

**Submission  
No 41**

## **OPTIONS FOR ESSENTIAL WORKER HOUSING IN NEW SOUTH WALES**

**Organisation:** City of Sydney Council

**Date Received:** 12 September 2024

# Select Committee on Essential Worker Housing



Ironbark affordable housing, Ross Street, Forest Lodge, 2020.  
City West Housing built on City of Sydney transacted land.

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# Introduction



The City of Sydney (the City) welcomes the opportunity to provide a submission to the NSW Legislative Assembly Select Committee's (Committee) inquiry on essential worker housing in New South Wales (Inquiry).

The City would also welcome an opportunity to provide further evidence at hearings conducted by the Committee.

## The need for affordable essential worker housing in the City

Private rental affordability is a key issue in the City where there is the highest proportion of households that rent (61 per cent) compared to the rest of Greater Sydney (35 per cent)<sup>1</sup>. There has been significant escalation in the cost of private rentals in the Sydney area. The median rent for a unit in the Sydney LGA increased by more than 30 per cent from 30 June 2022 to 30 June 2024 to reach \$917 per week<sup>2</sup>.

Low access to affordable housing is not isolated to Sydney. Globally, housing affordability challenges have been observed in many of the most livable cities. International benchmarking suggests that Sydney has a chronic level of unaffordability; where housing costs are "persistently high and curtails the living and working choices for a significant portion of a city's current and prospective residents"<sup>3</sup>. Adequate availability of affordable housing is a form critical infrastructure<sup>4</sup>.

The focus of this submission will be on affordable rental housing and not on home ownership. The home ownership aspiration and the feasibility of share equity models for moderate income earners with debt servicing capacity is acknowledged as important.

The deterioration in the level of affordability of housing over any given geography has been significant. Home ownership and private rental is now out of reach in the City of Sydney area for

<sup>1</sup> <https://profile.id.com.au/sydney/tenure>

<sup>2</sup> <https://homelessnessnsw.org.au/data/housing-and-homelessness-dashboard/>

<sup>3</sup> <https://sydney.org.au/wp-content/uploads/2023/09/Committee-for-Sydney-Chronically-Unaffordable-Housing-September-2023.pdf>

<sup>4</sup> <https://sgsep.com.au/publications/insights/nsw-housing-reforms>

some moderate income households and for many low income households. The implications of this are significant for affected households and for the broader community. They include, amongst others:

- lengthy commute times for lower income households
- difficulties recruiting staff for certain roles
- loss of economic productivity
- decrease in social, cultural and economic diversity
- negative impacts on the social and cultural life of the City.

The Inquiry is timely. Although the private market fluctuates and sets the price for housing, there is a strong need for housing assistance for lower income households, including essential workers, who are priced out and search for accommodation in more remote and less connected locations.

### The City's strategies guide our action for more affordable housing

The City's strategic policy frameworks promote and support an inclusive and equitable society. *Sustainable Sydney 2030 to 2050 Continuing the Vision* and our *City for All – Social Sustainability Policy and Action Plan 2018-2028* guide the City's vision for housing.

The City's local housing strategy - *Housing for All* - recognises affordable rental housing and social housing as critical social infrastructure, necessary to support a diverse and well-functioning city.

The strategy contains several priorities:

- facilitating more homes in the right locations
- coordinating housing growth with the delivery of infrastructure
- increasing diversity and choice in housing
- increasing the diversity and number of homes available for lower-income households
- increasing the amount of social and supported housing
- improving NSW Government controlled site outcomes
- increasing liveability, sustainability and accessibility through high-quality residential design

The need is particularly acute in the inner city, where both home ownership and private rental accommodation have become highly unaffordable for many including salary award wage earners. The median weekly rent for a one bedroom unit was \$650 in 2023 and the median purchase price for a strata dwelling in the Sydney LGA in 2023 was \$950,000. An example of a hospitality worker in the City area, highlights the lack of housing affordability<sup>5</sup>:

Gross weekly income of a hospitality worker	Median rent for a one bedroom unit in the Sydney LGA in 2023	Rent as a % of income	Mortgage repayments for a median strata unit \$950k <sup>6</sup>	Mortgage repayments as a % of income
\$1,208	\$650	54%	\$1,163	96%

<sup>5</sup> Sources for table:

Rent: [https://public.tableau.com/app/profile/dcj.statistics/viz/Rentandsales\\_16849924917120/Rent?publish=yes](https://public.tableau.com/app/profile/dcj.statistics/viz/Rentandsales_16849924917120/Rent?publish=yes)

Income: [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_RAI2023-Website.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_RAI2023-Website.pdf)

Mortgage repayments: <https://moneysmart.gov.au/home-loans/mortgage-calculator#repayments>

<sup>6</sup> Assuming a 20% deposit was paid, 25 year loan term and an interest rate of 6.22% (average in June 2024)

The City's *Resilience Strategy 2023-2028* identifies people who rent, which includes essential workers, as a priority community who may require additional support during times of stress or emergency. This strategy advocates for safe, healthy, appropriate, climate-proofed crisis, social, affordable and diverse rental housing. As part of the consultation for this strategy, people who rent within our community also told us that they would like options to adapt their homes to deal with the impacts of climate change.

The City is also in the process of finalising two related strategic policies: the Cultural Strategy and the Economic Development Strategy, for the period 2025-2035. Both documents recognise the interdependence of housing and economic participation, including for creative and essential workers.

### The City makes a significant contribution to affordable housing

Supported by its strategic policy framework, the City has increased the supply of affordable and diverse housing in the Sydney LGA by using planning levers, selling subsidized land to registered not-for-profit community housing providers, and providing grants to a range of providers of affordable and diverse housing.

As a result of this and other support, there are 1,464 affordable housing dwellings already built in the Sydney LGA with 565 dwellings in the development pipeline, and a further 1,294 dwellings expected. Most dwellings have been funded by the City's LGA-wide affordable housing levy on private development and hundreds have been supported through discounted land sales and from grants from the Affordable and Diverse Housing fund.

If considered all together, across the four categories of built, pipeline, expected and projected in the City of Sydney area, this will equate to a total 5,273 affordable rental dwellings and affordable diverse dwellings in our LGA by 2036. This represents 44 percent of the 12,000 affordable dwellings target for the City of Sydney area to 2036, or about 3.4 percent of the private dwellings target for 2036, up from a base of less than 1 per cent. However, our ambitious target requires a whole of government approach.

To date the City has collected \$399.708 million in development levies (as at 30 June 2023, soon to be updated), provided \$31.6 million in subsidized land sales and almost \$13 million in direct project grants under the Affordable and Diverse Housing Fund.

However, the extent of the rental housing affordability problem is so great, that much more rent capped affordable housing is needed.

In summary, the City would like to take the opportunity to advocate for the following recommendations:

### Recommendations

- Recommendation 1: Set metro or statewide targets.** The NSW Government develop a policy position, setting out its own targets as a per centage of total private market housing which takes into account the pressing need for essential worker housing. Overall targets should include sub targets for specific and diverse needs.
- Recommendation 2: Use income to calculate rent.** Registered providers must cap rents at 30 per cent of gross household income, not a percentage of market rent.
- Recommendation 3: Accommodate a spread of incomes.** A cross section of households on very low, low and moderate incomes

should be housed in affordable rental housing. Eligibility for affordable housing should be determined by income, with priority given to essential workers in certain affordable housing projects.

- Recommendation 4:** **Metropolitan wide action is critical.** Consider the recommendations of the Resilient Sydney Affordable Housing Committee's submission for an increase of affordable housing funded through the wider application of contribution schemes.
- Recommendation 5:** **Update Department of Planning guideline.** Review the NSW Planning, Housing and Infrastructure Department's Guideline for Developing an Affordable Housing Contribution Scheme to encourage and support the implementation of local affordable housing contribution schemes.
- Recommendation 6:** **Review Department of Planning direction.** In addition to residential rezoning uplift contributions, a low-rate, broad-based, affordable housing levy should be introduced for regions where a lack of affordability exists, to ensure that affordable housing can be delivered in conjunction with private market dwellings.
- Recommendation 7:** **Develop planning policy to reduce net dwelling loss.** Ensure the introduction of requirements for the retention of existing low-cost rental apartments in the Housing SEPP in appropriate locations such as in the City of Sydney area.
- Recommendation 8:** **Planning incentives for Affordable Housing should be in perpetuity.** Review the in-fill provisions in the Housing SEPP and accompanying guidelines to facilitate the delivery of genuinely (income-based) affordable housing 'in perpetuity' to be owned and managed by a registered not-for-profit community housing provider.
- Recommendation 9:** **Planning changes to be based on robust evidence.** Ensure any future planning reforms to introduce incentives for private developers are supported by consultation with all affected parties (including councils) and reflect a robust evidence base.
- Recommendation 10:** **Set public land renewal targets.** The NSW Government adopt a policy to maximise affordable housing including a minimum per centage target embedded in planning instruments when it rezones government land. At the North Eveleigh (TAHE) and Blackwattle Bay (INSW) sites there should be 25 per cent affordable housing.
- Recommendation 11:** **Grow not-for-profit CHP sector.** The NSW Government transfer surplus land to registered not-for-profit community housing providers at a significant discount for the provision of affordable housing 'in perpetuity'.

- Recommendation 12: Develop an allocation policy.** There must be a needs-based approach to the allocation of funding be considered alongside other factors.
- Recommendation 13: Increase public funding to increase affordable housing delivery.** The NSW and commonwealth governments significantly increase their investment in social and affordable housing through capital funding and operating subsidies to registered not-for-profit community housing providers and introduce a new program of direct 'gap funding' of developers who are required to, or choose to, increase the per centage of 'in perpetuity' affordable housing beyond the requirements of any local contribution scheme.
- Recommendation 14: Ensure a robust administrative framework.** The response to housing affordability challenges be underpinned by a strategic policy framework, clear roles, ambitious targets and localised decision making.
- Recommendation 15: Ensure a transparent centralised registration system.** Develop a rigorous, state and territories-based register of affordable rental housing and a centralised allocations system.
- Recommendation 16: Ensure accountability of time-limited affordable housing.** A review of the roles, responsibilities and transparent data reporting to ensure compliance when in-fill affordable housing bonuses are utilized and maintained.
- Recommendation 17: For-profit CHPs to undergo a thorough review.** Conduct a thorough review of the performance of registered for-profit community housing providers with a view to potential restrictions on access to public funding support for this class of provider, if appropriate.
- Recommendation 18: Require property title covenants.** Affordable Housing must be secured. Although not possible in all instances (such as voluntary AH offers), permanent housing avoids a time-limited rehousing challenge in years to come, when the need is greater.



# A definition for essential worker housing



‘Essential worker’ or ‘key worker’ housing is a subset of the broader concept of affordable housing. The commonly shared understanding of essential or key worker housing is any housing product developed for people in certain defined occupations is used in this submission. Most essential or key workers are concentrated in the very low, low or moderate income bands with regulated wages. They are readily acknowledged as an important category in this group.

Most researchers and others agree, that a defining feature of essential workers is the highly valuable contribution their roles make to the functioning of a community and they include a raft of occupations that help our community and City operate, spanning cleaners, child care workers, chefs, nurses, teachers, paramedics, carers and aides, police and others<sup>7</sup>. The NSW Government has invested in housing for essential workers, referring to nurses, paramedics, teachers, allied health care workers, police officers and fire fighters<sup>8</sup>. Many experts go on to include ICT Support and Telecommunications Technicians and trades, bus, coach, train and tram drivers, delivery drivers and social workers in such a cohort.

Another source suggests a list of 21 occupations for classification as essential workers<sup>9</sup>:

- Teachers (all types from early childhood to secondary school and special education)
- Registered Nurses

<sup>7</sup> <https://www.ahuri.edu.au/analysis/brief/key-workers-and-commuting-during-covid-19#:~:text=Recent%20AHURI%20research%20defines%20key,able%20to%20work%20from%20home> and <https://participate.melbourne.vic.gov.au/defining-key-worker-housing>

<sup>8</sup> <https://www.nsw.gov.au/media-releases/new-homes-closer-to-jobs-and-services-for-essential-workers-sydney>

<sup>9</sup> <https://www.ahuri.edu.au/analysis/brief/key-workers-and-commuting-during-covid-19#:~:text=Recent%20AHURI%20research%20defines%20key,able%20to%20work%20from%20home>

- Midwives
- Social Workers
- ICT Support Professionals
- ICT Support and Telecommunications Technicians and Trades
- Ambulance Officers and Paramedics
- Enrolled and Mothercraft Nurses
- Welfare Support Workers
- Child Carers
- Educational Aides
- Aged and Disability support workers
- Nursing Support and Personal Care Workers
- Fire and Emergency Service Workers
- Police
- Prison Officers
- Bus and Coach Drivers
- Train and Tram Drivers
- Delivery Drivers
- Commercial Cleaners
- Laundry Workers.

While the City recognises that the majority of essential workers are lower income earners, not all lower income earners are essential workers and as seen above, the list of occupations included can vary. The availability of affordable housing not only ensures our key workers can live and work in the City, but also ensures as a global city, we are attracting talent in our workforce, particularly in technology and innovation. **The City recommends income and not occupation is used to determine eligibility for affordable rental housing**

Eligibility for affordable rental housing should be restricted to households on very low, low and moderate incomes. Income and not occupation should be used to determine eligibility for affordable rental housing however it is recognized that priority could be given to defined essential workers within certain affordable housing projects or locations.

An important outcome of the Inquiry would be for the NSW Government to set a minimum target for affordable housing in Greater Sydney and relevant regions as a percentage of private market housing. Market housing targets have been widely adopted by Government for the private market sector – but not for affordable housing. The City of Sydney LGA target, as a percentage of private market housing is 7.5% affordable housing and 7.5% public housing, totalling 15%.

Sub targets should also be set for Aboriginal and Torres Strait housing, Youth Foyers and other supported accommodation models for people at risk of homelessness, Specialist Disability Accommodation, residential aged care and other diverse housing needs.

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## Housing affordability in the City

The City has a strong need for affordable rental housing. This is especially so for very low, low and moderate income households. These income bands are defined in the NSW Affordable Housing Ministerial Guidelines (AH Guidelines) consistent with the *State Environmental Planning Policy (Housing) 2021* by the percentage of the median income in Sydney and the remainder of NSW:

Income bands	% of median income	Annual income limits (Sydney) 2023-24	Annual income limits (remainder of NSW) 2023-24
Very low	50%	\$55,400	\$48,800
Low	50%-80%	\$88,600	\$78,000
Moderate	80%-120%	\$132,900	\$117,000

The table below provides a few examples of households in these income bands <sup>10</sup>:

Relevant income band	Sample households	Indicative gross annual income
Very low	Single pensioner	\$36,700
Very low	Pensioner couple	\$54,300
Very low	Single person on Jobseeker	\$22,100
Very low	Single part-time worker parent on benefits	\$44,800
Low	Single income couple with children	\$104,500
Low	Student share house (with 3 students)	\$84,800
Low	Minimum wage couple	\$91,800
Low	Hospitality worker	\$62,800

Private rental in the City is unaffordable for all of the households listed above. The Rental Affordability Index is published by SGS Economics and Planning, analyses and rates the degree of affordability across Australia. The results for the City are below<sup>11</sup>:

Household Profile	Average Rating
Hospitality worker (lone person, 1 bedroom)	Severely unaffordable
Minimum wage couple (2 full time equivalent (FTE) workers, 2 bedroom)	Severely unaffordable
Dual income couple with children (2 FTE teachers, 2 children under 10, 3 bedroom)	Moderately unaffordable
Pensioner couple (couple over 65, 2 bedroom)	Extremely unaffordable
Single income couple with children (1 key worker, 1 stay at home parent, 2 children, 3 beds)	Extremely unaffordable
Single pensioner (over 65, 1 bedroom)	Extremely unaffordable
Single parent (key worker, 1 child, 2 bedroom)	Severely unaffordable
Student sharehouse (3 students aged between 18 and 35, 3 bedroom)	Extremely unaffordable
Single person on benefits (lone person, 1 bedroom)	Extremely unaffordable

<sup>10</sup> [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_RAI2023-Website.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_RAI2023-Website.pdf)

<sup>11</sup> Extract of the following from suburbs within the City of Sydney [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_RAI2023-Website.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_RAI2023-Website.pdf)

## Essential workers in the City

The table below breaks down select occupations by income and housing affordability in the City<sup>12</sup>:

Industry/occupation	Median annual earnings	Relevant income band	Can afford the median rent for a one bedroom unit in the City (\$650 p/w)
Managers	\$87,478	Low	No
Professionals	\$75,402	Low	No
Technicians and trades workers	\$56,160	Low	No
Community and personal service workers	\$43,466	Very low	No
Clerical and administrative workers	\$52,000	Very low	No
Sales workers	\$41,600	Very low	No
Machinery operators and drivers	\$57,200	Low	No
Labourers	\$41,600	Very low	No
Mining	\$116,874	Moderate	Yes
Retail	\$41,600	Very low	No
Transport, postal and warehousing	\$62,752	Low	No
Education and training	\$65,000	Low	No
Health care and social assistance	\$52,000	Very low	No
Arts and recreation	\$51,480	Very low	No

A comparison of the 2016 and 2021 census data shows that in the City, the number of most essential workers has declined, especially in comparison to professional occupations:

Occupation	# in 2016	# in 2021
Managers	19,914	23,671
Professionals	42,912	52,752
Technicians and trades workers	9,205	8,866
Community and personal service workers	11,927	9,693
Clerical and administrative workers	12,984	13,416
Sales	8,861	7,907
Machinery operators and drivers	1,683	2,518
Labourers	5,972	5,405

Another defining feature of essential workers is that they are often unable to work from home and work shifts outside typical office hours. For those working in the City, the inability to live and work

<sup>12</sup> Australian Bureau of Statistics, 6337.0 Employee Earnings, August 2023, Median earnings for employees by industry, occupation and educational qualification

locally results in longer commute times. One study identified that essential workers are more likely than the general labour force to reside in outer suburbs and satellite cities and to commute more than 30kms to work<sup>13</sup>. This is problematic as public transport options are limited outside extended peak commuting hours. Lengthy commuting times can also impact living costs and exacerbate stress and fatigue<sup>14</sup>. The growing spatial mismatch between work and home is related housing costs. Affordable housing should be distributed throughout Sydney and be connected with frequent and after hours public transport options.

The work hours and transport options of essential workers highlights the importance of locating essential worker affordable housing close to rail or light rail (to avoid traffic congestion events that buses are often subject to).

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## Rent models

The measure of affordability is whether housing costs make up an appropriate proportion of household income that allows the household to meet other non-housing needs. The readily accepted benchmark that the City supports is that housing should not cost more than 30 per cent of gross household income. Households exceeding this are described as being in 'housing stress'. This measure is only applied to households in the bottom 40 per cent of Australian household income distribution<sup>15</sup>.

In high cost environments like the City of Sydney LGA and elsewhere, rents capped at 30 per cent of income deliver housing affordability. The table below highlights this<sup>16</sup>:

Household composition	Weekly gross income	# of bedrooms	Median weekly apartment market rent March 2024 quarter	Income based rent (30% of income p/w)	Discount to market rent (74.9% of median rent)
Single part time working parent on benefits	\$862	2	\$1,100	\$258	\$824
Minimum wage couple	\$1,765	1	\$750	\$530	\$562
Three students in a sharehouse	\$1,631	3	\$1,550	\$489	\$1,161
Hospitality worker	\$1,208	1	\$750	\$362	\$562

<sup>13</sup> <https://www.ahuri.edu.au/sites/default/files/migration/documents/AHURI-Final-Report-355-Housing-key-workers-scoping-challenges-aspirations-and-policy-responses.pdf>

<sup>14</sup> <https://urbanism.sydney.edu.au/wp-content/uploads/2023/03/Gilbert-Nasreen-and-Gurran-w-HOPE-Housing-FINAL-March-2023.pdf>

<sup>15</sup> <https://www.ahuri.edu.au/analysis/brief/understanding-3040-indicator-housing-affordability-stress>

<sup>16</sup> Median rents:

[https://public.tableau.com/app/profile/dcj.statistics/viz/Rentandsales\\_16849924917120/Rent?publish=yes](https://public.tableau.com/app/profile/dcj.statistics/viz/Rentandsales_16849924917120/Rent?publish=yes)

Household incomes: [https://sgsep.com.au/assets/main/SGS-Economics-and-Planning\\_RAI2023-Website.pdf](https://sgsep.com.au/assets/main/SGS-Economics-and-Planning_RAI2023-Website.pdf)

Discount to market rent (DMR) models typically charge households 74.9% of market rent. The extent of the discount is set at that amount for the tenancy manager to comply with taxation rules to maintain their public benefit institution (PBI) status. PBI status ensures an organisation is eligible for Goods and Services Tax concessions.

It is not uncommon for DMR models to also charge 80% of 'market rent' if required by funding partners, most notably, the Commonwealth Government, and the National Rental Affordability Scheme (NRAS). In high cost locations like the City of Sydney, the extent of the discount required on market rents is closer to 50% or more in order for lower income households to avoid housing stress (paying no more than 30 per cent of their gross income on housing).

Further, linking rent discounts to market rents, leaves households exposed to volatility in the private rental market with a regulated wage. Movements in market rents such as the tidal flow of foreign workers and students are unrelated to changes in household income. Recent trends suggest growth in incomes has not kept pace with the strong growth in market rents.

The Affordable Housing Guidelines allow for the diminution of affordability in reference to rent setting by requiring providers to consider financial viability and ensuring that rent revenue is sufficient to cover the costs of the affordable housing portfolio. At a minimum, rents must also be discounted by at least 20% to market. However, the same Guidelines also state that: "households on very low and low incomes should not pay more than 20-30% of their gross income in rent" and that while greater flexibility may be applied to moderate income households "in all cases, the relevant circumstances of the applicant's household and their capacity to pay will be guiding principles".

There is a tension between these considerations. The results include:

- administratively inefficient system of performing two rent calculations
- disadvantaging some households who need to negotiate to achieve an affordable rent even if they lack the capacity to do so
- encouraging providers to prioritise housing moderate income households
- some lower income households, including essential workers, paying more than 30 per cent of their income in rent and therefore experiencing housing stress.

Given the lack of affordable rental housing for all three income bands, the City favours the inclusion of all three in the eligibility criteria for affordable rental housing. The need for housing assistance is more acute the lower the income. It is important that providers of affordable rental housing service a cross section of households from all three income bands and not preference moderate income earners exclusively.

**Recommendation 1: Set metro or statewide targets.** The NSW Government develop a policy position, setting out targets as a percentage of total private market housing which takes into account the pressing need for essential worker housing. Overall targets should include sub targets for specific and diverse needs.

**Recommendation 2: Use income to calculate-based rent.** That income and not occupation be used to determine eligibility for affordable rental housing however priority could be given to essential workers within certain affordable housing projects. Registered providers must cap rents at 30 per cent of gross household income, not a percentage of market rent.

**Recommendation 3: Accommodate a spread of incomes.** A cross section of households on very low, low and moderate incomes should be housed in affordable rental housing. Eligibility for affordable housing should be determined by income, with priority given to essential workers in certain affordable housing projects

# Options to increase housing supply for essential workers



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## Planning tools and reforms

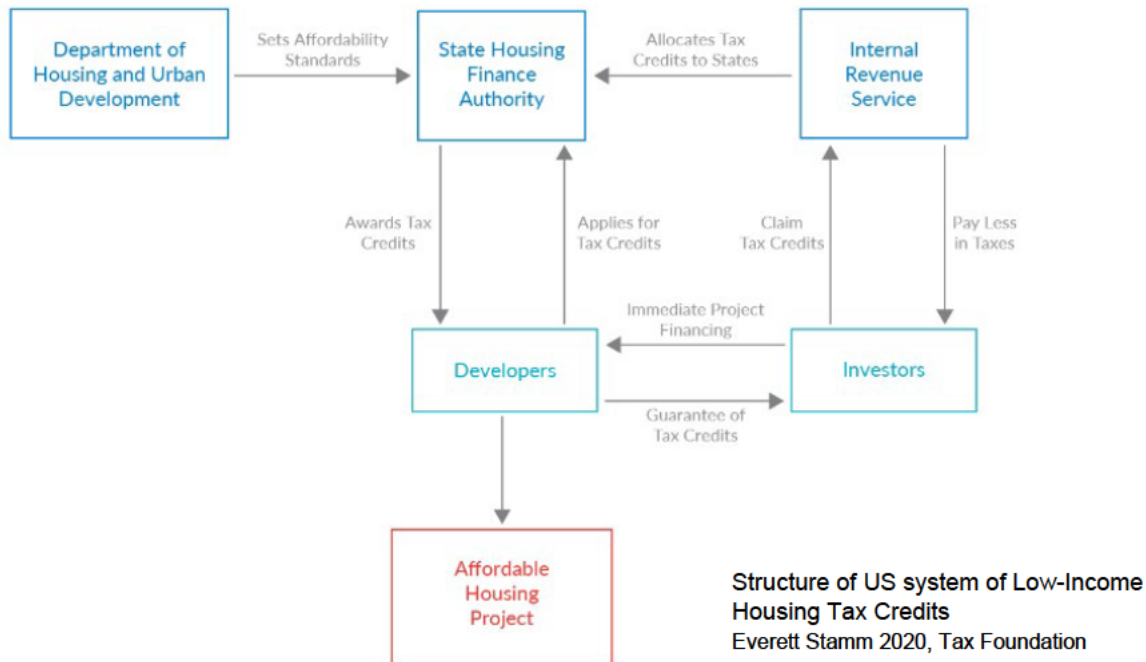
### Affordable housing models

The types and supply of housing able to be rented at a 'reasonable cost' relative to the income of occupants, greatly varies throughout the world. However, as previously stated, the understanding of what is a 'reasonable cost' is generally agreed as being 30% of gross household income in most international jurisdictions. A subset of affordable housing funded by governments on public land is officially termed public housing.

Affordable housing on private land can be funded through a mix of direct and indirect government subsidies, tax breaks, tradable tax credits, low-interest loans, grants and charitable and private investments. Countries with a high provision of affordable housing such as Singapore, Canada, Korea, Portugal, Spain, Austria, The Netherlands, Denmark, Finland, Belgium, France and England are made possible by substantial public funding through national or federal governments to local authorities, registered housing providers, housing associations and private developers who are required to, or agree to, build a high percentage of affordable housing with private projects.

Countries without national government support typically have had a low provision of affordable housing such as the US and Australia. These generally rely on a mix of charity, philanthropy,

inclusive zoning or a system of transferable tax credits<sup>17</sup> (Low-Income Housing Tax Credits) as in the United States or inclusive zoning satisfied through private developer levies (NSW).



### Affordable housing developer contribution schemes (levies)

In Australia, where the affordable housing system is immature, and in the absence of significant direct public funding to registered providers or developers, affordable housing developer contribution schemes are the most effective way to provide for affordable housing in local areas. Schemes can be transparent, provide certainty for developers about the amount payable, and can be efficient in their administration with scale and experience.

At the City of Sydney, the Ultimo/Pymont peninsular has had an affordable housing developer contribution levy for 30 years, first initiated by the Federal Government. The revenue is directed to registered housing provider(s) supplementing an initial \$50 million in federal funding. The levy commenced as these areas were rezoned from industrial to higher value urban uses – effectively capturing some of the value created by the rezoning of land, for affordable housing.

In 2017, the City sought to consolidate and broaden developer contributions to cover the whole LGA, with a low-level broadly applied rate being extended to all approved development in the LGA, including areas where there was no rezoning. This 'low-rate, broad-based contribution scheme' is accepted by developers and came into effect in 2021.

The City's contribution scheme has resulted in close to \$400 million being passed to registered not-for-profit community housing providers to deliver affordable housing in the local area. This has directly facilitated 1,464 permanent affordable dwellings being built in the City. It is estimated that in the future, the City's affordable housing contribution scheme will deliver a further 1,950 permanent affordable dwellings.

<sup>17</sup> <https://taxfoundation.org/research/all/federal/low-income-housing-tax-credit-lihtc/>



To date, the City is the only council that has achieved such a broad and extensive contribution scheme for development approval which is separate to any rezoning rate for residential uplift. The City's scheme was initiated prior to the introduction of the NSW Government's *Guideline for Developing an Affordable Housing Contribution Scheme* (Levy Guideline), that explicitly advises against the implementation of low-rate, broad-based contribution schemes where there is no rezoning.

The Levy Guideline has supported the introduction of some modest affordable housing contribution schemes in several LGAs, applicable to uplift only. They have limited geographic application to a few small, rezoned areas, and have, or are expected to have, modest outcomes compared to the City's low-rate, broad-based scheme.

The City is part of the Resilient Sydney Affordable Housing Steering Committee, a group of organisations working together to identify solutions to Sydney's housing crisis. The Steering Committee includes representatives from:

- NSW Department of Planning Housing and Infrastructure
- former Greater Cities Commission (GCC)
- South Sydney Regional Organisation of Councils (SSROC), who coordinate the Steering Committee and its activities
- other metropolitan councils and industry experts.

The Steering Committee, in consultation with councils in the metropolitan area, identified substantial barriers to implementing inclusive zoning enabling affordable housing developer contribution schemes. These barriers predominantly arise from complexities in the implementation and administration of contributions at the local level.

Following research, the Steering Committee made a submission<sup>18</sup> to the Department of Planning and Environment in January 2023 about how affordable housing contribution schemes could be encouraged to increase the supply of affordable housing.

The submission included 23 recommendations, notably that the Department should:

- review the levy Guideline to significantly simplify and streamline the approval and implementation of local or regional affordable housing contribution schemes and
- implement, statewide, low-rate, broad-based contributions requirement on all approved development (over an agreed development cost), while maintaining the ability of councils to also apply a site/precinct specific local affordable housing contributions where significant development uplift is achieved.

A low-rate, broad-based scheme applied across the NSW would support the delivery of a significant amount of affordable housing over time. The impact on development viability (land purchase price, dwelling sale price) of a researched scheme could be generally absorbed by land purchase transaction if the market is given adequate notice of a certain contribution requirement.

Unfortunately, no action has been taken by the Department to review the contribution guideline, and there is no indication that the implementation of a low-rate broad-based contribution scheme has been reconsidered. Affordable housing contribution schemes therefore remain an immature and relatively underutilised planning lever that would otherwise on mass have the potential to facilitate significant affordable housing outcomes in NSW in the absence of a national scheme with direct public funding.

<sup>18</sup> <https://ssroc.nsw.gov.au/projects/affordable-housing/affordable-housing-contributions-scheme-project/>

### **Contributions on land that is rezoned to increase development capacity**

In addition to the low-rate, broad-based contribution requirement that is applied to all development in the LGA, the City also applies an additional contribution requirement to residential floor space that has been achieved as the result of a planning proposal.

The indicative contribution rate that will be applied to new residential floor space is set out in the City of Sydney Affordable Housing Program (Program), with the rate ranging between 12% and 21% contribution depending on the location. For example, where there is a planning proposal to increase the amount of Gross Floor Area on a site, the higher contribution rate in the Program would be applied to 'new' residential floor space, however, if that site is also required to dedicate land, for example, for a park, then the contribution rate might be adjusted down in recognition of the additional cost to the developer.

Providing the contribution requirement up-front in a Council endorsed program, before a rezoning occurs, is critical to providing clarity and certainty to the market about the contributions that will be applied in the event a rezoning of the land is sought. The contribution requirement applies only to 'new' floor space – so current land values are not affected. This approach acts to moderate the resulting windfall gain by reducing the residual value of the land (the price the developer would pay for the land after taking into consideration expected revenue and costs).

The principle of establishing an affordable housing contribution requirement early, before rezoning, has underpinned the introduction of affordable housing contribution requirements in the transport orientated development provisions in the Housing SEPP. Although arguably the contribution rate in many cases is too low and there is insufficient administrative certainty. The NSW Government has not proposed an affordable housing contribution where it proposes to lift development capacity through its Low and Mid Rise Housing Policy.

The principle should be applied wherever land is rezoned for increased development capacity, including land affected by the recent low- and mid-rise proposal.

### **Preferential zoning for affordable housing**

The City of Sydney has also trialled 'preferential zoning' to provide registered not-for-profit providers (CHPs) access to less expensive development sites.

This was achieved through the definition of 'permitted uses' in the specific zone. Parts of the City are zoned E3 Productivity Support. This zone only permits business and industrial uses to ensure there is well located land available for facilities and services, light industries, warehouses, offices and the like. The land value is stabilised because market residential is not permitted.

However, the City was able to admit affordable housing in some parts of this zone. These locations were carefully studied and were found to be close to services, transport and other residential neighbourhoods and are in north Alexandria; close to Green Square Town; and in Forest Lodge. This provides CHPs with access to development sites without having to compete with market residential developers. A recent example of the success of this approach is the purchase of a site by City West Housing in the City's southern enterprise area to the west of the Green Square Town Centre. The site is expected to deliver over 100 affordable homes in perpetuity.

**Recommendation 4: Metropolitan wide action is critical.** Consider the recommendations of the Resilient Sydney Affordable Housing Committee's submission for the Increase of affordable housing funded through the wider application of local contribution schemes.

**Recommendation 5: Update Department of Planning guideline.** Review the NSW Department of Planning, Housing and Infrastructure Guideline for Developing an Affordable Housing Contribution Scheme to encourage and support the implementation of local affordable housing contribution schemes.

**Recommendation 6: Review Department of Planning direction.** In addition to residential rezoning uplift contributions, a low-rate, broad-based, affordable housing levy should be introduced for regions where a lack of affordability exists, to ensure that affordable housing can be delivered in conjunction with private market dwellings.

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## Housing diversity

The planning framework also has a role in ensuring diversity of housing supply is available in the private market, including lower cost housing options.

Relatively low-cost housing options such as boarding houses and older housing stock (of appropriate amenity) play an important role in supporting a diverse community and workforce.

Planning for more diverse housing types to support students and other low-income households is also essential. This includes encouraging the delivery of co-living and build-to-rent housing types where there is sufficient demand.

### Loss of boarding houses

The affordable housing crisis has intensified pressures on traditional boarding houses, which are typically located in older housing stock and provide a lower cost housing option – they are often a last resort for people before homelessness<sup>19</sup>.

In the City area, boarding houses offer the most affordable private rental with rents ranging from approximately \$150 to \$300 per week. They play a crucial role in housing the most vulnerable members of the community, enabling them to remain close to their community and the services in the City. Currently, there are approximately 4,000 boarding house rooms across the City of Sydney. Disappointingly, they are not yet included in Housing Targets. This must be changed, so boarding houses and other co-living homes are counted.

The recent trend of converting boarding houses to residential use (often luxury homes) has been driven by the rising land prices, incentives for new owners to maximise property value and the high cost of upgrading older boarding houses to meet current safety standards. Since 2000, the City has received 29 development applications for such conversions, including three in 2023.

Under the Housing SEPP and the NSW Affordable Rental Housing SEPP Guidelines, councils must consider the potential loss of low-cost rental accommodation when assessing development applications for boarding house conversions (change of use).

These guidelines prioritise the financial viability of maintaining boarding houses and may require a payment to offset any loss of affordable housing. If it is proven that maintaining a boarding house is financially 'unviable' - as determined by a mandated viability test - council decisions to refuse such conversions are more likely to be

<sup>19</sup> <https://sgsep.com.au/assets/main/SGS-Economics-and-Planning-Last-Resort-Housing.pdf>

overturned on appeal by the Land and Environment Court. This is a potential outcome for the three appeals currently in play following refusal by the City.

A review of the retention of existing affordable rental housing provisions in the Housing SEPP (particularly in relation to traditional boarding houses), and the accompanying Guideline, is urgently required to address the loss of this housing stock from inner city areas. Any review must consider the amount of compensating payment if development results in the loss of low-cost rental housing taking into account the cost of replacing low cost housing in the area.

### **Retaining existing low-cost housing stock**

Inner city councils are experiencing the loss of relatively low cost rental residential units through the redevelopment of older residential flat buildings into new, larger luxury homes. This occurs particularly in the Eastern suburbs where the type of housing lost does play a crucial role in providing relatively affordable options for lower income households in the private rental market in some of Sydney's most expensive areas.

Since 2018, in the City of Sydney area there have been 25 development applications resulting in the net loss of 65 dwellings. As at May 2024, there are a further 8 development applications under assessment that propose a net reduction of 143 dwellings.

In response, a planning proposal to limit the loss of dwellings stock through redevelopment is currently on public exhibition and will be reported back to council in late 2024 for finalisation. This planning proposal introduces a new development standard to be inserted into the Sydney Local Environmental Plan 2012 (LEP) that limits the net reduction in the number of dwellings through redevelopment of existing residential buildings. This is to ensure that redevelopment does not significantly reduce the number and diversity of dwellings available, particularly smaller and more affordable apartments. It is understood that Waverley and Woollahra councils are also currently considering similar provisions to address this issue.

### **Build-to-rent and co-living housing**

Build-to-rent housing is a purpose designed residential building to be rented, held in single ownership and professionally managed. Co-living housing is compact rental accommodation for a range of occupants with shared facilities and minimum tenancies of three months. It is also managed and held in single ownership. These forms of housing are also important to the supply and diversity of housing in the city as they meet different housing needs compared to typical market housing.

The commercial operating model of build-to-rent and co-living housing means they are unlikely to sit idle, as some high end luxury investor apartments in Central Sydney do. It is noted however that build-to-rent and co-living housing are not rent controlled and tend to be less affordable for lower income households.

Recent changes to the Housing SEPP mean that build-to-rent housing in Central Sydney cannot be strata subdivided. This will support the longer term supply of rental housing while maintaining long term land availability for economic development in Central Sydney. It also increases vibrancy with occupied dwellings while maintaining the integrity of the Central Sydney Planning Strategy, which provides opportunities for businesses to grow and renew in Australia's global city centre. In response, the City is introducing floor space incentives for build-to-rent in Central Sydney.

The City is also introducing floor space incentives for co-living housing for the southern part of Central Sydney (Haymarket) close to universities, Ultimo TAFE and Royal Prince Alfred Hospital. Students and essential workers including teachers and nurses, could benefit from this housing type. The co-living developments will be in convenient locations to services like supermarkets and recreation facilities.

As the shortage of rental housing has urgency and to accelerate the delivery of housing, the incentive will be available where a development application is lodged within five years of this new LEP change taking effect.

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## Incentives for developments on privately owned land

### Recent housing reforms

Recent housing reforms by the NSW Government have focused on providing development incentives for time limited affordable housing on private land, specifically through the amendment to the long standing in-fill affordable housing provisions at Chapter 1, Part 2, Division 1 of the State Environmental Planning Policy (Housing) 2021 (Housing SEPP).

The change to the Housing SEPP increases the floor space ratio (FSR) bonus to up to 30% (above local planning requirements) and a commensurate bonus of up to 30% in height where a proposal includes a minimum 10-15% of gross floor area (GFA) as time-limited affordable housing. The bonuses apply to residential flat buildings and shop top housing and the resulting affordable housing must only remain affordable housing for 15 years.

It is understood there has been significant interest in the time-limited affordable housing incentives in the Housing SEPP. However, while the provision of any new affordable housing is welcome, the City has concerns regarding:

- the absence of a pathway to secure the resulting affordable housing in perpetuity, even where councils may reach agreement with developers to deliver a lesser amount of affordable housing where it is transferred or acquired by a Tier 1 or Tier 2 community housing provider to be used as affordable housing in perpetuity
- insufficient clarity or intent about the need to service households from the very low, low and moderate income bands and the need to use an income based rent model
- the impact of FSR and height bonuses on the surrounding built form, the challenges that presents when enlarged development does not meet minimum amenity standards and the resulting delays in the development assessment process.

The City appreciates that private investment is essential to the delivery of affordable housing floor space. Notwithstanding this in its submission to the proposed reform, the City expressed concerns about incentive based schemes that seek to exceed local planning controls, particularly where the public benefit of the incentive is only for 15 years, well short of the life of the actual development.

Time-limited affordable housing forgoes the opportunity to strengthen the asset base of community housing providers. Allowing affordable housing to be converted to market housing after 15 years will create a problem in the future — as the need for affordable housing is likely to be higher than it is now, and any investment and available development sites (which will be fewer), will be put to replacement rather than affordable housing.

In constrained urban environments, where FSRs and heights already tend to be high, and in areas that have been master-planned to achieve their environmental limits, such bonuses result in unacceptable pressure and frustrations in the development application process.

These can ultimately slow down development times, invite opposition from neighbours who experience more intense development than otherwise expected, and can lead to poor built form outcomes that create unacceptable environmental impacts and may be out of character with their surrounds.

Moreover, concern about how the time-limited affordable scheme was developed has been raised by councils, who made representations to the Department. There were concerns that it had not provided sufficient analysis or evidence to demonstrate:

- built form impacts of the bonuses, and how they may manifest in different contexts, including the impacts in the inner city, middle ring and outer ring of metropolitan Sydney
- the feasibility of the proposed bonuses across Sydney's sub-markets, including the take up of the bonus by developers given the underlying market conditions
- whether there is sufficient infrastructure in those areas
- where the policy is unlikely to work, how else will affordable housing be achieved in those localities
- adequate thought, planning or consultation to inform how the resulting affordable housing would be managed and regulated over time to ensure that it is used for a genuine affordable housing purpose
- a plan beyond the 15-year horizon for replacing affordable housing and how to meet the housing needs of tenants.

Generally, the City does not support incentive schemes for time-limited affordable housing on private land that override local planning controls without sufficient regard to the existing built form or the local planning context. The City is particularly concerned when the public benefit arising from time-limited incentive schemes do not deliver long term public outcomes, and instead seek to provide a temporary solution to a chronic long term shortage of affordable rental housing.

Notwithstanding the above, any future planning reform to introduce incentives for affordable housing on private land must be developed in close consultation with councils, who best understand the development constraints and opportunities in their local areas.

Where there is an affordable housing component of an incentive scheme being considered, the community housing sector must also be consulted to understand the optimal settings for the management of the resulting affordable housing.

The planning system through private development cannot address the systemic issues underpinning affordable housing shortages. Mandated schemes for affordable housing must also be paired with other targeted interventions that seek to address critical shortages in the long term, this must include, but not be limited to a significant public direct funding commitment by Government.

**Recommendation 7: Develop planning policy to reduce net dwellings loss.** Ensure the introduction of planning requirements for the retention of existing low-cost rental apartments in the Housing SEPP.

**Recommendation 8: Planning incentives for Affordable Housing should be in perpetuity.** Review the in-fill provisions in the Housing SEPP and accompanying guidelines to facilitate the delivery of genuinely affordable housing 'in perpetuity' to be owned and managed by a registered not-for-profit community housing provider.

**Recommendation 9: Planning changes to be based on robust evidence.** Ensure any future planning reforms to introduce incentives for private developers are supported by consultation with all affected parties (including councils) and have a robust evidence base.

## Opportunities within developments on government owned land



18 storey, 165 unit, Affordable Housing, 11 Gibbons Street, Redfern 2021.  
St George Community Housing, built on former City of Sydney Depot site.

### Affordable housing requirements in renewal of government sites

The NSW Government has no policy or target for the provision of affordable housing when it rezones state government owned land. The NSW Government is a significant landowner in the City. As much as 10 per cent of the City's local area is either owned or under the planning authority of the NSW Government. Many of the state owned sites are undergoing the early stages of urban renewal and will make a significant contribution to the City's mixed housing targets.

NSW Government owned land provides an opportunity for local and state governments to work together to deliver on the District Plan objectives of delivering great places that bring people together. Together, we can showcase best practice for the right level of density to ensure the best liveability, and to produce tangible and measurable public benefit outcomes. There is an opportunity to expand the collaboration between local and state governments to ensure that sites serve as good examples for the development industry and build community trust in urban renewal.

The NSW Government has recently set affordable housing requirements in the Sydney LEP 2012 for state-led rezonings projects (excluding the renewal of social housing estates). These include Redfern North Eveleigh with a requirement for 15% of residential floor space to be affordable housing and Blackwattle Bay requiring a minimum of 7.5% of all floor area to be affordable housing.

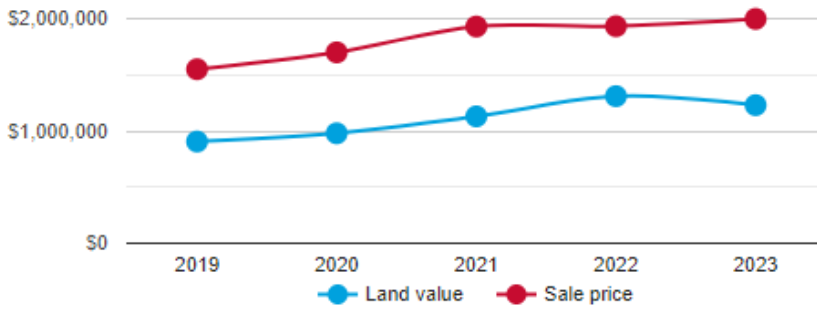
The City has consistently argued for at least 25% affordable housing be mandated in rezonings of NSW government land. This position is part of the City's Local Housing Strategy, but the NSW Government required this target be removed from the next iteration of the strategy as a condition of its approval.

### Sale of surplus land to community housing providers

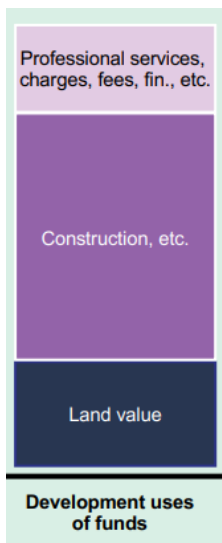
The City has sold City owned land to community housing providers at a discount (in total worth \$31.6m) to support the provision of affordable housing. As recently as July 2024, the City released an expression of interest to transfer land to an Aboriginal controlled organisation or an organisation in partnership with an Aboriginal organisation for aged care.

The graph below shows the high value of land in the City of Sydney area<sup>20</sup>:

Median land values and sale prices



Land is also a significant proportion of the cost of developing affordable rental housing<sup>21</sup>:



The City recognises the value of land and of the affordable housing that can be delivered on it. When the City has provided support to assist in the delivery of affordable and diverse housing, to safeguard this use into the future, the City uses legal tools (covenant on title) to secure this. It is reasonable, proportionate and appropriate that all land contributions to support the supply of affordable rental housing are secured

<sup>20</sup>

<https://www.valuergeneral.nsw.gov.au/land-values/where-can-you-learn-more-about-your-land-value/reports-summaries-and-trend-analysis>

<sup>21</sup> <https://sydney.org.au/wp-content/uploads/2022/12/Committee-for-Sydney-Bringing-affordable-housing-to-scale-December-2022.pdf>



in perpetuity and made available to very low, low and moderate income earners and that no more than 30 per cent of gross household income is collected in rent.

An upcoming opportunity exists on the North Eveleigh, Barangaroo Central and Blackwattle Bay developments for the NSW Government to introduce changes to deliver 25 per cent of the housing as affordable rental housing.

**Recommendation 10: Set public land renewal targets.** The NSW Government adopt a policy to maximise affordable housing including a minimum per centage targets embedded in planning instruments when it rezones government land. At the North Eveleigh (TAHE) and Blackwattle Bay (INSW) sites there should be 25 per cent affordable housing.

**Recommendation 11: Grow not-for-profit CHP sector.** The NSW Government transfer surplus land to registered not-for-profit community housing providers at a significant discount for the provision of affordable housing in perpetuity.

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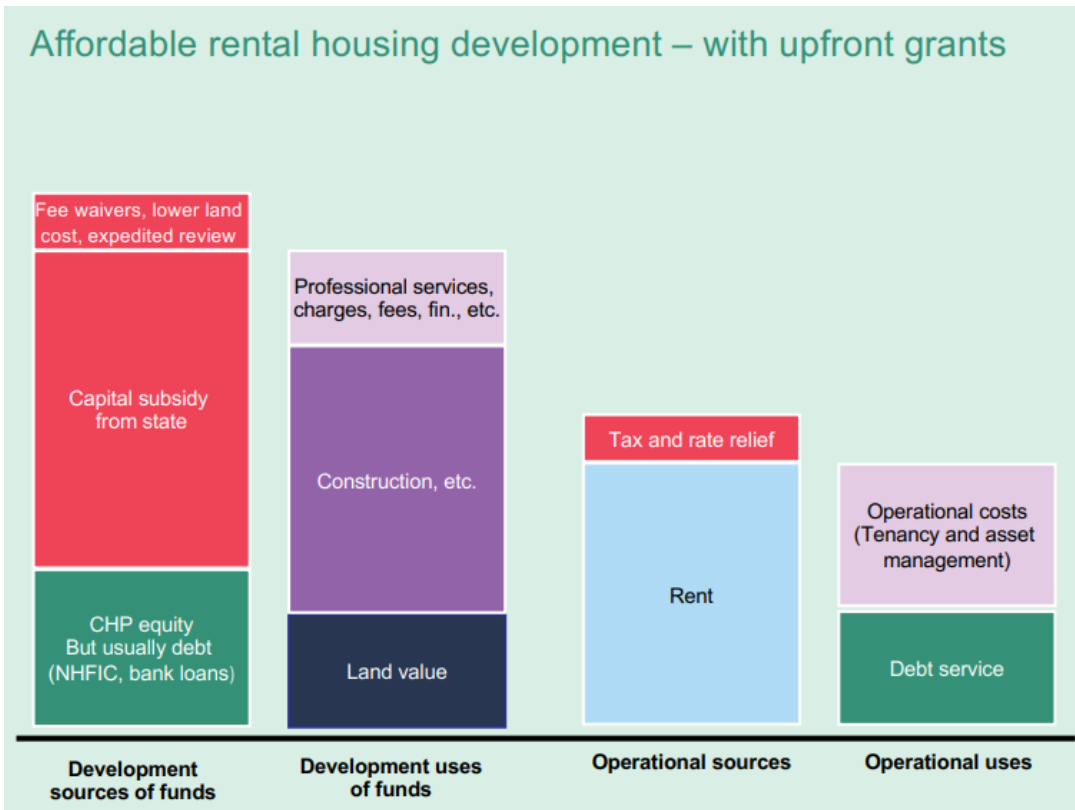
## Investigate reforms that promote fiscal sustainability, innovation and essential worker housing in perpetuity



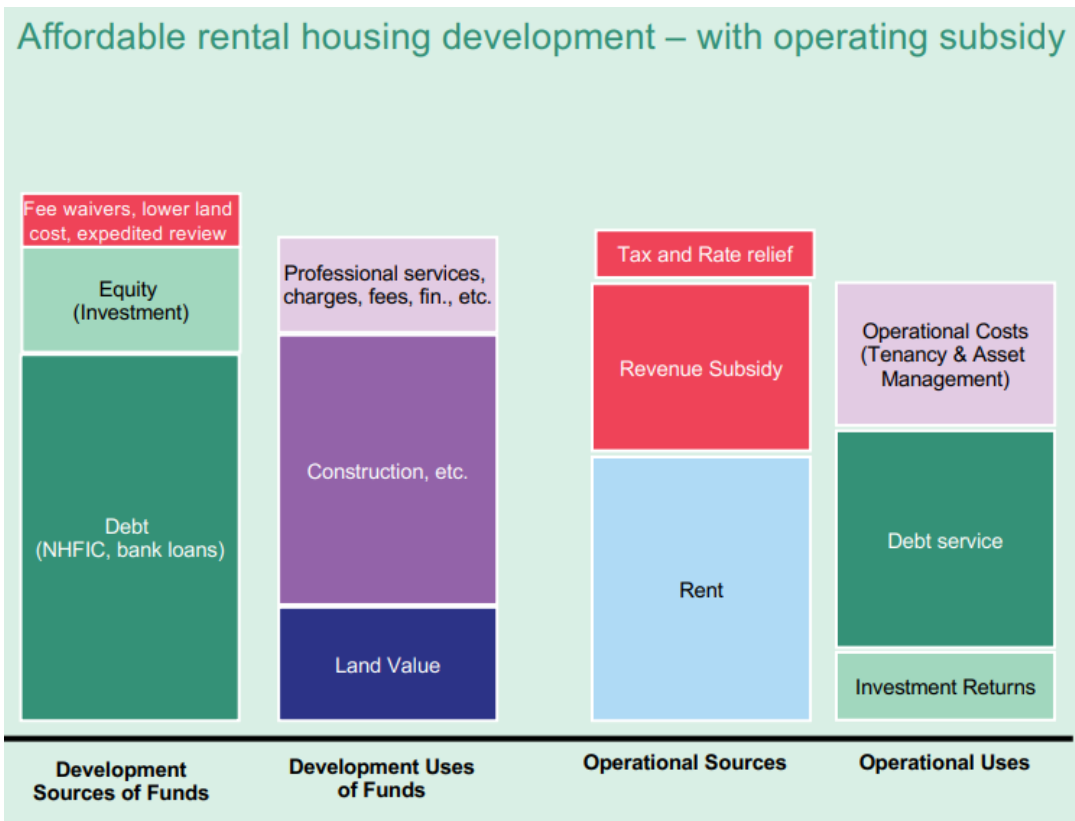
Affordable housing is a complex area impacted by the intersection of taxation, planning, welfare and other policy settings across all levels of Government. In summary, the deterioration of housing affordability, to the point where housing assistance is needed for low and moderate income earners is a symptom of the failing of the housing system.

The cost of developing and delivering affordable rental housing is generally greater than the rental revenue collected. The extent of the funding gap varies depending on the approach taken. With upfront grants the cost of development resembles this<sup>22</sup>:

<sup>22</sup> <https://sydney.org.au/wp-content/uploads/2022/12/Committee-for-Sydney-Bringing-affordable-housing-to-scale-December-2022.pdf>



With an operating subsidy the cost of development looks roughly like this<sup>23</sup>:



<sup>23</sup> <https://sydney.org.au/wp-content/uploads/2022/12/Committee-for-Sydney-Bringing-affordable-housing-to-scale-December-2022.pdf>

Irrespective of the approach to financing the development of affordable rental housing, the extent of the gap between costs and return is more pronounced in high cost locations like the City of Sydney area. Affordable housing delivery partners report the challenges of developing in one of the most expensive locations in the country while operating under a capped rent model (a necessity to ensure affordable housing outcomes). Many of the affordable rental housing projects in the City of Sydney area involve a sophisticated layering of contributions from a number of sources.

The below table below outlines the types of assistance available to support affordable rental projects:

Assistance	Advantages	Disadvantages	Implications in the City
A national system of direct public funding (grants)	Depending on the scale, this will increase project viability and enable considerably higher yield. Especially important for smaller providers who might struggle to access alternative finance.	Policy and target vacuum – needs significant policy development such as the Homes England program. For increased yield in medium and higher density projects, the capital funding needs are significant.	Key ingredient for step change. Likely to be especially important for smaller community housing providers and Aboriginal controlled organisations as they scale up.
Discounted land	Can reduce a significant component of the overall cost of development.	Limited supply.	Highly constrained supply. Renewal of existing sites likely to be needed as few vacant sites remain.
Low cost finance	In the context of higher interest rates, low cost finance reduces costs over the long term.	Does not significantly reduce the overall cost of delivery.	Smaller reduction in delivery cost due to the high cost of development.
Operating subsidies/availability payments	Studies have shown them to be efficient.	Administratively complex and therefore excludes smaller organisations.	Proposals requiring smaller subsidies are more likely to be successful which disadvantages projects in the City.
Increased tenant subsidies	Portable, easy to adjust over time.	Would need to be increased significantly to contribute to the user cost of capital.	Unlikely to be effective in the City due to the extent of the increase required.
Institutional investment	Largely untapped resource to date.	The imperative to generate returns for investors means the housing is likely to be skewed	Would only reduce housing stress rather than delivering housing affordability.

Assistance	Advantages	Disadvantages	Implications in the City
		towards moderate income earners under a discount to market rent model.	
Mixed income redevelopment of existing public housing estates	Revenue neutral replacement of older housing stock.	Loss of land, significant disruption to existing tenants, complex partnerships required involving developers who need to generate returns.	Reduces capacity to service housing needs in the medium term, likely to cause bottlenecks in the homelessness system.
Developer contributions	Depending on the settings can act as a significant source of funding.	Market driven revenue stream making project planning difficult.	Proven track record of aiding delivery at scale.

A reluctance to assume responsibility for providing significant subsidies to bridge the gap between the cost of developing and delivering affordable rental housing drives the need for innovation in financing projects. One of the negative unintended consequences of innovation in financing is the exclusion of small specialist providers. Complex financing requires a certain level of internal governance, development experience, strong financial and other capabilities which smaller providers often do not have. The City values the contribution of smaller providers, including Aboriginal controlled organisations, small community housing providers, housing cooperatives and specialist providers catering to the needs of particular cohorts.

The City is a challenging environment for developing affordable rental housing. The need for housing assistance is strong, the supply of land is constrained, and costs are high. It is difficult to attract funding to the City when it is allocated on a statewide or nationwide basis due to the high cost of development and delivery. It is of critical importance in the City that a needs based allocation of funding is used.

To deliver affordable rental housing at scale (inclusive of essential workers), the system of public funding must fundamentally change and mature informed by comparable international jurisdictions such as Canada, Korea, Portugal, Spain, Austria, The Netherlands, Denmark, Finland, Singapore, Belgium, France and England.

For higher percentage affordable housing in private residential developments, government funding must increase. The community housing provider sector is well positioned to make effective use of direct and indirect funding in various forms. In addition, there are potential lessons from the approach taken in other jurisdictions (including France and the England) where direct gap funding for the development of affordable rental housing (with appropriate oversight) is provided to developers. Across the UK, new affordable housing assets are valued by capitalising the lower (regulated) rents and on sale, typically incur a development loss. This is accounted for via cross subsidy from market rate housing returns, **direct government grant funding** and/or a reduced land/infrastructure value for government land.

A strong strategic policy framework, clearly defined roles for each level of Government, clear minimum expectations in exchange for support for affordable housing (especially for non-government partners to provide certainty and clarity), ambitious targets for affordable rental housing, and a system that embeds some discretion to support local decision making and variations for particular cohorts would be highly beneficial.

**Recommendation 12: Develop and allocation policy.** There must be a needs based approach to the allocation of funding be considered alongside other factors.

**Recommendation 13: Increase public funding to increase affordable housing delivery.**

The NSW and commonwealth governments significantly increase their investment in social and affordable housing through capital funding and operating subsidies to registered not-for-profit community housing providers and introduce a new system of direct 'gap funding' of developers who are required to, or choose to, increase the percentage of 'in perpetuity' affordable housing beyond the requirements of any local contribution scheme.

**Recommendation 14: Ensure a robust administrative framework.** The response to housing affordability challenges be underpinned by a strategic policy framework, clear roles, ambitious targets, accurate monitoring and compliance, and localised decision making.

# Other related matters



At present the development and delivery of affordable housing is enabled by registered community housing providers.

There are a range of contributions involved from all levels of government and the private sector.

The approval pathways for new affordable housing are varied and several regulatory bodies are involved. As a result, there is no single authoritative and publicly available source of data on what affordable housing has been delivered, who owns it, what type of housing it is and the policy and procedures for securing the housing. While some councils like the City have dedicated resources to assist in tracking, monitoring and reporting on affordable housing this is not the case across the state.

It is fundamental to the integrity of assisting the expansion of affordable housing supply to be able to accurately count and to report on the number and type of affordable rental housing in each area.

This would be greatly assisted by a centralised register.

At present accessing affordable rental housing can involve navigating a complex system. Different funding bodies, each with their own eligibility criteria, only some of which is consistent between programs, drive most of the complexity in navigating access to affordable housing. A centralised accounting and allocation system would overcome many of these challenges.

When developers access in-fill affordable housing bonuses, the process for monitoring compliance with the requirements under the Housing SEPP involves the Department of Planning, Housing and Infrastructure, the Registrar of Community Housing and councils. There is potential for systemic regulatory failure in the current lack of configuration of roles and responsibilities.

At present in NSW there are 14 registered for-profit community housing providers. All are Tier 3 providers. A total of 10 of the 14 have either had an additional standard conditions of registration

placed on them to restrict their activities and to increase the frequency of regulatory engagement or have had regulatory action taken against them.

Tier 3 providers dominate the list of providers whose registration has been cancelled by the Registrar of Community Housing. Given the significant levels of assistance provided to registered community housing providers and the strong impact they have on the lives of people renting from them, it is worthwhile to review the for-profit class of provider.

The City requires recipients of assistance from the City to register a covenant on title ensuring the site is used for the provision of affordable rental housing in perpetuity (and unless agreed by Council). The need for affordable and diverse housing is long term. It is important that this asset class is available to cater to the future needs of households who are unable to access housing that is affordable and appropriate to them.

**Recommendation 15: Ensure a transparent centralised registration system.** Development of an online, transparent register of all affordable rental housing and a centralised accounting and allocations system.

**Recommendation 16: Ensure accountability of time-limited affordable housing.** A review of the roles and responsibilities involved in ensuring compliance when in-fill affordable housing bonuses are utilised.

**Recommendation 17: For-profit CHPs undergo a thorough review.** A review of the performance of for-profit community housing providers and potential restrictions on access to Government support for this class of provider if appropriate.

**Recommendation 18: Require property title covenants.** Affordable Housing must be secured. Although not possible in all instances (such as voluntary AH offers), permanent housing avoids a time-limited rehousing challenge in years to come, when the need is greater.



