for new dwellings, totalling 136 new houses². With the 2016 Census reporting an average people per household of 2.3³, which equates a short supply just in 2018 of 471 people, or 204 dwellings.

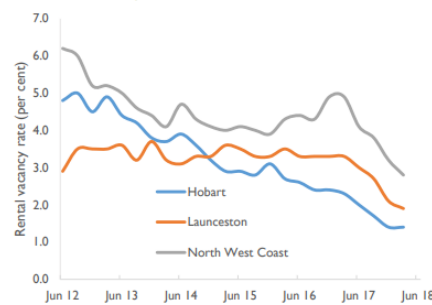
With current housing approval rates, this trend is worsening rather than improving, as evidenced by the vacancy rates in Hobart from 2012 to 2016:

¹ *Regional Population Growth*(ABS Cat No 3218.0), Department of Treasury, March 2019,
<https://www.treasury.tas.gov.au/Documents/Regional-Population-Growth.pdf>

² Response to Question without notice from Alderman Behrakis on Building Permits, Council Planning Committee, 12 February 2019, Appendix 1

³ Hobart (Local Government Area), 2016 Census QuickStats,
https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA62810?opendocument

Chart 8: Vacancy rates in Tasmanian regions
Per cent, June quarter 2012 to March quarter 2018



Source: REIT Property Update, quarterly reports.

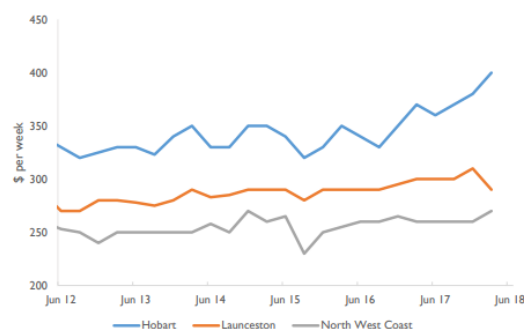
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This shortage of available homes has led to rental prices in Hobart in some cases increasing by up to 50% in one hit⁵. The *March 2019 Domain Rental Report* reports that:

“The cost of renting a house in Hobart is now higher than Melbourne. In two short years, house rents have gone from the most affordable to surpassing Adelaide, Perth, Brisbane and Melbourne. At the same time, unit rents have surged passed Adelaide and Perth, and are now on par with Brisbane. Rental affordability is being pushed to its limits in Hobart.”⁶

The Greater Hobart Area has seen the median weekly rental price for a three-bedroom house rise by 8.1% between 2017Q1 to 2018Q1⁴, and 7.1% from 2018Q1 to 2019Q1⁶.

Chart 2: Median rental price for three-bedroom houses in Tasmanian regions
\$ per week



Source: REIT Property Update, quarterly reports.

It should be emphasised that the previously referenced deficit in housing of 204 is not the magic number than needs to be built to address the issue; rather it is simply the break-even point that should have been met in 2018 just to prevent the shortage of supply from compounding. To make any meaningful progress on increasing the supply of housing stock, and to bring the cost of housing back to equilibrium levels, the number of houses needed to be built needs to be well in excess of that.

⁴ Housing rental market trends in Tasmania - analysis of recent trends and assessment of data quality, Department of Treasury, June 2018, <https://www.treasury.tas.gov.au/Documents/Housing%20Rental%20Market%20Trends%20-%20Information%20Paper.pdf>

⁵ As Hobart's rental prices surpass Melbourne's, Gayle ponders 'how in the world' she can afford it, ABC News, April 2019, <https://www.abc.net.au/news/2019-04-11/hobarts-rental-prices-surpass-melbournes/10990532>

⁶ March 2019 Domain Rental Report, March 2019, <https://www.domain.com.au/research/rental-report/march-2019/#hobart>

This lack of supply is prevalent at all price points in the market. With higher priced “luxury” housing in high demand from those migrating into the City for business or work, the lack of supply on this end of the market means those on higher incomes are left to purchase the “next best thing” - either buying up medium priced housing or gentrifying surrounding suburbs, and so on.

This roll on effect has resulted in many Tasmanians who are gainfully employed being completely priced out of the market and unable to afford long term accommodation without assistance.

As CEO of Colony 47, Danny Sutton states:

“Whilst the role of government has always been to provide social housing for those most in need, private property owners and community housing providers have also played their part in providing low cost housing as required.

With the demand for social and affordable housing outstripping supply in recent years, there should continue to be a role for private and community housing providers to provide additional stock at an affordable price.

All levels of government should therefore, not only consider their direct investment in housing but how they can facilitate other non-government investors and housing providers to deliver housing efficiently and at a price point that is affordable to low income households.”⁷

Whether or not the current supply of social housing is at appropriate equilibrium levels, if the broader private sector housing market is undersupplied as is currently the case, many low income Tasmanians are finding themselves priced out of the property and rental markets.

This results in a disproportionate number of people who are otherwise employed and self-sustaining, requiring assistance from the Government or private service providers such as Colony 47, TasCOSS and Shelter Tasmania. This excessive demand for public and social housing restricts these organisation’s ability to service those who need assistance the most. In short, with such an extreme shortage of housing, no amount of public or social housing will suffice.

What is needed to address this imbalance in the private housing market is a change of tack in how the State Government, through the Planning Commission and the State Planning Scheme, Local Governments in their capacity as the local planning authorities, and developers work together to reform the planning system in a way that facilitates the growth that is so desperately needed.

When circumstances arise such as the Development Application of 58 Harrington Street, colloquially known as the “Welcome Stranger Development”, which was recommended for approval under every criteria of the Planning Scheme aside from heritage (on a non-heritage listed site), and the heritage code’s priority over many of the other components of the Scheme, it is clear that the current policy settings are in need of reassessment.

There is a clear failure at the Local Government level to properly address the issues facing us when acting as a planning authority. So much so that developments that could be approved in accordance with discretionary components of the Planning Scheme are rejected, and the subjective wording of the criteria used to shirk any responsibility for the decisions of elected members.

⁷ Email sent Thursday 18 July 2019, Danny Sutton, CEO Colony 47, Appendix 2

These comments should not be taken to mean that heritage protections, or any other protections within the scheme such as privacy, right to sunlight etc. are not important, rather there needs to be a greater level of sophistication in balancing these protections as well as the need to allow our State's Cities to grow to meet demand.

Due to its geography and its status as the Capital City – which brings with it high immigration compared to other municipalities - Hobart faces some very unique challenges compared to other municipalities in Tasmania. Being straddled by Mt Wellington on one side, and the Derwent River on the other, as we rapidly run out of underdeveloped or greenfield land, we lose our ability to expand outwards.

The very obvious solution to this challenge is to utilise our vertical real estate and build higher density, taller buildings. Aside from the increased efficiency of pedestrian travel, public transport and other infrastructure compared to the alternative option of urban sprawl, better utilising vertical space increases the options to deliver housing to address this shortfall in supply.

This is quite the topical issue, as the City of Hobart currently debates which height limits to recommend to be implemented into the State Planning Scheme. Not without good reason either. There are important aspects of our City, such as Mt Wellington, the Derwent River and some of our iconic historical buildings that need to be visually accessible should we wish to maintain the character of the city. The fantastic work undertaken by Leigh Wooley⁸ has informed this discussion of the important view lines to protect visual access to those important points of our city. This discussion does need to be tempered however by the reality that we are a City without the ability to expand horizontally. Restricting how much the City is able to expand vertically will also consequently restrict its ability to meet increasing demand, and therefore meet the shortfall in housing supply.

This also fails to mention the commercial realities of large scale developments. As land prices continue to rise, it becomes increasingly necessary to achieve a certain physical size (and by extension, height) to achieve the economies of scale required to allow for the viability of affordable housing projects.

For a development to be viable -let alone affordable- it needs to be of sufficient size to spread the fixed costs (such as land costs) across a number of lots. There is also a requirement from banks for a certain expected margin for the project to receive finance. At too small a scale, the price per unit is such that there is insufficient demand to sell the development. The result is the projects never eventuate, or result in prices that are unattainable by many Tasmanians.

There are many projects that have been approved by the Planning Authority, but to due the lack of requisite scale, have been struggling to sell apartments because of prices dictated by construction and land costs. In many cases, such as the development at 58 Harrington Street, as the developers have publicly suggested, to build within the suggested heights is simply unviable. The result of which will likely be zero homes built because a project gets mothballed, instead of 58 units that could house 165 people.

⁸ Building Heights Standards Review, Leigh Wooley, June 2018, <https://www.hobartcity.com.au/files/content/public/projects/current-projects/building-height-standards-review/building-height-standards-review-l-woolley.pdf>

With amendments to the Statewide Planning Scheme currently under consideration, we stand at an opportune time to assess the priorities of our planning rules, and to improve the level of sophistication in how the criteria of the scheme are assessed. This is the opportune time to consider incentives for affordable housing to be implemented, such as flexibility in going outside the building amenity envelope, or height bonuses in exchange for a percentage of the development being allocated to affordable housing.

Either due to the lack of flexibility as a planning authority and the statutory requirements of administering the planning scheme, or a lack of will or understanding of the issue, or both, it is clear that meaningful change should not be expected from the Local Government level in addressing the serious lack of supply in the long term, that is placing significant upwards pressure on housing costs. What are clearly needed are changes in the Planning Scheme that can only be legislated by the State Parliament.

Addressing the issue of housing affordability in the long term requires a change of tack in how both the State and Local Governments work with those that build the homes that are desperately needed. In the absence of responsible Local Government representatives making decisions that put public need before elitist views on aesthetics, it is clear that leadership is required at the State Government level to better balance the needs of our State as we look towards the future, lest the most vulnerable in our community be left behind.

Yours sincerely,

Alderman Simon Behrakis
City of Hobart
GPO Box 503
Hobart Tasmania 7001



City of **HOBART**

Memorandum: Lord Mayor
Deputy Lord Mayor
Elected Members

Response to Question Without Notice

BUILDING PERMITS

Meeting: City Planning Committee

Meeting date: 12 February 2019

Raised by: Alderman Behrakis

Question:

On the 2 February 2019, a news article was published in the Mercury regarding Housing affordability and lack of housing supply which contained a quote from the Lord Mayor (under the context of explaining the efforts the Council has undertaken to address the issue) that "Council statistics showed that in the 12 months from January to December 2018, 648 building permits were issued by the Council"

- 1) Can the Planning Director please inform the Council on how many of those building permits were for new dwellings?
- 2) Can the Planning Director please provide to the Council a breakdown of the 648 building permits in question and what purposes they were issued for? (i.e. how many were issued for new dwellings, how many for balconies or driveways etc).

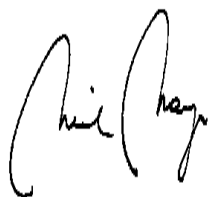
Response:

- 1) There were 108 building permits for new dwellings/multiple dwellings, totally 136 new houses.
- 2) The 648 building permits issued in 2018 were made up of the following categories:

| Category | Number of Applications |
|---------------------------------------|-------------------------------|
| Carport/Garage | 22 |
| Change of Use to Commercial Premises | 11 |
| Change of Use to Residential Property | 11 |
| Commercial Extension | 25 |

| | |
|----------------------------------|-----|
| Commercial Internal Alterations | 150 |
| Deck | 28 |
| Demolition | 10 |
| Dwelling/Multiple Dwelling | 108 |
| House Extension | 107 |
| Residential Internal Alterations | 149 |
| Solar Panels | 27 |

As signatory to this report, I certify that, pursuant to Section 55(1) of the Local Government Act 1993, I hold no interest, as referred to in Section 49 of the Local Government Act 1993, in matters contained in this report.



Neil Noye
DIRECTOR CITY GROWTH

Date: 20 March 2019
File Reference: F19/18882; 13-1-10

Appendix 2

From: Danny Sutton <dannys@colony47.com.au>
Date: 18 July 2019 at 8:15:56 pm AEST
To: Ald Simon Behrakis <ald.behrakis@hobartcity.com.au>
Cc: N'didi Okwechime <ndidio@colony47.com.au>
Subject: Housing Discussion

Dear Alderman Behrakis

Thank you for the opportunity to discuss the need for a whole of housing system approach when considering the needs of the people who are most disadvantaged in our community.

At a time when the cost of housing and the rents are increasing the people who have the lowest incomes are often those most disadvantaged.

If the housing market is working properly then the housing needs of different clients can be planned for and delivered so people are not put in housing stress or made homeless.

This planning and delivery of the right housing stock, at the right price, in the right place at the right time is a function of good planning, design and development of suitable housing.

Whilst the role of government has always been to provide social housing for those most in need, private property owners and community housing providers have also played their part in providing low cost housing as required.

With the demand for social and affordable housing outstripping supply in recent years, there should continue to be a role for private and community housing providers to provide additional stock at an affordable price.

All levels of government should therefore, not only consider their direct investment in housing but how they can facilitate other non-government investors and housing providers to deliver housing efficiently and at a price point that is affordable to low income households.

Regards

Danny Sutton
Chief Executive
Colony 47