

EVIDENCE REPORT

Affordable Rental Housing - Rhodes East

Prepared for **City of Canada Bay**

September 2017

HillPDA
CONSULTING

QUALITY ASSURANCE

Report Contacts

MARJORIE FERGUSON

*M Economic History (Hons). Grad Dip Urban and Regional Planning.
Grad Dip Leisure Studies. MPIA CPP*

Principal

Marjorie.Ferguson@hillpda.com.

Supervisor

ADRIAN HACK

M. Land Econ. B.Town Planning (Hons). MPIA

Principal Urban and Retail Economics

Adrian.Hack@hillpda.com.

Quality Control

This document is for discussion purposes only unless signed and dated by a Principal of HillPDA.

Reviewed by:



Dated 12 September 2017

Report Details

Job Ref No: C17076

Version: Final

File Name: Evidence Report - Affordable Rental Housing Rhodes East

Date Printed: 12/09/2017

CONTENTS

Executive Summary	8
Mechanism for Delivering Affordable Housing	9
Contribution Tools	10
Monetary Contribution.....	10
Dwelling in-kind contribution	13
Land Contribution	14
Overview of Contribution Tools.....	16
Recommendations.....	18
Management of the affordable housing portfolio	19
1 Introduction.....	24
2 definitions	25
3 Affordable housing	27
3.1 Background	27
3.2 What is affordable rental housing?.....	29
3.3 How is affordable housing different to social housing?.....	31
4 The need for affordable housing in the City of Canada Bay.....	32
4.1 Affordable housing stock in the City of Canada Bay	32
4.2 Income analysis	35
4.3 Household income, mortgage and rental payment	36
4.4 Housing mortgage and rental stress	37
4.5 Strata dwelling sale and rental price movements within the City of Canada Bay	40
4.6 Rental housing affordability.....	41
4.7 Employment indicators	45
4.8 Location of employment for Canada Bay resident workers.....	47
4.9 City of Canada Bay's workers' place of residence.....	48
4.10 Homelessness.....	49
4.11 Key (essential) workers	49
4.12 Key findings - what does this all mean?	50
5 Opportunity for affordable housing delivery in Rhodes East.....	53
5.1 Rhodes East Priority Investigation Area	53
6 The role of government in affordable housing delivery	55
6.1 The Commonwealth.....	55
6.2 State Government.....	56

6.3	Local Government	60
7	Methodologies for calculating contributions	68
7.1	Monetary Contribution	69
7.2	Dwelling in-kind contribution.....	73
7.3	Land Contribution	75
7.4	Excluded development.....	77
7.5	Applying additional provisions on the same site	77
8	Overview of Each contribution methodology	79
8.1	Overview	80
9	affordable housing principles	83
10	Administrative matters.....	84
10.1	Inclusion of provisions for Rhodes East in State Environmental Planning Policy 70, Affordable Housing	84
10.2	Conditions of Consent	84
10.3	Management of the affordable housing portfolio	85
11	Recommendations.....	90
11.1	Preferred Contribution Mechanism	90
11.2	Management of the affordable housing portfolio	90
11.3	Eligibility of Tenants	92
11.4	Resourcing the Affordable Housing Program.....	93
11.5	Miscellaneous.....	94
	Appendix A: infill affordable rental housing	95
	Appendix B: Boarding Houses Canada Bay	96
	Appendix C: Special infrastructure contributions	98
	Application of a Special infrastructure Contribution within Rhodes East	99
	Nature of contribution:.....	100
	Level of Contribution rate.....	100
	Reasons for level and nature of the special infrastructure contribution	101
	Conditions of consent.....	102
	Methodology for calculating contribution under a SIC contribution	102
	Monetary Contribution.....	102
	Dwelling In-Kind contribution.....	106
	Appendix D: Feasibility Assessment rhodes east	110
	Appendix E: residential market research rhodes east	114

TABLES

Table 1: Contribution Mechanism Overview	16
Table 2: Definitions	25
Table 3: Affordable Housing Principles	28
Table 4: The Housing Supply Continuum	29
Table 5: Household income – quartile group dollar ranges.....	35
Table 6: Number of households experiencing mortgage stress	38
Table 7: Number of households experiencing rental stress	38
Table 8: Proportion of rental stock that is affordable	39
Table 9: Median household income Greater Sydney (2016 Census) .	42
Table 10: Very low-income band household affordability against Greater Sydney median household income.....	43
Table 11: Low-income band household affordability against Greater Sydney median household income	44
Table 12: Moderate-income band household affordability against Greater Sydney median household income.....	45
Table 13: Occupation of employment.....	47
Table 14: Employment location of resident workers.....	48
Table 15: Residential location of local workers by SLA.....	48
Table 16: Contribution Mechanism Overview	79
Table 17: Maximum household income for the eligibility of affordable housing 2016-17.....	86
Table 18: Affordable rental housing approvals.....	95
Table 19: Boarding house approvals	96
Table 20: Generable registrable boarding house register City of Canada Bay.....	97
Table 21: Contribution per dwelling:	104
Table 22: Contribution of GFA for dedication.....	107
Table 23: Results	112
Table 24: Shepherds Bay, Bowden, Belmore, Church & Waterview Streets;	115

Table 25: Marina Square, 4 Waterways, Wentworth Point 116

Table 26: Tagia, Wentworth Point NSW 2127 117

Table 27: Jewel 1 Burroway Road Wentworth Point 118

Table 28: The Address, Hill Road, Wentworth Point..... 120

Table 29: Wentworth Point Marina, 11 Wentworth Place, Wentworth Point 121

Table 30: Spring Homebush: 22-24 Smallwood Avenue, Homebush 122

Table 31: Breakfast Point - 19-21 Tennyson Road, Breakfast Point. 123

FIGURES

Figure 1: Expected waiting time for social housing 33

Figure 2: Household income quartiles 2016 35

Figure 3: Change in household income quartile, 2006 to 2016 36

Figure 4: Household income, mortgage and rental repayments 2006 and 2016..... 37

Figure 5: Strata median sale values 1991-2016 (\$,000)..... 40

Figure 6: Apartment weekly rental growth 1991 to 2016 41

Figure 7: Employment status 2011 46

Figure 8: Rhodes East Investigation Area (outlined in red)..... 53

Note: In the development of this Evidence Report, reference is made to work undertaken by the City of Sydney in the creation of their Affordable Housing Programs.¹ The City of Sydney has successfully run their Programs for a number of years and their documents have provided a beneficial reference point for this project.

¹ Green Square Affordable Housing Program, City of Sydney 2012, Employment Lands Affordable Housing Program, March 2015, draft Central Sydney Affordable Housing Program and draft City of Sydney Affordable Housing Review.

LIST OF ABBREVIATIONS

ABS	Australian Bureau of Statistics
DP&E	NSW Department of Planning and Environment
GFA	Gross Floor Area
LEP	Local Environmental Plan
LGA	Local Government Area
NLA	Net Lettable Area
SEPP	State Environmental Planning Policy
Sqm	Square metre

EXECUTIVE SUMMARY

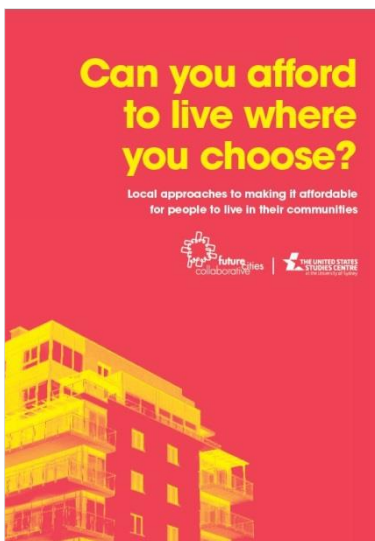
The purpose of this Evidence Report is to support the City of Canada Bay in its desire to deliver a 5% affordable rental housing target for key workers within the Priority Precinct of Rhodes East.

Specifically, this Report, along with the Affordable Housing Program and updated Affordable Housing Policy will be crucial in calculating and justifying the affordable housing contribution rates and the delivery mechanisms available to Council and developers.

The increasing lack of affordable rental housing in the City of Canada Bay has become a substantial issue for Council. The Reserve Bank of Australia's Bulletin, September Quarter, 2015 includes an article that outlines long-run trends in Australian housing price growth². The article concluded that since the mid-2000s, there was a stabilisation of debt-to-income levels, but also a prolonged period of strong population growth – underpinned by high immigration – and smaller household sizes that led to increases in underlying demand exceeding the supply of new dwellings. One important factor for housing price growth is the ability of the supply of new dwellings to respond to changes in demand. As the authors stated, “the significance of this is made clear by the recent increases in higher-density housing and lower growth of those prices relative to prices of detached houses, whose supply has been less responsive”³.

In addition to the increase in population and lack of housing supply, is that the redevelopment of land, such as in Rhodes East, is likely to produce upward pressure on property values. This effect of urban renewal is highlighted in a report, *Can you afford to live where you chose?*, prepared by the University of Sydney. Unless there is intervention to support the provision of designated affordable housing, urban renewal is likely to push existing high purchase prices and rents further out of reach of very low to moderate income households⁴.

This Study has established that there is a need for affordable rental housing stock. Of the 9,926 households within the City of Canada Bay in 2016, that were renting, 4,249 households or 42% were



² Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015*

³ Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015*

⁴ Future Cities Collaborative, The United States Studies Centre, University of Sydney, 'Can you afford to live where you choose 2015

experiencing stress. That is, 42% of households were paying 30% or over of their household income on their rental repayment.

In particular, households on very low or low incomes could not afford to rent a 1 or 2 bedroom apartment in the City of Canada Bay. People on a moderate income could afford to rent a 1 bedroom and 2 bedroom apartment. However renting a 2 bedroom apartment would take 30% of a moderate household income, which may become problematic if rents increase but wages stay static.

This lack of affordable rental housing has the effect of skewing the population of the City of Canada Bay whereby lower income households are denied entry to living in the area. This has the knock on effect of reducing a socially diverse and healthy community and access to key workers. In addition this may result in the following costs to business and the wider community:⁵

- Local industry will face additional costs with consequent impacts on competitiveness (e.g. job retention, recruitments costs etc.);
- Workers face additional costs in the form of transport or housing, resulting in a fall of disposable income;
- There is a significant net migration out of the area of younger people. This age cohort is leaving family, friends and community networks to move to areas with lower priced housing and better access to jobs, education and entertainment; and
- Workers may change their place of work to be closer to home, further reducing the labour force pool available to support the local economy and community.

Mechanism for Delivering Affordable Housing

The Report outlines the roles and responsibilities of each tier of government and the mechanisms that currently are available to councils for the delivery of affordable housing contributions.

The City of Canada Bay has made application to the Department of Planning and Environment for inclusion into State Environmental Planning Policy 70, Affordable Housing (Revised Schemes) and it is assumed that this will be the method of delivery for Council.

This SEPP identifies need for affordable housing in a nominated area. A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is

⁵ Affordable Housing Discussion Paper and Action Plan, Warringah Council, Nov 2015

authorised by a statutory plan, such as a Local Environmental Plan. This means that affordable housing provisions will need to be included in the Canada Bay Local Environmental Plan 2013.

Contribution Tools

HillPDA has developed the tools to calculate affordable housing contributions using three contribution mechanisms including:

- monetary contribution;
- dwelling in-kind contribution; and
- land contribution.

These tools have been developed on the assumption that the City of Canada Bay will be included in SEPP 70, Affordable Housing (Revised Schemes), as outlined above.

These tools will support the implementation of affordable housing contribution mechanisms. Commentary has been provided around the implementation of each tool and rationale of how and when it should be utilised.

All residential development, including a change of use to the existing floor area from a non-residential purpose to a residential purpose, within Rhodes East other than excluded development, will be required to make contribution towards affordable housing. Excluded development will be identified further in this Report.

The rate of contribution that has been established for Rhodes East⁶ is:

- Five (5) per cent of gross floor area that is to be used for residential land uses.

Monetary Contribution

Overview of methodology

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in Rhodes East for affordable housing. This cost is estimated to be \$11,500 per square metre of internal saleable area. This cost is supported by the market evidence provided in the Rhodes East Property Market Appraisal and Development Feasibility Report, undertaken by HillPDA in July 2016.

⁶ HillPDA, Rhodes East Property Market Appraisal and Development Feasibility Report, July 2016

The market research extracted from this Report can be found in Appendix E.

To convert to a dollar per square metre rate of Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. GFA is as defined in the Canada Bay LEP 2013. The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500) multiplied by efficiency ratio (85%) multiplied by an affordable housing ratio (5%) equals the required affordable housing contribution per square metre of gross floor area.

$$\$11,500 \times 85\% \times 5\% = \$488.75/\text{sqm}.$$

The recommended contribution rate (CR) is therefore \$488.75/sqm

Tool to calculate contribution amount (including indexation)

Residential development calculation:

Monetary contribution provision:

= Contribution rate multiplied by gross floor area

= CR x GFA

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

$$= \$488.75 \times 8,000\text{sqm}$$

Total payable contribution = \$3,910,000.00

Mixed-use development calculation:

Subtract the non-residential gross floor area from the total building gross floor area to determine the residential gross floor area

Therefore: Total GFA - non-residential GFA = residential GFA

Monetary contribution provision:

= contribution rate x residential gross floor area

= CR x RGFA

Mixed-use development example:

A development application for a new 8,000sqm mixed use development comprising 7,000sqm of residential GFA and 1,000sqm of non-residential GFA.

= 8,000sqm - 1,000sqm = 7,000sqm residential GFA

= 7,000sqm x \$488.75

Total payable contribution = \$3,421,250.00

Adaptable Use

A change of use of an existing non-residential use to a residential use would attract an affordable housing contribution (e.g. warehouse conversion).

Monetary contribution provision:

= contribution rate x converted residential gross floor area

= CR x RGFA

Adaptable use development example:

A development application for a conversion of an existing commercial/industrial space to residential GFA

1,000sqm of converted GFA

= 1,000sqm x \$488.75

Total payable contribution = \$488,750.00

Indexation

Contribution rates would be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates will be adjusted with reference to movement in the median price for strata dwellings in the City of Canada Bay LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In the situation where the release of the Rent and Sales Report is delayed, rates would be updated as soon as possible.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The City of Canada Bay's website would display the current rates for the Affordable Housing Program.

Dwelling in-kind contribution

Overview of methodology

Dwellings in-kind provision (dedication) would be calculated on the gross residential floor area of the relevant development. The 5% affordable housing contribution is calculated against the residential gross floor area to identify the number of dwellings required for dedication.

It is recommended that the gross floor area of a dwelling must be greater than fifty square metres (50sqm). Community Housing Providers contacted during the development of this Report indicated that small apartments such as studios are difficult to rent, excepting in the Sydney CBD.

Where there is a balance deficit of more than 1 sqm, the full balance of the contribution is to be paid as a monetary contribution. Only completed dwellings are to be dedicated.

The dwellings to be dedicated to the City of Canada Bay are to be identified on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

Tool to calculate contribution amount

Gross floor area x 5% = required affordable housing square metre provision.

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

= 8,000sqm x 5%

= 400sqm affordable housing GFA required to be dedicated

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed, in full, in section 6.1 of this Report.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer. Each affordable housing dwelling is required to have a gross floor area of 50sqm or greater.

Land Contribution

Overview of methodology

Land dedication assessment would need to be undertaken on a site by site basis. Land would need to fulfil the suitability criteria for land dedication as outlined in full in section 6.3 of this Report and be subject to an independent valuation.

Additionally, land value would vary dependent on the location and suitability of the site.

Tool to calculate the land contribution

The land value would need to be equivalent or more than the required affordable housing monetary contribution value. Therefore the monetary contribution methodology (outlined in Section 6.1) would need to be applied to calculate the equivalent land value.

- Step 1: calculate equivalent monetary contribution amount for relevant development, therefore: \$488.75 x total residential GFA.
- Step 2: seek independent valuation of land parcel nominated for dedication.
- Step 3: determine if nominated parcel meets the criteria outlined in Section 6.3.3.

- Step 4: determine if land value meets or exceeds monetary contribution amount.
- Step 5: if land is appropriate for dedication, it should be identified on a subdivision plan and approved by Council.
- Step 6: the land title can be transferred to Council following registration with the Land Titles Office.

If the land value is less than the equivalent monetary contribution, Council can either choose to not accept the parcel of land or choose to accept the land parcel with an additional monetary contribution.

Where the land value exceeds the monetary contribution equivalent, the value exceeding the rate would not be provided back to the applicant.

Criteria for land dedication

The following criteria have been identified for determining land suitable for dedication for affordable housing. The land must:

- be greater than 1,000sqm;
- have a minimum dimension in any one direction of 20 metres;
- be no greater than 1:7 gradient;
- be within 400m of bus stop or 800m of rail station;
- not be contaminated or remediated to an extent that it is certified for residential development;
- be free of flood constraints;
- be a safe and accessible location for residents; and
- have the capacity to be appropriately integrated into the community of Rhodes East.

Excluded development

There are a few categories of development which are considered exempt from the payment of affordable housing contributions. This is similar to the approach taken by both the City of Sydney and Willoughby City Council in their affordable housing programs and has been adapted for use by the City of Canada Bay. These exclusions are included in a Local Environmental Plan. The following is recommended to be excluded development:

- non-residential land as there is a lack of nexus - that is, commercial space does not generate increased demand for affordable housing. Secondly the viability of commercial space is

often difficult (half the end sale value of residential) and the cost of an affordable housing contribution would undermine feasibility further;

- alterations to an existing building resulting in the creation of less than 200sqm of residential floor space;
- alterations or additions to existing residential floor area that cost less than \$50,000;
- development that is for the purposes of residential accommodation that is used to provide social or affordable housing; and
- development for the purposes of community facilities, public roads or public utility undertakings.

Overview of Contribution Tools

The following Table outlines the pros and cons for each one of the three proposed mechanisms presented above and in full in Chapter 6. Each mechanism has the potential to deliver affordable rental housing.

Table 1: Contribution Mechanism Overview

Contribution Mechanism	Pros	Cons
Monetary contribution	<ul style="list-style-type: none">■ Creates opportunity to buy affordable housing 'off the plan' in more suitable developments e.g. cheaper strata fees.■ Creates a pool of money which can be invested for additional affordable housing.	<ul style="list-style-type: none">■ Does not contribute to Council's asset portfolio.■ Money is not committed for expenditure on affordable housing in Rhodes East and may be delivered in other locations across the LGA.■ Delays in the delivery of affordable housing e.g. finding suitable accommodation, in the right location at the right price point.■ The management of finance and expenditure of funds on suitable dwellings will be resource intensive.■ In-house property management skills may be required.■ Potential complication regarding administrative arrangements for transferring money from State to Council in a timely manner if the contribution is collected through a Special Infrastructure Levy.

Contribution Mechanism	Pros	Cons
Dwelling in-kind	<ul style="list-style-type: none"> Directly contributes to the delivery of affordable housing. Asset owned by Council. Delivers affordable housing within the Rhodes East Priority Area. Still retains the flexibility to sell the asset if not appropriate or if strata premiums are considered too high. The delivery of affordable housing in Rhodes East ensures good access to services, employment and public transport. Enhances integration of affordable housing with private dwellings outcomes rather than clustering them in one building. Less resource intensive as management is transferred to a CHP. 	<ul style="list-style-type: none"> There is potential that affordable housing provided in high-end buildings will incur expensive strata fees which may be unsustainable over the longer term. Management of the 'life-cycle' of dwellings so that assets remain suitable for their use. Distribution of affordable housing across multiple buildings can create management inefficiencies.
Land in-kind	<ul style="list-style-type: none"> Council obtains a land title. Land can be sold if not suitable. Opportunity to undertake a joint venture project to deliver more affordable housing in Rhodes East. 	<ul style="list-style-type: none"> Quality and suitability of land for affordable housing may vary. Although an asset in Council ownership, it does require development to deliver on the affordable housing objective. Financing constraints for the funding of development may result in delivery delays of affordable housing. A development project is resource intensive and Council is unlikely to have appropriate in-house skills to deliver a project. May require partnering with an outside investor, which reduces the control Council has over the project. Developers are unlikely to sell 'valuable' developable land in Rhodes East. Any future development may be constrained by dedication of the land for affordable housing, reducing the appeal and opportunity for joint venture development or to leverage off private apartment sales or rent.

The Report provides overview commentary and a comparable analysis of the three contribution methodologies.

In summary, following the analysis this Report suggests that receiving and retaining ownership of dwellings in-kind would be the preferred option for Council to implement. This is on the understanding that there will be times when the developer and/or Council may wish to provide/take monetary contributions. The dedication of land is considered the least desirable option and one that would be used in exceptional circumstances.

Recommendations

Chapter 10 outlines the recommendations, based on the evidence provided in this Report for the development of the Rhodes East Affordable Housing Program and for future discussions with the Department of Planning and Environment.

Preferred Contribution Mechanism

The preferred mechanism for receiving affordable housing contributions as outlined in full in section 6.2 of this Report would be the dedication of dwellings to Council, however it is recognised that this may not always be possible and the developer may choose to give a monetary contribution. Council may also consider that the proposed dwellings are not in a good location or that the building has expensive strata fees.

The main reasons for recommending dedication of dwellings is as follows:

- The completed affordable housing would be delivered in a reasonable timeframe after construction;
- One of the main advantages of receiving dwellings in-kind is that affordable housing would be located in the Rhodes East renewal area, maintaining a socially diverse population. Additionally, Rhodes East would provide affordable housing residents with good access to services, employment and public transport;
- As assets age a percentage of the portfolio can be sold for newer stock, provided they are used for the purpose of affordable housing; and
- The cash flow from assets (rent) can be managed to remain in slight surplus provided the mix of income bands (very low, low

and medium) can be adjusted over time by Council. The rent revenue should not be less than 55% of market rent.

Council would still be able to (and should) take money contributions in situations where affordable dwellings were considered to be unsuitable or where there is dedication of dwellings in deficit of more than 1sqm. The full balance of the gross floor area is then paid as a monetary contribution.

Management of the affordable housing portfolio

The retention of ownership by Council is supported with the everyday management of the affordable housing portfolio transferred to either a Tier 1 or 2 registered Community Housing Provider, such as Bridge Housing. CHPs have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council.

In order to ensure the financial sustainability of the housing portfolio the following is recommended:

Rent Setting

The affordable housing would be rented out in accordance with the provisions of SEPP 70 to very low, low or moderate income households. SEPP 70 defines “affordable housing” as:

*For the purposes of the definition of **affordable housing** in section 4 (1) of the Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income, for the time being, for the Sydney Statistical Division according to the Australian Bureau of Statistics:*

<i>Very low income household</i>	<i>< 50%</i>
<i>Low income household</i>	<i>50% to <80%</i>
<i>Moderate income household</i>	<i>80% to <120%</i>

Relevant median income – the median household income for the Sydney Statistical Division or the Balance of NSW Major Statistical

Region (depending on where a household is located) as reported by the Australian Bureau of Statistics⁷.

As a general rule of thumb housing is considered affordable if it costs less than 30% of gross household income.

Recommended Tenant Mix within the Affordable Housing Portfolio

It is acknowledged that the proposed Affordable Housing Program must stay sustainable in the long term with the rents used to meet management and maintenance costs. Additionally, any surplus funds would be invested to provide additional affordable dwellings.

It is recommended that:

- Council manage the mix of tenancy bands to a mix of very low, low and moderate that results in affordable dwelling rent revenue not less than 55% of market rent;
- Council undertake an analysis to determine the optimum mix of tenancy bands to ensure long term financial viability of the affordable housing program that results in affordable dwelling rent revenue of not less than 55% of market rent; and
- Council advises the CHP to restrict tenancies to a fixed term (suggested 3 years for most cohorts excluding aged) and then reassesses. If a tenant's income becomes substantially lower (e.g. unemployed) they may be eligible for social housing. Equally, if a household's income increases it may be possible to transition the household to market housing. A fixed term can allow for this transition in an orderly manner. An annual review of eligibility should remain.

On-going Financial Management

The rents from the Affordable Housing Program would fund the ongoing management and maintenance of the portfolio. In order to keep the Program unsubsidised it is recommended that:

- Council must classify the dedicated dwellings as operational land within three months of receiving land title. This is to ensure that dwellings can be easily sold if they are not suitable or becoming too expensive to manage and maintain;

⁷ As defined in the Housing Regulation 2009.

- Council must monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements;
- Council should set up a special sinking fund for internal dwelling maintenance costs such as replacement of carpets, fixtures and painting. This should be about 5% of revenue. This fund would also cover tenancy make good works;
- Funds gained from the sale of affordable housing stock must be used for new affordable housing. In addition dwellings that are sold should be replaced within 12 months of sale to safeguard that the affordable portfolio is not substantially diminished; and
- Council should wherever possible replace an affordable housing dwelling in the same location. If this is not possible Council should seek locations which are close to services, transport and employment within the LGA.

Eligibility of Tenants

In line with Council's desire to provide affordable housing for key workers, it is recommended that the eligibility criteria be aligned with ABS Industry Sectors for Essential Industries:

- Electricity, gas, water and waste services;
- Public administration and safety;
- Transport, postal and warehousing;
- Education and training;
- Healthcare and social assistance;
- Accommodation and food services; and
- Retail trade.

It should be noted that there are other lower income households who may be experiencing housing stress apart from key worker households. These include single parent families and retirees/aged who do not qualify for social housing but are located in the income bands shown in Table 6 of this report. These households would qualify for affordable housing and would equally contribute to the social diversity of the LGA.

It is recommended that Council give future thought to expanding the eligibility criteria for other qualifying households apart from 'key workers' for affordable housing in the City of Canada Bay.

Resourcing the Affordable Housing Program

Council's Affordable Housing portfolio would continue to be managed by a Community Housing Provider. Notwithstanding this arrangement, Council would need to monitor the ongoing performance of the Program to ensure its long term sustainability.

It is recommended that Council set up a Program Steering Committee consisting of staff from planning, community development, property and finance. It may also be prudent, from time to time to include a representative from the Community Housing Provider. The City of Sydney runs such a committee which meets as and when required but a minimum of twice per calendar year. The types of matters to be considered by the Committee should be, but not limited to:

- preparing advice and recommendations to Council in relation to management of the Affordable Housing Program;
- determining the suitability of proposed dwellings (or land) in-kind during development assessment;
- providing advice to the CHP when new stock is to be made available for tenancy;
- ensuring that new dedicated dwellings are classified as operational within three months of Council receiving title;
- monitoring the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer);
- making decisions in relation to the sale of affordable dwellings and their replacement; and
- Identifying the mix of tenancy bands, setting fix term leases and the eligible tenants to be housed.

Miscellaneous

The proposed Rhodes East urban renewal program will deliver approximately 150 – 200 affordable dwellings for dedication to Council.

It is recommended that Council develop a Rhodes East Affordable Housing Program to provide additional provisions and more detailed information about the Program. It is envisaged this will include such matters (but not limited to):

- History, background and rationale for the Program;
- The statutory framework for the Program;
- Affordable Housing provisions; including the calculation of the contributions, indexation and excluded development; and
- How to make Affordable Housing contribution - dedication and monetary.

It is further recommended that the City of Canada Bay's Affordable Housing Policy be amended to reflect the findings of this Report in relation to Rhodes East.

“We have a crisis on our hands.....Affordable housing is part of the bedrock of what makes New York City work. It’s what underpins the economically diverse neighbourhoods New Yorkers want to live in. It’s critical to providing financial stability for working families, helping them get ahead and build a better life.”

New York Mayor, Bill de Blasio⁸

1 INTRODUCTION

The provision of affordable housing choice, diversity and supply has been a long standing challenge across Sydney along with other global and competitive cities such as New York, Singapore, London and Hong Kong. The challenge is all the greater with the redevelopment of 'renewal areas' and the attraction of these locations to increasingly affluent households.

At a metropolitan scale, Sydney and many of its population are experiencing increasing hardship and housing stress, where the market is outpacing many purchasers and the rental housing market is becoming progressively more unaffordable.

Social diversity on account of housing diversity has also been found to contribute to economic growth and development. For instance, economists have demonstrated that denser, socially mixed cities are associated with higher levels of economic output (Syrett & Sepulveda, 2011⁹; Thomas & Darnton, 2006¹⁰).

At a more local scale, housing affordability affects the Inner West's ability to attract and retain businesses and a skilled workforce. Low paid key workers such as health care and child/aged care workers, hospitality staff, cleaners and bus drivers underpin and enable growth in key economic sectors.

The purpose of this Evidence Report is to support the City of Canada Bay in its desire to deliver affordable rental housing for key workers within the Priority Precinct of Rhodes East.

Specifically, this Report, along with the Affordable Housing Rental Program and updated Affordable Housing Policy will be crucial in justifying and calculating the affordable housing contribution amounts and the delivery methods available to Council and developers.

⁸ The City of New York. (2014) New York A Five-Borough, Ten-Year Plan

⁹ Syrett, S. and L. Sepulveda (2011). “Realising the diversity dividend: population diversity and urban economic development.” Environment and Planning A 43(2), 487-504

¹⁰ Thomas, J. M. and J. Darton (2006). ‘Social Diversity and Economic Development in the Metropolis.’ Journal of Planning Literature 21(2):153-168

2 DEFINITIONS

The following definitions apply for the purposes of this Evidence Report and the accompanying Affordable Housing Program and Policy.

Table 2: Definitions

Term	Definition
Affordable housing	As defined by Environmental Planning and Assessment Act 1979: "housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."
Affordable rental housing	Is affordable rental housing that is owned by the City of Canada Bay that is managed by a registered Community Housing Provider and rented to very low to moderate income households.
Contribution rate	The contribution rate that is used in the calculation of the monetary contribution for a relevant development and is annually adjusted to take into account indexation.
Dwelling in-kind	Dedication to the City of Canada Bay of affordable housing on-site
Gross floor area	As defined by Canada Bay Local Environmental Plan 2013: The sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes: <ul style="list-style-type: none"> a) the area of a mezzanine, and b) habitable rooms in a basement or an attic, and c) any shop, auditorium, cinema, and the like, in a basement or attic, but excludes: <ul style="list-style-type: none"> d) any area for common vertical circulation, such as lifts and stairs, and e) any basement: f) storage, and g) vehicular access, loading areas, garbage and services, and h) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and i) car parking to meet any requirements of the consent authority (including access to that car parking), and j) any space used for the loading or unloading of goods (including access to it), and k) terraces and balconies with outer walls less than 1.4 metres high, and l) voids above a floor at the level of a storey or storey above.
In-lieu contribution	Contribution rates for monetary contributions in lieu of affordable housing units
Land in-kind	Dedication to the City of Canada Bay of land for affordable housing

Term	Definition
Low, very low & moderate income households	<p>From State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) Very low to moderate incomes are those households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:</p> <p>Very low income household < 50%</p> <p>Low income household 50% or > but < 80%</p> <p>Moderate income household 80% or > but < 120%</p>
Registered Community Housing Provider	For the purposes of the Rhodes East Affordable Housing Program, Community Housing Providers include those classified as a Tier 1 or 2 provider under the National Regulatory Code.

Note: these definitions are provided in legislation which may change over time. Where there are inconsistencies the definitions in the relevant legislation prevails.

3 AFFORDABLE HOUSING

The purpose of this Chapter is to identify:

- Background to this Study; and
- What is affordable rental housing?

3.1 Background

The increasing lack of affordable rental housing in the City of Canada Bay has become a substantial issue for Council. The Reserve Bank of Australia's Bulletin, September Quarter, 2015 includes an article that outlines long-run trends in Australian housing price growth¹¹. Since the mid-2000s, Australia has seen much higher net migration and so population growth has stepped up to a significantly higher rate. This occurred at the same time as a slightly higher natural increase in population which has also contributed to this growth. The latter in conjunction with the shift towards a decrease in average household size has led to increases in underlying demand exceeding the supply of new dwellings.¹² This is particularly true of the major capital cities like Sydney which are strong attractors for migrants. Consequently since the mid-2000s, strong population growth has played an increasing role in explaining housing price growth.

The City of Canada Bay (Council) itself has seen rapid growth in recent years and the population is expected to grow by 42,850 people between 2011 - 2036¹³. Much of this growth has and will happen through urban renewal, particularly from redevelopment of former industrial land around the foreshore. As mentioned in 'Can you afford to live where you choose?', the redevelopment of land within the City of Canada Bay, coupled with the increase in population is likely to produce upward pressure on property values. Unless there is intervention to support the provision of designated affordable housing, urban renewal is likely to push existing high purchase prices and rents further out of reach of very low to moderate income households¹⁴.

¹¹ Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015*

¹² ¹² Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. *Reserve Bank Bulletin, September Quarter, 2015, page 28*

¹³ NSW Department of Planning and Environment, 'NSW State and LGA Population Projections 2016'

¹⁴ Future Cities Collaborative, The United States Studies Centre, University of Sydney, 'Can you afford to live where you choose 2015

The City of Canada Bay has been involved in affordable housing delivery since 2009



Affordable Housing, George Street, Concord West

The City of Canada Bay is committed to providing an increased supply of affordable rental housing for key worker households. Council's Local Planning Strategy (2010) seeks to investigate the potential for inclusionary zoning mechanisms to support delivery of affordable housing¹⁵. Additionally, Council's Community Strategic Plan, Futures Plan20 recognises the need to provide a diversity of housing stock within existing and future communities¹⁶.

In response, the City of Canada Bay has developed an Affordable Housing Policy which details a set of principles to guide Council's role and approach to affordable housing provision. As shown in Table 3: Affordable Housing Principles, Council aims to deliver affordable housing, promote a range of housing types and sizes and actively advocate for retention of affordable housing:

Table 3: Affordable Housing Principles

Role	Approach
Produce	Council supports the production of affordable housing stock; whether through inclusionary zoning, voluntary planning agreements or working with developers to encourage appropriately designed affordable housing.
Promote	Council aims to provide increased flexibility for a diverse range of housing types and sizes for varying stages of life.
Retain	Council undertakes the role of advocacy, and where possible, undertake mitigation to reduce further loss to affordable housing stock.

Source: City of Canada Bay, Affordable Housing Policy, April 2016

Since 2009 Council has successfully acquired 26 properties. The affordable housing has mainly been delivered through voluntary planning agreements (except for two purchases) between Council and various developers. This has proved successful in delivering affordable rental housing that otherwise would not have been provided. However, voluntary planning agreements, by their very nature provide an ad-hoc and opportunistic method of delivering affordable housing.

In order to deliver a higher number of dwellings, Council has sought to expand its affordable housing portfolio through the use of inclusionary zoning when areas undergo redevelopment or urban renewal. Inclusionary zoning requires the incorporation of a certain proportion of permanently affordable housing in all development

¹⁵ City of Canada Bay, 'City of Canada Bay Local Planning Strategy 2010-2031

¹⁶ City of Canada Bay, Futures Plan20: Our 20 Year Vision

projects within an area¹⁷. If the developer cannot physically provide the affordable housing on site, they can make equivalent cash payment instead to enable the required number of dwellings to be supplied elsewhere in the neighbourhood.

The urban renewal of Rhodes East provides an opportunity for Council to acquire additional affordable housing stock.

3.2 What is affordable rental housing?

The housing stock in Australia includes a range of dwelling types and tenures. The City of Sydney has developed a housing supply continuum to describe the range available and is shown in Table 3 below:

Table 4: The Housing Supply Continuum

The housing supply continuum								
Emergency shelters/crisis accommodation	Transitional/ supported housing	Social housing (including public housing)	Affordable (community rental) housing	Affordable home ownership/shared ownership	Private market diversity of housing products – (shop top housing, micro apartments, no parking spaces)	Private market affordable housing (including boarding houses and student accommodation which may be government subsidised)	Private market rental housing	Home ownership
Government subsidised housing (including housing provided by the government and the community sector)			Non market housing (community housing sector)		Market housing			

Source: City of Sydney 2015 (adapted by HillPDA)

For the purposes of this Evidence Report, the focus is on 'non-market' affordable housing. Affordable housing is an umbrella term that refers to housing that is within the financial means of residents. The Environmental Planning and Assessment Act 1979 (EP&A Act) defines affordable housing as:

"housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."

¹⁷ Spiller, M, Anderson-Oliver, M (2015) Revisiting the Economics of Inclusionary Zoning, SGS Economic and Planning

Healthy communities are characterised by a diversity of people and places. Diversity makes communities vibrant and socially and economically sustainable. Without affordable housing options communities become homogenous; as those that cannot afford to live in the area move to more affordable areas.

In addition, the definition of affordable housing in State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes) (SEPP 70) is consistent with the definition in the EP&A Act:

For purposes of the definition of affordable housing in section 4(1) of the EP&A Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

Very low income household	less than 50%
Low income household	50 or more but less than 80%
Moderate income household	80 – 120%

The NSW Government has also developed the *NSW Affordable Housing Ministerial Guidelines*. These set out the policy framework for delivering affordable housing by registered Community Housing Providers which has been developed by financial assistance from the NSW Government. The definition of affordable housing used the Guidelines 2016-17, is as follows:

"Affordable housing is housing that is appropriate for the needs of a range of very low to moderate income households and priced so that these households are also able to meet other basic living costs, such as food, clothing, transport, medical care and education¹⁸. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income."¹⁹

'Appropriate to the needs of a household' not only incorporates location but also accessibility and proximity to jobs and services.

For example, very low income worker households can include lower level aged care workers, cleaners, nursing assistants and hospitality and retail staff. Teachers, emergency services staff, retail workers and nurses fall into the low income bracket with higher level nurses and teachers and social and community services personnel falling into the moderate income bracket.

Affordable housing is sometimes only needed for a short or medium term period, depending on the life changes a household is experiencing. Over time, the household's circumstances or income may change again and some households may re-enter the private

¹⁸ This is a national definition agreed by Australian housing, planning and local government ministers.

¹⁹ While this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household's individual circumstances. Demands on the same gross income may differ significantly.

rental market or purchase a home. For example, the primary income earner may progress in their career or a family on one income moves to two incomes.

Although affordable housing is sometimes available for purchase, it is most commonly available for rent. Affordable rental housing may be owned by private developers or investors, local governments, charitable organisations or community housing providers. It is usually managed by not for profit community housing providers, and sometimes by private organisations.

3.3 How is affordable housing different to social housing?

In the NSW context, there is a broad range of housing types considered as affordable housing. This report does not relate to affordable housing that is approved under the State Environmental Planning Policy (Affordable Rental Housing) 2009 such as boarding houses and secondary dwellings.

Affordable housing is open to a broader range of household incomes than social housing and is most commonly rented to lower income working households. 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 people who are eligible for social housing may also be eligible for affordable housing properties.

Affordable housing is managed more like a private rental property, but with eligibility criteria for tenants. Rents for affordable housing are usually calculated differently to social housing and there are different tenancy arrangements. Generally, affordable housing tenants cannot transfer between properties and household members cannot apply to succeed a tenancy. Social housing is usually provided for people who rely on income support as their main source of income.

This Evidence Report focuses on the provision of affordable rental housing with reference to the SEPP 70 definition of affordable housing.

4 THE NEED FOR AFFORDABLE HOUSING IN THE CITY OF CANADA BAY

Very low, low to moderate households are more at risk of experiencing 'housing stress' from increasing housing costs (mortgage payments and rents) as a share of income, particularly if supply is limited. A decrease in housing affordability can be indicative of the success of an area but on the other hand it can be a threat to social diversity and economic productivity.

State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) (SEPP 70) identifies local government areas with a need for affordable housing. Being identified in SEPP 70 allows a council to levy contributions for affordable housing.

This Chapter will examine the need for affordable rental housing in the Canada Bay LGA using both quantitative and qualitative evidence, which is targeted at the LGA level and district wide scale for comparison purposes.

4.1 Affordable housing stock in the City of Canada Bay

The number of affordable housing dwellings was estimated using information sourced from the City of Canada Bay, Family and Community Services (FACS) and Community Housing Providers (CHPs). Affordable housing is not given a classification in census collection data, which makes it more difficult to provide a definitive number of dwellings.

4.1.1 Social housing stock

Although the provision of social housing is not directly the subject of this Study the amount of people on the waiting list for social housing can indicate the demand for more affordable accommodation. That is, people who are unable to find affordable housing in the private market are compelled to compete for the limited supply of social housing.

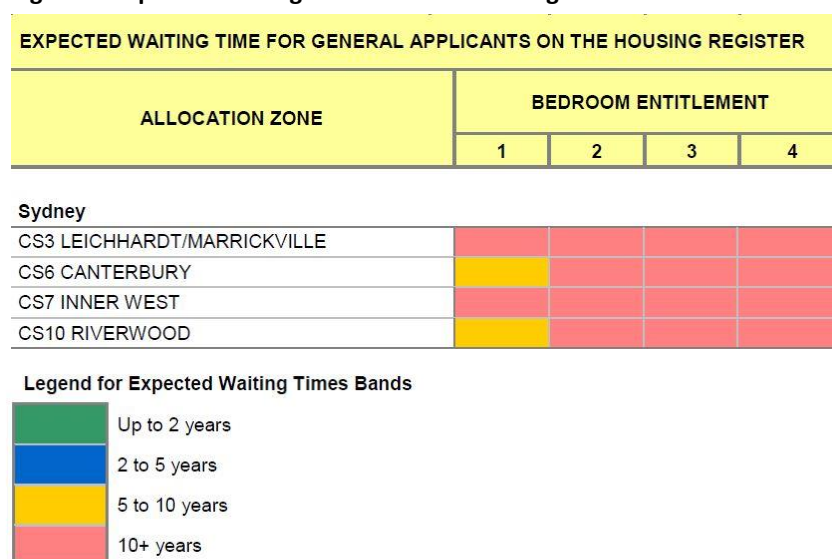
In the 2006 Census, 714 households were renting social housing and by the 2016 Census, this number had risen to 904. This represented an increase of 190 dwellings over a 10 year period, however as a percentage of the total number of households the rate remained at 2.7% for both Census periods. The total number of households in the City of Canada Bay rose by 7,957 between 2006 and 2016.

Social housing waiting list

FACS provides information on the expected social housing waiting times, for general applicants, by district.

The City of Canada Bay is located in the Sydney District, Inner West allocation zone. As of 30 June 2016, the Inner West had a total of 2,535 social housing properties with 1,385 applicants on the waiting list, 161 of which were considered priority. As can be seen from the Figure below, the waiting time for social housing in the Inner West zone is ten years plus for all bedroom numbers.

Figure 1: Expected waiting time for social housing



Source: NSW Family and Community Services

What this information reveals is that there is a large number of people seeking low rental social housing, in the Inner West allocation area across all bedroom entitlements.

Affordable housing waiting list

FACS does not hold a waiting list for people seeking affordable rental housing. People who consider themselves eligible for such housing must directly contact community housing providers.

Notwithstanding, FACS, through their Centre for Affordable Housing provides information on the need for affordable rental housing across local government areas. The need has been identified with high, moderate high and moderate levels of need. The City of Canada Bay has been identified as having a moderate high need, based on analysis using the Census 2011 data and Rent and Sales Report data. The data has not been updated to reflect the 2016 Census data.

4.1.2 Council's stock of affordable housing

As mentioned in section 2.1, the City of Canada Bay has been actively involved in delivering affordable rental housing through the planning system (voluntary planning agreements). Twenty eight affordable rental dwellings are now owned by Council (26 through dedication and 2 from purchase), managed by Bridge Housing and leased to key workers.

4.1.3 Affordable housing delivered through State Environmental Planning Policy (Affordable Rental Housing) 2009

This aim of the AHSEPP is to increase the supply and diversity of affordable rental and social housing in the state. The AHSEPP covers housing types including villas, townhouses and apartments that contain an affordable rental housing component, along with secondary dwellings (granny flats), new generation boarding houses, group homes, social housing and supportive accommodation. Infill affordable rental housing and boarding houses have been examined for the purposes of this Study.

Infill affordable rental housing

Since the commencement of the SEPP, 56 affordable rental properties have been delivered from 8 development applications approved for residential flat buildings. These properties are to be managed by a CHP and made available for affordable rent for 10 years, from the date of issue of the Occupation Certificate. These approvals are shown in Appendix A.

Council is currently examining a process to monitor that the conditions of consent are being followed to ensure that the affordable dwellings are delivered and managed in accordance with approval and AHSEPP conditions.

Boarding houses

Since 2009 there have been 12 development applications approved under the AHSEPP for boarding houses, which if constructed would deliver 407 boarding rooms. However, only two construction certificates have been issued and a building certificate for one of the 3 approvals. These would provide 127 boarding rooms.

The approvals require applicants to comply with the Boarding Houses Act, 2012 which includes registering the boarding house with NSW Department of Fair Trading. Only two have been registered while one has been found to be operating as serviced apartments, contrary

to approval. The register contains another 10 boarding houses which, were approved prior to 2009. The boarding house approval and boarding house register information is provided in Appendix B.

It is estimated that there are around 216 boarding rooms in the LGA, not counting the one that is approved as a boarding house but not operating as one. Despite the approval of numerous DAs the take up rate has been relatively low.

4.2 Income analysis

Household income is one of the most important indicators of socio-economic status of a LGA. The use of income quartiles allows examination of income data and in particular how is it changing over time.

To calculate household incomes into the quartile groups the following data is used:

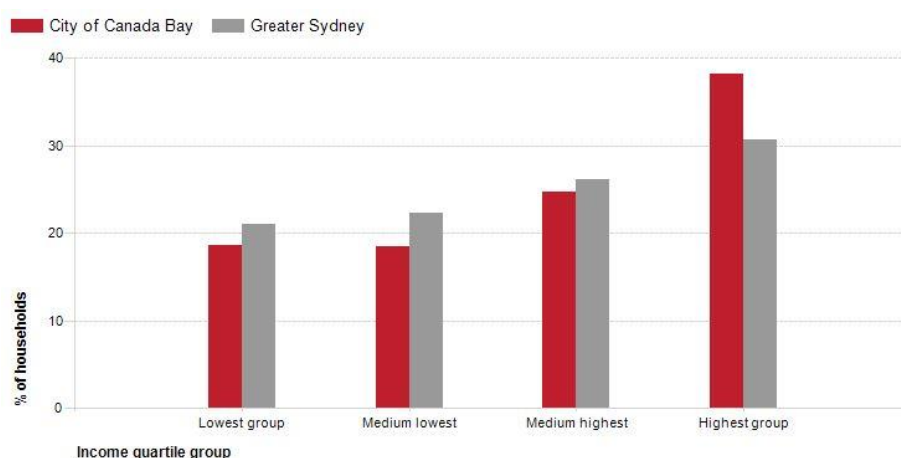
Table 5: Household income – quartile group dollar ranges

Household income ranges - collected from income data from NSW	Weekly income by Census Year			
	2016	2011	2006	2001
Lowest group	\$0 to \$750	\$0 to \$614	\$0 to \$530	\$0 to \$418
Medium lowest	\$751 to \$1,481	\$615 to \$1,233	\$531 to \$1,034	\$419 to \$828
Medium highest	\$1,482 to \$2,554	\$1,234 to \$2,272	\$1,035 to \$1,788	\$829 to \$1,462
Highest group	\$2,555 and over	\$2,273 and over	\$1,789 and over	\$1,463 and over

Source: Australian Bureau of Statistics, 2006 and 2016, Compiled and presented by id. the population experts.

The household income quartiles for 2016 are shown in Figure 2 below:

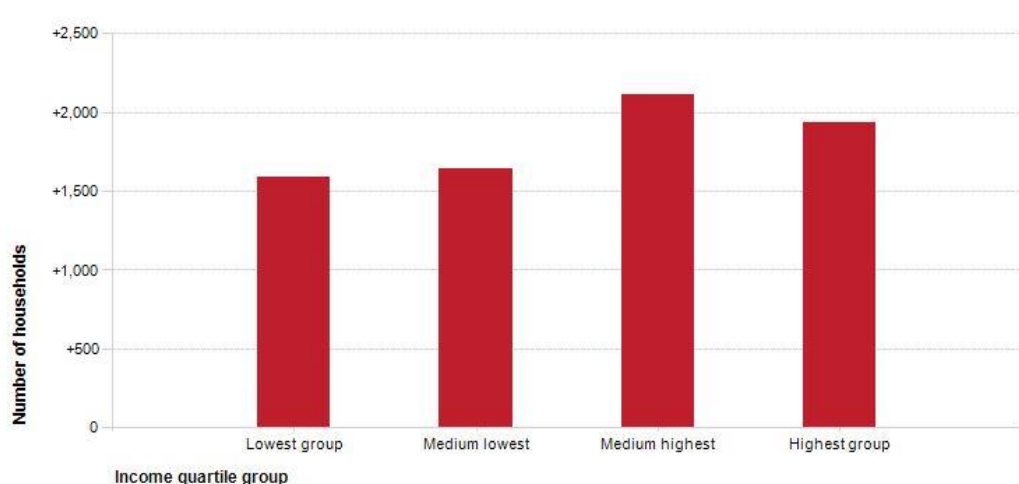
Figure 2: Household income quartiles 2016



Source: Australian Bureau of Statistics, Census 2016, Compiled and presented by id. the population experts

The 'highest quartile' in the City of Canada Bay was the largest group in 2016. Compared to Greater Sydney there was a greater proportion in the highest income quartiles and a lesser percentage in the lowest income quartile. Over the ten year period between 2006 and 2016 the medium highest income quartile showed the most significant change, increasing by 2,114 households. This is shown in the Figure below:

Figure 3: Change in household income quartile, 2006 to 2016



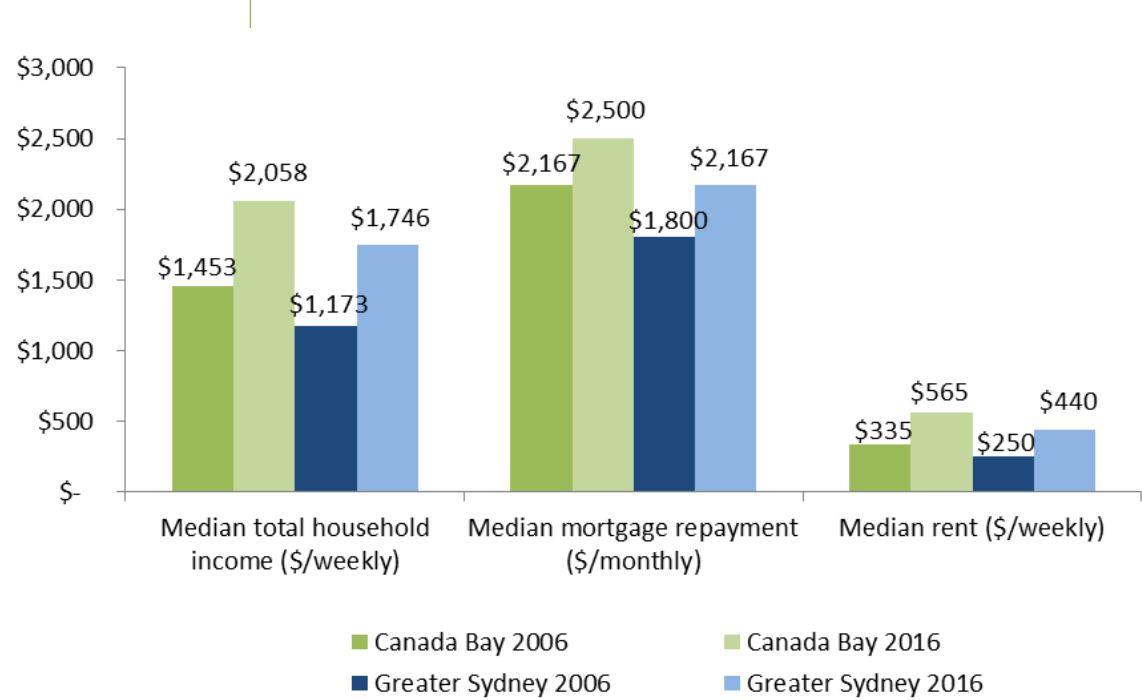
Source: Australian Bureau of Statistics, Census 2006 & 2016, Compiled and presented by id. the population experts

The City of Canada Bay, in comparison to Greater Sydney shows that there is a larger percentage of high income households and a lower proportion of lower income households. Overall, 35.3% of the households earned a high income and 13.9% were low income households, compared with 28.3% and 15.1% respectively for Greater Sydney.

4.3 Household income, mortgage and rental payment

Although the median household income within the City of Canada Bay was \$16,224/annum higher than the median for Greater Sydney (2016), mortgage payments were \$3,996/annum or 18% higher and rental payments were significantly higher at \$6,500/annum or 28% higher than that recorded across Greater Sydney

Figure 4: Household income, mortgage and rental repayments 2006 and 2016



Source: ABS, HillPDA

4.4 Housing mortgage and rental stress

Housing stress is a metric used to describe a situation where the cost of housing is high relative to the household income. As a rule of thumb, housing stress is defined as where a household’s rent or mortgage repayments are 30% or more of gross household income²⁰.

It must be noted that while this figure provides a useful benchmark of housing affordability, the definition of affordability varies according to a household’s individual circumstances.

The following analysis has been deduced by cross tabulating total household weekly income by mortgage repayments. The midpoint for these income and repayment brackets was used to approximate the amount of income used by a household to make their repayment.

4.4.1 Mortgage stress

Using the above method, it was found that of the 7,767 households within the LGA that were paying a mortgage, 2,107 households or 27% were experiencing stress. That is, 27% of households were

²⁰ NSW Affordable Housing Ministerial Guidelines 2016-2017

paying 30% or over of their household income on their mortgage repayments.

This proportion slightly more than that experienced across Greater Sydney (26%).

Table 6: Number of households experiencing mortgage stress

	Canada Bay	Greater Sydney
Total households	36,785	1,858,657
Total households not applicable*	29,018	1,407,165
Total households applicable	7,767	451,492
Total households in stress	2,107	118,767
(Proportion that spend 30% and over of income on a mortgage repayment)	27%	26%

Source: ABS 2016, HillPDA – *household income stated as Partial income stated, All incomes not stated, Not applicable and repayments stated as Not stated and Not applicable

4.4.2 Rental stress

Of the 9,926 households within the City of Canada Bay that were renting, 4,249 households or 42% were experiencing stress. That is, 42% of households were paying 30% or over of their household income on their rental repayments.

This proportion was 3% less than that recorded for Greater Sydney. This could be reflective of the higher income households in the LGA and of housing affordability generally in Greater Sydney.

Table 7: Number of households experiencing rental stress

	Canada Bay	Greater Sydney
Total households	36,735	1,858,529
Total households not applicable*	26,809	1,388,180
Total households applicable	9,926	470,349
Total households in stress	4,249	215,386
(Proportion that spend 30% and over of income on a rental repayment)	43%	46%

Source: ABS 2016, HillPDA – *household income stated as Partial income stated, All incomes not stated, Not applicable and repayments stated as Not stated and Not applicable

4.4.3 Proportion of rental stock that is affordable

People on lower incomes may be priced out of the rental market in the City of Canada Bay given the high price of rents relative to income.

As can be seen in Table 8 below, the proportion of stock that is available for very low income to moderate households has been steadily declining in Canada Bay. The available rental stock for low very low and low income households fell from 2.6% and 9.2% June 2006 to 0% and 2% in June 2016 respectively, which is quite significant. Moderate income households fare better, however the proportion of affordable rental stock has also fallen from 56.5% to 38.7% between 2006 and 2016.

In relation to surrounding LGAs in 2016, the City of Canada Bay has a lower availability of affordable rental housing stock across the very low, low and moderate income bands. The exception to this is in Leichhardt where there is less affordable rental stock for moderate income households at 32.7%, compared with the City of Canada Bay at 38.7%.

This analysis shows that for very low and low income households in particular, the available rental stock is non-existent or very small in the City of Canada Bay. In the surrounding LGAs, the situation is a little better, however the available rental stock is below 15% for very low and low income households, in 2016.

Table 8: Proportion of rental stock that is affordable

Area	% of affordable rental stock for very low incomes Jun 06	% of affordable rental stock for low incomes Jun 06	% of affordable rental stock for moderate incomes Jun 06	% of affordable rental stock for very low incomes Jun 16	% of affordable rental stock for low incomes Jun 16	% of affordable rental stock for moderate incomes Jun 16
Ashfield	14.2	53.0	82.6	5	15	69.5
Burwood	13.2	30.5	80.5	3	10	51.2
Canada Bay	2.6	9.2	56.5	0	2	38.7
Lane Cove	2.6	22.5	67.5	0	3	48.4
Leichhardt	9.3	20.0	49.5	3	12	32.7
Ryde	12.2	40.5	76.3	2	14	64.6
Strathfield	6.6	25.4	82.3	2	7	68.5

Source: Rental Board Data (RBB) Data, Centre for Affordable Housing. Note: Rental affordability indices have been calculated for Very Low Incomes (less than 50% of Census household income), Low Incomes (50% - 80% of Census household income) and Moderate Incomes (80% - 120% of the Census household incomes). Average Weekly Earnings (AWE) are used to index the household incomes. A dwelling is counted as affordable if the rent charged is no more than 30% of the household income.

4.5 Strata dwelling sale and rental price movements within the City of Canada Bay

4.5.1 Median sale value growth for strata dwellings

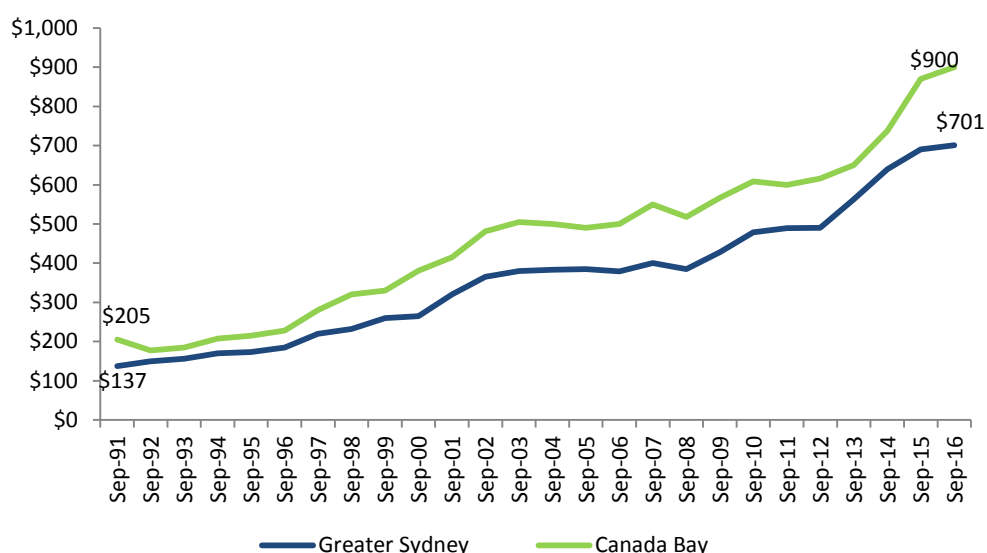
The median sale value for strata dwellings within the City of Canada Bay has increased by \$695,000 or 339% over a 26 year period from 1991, recording a median \$900,000 in 2016. This reveals an average capital growth of 13% over the period.

In comparison, the median for Greater Sydney has increased by \$564,000 or 412% over the same period, recording a median of \$701,000 in 2016. This reveals an average capital growth of 16% over the period.

In 1991 the median value for a strata dwelling was \$68,000 or 50% higher in the City of Canada Bay than that recorded for Greater Sydney. By 2016 the median value in the City of Canada Bay was \$201,000 or 29% higher than that recorded for Greater Sydney.

This analysis shows that the average capital growth has increased more in Greater Sydney than the City of Canada Bay over 26 years. However the gap of \$201,000 between the median values between the City of Canada Bay and Greater Sydney remains significant in term of housing affordability.

Figure 5: Strata median sale values 1991-2016 (\$,000)



Source: NSW Department of Community Services & HillPDA – September of each year

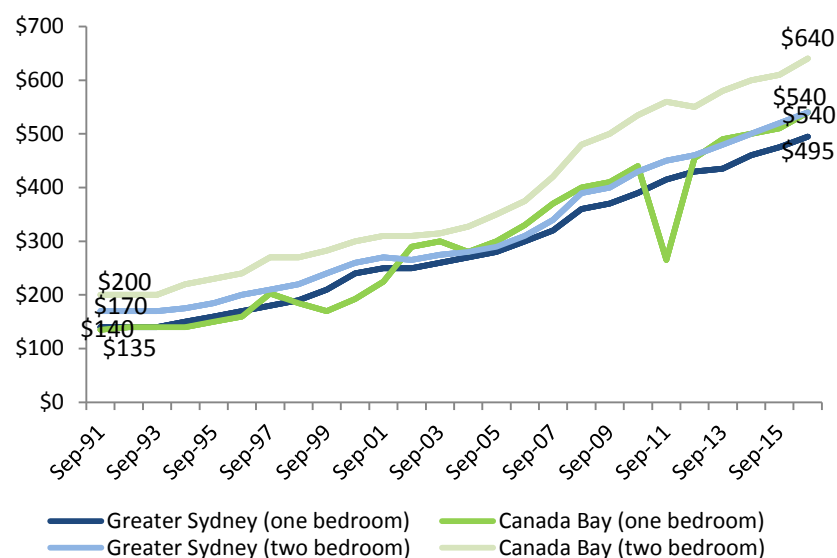
4.5.2 Apartment weekly median rental value growth

Over a 26 year period, the median rent for a one bedroom apartment within the City of Canada Bay increased by \$405/week or 300%, reaching \$540/week in 2016. In comparison, over the same period the median rent for Greater Sydney increased by \$355/week or 254%, reaching a median of \$495/week in 2016.

The median rent for a two bedroom apartment within the City of Canada Bay increased by \$440/week or 259%, reaching \$640/week in 2016. In comparison, over the same period the median rent for Greater Sydney increased by \$370/week or 218%, reaching a median of \$540/week in 2016.

The above reveals that as of September 2016, the median rent for a one bedroom apartment within the City of Canada Bay was \$45/week or 9% higher than that recorded across Greater Sydney (\$495/week) while the median rent for a two bedroom apartment within the City of Canada Bay was \$100/week or 19% higher than that recorded across Greater Sydney (\$540/week).

Figure 6: Apartment weekly rental growth 1991 to 2016



Source: NSW Department of Community Services & HillPDA – September of each year

4.6 Rental housing affordability

State Environmental Planning Policy No 70 Affordable Housing (Revised Schemes), defines affordable housing for very low, low, and moderate income households with the median income for Greater

Sydney used as a benchmark. These categories have been applied to this analysis and are as follows:

- Very low-income household - less than 50% of median household income;
- Low-income household – 50% or more but less than 80% of median household income; and
- Moderate income household – 80 – 120% of median household income.

The estimated median household income for Greater Sydney was \$91,175 per annum (ABS 2016 Census). Based on this estimated household income the affordable housing thresholds have been calculated as shown in the Table below.

Table 9: Median household income Greater Sydney (2016 Census)

Category	Upper threshold of category	Household income (\$)	
		Weekly	Yearly
Median household income in Greater Sydney Census 2016		\$1,750	\$91,175
Very low household income in Greater Sydney	50% of median household income	\$875	\$45,588
Low household income in Greater Sydney	80% of median household income	\$1,400	\$72,940
Moderate income household in Greater Sydney	120% of median household income	\$2,100	\$109,410

Source: ABS 2016, HillPDA

To assess the ability of very low income and low income households to meet the median rental repayment for the City of Canada Bay, the following methodology was applied:

1. Identified median household income for Greater Sydney;
2. Multiplied those household incomes by 30% and divided by 52 to calculate the weekly rent that households can reasonably afford to pay without experiencing housing stress; and
3. Compared Step 2 to the comparable LGA market rent in that year.

4.6.1 Very low income household affordability against Greater Sydney median

A very low income household within the City of Canada Bay, that is, a household that earns 50% of the Greater Sydney median could afford to pay \$263/week²¹ on rental repayments in 2016.

This was only 49% of the median market rent for a one bedroom apartment in the City of Canada Bay and 41% of market rent for a two bedroom apartment.

For a very low income household to pay market rent for a one bedroom apartment they would need to proportion 60% of their income towards rent. While 73% of their household income would be needed to pay market rent for a two bedroom apartment.

Table 10: Very low-income band household affordability against Greater Sydney median household income

Affordability Category	Median household income (2016)	Household income at affordability category	Rental affordability at affordability category*	1 bedroom apartment market rent (City of Canada Bay)	Rental affordability as proportion of market rent	2 bedroom apartment market rent (City of Canada Bay)	Rental affordability as proportion of market rent
Very low household income in Greater Sydney	\$91,175	\$45,588	\$263	\$540	49%	\$640	41%

Source: ABS, HillPDA. *30% of household income directed towards rental repayment

4.6.2 Low income household affordability against Greater Sydney median

A low income household within the City of Canada Bay, that is, a household that earns 80% of the Greater Sydney median could afford to pay \$420/week²² on rental repayments in 2016.

This was 78% of the median market rent for a one bedroom apartment in the City of Canada Bay and 66% of market rent for a two bedroom apartment.

For a low income household to pay market rent for a one bedroom apartment they would need to proportion 38% of their income towards rent. While 46% of their household income would be needed to pay market rent for a two bedroom apartment.

²¹ 30% of annual income directed towards rental repayment

²² 30% of annual income directed towards rental repayment

Table 11: Low-income band household affordability against Greater Sydney median household income

Affordability Category	Median household income (2016)	Household income at affordability category	Rental affordability at affordability category*	1 bedroom apartment market rent (City of Canada Bay)	Rental affordability as proportion of market rent	2 bedroom apartment market rent (City of Canada Bay)
Low household income in Greater Sydney	\$91,175	\$72,940	\$420	\$540	78%	\$640

Source: ABS, 2016 HillPDA. *30% of household income directed towards rental repayment

4.6.3 Moderate income household affordability against Greater Sydney median

A moderate income household can range between 80% and 120% of the Greater Sydney median.

120% of Greater Sydney median

A household that earns 120% of the Greater Sydney median could afford to pay \$630/week²³ on rental repayments in 2016.

This was 117% of the median market rent for a one bedroom apartment in the City of Canada Bay and 98% of market rent for a two bedroom apartment.

For a moderate income household (120%) to pay market rent for a one bedroom apartment they would need to proportion 26% of their income towards rent. While 30% of their household income would be needed to pay market rent for a two bedroom apartment.

105% of Greater Sydney median

A household that earns 105% of the Greater Sydney median could afford to pay \$552/week²⁴ on rental repayments in 2016.

This was 102% of the median market rent for a one bedroom apartment in the City of Canada Bay and 86% of market rent for a two bedroom apartment.

For a moderate income household (105%) to pay market rent for a one bedroom apartment they would need to proportion 29% of their income towards rent. While 35% of their household income would be needed to pay market rent for a two bedroom apartment.

95% of Greater Sydney median

A household that earns 95% of the Greater Sydney median could afford to pay \$500/week²⁵ on rental repayments in 2016.

²³ 30% of annual income directed towards rental repayment

²⁴ 30% of annual income directed towards rental repayment

This was 93% of the median market rent for a one bedroom apartment in the City of Canada Bay and 78% of market rent for a two bedroom apartment.

For a moderate income household (95%) to pay market rent for a one bedroom apartment they would need to proportion 32% of their income towards rent. While 38% of their household income would be needed to pay market rent for a two bedroom apartment.

Table 12: Moderate-income band household affordability against Greater Sydney median household income

Affordability Category	Median household income (2016)	Household income at affordability category	Rental affordability at affordability category*	1 bedroom apartment market rent (City of Canada Bay)	Rental affordability as proportion of market rent	2 bedroom apartment market rent (City of Canada Bay)	Rental affordability as proportion of market rent
Moderate income household in Greater Sydney 120% of GS median	\$91,175	\$109,410	\$630	\$540	117%	\$640	98%
Moderate income household in Greater Sydney 105% of GS median	\$91,175	\$95,734	\$552	\$540	102%	\$640	86%
Moderate income household in Greater Sydney 95% of GS median	\$91,175	\$86,616	\$500	\$540	93%	\$640	78%

Source: ABS, 2016 HillPDA. *30% of household income directed towards rental repayment

A moderate income household at 120% of the Greater Sydney median could afford to pay for a 1 and 2 bedroom apartment in the City of Canada Bay in 2016. Whereas a moderate income household at the lower end of the range at 95% would be unable to find affordable 1 or 2 bedroom apartment.

4.7 Employment indicators

The information for this section was derived from the 2011 ABS Census as the 2016 information will not be available until November 2017.

As quoted from Australian Social Trends 1995,²⁶ *'the labour force is a fundamental input to domestic production. Its size and composition are therefore crucial factors in economic growth. From the viewpoint of social development, earnings from paid work are a major influence on levels of economic well-being.'*

²⁵ 30% of annual income directed towards rental repayment

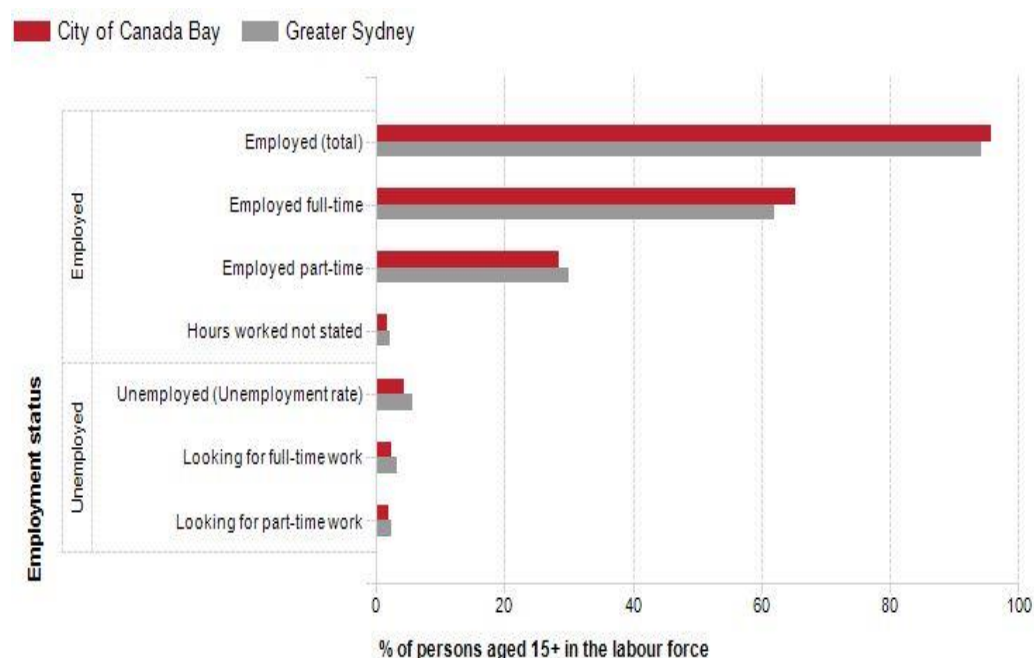
²⁶ Australian Bureau of Statistics 1995 Australian Social Trends

4.7.1 Employment status 2011

Analysis of the employment status (as a percentage of the labour force) in the City of Canada Bay, in 2011 compared to Greater Sydney shows that there was a greater percentage in employment, and a lower proportion unemployed. Overall, 95.7% of the labour force was employed, and 4.3% unemployed, compared with 94.3% and 5.7% respectively for Greater Sydney.

In terms of the labour force participation rate of the population in the City of Canada Bay the Census information, in 2011 reveals that there was a higher percentage in the labour force (64.1%) compared with Greater Sydney (61.7%).

Figure 7: Employment status 2011



Source: Australian Bureau of Statistics, 2006 and 2011. Compiled and presented by , the population experts

4.7.2 Key occupations

Occupation is a gauge for assessing the socio-economic status of the City of Canada Bay. Professionals were the dominant group in 2011.

The three most popular occupations were

- Professionals (12,339 people or 31.9%);
- Managers (7,097 people or 18.3%); and
- Clerical and Administrative Workers (6,343 people or 16.4%).

These three occupations make up two thirds of the employed resident population. In comparison with Greater Sydney a larger percentage were employed as professionals (31% compared to 25.5%) and a lower percentage employed as labourers (4.1% compared to 7.3%). The largest change in the occupations between 2006 and 2011 were professionals and managers.

Table 13: Occupation of employment

City of Canada Bay - Employed persons (Usual residence)	2011			2006			Change
Occupation	Number	%	Greater Sydney %	Number	%	Greater Sydney %	2006 to 2011
Managers	7,097	18.3	13.3	6,045	17.9	13.2	+1,052
Professionals	12,339	31.9	25.5	10,150	30.0	23.8	+2,189
Technicians & Trades Workers	3,565	9.2	12.2	3,389	10.0	12.7	+176
Community & Personal Service Workers	2,751	7.1	8.8	2,266	6.7	8.0	+485
Clerical & Administrative Workers	6,343	16.4	16.2	5,786	17.1	16.7	+557
Sales Workers	3,436	8.9	9.0	3,141	9.3	9.5	+295
Machinery Operators & Drivers	876	2.3	5.7	924	2.7	6.0	-48
Labourers	1,590	4.1	7.3	1,502	4.4	8.1	+88
Inadequately described	685	1.8	2.0	629	1.9	2.1	+56
Total employed persons aged 15+	38,682	100.0	100.0	33,832	100.0	100.0	+4,850

Source: Australian Bureau of Statistics, 2006 and 2011. Compiled and presented by , the population experts

4.8 Location of employment for Canada Bay resident workers

In 2011, 73.2% of the City of Canada Bay's working residents travelled outside of the LGA to work. The following Table shows the top 8 destinations where the working residents of the City of Canada Bay

were travelling to. Twenty eight percent of workers have jobs in the Sydney LGA.

Table 14: Employment location of resident workers

Where Canada Bay residents travel to work (SLA) 2011	Number	Percentage
Sydney	10,555	28%
Canada Bay	6,991	19%
Ryde	1,999	5%
Parramatta	1,430	4%
Leichhardt	1,411	4%
Auburn	1,343	4%
North Sydney	1,311	3%
No fixed work address	1,224	3%

Source: ABS 2011, HillPDA

4.9 City of Canada Bay's workers' place of residence

There are couple of key employment hubs in the City of Canada Bay, Rhodes and Concord hospital. In 2011, 24.1% of people who lived in the City of Canada Bay also worked in the LGA. This means that 75.9% do not live in the LGA but travel to work there. This could be reflective of local residents having a different set of skills or aspirations than the local jobs require or that house and rental prices are unaffordable for these workers. Table 15 shows the top 12 locations where workers in the LGA come from. However workers come from as far afield as Campbelltown (316), Gosford (199) and the Blue Mountains (128).

Table 15: Residential location of local workers by SLA

City of Canada Bay - Total area	2011	
SLA	Number	%
Canada Bay - Concord	3,366	12.3
Canada Bay - Drummoyne	3,240	11.8
Ryde	1,520	5.6
Canterbury	941	3.4
Auburn	736	2.7
Strathfield	715	2.6
Ashfield	704	2.6

75.9% of workers in the City of Canada Bay do not live in the LGA but travel to work there

"A key worker' can be defined as those needed to support local businesses or who provide essential services and whose shortage is likely to affect the ability of an area to grow or function efficiently."

City of Canada Bay - Total area	2011	
Holroyd	685	2.5
Leichhardt	676	2.5
Burwood	632	2.3
Hornsby - South	601	2.2
Blacktown - South-East	589	2.2

Source: Australian Bureau of Statistics, 2006 and 2011. Compiled and presented by , the population experts

4.10 Homelessness

There are no formal records held on the level of homelessness in the City of Canada Bay. Anecdotal evidence, sourced from Council, suggests that less than five incidences of homelessness are reported annually. People who are faced with homelessness in the City of Canada Bay tend to move towards the City of Sydney where there tends to be more services available.

4.11 Key (essential) workers

As shown above the rising cost of rental housing and for sale housing in the City of Canada Bay will impact on groups such as 'key workers' who are in need of an adequate supply of appropriate housing, at the right price points and in proximity to their employment.

Key workers can be defined by industries and occupations as defined by the Australian Bureau of Statistics which contain 'essential professions' for the functioning of the City. These include workers such as care personnel, nurses, police officers and teachers. However this definition does not include what might be described as other 'key' workers such as hospitality, retail or cleaners that are becoming increasingly important with the growth of affluence and the service economy.

J Yates, B Randolph & D Holloway, 2006 have provided the following definition:

"a key worker"²⁷ can be defined as those needed to support local businesses or who provide essential services and whose shortage is likely to affect the ability of an area to grow or function efficiently.²⁸"

²⁷ Examples of key workers include retail, cleaning and hospitality workers together with those delivering education, health and emergency services

²⁸ Housing affordability, occupation and location in Australian Capital Cities, J Yates, B Randolph & D Holloway, for Australian Housing and Urban Research Institute Sydney Research Centre & UNSW/UWS Research Centre, 2006

The proximity of housing to essential services and key worker jobs is an important factor in attracting the necessary number and calibre of key workers to the City of Canada Bay.

Housing for key workers, in particular, will be critical in supporting the substantial anticipated increase in the number of health care, education and social service sector jobs in Sydney over the next 30 years. As at the 2011 Census, health care and social assistance is the largest employer in the City of Canada Bay, making up 17.6% of total employment²⁹. As mentioned Concord Hospital, a major public hospital is located in the LGA and is the highest employer. Additionally, jobs in hospitality increased by 359 from the 2006 to 2011 Census reflecting the growth in the important service sector, but one that traditionally pays lower wages.

It should be noted that there are other low to moderate income households who may be experiencing housing stress apart from key worker households. These include single parent families and retirees/aged who do not qualify for social housing but are located in the income bands shown in Table 8. These households would qualify for affordable housing and would contribute to the social diversity of the LGA.

It is understood that the City of Canada Bay wishes to focus on affordable rental housing for key workers in this Evidence Report. Notwithstanding, it is considered that future thought should be given to expanding the eligibility criteria for other qualifying households apart from 'key workers' for affordable housing in the City of Canada Bay.

4.12 Key findings - what does this all mean?

- Retaining and/or improving housing affordability within the City of Canada Bay is a real and growing challenge;
- Whilst historically a range of factors have enabled a diversity of dwelling and household types to reside within the City of Canada Bay (such as lower entry costs etc.), its growing attraction as a place to live is positively influencing property prices which in turn increases barriers to affordability;
- Since the AHSEPP commenced in 2009, 56 affordable units have been approved which is modest in number but greatly needed. These units are not held in perpetuity but available only for 10 years after which they can be sold or rented at market rent. Potentially these dwellings would be lost to the affordable housing stock;

²⁹ Community Profile, City of Canada Bay, Profile id

- There are approximately 127 boarding rooms in the City of Canada Bay;
- Non compliance with approvals for both affordable housing and boarding houses has prompted Council to set a process to monitor conditions of consent to ensure affordable housing is delivered;
- Of the 9,926 households within the City of Canada Bay that were renting, 4,249 households or 42% were experiencing stress. That is, 42% of households were paying 30% or over of their household income on their rental repayment;
- Households on very low or low incomes cannot afford to rent a 1 or 2 bedroom apartment in the City of Canada Bay;
- Households on a moderate income at 120% of the Greater Sydney median could afford to rent a 1 bedroom and 2 bedroom apartment. However renting a 2 bedroom apartment would take 30% of a household income which may become an issue if rents increase but wages stay static;
- A moderate income household at 105% of the Greater Sydney median could just afford to rent for a one bedroom apartment, however renting a 2 bedroom apartment would be unaffordable;
- A moderate income household at 95% of the Greater Sydney median would find it unaffordable to rent either a 1 or 2 bedroom apartment;
- 72.3% of workers in the City of Canada Bay travel from a wide area across Greater Sydney and beyond, suggesting that housing affordability could be an issue, particularly for workers at Concord Hospital;
- The household types that would be able to afford a 1 or 2 bedroom dwelling would be more affluent increasing the proportion of residents in the higher income bands at the expense of those in the lower. As a result these new residents are also more likely to be middle aged and higher income earning residents at the expense of a younger population;
- This lack of affordable rental housing has the effect of skewing the population of the City of Canada Bay where very low to low income households are denied entry to living in the area. This has the knock on effect of reducing a socially diverse and healthy community and access to key workers. In addition, this may

result in the following costs to business and the wider community³⁰:

- Local industry will face additional costs with consequent impacts on competitiveness (e.g. job retention, recruitments costs etc.);
 - Workers face additional costs in the form of transport or housing, resulting in a fall of disposable income;
 - There is a significant net migration out of the area of younger people. This age cohort is tending to leaving family, friends and community networks to move to areas with lower priced housing and better access to jobs, education and entertainment; and
 - Workers may change their place of work to be closer to home, further reducing the labour force pool available to support the local economy and community.
- In conclusion, based on the analysis provided in this Chapter the need for affordable housing under the definition of SEPP 70 has been identified. Effectively, very low and low income households are locked out of the rental housing market in the City of Canada Bay. In addition some moderate income households would find it difficult to pay less than 30% of their income on rent.

³⁰ Affordable Housing Discussion Paper and Action Plan, Warringah Council, Nov 2015

5 OPPORTUNITY FOR AFFORDABLE HOUSING DELIVERY IN RHODES EAST

This Chapter will examine the opportunity to substantially increase affordable housing supply in the LGA through the urban renewal of Rhodes East. The information presented in Chapter 2 shows that the housing market in the City of Canada Bay is failing to provide affordable rental housing for very low to moderate income households.

5.1 Rhodes East Priority Investigation Area

The Department of Planning and Environment (DPE) has identified Rhodes East as a Priority Precinct Investigation Area. It includes land on the Rhodes Peninsula, on the eastern side of the Northern Rail Line and within walking distance of Rhodes Train Station. The site has excellent access to Sydney Olympic Park, Parramatta and direct train access to the Sydney CBD. The DPE is working in partnership with the City of Canada Bay to look at opportunities to deliver new homes, employment and open space and improved connectivity. The 33 hectare, investigation area is shown below in Figure 1 and is projected to deliver approximately 3,000 new homes.

Figure 8: Rhodes East Investigation Area (outlined in red)



A Structure Plan has been developed by Roberts Day in conjunction with the City of Canada Bay and the DPE to inform a rezoning proposal for Rhodes East. There are six objectives for the urban renewal of Rhodes East:

- Integrated resilience planning;
- Active transport;
- Affordable Housing;
- Human scale high-density development;
- Connection to the water; and
- Connected high quality public spaces

Of relevance to this report is the objective for affordable housing:

Affordable Housing

Deliver 5% affordable housing. Challenge convention and revolutionise affordable living through reducing car-dependent living, providing product diversity to meet specific lifestyle needs and the use of passive living systems.

The Structure Plan aims to deliver a range of housing typologies and products to increase the 'affordability' of housing in Rhodes East. Notwithstanding, it is understood that one of the main objectives of Council is that the 5% affordable housing target will be delivered as a contribution from developers as the Precinct is redeveloped.

The Structure Plan Project Team, of which HillPDA was a part, developed a series of building typologies for each of the character areas identified within the Plan. This work determined the extent of development required to provide a commercially acceptable return to developers whilst contributing to broader public benefits, including an affordable housing levy of 5%.

6 THE ROLE OF GOVERNMENT IN AFFORDABLE HOUSING DELIVERY

At the time of writing the delivery of both affordable housing and housing affordability were high on the agenda of both the Federal and State governments as rents and house prices continue to rise in the major metropolitan cities of Australia. In late January 2017, the Sydney Morning Herald reported that Sydney was the second **least** affordable city in the world after Hong Kong³¹. As seen in Chapter 2 the City of Canada Bay is not immune to increases in house prices and rents.

The housing market is not providing affordable housing for households on very low, low or moderate incomes and realistically without government intervention there will continue to be little affordable dwellings available for lower income, key workers.

Ultimately no one level of government has the responsibility for housing affordability but each has a different role to play.

6.1 The Commonwealth

The Commonwealth Government influences housing distribution through macro-economic policy, taxation and income support, assistance to home owners, industry policy and the State Commonwealth Housing Agreement.

In 2016-17, the Commonwealth will provide funding of \$1.9 billion to support State affordable housing services, including \$1.3 billion through the National Affordable Housing Specific Purpose Payments and \$534.1 million through National Partnerships³². The National Affordable Housing SPP is the funding associated with the National Affordable Housing Agreement. This funding is being used to support a range of measures including social housing, assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance.

In early March 2017, the Commonwealth announced the establishment of the Affordable Housing Implementation Taskforce, to develop an affordable housing bond aggregator model for consideration by the Commonwealth and the States and Territories.

³¹ Danuta Kozaki, Riley Stuart, Sydney housing: New survey paints dire picture for Harbour City's middle-income earners, SMH 24 January, 2017

³² Budget Report 2015-16, Australian Government

This Taskforce was established in recognition that there are 30 per cent of Australians who live in rented homes.

An affordable housing bond aggregator would allow a financial intermediary to attract greater private sector investment into affordable housing. This would give community housing providers (CHPs) access to cheaper and longer term debt, freeing up capital for the construction of new affordable housing. In discussions with CHPs for this Study, one of the main issues that came up for all providers was the ability to secure funding to develop and build new affordable and social housing. This initiative would allow the community housing sector to grow and provide much needed additional social and affordable homes.

There are further announcements expected to be announced at the Federal Budget in May and the NSW State Budget in June.

6.2 State Government

The State Government is the lead agency in setting the affordable housing policy and agenda for NSW, particularly to give direction to local government. There are two State Environmental Planning Policies which deal with Affordable Housing:

- State Environmental Planning Policy (Affordable Rental Housing) 2009; and
- State Environmental Planning Policy No 70, Affordable Housing (Revised Schemes).

The Affordable Rental Housing SEPP 2009 provides standards and provisions for the building of infill affordable housing, secondary dwellings and boarding houses and group homes. This report does not deal with development delivered from the requirements of this SEPP.

SEPP 70 allows local government to deliver affordable housing through inclusionary zoning with provisions outlined in a Local Environmental Plan. To date, the City of Sydney and the City of Willoughby are the only local government areas who are able to deliver affordable housing in this manner. The former Leichhardt Council is identified in SEPP 70 but no requirements for affordable housing were included in the Leichhardt LEP. Recently, the State Government has looked more favourably on including more local government areas in the SEPP. Late in 2016 then Minister for Planning and Environment, gave in principle support for the inclusion

The State Government should lead by example and deliver affordable housing on government owned land and in government initiated urban renewal (e.g. UrbanGrowth NSW) projects as outlined in a Plan for Growing Sydney.

of Randwick Council in SEPP 70, for the Kingsford to Kensington urban renewal area.

The City of Canada Bay has made application to the Department of Planning and Environment for inclusion into State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) and it is assumed that this will be the method of delivery for Council.

6.2.1 NSW Family and Community Services and Community Housing Providers

The NSW Government develops policy objectives for appropriate housing. The NSW Government's goals and requirements are communicated through funding contracts, relevant legislation and the NSW Affordable Housing Ministerial Guidelines.

Early in 2016 the Government released Future Directions for Social Housing in NSW (includes affordable housing) which outlines the Government's vision for the next 10 years. As part of the plan to provide additional social and affordable housing, the Government will partner with both the private and not-for-profit housing sectors to increase the financing, ownership and management away from entirely public sector ownership.

There are over 140 not-for-profit community housing providers across NSW that provide housing assistance to eligible people on low incomes or who are unable to access appropriate housing in the private market. This includes social housing, affordable housing and supported housing.

Community housing providers work with a range of partners, including the Department of Family and Community Services (FACS), other non-government organisations, local councils, and private sector partners to develop, deliver and manage these housing products. They also receive funds from FACS and lease properties owned by the NSW Land and Housing Corporation (LAHC) for these purposes.

In addition the Ministerial Guidelines aims to ensure that affordable housing in NSW is delivered:

- to a range of income groups, including very low, low and moderate income households; and
- in a manner that generates sufficient income to meet associated finance and other operating costs.

One of the main aims of the Ministerial Guidelines is to ensure that retained earnings and assets from managing affordable housing are

NSW Affordable Housing
Ministerial Guidelines

2016-17

used by community housing providers to grow more affordable housing supply, wherever possible.

The NSW Affordable Housing Ministerial Guidelines are endorsed by the Minister for Family and Community Services.

6.2.2 A Plan for Growing Sydney

The State determines the legal framework for planning legislation, primarily the responsibility of the Department of Planning and Environment. The latter also sets housing objectives and aims through State Plans, such as 'A Plan for Growing Sydney', which includes recommendations and actions for affordable housing

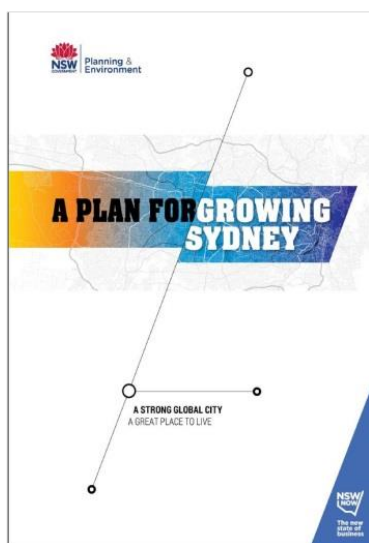
A Plan for Growing Sydney, NSW Government, December 2014, is a key planning document which sets the vision for Sydney. The Plan identifies that an additional 664,000 new dwellings will be required by 2031. In considering the provision of affordable housing, Action 2.3.1, states that each Council will be required to prepare a local housing strategy that considers (amongst other things) local affordable housing needs and strategies to provide affordable housing. Action 2.3.3 seeks to, 'Deliver more opportunities for affordable housing' where the Government will:

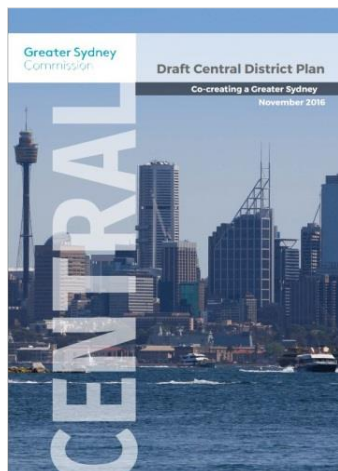
- develop a comprehensive approach to this issue that involves all stakeholders – the Government, local councils and the private and community sectors;
- provide affordable housing in Government-led urban renewal projects and on Government-owned sites to meet the shortfall in affordable housing; and
- require local councils to include affordable housing in their local housing strategies to respond to local demand.

The implementation of Action 2.3.3 has been limited to date although many councils have, or are in the process of developing local housing strategies and/or affordable housing policy as housing affordability is becoming a key issue in metropolitan Sydney. Many of the actions contained in A Plan for Growing Sydney are identified in the newly created draft District Plans which are discussed in section 4.2.3.

6.2.3 Draft District Plans

In November 2016, the Greater Sydney Commission released six draft District Plans for Sydney. The role of the GSC is to coordinate and align the planning that will shape the future of Greater Sydney taking





a collaborative, "one government" approach to lead and guide the planning for development, transport and housing. The draft District Plans supports the actions and outcomes of A Plan for Growing Sydney while also identifying an emerging new vision for Greater Sydney's future.

The City of Canada Bay is located within the draft Central District Plan where the Rhodes Peninsula has been identified as a strategic centre and Rhodes East as an area for urban renewal.

The draft Central District Plan has outlined that the City of Canada Bay, in relation to increased housing capacity (Action L3) will:

1. monitor and support the delivery of Canada Bay's five-year housing target of 2,150 dwellings;
2. investigate local opportunities to address diversity and demand in the short to medium term at local centres and close to transport;
3. work with adjoining councils to implement the Parramatta Road Corridor Urban Transformation Strategy and supporting Implementation Tool Kit;
4. work with Strathfield and Burwood Councils to plan and deliver urban renewal in Rhodes East; and
5. manage the competing demands for residential and enterprise lands.

Actions 1, 2 and 4 above for Canada Bay relate indirectly and directly to the redevelopment of Rhodes East. Importantly, the draft Plan in section 4.4.4, Deliver Affordable Rental Housing, Liveability Priority 3, has identified an affordable rental housing target (as a form of inclusionary zoning for very low and low income earners) for areas undergoing urban renewal. The intention is to apply a target of between 5% - 10% of new floor space, above the existing residential floorspace area, at the rezoning stage taking into consideration the economic feasibility of development. As part of the planning process, HillPDA was engaged to determine a target for Rhodes East without stifling development feasibility. A target of 5% of gross residential floor area was identified as being feasible for developers.

This affordable housing target at Rhodes East supports the direction within the draft Central District Plan.

6.2.4 Special infrastructure contributions

Special Infrastructure Contributions (SIC) can be implemented which include the delivery of affordable housing. SICs are subject to a

special infrastructure scheme applied within a special contribution area as declared under Schedule 5A of the EP&A Act. This is achieved by way of an order made by the Planning Minister and is published on the NSW Legislation website under s94EG of the Act. SICs can include cash contributions and in-kind contributions.

Subdivision 4, 94ED *Provision of infrastructure* includes reference to:

*(a) the provision, extension and augmentation of (or recoupment of the cost of providing, extending or augmenting) public amenities or public services, **affordable housing** and transport or other infrastructure relating to land; and*

*(b) the funding of recurrent expenditure relating to the provision, extension and augmentation of public amenities, or public services, **affordable housing** and transport or other infrastructure.*

To date SICs have been applied to greenfield sites and have not included affordable housing contributions.

Additional information on SICs and affordable housing provision can be found in Appendix C. This information outlines how the legislation would be applied to the Rhodes East Priority Precinct in the event that this method was implemented.

6.3 Local Government

Councils have traditionally not been comprehensively involved in the direct delivery/provision of affordable rental housing although there is nothing in the Local Government Act that prevents them from doing so. This involvement is changing as housing affordability becomes an increasing challenge for many households and as areas such as Canada Bay become more affluent and less socially diverse. Additionally, the majority of the State plans for affordable housing are implemented at the local level.

The approach of individual councils depend on a range of factors such as location, existing housing stock, existing infrastructure, development pressures, community values and council priorities.

Councils are largely responsible for land use planning controls and can play a proactive role in affordable housing provision through appropriate planning mechanisms and policies. The role of local government can be broadly summarised as:

The approach of individual councils depend on a range of factors such as location, existing housing stock, existing infrastructure, development pressures, community values and council priorities.

- Advocacy;
- Planning & delivery; and
- Provision & management.

6.3.1 Advocacy

Local government can play an important role in advocating for affordable housing through actions such as:

- Researching local housing needs;
- Advocating to the State and Federal governments for best practice affordable housing schemes;
- Defining affordable housing and setting affordable housing targets for local government areas/districts;
- Influencing the location and/or type of housing through the planning system;
- Supporting housing associations such as Community Housing Providers to assist them in increasing their role in affordable housing provision; and
- Educating existing communities, Council staff and elected representatives on the importance of local affordable housing.

Local councils can also undertake demonstration housing projects on land in their ownership which may be suitable for redevelopment. A joint venture with a developer or community housing provider could result in the delivery of a certain percentage affordable housing within a development.

Increasingly, there is recognition within local government that by improving affordable housing opportunities, particularly for key workers, there are tangible social and economic benefits for their local communities.

6.3.2 Planning and Delivery

Local Planning Strategy

The City of Canada Bay has a Local Planning Strategy adopted by Council and endorsed by the Department of Planning in 2010. The purpose of the Local Planning Strategy (LPS) is to provide a framework for future land use planning in the City of Canada Bay to guide the preparation of the current Canada Bay LEP 2013 and subsequent planning proposals. In Part 3, Housing, the LPS identified that, *'ensuring an adequate supply of affordable housing and*

diversity of dwelling types and tenures is important to ensure the future economic, social and environmental sustainability of Canada Bay and the wider Sydney metropolitan area generally. Housing affordability can be defined as the ease with which household income groups can access housing’.

As a consequence, one of the broad housing objectives of the Strategy was to:

- **Facilitate the provision of a greater share of low cost or affordable housing.** There is high demand and low supply for affordable housing in the LGA. Current large scale residential developments are unlikely to address this situation. A lack of affordable housing will impact on the ability of the area to house a diverse population – negatively impacting on the social and economic functioning of the area. Council should aim to encourage affordable housing development.

The following actions were developed:

- **Action H3:** work closely with the non-profit sector to facilitate affordable housing provision
- **Action H4:** work with government agencies to lever funding for affordable housing delivery
- **Action H5:** work with the State Government to renew/replace existing social housing
- **Action H6:** consider opportunities for the provision of affordable housing on sites to be rezoned for residential/mixed use
- **Action H7:** investigate the potential for implementing an inclusionary zoning provision
- **Action H8:** consider negotiated agreements for provision of affordable housing where development meets certain criteria.

Planning Mechanisms

There two main ways available for local government to deliver affordable housing through the planning system.

State Environmental Planning Policy 70 (SEPP 70) Affordable Housing.

Section 94F of the EP&A Act permits councils to seek affordable housing as a development contribution, through an inclusionary

zoning mechanism. However, the provisions of s94F only apply to councils which have been identified as having affordable housing need, as outlined in State Environmental Planning Policy 70 (SEPP 70) Affordable Housing.

At present, only the City of Sydney, the City of Willoughby and the former Leichhardt Council are identified in SEPP 70 for the need for affordable housing (SEPP 70, Clause 9). A requirement of SEPP 70 is that a condition for an affordable housing contribution can only be applied where the condition is authorised by a statutory plan, such as a Local Environmental Plan.

Clause 9 of SEPP 70 identifies the local government areas where there is an identification of need for affordable housing, with Schedule 2 setting the affordable housing principles that apply:

1. Where any of the circumstances described in section 94F (1) (a), (b), (c) or (d) of the Act occur, and a regional environmental plan or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created;
2. Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality;
3. Affordable housing is to be made available to a mix of very low, low and moderate income households;
4. Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income;
5. Land provided for affordable housing is to be used for the purpose of the provision of affordable housing;
6. Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing;
7. Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing; and
8. Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

The definition of affordable housing under the SEPP is as follows:

For the purposes of the definition of **affordable housing** in section 4 (1) of the Act, *very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:*

<i>Very low income household</i>	<i>less than 50%</i>
<i>Low income household</i>	<i>50 or more but less than 80%</i>
<i>Moderate income household</i>	<i>80–120%</i>

Developer contributions under S94F can be sought in the form of dwellings or monetary contributions.

For example, the Willoughby Local Environmental Plan (LEP) 2012, Part 6, clause 6.8 sets out the provisions for delivering affordable housing in nominated areas (identified on a LEP map). Developers in these areas must contribute 4% of accountable (residential) total floor space either as dedicated dwellings or an equivalent cash contribution. Conditions to this effect are placed on development consents.

In the City of Sydney LEP 2012, under Part 7, Division 3, Clause 7.13 the following, presently applies in Green Square:

Residential development

- On-site: 3% of the total residential floor area must be provided as affordable housing; and
- Monetary: \$206.06 per square metre of the total residential floor area.

Non-residential development

- On-site: 1% of the total non-residential floor area must be provided as affordable housing; and
- Monetary: \$68.66 per square metre of the total non-residential floor area.

The City of Canada Bay has applied to the Department of Planning and Environment to be included into SEPP 70. It is assumed that this will be the method by which the City of Canada Bay will levy for affordable housing in Rhodes East.

Voluntary Planning Agreements

Secondly, Voluntary Planning Agreements (VPAs) between a council and a developer can be used to procure affordable housing. VPAs are implemented under S93F of the EP&A Act, providing public benefit, usually for an increase in development density. VPAs are used by numerous councils across Sydney, including Waverley and Randwick. They can provide flexibility in terms of outcomes that can be adjusted, by merit on a case by case basis. The City of Canada Bay for example has used VPAs to deliver their affordable housing stock to date.

The downside is that VPAs are adhoc and opportunistic in nature and provide no certainty for affordable housing outcomes in a LGA. There is also the perception that developers are able to buy 'density uplift'. In addition, the negotiations can be resource intensive.

Comment

Planning policy and legislation play a critical role in establishing mechanisms for providing and increasing the affordable housing supply in Sydney. It is difficult for councils to deliver affordable housing on its own in absence of a comprehensive government led approach to the issue. At the time of writing both the Commonwealth and State governments are looking at approaches to tackle, what is now seen as the housing affordability crisis in Sydney.

6.3.3 Management

Under the provisions of the Environmental Planning and Assessment Act, 1979 (EPAA) titles for dedicated affordable housing and/or monetary contributions are usually given to consent authorities. It is common practice for councils to then enter into agreements with community housing providers for the day to day management of the properties. The rents are used to cover costs for the care and management for these properties.

The City of Canada Bay has recently appointed Bridge Housing to manage their affordable housing portfolio. Council enters into contractual arrangements with the CHP for such matters as, tenant selection, and tenancy and asset management. These arrangements are often guided by an adopted council policy/program. In the case of the City of Canada Bay the Affordable Housing Policy stipulates,

“that tenants must meet the income criteria set by the National Rental Affordability Scheme and work in the following industries:

Healthcare, childcare, teachers, emergency services, public transport, City of Canada Bay, retail, labourers, manufacturing and hospitality.

Additionally, six of the affordable housing properties are to be accessible to staff from Concord Hospital”.

6.3.4 The City of Sydney Situation

The City of Sydney facilitates the provision of affordable housing through the planning system but does not own the stock. A non-profit housing organisation was set up by the State Government, known as City West Housing Pty Ltd to originally manage and deliver affordable housing in the Ultimo Pyrmont area and now for Green Square and elsewhere in the City. City West Housing is incorporated under the Corporation Law and is independent from, but still accountable to the State Government. The Company has an expertise-based Board. City West Housing is authorised to issue two classes of shares: ordinary shares and redeemable preferential shares. However shares are not traded on the active market and therefore there is no trading policy. The Ordinary Shareholders are:

- NSW Minister for Social Housing
- NSW Treasurer

The Preferential Shareholders (City West Housing Annual Report 2016) are:

- Churches Housing Incorporated
- City of Sydney
- Lend Lease Development Party Ltd
- NSW Federation of Housing Association Pty Ltd
- Shelter NSW Incorporated
- Bridge Housing Ltd
- The Star Pty Ltd
- St George Bank
- The Uniting Church in Australia Property Trust (NSW)
- Australand Corporation (NSW) Pt Ltd
- Mirvac Projects Pty Ltd

The role of the ordinary and the preference shareholders is to evaluate the performance of City West’s Board through the business planning process. Quarterly accountability reports are provided to shareholders and meetings are held quarterly. The State Government retains the ownership of the assets through the Treasurer and Minister of Housing as ordinary shareholders with the power to



Source: Platform Apartments Eveleigh, City West Housing



intervene or recall the assets in the event of a failure by the company to meet its objectives and performance criteria. Transfer of title and monetary contributions are forwarded to City West Housing.

The City of Sydney has a number of adopted affordable housing programs for various areas in their local government area:

- Pyrmont/Ultimo
- Green Square
- Employment Lands

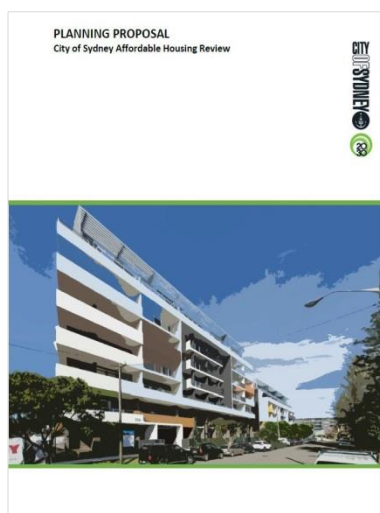
Each program has policy document such as the "Green Square Affordable Housing Program" which comprehensively sets out the purpose, provisions for calculating affordable housing contributions, how to make a payment and who is eligible. Developers can either provide their contribution through a cash contribution or in-kind.

In order to increase the supply of affordable housing and meet their ambitious target of 11,000 affordable rental dwellings by 2030, the City of Sydney has developed two more Programs which are at Planning Proposal stage. In June of last year the City of Sydney approved a draft Affordable Housing Program for Central Sydney which has been lodged with the Department of Planning and Environment to request a Gateway Determination for public exhibition.

Recently, the City considered a Planning Proposal to review their Affordable Housing Program (excepting draft Central Sydney), as well expand the current schemes to include other land in the LGA, which is referred to as 'residual land'. The latter is land that will benefit from increased development capacity through a site specific Planning Proposal to change the planning controls.

The latter Planning Proposal also seeks to reduce the minimum size of an affordable housing dwelling from 50 sqm to 35sqm and to introduce a maximum dwelling size of 90sqm. The purpose of these changes is to deliver as much affordable housing floor area as possible. In addition, the Planning Proposal aims to amend the Sydney LEP 2012 to include additional development, such as a warehouse conversion to residential where no new floor area is being created.

The City of Sydney has been successfully delivering affordable rental housing, through inclusionary zoning for a number of years. Their Programs and documents have provided beneficial reference points for this project.



7 METHODOLOGIES FOR CALCULATING CONTRIBUTIONS

This Chapter outlines the methodology tools developed by HillPDA to calculate affordable housing contributions using three contribution mechanisms including:

- monetary contribution;
- dwelling in-kind contribution; and
- land contribution.

These tools have been developed on the assumption that the City of Canada Bay will be included in SEPP 70 Affordable Housing (Revised Schemes), as outlined in section 4.3.2 above.

These tools will support the implementation of affordable housing contribution mechanisms. Commentary has been provided around the implementation of each tool and rationale of how and when it should be utilised.

All residential development, including a change of existing use to the gross floor area from a non-residential purpose to a residential purpose, within Rhodes East other than excluded development, will be required to make contribution towards affordable housing. Non-residential land is exempted from the contribution as there is a lack of nexus - that is, commercial space does not generate increased demand for affordable housing. Secondly the viability of commercial space is often difficult (half the end sale value of residential) and the cost of an affordable housing contribution would undermine feasibility further. Excluded development will be identified further in section 6.4.

The rate of contribution that has been established for Rhodes East is:

- Five (5) per cent of gross floor area that is to be used for residential land uses.

Note: If the decision is made to include the Rhodes East affordable housing delivery within a SIC then reference is made to Appendix C which includes potential affordable housing provisions and methodologies for calculating contributions.

7.1 Monetary Contribution

7.1.1 Overview of methodology

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in Rhodes East for affordable housing. This estimated cost is \$11,500 per square metre of internal saleable area. This cost is supported by the market evidence provided in the *Rhodes East Property Market Appraisal and Development Feasibility Report* undertaken by HillPDA in July 2016. The market research extracted from this report can be found in Appendix E.

To convert to a dollar per square metre rate of Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500) multiplied by efficiency ratio (85%) multiplied by affordable housing ratio (5%) equals the required affordable housing contribution per square metre of gross floor area.

$$\$11,500 \times 85\% \times 5\% = \$488.75/\text{sqm}.$$

The recommended contribution rate (CR) is therefore \$488.75/sqm

7.1.2 Tool to calculate contribution amount (including indexation)

Residential development calculation:

Monetary contribution provision:

= Contribution rate multiplied by gross floor area

= CR x GFA

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

$$= \$488.75 \times 8,000\text{sqm}$$

Total payable contribution = \$3,910,000.00

Mixed-use development calculation:

Subtract the non-residential gross floor area from the total building gross floor area to determine the residential gross floor area

Therefore: Total GFA - non-residential GFA = residential GFA

Monetary contribution provision:

= contribution rate x residential gross floor area

= CR x RGFA

Mixed-use development example:

A development application for a new 8,000sqm mixed use development comprising 7,000sqm of residential GFA and 1,000sqm of non-residential GFA.

= 8,000sqm - 1,000sqm = 7,000sqm residential GFA

= 7,000sqm x \$488.75

Total payable contribution = \$3,421,250.00

Adaptable Use

A change of use of an existing non-residential use to a residential use would attract an affordable housing contribution.

Monetary contribution provision:

= contribution rate x converted residential gross floor area

= CR x RGFA

Adaptable use development example:

A development application for a conversion of a of an existing commercial/industrial space to residential GFA

1,000sqm of converted GFA

= 1,000sqm x \$488.75

Total payable contribution = \$488,750.00

7.1.3 Indexation methodology

Contribution rates would be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movement in the median price for strata dwellings in the City of Canada Bay LGA. The median

strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In the situation where the release of the Rent and Sales Report is delayed, rates would be updated as soon as possible.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The City of Canada Bay's website would display the current rates for the affordable housing program.

7.1.4 Adjustment of a monetary contribution on a development consent

Where a condition for an affordable housing contribution has been applied, the contribution amount must be adjusted over time. For example if a development consent is issued in December 2016 but the developer waits until February 2018 to enact the consent, then the contribution amount will need to be adjusted to the period in which it is paid.

The formula for the adjustment:

Monetary Contribution = the Base Contribution Amount(MDP2/MDP1)

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rate at the time of determination of the development application.

MDP1 is the median strata dwelling price that applied at the time of consent.

MDP2 is the median strata dwelling price that applies at the time of payment.

7.1.5 Proposed condition of development consent

It is recommended that the following information be included in any condition of consent.

- The monetary contribution that is required;

- The total gross floor area of the residential component of the development that was used to calculate the contribution;
- The contribution rate that is current at the time of determination;
- The indexation period at the time of determination;
- The method of adjustment to contribution rates; and
- A requirement that the condition be satisfied prior to the issue of the Construction Certificate.

7.1.6 Assumptions used

The following assumptions have been made:

- The replacement value is reflective of the equivalent market value of new strata development at the time of drafting the report;
- The 85% efficiency ratio is a standard rate applied by HillPDA; and
- The rate would be required to be indexed quarterly in accordance with the median strata price that is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata. This would be subject to a market review every three years or at Council's discretion.

7.1.7 Administering cash funds

Monetary contributions for the affordable housing would be paid to the City of Canada Bay.

The monetary contributions received would be used for the sole purpose of providing and managing affordable housing in accordance with the City of Canada Bay's Affordable Housing Program and the Affordable Housing Policy.

Contributions may be pooled and managed by the City of Canada Bay for the provision of affordable housing. Any interest received from the management of funds would be used for the purpose of affordable housing.

7.1.8 Implementation

It is recommended that the affordable housing monetary contribution be paid prior to the issue of the Construction Certificate (CC) for the development for which the contribution applies. This recommendation is in line with the payment of s94 developer contributions and ensures that the payment will be received.

For developers who may experience cash flow problems at CC stage, discussions will have to take place with Council to come to an appropriate agreement in relation to the payment of the levy. A Bank Guarantee is one method that can be utilised where the monetary contribution is paid later in the construction cycle, such as prior to the release of the Occupation Certificate.

7.2 Dwelling in-kind contribution

7.2.1 Overview of methodology

Dwellings in-kind provision is calculated on the gross residential floor area of the relevant development. The 5% affordable housing contribution is calculated against the residential gross floor area to identify the number of dwellings required for dedication.

It is recommended that the gross floor area of a dwelling must be greater than fifty square metres (50sqm). Community Housing Providers contacted during the development of this Report indicated that small apartments such as studios are difficult to rent, excepting in the Sydney CBD.

Where there is a balance deficit of more than 1 sqm, the full balance of the contribution would be paid as a monetary contribution. Only completed dwellings are to be dedicated.

The dwellings to be dedicated to the City of Canada Bay would be identified on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

7.2.2 Tool to calculate contribution amount

Gross floor area x 5% = required affordable housing square metre provision.

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

= 8,000sqm x 5%

= 400sqm affordable housing GFA required to be dedicated

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 6.1.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer. Each affordable housing dwelling is required to have a gross floor area of 50sqm or greater.

7.2.3 Dedication requirements

Completed dwellings would be dedicated in favour of Council free of cost. It is recommended that proposed dedicated dwellings would be to the satisfaction of Council in consultation with the community housing provider, wherever possible. In this regard the following criteria have been identified for affordable housing dwellings which are to be dedicated. They should be/have:

- Located on all levels of buildings, not just ground/street level;
- Reasonable orientation i.e. not only south facing dwellings;
- Finishes and fixtures that are commensurate with other dwellings in the building; and
- Access to all facilities within the building.

Council and the applicant are to mutually agree on the location of dedicated dwellings within the development. The dwellings to be dedicated to the City of Canada Bay are to be identified on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

7.2.4 Proposed condition of development consent

It is recommended that the following information be included in any condition of consent.

- The total gross floor area of the dwellings to be dedicated;
- The dedicated dwellings must be shown on the approved plans, and referenced in the affordable housing condition;
- The total residential gross floor area of the development that was used to calculate the contribution;
- The indexation period at the time of determination (for any monetary component);

- An agreement to transfer title must be finalised and evidence provided to Council prior to the granting a Construction Certificate;
- The dedicated affordable housing is to be constructed to a standard which in the opinion of Council is consistent with other dwellings in the development; and
- If a staged development, affordable housing must be provided at each stage.

7.2.5 Procedures for receiving dwellings/Implementation

Titles for the affordable housing dwelling(s) would be transferred to the City of Canada Bay following registration of the subdivision plans with the NSW Land Titles Office.

7.3 Land Contribution

7.3.1 Overview of methodology

Land dedication assessment would need to be undertaken on a site by site basis.

Land would need to fulfil the suitability criteria for land dedication as outlined in section 6.3.3 and be subject to an independent valuation.

Additionally, land value would vary dependent on the location and suitability of the site.

7.3.2 Calculating the contribution

The land value would need to be equivalent or more than the required affordable housing monetary contribution value. Therefore the monetary contribution methodology (outlined in Section 6.1) would need to be applied to calculate the equivalent land value.

- Step 1: calculate equivalent monetary contribution amount for relevant development, therefore: \$488.75 x total residential GFA;
- Step 2: seek independent valuation of land parcel nominated for dedication;
- Step 3: determine if nominated parcel meets the criteria outlined in Section 6.3.3;
- Step 4: determine if land value meets or exceeds monetary contribution amount;

- Step 5: if land is appropriate for dedication, it should be identified on a subdivision plan and approved by Council; and
- Step 6: the land title can be transferred to Council following registration with the Land Titles Office.

If the land value is less than the equivalent monetary contribution, Council would either choose to not accept parcel of land or choose to accept the land parcel with an additional monetary contribution.

Where the land value exceeds the monetary contribution equivalent, the value exceeding the rate would not be provided back to the applicant.

7.3.3 Criteria for land dedication

The following criteria have been identified for determining land suitable for dedication for affordable housing. The land must:

- be greater than 1,000sqm;
- have a minimum dimension in any one direction of 20 metres;
- be no greater than 1:7 gradient;
- be within 400m of bus stop or 800m of rail station;
- not be contaminated or remediated to an extent that it is certified for residential development;
- be free of flood constraints;
- be a safe and accessible location for residents; and
- have the capacity to be appropriately integrated into the community of Rhodes East.

7.3.4 Proposed condition on a development consent

It is recommended that the following information be included in any condition of consent.

- The dedicated land must be shown on approved plans, and referenced in the affordable housing condition; and
- An agreement to transfer title must be finalised prior to Council granting a Construction Certificate for the development.

7.3.5 Assumptions used

Suitable land would be made available by developers as an affordable housing contribution.

7.3.6 Procedures for receiving land/Implementation

Titles for the land would be transferred to the City of Canada Bay following registration of the subdivision plans with the NSW Land Titles Office.

7.4 Excluded development

There are a few categories of development which are considered exempt from the application of an affordable housing contribution. This is similar to the approach taken by both the City of Sydney and Willoughby City Council in their affordable housing programs and has been adapted for use by the City of Canada Bay. These exclusions are included in a Local Environmental Plan The following is recommended to be excluded development:

- non-residential land as there is a lack of nexus - that is, commercial space does not generate increased demand for affordable housing. Secondly the viability of commercial space is often difficult (half the end sale value of residential) and the cost of an affordable housing contribution would undermine feasibility further;
- alterations to an existing building resulting in the creation of less than 200sqm of residential floor space;
- alterations or additions to existing residential floor area that cost less than \$50,000;
- development that is for the purposes of residential accommodation that is used to provide social or affordable housing; and
- development for the purposes of community facilities, public roads or public utility undertakings.

7.5 Applying additional provisions on the same site

If an affordable housing contribution has been made under the Canada Bay Affordable Housing Program then a contribution is not required if:

- the gross floor area is the same, or because the redevelopment of the site will replace an equivalent area; and
- the same percentage of gross floor area has already been provided for use for affordable housing as required.

Where a development is larger than a previous development on site (for which an affordable housing contribution was made) then the consent authority must require a contribution for the difference in gross floor area. It does not matter whether the floor area for which the contribution was previously made is demolished or re-used as part of the new development.

Example:

A contribution was paid for a residential flat development with a total gross floor area of 8,000sqm.

A subsequent consent is sought to demolish the building and build a new RFB with a total gross floor area of 10,000sqm.

The applicant must pay a contribution which is calculated using the difference in total gross floor area which in this case equals 2,000sqm.

Contribution = 2,000sqm X \$488.75 = \$977,500

8 OVERVIEW OF EACH CONTRIBUTION METHODOLOGY

The following table is provided which outlines the pros and cons for the three proposed mechanisms presented in Chapter 6. Each mechanism has the potential to deliver affordable housing.

Table 16: Contribution Mechanism Overview

Contribution Mechanism	Pros	Cons
Monetary contribution	<ul style="list-style-type: none"> Creates opportunity to buy affordable housing 'off the plan' in more suitable developments e.g. cheaper strata fees. Creates a pool of money which can be invested for additional affordable housing. 	<ul style="list-style-type: none"> Does not contribute to Council's asset portfolio. Money is not committed for expenditure on affordable housing in Rhodes East and may be delivered in other locations across the LGA. Delays in the delivery of affordable housing e.g. finding suitable accommodation, in the right location at the right price point. The management of finance and expenditure of funds on suitable dwellings will be resource intensive. In-house property management skills may be required. Potential complication regarding administrative arrangements for transferring money from State to Council in a timely manner if the contribution is collected through a Special Infrastructure Levy.
Dwelling in-kind	<ul style="list-style-type: none"> Directly contributes to the delivery of affordable housing. Asset owned by Council. Delivers affordable housing within the Rhodes East Priority Area. Still retains the flexibility to sell the asset if not appropriate or if strata premiums are considered too high. The delivery of affordable housing in Rhodes East ensures good access to services, employment and public transport. Enhances integration of affordable housing with private dwellings outcomes 	<ul style="list-style-type: none"> There is potential that affordable housing provided in high-end buildings will incur expensive strata fees which may be unsustainable over the longer term. Management of the 'life-cycle' of dwellings so that assets remain suitable for their use. Distribution of affordable housing across multiple buildings can create management inefficiencies.

Contribution Mechanism	Pros	Cons
	<p>rather than clustering them in one building.</p> <ul style="list-style-type: none"> Less resource intensive as management is transferred to a CHP. 	
Land in-kind	<ul style="list-style-type: none"> Council obtains a land title. Land can be sold if not suitable. Opportunity to undertake a joint venture project to deliver more affordable housing in Rhodes East. 	<ul style="list-style-type: none"> Quality and suitability of land for affordable housing may vary. Although an asset in Council ownership, it does require development to deliver on the affordable housing objective. Financing constraints for the funding of development may result in delivery delays of affordable housing. A development project is resource intensive and Council is unlikely to have appropriate in-house skills to deliver a project. May require partnering with an outside investor, which reduces the control Council has over the project. Developers are unlikely to sell 'valuable' developable land in Rhodes East. Any future development may be constrained by dedication of the land for affordable housing, reducing the appeal and opportunity for joint venture development or to leverage off private apartment sales or rent.

Source: HillPDA

8.1 Overview

The City of Canada Bay has indicated that it would prefer to retain ownership of dedicated dwellings (or land) similar to the way that the Affordable Housing Program works at present. Council would own the properties with the everyday management transferred to Bridge Housing (CHP) or equivalent. This requirement has been taken into account when considering the recommended path for Council to pursue. However other options open to Council have been assessed and an overview presented below.

In recent times the City of Sydney, with the public exhibition of the draft Central Sydney Affordable Housing Program has proposed to take monetary contributions for Central Sydney rather than dwellings-in-kind. However with their other Programs such as at Green Square and the Employment Lands, developers can choose to

either give a monetary contribution or dedicate dwellings in-kind. As mentioned in section 4.3.4, the City of Sydney does not own the affordable housing delivered through the planning system nor does it hold affordable housing funds created from monetary contributions due to their unique arrangement with City West Housing. The latter collects and pools the monetary contributions to either, develop and construct affordable housing or purchase dwellings. A Direction from the Minister would be required if the City of Canada Bay opted to adopt the option of transferring title to a CHP.

A concern raised when dwellings are provided in-kind is that the ongoing management can be made more difficult if the dwellings are spread across many developments (salt and peppering) and strata fees can be high, particularly if there are pools, gyms and manicured gardens. The rents for affordable housing are used for the ongoing management and maintenance of the dwellings and the less money required for ongoing maintenance means more money for additional affordable housing.

Notwithstanding the concern around the dedication of dwellings it is considered there are advantages for Council and the Affordable Housing Program if dwellings are taken in-kind. It would mean that the properties have to be carefully managed to ensure that the rent from the affordable housing stock covers all outgoings. This will be further discussed in Chapter 9.

Completed affordable housing would be delivered in a reasonable timeframe after construction. Delays are likely to occur in the delivery of affordable housing when utilising the pool of monetary contributions. It takes time and resources to source suitable properties, in the right location at the right price point.

The redevelopment of Rhodes East is unlikely to provide affordable housing for lower income households. Urban renewal generally has the effect of increasing land values, which in turn decreases housing affordability. One of the main advantages of receiving dwellings in-kind is that affordable housing will be located in the Rhodes East renewal area, maintaining a socially diverse population. Additionally, Rhodes East would provide affordable housing residents with good access to services, employment and public transport.

Affordable housing tenants in general require less support from a CHP than social housing tenants as their needs are less complex. A reasonable number of affordable houses are expected in Rhodes East. Five percent of the estimated 3,000 new homes will deliver

around 150 affordable dwellings which will provide a good threshold for managing these properties in Rhodes East.

The revenue from rent could be managed to remain in slight surplus provided the mix of income bands (low and medium) can be adjusted over time by Council. Over time the portfolio asset could become substantial allowing Council to leverage the asset value with borrowings to expand the housing portfolio.

It is envisaged that in some situations Council would choose to accept a monetary contribution, in particular, if the dwellings are not considered suitable (location, design, cost of strata fees) for affordable housing when the development application is being assessed. Additionally monetary contributions would be paid to Council when the dedication of dwellings is in deficit of more than 1sqm and the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 6.1.

The monetary contributions (as is the case presently) would be held in a 'special affordable housing fund' by Council and pooled with any surpluses from the rest of the housing portfolio. In this way these funds can be invested and used to purchase additional affordable housing over the longer term in Rhodes East or elsewhere in the LGA to reflect changing demand.

The dedication of land is considered the least desirable option and one that would be used in exceptional circumstances. Developers are unlikely to sell 'valuable' developable land in Rhodes East.

In summary, it is considered that receiving and retaining ownership of dwellings in-kind would be the preferred option for Council to pursue, supported by the option to receive monetary contributions.

9 AFFORDABLE HOUSING PRINCIPLES

The City of Canada Bay's current Affordable Housing Policy contains principles to guide Council's endeavours in supporting the delivery of affordable housing. It is suggested that these principles be expanded to reflect the opportunity for affordable housing provision in Rhodes East. These principles are contained within State Environmental Planning Policy 70 (SEPP 70) Affordable Housing.

1. Where any of the circumstances described in section 94F (1) (a), (b), (c) or (d) of the Act occur, and a regional environmental plan or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.
2. Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
3. Affordable housing is to be made available to a mix of very low, low and moderate income households.
4. Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income³³.
5. Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.
6. Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
7. Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.
8. Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

It is recommended that these principles be included in the city of Canada Bay Affordable Housing Program and Policy.

³³ SEPP 70, Affordable Housing (Revised Schemes), Clause 8

10 ADMINISTRATIVE MATTERS

This Chapter discusses the number of administrative matters that will need to be considered in the development of the Rhodes East Affordable Housing Program.

10.1 Inclusion of provisions for Rhodes East in State Environmental Planning Policy 70, Affordable Housing

As mentioned earlier in this Report it is assumed that Council's application to the Department of Planning and Environment for inclusion in SEPP 70 will be successful.

This will involve provisions to be included in the Canada Bay Local Environmental Plan, 2013 to allow affordable housing conditions to be placed on development consents. It is also recommended that reference is made within the LEP to the Rhodes East Affordable Housing Program which will set out additional provisions and information.

10.2 Conditions of Consent

The City of Canada Bay would have a number of responsibilities to ensure the delivery of the affordable housing stock, land or monetary contributions. Development consents would require appropriate conditions of consent and should include the following information:

10.2.1 Monetary Contributions

- The monetary contribution that is required
- The total gross floor area of the residential component of the development that was used to calculate the contribution
- The contribution rate that is current at the time of determination
- The indexation period at the time of determination
- The method of adjustment to contribution rates
- A requirement that the condition be satisfied prior to the issue of the Construction Certificate.

Additionally Council would be responsible for updating the adjusted base contribution rate on the Council website every quarter.

10.2.2 In-kind dwellings

- The total gross floor area of the dwellings to be dedicated.

- The dedicated dwellings must be shown on the approved plans, and referenced in the affordable housing condition
- The total residential gross floor area of the development that was used to calculate the contribution
- The indexation period at the time of determination
- An agreement to transfer title must be finalised and evidence provided to Council prior to the granting a Construction Certificate
- The dedicated affordable housing is to be constructed to a standard which in the opinion of Council is consistent with other dwellings in the development
- If a staged development, affordable housing must be provided at each stage.

Additionally, it is recommended that development applications for Rhodes East would be referred to the appropriate Council staff who can assess that the proposed dwellings are satisfactory for the City of Canada Bay Affordable Housing Program.

10.2.3 Land

The dedicated land must be shown on approved plans, and referenced in the affordable housing condition.

An agreement to transfer title must be finalised prior to Council granting a Construction Certificate for the development.

10.3 Management of the affordable housing portfolio

The City of Canada Bay presently outsources the day to day management of Council's affordable housing portfolio to Bridge Housing. This Report does not suggest any change to this arrangement as CHPs have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council.

Bridge Housing, for example is a Tier 1, Community Housing Provider and operates under the provisions of the National Regulatory System for Community Housing (NRSCH). The selection of community housing providers would be conducted under Council's Procurement Policy.

Rent setting

Affordable Housing would be rented out to very low, low or moderate income households. SEPP 70 defines "affordable housing" as:

*For the purposes of the definition of **affordable housing** in section 4 (1) of the Act, very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income, for the time being, for the Sydney Statistical Division according to the Australian Bureau of Statistics:*

<i>Very low income household</i>	<i>< 50%</i>
<i>Low income household</i>	<i>50% to <80%</i>
<i>Moderate income household</i>	<i>80% to <120%</i>

Relevant median household income – the median household income for the Sydney Statistical Division or the Balance of NSW Major Statistical Region (depending on where a household is located) as reported by the Australian Bureau of Statistics³⁴. For the Sydney region the maximum household income for eligibility of affordable housing is shown in Table 17.

Table 17: Maximum household income for the eligibility of affordable housing 2016-17

Household Type	Very low	Low	Moderate
Single	\$25,000	\$40,000	\$59,900
Single + 1	\$32,500	\$52,000	\$77,900
Single + 2	\$40,000	\$64,000	\$95,900
Single + 3	\$47,500	\$76,000	\$113,900
Single + 4	\$55,000	\$88,000	\$131,900
Couple	\$37,500	\$60,000	\$89,900
Couple + 1	\$45,000	\$72,000	\$107,900
Couple + 1	\$52,500	\$84,000	\$125,900
Couple + 1	\$60,000	\$96,000	\$143,900
Couple + 1	\$67,500	\$108,000	\$161,900

Source: Centre of Affordable Housing

As a general rule of thumb, housing is considered affordable if it costs less than 30% of gross household income.

The City of Canada Bay has used this method of setting rents as well as using the approach of setting rents at 75% of the market rent of a comparable property.

It is assumed that Council would be successful in its application to be included in SEPP 70, meaning that Council would be required to rent

³⁴ As defined in the Housing Regulation 2009.

dwelling under its provisions. The affordable housing would be available to a mix of very low, low and moderate household incomes. Furthermore a tenant could not be charged more than 30% of their total income within the bands stated above.

For example, for a tenant, on say \$72,000 household income (Couple + 1 child), the maximum weekly rent chargeable would be \$415 per week. The weekly rent in Rhodes for a new 2 bedroom unit is between \$620 - \$720 per week. The maximum rent is less than the 75% threshold (\$465 and \$540 respectively). Under SEPP 70 councils can charge up to 75% of market rent provided that rent is not greater than 30% of household income.

The intention of Council is to ensure that the Affordable Housing Program stays sustainable in the long term with the rents used to meet management and maintenance costs. In order to ensure sustainability of the Program and based on modelling work undertaken by HillPDA for other comparable LGAs and CHPs, it is suggested that Council manage carefully the mix of tenancy bands (very low, low and moderate incomes) for the affordable housing stock.

Modelling undertaken has shown that the rental revenue from an affordable housing portfolio should not fall below 55% of market rent. This means that it is important to calculate the appropriate mix of income tenancy bands (very low, low, moderate). Not surprisingly, a larger percentage of very low income tenants would result in lower rent revenue to Council that would have the impact of reducing revenue, to below 55% of market rent.

Modelling undertaken for a comparable LGA suggested that the mix of very low, low and moderate should be around 10%; 40% and 50% respectively, to maintain rent revenue of above 55% of market rent (this is based on work undertaken for other councils). The modelling included all outgoings, including strata fees, rates, insurance etc.

On the other hand the tenant mix across City West Housing developments as shown in their 2016 Annual report is around:

- 26% very low;
- 44% low; and
- 30% Moderate.

City West Housing has built their own purpose built developments as well as receiving dwellings in kind in other privately built developments.

Financial management

Council would need to monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements.

Body corporate strata fees should have provisions for long term maintenance of the public areas in their sinking funds but this does not cover internal costs for the units such as replacement of carpets, fixtures and painting. This should be held in a separate Council sinking fund which should be about 5% of revenue, based on modelling work undertaken by HillPDA. This fund would also cover tenancy make good works.

Sale values in the City of Canada Bay are likely to continue to rise ahead of inflation on average for the foreseeable future. This does not mean from year to year as there may be swings downwards (recession) but as per the last 21 years the average growth is likely to be 4% to 6%p.a. on an inflation base of 2.5% p.a. This capital growth would allow Council to further leverage its capital position while meeting its social and economic objectives.

Not all stock provided in-kind by developers would be suitable for affordable housing (as mentioned above) but Council has the option to sell this stock for more suitable or additional stock replacement. It would be necessary that all dedicated dwellings are classified as operational land within three months of transfer of title to allow dwellings to be sold. Any money gained from sale must be used for affordable housing. In addition dwellings that are sold should be replaced within 12 months of sale to ensure that the affordable portfolio is not substantially diminished.

Opportunity may also exist for Council with cash reserves from monetary contributions to build a purpose built mixed tenure housing complex that is better designed for long term rental accommodation or purchase properties with less strata fees. This may include more durable fixture and fittings, more storage instead of more car spaces, and improved energy efficiency. The objective would be to increase capital cost upfront for long term gains, and reduced body corporate fees by excluding items like heated pools or communal gardens or reading rooms.

Such development projects may be undertaken by Council or in a joint venture with a CHP that is experienced in the delivery of

affordable housing. Such a joint venture could allow for a large development with pooled funding and possibly government subsidy. In such an arrangement it would be recommended that Council retain its share of the development proportional to its equity contribution and share of profit.

Council could also draw upon funding over time based on its increasing value of its asset portfolio. Caution is however sounded on such borrowings. Any such funding should be commercial based on Council's retaining ownership and servicing that debt with adequate interest cover.

Eligibility of tenants

In line with Council's desire to provide affordable housing for key workers it is recommended that the eligibility criteria be aligned with ABS Industry Sectors for Essential Industries:

- Electricity, gas, water and waste services;
- Public administration and safety;
- Transport, postal and warehousing;
- Education and training;
- Healthcare and social assistance;
- Accommodation and food services; and
- Retail trade.

11 RECOMMENDATIONS

This Chapter outlines the recommendations, based on the evidence provided in this Report for the development of the Rhodes East Affordable Housing Program and future discussions with the Department of Planning and Environment.

11.1 Preferred Contribution Mechanism

The preferred mechanism for receiving affordable housing contributions as outlined in section 6.2 of this Report would be the dedication of dwellings to Council, however it is recognised that this may not always be possible and the developer may choose to give a monetary contribution. The main reasons for this recommendation is as follows:

- The completed affordable housing would be delivered in a reasonable timeframe after construction;
- One of the main advantages of receiving dwellings in-kind is that affordable housing will be located in the Rhodes East renewal area, maintaining a socially diverse population. In addition, Rhodes East would provide affordable housing residents with good access to services, employment and public transport;
- As assets age a percentage of the portfolio can be sold for newer stock, provided they are used for the purpose of affordable housing; and
- The cash flow from rent revenue can be managed to remain in slight surplus provided the mix of income bands (very low, low and medium) can be adjusted over time by Council. The rent revenue should not be less than 55% of market rent.

Council would still be able to (and should) take money contributions in situations where affordable dwellings were considered to be unsuitable or where there is dedication of dwellings in deficit of more than 1sqm. The full balance of the gross floor area is the paid as a monetary contribution. The dedication of land is considered unlikely.

11.2 Management of the affordable housing portfolio

The retention of ownership by Council is supported with the everyday management of the affordable housing portfolio transferred to either a Tier 1 or 2 registered Community Housing Provider, such as Bridge Housing. CHPs have the necessary skills and

resources to efficiently and effectively manage affordable housing on behalf of Council.

In order to ensure the financial sustainability of the housing portfolio the following is recommended:

11.2.1 Rent Setting

Assuming that Council will be incorporated into SEPP 70, the affordable housing would be expected to be rented out lower income households as specified under SEPP 70.

As a general rule of thumb housing is considered affordable if it costs less than 30% of gross household income.

11.2.2 Recommended Tenant Mix within the Affordable Housing Portfolio

It is acknowledged that the proposed Affordable Housing Program must stay sustainable in the long term with the rents used to meet management and maintenance costs. Additionally, any surplus funds can be invested to provide additional affordable dwellings.

It is recommended that:

- Council manage the mix of tenancy bands to a mix of very low, low and moderate that results in rent revenue of not less than 55% of market rent;
- Council undertake an analysis to determine the optimum mix of tenancy bands to ensure long term financial viability of the affordable housing program that results in net revenue not less than 55% of market rent; and
- Council advises the CHP to restrict tenancies to a fixed term (suggested 3 years for most cohorts excluding aged) and then reassessed. If a tenant's income becomes substantially lower (unemployed) they may be eligible for social housing. Equally if a household's income increases it may be possible to transition the household to market housing. A fixed term can allow for this transition in an orderly manner. An annual review of eligibility should remain.

11.2.3 On-going Financial Management

The rents from the Affordable Housing Program would fund the ongoing management and maintenance of the portfolio. In order to keep the Program unsubsidised it is recommended that:

- Council would classify the dedicated dwellings as operational land within three months of receiving land title. This is to ensure that dwellings can be easily sold if they are not suitable or becoming too expensive to manage and maintain;
- Council would monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements;
- Council would set up a special sinking fund for internal dwelling maintenance costs such as replacement of carpets, fixtures and painting. This should be about 5% of revenue. This fund would also cover tenancy make good works;
- Council would use money gained from the sale of affordable housing stock for affordable housing. Additionally dwellings that are sold should be replaced within 12 months of sale to safeguard that the affordable portfolio is not substantially diminished; and
- Council would wherever possible replace an affordable housing dwelling in the same location. If this is not possible Council should seek locations which are close to services, transport and employment within the LGA.

11.3 Eligibility of Tenants

In line with Council's desire to provide affordable housing for key workers it is recommended that the eligibility criteria be aligned with ABS Industry Sectors for Essential Industries:

- Electricity, gas, water and waste services;
- Public administration and safety;
- Transport, postal and warehousing;
- Education and training;
- Healthcare and social assistance;
- Accommodation and food services; and
- Retail trade.

It should be noted that there are other low to moderate income households who may be experiencing housing stress apart from key worker households. These include single parent families and retirees/aged who do not qualify for social housing but are located in

the income bands shown in Table 6 of this report. These households would qualify for affordable housing and would equally contribute to the social diversity of the LGA.

It is recommended that Council give thought to expanding the eligibility criteria for other qualifying households apart from 'key workers' for affordable housing in the City of Canada Bay.

11.4 Resourcing the Affordable Housing Program

Council's Affordable Housing portfolio will continue to be managed by a Community Housing Provider. Notwithstanding this arrangement Council will need to monitor the ongoing performance of the Program to ensure its long term sustainability.

It is recommended that Council set up a Program Steering Committee consisting of staff from planning, community development, property and finance. It may also be prudent, from time to time to include a representative from the Community Housing Provider. The City of Sydney runs such a committee which meets as and when required but a minimum of twice per calendar year. The types of matters to be considered by the Committee should include but not be limited to:

- preparing advice and recommendations to Council in relation to management of the Affordable Housing Program;
- determining the suitability of proposed dwellings (or land) in-kind during development assessment;
- providing advice to the CHP when new stock is to be made available for tenancy;
- ensuring that new dedicated dwellings are classified as operational within three months of Council receiving title;
- monitoring the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer);
- making decisions in relation to the sale of affordable dwellings and their replacement; and
- Identifying the mix of tenancy bands, setting fix term leases and the eligible tenants to be housed.

11.5 Miscellaneous

The proposed Rhodes East urban renewal program will deliver approximately 100 - 150 affordable dwellings for dedication to Council.

It is recommended that Council develop a Rhodes East Affordable Housing Program to provide additional provisions and more detailed information about the Program. It is envisaged this will include such matters (but not limited to):

- History, background and rationale for the Program;
- The statutory framework for the Program;
- Affordable Housing provisions; including the calculation of the contributions, indexation and excluded development; and
- How to make Affordable Housing contribution - dedication and monetary.

It is further recommended that the City of Canada Bay's Affordable Housing Policy be amended to reflect the findings of this Report in relation to Rhodes East.

APPENDIX A: INFILL AFFORDABLE RENTAL HOUSING

The following Development Applications include affordable rental dwellings, to be leased for a period of 10 years, from the issue date of the Occupation Certificate.

Table 18: Affordable rental housing approvals

Site address	DA number & approval date	Description	Total units	Affordable units
169 Victoria Road, Drummoyne	DA612/2010 (17.05.11)	Alterations to approved commercial building including construction of a new level comprising five (5) residential apartments	5	5
11 Hilly Street, Mortlake	DA263/2011 (17.02.12) Section 96(1A) (03.02.14)	Demolition of existing structures and construction of a four (4) storey residential flat building over carpark comprising 20 units	20	12
12 Emily Street, Mortlake	DA325/2012 (12.03.13) S96(1) (15.07.13) S96(1A) (30.11.15) SC2016/0003 (01.03.16)	Conversion of existing warehouse into a 12 unit affordable housing development	12	7
15 Herbert Street, Mortlake	DA502/2013 (23.07.14)	Demolition of existing structures and Construction of a residential flat building Containing 19 Units	19	11
57 Manson Road, Strathfield	DA110/2014 (Refused 25.07.14) S34 (06.11.14)	Demolition of existing structures and construction of a four storey residential flat building comprising of 15 units with basement car parking	15	3
187 – 189 Concord Road, North Strathfield	DA2015/0401 (04.08.16)	Partial demolition and alterations and additions to existing shops and offices to result in a mixed-use development comprising commercial floor space, residential apartments, inclusive of two Affordable Housing apartments	2	2
36 Tennyson Road, Mortlake	DA2016/0425 (04.08.17)	Demolition of existing building and structures and Construction of a four storey residential flat building comprising 13 apartments	13	8
63 – 65 Ramsay Road, Five Dock	DA2016/0434 – S34 (24.05.17)	Demolition of existing buildings and construction of a mixed use development with 8 apartments	8	8

Source: City of Canada Bay

APPENDIX B: BOARDING HOUSES CANADA BAY

Boarding houses approved under State Environmental Planning Policy (Affordable Rental Housing) 2009 are shown in the Table below:

Table 19: Boarding house approvals

Address	Approval Details	Construction Certificate Issued
264 Concord Road, Concord West	Boarding House for max. 13 lodgers approved by Council on 24 November 2009	No record of a CC being issued
30D – 30E Cooper Street, Strathfield	Boarding House for max. 56 lodgers approved by Council on 2 February 2010	CC issued 31/03/2011
37 Macnamara Avenue, Concord	Boarding house for max. 9 lodgers approved by Council on 15 April 2014	No record of a CC being issued however, there is a Building Certificate for the works.
162 Queen Street, Concord West	Boarding House for max. 17 lodgers approved by Council on 4 August 2016	No record of a CC being issued
13 Stuart Street, Concord West	Boarding House for max. 69 lodgers approved by Council on 4 April 2017	No record of a CC being issued
21 Majors Bay Road, Concord	Boarding House and mixed use development with 25 boarding rooms approved by Council on 1 November 2016	No record of a CC being issued
154 Wellbank Street, Concord	Boarding House for 22 boarding rooms refused by Council on 4 May 2017 – currently on appeal with the Land and Environment Court	No record of a CC being issued
11 Stuart Street, Concord West	Boarding House for max. 62 lodgers approved by the Land and Environment Court on 24 April 2015	CC issued 10/01/2017
112 Queen Street, Concord West	Boarding House for max. 36 lodgers approved 21 February 2017 through Land and Environment Consent Orders (Section 34 Mediation)	No record of a CC being issued
24 Fremont Street, Concord West	Boarding House for max. 26 lodgers approved 11 April 2016 through Land and Environment Consent Orders (Section 34 Mediation)	No record of a CC being issued
78 Consett Street, Concord West	Boarding House for max. 52 lodgers approved 19 April 2017 through Land and Environment Consent Orders (Section 34 Mediation)	No record of a CC being issued
2 Swan Avenue, Strathfield	Boarding House for max. 20 lodgers approved 24 July 2017 by Land and Environment Court through Consent Orders (Section 34 Mediation)	No record of a CC being issued

Source: City of Canada Bay

The NSW Department of Fair Trading has the following boarding houses registered:

Table 20: Generable registrable boarding house register City of Canada Bay

Address	Nos of rooms
47 & 49 George St Concord West	6
28 Moala St Concord West	4
42 Burwood Rd Concord	3
37 Macnamara Ave Concord	9
11 Stuart St Concord	62
12 Barney St Drummoyne	12
13 Queen St North Strathfield	3
23 Ada St Concord	29
13 Stuart St Concord	69
15 Beaconsfield Ave Concord	10
16 Queen Road Five Dock	5
10 Millar Street Drummoyne	4
Total	216

Source: NSW Department of Fair Trading, [realestate.com.au](https://www.realestate.com.au) , [gumtree.com.au](https://www.gumtree.com.au)

APPENDIX C: SPECIAL INFRASTRUCTURE CONTRIBUTIONS

Special infrastructure contributions (SIC) help fund the regional infrastructure that supports different communities across the state. They partially fund state or regional roads and land required for social infrastructure such as schools, health care and emergency services. They may also fund some of the cost of planning and the cost of offsetting biodiversity impacts. SICs are imposed through a Ministerial Determination³⁵.

Any Special Infrastructure Contribution (SIC) for Rhodes East would require approval by the Planning Minister for the purpose of levying affordable housing under Subdivision 4, Special Infrastructure Contributions of the Environmental Planning and Assessment Act 1979. At the time of writing a SIC has not been applied in an urban renewal area or for affordable housing.

Subdivision 4, 94ED *Provision of infrastructure* includes reference to:

*(a) the provision, extension and augmentation of (or recoupment of the cost of providing, extending or augmenting) public amenities or public services, **affordable housing** and transport or other infrastructure relating to land; and*

*(b) the funding of recurrent expenditure relating to the provision, extension and augmentation of public amenities, or public services, **affordable housing** and transport or other infrastructure.*

The Planning Minister determines the level and nature of contributions under Subdivision 4, Section 94EE. When the planning Minister determines the level and nature of contributions, he is required under Section 94EE(3A) to

"identify what part (if any) of a development contribution, that is to be imposed as a condition under this Subdivision, is for the provision of infrastructure by a council..."

This part is then excluded from the \$30M Treasurer's consultation cap and, once collected, is assigned to Council for it to spend on the relevant infrastructure within a reasonable time.

³⁵ <http://www.planning.nsw.gov.au/Policy-and-Legislation/Infrastructure/Infrastructure-Funding>

This section provides grounds for the Minister to reasonably apply a monetary contribution rate, subject to sound rationale around cost. The legislation indicates that the contribution would be paid into a Special Contributions Area Infrastructure Fund, administered by the Secretary. In accordance with Section 94EK and 94EL payments may be made in and out of the Fund, including :

- *Section 94EK (1)(a) monetary contributions received by a consent authority under Subdivision 4; and (b) the proceeds of the sale of any land received by a consent authority under Subdivision 4;*
- *Section 94EL (1) (a) payments to public authorities for the provision of infrastructure in relation to development.*

Therefore, the City of Canada Bay, as the consent authority, may receive funds from the Special Contribution Area Infrastructure Fund managed by the State.

Subdivision 4, Section 94EF Special Infrastructure Contribution allows the consent authority, subject to the Minister's consent, to accept:

(a) the dedication of land in part or full satisfaction of a condition imposed in accordance with this section, or

(b) the provision of material public benefit (other than the dedication of land or the payment of a monetary contribution) in part or full satisfaction of a condition imposed in accordance with this section.

Application of a Special infrastructure Contribution within Rhodes East

Rhodes East Priority Investigation Area, as identified in Figure 1 , would be declared as a special contribution area under the Environmental Planning and Assessment Act 1979, Part 4, Division 6, Subdivision 4, Section 94EG that allows:

The Minister may, by order published on the NSW legislation website, amend Schedule 5A for the purpose of:

- (a) creating a special contributions area, or*
- (b) repealing a special contributions area, or*
- (c) changing a special contributions area.*

In determining the level and nature of development contributions to be imposed as conditions under 94EE(4) for development within a particular special contributions area (other than a growth centre), the Minister is to do one or more of the following:

- a) consult with owners of land in the special contributions area and other relevant stakeholders;
- b) publicly exhibit a proposal in relation to the level of development contributions and seek submissions within a reasonable time in relation to that proposal; or
- c) establish a panel that, in the Minister's opinion, represents the interests of the various relevant stakeholders and consult with that panel.

Once an area is declared a Special Contributions Area the Minister will make a Determination. The Determination for the Western Sydney Growth Areas, for example, included the following provisions:

- a) definitions
- b) development for which the SIC must be made
- c) the nature of the contribution
- d) amount of monetary contribution
- e) contribution rates
- f) annual adjustment of amounts used in contribution rates
- g) when a monetary contribution is to be made
- h) deferred payment arrangements
- i) works-in-kind agreements
- j) reasons for the level and nature of the special infrastructure contribution
- k) infrastructure schedule.

Nature of contribution:

Council would partner with the Department of Planning and Environment to determine the nature of the SIC. The latter is likely to include a levy for identified state infrastructure such as schools and transport and for the 5% affordable housing contribution.

A special infrastructure contribution for the provision of affordable housing could allow:

- a) a monetary contribution or
- b) a contribution in-kind (of dwellings)

Level of Contribution rate

All development within the Rhodes East Priority Investigation Area, other than development expressly identified in 'excluded development', would be required to make a contribution towards affordable housing. The rate of contribution required is:

The percentage contribution rate that is used to calculate the value of contribution for a relevant development, is the rate specified in the Rhodes East Structure Plan which equates to a target of 5% affordable housing.

This rate has been feasibility tested against various scenarios, with the results and assumptions surrounding the feasibility testing provided in Appendix D. The feasibility results demonstrate a reasonable return to the developer with direct dedication of two apartments (Option 2) resulting in a profit margin of 21% and a project IRR of 19%. The monetary payment from sales (Option 3) provides a similar but slightly less attractive alternative. This is because it includes the cost-on-sales (including GST) on two additional apartments.

The feasibility recommends that the 5% contribution rate is to be calculated on the Gross Floor Area³⁶ (GFA) of the whole development on the site, except for any untouched existing buildings. All adaptive reuses or extensions are to be accounted for as additional GFA.

Reasons for level and nature of the special infrastructure contribution

For the purpose of Section 94EE and 94EF of the Act, the reasons for the level and nature of the special infrastructure contribution required to be made are as follows:

- a) to address the identified demand for key worker affordable housing in Rhodes East and more broadly the City of Canada Bay as urban renewal is likely to push existing high purchase prices and rents further out of reach of low to moderate income households.
- b) to ensure that the future development bears a share of the cost of the provision of the affordable housing infrastructure.
- c) to provide an affordable housing contribution rate that is feasible (in conjunction with the other components of the SIC and s94 contributions) to allow redevelopment to occur in Rhodes East.
- d) to provide funding for the delivery of affordable housing in the Rhodes East Priority Investigation Area.
- e) to provide 'in-kind' dwellings suitable for the purpose of affordable housing that are to be dedicated and managed by a registered community housing provider.

³⁶ As defined in the Canada Bay Local Environmental Plan 2013

- f) to provide land suitable for the delivery of affordable housing in the Rhodes East Priority Investigation Area.
- g) to provide for the adjustment of special infrastructure contribution to reflect the changes in economic conditions between the time of imposing the contribution and the time at which the contribution is made.
- h) to provide flexibility in the manner in which the special infrastructure contribution is made.

Conditions of consent

A Ministerial Direction will also be made for the City of Canada Bay to ensure that consent conditions requiring payment of the combined contribution (including the contribution for affordable housing) are included on consents even where he is not the consent authority (by operation of s4EF(3)).

Methodology for calculating contribution under a SIC contribution

In the development of this Evidence Report, discussions have been held with the Department of Planning and Environment's SIC team. To date, SIC contributions within the greenfield sites have been calculated per lot/dwelling and the preference given from the DPE is to use this methodology in the Priority Precincts for affordable housing contributions should a SIC be used to deliver affordable housing. Commentary has been provided around the implementation of each methodology and rationale of how and when it should be utilised.

All residential development within the 'special contribution area' other than excluded development will be required to make a contribution towards affordable housing. Excluded development will be identified in the main body of this Report.

The rate of contribution that has been established for Rhodes East is:

- Five (5) per cent of gross floor area that is to be used for residential land uses.

Monetary Contribution

Overview of methodology

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in Rhodes East for affordable

housing. This cost has been calculated at **\$11,500 per square metre** of internal saleable area (this square metre rate is what you would expect to pay for an apartment in Rhodes East at the time of writing). This cost is supported by the market evidence provided in the *Rhodes East Property Market Appraisal and Development Feasibility Report* undertaken by HillPDA in July 2016. The market research extracted from this report can be found in Appendix E.

To convert to a dollar per square metre rate of Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. The efficiency ratio is used to convert saleable area into GFA. Non-saleable space includes foyer, corridor spaces and the thickness of walls between apartments.

The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500 per m²) multiplied by efficiency ratio (85%) multiplied by affordable housing ratio (5%) equals the required affordable housing contribution per square metre of gross floor area.

$\$11,500 \times 85\% \times 5\% = \$488.75/\text{sqm}$.

The recommended contribution rate (CR) is therefore **\$488.75/sqm of residential floor space**.

Non-residential floor space will be exempt from this project for two reasons:

- Firstly the lack of nexus that exists. Commercial floor space does not generate increased demand for affordable housing; and
- Secondly the viability of commercial space is often difficult to achieve (usually half the sale end value of residential) and the cost impost of an affordable housing contribution would most likely undermine feasibility further.

Calculating the monetary contribution amount (including indexation)

In calculating the cash amounts per dwelling, 'studio' and 'one bedroom' will share the same affordable housing contribution rate. The reason being is that the proposed Development Control Plan (for Rhodes East) clause for Dwelling Mix allows the percentage of 'one bedroom' dwellings to be interchangeable with the percentage of 'studio' dwellings.

For reference, the proposed DCP control for Dwelling Mix is:

Housing diversity and mix

Objectives

- Ensure a range of dwelling types in developments of more than 10 dwellings.
- Provide a mix of dwellings to cater for the needs of the existing and future residents over time, and encourage social diversity

Provisions

The following mix is to be used for residential flat buildings and residential components of mixed use developments where more than 10 dwellings are provided:

Bedroom	Percentages
Studio	0% - 10 %
1 bedroom	0% - 20%
2 bedroom	50% - 80%
3or more bedrooms	10% - 100%

The maximum percentage of 1 bedroom dwellings may be increased above the 20% provided the number of studio dwellings and 1 bedroom dwellings combined does not exceed 30% of the total dwellings proposed.

Contribution per dwelling

The following Table outlines the methodology and estimated contribution per dwelling (on nos of bedrooms) based on the 5% affordable housing contribution:

Table 21: Contribution per dwelling:

	Studio/1 bedroom	2 bedroom	3 or more bedrooms
Net saleable area	57 sqm (av)	77 sqm (av)	95 sqm (av)
NSA/GFA	85%	85%	85%
GFA	67 sqm	90.6 sqm	111.8 sqm
Rate \$/sqm	488.75	488.75	488.75
Contribution per dwelling in cash (\$)	\$32,774	\$44,281	\$54,642

Source: HillPDA * February 2017 rates

Adjustment of monetary contribution rates

Contribution rates are to be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates will be adjusted with reference to movement in the median price for strata dwellings in the City of Canada Bay LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In the situation where the release of the Rent and Sales Report is delayed, rates will be updated as soon as possible.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The City of Canada Bay's website will display the current rates for the affordable housing program.

Adjustment of a monetary contribution on a development consent

Where a condition for an affordable housing contribution has been applied, the contribution amount must be adjusted over time. For example if a development consent is issued in December 2016 but the developer waits until February 2018 to enact the consent, then the contribution amount will need to be adjusted to the period in which it is paid.

Assumptions used

The following assumptions have been made:

- The replacement value is reflective of the equivalent market value of new strata development at the time of drafting the report;
- The 85% efficiency ratio is a standard rate applied by HillPDA; and

- The rate would be required to be indexed quarterly in accordance with the median strata price that is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

Administering cash funds

Under the current provisions of the EP&A Act the monetary contributions for the affordable housing will be paid into the State Special Infrastructure Fund and then allocated to Council.

It is understood that Council's preference is to receive monetary payments at Construction Certificate stage to be transferred to Council immediately.

The monetary contributions received are to be used for the sole purpose of providing and managing affordable housing in accordance with the City of Canada Bay's Affordable Housing Program and the Affordable Housing Policy.

Contributions may be pooled and managed by the City of Canada Bay for the provision of affordable housing. Any interest received from the management of funds is to be used for the purpose of affordable housing.

Dwelling In-Kind contribution

Overview of methodology

Dwellings in-kind provision is calculated on the gross residential floor area of the relevant development. The 5% affordable housing contribution is calculated against the average gross floor area of dwellings by bedroom mix to identify the amount of sqm to be dedicated to Council

Where there is a balance deficit of more than 1sqm, the full balance of the contribution is to be paid as a monetary contribution. Only complete dwellings are to be dedicated.

Dedication Requirements

Complete dwellings and land are to be dedicated in favour of Council free of cost. It is recommended that proposed dedicated dwellings are to be to the satisfaction of Council in consultation with the Community Housing Provider where possible. In this regard the

following criteria have been identified for affordable housing dwellings which are to be dedicated. They should be/have:

- Located within Rhodes East
- Located on all levels of buildings, not just ground/street level
- Reasonable orientation i.e. not only south facing dwellings
- Finishes and fixtures that are commensurate with other dwellings in the building
- Access to all facilities within the building.

Council and the applicant are to agree mutually on the location of dedicated dwellings within the development. The dwellings to be dedicated to the City of Canada Bay are to be identified on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

Methodology to calculate contribution amount for dedication

The Table below outlines the methodology for calculating the amount of GFA to be dedicated to Council.

Table 22: Contribution of GFA for dedication

Dwelling Type	GSA sqm Average	GFA = GSA/85% sqm	5% AH sqm	Contribution per dwelling in GFA (sqm)
Studio/1 bed	Up to 57	67	3.35	3.35
2 bed	77	90.6	4.53	4.53
3 or more beds	95	111.8	5.59	5.59

Source: HillPDA

Residential development example:

Hypothetical development of 100 dwellings:

10 x studio x 3.35 = **33.50sqm**

20 x 1 beds x 3.35 = **67sqm**

55 x 2 beds x 4.53 = **249.15sqm**

15 x 3 or more beds x 5.59 = **83.85sqm**

433.50sqm to be dedicated to Council

If the dedication of dwellings is in deficit of more than 1sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 8.1.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer.

Procedures for receiving dwellings/Implementation

Under section 94EF(5) of the Act, with the Ministers consent, Council may accept the dedication of land or dwellings in-kind in accordance with the conditions imposed.

Titles for the affordable housing dwelling(s) would be transferred to the City of Canada Bay following registration of the subdivision plans with the NSW Land Titles Office.

Inclusion of provisions for Rhodes East in the Special Infrastructure Levy

It will be imperative for Council to extensively liaise with the Department of Planning and Environment to ensure that the appropriate provisions and mechanisms for the Rhodes East Affordable Housing Program are included in the Special Infrastructure Contribution Determination and Direction.

The findings of this Evidence Report can be used to direct discussion with the Department and provide justification for:

- Five (5) per cent of gross floor area that is to be used for residential land uses (to be used for affordable housing);
- The monetary contribution rate per dwelling;
- The methodologies developed to calculate rates - both monetary and in-kind;
- The recommendation that Council should favour the option of receiving dwellings in-kind;
- The rationale for the retention of the affordable housing in Council ownership and the ongoing management of the affordable housing portfolio by a CHP;
- The appropriate clauses to be included in the SIC Determination and Direction to ensure Council's interests are reflected;
- The information to be included in conditions of consent for the levying of an affordable housing contribution; and

- The information to be provided for the stakeholder engagement as part of the process for the introduction of the SIC.

Additionally, it is suggested that legal advice be obtained to safeguard Council's objectives and interests when either drafting or reviewing the SIC provisions for Rhodes East.

APPENDIX D: FEASIBILITY ASSESSMENT RHODES EAST

To test the impact of affordable housing contribution options HillPDA prepared a residual land value model based on a hypothetical building of 40 apartments on a hypothetical site with an acquisition cost of \$7m. The following options were tested:

1. No affordable housing contribution;
2. Two apartments (5%) are gifted to Council;
3. A monetary equivalent is paid from sales;
4. A monetary equivalent is paid at practical building completion; and
5. A monetary equivalent is paid at construction certificate.

To undertake this analysis, HillPDA used the Estate Master Development Feasibility model using discounted cash flow method.

Assumptions in the modelling are as follows:

Project Timing

- The DCF model adopts monthly rest periods;
- Construction begins in Month 15 following development approvals and a pre-selling period;
- Assumed building typology is 6 storeys over 1 basement level of parking; and
- Construction is 16 months.

Project Costs

- All costs are expressed net of GST; and
- All costs escalate at 3% per annum. Construction costs escalate to construction start date.

Land

- Land is assumed at \$7m or \$175,000 per apartment; and
- The land is exchanged in Month Zero with a 10% deposit and settled in Month Three.

Construction

- Building construction costs were based on rates from Rawlinsons Construction Handbook 2015, RLB Digest 2015, Napier and

Blakely Datacard 2015 and from recent comparable Q.S. reports and feasibility studies. This includes:

- Demolition and site clearing = \$40,000;
- \$45,000 per car space in a single basement level at a rate of 1 car space per two apartments;
- \$2,800/sqm gross building area (GBA);
- Balconies (averaging 12sqm per apartment) at \$1,100/sqm;
- Site costs and external works = 4% of above construction costs;
- Contingency = 5% of above costs; and
- Construction follows a S curve drawdown as per Rawlinsons.

Soft Costs

- Pre-construction design costs 5% of above construction costs;
- Professional fees during construction = 4% of construction costs pro-rata with construction;
- Section 94 = \$14,000 per apartment;
- SIC levy was assumed at \$20,000/dwelling;
- Application fees (DA, CC and LSL) = 1% of construction costs;
- Marketing and advertising = 1.0% of gross end sale value;
- Land Holding costs is based on an assumed statutory unimproved land value of \$3m; and
- Project contingency = 2.0% of total project cost (net of land and finance costs).

Finance Costs

- Equity = 20% of total project cost and is drawn down first. Thereafter project costs are paid by debt with a capitalised interest at 6.5% per annum charged monthly in arrears; and
- Upfront establishment fees = 1.1% of construction costs.

Hurdle Rates

- Target project IRR = 20% annualised (effective or monthly compounded); and
- Target profit risk margin = 20% of total project cost.

Revenue

- Average size apartment is assumed at 76sqm (2-bed);

- Price of dwellings range from \$10,900/sqm (saleable) for level 1 apartment without a car space to \$13,300/sqm (saleable) for top level apartment with a car space;
- Costs on sales were deducted at a rate of 2.5% for sales commission and legal costs;
- GST on residential sales was calculated using the “general tax rule” which is one eleventh of the gross sales price; and
- All revenues escalate to exchanged dates at 3% per annum.

Around two thirds of apartments are assumed to be pre-sold prior to construction.

Results

A summary of the results is shown in the Table below.

Table 23: Results

EstateMaster Development Feasibility		1	2	3	4	5
COMPARISON OF OPTIONS		Hypothetical 40 Apartments	38 Apartments + 2 AH	40 Apartments + \$AH at Sales	40 Apartments + \$AH at O.C.	40 Apartments + \$AH at C.C.
Concord Road East Option 2a		40 Apartments up to 6 storeys	40 Apartments up to 6 storeys with 2 Affordable dedicated in kind	40 Apartments with Payment for Affordable Housing from Sales	40 Apartments with Payment for Affordable Housing at O.C.	40 Apartments with Payment for Affordable Housing at C.C.
		40 Units 3,600 GFA 2,000	40 Units 3,600 GFA 2,000	40 Units 3,600 GFA 2,000	40 Units 3,600 GFA 2,000	40 Units 3,600 GFA 2,000
Estate Master Licensed to: Hill PDA Pty Ltd		Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review	Miscellaneous Under Review
Revenues						
Gross Sales Revenue		38,692,835	36,944,835	38,692,835	38,692,835	38,692,835
Less Selling Costs		(967,321)	(927,117)	(2,715,321)	(967,321)	(967,321)
TOTAL REVENUE (before GST paid)		37,725,514	36,017,718	35,977,514	37,725,514	37,725,514
Less GST paid on all Revenue		(3,517,530)	(3,358,621)	(3,517,530)	(3,517,530)	(3,517,530)
TOTAL REVENUE (after GST paid)		34,207,983	32,659,096	32,459,983	34,207,983	34,207,983
Costs						
Land Purchase Cost		7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Land Acquisition Costs		455,000	455,000	455,000	455,000	455,000
Construction (inc. Construct. Contingency)		14,226,595	14,226,595	14,226,595	14,226,595	14,226,595
Professional Fees		1,280,394	1,280,394	1,280,394	1,280,394	1,280,394
Application Fees		140,744	140,744	140,744	140,744	140,744
Developer Contributions		1,318,000	1,318,000	1,318,000	3,066,000	3,066,000
Infrastructure		-	-	-	-	-
Marketing and Advertising		386,928	369,448	386,928	386,928	386,928
Project Contingency (Reserve)		347,053	346,704	347,053	382,013	382,013
Land Holding Costs		195,516	195,593	195,516	195,516	195,516
Finance Charges (inc. Line Fees)		150,823	150,823	150,823	150,823	150,823
Interest Expense		1,363,893	1,375,226	1,378,121	1,332,590	1,496,182
TOTAL COSTS (after GST reclaimed)		26,864,945	26,858,526	26,879,173	28,616,602	28,780,194
Performance Indicators		1	2	3	4	5
¹ Gross Development Profit		7,343,039	5,800,571	5,580,810	5,591,381	5,427,789
³ Development Margin (Profit/Risk Margin)		27.33%	21.60%	20.76%	19.54%	18.86%
⁴ Residual Land Value (Target Margin)		8,359,531	7,295,116	7,140,933	6,909,296	6,771,908
⁶ Net Present Value		795,231	(150,299)	(287,955)	(335,055)	(646,099)
⁹ Project Internal Rate of Return (IRR)		23.22%	19.38%	18.82%	18.63%	17.51%
¹⁰ Residual Land Value (NPV)		7,789,676	6,850,750	6,714,056	6,667,285	6,358,415
Peak Debt Exposure		21,573,881	21,558,578	21,573,881	22,946,520	23,107,482
Total Equity Contribution		5,100,210	5,096,660	5,100,210	5,456,802	5,456,802
¹² IRR on Equity		41.12%	33.90%	32.81%	31.22%	30.45%

The above table shows a reasonable return to the developer with direct dedication of two apartments (Option 2) resulting in a profit margin of 21% and a project IRR of 19%. The monetary payment off sales (Option 3) provides a similar but slightly less attractive

alternative. This is because it includes the cost-on-sales (including GST) on 2 additional apartments.

The table shows the performance indicators (margin and IRR) falling as the payment is made earlier in the project. From the developer's point of view the cost at the point of sale (Option 3) is preferred given that the monetary contribution is paid out of revenue and therefore does not require project financing.

The least preferred option for the developer is payment before construction as this will require project financing and incur interest and perhaps line fees throughout the remaining life of the project.

The payment at building completion is a better option for the developer. Council or a private certifier could hold releasing the strata or linen plan until all conditions have been complied with including the payment of the contribution.

The difference between Option 2 and 3 above will vary depending on location within the precinct. Clearly the developer will prefer to make the monetary payment where sites are more valuable, such as on the waterfront. In less desirable locations, direct dedication would be more attractive to the developer.

Recommendations

- Payment is made at Construction Certificate at a rate of \$488.75/sqm as at December quarter 2016;
- Or payment is made at practical completion but prior to the release of the strata or linen plan and indexed against CPI; and
- The rate is indexed quarterly in accordance the CPI and subject to market review every 2 or 3 years.

APPENDIX E: RESIDENTIAL MARKET RESEARCH RHODES EAST

Market research extracted from the Rhodes East Market Appraisal and Feasibility Testing Report prepared by HillPDA July 2016.

This Section overviews an assessment of the residential apartment market including demand, prices and market absorption rates. In order to understand the current residential market supply and demand in the local area information was obtained by various property data sources and discussions with local agents.

Residential Apartment Market Overview

The Inner West has become increasingly a destination for young adult professionals owing to its proximity to the Sydney CBD and lifestyle opportunities on offer. The residential property market has performed well in recent years, recording growth in median values and outperforming many other regions in Sydney. The presence of educational institutions like University of Sydney and Macquarie University has contributed to a large number of students living amongst a vibrant mix of young families, professionals and migrants.

The Inner West has been the subject of much commentary and analysis with its relatively steady demand for dwellings as purchasers take advantage of close proximity to the Sydney CBD and good access to rail and transport networks. The ongoing gentrification of many of the suburbs within the Inner West has also contributed to its overall attractiveness.

The Suburb of Rhodes is located 15km west of the Sydney CBD, in the local government area of Canada Bay. The suburb of Rhodes is a well-established area that was predominately zoned industrial and low residential. Over the past decade the area has been transforming from heavy industrial to high density residential, retail and business park precinct around the recently upgraded train station.

Households within the Suburb of Rhodes are predominately couples with no children. 56% of the residents rent their dwelling, 29% are purchasing with mortgages and 13% fully own their homes.

Discussions with agents identified that there is limited supply of new residential apartment developments in Rhodes. However there are many resales of apartments within the area.


The median price for apartments in Rhodes was \$680,000 in January 2016, compared to \$892,500 in the Canada Bay Local Government Area³⁷.

Residential Apartment Sales

There is a limited supply of off-the-plan residential apartment sales in Rhodes. For that reason we broadened our search to surrounding suburbs such as Wentworth Point, Meadowbank, Breakfast Point and Sydney Olympic Park to gain an understanding of sale values.

A number of residential apartment developments with off the plan sales during the months of January and February 2016 were analysed. The developments are as follows:


Table 24: Shepherds Bay, Bowden, Belmore, Church & Waterview Streets;

Shepherds Bay, Bowden, Belmore, Church & Waterview Streets			
	Multi-staged development in Meadowbank comprising 5 to 10 storey buildings. Stage 1 of development is complete. Stage 2 is now selling 162 apartments of which 5 by 1-bed and 20 by 2-bed units are left. The Kingston Quarter building is currently pre-selling.		
Sales Rate:	Since November 2015 CBRE have sold 137 units. This equates to a sales rate of 34 units/month		
Completion:	Project is scheduled to compete in December 2018		
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	\$610,000-\$745,000	45-63	\$11,800-\$13,500
2 Bedroom	\$830,000-	80-114	\$10,125-\$10,745

³⁷ Residex State Market Report dated September 2016

	\$1,225,000		
3 Bedroom	\$1,150,000,- \$1,520,000	95-103	\$12,105-\$14,758
3 bedroom Penthouse	\$1,750,000		
Comments from the selling Agent			
<ul style="list-style-type: none"> 1-bedroom apartments' internal areas range from 45-63sqm, some with study. All one bedroom apartments have a single car space. Current sale price is between \$11,800 and \$13,500/sqm. 2-bedroom apartments internal areas range from 80sqm (single bathroom) to 114sqm (dual level having a 6m high ceiling in the living area with the master bedroom and ensuite on a mezzanine level). There are 5 one bedrooms left, 20 two bedrooms left and no 3-bedrooms remaining. 85% of the buyers are owner occupiers. Prices for the 3-bedrooms ranged from \$1.15m for a 95sqm first floor apartment to \$1.52m for 103sqm on Level 8 with water views. A couple of dual level penthouse apartments on the top sold for \$1.75m. All three bedroom apartments include 2 car spaces. Prices ranged from \$12,000/sqm to \$14,000/sqm 			


Table 25: Marina Square, 4 Waterways, Wentworth Point

Marina Square, 4 Waterways, Wentworth Point	
	The Marina Square project comprises of 407 apartments, with 1, 2 and 3 bedroom units. It is advised by the marketing agent the project will be completed in mid-2018. This is the multi-staged development currently under construction by Billbergia which will include a 2 level shopping centre with a full line Coles supermarket.
Sales Rate:	The selling agent released the first stage in May 2015 and to date sold 95% of the apartments off the plan. This reflects a sale of approximately 135 apartments per

	month.		
Completion:	Mid 2018		
Sold Prices			
Product Type	Internals with enclosed balcony	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	68	\$685,000-\$792,000	\$10,000 - \$11,500
2 Bedroom	74-83	\$830,000-\$1,000,000	\$11,500 - \$12,400
3 Bedroom with views	88-96	\$1,125,000-\$1,300,000	\$12,784 - \$14,772
Comments from the selling Agent			
<ul style="list-style-type: none">The selling agent identified that 70% of buyers were owner occupiers and 30% were investors.Total of 20% investor market was foreign buyers.A portion of the owner occupiers consists of first home buyers. This is because the threshold for a \$15,000 grant is offered with a purchase of a brand new apartment that is less than \$750,000.			

Source: Marketing Agent, realestate.com.au, 2016


Table 26: Tagia, Wentworth Point NSW 2127

41-45 Hill Rd Wentworth Point Stage 4 release	
	<p>25 storey building containing 383 apartments. Within the building 84 x 1br, 180 x 2br and 12 x 3br.</p> <p>Only east facing apartments have water views which explains the selling price disparity of \$630,000 - \$1,670,000. Carparking over 2 sub-surface basement levels for 433 vehicles & 9 on street spaces. All apartments have one car space.</p>

Sales Rate:		The first release was in September 2014. Sales rate unable to attain.	
Completion:		September 2017	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	54	\$630,000 - \$665,000	\$11,666 - \$12,314
2 Bedroom	74-88	\$905,000 - \$965,000 (with views)	\$10,965 - \$12,229
3 Bedroom	127	\$1,550,000 - \$1,675,000	\$12,204 - \$13,188
Comments from the selling Agent			
<ul style="list-style-type: none">Most of the two bedrooms sold off the plan in 2 days. The remaining few were sold in the following two weeks.70% of buyers intend to live in the property either at completion or after the first tenant. The majority of 2 bedrooms were sold to young families and young professionals.The local amenities and future connecting bridge with additional transport are attracting first home buyers.There are only 2 3 bedroom units available. Both are located in the 21st floor with easy access to the rooftop terrace. The agents suggested the last units will be sold in the next two weeks.			

Source: Marketing Agent, realestate.com.au, 2016

Table 27: Jewel 1 Burroway Road Wentworth Point

Jewel 1 Burroway Road Wentworth Point NSW 2127	
	<p>The building consists of 249 apartments. 71x 1br, 164x 2br and 14x 3 br.</p>

Sales Rate:	The first release was in August 2015. 75% of the sales occurred in the first two weeks to Chinese investors. The rest of the units were sold over 6 months. This equates to a sales rate of 42 units/month
Completion:	July 2017

Sold Prices

Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	56	\$630,000 - \$665,000	\$11,250 - \$11,875
2 Bedroom	81	\$710,000 - \$830,000 (\$1,100,000 with views & larger sqm)	\$8,765 - \$10,246
3 Bedroom	105-121	\$1,100,000 - \$1,350,000	~ \$11,000

Comments from the selling Agent

- Sales prices varied due to waterfront and parkland view. It's worth noting those apartments located at the rear of the property sold quickly due to price but the agent suggest it will be hard to sell after completion due to the availability of other similar priced units in nearby buildings
- Over 75% was sold to Chinese investors. On the day of sale 2 buses of investors were present.
- In the agents opinion the properties were overpriced compared to completed.
- It's likely the new public school and Coles will increase market prices after 2018. The area is becoming more desirable due to the bridge to Rhodes and planned 200 space marina.

Source: Marketing Agent, realestate.com.au, 2016

Pre-sales in 2015

The tables below provide several developments pre-selling apartments in early 2015. Most of these developments are currently under construction and expect to be completed this year.

Table 28: The Address, Hill Road, Wentworth Point

The Address – Hill Road, Wentworth Point			
		The Address Project is a multi-stage development comprising of nine residential towers. The latest release of this project is Savannah which was released in January 2015.	
Sales Rate:		It was advised by the selling agent the project release approximately 149 apartments and sold all within 6.5 weeks, reflecting a sales rate of approximately 96 units per month.	
Completion:		2016	
Sold prices for Savannah Stage 2 Levels 9-21 (Released Jan 2015)			
Product Type	Internals	Price Range	\$/sqm Range (Internal)
1 Bedroom	50 - 67	\$635,000 - \$720,000	\$10,746 - \$12,700
2 Bedroom	74 - 93	\$710,000 - \$980,000	\$9,595 - \$10,538
3 Bedroom	103 - 111	\$1,250,000 - \$1,675,000	\$12,136 - \$15,090
4 Bedroom	145	\$1,950,000	\$13,448
Asking Prices for Taiga Stage (final stage)			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	56 - 57	\$640,000 -	\$11,429 - \$12,232


		\$685,000	
3 Bedroom	112 - 113	\$1,150,000 - \$1,675,000	\$10,268 - \$14,823

Comments from the selling Agent

- The selling agent revealed the latest release (Taiga Stage) is generating sale values of up to \$16,000/sqm for some of the apartments with water views. Apartments with views in the Savannah Stage 2 (remaining units for sale achieved sales rates of up to \$14,000/sqm.
- The selling agent indicated that buyers comprised of both owner occupiers and investors. There was a wide mix of locals from the area, elsewhere in Sydney and foreign buyers. Further, there was a wide mix of empty nesters, young couples and small families.
- The selling agent indicated an apartment with water views or north aspect could expect to sell for an extra \$80,000 to \$100,000 per unit.

Source: Marketing Agent, realestate.com.au, 2015

Table 29: Wentworth Point Marina, 11 Wentworth Place, Wentworth Point

Wentworth Point Marina, 11 Wentworth Place, Wentworth Point			
		The Wentworth Point Marina project comprises 300 units across four buildings. The project is located at Wentworth Point and is expected to be completed at the end of 2019.	
Sales Rate:		The Wentworth Point Marina project will be released in August 2015. It was advised by the marketing agent all units would be sold within 1 month.	
Completion:		End of 2019	
Expected asking prices for August 2015 release.			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)


1 Bedroom	60-70	\$600,000-\$700,000	\$10,000
2 Bedroom	70-90	\$750,000-\$950,000	\$10,555 - \$10,714
3 Bedroom	90-110	\$950,000-\$1,270,000	\$10,555 - \$11,545

Comments from the selling Agent

- The selling agent revealed that a two bedroom unit with an internal area of 80sqm with water views or north aspect would expect to sell from \$780,000 to \$800,000 (\$9,750/sqm-\$10,000/sqm). The apartments located on higher levels with water views may sell from \$950,000.

Source: Marketing Agent, realestate.com.au, 2015

Table 30: Spring Homebush: 22-24 Smallwood Avenue, Homebush

Spring Homebush:22-24 Smallwood Avenue, Homebush			
		Spring Homebush comprises of 47 apartments, consisting of 8x1br, 32x2br, 7x3br units.	
Sales Rate:		It was advised by the marketing agent all 50 units were released in July 2015 and were sold within 2 weeks.	
Completion:		Mid 2017	
Sold Prices			
Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	55	\$550,000	\$10,000
2 Bedroom	70-80	\$700,000	\$8,750 - \$10,000
3 Bedroom	90	\$1,000,000	\$11,111

Comments from the selling Agent

- It was advised by the marketing agent, buyer profiles mostly comprised owner occupiers being locals from the region. The agent indicated there was a wide mix of couples, young families and empty nesters.

Source: Marketing Agent, realestate.com.au, 2015

Table 31: Breakfast Point - 19-21 Tennyson Road, Breakfast Point

Nantucket Release: Breakfast Point - 19-21 Tennyson Road, Breakfast Point



The Nantucket release comprises 101 units, consisting of 61x1br, 31x2br and 9x3br units. Construction has commenced and completion is expected in late 2017.

Sales Rate:

The first release was in November 2014, with approximately 91 units sold over this period, reflecting a sales rate of approximately 10 per month.

Completion:

Late 2017

Sold Prices

Product Type	Internals	Sale Price Range	\$/sqm Range (Internal)
1 Bedroom	52-80	\$680,000 - \$1,000,000	\$12,500 - \$13,077 (with views)
2 Bedroom	80 - 110	\$950,000 - \$1,500,000	\$11,875 - \$13,636
3 Bedroom	134 - 195	\$1,725,000 - \$3,900,000	\$12,873 - \$20,000 (penthouse)

Comments from the selling Agent

- It was advised by the marketing agent, buyer profiles comprised mostly owner occupiers from the local area and in particular the

inner west region. There was a strong portion of empty nesters.

- The two bedroom units priced at \$1,500,000 comprises two storey apartments with views.
- Based on this evidence, it is expected apartments offering water views could expect to achieve around \$13,000/sqm.

Source: Marketing Agent, realestate.com.au, 2015

Market Take-up

Rhodes has been one of the fastest growing suburbs in Sydney in terms of dwelling completions. ABS dwelling completion statistics show an average of 452 new dwellings every year from 2008 to 2013. This made it the fastest growing suburb in new strata dwellings over that five year period.

As Rhodes west of the railway nears completion demand will shift to Rhodes East.

Given the need to amalgamate sites and assuming a rate of dwelling completion peaking at around 400-450 per annum it could take 15 years from rezoning for Rhodes East to reach close to full development.

Disclaimer

1. This report is for the confidential use only of the party to whom it is addressed ("Client") for the specific purposes to which it refers and has been based on, and takes into account, the Client's specific instructions. It is not intended to be relied on by any third party who, subject to paragraph 3, must make their own enquiries in relation to the issues with which this report deals.
2. Hill PDA makes no representations as to the appropriateness, accuracy or completeness of this report for the purpose of any party other than the Client ("Recipient"). Hill PDA disclaims all liability to any Recipient for any loss, error or other consequence which may arise as a result of the Recipient acting, relying upon or using the whole or part of this report's contents.
3. This report must not be disclosed to any Recipient or reproduced in whole or in part, for any purpose not directly connected to the project for which Hill PDA was engaged to prepare the report, without the prior written approval of Hill PDA. In the event that a Recipient wishes to rely upon this report, the Recipient must inform Hill PDA who may, in its sole discretion and on specified terms, provide its consent.
4. This report and its attached appendices are based on estimates, assumptions and information provided by the Client or sourced and referenced from external sources by Hill PDA. While we endeavour to check these estimates, assumptions and information, no warranty is given in relation to their reliability, feasibility, accuracy or reasonableness. Hill PDA presents these estimates and assumptions as a basis for the Client's interpretation and analysis. With respect to forecasts, Hill PDA does not present them as results that will actually be achieved. Hill PDA relies upon the interpretation of the Client to judge for itself the likelihood of whether these projections can be achieved or not.
5. Due care has been taken to prepare the attached financial models from available information at the time of writing, however no responsibility can be or is accepted for errors or inaccuracies that may have occurred either with the programming or the resultant financial projections and their assumptions.
6. This report does not constitute a valuation of any property or interest in property. In preparing this report Hill PDA has relied upon information concerning the subject property and/or proposed development provided by the Client and Hill PDA has not independently verified this information except where noted in this report.
7. In relation to any valuation which is undertaken for a Managed Investment Scheme (as defined by the Managed Investments Act 1998) or for any lender that is subject to the provisions of the Managed Investments Act, the following clause applies:
8. This valuation is prepared on the assumption that the lender or addressee as referred to in this valuation report (and no other) may rely on the valuation for mortgage finance purposes and the lender has complied with its own lending guidelines as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio.
9. HillPDA makes no representations or warranties of any kind, about the accuracy, reliability, completeness, suitability or fitness in relation to maps generated by HillPDA or contained within this report.



ABN 52 003 963 755

SYDNEY

Level 3, 234 George Street

Sydney NSW 2000

GPO Box 2748 Sydney NSW 2001

t: +61 2 9252 8777

f: +61 2 9252 6077

e: sydney@hillpda.com

MELBOURNE

Suite 114, 838 Collins Street

Docklands VIC 3008

t: +61 3 9629 1842

f: +61 3 9629 6315

e: melbourne@hillpda.com