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**Bayside**  
Affordable  
Housing Options  
Paper

May 2024

**HiIPDA**  
CONSULTING

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# EXECUTIVE SUMMARY

Since 2001, the increase in housing prices across Australia, including Bayside, has outpaced household earnings, making it harder for many to afford homes.

Bayside Council is considering options to support the availability of more housing that is affordable for residents.

This Options Paper outlines a range of strategies for Bayside Council to consider, aimed at boosting the availability of affordable homes, both subsidised affordable housing, and cheaper market housing in Bayside.

## Policy context

The State and Federal Government have both taken a range of actions to address the housing crisis across NSW and Australia.

Bayside has sought to address housing affordability through its strategic planning framework with actions in the *Bayside Community Strategic Plan*, *Bayside Local Strategic Planning Statement* and *Bayside Local Housing Strategy*.

We understand the current policy position of Council is that:

- Housing unaffordability has grown to become a serious issue in Bayside with the growth in dwelling prices outpacing household income growth. This has, and will continue to, cause economic and social issues in local communities;
- As housing unaffordability is not being dealt with adequately by the private market, Bayside Council has to step in with direct actions (delivering affordable housing) and indirect actions (increasing housing affordability generally);
- Council should advocate to the State and Federal Government and community housing providers to increase the provision of affordable housing in Bayside;
- Contributions should be levied to ensure value uplift from planning decisions are captured and used for directly delivering affordable housing. This can be in the form of an affordable housing contribution scheme or Voluntary Planning Agreements;
- Areas with existing dwelling stock which is affordable should be protected from redevelopment into new, expensive dwellings, and if redevelopment occurs, affordable housing should be provided; and
- Increasing the diversity of dwellings and other planning changes can deliver housing affordability on a more indirect basis.

## Affordable housing need

According to the *Bayside Affordable Housing Evidence Base Final Report*, around 12,500 households (or 18.9%) in Bayside were in rental stress as of 2021. Including existing social and affordable housing stock and current projects in the pipeline, there will be a need of over 11,000 new social and affordable housing dwellings in Bayside by 2041.

## Housing market

Over the past 14 years there has been a consistent delivery of housing in Bayside, with the majority of this new housing delivery coming from high density developments. Since 2021 however, there has been a downward trend in development application approvals with approvals dropping from 673 in 2021 to 458 in 2023 (with 2023

recording 71.90% of 2021's approvals). This reduction, while likely due to lower lodgement numbers, indicates that supply challenges can manifest in the market, causing potential affordability issues.

There are 9 major projects in Bayside's development pipeline (excluding Pagewood Green) which are expected to deliver 1,181 dwellings in total. Pagewood Green on completion is expected to deliver more than 3,000 apartments.

Since 2021, only 21 development applications included any affordable housing in Bayside which could have provided up to 573 unique potential affordable housing dwellings. Of these development applications, 14 were approved counting 503 new affordable housing dwellings.

## Options

Local councils across Greater Sydney and New South Wales have attempted a wide range of approaches to help address affordable housing and housing affordability in their jurisdictions. HillPDA identified 38 unique approaches taken to combat these issues.

These 38 approaches were then reviewed in the physical, social, community and political context of Bayside to identify a shortlist of options Bayside Council could pursue. To inform this review, 33 external stakeholders were contacted for discussion and 5 internal Bayside Council teams were invited to an online roundtable. From this process 10 options were identified.

To inform discussions within Bayside Council a multi-criteria analysis of the shortlisted options was completed based on their impact on the affordable housing and housing affordability, cost to implement, consistency with local and state policies, how common they are in New South Wales and their acceptability to key stakeholders. Following the evaluation, the options scored as follows:

- **Introduce an affordable housing contributions scheme (score: 3.00);**
- **Build affordable housing dwellings (score: 2.88);**
- **Improve market housing supply (score: 2.88);**
- **Introduce bonuses for affordable housing (score: 2.81);**
- **Create a supportive framework for affordable housing (score: 2.75);**
- **Develop a supportive voluntary planning agreement framework (score: 2.56);**
- **Improve market viability (score: 2.50);**
- **Advocate and raise awareness (score: 2.44);**
- **Set affordable housing targets (score: 2.38); and**
- **Continue with current approach (score 2.06).**

The evaluation carried out provides a ranking, however this is not a concrete recommendation to Council. The ranking is meant to highlight which options are relatively more preferential from a cost-benefit, policy and stakeholder perspective, informing future discussions and strategic planning work.

# 1.0 INTRODUCTION

## 1.1 Background

On 10 March 2021, Bayside Council (**Council**) adopted the *Bayside Local Housing Strategy (LHS)* and referred the strategy to the now Department of Planning, Housing and Infrastructure (**DPHI**) who approved the strategy on 30 June 2021.

DPHI had 14 approval requirements which were introduced to ensure the LHS met wider government priorities and strategic directions, including facilitating housing affordability and affordable housing. DPHI required the following of Council:

- “An Affordable Housing Policy, and (if feasible) an affordable housing contribution scheme in accordance with the Department’s *Guideline for Developing an Affordable Housing Contribution Scheme* that commits Council to examining the feasibility of levying affordable housing contributions for any new planning proposals that would result in development uplift or an increase in land value. This should be included in a future LHS, or be completed earlier, if possible; and
- When preparing the affordable housing contribution scheme, Council is to demonstrate it has considered all mechanisms and locations that may be available to secure affordable housing, and in consultation with relevant stakeholders, State Government-owned sites capable of contributing to long-term social and affordable housing demand are identified.”<sup>1</sup>

On 23 November 2022, Council resolved to motion to support taking action to increase the supply of affordable housing across the Bayside Local Government Area (**Bayside**). The motion noted Council was investigating the development of its landholdings to increase the stock of affordable housing, changes to planning controls to increase affordable housing stock, considering the implementation of an affordable housing contribution scheme (**AHCS**) and looking into advocacy measures with the Australian and New South Wales (**NSW**) Government.

On 27 March 2024, Council resolved to include options for participating in new Australian and NSW government programs in an affordable rental housing options paper expected in the June 2024 Council meeting. Section 2.1 covers the current federal context surrounding affordable housing and housing affordability.

## 1.2 Purpose of the options paper

This options paper (**this Paper**) has been prepared by HillPDA to:

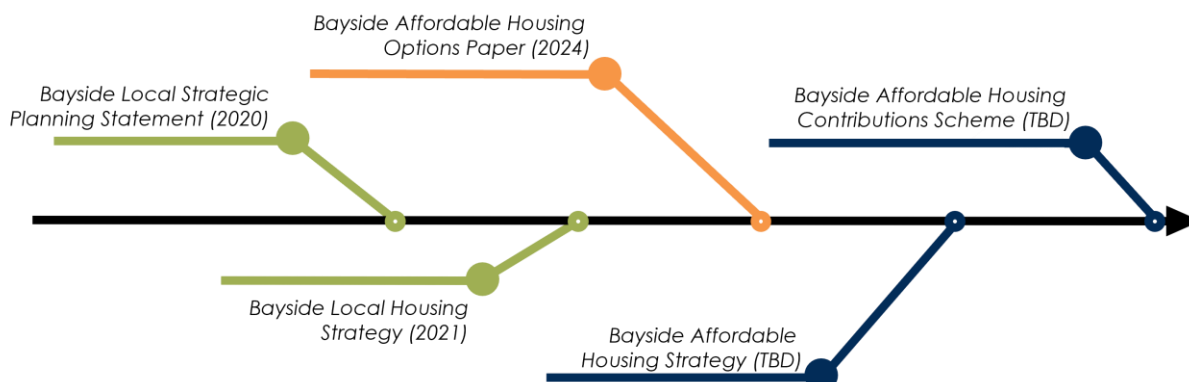
- Provide Council with a condensed background to affordable housing, both physically in Bayside and legislatively in the local and state policy space;
- Review the current development market in Bayside;
- Detail the process and outcomes of stakeholder engagement undertaken; and
- Create a list of potential actions Council can take to increase the supply of affordable housing and increase housing affordability in the private market generally.

Figure 1 below shows how this Paper fits within the wider affordable housing work program, sitting at the key decision point as Council moves from the scoping of affordable housing into concrete actions. Work completed is in green, work underway is in orange and work to potentially be completed at a later date is in blue.

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<sup>1</sup> Department of Planning, Industry and Environment (2021), *Bayside Council - Local Housing Strategy Letter of Approval*, p. 4.

**Figure 1: Strategic planning timeline**



Source: HillPDA 2024

This Paper is the cumulative result of Council’s previous strategic planning efforts.

### 1.3 What is housing affordability?

Housing affordability refers to the relationship between housing costs and household incomes. If housing costs rise more quickly than income, housing affordability decreases. This relationship between income and cost means different things to different people at different places and times. Whether a dwelling currently occupied, or potentially occupied in the future, is affordable depends greatly on:

- **Who** is in the household (income, work status, dependents etc.);
- **What** the type of dwelling is (dwelling house, apartment, secondary dwelling etc.);
- **When** they are looking to buy or rent (in the current market, in 6 months etc.);
- **Where** the dwelling is located (high-cost area, low-cost area etc.);
- **Why**, if at all, they are changing dwellings (upsizing, downsizing, personal circumstances etc.); and
- **How** they are funding the purchase or rental (cash, mortgage, government support etc.).

Any dwelling within Bayside can be affordable or unaffordable depending on the personal circumstances of a household. Figure 2 shows the continuum of housing available to Bayside’s residents, enabling them to find housing suitable for their specific needs. In an ideal housing market, all households can meet their housing needs in dwellings which are affordable to them.

**Figure 2: Housing continuum**

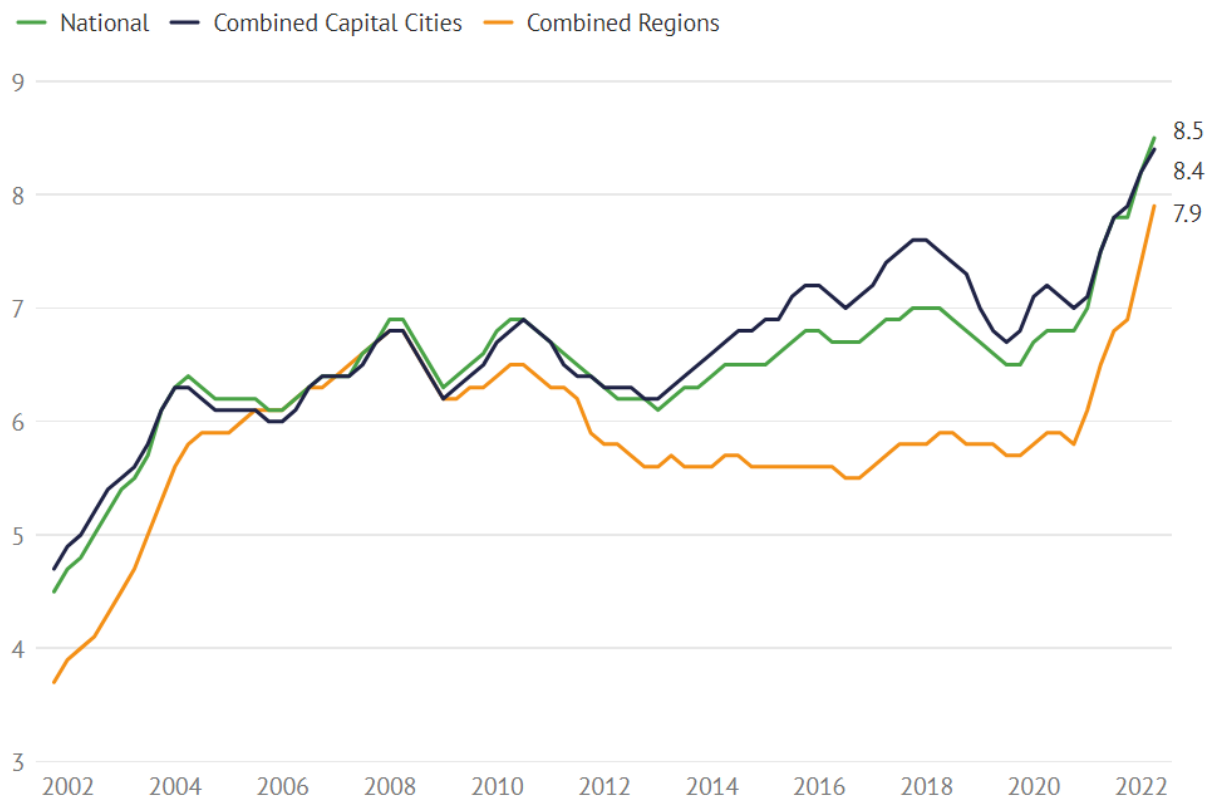


Source: Bayside Council 2020

### 1.4 Historic affordability

From 2001, housing costs have risen significantly faster than household incomes, leaving market housing increasingly unaffordable. Figure 3 shows the change in the ratio between median dwelling prices and household incomes across Australia, showing the increasingly unaffordable atmosphere.

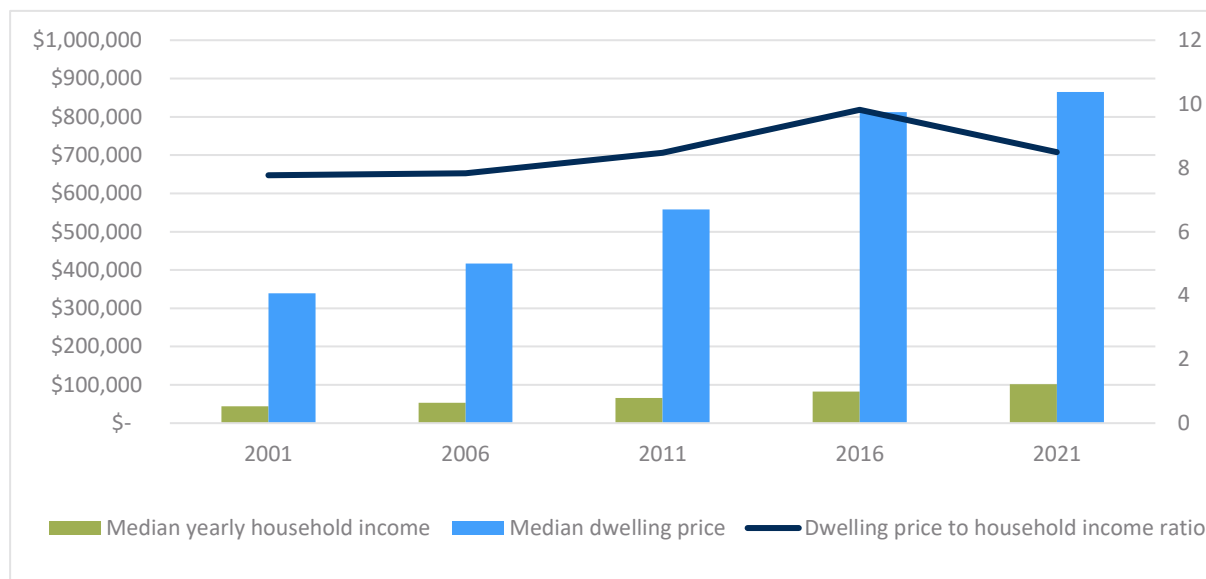
**Figure 3: Australian median dwelling price to household income ratio**



Source: Corelogic 2022 and Australian National University 2022

Within Bayside, this Australia-wide trend is generally replicated. From 2001 to 2016, household incomes rose slower than housing prices, with the ratio increasing from 7.8 to 9.8 in 15 years. From 2016 to 2021, a slight increase in affordability was seen with the ratio decreasing from 9.8 to 8.5. This was also mirrored across Australia. Figure 4 showcases historic dwelling prices and yearly household incomes.

**Figure 4: Bayside historic median dwelling price to yearly household income ratio**



Source: Australian Bureau of Statistics 2021 and NSW Government 2024, compiled by HillPDA 2024

Note: The City of Botany Bay Council and City of Rockdale Council were amalgamated into Bayside Council in 2016. For census years prior to amalgamation, the median income was calculated through a weighted average of each LGA based on population. The median dwelling price was calculated through a weighted average based on total dwellings.

While there was a minor increase in affordability from 2016 to 2021, the affordability situation has significantly decreased since. Community and industry commentary, received during the consultation undertaken in this Paper as well as published generally, notes increasing the unaffordability of housing.

### 1.5 What is affordable housing?

Affordable housing refers to a specific housing product.. The *Environmental Planning and Assessment Act 1979 (EP&A Act)* defines affordable housing as housing that is affordable and targeted to people on very low, low or moderate incomes (from 0%-120% of Greater Sydney’s median household income). It is generally subsidised or offered at below market rents.<sup>2</sup>

Affordable housing is priced, whether for rent or sale, so that these households can afford to pay housing costs, on top of being able to meet other basic living costs such as food, clothing, transport, medical care, and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income. If a household spends more than 30% of their gross income on rent or mortgage payments, this is called rental stress and mortgage stress respectively.

In personal finance, there is also the 30/30/40 rule where households should aim to spend no more than 30% of their income on housing expenses, put 30% towards living costs like food and transportation and use the remaining 40% for discretionary spending and transportation.

Table 1 shows the housing income thresholds defined for Greater Sydney, with the median household income for Bayside also presented.

<sup>2</sup> New South Wales Government (2024), *Environmental Planning and Assessment Act 1979 No 203*, cl. 1.4(1).

**Table 1: Affordable housing income thresholds**

| Household type  | Household income (yearly) | 30% of household income spent on rent (weekly) |
|-----------------|---------------------------|--|
| Very low income | Up to \$54,028            | Up to \$312                                    |
| Low income      | \$54,029 - \$86,424       | \$313 - \$498                                  |
| Moderate income | \$86,425 - \$129,584      | \$499 - \$748                                  |
| Bayside median  | \$101,868                 | \$588  |

Source: Australian Bureau of Statistics 2021 and HillPDA 2024

## 1.6 Avenues of intervention in housing affordability

To increase housing affordability within an area, two avenues for intervention generally exist. These can be described as:

- **Direct actions** which relate to the delivery of affordable housing dwellings that are required to be rented or sold at affordable prices; or
- **Indirect actions** which influence the private market to deliver or prioritise dwellings which are voluntarily rented or sold at affordable prices. These dwellings can include “diverse low-cost market housing” which is a general term used to describe private market housing which by dint of its location, size or finish is rented out at rate that is affordable to those on lower incomes. Common types include secondary dwellings, co-living housing and residential flat buildings (**RFBs**).

## 2.0 BACKGROUND

### 2.1 Federal context

On 23 May 2024, the Federal Government released a consultation draft of Australia’s *National Urban Policy*. The policy outlines the government’s goals and objectives to drive liveability, equitability, productivity, sustainability and resilience in Australia’s urban areas. It includes a shared vision for sustainable growth in cities and suburbs that has been committed to by all Australian Governments. 6 principles were developed to inform the achievement of the policy’s goals and objectives. These were:

1. City planning and governance must be collaborative and adaptive;
2. Purposeful place making increases wellbeing and connection;
3. Urban development should actively improve social, environmental and economic outcomes;
4. Improving the evidence base will underpin urban innovation;
5. Fair and inclusive development builds equitable communities; and
6. Fostering innovation and creative hubs to enhance diversity and broaden opportunities.

Released prior to the *National Urban Policy*, the Federal Government also created the National Housing Accord (**Accord**), an aspirational target to build 1.2 million new well-located homes over 5 years from mid-2024. As part of the Accord the government has committed \$350 million over 5 years from 2024-25 to support the delivery of 10,000 affordable homes. State and territory governments have agreed to build on this commitment to support delivery of up to an additional 10,000 affordable homes. This enables delivery of a combined total of up to 20,000 affordable homes under the Accord. NSW specifically has agreed to deliver 3,100 affordable homes.<sup>3</sup>

Supporting this, the Federal Government has also initiated the Housing Australia Future Fund (**HAFF**). The HAFF is a \$10 billion investment fund established by the Federal Government and managed by the Future Fund. The income generated by the HAFF will provide disbursements used to deliver 20,000 new social and 10,000 new affordable homes over five years, including housing to support acute housing needs.<sup>4</sup> The HAFF provides supportive financing to social and affordable housing projects through availability payments and concessional loans (zero interest 25-year loans).

### 2.2 New South Wales policy and legislative context

Supporting safe, secure and affordable housing is a critical focus of the NSW Government. This section discusses the critical adopted government legislation, policies and strategies. Appendix A includes a more detailed overview of the policy context.

For the delivery of affordable housing, the *State Environmental Planning Policy (Housing) 2021 (Housing SEPP)* provides floor space ratio (**FSR**) and height bonuses to developments which include a certain amount of affordable housing. This increase in FSR and height is envisioned to offset the reduced revenue from including affordable housing and generally increase the number of dwellings – encouraging private developers to contribute to housing affordability. The Housing SEPP also provides increased bonuses to registered community housing providers (**CHPs**) providing affordable housing.

The legal framework for AHCSs is set out in the EP&A Act and Housing SEPP and the format of schemes is set out in DPHI’s *Guideline for Preparing an Affordable Housing Contributions Scheme*. In addition, the *Greater Sydney Region Plan* and *Eastern City District Plan 2017* sets a policy context with affordable housing targets of 5-10% of

<sup>3</sup> See: <https://treasury.gov.au/housing-policy/accord>

<sup>4</sup> See: <https://www.housingaustralia.gov.au/housing-australia-future-fund-facility-and-national-housing-accord-facility>

uplift subject to feasibility testing. The *Six Cities Discussion Paper 2021* sets a 10% affordable housing target for all rezonings where there will be a housing uplift and a 30% affordable housing target on Government land. As a note, the Greater Cities Commission which prepared the *Six Cities Discussion Paper 2021* was dissolved on 1 January 2024 with the majority of the commission’s functions integrated into DPHI. The *Greater Sydney Region Plan* is still in effect however the status of the *Six Cities Discussion Paper* is unclear but unlikely to be progressed.

In addition to affordable housing, moves have been made to support housing affordability through provisions to enable diverse low-cost market housing in the Housing SEPP, including Chapter 3 – Diverse housing and Chapter 5 – Transport oriented development, and the *State Environmental Planning Policy (Low and Mid Rise Housing) 2024* which was exhibited but not released.

Chapter 5 – Transport oriented development (**TOD**) commenced on 13 May 2024 and applies to 18 station locations across Sydney. The remaining locations to have new planning controls roll out progressively until June 2025. Included in the first round of stations are two precincts in Bayside, being Kogarah Station and Turrella Station. Banksia Station and Rockdale Station are expected to be finalised in July 2024. The TOD controls change the permissibility of certain land uses, building heights, FSRs, lot size and width controls as well as street frontage, heritage and affordable housing. For affordable housing specifically, a 2% affordable housing contribution is required for development in the TOD areas with a gross floor area of more than 2,000sqm. This is similar to an uplift-based AHCS, however the contributions are not controlled by Council.

These policies override the development controls of local councils in certain circumstances to enable higher density development (through making development permissible or increasing viability) and increase the size of development (through providing FSR and height bonuses). Specific types of diverse low-cost market housing are also supported such as co-living housing and secondary dwellings.

### 2.3 Bayside Council’s strategic position

Council’s current position, derived from its strategic planning framework, is that:

- Housing unaffordability has grown to become a serious issue in Bayside with the growth in dwelling prices outpacing household income growth. This has, and will continue to, cause economic and social issues in local communities;
- As housing unaffordability is not being dealt with adequately by the private market, Council has to step in with direct actions (delivering affordable housing) and indirect actions (increasing housing affordability generally);
- Council should advocate to the State and Federal Government and CHPs to increase the provision of affordable housing in Bayside;
- Contributions should be levied to ensure value uplift from planning decisions are captured and used for directly delivering affordable housing. This can be in the form of an AHCS or Voluntary Planning Agreements (**VPAs**);
- Areas with existing dwelling stock which is affordable should be protected from redevelopment into new, expensive dwellings, and if redevelopment occurs, affordable housing should be provided; and
- Increasing the diversity of dwellings and other planning changes can deliver housing affordability on a more indirect basis.

In addition to articulating the issue, the strategic framework also signposts numerous actions for Council to take in relation to housing affordability and affordable housing. These are shown in Table 2 below.

**Table 2: Strategic planning actions relevant to housing affordability and affordable housing**

| Action  | Description   |
|---|---|
| <b>Bayside Local Strategic Planning Statement (2020)</b>                      |   |
| 8.1   | Prepare an affordable housing policy to meet the requirements of the <i>Eastern City District Plan</i> in relation to affordable rental housing and the different mechanisms Council will use to address this need. |
| 8.2   | Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for affordable rental housing.                                   |
| 8.3   | Develop a community housing provider governance framework to facilitate the ongoing management and delivery of affordable rental housing.   |
| 8.4   | Develop a Voluntary Planning Agreement Policy to facilitate agreements in instances where an affordable housing contributions scheme does not apply.  |
| 8.5   | Work with key agencies, including NSW Land and Housing Corporation and other stakeholders, to deliver affordable rental housing and advocate for policies and controls that promote housing                         |
| <b>Bayside Local Housing Strategy (2021)</b>                                  |   |
| 4.1   | Develop an affordable housing strategy that meets the requirements of the Eastern City District Plan.   |
| 4.2   | Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for affordable housing.  |
| 4.3   | Develop a VPA policy to facilitate VPAs in instances where an affordable housing contributions scheme does not apply.   |
| 4.4   | Continue to engage with NSW Land and Housing Corporation regarding the retention, upgrade and potential expansion of publicly owned social housing in Bayside.  |
| 4.5   | Investigate potential partnerships with community housing providers to facilitate affordable housing provision.   |
| 4.6   | Protect clusters of walk-up apartments from redevelopment to maintain the existing supply of rental housing that is relatively affordable.  |
| <b>Bayside Local Housing Strategy Implementation and Delivery Plan (2023)</b> |   |
| 1.1   | Plan for housing targets of 10,150 additional dwellings between 2016 and 2021, 7720 additional dwellings between 2021 and 2026 and 8,151 additional dwellings between 2021 and 2026.*                               |
| 1.2   | Review development capacity and take up rates every five years to ensure sufficient capacity remain.  |
| 2.1   | Investigate and plan for Arncliffee, Banksia, Rockdale Town Centre, (West) Kogarah, Carlton, Bexley North, Brighton Le Sands, Bardwell Park and Eastgardens.  |
| 3.3   | Develop planning controls requiring a % of all new apartments to be studios in selected precincts close to train stations   |
| 3.6   | Permit dual occupancies throughout the Bayside LGA with minimum site frontage and area provisions set out in the LEP (except in HCA or in potential local character areas).   |
| 4.1   | Develop an affordable housing strategy that meets the requirement of the <i>Eastern Harbour City District Plan</i> .  |

|     |  |
|-----|--|
| 4.2 | Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for Affordable housing. |
| 4.3 | Develop a VPA policy to facilitate VPAs in instances where an affordable housing contributions scheme does not apply.  |
| 4.4 | Continue to engage with NSW Land and Housing Corporation regarding the retention, upgrade and potential expansion of publicly owned social housing in Bayside.             |
| 4.5 | Investigate potential partnerships with community housing providers to facilitate affordable housing provision.  |
| 4.6 | Protect clusters of walk-up apartments from redevelopment to maintain the existing supply of rental housing that is relatively affordable.                                 |
| 6.2 | Review principal planning controls using a development feasibility model to ensure Bayside is able to accommodate demand for medium density housing                        |

### Bayside 2032: Delivery Program 2022-2026 & Operational Plan & Budget 2023/24

|         |                                     |
|---------|-------------------------------------|
| 1.1.3.2 | Prepare Affordable Housing Strategy |
|---------|-------------------------------------|

Source: Bayside Council 2024

Note\*: New housing targets were released in May 2024 by the NSW Government. Bayside's target has been updated to 10,100 new completed homes from mid 2024-2029.

For a full analysis of Council's strategic framework, please see Appendix B.

## 2.4 Affordable housing need in Bayside

According to the *Bayside Affordable Housing Evidence Base Final Report* prepared by SGS Economics and Planning in August 2023, around 12,500 households (or 18.9%) in Bayside were in rental stress as of 2021, with the very low and low-income households making up the largest proportion. Without attention the number of households in rental stress is expected to increase in future.<sup>5</sup>

The Bayside West area (former Rockdale Local Government Area) has a higher overall number and proportion of households in rental stress compared to the Bayside East area (former Botany Bay Local Government Area). A large proportion of those on very low incomes are in severe rental stress (where households spend more than 50 per cent of their income on rent). Lone person households are the most common type of household in rental stress, followed by couple households and single parent families.<sup>6</sup>

Utilising internal modelling, SGS Economics and Planning projected a gross need for 15,220 social and affordable housing dwellings across Bayside to 2041 to address projected rental stress. Given existing social and affordable housing dwellings (estimated 3,150), and current projects in the pipeline, a gap of over 11,000 dwellings will remain by 2041, without additional action or investment.<sup>7</sup> Figure 5 shows this growth.

<sup>5</sup> SGS Economics and Planning (2023), *Bayside Affordable Housing Evidence Base Final Report*, p. 8.

<sup>6</sup> SGS Economics and Planning (2023), *Bayside Affordable Housing Evidence Base Final Report*, p. 9.

<sup>7</sup> SGS Economics and Planning (2023), *Bayside Affordable Housing Evidence Base Final Report*, p. 10.

**Figure 5: Growth in vulnerable housing types over 20 years**

|                            | Experiencing homelessness | Households in social housing | Very low-income in rental stress | Low-income in rental stress | Moderate-income in rental stress | Total in housing stress or SAH | % of Households in housing stress in Bayside |
|----------------------------|---------------------------|------------------------------|----------------------------------|-----------------------------|----------------------------------|--------------------------------|--|
| 2021                       | 992                       | 2,134                        | 3,846                            | 3,287                       | 2,238                            | 12,497                         | 18.9%  |
| 2041                       | 1,100                     | 2,134                        | 5,159                            | 4,034                       | 2,792                            | 15,220                         | 19.2%  |
| <i>Change 2021 to 2041</i> | 108                       | 0                            | 1,313                            | 748                         | 554                              | 2,722                          | 0.4%   |

Source: SGS Economics and Planning 2023

To meet this need, roughly 596 social and affordable housing dwellings will need to be delivered per year in Bayside from 2021 to 2041, making up around 25% of completions each year.<sup>8</sup>

<sup>8</sup> SGS Economics and Planning (2023), *Bayside Affordable Housing Evidence Base Final Report*, p. 10.

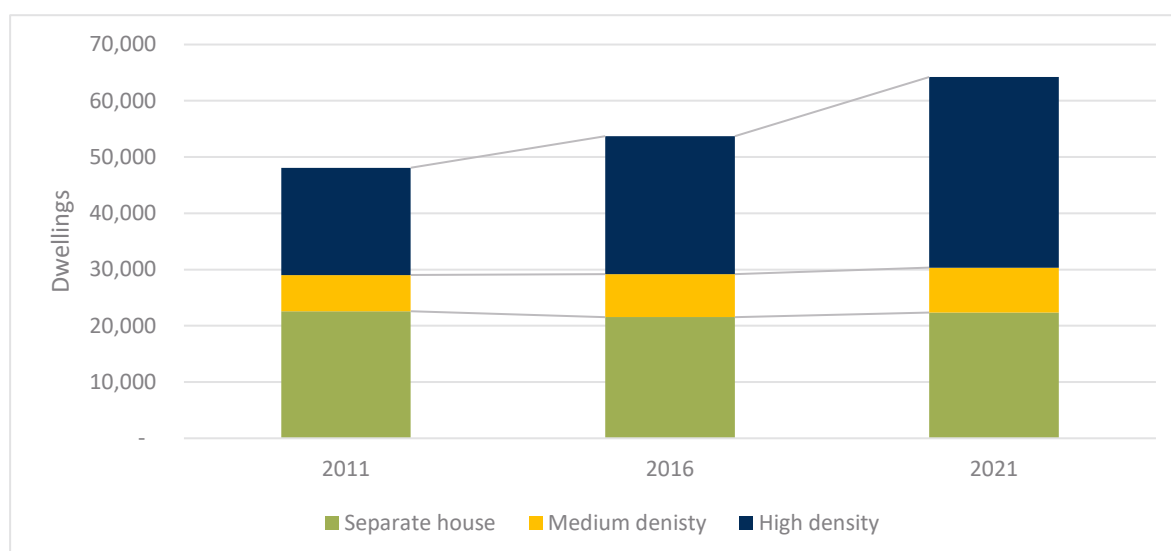
## 3.0 MARKET REVIEW

### 3.1 Development pipeline

#### 3.1.1 Historic delivery

The Australian Bureau of Statistics’ Census of Population and Housing collects information about the type of dwelling occupied on census night, termed “dwelling structure.” Through analysing the type of dwellings occupied on census night (every 5 years), a high level view of dwelling delivery in Bayside can be ascertained. The most recent census was held on 10 August 2021 with the next census planned for August 2026. As can be seen in Figure 6, the number of separate houses and medium density development in Bayside has been relatively consistent with the majority of recent delivery in high density dwellings.

**Figure 6: Historic dwelling delivery**



Source: Australian Bureau of Statistics 2024 and HillPDA 2024

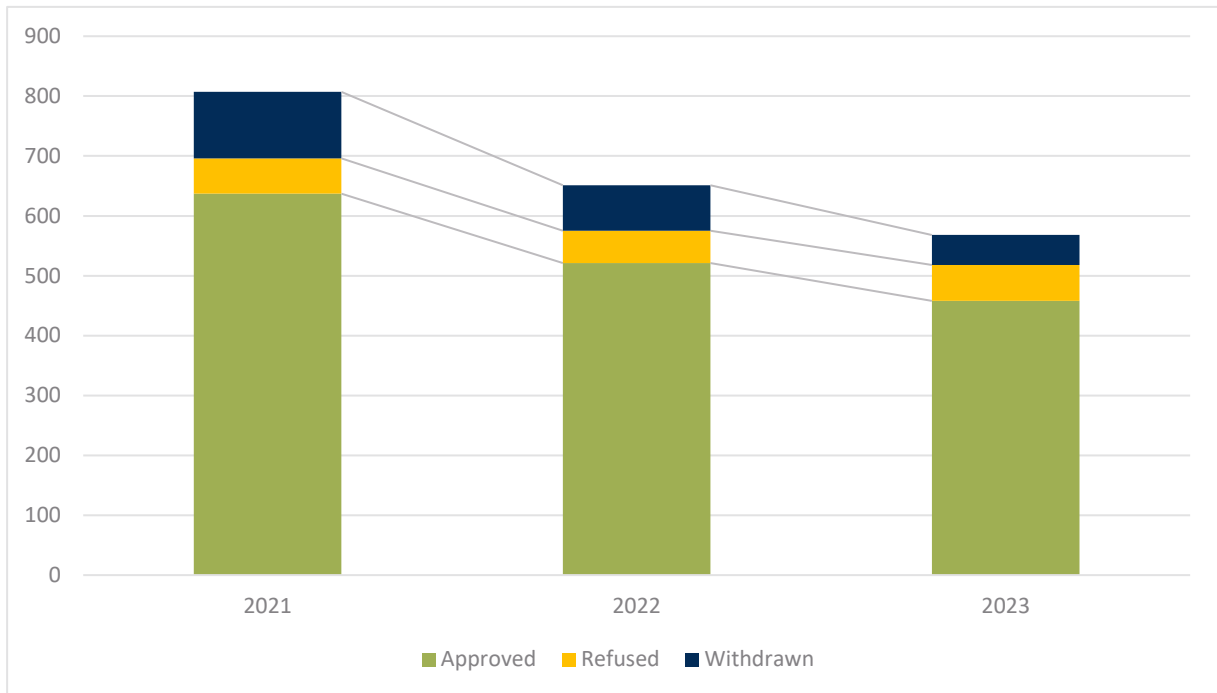
Note: Data from the 2011 and 2016 Census is sourced by combining the Rockdale Local Government Area and City of Botany Bay Local Government Area data

#### 3.1.2 Residential development applications

Going past the previous Census in 2021 and looking at development applications (**DAs**), from 2021 to the start of 2024, there have been 2,026 DAs determined within Bayside. Of these, 1,616 were approved or had deferred commencement (79.76%), 173 were refused or had deemed refusal (8.54%) and 237 were withdrawn, void or cancelled (11.70%). Similar to historic dwelling delivery, the majority of new dwellings are in higher density RFB offerings.

While this may seem like a strong development pipeline, with an average of 675 determined DAs per year, a closer analysis of the data in Figure 7 shows that DA determinations have been dropping year on year. This trend is particularly strong for DA approvals, dropping from 673 in 2021 to 458 in 2023 (with 2023 recording 71.90% of 2021’s approvals).

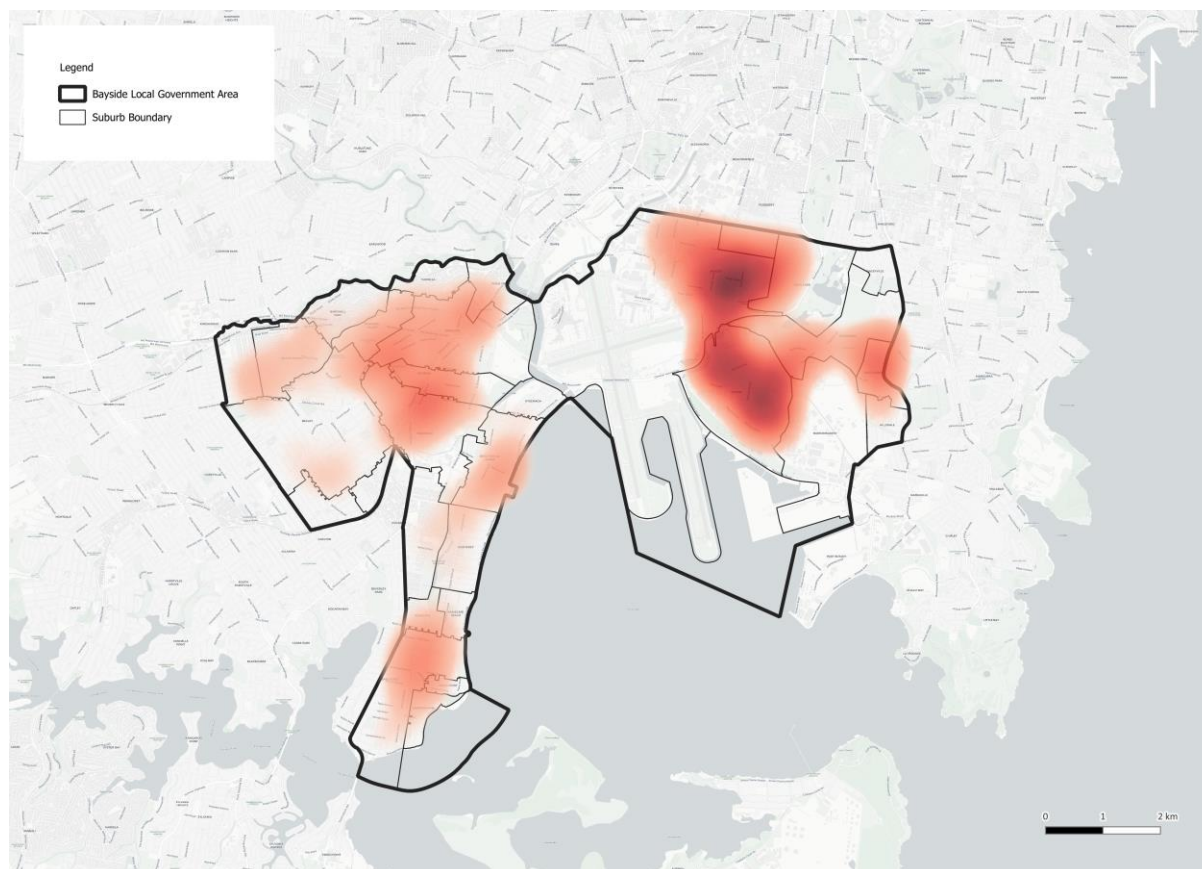
**Figure 7: Bayside Council development applications**



Source: HillPDA 2024

Analysing development applications by location, it is clear to see that development is concentrated in the suburbs of Mascot (294), Botany (281), Bexley (165), Rockdale (118) and Arncliffe (114) which have around half of total the total determined applications in Bayside. Figure 8 below displays a heatmap of determinations, showing DAs are clustered to the eastern portion of Bayside.

**Figure 8: Heatmap of determined development applications in the Bayside Local Government Area**



Source: HillPDA 2024

### 3.1.3 Affordable housing delivery

Since 2019, 21 DAs which included affordable housing have been lodged in Bayside comprising 573 potential affordable housing dwellings (excluding duplicates). Of these DAs, 14 were approved (503 affordable housing dwellings), 3 were refused and 4 were withdrawn. Specific information is located in Table 3 below.

**Table 3: Affordable Housing development applications since 2019**

| DA Number   | Address                        | Dwelling typology  | Affordable housing dwellings | Status   |
|-------------|--------------------------------|--|------------------------------|----------|
| DA-2019/117 | 13 Gladstone Street, Bexley    | Demolition of existing structures and construction of part two (2) and part three (3) storey boarding house comprising 13 rooms with basement parking and single storey communal room.   | 13                           | Approved |
| DA-2019/243 | 41 Gloucester Street, Rockdale | Demolition of existing structures and construction of a two storey boarding house with 10 rooms, 5 parking spaces and 2 motorcycle parking spaces.   | 10                           | Approved |
| DA-2019/354 | 30 Firth Street, Arncliffe     | Demolition of some existing structures, restoration of historical street front commercial premises along with the construction of a 5 level mixed use building comprising ground floor retail/business, a boarding house containing 13 rooms including manager's room, and alterations to an existing apartment. | 13                           | Approved |
| DA-2019/85  | 12 Loftus Street, Turrella     | Demolition of existing structures and construction of a six (6) storey boarding house containing 36 boarding rooms including the manager's room and two (2) levels of basement parking.  | 36                           | Approved |

|                          |  |   |    |           |
|--------------------------|--|---|----|-----------|
| DA-2020/113              | 24 Gordon Street, Rosebery                       | Demolition of existing structures and construction of a two storey boarding house comprising of six (6) boarding rooms and basement parking.  | 6  | Withdrawn |
| DA-2020/186              | 14-16 Banksia Avenue, Banksia                    | Demolition of existing structures and construction of three (3) storey boarding house comprising 37 rooms, including manager's room and at grade car parking with nine (9) car spaces.  | 37 | Refused   |
| DA-2020/201              | 24 High Street, Mascot                           | Demolition of existing structures and construction of a four storey boarding house with basement parking.   | 55 | Approved  |
| DA-2020/35               | 13 The Seven Ways, Rockdale                      | Demolition of existing structures and construction of an eight (8) storey mixed use building comprising ground floor commercial tenancy, 48 boarding rooms including one (1) manager's room and roof top communal open space.                                       | 48 | Approved  |
| DA-2020/409              | 118 Hattersley Street, Banksia                   | Demolition of existing structures and construction of an eight storey building comprising one (1) level of basement car parking, ground floor commercial tenancy and seven levels of boarding house containing 44 boarding rooms and one (1) managers room.         | 44 | Approved  |
| DA-2020/83               | 2 Fripp Street, Arncliffe                        | Demolition of existing structures and construction of a two (2) storey boarding house containing eleven (11) boarding rooms, common room and basement parking.  | 11 | Approved  |
| DA-2020/97               | 197 King Street, Mascot                          | Demolition of existing structures and construction of a five (5) storey boarding house comprising 58 rooms, ground floor commercial tenancy and two (2) basement parking levels.  | 58 | Approved  |
| DA-2021/197              | 662 Forrest Road, Bexley                         | Demolition of existing structures and construction of a two (2) storey boarding house containing 12 boarding rooms and separate enclosed communal space.  | 12 | Refused   |
| DA-2021/357              | 9 Edward Street, Turrella                        | Demolition of existing structures, excavation and construction of a six (6) storey boarding house containing 40 boarding rooms (including one manager room), two (2) basement parking levels and landscaping.   | 40 | Approved  |
| DA-2021/638 <sup>1</sup> | 15-23 Innesdale Road, Wolli Creek                | Integrated Development - Demolition of existing structures, removal of trees, construction of two (2) x nine (9) storey residential flat buildings comprising of 76 apartments (including 15 affordable apartments) with basement car parking.                      | 15 | Withdrawn |
| DA-2021/639 <sup>1</sup> | 25-37 Innesdale Road, Wolli Creek                | Integrated Development - Demolition of existing structures, removal of trees and construction of two (2) x nine (9) storey residential flat buildings comprising of 104 apartments (including with 42 affordable apartments and two levels of basement car parking. | 42 | Withdrawn |
| DA-2021/69               | 15 Wolli Creek Road, Banksia                     | Demolition of existing structures, construction of two storey boarding house comprising of eight (8) rooms with at grade vehicle parking.   | 8  | Approved  |
| DA-2022/317              | 1 Hicks Avenue, Mascot                           | Construction of a two (2) storey group home.  | 5  | Approved  |
| DA-2022/329 <sup>1</sup> | 15-37 Innesdale Road, Wolli Creek                | Demolition of existing structures and construction of four (4) x eight (8) storeys residential apartment buildings comprising of 196 apartments including 98 affordable housing units over three (3) levels of basement parking.                                    | 98 | Approved  |
| DA-2022/352              | 117 Forrest Road, Arncliffe                      | Demolition of existing structures and construction of a attached dual occupancy (for use as affordable housing) each with a swimming pool, front fence and Torrens title subdivision into two (2) lot.  | 2  | Withdrawn |
| DA-2022/412              | 2A Charles Street & 15-17 Kyle Street, Arncliffe | Demolition of existing structures, removal of trees and construction of an eight (8) storey residential flat building development containing 46 apartments  | 13 | Refused   |

|            |                               |   |    |          |
|------------|-------------------------------|---|----|----------|
|            |                               | including 13 affordable apartments and two basement levels of car parking.  |    |          |
| DA-2022/46 | 427 Princes Highway, Rockdale | Demolition of existing structures, site and remediation works, removal of three (3) trees and construction of an eleven (11) storey mixed use development comprising two commercial tenancies, basement car parking, eighty (80) residential units, comprising of 80% affordable units and 20% rented at market rate. | 64 | Approved |

Source: Bayside Council 2024, prepared by HillPDA 2024

Note<sup>1</sup>: DA-2021/638 and DA-2021/639 were withdrawn and then combined to form DA-2022/329 which was approved.

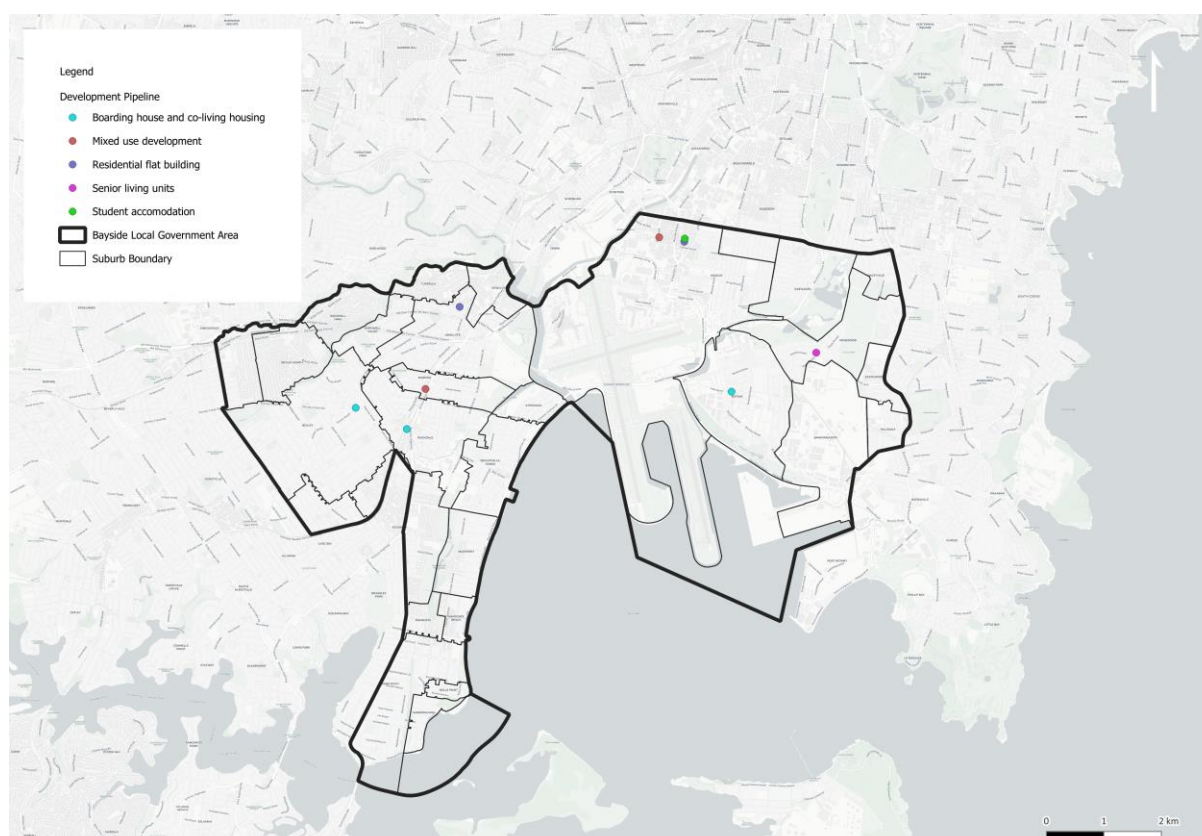
### 3.1.4 Current development pipeline

According to Cordells Connect which researches major projects, there are currently 63 active residential projects in Bayside, not counting those which are completed, abandoned or deferred. Focusing on projects which are most likely to influence the built environment, being those which are in some stage of construction, there are 9 major developments in the pipeline. The breakdown of projects are as follows:

- Senior living units – 33 dwellings (1 projects);
- Boarding house and co-living housing – 140 dwellings (3 projects);
- Mixed use development – 355 dwellings (2 projects);
- Residential flat building – 218 dwellings (2 projects); and
- Student accommodation – 435 dwellings (1 project).

The Pagewood development by Meriton was excluded from the current development pipeline because it is a large multi-stage development which has been underway since 2016. The development was expected to deliver 2,200 apartments in a master planned precinct.

**Figure 9: Major development pipeline**



Source: HillPDA 2024

### 3.2 Dwelling sales

An analysis of dwelling sales in 2023 revealed that 4,513 dwellings were sold in Bayside for a total value of \$4,821,611,386. Key takeaways are that:

- The median price of a Torrens Title dwelling was 2.24x greater than a strata title dwelling (\$760,000 vs \$1,700,000);
- 75.83% of property sales were strata titled and 24.17% were Torrens Title. This ratio is different than the amount of high and low density dwellings recorded in the 2021 Census (65.16% and 34.84% respectively) indicating that strata dwellings possess an outsized influence in the first and second hand dwelling market;
- The median lot size of a Torrens Title dwelling was 455sqm and the median lot size of a strata title dwelling (when recorded) was 107sqm;
- The largest number of sales was in Kogarah (583) followed by Mascot (435) and Rockdale (392); and
- The most expensive suburb for Torrens Title dwellings was Sandringham (\$3,585,000) and the most expensive suburb for strata dwellings, excluding Banksmeadows and Kyeemagh because they had less than 5 sales, was Eastgardens and Pagewood (\$1,000,000).

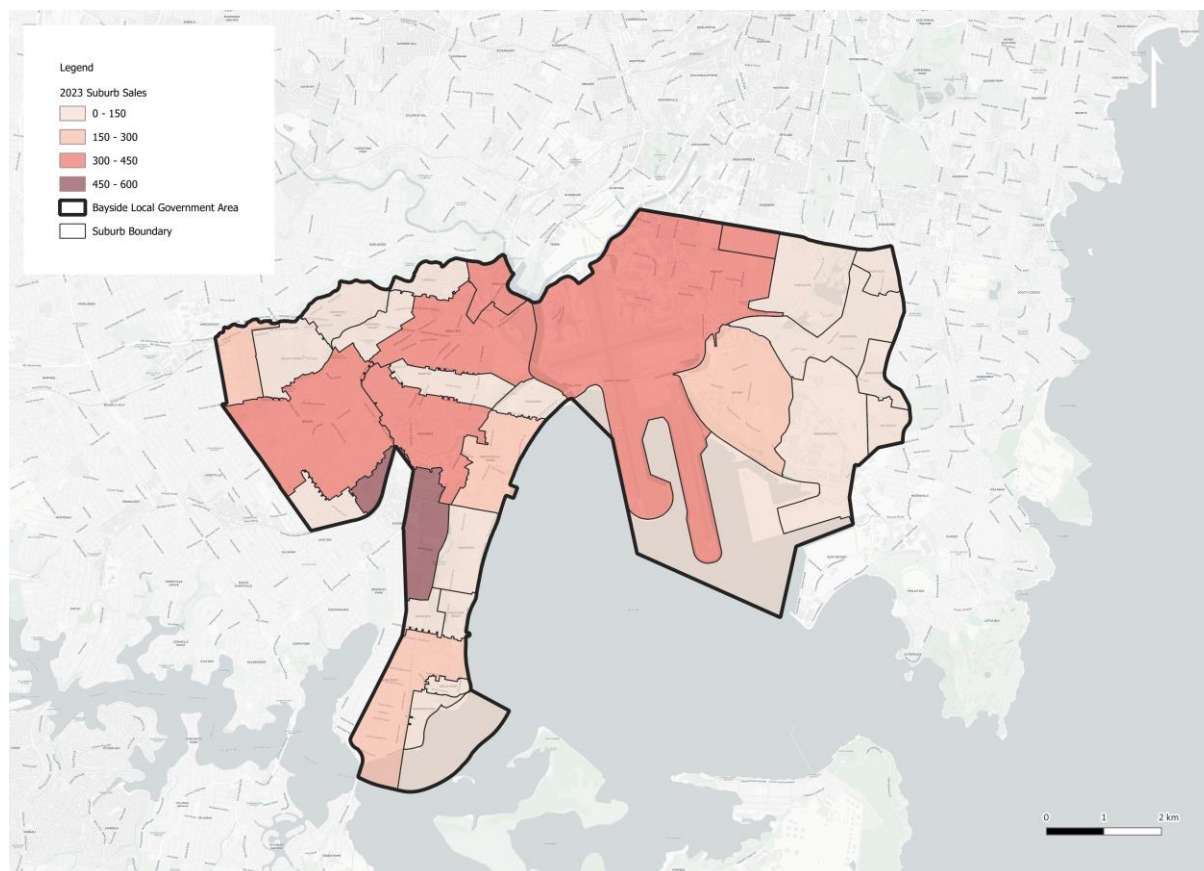
More in-depth information is recorded in Table 4 below.

Table 4: 2023 dwelling sales

| Suburb           | Total sales  | Number of sales |              | Median price       |                  |
|------------------|--------------|-----------------|--------------|--------------------|------------------|
|                  |              | Torrens         | Strata       | Torrens            | Strata           |
| Arncliffe        | 310          | 73              | 237          | \$1,550,000        | \$702,000        |
| Banksia          | 34           | 29              | 5            | \$1,400,000        | \$820,000        |
| Banksmeadows     | 5            | 0               | 5            | N.a                | \$1,125,000      |
| Bardwell Park    | 22           | 18              | 4            | \$1,705,000        | \$850,000        |
| Bardwell Valley  | 27           | 24              | 3            | \$1,590,000        | \$925,000        |
| Bexley           | 389          | 145             | 244          | \$1,557,000        | \$720,000        |
| Bexley North     | 44           | 35              | 9            | \$1,570,000        | \$990,000        |
| Botany           | 268          | 64              | 204          | \$1,907,500        | \$863,750        |
| BrightonLe-Sands | 155          | 28              | 127          | \$1,717,500        | \$750,000        |
| Carlton          | 123          | 50              | 73           | \$1,603,500        | \$700,000        |
| Daceyville       | 7            | 6               | 1            | \$1,748,750        | \$970,000        |
| Dolls Point      | 47           | 3               | 44           | \$2,300,000        | \$780,000        |
| Eastgardens      | 74           | 20              | 54           | \$2,723,500        | \$1,000,000      |
| Eastlakes        | 106          | 32              | 74           | \$1,865,000        | \$645,000        |
| Hillsdale        | 118          | 5               | 113          | \$1,915,000        | \$675,000        |
| Kingsgrove       | 170          | 129             | 41           | \$1,610,000        | \$745,000        |
| Kogarah          | 583          | 62              | 521          | \$1,578,500        | \$760,000        |
| Kyeemagh         | 22           | 18              | 4            | \$1,800,000        | \$1,341,500      |
| Mascot           | 435          | 68              | 367          | \$1,748,000        | \$870,000        |
| Monterey         | 68           | 20              | 48           | \$2,315,000        | \$772,500        |
| Pagewood         | 53           | 21              | 32           | \$2,260,000        | \$1,000,000      |
| Ramsgate         | 70           | 8               | 62           | \$1,643,500        | \$759,000        |
| Ramsgate Beach   | 46           | 9               | 37           | \$2,500,000        | \$871,500        |
| Rockdale         | 392          | 51              | 341          | \$1,500,000        | \$665,000        |
| Roseberry        | 343          | 52              | 291          | \$1,935,500        | \$843,000        |
| Sandringham      | 28           | 13              | 15           | \$3,585,000        | \$875,000        |
| Sans Souci       | 205          | 87              | 118          | \$2,000,000        | \$985,000        |
| Turrella         | 48           | 11              | 37           | \$1,385,000        | \$710,000        |
| Wolli Creek      | 321          | 10              | 311          | \$2,676,428        | \$760,000        |
| <b>LGA-Wide</b>  | <b>4,513</b> | <b>1,091</b>    | <b>3,422</b> | <b>\$1,700,000</b> | <b>\$760,000</b> |

Source: Valuer General 2023 and HillPDA 2024

**Figure 10: 2023 dwelling sales mapped**



Source: HillPDA 2024

According to Urban.com.au which advertises off-the-plan projects, there are currently 8 off-the-plan developments for sale in Bayside. Specifically, there are the following:

- Fox Lane, Rockdale (40 apartments);
  - Studio (\$520,000), 1 bedroom (\$635,000), 2 bedroom (\$765,000-\$1,100,000) and 3 bedroom (\$1,140,000-\$1,480,000);
- Rockdale Central, Rockdale (50 apartments);
  - 1 bedroom (\$595,000), 2 bedroom (\$690,000) and 3 bedroom (\$900,000);
- Ventura Residences Arncliffe, Arncliffe (83 apartments);
  - 2 bedroom (\$815,000-\$1,200,000) and 3 bedroom (\$1,170,000);
- Arncliffe Central, Arncliffe (202 apartments);
  - 3 bedroom (\$1,130,000);
- The Grand Residences, Eastlakes (133 apartments);
  - 1 bedroom (\$800,000-\$835,000), 2 bedroom (\$865,000-\$1,652,000) and 3 bedroom (\$1,375,000);
- Montrose, Botany (16 townhouses);
  - 3 bedroom townhouse (\$1,800,000);
- Pagewood Centro Rivera, Eastgardens (42 townhouses);
  - 3 bedroom townhouse (\$2,680,000-\$3,100,000) and 4 bedroom townhouse (\$2,780,000-\$2,920,000);

- Pagewood Centro Uccello, Eastgardens (375 apartments); and
  - 1 bedroom (\$820,000-\$985,000), 2 bedroom (\$1,180,000-\$1,330,000), 3 bedroom (\$1,675,000-\$1,830,000) and 4 bedroom (\$2,105,000-\$2,575,000).

### 3.3 Cost estimates

The Rawlinson Construction Cost Handbook 2024 and RLB Construction Cost calculator are used by the private industry to provide high-level construction costs to inform development strategies. Through investigating these sources, an estimate of the costs of delivering housing in the Bayside LGA can be identified. As a note, the estimates do not include potential land remediation, balconies, car parking, demolition and statutory or government charges. They are as follows:

- Townhouse;
  - RLB Construction Cost Calculator (90sqm – 120sqm);
    - › \$257,500 (low) - \$672,500 (high);
  - Rawlinson Construction Cost Handbook 2024 (105sqm);
    - › \$301,875 (low) - \$325,500 (high);
- Low rise apartments (3 storey);
  - RLB Construction Cost Calculator (85sqm – 120sqm);
    - › \$292,500 (low) - \$645,000 (high);
  - Rawlinson Construction Cost Handbook 2024 (103sqm);
    - › \$270,890 (low) - \$292,005 (high);
- High rise apartments (10 storey);
  - RLB Construction Cost Calculator (90sqm – 120sqm);
    - › \$345,000 (low) - \$637,400 (high);
  - Rawlinson Construction Cost Handbook 2024 (105sqm); and
    - › \$441,525 (low) - \$476,175 (high).

When submitting a DA, an application needs to provide an “estimated development cost” as specified under Clause 6 of the *Environmental Planning and Assessment Regulation 2021*. This cost includes the design and erection of a building and associated infrastructure, the carrying out of a work, the demolition of a building or work and fixed or mobile plant and equipment. The estimated development cost does not include amounts payable, or the cost of land dedicated or other benefit provided, under a condition imposed under the EP&A Act, Division 7.1 or 7.2 or a VPA, costs relating to a part of the development that is the subject of a separate development consent or approval, land costs, including costs of marketing and selling land, costs of the ongoing maintenance or use of the development and GST.<sup>9</sup>

Looking at the estimated development cost can provide a recent, local-specific estimate of the cost of delivering dwellings in Bayside. Some example DAs are as follows:

- Townhouse;
  - DA-2022/268 - \$724,623/townhouse;
  - DA-2022/40 - \$565,297/townhouse;
  - DA-2021/286 - \$555,781/townhouse;
  - DA-2021/211 - \$352,500/townhouse;
- Low rise apartments;
  - DA-2023/44 - \$440,000/unit;
  - DA-2021/83 - \$450,000/unit;

<sup>9</sup> New South Wales Government (2024), *Environmental Planning and Assessment Regulation*, cl. 1.6.

- High rise apartments;
  - DA-2023/50 - \$250,552/unit;
  - DA-2023/7 - \$356,582/unit;
  - DA-2022/3 - \$398,871/unit; and
  - DA-2021/260 - \$388,512/unit.

## 4.0 STAKEHOLDER ENGAGEMENT

### 4.1 Engagement objectives

To support the preparation of this Paper and later affordable housing work, key stakeholders were identified and engaged with in a comprehensive stakeholder engagement process. The objectives of the engagement are to:

- Make key stakeholders aware of the current and future affordable housing work being undertaken;
- Facilitate an open engagement process where stakeholders are given meaningful opportunities to have their say;
- Include a variety of stakeholders, including Council teams, within the consultation process reflecting the wide range of impacts housing affordability and affordable housing has; and
- Utilise the findings of the engagement to inform the evaluation and preparation of this Paper.

### 4.2 Principles of engagement

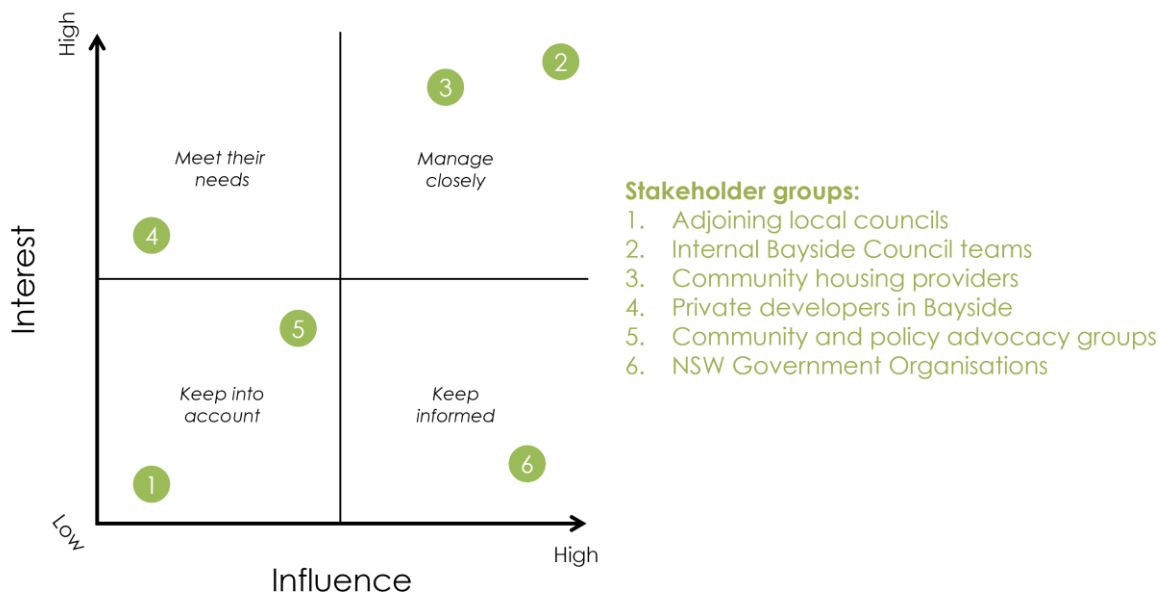
The following principles in delivering stakeholder engagement were followed within the project:

- **Relationships** – we act in a courteous, honest and open way at all times to build strong relationships, partnerships and trust with Council and stakeholders within the confidentiality requirements of the project;
- **Clarity of purpose** – we are clear about why and how we are engaging with the community and our stakeholders;
- **Timely** – we will contact stakeholders early on and provide sufficient time for stakeholders to provide input; and
- **Coordinated** – we will work to collaboratively with parts of the project team ensure our engagement activities are coordinated and within the project scope.

### 4.3 Identification of stakeholders

To ensure a variety of viewpoints were received and incorporated into affordable housing planning in Bayside, 38 stakeholders were identified and engaged with. To visualise the process, the 38 stakeholders were grouped into 6 stakeholder groups and mapped on a matrix in Figure 11 below.

Figure 11: Stakeholder engagement matrix



Source: HillPDA 2024

## 4.4 Engagement methodology

Following the identification of relevant stakeholders, a consultation process was undertaken where individuals belonging to each stakeholder (if available) were contacted through email to arrange a meeting. If no individuals at a stakeholder were identified, the organisation’s general email address was used.

All stakeholders, barring internal Bayside Council teams, were invited to individual 30-minute private in-person or online meetings to discuss the project, housing affordability, affordable housing, development conditions and potential actions Council could pursue in the space. If stakeholders could not attend a meeting, they were invited to present their feedback through an email. Internal Bayside Council teams relevant to the project were invited to a structured 1-hour internal “Bayside Affordable Housing Council Roundtable” held on 10/05/2024 at 2:00pm-3:00pm.

Table 5 below shows the stakeholder, stakeholder category and purpose for engaging.

**Table 5: Engaged stakeholders**

| ID | Stakeholder                       | Category                       | Engagement topics  |
|----|-----------------------------------|--------------------------------|--|
| 1  | Randwick City Council             | Adjoining local councils (LGA) | <ul style="list-style-type: none"> <li>Implementation of an affordable housing contributions scheme;</li> <li>State of housing affordability and affordable housing supply in South-East Sydney;</li> <li>Potential collaboration opportunities between Councils; and</li> <li>Suggested affordable housing and housing affordability actions.</li> </ul>  |
| 2  | City of Sydney Council            | Adjoining local councils (LGA) |  |
| 3  | Canterbury-Bankstown Council      | Adjoining local councils (LGA) |  |
| 4  | Inner West Council                | Adjoining local councils (LGA) |  |
| 5  | Bayside Strategic Planning        | Internal Bayside Council teams | <ul style="list-style-type: none"> <li>How each team can support housing affordability and affordable housing;</li> <li>What housing policy levers Council can directly or indirectly pull;</li> <li>Preferred structure of an affordable housing contributions scheme;</li> <li>Council’s role in levying the private market;</li> <li>Goals for Council’s affordable housing portfolio;</li> <li>Appetite for Council-led affordable housing development;</li> <li>Appetite for joint ventures;</li> <li>Impacts of increased density; and</li> <li>Community and internal understanding of affordable housing.</li> </ul> |
| 6  | Bayside Strategic Property        | Internal Bayside Council teams |  |
| 7  | Bayside Property Operations       | Internal Bayside Council teams |  |
| 8  | Bayside Community Life            | Internal Bayside Council teams |  |
| 9  | Bayside Development Services      | Internal Bayside Council teams |  |
| 10 | Bayside Property Services         | Internal Bayside Council teams |  |
| 11 | City West Housing Pty Ltd         | Community Housing Providers    |  |
| 12 | Metro Housing                     | Community Housing Providers    |  |
| 13 | Evolve Housing                    | Community Housing Providers    |  |
| 14 | St Vincent De Paul                | Community Housing Providers    |  |
| 15 | St George Community Housing Group | Community Housing Providers    | <ul style="list-style-type: none"> <li>The current state of affordable housing need and delivery;</li> <li>Barriers to the delivery of affordable housing;</li> <li>Advantages to the delivery of affordable housing;</li> <li>Preferred structure of an affordable housing contributions scheme; and</li> <li>Suggested affordable housing and housing affordability actions.</li> </ul>  |
| 16 | Bridge Housing Pty Ltd            | Community Housing Providers    |  |
| 17 | Women’s Housing Company           | Community Housing Providers    |  |
| 18 | Mission Australia Housing         | Community Housing Providers    |  |

|    |  |                                      |  |
|----|--|--------------------------------------|--|
| 19 | Common Equity NSW                                  | Community Housing Providers          |  |
| 20 | Community Housing Limited                          | Community Housing Providers          |  |
| 21 | LOGOS Property                                     | Development Sector                   | <ul style="list-style-type: none"> <li>The current state of the private development market;</li> <li>Local barriers or advantages to private development in Bayside;</li> <li>Appetite for including affordable housing in private developments;</li> <li>Impact of an affordable housing contribution on development activities;</li> <li>Current development pipeline; and</li> <li>Suggested affordable housing and housing affordability actions.</li> </ul> |
| 22 | HELM Properties                                    | Development Sector                   |  |
| 23 | Landcom  | Development Sector                   |  |
| 24 | Meriton Group                                      | Development Sector                   |  |
| 25 | Pinnacle Plus                                      | Development Sector                   |  |
| 26 | Crown Group Holdings                               | Development Sector                   |  |
| 27 | Deicorp  | Development Sector                   |  |
| 28 | Billbergia   | Development Sector                   |  |
| 29 | TQM Design & Construct                             | Development Sector                   |  |
| 30 | CD Architects                                      | Development Sector                   |  |
| 31 | BuildView Corp Pty Ltd                             | Development Sector                   |  |
| 32 | Level 33   | Development Sector                   |  |
| 33 | Homes NSW  | Development Sector                   |  |
| 34 | Community Housing Industry Association NSW         | Community and policy advocacy groups | <ul style="list-style-type: none"> <li>The current state of affordable housing;</li> <li>How an affordable housing contribution scheme should be structured;</li> <li>Barriers or advantages to the delivery of affordable housing in Sydney; and</li> <li>Actions you would like to see Bayside Council make to support affordable housing or increase housing diversity and supply.</li> </ul>   |
| 35 | Shelter NSW  | Community and policy advocacy groups |  |
| 36 | Department of Communities and Justice              | NSW Government organisation          | <ul style="list-style-type: none"> <li>The current state of the property market and any barriers or advantages to development in Sydney;</li> <li>Barriers or advantages to the delivery of affordable housing in Sydney; and</li> <li>Actions you would like to see Bayside Council make to support affordable housing or increase housing diversity and supply.</li> </ul>   |
| 37 | Department of Planning, Housing and Infrastructure | NSW Government organisation          |  |
| 38 | Aboriginal housing office                          | NSW Government organisation          |  |

Source: HillPDA 2024

## 4.5 Outcomes

At the request of some stakeholders and to provide the diversity of views necessary in an options paper, outcomes were grouped and anonymised into “government sector”, “CHP sector” and “development sector”. The feedback gained from the internal roundtable discussion with Council is not included in the table below and is instead integrated into the paper itself and the evaluation of potential actions.

**Table 6: Stakeholder engagement outcomes**

| Feedback                                | Key messages  |
|---|---|
| <b>Understanding affordable housing</b> | <ul style="list-style-type: none"> <li>Stakeholders in the affordable housing space need to know the difference between affordable housing as a specific housing typology and housing affordability as a general term describing housing cost and incomes (government sector and CHP sector).</li> <li>An education campaign should be run to inform the community that affordable housing is not synonymous with low-quality, and is instead often high-quality rented accommodation (CHP sector).</li> <li>A greater understanding of affordable housing and the role of CHPs within local councils is important to ensure the sector is adequately supported. This includes elected councillor and internal teams (CHP sector).</li> <li>There is a lack of understanding around next-generation boarding houses as high-quality, tailored developments (CHP sector).</li> <li>Co-living housing is relatively accepted by the community these days however boarding houses are still contentious (development sector).</li> <li>In addition to rent and mortgage stress, there can also be strata stress. When people on a fixed income live in a building with high strata fees, they may find that more than 30% of their income is being spent on housing, even if they own their home outright (CHP sector).</li> </ul>   |
| <b>Housing affordability</b>            | <ul style="list-style-type: none"> <li>There is a significant need for smaller affordable housing dwellings (studios and 1-bedroom units) to cater to local needs (CHP sector).</li> <li>More than half of Bayside’s residents are eligible for affordable housing under the household income metric (CHP sector).</li> <li>When a project is initiated, there are set development costs and an envisioned sale price for the end dwellings. If delays, inflation and planning risk affect the project and increase costs, the end sale prices also have to increase – reducing affordability (development sector).</li> </ul>  |
| <b>Affordable housing development</b>   | <ul style="list-style-type: none"> <li>Construction costs substantially increased since 2020 placing significant pressure on development feasibility (CHP sector).</li> <li>Competing with the private sector for development sites is a significant barrier. Developers can pay more for sites on the open market because they can secure a higher return through market dwellings (CHP sector).</li> <li>Minimum car parking requirements are a significant barrier to viability. Car share incentives could reduce parking requirements while still providing residents with mobility options (CHP sector).</li> <li>Discount or exempting CHPs from development fees can provide a minor but important benefit (CHP sector).</li> <li>CHPs are more efficient at delivering affordable housing than Council (CHP sector).</li> <li>Having a lengthy and public implementation process for an AHCS helps developers factor contributions into land purchase prices and limit speculation (CHP sector).</li> <li>Councils can support CHPs in three ways: providing contributions through an AHCS, working proactively with CHPs and giving Council resources (staff, land or funds) to CHPs (CHP sector).</li> <li>Where land remediation is expensive, affordable housing can be pursued with limited car parking to minimise basement excavation and associated costs (CHP sector).</li> </ul> |
| <b>Market housing development</b>       | <ul style="list-style-type: none"> <li>Construction costs substantially increased since 2020 placing significant pressure on development feasibility (development sector).</li> <li>The cost and availability of land creates significant issues with development (development sector).</li> <li>Minimum car parking requirements are a significant barrier to viability. Car share incentives could reduce parking requirements while still providing residents with mobility options (development sector).</li> <li>Having a lengthy and public implementation process for an AHCS helps developers factor contributions into land purchase prices and limit speculation (development sector).</li> </ul>   |

|   |   |
|---|---|
|   | <ul style="list-style-type: none"> <li>• Setting market expectations for any future charge, especially if tied to uplift or rezonings, is vital to temper market expectations and reduce land speculation (development sector).</li> <li>• The introduction of numerous recent charges on industrial development has heavily impacted development viability, leaving little room for an additional affordable housing charge (development sector).</li> <li>• Council has upzoned areas to enable development which is a positive, however existing DCP controls can limit uptake of this rezoning (development sector).</li> <li>• Developers want to get in and get out of projects. Having an unpredictable planning process with numerous delays creates a strong disincentive for development (development sector).</li> <li>• Purpose-built co-living which will be held by a developer is a significantly better housing product than older share houses created from converted dwelling houses (development sector).</li> </ul>   |
| <b>Development applications</b>                           | <ul style="list-style-type: none"> <li>• The DA process for affordable housing developments is easier in some LGAs than others due to a greater understanding of the housing product (CHP sector).</li> <li>• CHPs are treated the same as private developers in the DA process. Leniency or further support in recognition of the social good CHPs provide would be beneficial (CHP sector).</li> <li>• Placing affordable housing projects in “pilot fast-track approval pathways” is greatly beneficial (CHP sector).</li> <li>• Having a dedicated assessment officer for affordable housing developments can decrease development risk and increase the speed of assessment (CHP sector).</li> <li>• It is difficult to get a consistent interpretation of the LEP and DCP controls. Development requires certainty and this inconsistency adds risk and time to projects (development sector).</li> </ul>   |
| <b>Funding</b>  | <ul style="list-style-type: none"> <li>• Funding for affordable housing projects is often provided on the basis of “shovel-ready projects”, however this assumes CHPs have the financial freedom to landbank which is difficult (CHP sector).</li> <li>• CHP funding is ad-hoc with little certainty of continual cashflows in the majority of LGAs (CHP sector).</li> <li>• Many CHPs have applied to the HAFF (CHP sector).</li> <li>• Monetary affordable housing contributions can be held in a fund by Council and then dispersed to CHPs through a competitive EOI. The dispensed amounts could range from \$1million - \$20million (government sector and CHP sector).</li> <li>• Providing land which is already upzoned (as part of a VPA) to CHPs for development is an effective process (government sector).</li> <li>• If local councils provide land or significant resources to CHPs, they can influence the typology and design of developments (CHP sector).</li> </ul>  |
| <b>Portfolio management</b>                               | <ul style="list-style-type: none"> <li>• A combination of high strata and maintenance costs for new affordable housing dwellings and rents not being correlated to the value of dwellings mean cheaper, older dwellings are preferred from a portfolio management perspective. A 40-year old unit in a brick walk-up might have the same rent as a new unit in a Meriton tower which does not make sense economically (CHP sector).</li> <li>• Active management of housing portfolios is necessary. Expensive dwellings or those which require a large reinvestment of capital can be sold and used to fund the purchase of cheaper market dwellings for renting or redevelopment (CHP sector).</li> <li>• Clustering increases the efficiency of maintenance (CHP sector).</li> <li>• There is little value in local councils holding affordable housing dwellings (CHP sector).</li> <li>• If CHPs own affordable housing properties, they can leverage the value to fund additional development (CHP sector).</li> <li>• An unconscious bias can exist towards affordable housing dwellings in predominantly market housing buildings (CHP sector).</li> <li>• CHPs have existing management, maintenance and portfolio expertise (CHP sector).</li> <li>• From an administrative perspective, having a small number of CHPs developing and managing affordable housing in an LGA is preferable (government sector).</li> <li>• Keeping management and tenancing as simple as possible is vital due to how small the margins are on managed affordable housing dwellings (CHP sector).</li> </ul> |
| <b>Ongoing viability of affordable housing management</b> | <ul style="list-style-type: none"> <li>• Maintenance and strata costs (especially in modern, high quality buildings) mean very low income and low income affordable housing often operates at a loss. The City of Sydney Council subsidises this housing type which enables it in their LGA (CHP sector).</li> <li>• For affordable housing to be operationally viable, the higher-end of low income and moderate income households need to be targeted (CHP sector).</li> <li>• Waiving rates for affordable housing units can help balance ongoing costs and signal broader local council support for the sector (CHP sector).</li> <li>• When planned works are required for affordable housing units in modern, high-quality buildings, the cost is likely to be significant (CHP sector).</li> </ul>   |

|  |   |
|--|---|
| <p><b>Partnerships</b></p>                     | <ul style="list-style-type: none"> <li>Specifically designed affordable housing developments are substantially more efficient than dedicated dwellings. Dwelling sizes, unit mix, amenity provision and common areas can all be tailored to the expected tenant population and built in such a way as to minimise maintenance costs. Self-managed strata and clustering also increases efficiencies (CHP sector).</li> <li>If local councils provide land and a bit of equity, CHPs can undertake development as joint-ventures (CHP sector).</li> <li>CHPs would be interested in running tours of affordable housing dwellings for local council staff or councillors (CHP sector).</li> <li>Joint affordable housing developments between local councils are only an efficient use of resources if one council is cash rich, land poor and the other is cash poor, land rich (government sector).</li> <li>The key consideration in joint affordable housing developments between local councils is the location of the development (government sector).</li> <li>Setting a percentage goal of affordable housing for government developments is good practice (government sector).</li> </ul>   |
| <p><b>Affordable housing contributions</b></p> | <ul style="list-style-type: none"> <li>The order of preference for contributions are 1. land, 2. monetary contributions and 3. dedicated dwellings. There are situations where dedicated dwellings may be preferable, however this is not very often (CHP sector).</li> <li>If CHPs are dedicated dwellings, they can sell them to free up funds but this is significantly less efficient than receiving funds in the first place (CHP sector).</li> <li>Contributions are likely to be viable only when there has been a substantial rezoning say from 0.5:1 to at least 2:1 (development sector).</li> <li>Dedication of dwellings when the contribution rate is low is inefficient on a portfolio level (and only exacerbated when strata levies are involved). Small numbers of units in high-end RFBs are uneconomic to hold (CHP sector).</li> <li>Dedication of dwellings in perpetuity is supported, however scenarios were identified where dedication for a set period could be beneficial (CHP sector).</li> <li>If local councils want to maximise the number of affordable housing dwellings in the LGA, then taking monetary contributions and providing them to CHPs is the best avenue forward. CHPs can take the equity and pool the funds with their own to undertake development or buy existing units (CHP sector).</li> <li>Affordable housing contributions need to be evidence based and correspond to the local area (development sector).</li> <li>Nominating a selected/preferred CHP for development contributions helps achieve an economy of scale (government sector and CHP sector).</li> <li>A “seed funding” or “tranche funding” methodology can be employed with CHPs. Smaller amounts can be provided to a number of CHPs to supplement their existing funds, or a large amount of funds can be provided to a single developer to kickstart a project (government sector).</li> <li>From a higher-level perspective, affordable housing contributions exist to be spent on delivering affordable housing. Any delay in the use of funds should be avoided (CHP sector).</li> <li>Requirements can be placed on contributions to ensure they are spent within the LGA where they are collected.</li> </ul> |
| <p><b>Voluntary planning agreements</b></p>    | <ul style="list-style-type: none"> <li>Setting a clear expectation for affordable housing contributions can ease the VPA process (government sector and development sector).</li> <li>Getting dedicated affordable housing units from VPAs is generally not a sustainable model going forward. These units will be brand new and are likely to have high strata fees causing operational issues (CHP sector).</li> <li>Development sites subject to windfall gains should have some of that value uplift levied (CHP sector).</li> </ul>  |
| <p><b>Miscellaneous</b></p>                    | <ul style="list-style-type: none"> <li>CHPs do not get benefits from the goods and services tax (GST) and other taxes for market housing as part of an affordable housing dwelling. This means it is harder to cross-subsidise very low income affordable dwellings with market rent dwellings (CHP sector).</li> <li>Industrial development provides jobs for lower income households and indirectly supports housing affordability. Halting industrial development due to affordable housing charges can cause these workers to instead require social housing, costing local councils a significant amount of money (development sector).</li> <li>A complex relationship exists between redevelopment and housing affordability. Redevelopment generally occurs on land which is affordable (older, cheaper residential dwellings), however this land is often home to dwellings which are affordable to the market. These cheaper dwellings are then redeveloped into expensive market housing and only a small percentage of the dwellings become affordable housing (government sector and development sector).</li> </ul>   |

- If Council is interested in rezoning areas, the best locations would be around already-rezoned town centres where you have a sharp fall off in FSRs. Where town centres are 2.5:1 then drop off to 0.5:1 a street over, a significant opportunity exists for a step down of density (development sector).
- Fragmented land ownership in centres mean some rezoned areas aren't viable for redevelopment at identified FSRs (development sector).
- A wholistic view of strategic planning and land use needs to be taken. There are pockets of industrial in Bayside which would be better suited to residential development (CHP sector).
- The CHP sector is mature so nuanced conversations can be held between local councils and CHPs around the development, management and maintenance of affordable housing dwellings (CHP sector).
- If the price of land and dwellings increases faster than a local council's returns from holding affordable housing contributions in a fund, then there is a continual reduction in purchasing power (CHP sector).

Source: HillPDA 2024

## 5.0 EVALUATION FRAMEWORK

### 5.1 Evaluation framework

To transform the list of potential actions identified in Section 5.0 into recommended actions for Council, a multicriteria analysis was undertaken with 8 criteria. Each criterion was also weighted based on its importance. These criteria were:

- **Size of the impact on affordable housing/housing affordability** (Weighting = 3)
  - Each action was evaluated based on the amount of affordable housing or impact on housing affordability they are expected to deliver.
  - This criterion was included as Bayside is currently facing a housing affordability crisis with a substantial shortfall in affordable housing meaning actions which deliver the biggest impact should be prioritised.
- **Staffing cost to Council** (Weighting = 1)
  - Each action was also evaluated based on the expected amount of Council personnel and time it would take to implement and maintain.
  - This criterion was included because Council’s staff have a variety of issues they need to tackle, including housing affordability, and limited time. Actions which can be accomplished with a relatively small investment of Council time free up staff to pursue other actions or alternative work programs.
- **Monetary cost to Council** (Weighting = 1)
  - Each action was also evaluated based on the expected monetary cost to Council, whether in land or equity (funds).
  - This criterion was included to ensure the funds which are spent on affordable housing and housing affordability are used efficiently. While funds collected through an affordable housing contributions scheme need to be spent on affordable housing, other funds collected by Council are subject to different spending priorities.
- **Cost to the development industry** (Weighting = 1.5)
  - Each action was also evaluated based on its expected cost to the development industry when implemented. This includes a cost in land, equity (funds), time or potential profits.
  - This criterion was included to ensure that the development viability of market developments is not overly-impacted and development is still undertaken in Bayside. Development in Bayside, and Greater Sydney as a whole, is currently under pressure with project viability being a significant concern. If actions create too large of a cost on the development industry, previously viable projects may be abandoned, reducing the supply of residential dwellings or employment space.
- **Consistency with NSW Government policy** (Weighting = 0.5)
  - Each action was also evaluated based on how consistent it was with NSW Government policy. This includes actions being inconsistent with existing policy, matching the general theme of the NSW Government’s policy and directly following identified actions.
  - This criterion was included because actions which follow existing NSW Government policy will have an easier time being implemented and are more likely to receive institutional support.
- **Consistency with Council policy** (Weighting = 1)

- Each action was also evaluated based on how consistent it was with Council’s prior strategic and policy work. This includes actions being inconsistent with existing policy, matching the general theme of the Council’s policy and directly following previously identified actions.
- This criterion was included because a consistency of thought and approach is necessary in policy and strategic thinking, creating certainty for the community and development industry. Prioritising actions based on whether they fit within Council’s existing policy framework helps ensure a consistent approach to affordable housing and housing affordability.
- **Precedented in NSW** (Weighting = 0.5)
  - Each action was also evaluated based on whether it had been pursued and implemented in other jurisdictions across NSW creating a precedent.
  - This criterion was included because precedented actions are likely to be easier to implement and accepted by the wider community and development industry. Actions which have been utilised in other jurisdictions can also provide case studies to illustrate potential barriers or issues.
- **Stakeholder opinion** (Weighting = 0.5)
  - Each action was also evaluated based on the general opinion stakeholders had of it.
  - This criterion was included because stakeholders possess unique views of Bayside which may be missed if they are not included. These views can help to ground actions in the reality of delivering and inhabiting housing in Bayside.

Each action was assessed against these criteria and provided a ranking from 1-3 in line with Table 7. A ranking of 1 was the worst, 2 was in the middle and 3 was the best.

**Table 7: Criteria evaluation matrix**

| Criteria   | Ranking 1      | Ranking 2                        | Ranking 3        |
|--|----------------|----------------------------------|------------------|
| Size of the impact on affordable housing/housing affordability | Small impact   | Medium impact                    | Large impact     |
| Staffing cost to Council                                       | Large cost     | Medium cost                      | Small or no cost |
| Monetary cost to Council                                       | Large cost     | Medium cost                      | Small or no cost |
| Cost to the development industry                               | Large cost     | Medium cost                      | Small or no cost |
| Consistency with NSW Government policy                         | Against policy | Generally consistent/not covered | Following policy |
| Consistency with Council policy                                | Against policy | Generally consistent/not covered | Following policy |
| Precedented in NSW   | Not done       | Trailed                          | Widely used      |
| Stakeholder opinion  | Disliked       | Indifferent/mixed                | Supportive       |

Source: HillPDA 2024

## 6.0 POLICY IN PRACTICE

Housing affordability is acknowledged as a significant issue within Greater Sydney and around NSW. As such, local councils across the state have spent significant resources investigating and pursuing actions to either increase the supply of affordable housing directly or generally increasing housing affordability. This prior work can be leveraged to identify a series of potential actions Council can implement. The actions can be broadly grouped under the following headings:

- Delivery of affordable housing dwellings;
- Levying the private market;
- Supply and diversity incentives;
- A supportive delivery framework; and
- Advocacy and raising awareness.

Table 8, Table 9, Table 10, Table 11 and Table 12 below list the actions pursued by other local councils along with a classification of whether they are direct (related to the delivery of affordable housing dwellings that are required to be rented or sold at affordable prices) or indirect (related to influencing the private market to deliver or prioritise dwellings which are voluntarily rented or sold at affordable prices). A comment is also provided explaining some aspect of the action.

### 6.1 Delivery of affordable housing dwellings

**Table 8: Actions to deliver affordable housing dwellings**

| Action  | Classification | Comment  |
|---|----------------|--|
| Use local council resources (land and/or equity) to develop affordable housing. This can be done entirely by local councils or completed as joint ventures. | Direct         | Funds from AHCS are usually utilised to develop affordable housing instead of purchasing it on the open market to save costs. Where council doesn't want to lead the development, joint ventures can be used.  |
| Provide council resources (land and/or equity) to CHPs to develop affordable housing projects.  | Direct         | This action is preferable to councils with a hands-off approach to affordable housing. The City of Sydney prefers this approach.   |
| Identify well-located land surplus to local council requirements which can be utilised for affordable housing projects.                                     | Direct         | Usually done through an asset strategy, this action lays the non-committal groundwork for later affordable housing development. Usually at-grade car parks in urban locations are identified as surplus.   |
| Provide density bonuses to private development which include affordable housing.  | Direct         | Bonuses are usually provided on a sliding scale, increasing with the amount of affordable housing provided. Bonuses need to be above what is provided in the Housing SEPP to be effective.   |
| Deliver affordable housing on State and Commonwealth owned land.  | Direct         | State and Commonwealth governments usually have a targeted affordable housing percentage in their development actions. A 30% target was raised in the <i>Six Cities Discussion Paper</i> .   |
| Implement flexibility in dwelling controls to allow affordable housing projects to respond to viability.  | Direct         | The different aspects of a dwelling such as its internal area, bedroom mix, parking allocation and balcony size have associated costs with their construction but also add value to the end dwelling. Providing flexibility with these aspects allows developers to minimise costs and maximise revenue (e.g. not delivering parking where the cost of its construction is more than the value it adds to the end dwelling). For |

|   |        |  |
|---|--------|--|
|   |        | affordable housing projects which have lower returns due to their nature, saving costs is vital.   |
| Undertake a demonstration project with a designated percentage (e.g. 5%-10%) of affordable housing. | Direct | Where development conditions are challenging or there is a lack of market evidence for affordable housing projects, local councils can deliver a part-market, part-affordable development to demonstrate to the private market that mixed developments are possible.   |
| Support pilot projects for innovative affordable housing  | Direct | Innovative approaches to affordable housing (such as tiny homes and mixed tenure build-to-rent) can allow development to respond better to unique local market, social or economic conditions than traditional approaches. Supporting pilot projects for innovative methods provides market evidence to developers and financiers that such innovation can work within Bayside, encouraging further take-up of the approach. |
| Partner with other council/s to deliver affordable housing projects.                                | Direct | If one council has a surplus of land but limited equity, and another council has limited land and surplus equity, the councils can combine their resources to deliver an affordable housing project and split the delivered dwellings. This was investigated by Woollahra, Waverley, and Randwick councils.  |

Source: HillPDA 2024

## 6.2 Levying the private market

**Table 9: Actions to levy the private market**

| Action  | Classification | Comment  |
|---|----------------|--|
| Implement an uplift-based affordable housing contributions scheme to levy contributions on upzoned areas.   | Direct         | This is the approach laid out in DPHI's AHCS guideline and has been implemented by the majority of councils with AHCSs.  |
| Implement a broad-based affordable housing contributions scheme to levy a small contribution on all development, similar to Section 7.12 contributions. | Direct         | This is an alternative approach to DPHI's AHCS guideline and has been implemented by councils such as Waverley Council. The approach works better in LGAs where development feasibility is constrained, or significant up zonings are not expected.                              |
| Create a VPA policy to set out the criteria and methodology for requiring affordable housing as part of proponent-led rezonings.                        | Direct         | Where upzonings are undertaken outside of areas covered by an AHCS, a VPA policy can set out the methodology for levying affordable housing contributions and the expected rate. This creates certainty for developers and local councils.                                       |
| Require feasibility assessments of VPAs to ensure accurate market values are assessed for affordable housing contributions.                             | Direct         | Affordable housing contributions on VPAs are negotiated so that the development will not be unduly charged and lose its viability. Undertaking feasibility studies of developments on the council's side can inform discussions and ensure contributions are efficiently levied. |
| Require that any affordable housing provided through an AHCS or VPA is dedicated to council and provided in-perpetuity.                                 | Direct         | For councils wishing to be active in the affordable housing space, having dwellings dedicated in perpetuity provides council with the flexibility to utilise and leverage dwellings for their own purpose.   |
| Establish an affordable housing fund to manage mandatory and voluntary affordable housing contributions.  | Direct         | Having a specific fund to manage affordable housing contributions can secure returns from contributions before they are invested and proactively investigate development/purchase opportunities.   |

Source: HillPDA 2024

### 6.3 Supply and diversity incentives

**Table 10: Actions to incentivise increased housing supply and diversity**

| Action   | Classification | Comment   |
|--|----------------|---|
| Upzone areas with high amenity (access to parks, transport, education etc.) for future high-density development.                                       | Indirect       | Upzoning areas with high amenity allows councils to increase density (and dwelling supply) while minimising the negative externalities of development. Upzoning also has the added benefit of increasing the viability of projects which can then be levied for affordable housing contributions.   |
| Enable high-density and medium-density development in more land use zones  | Indirect       | Enabling higher density development typologies in additional land use zones can increase the supply of dwellings in a LGA. This is most commonly pursued through increasing the number of zones RFBs are permissible in.  |
| Ease key development controls for diverse low-cost market housing (minimum lot size, frontage, deep soil area ect.) to encourage more diverse housing. | Indirect       | Easing development controls for diverse low-cost market housing can increase the amount of eligible development sites which will in-turn increase housing supply. DPHI took this approach by reducing the requirements for dual occupancies under Housing SEPP changes.   |
| Create variable density controls dependent on development type, with the aim of encouraging higher density development and site consolidation.         | Indirect       | Variable density controls by type can encourage landowners and developers to pursue higher density uses on their land. This is particularly useful in areas with high land and dwelling prices as lower-density development (e.g. dual occupancies and townhouses) can prevent future development through high existing use values.   |
| Consider development feasibility and the need to minimise speculation in strategic planning and government-led upzonings.                              | Indirect       | Upzonings allow developers to buy sites, develop them to a higher density and then sell or hold them to receive a financial return. Where landowners speculate on land before a upzoning and increase its price, developments can become unviable. Considering development feasibility and speculation before announcing upzonings can minimise the effect of speculation on development viability.   |
| Investigate the adaptive re-use of large dwelling houses into higher density offerings.  | Indirect       | Where financial conditions or strategic planning does not allow existing dwelling stock to be redeveloped, larger dwelling houses can be internally subdivided into a number of smaller internal studios or boarding rooms. This typology is traditionally pursued near universities.   |
| Implement flexibility in dwelling controls to allow development projects to respond to viability.  | Indirect       | The different aspects of a dwelling such as its internal area, bedroom mix, parking allocation and balcony size have associated costs with their construction but also add value to the end dwelling. Providing flexibility with these aspects allows developers to minimise costs and maximise revenue (e.g. not delivering parking where the cost of its construction is more than the value it adds to the end dwelling). For housing projects in areas with difficult development conditions, this flexibility can enable otherwise-unpursued projects. |
| Support appropriate redevelopment and reuse in heritage areas.   | Indirect       | In areas where heritage controls restrict redevelopment, local councils can introduce guidance around the preferred built form. This guidance can provide certainty to developers, decreasing the risk associated with their development and encouraging increased density.   |

Encourage different sized dwellings to meet a variety of affordability ranges.

Indirect

The size of a dwelling, especially for higher-density development, represents a major determinant of price. While a household may not be able to afford a three-bedroom unit, they may be able to afford a two-bedroom unit. Encouraging a range of dwelling sizes provides flexibility for households to pursue dwellings which are affordable. Additionally, the smaller the size of individual dwellings, the more total dwellings can be fit in a development, increasing overall supply.

Source: HillPDA 2024

## 6.4 A supportive delivery framework

**Table 11: Actions to create a supportive delivery framework**

| Action   | Classification | Comment  |
|--|----------------|--|
| Set a target for affordable housing dwellings approved in the LGA (whether a flat number or percentage of dwellings).  | Direct         | Introducing affordable housing targets provides a rational for, and driver of, actions in the affordable housing space which encourages increased affordable housing delivery. This target can include a goal for council's development actions. The <i>Six Cities Discussion Paper</i> recommended a 30% target.  |
| Sign a memorandum of understanding or collaboration agreement with registered CHPs and Homes NSW to assist in managing, partnering and advocating for affordable housing in the LGA. | Direct         | A memorandum of understanding between councils and other actors in the affordable housing space can ensure parties collaborate and have similar views, increasing the efficiency of affordable housing delivery and management.  |
| Designate a council officer as the primary assessor of affordable housing DAs.   | Direct         | Designating an officer for affordable housing DAs creates efficiencies in the application process, decreasing costs and delays.  |
| Evaluate CHPs operating in the LGA and short-list them for the management and development of council's portfolio.  | Direct         | CHPs have different approaches to the management and development of affordable housing reflecting their risk profiles. Preferencing CHPs who have a similar risk profile to the local council ensures a consistent approach towards affordable housing in the LGA.   |
| Prepare an affordable housing portfolio policy.  | Direct         | A portfolio policy can guide the management of a local council's affordable housing dwellings and ensure the efficient management, redevelopment and expansion of a portfolio.   |
| Ensure affordable housing targets in strategic plans are feasibility tested and can be achieved under the current regulatory framework.  | Direct         | Affordable housing targets are useful to spur government action in the sector however if targets are routinely missed, regulatory and political issues can come up. Ensuring targets can be realistically achieved in current market conditions limits the potential for these issues.   |
| Include objectives in the local environmental plan for the provision of affordable housing.  | Direct         | Implementing objectives in a local environmental plan can signal a local council's attitude towards affordable housing and create a legal basis for future policy.   |
| Protect current diverse low-cost market housing.   | Indirect       | As physical dwellings age they depreciate in value (although the underlying value of land can appreciate). This depreciation means older dwellings, particularly residential flat buildings, provide cheaper rents however they are also at a high risk of redevelopment due to lower site acquisition costs. Consideration needs to be given between redevelopment to provide more dwellings and the loss of cheaper accommodation options. |

Waive planning fees for affordable housing applications.

Direct

Planning fees, such as application fees and development contributions, represent a minor but still present cost to development at the important early stages. Waiving these fees can marginally improve the viability of development.

Source: HillPDA 2024

## 6.5 Advocacy and raising awareness

**Table 12: Actions to increase advocacy and awareness**

| Action   | Classification | Comment   |
|--|----------------|---|
| Create a monitor of affordable housing dwellings in the LGA.   | Direct         | Knowing where government, CHP and privately-owned affordable housing dwellings are located in an LGA allows governments to efficiently plan for future delivery, preventing an over-concentration of dwellings in one area.   |
| Advocate to the NSW and Federal Government for policy improvements and direct investment in affordable housing.                              | Direct         | Possessing significant regulatory power, landholdings and funding sources, the NSW and Federal Governments can play a significant role in supporting affordable housing. Local councils can advocate for the governments to use their resources in their LGA.   |
| Promote and showcase examples of different types of affordable housing to address community misconceptions.                                  | Direct         | Community opposition to affordable housing developments presents a significant barrier, delaying project timelines or even causing projects to be abandoned. Ensuring community members are made aware of the importance of affordable dwellings, along with the high standard of modern developments may limit opposition. |
| Advocate for a new standard instrument definition for student housing and investigate appropriate development standards for student housing. | Indirect       | Student housing represents an important form of housing for younger people, providing small and cheap dwellings at a time when they do not have much income. This takes them out of the private rental market, reducing demand for cheaper market dwellings which can instead be inhabited by households.                   |
| Partake in NSW and Federal Government affordable housing initiatives   | Direct         | The NSW and Federal Governments have introduced numerous affordable housing and housing supply initiatives such as the HAFF. This action was raised in a motion by Bayside Council motion.  |

Source: HillPDA 2024

## 7.0 OPTIONS

In Section 6.0, 38 general actions were identified from Local Housing Strategies and Affordable Housing Strategies around NSW. These were broken down into the following categories:

- Delivery of affordable housing dwellings – 9 actions;
- Levying the private market – 6 actions;
- Supply and diversity incentives – 9 actions;
- A supportive delivery framework – 9 actions; and
- Advocacy and raising awareness – 5 actions.

From this identified policy context, stakeholder consultation and the evaluation framework, 10 specific options were developed which Council can pursue within Bayside. Council can pursue any of these options in isolation or together, barring option 10, continue with the current approach. These are:

1. Build affordable housing dwellings;
2. Introduce an AHCS;
3. Introduce bonuses for affordable housing;
4. Improve market supply;
5. Improve market viability;
6. Provide flexibility to affordable housing developments;
7. Advocate and raise awareness;
8. Set affordable housing targets;
9. Develop a supportive voluntary planning agreement framework; and
10. Continue with current approach.

### 7.1 Build affordable housing dwellings

The most direct method of increasing the supply of affordable housing within Bayside is to directly build affordable housing dwellings. This can be done through having Council undertake development itself, Council entering into joint-ventures with CHPs or Council providing surplus land to CHPs.

As a neighbour to Council and one of the leaders in the affordable housing space, the City of Sydney Council substantially supports affordable housing in their LGA. The City of Sydney Council provides an “Affordable and Diverse Housing Fund” to help support the development of new subsidised housing in the LGA along with discounted property sales to CHPs. They also consider the principal strategic objective in the sale of land for affordable housing as the “expeditious delivery of quality affordable housing” and considers the “financial outcome relative to the primary objective of increasing stock and ensuring its longevity.”

Local councils which are interested in supporting affordable housing development through land have completed asset strategies to identify surplus land and consider that for affordable housing. This land can be developed by councils, provided to a CHP or provided to a CHP with a cash contribution to directly initiate development.

Council can progress this option by either:

- Dedicating funds to affordable housing delivery either through general revenue or other revenue streams;
- Identifying surplus land; and

- Considering affordable housing as part of any council development initiative, alongside other community objectives.

**Table 13: Positives and negatives of building affordable housing**

| Positives  | Negatives   |
|--|---|
| <ul style="list-style-type: none"> <li>• Directly delivers affordable housing dwellings;</li> <li>• Can grow the capacity of the CHP sector;</li> <li>• Allows Council some influence in the location and typology of affordable housing;</li> <li>• Can be used to trial innovative housing forms or create a demonstration project; and</li> <li>• Can be completed in partnership with other local councils to reduce costs.</li> </ul> | <ul style="list-style-type: none"> <li>• Intensive one time uses of Council resources;</li> <li>• Potential ongoing uses of Council resources;</li> <li>• Residential development is outside Council’s expertise;</li> <li>• Potential issues with the location of development if Council has limited resources; and</li> <li>• Council as the local government organisation and developer can create potential conflicts of interest.</li> </ul> |

Source: HillPDA 2024

**Table 14: Evaluation of building affordable housing**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 3           |
| Staffing cost to Bayside Council        | 1           |
| Monetary cost to Bayside Council        | 1           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 3           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 3           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.88</b> |

Source: HillPDA 2024

## 7.2 Introduce an affordable housing contributions scheme

AHCSs are methods of levying private development to provide affordable housing, whether directly through dwellings or indirectly through providing land or funds which can be used to develop affordable housing.

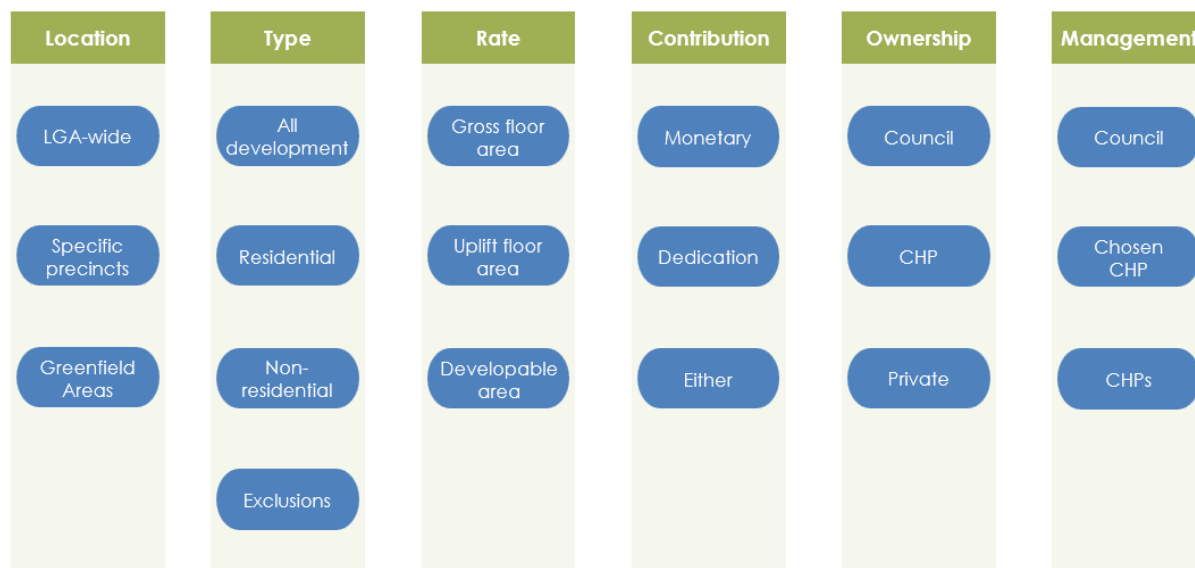
The majority of local councils which have implemented an AHCS have utilised an uplift-based approach where a levy applies to specific areas which are upzoned for an increase in development potential, similar to a Section 7.11 contribution. This is the approach listed within DPHI’s *Guideline for Developing an Affordable Housing Contribution Scheme*. Newcastle City Council is an example of a local council with an uplift-based contribution scheme. An alternative approach is to levy a smaller contribution across the entirety of the LGA, similar to a Section 7.12 contribution. This works better in context where development feasibility is constrained or significant upzonings are not expected. Waverley Council is an example of a local council with a broad-based contribution scheme. The Greater Sydney Urban Development Program recorded 804 dwellings approved from June 2022 to June 2023.<sup>10</sup> Assuming a 2% broad-based contribution, 16 affordable housing dwellings would be delivered. Using Bayside’s annual housing target of 2,020, 40 dwellings would be delivered.

The CHP sector was in general consensus that land and monetary contributions were preferable over dedicated dwellings. A “first right of refusal” with a minimum contribution amount is recommended. Where a contribution will provide over a set amount of floorspace, it is recommended that Council are given the opportunity to accept dedicated dwellings. If these dwellings have a significantly higher value than the monetary contribution which would be provided due to local circumstances, or the dwellings fit within Council’s strategy, they can be accepted. If they are not wanted, the developer would have to provide Council with a monetary contribution.

Figure 12 showcases the different decisions local councils can make in the development on an AHCS, covering the location and development the scheme applies to, how the rate should be calculated, how the contribution should be provided, the owner of contributions and how dedicated affordable housing dwellings are managed.

<sup>10</sup> NSW Government (2024), *Greater Sydney Urban Development Dashboard*.

**Figure 12: HillPDA affordable housing contribution scheme framework**



Source: HillPDA 2024

For any AHCS which is implemented, there is a requirement for it to not unduly impact on development viability.

**Table 15: Positives and negatives of an affordable housing contribution scheme**

| Positives   | Negatives   |
|---|---|
| <ul style="list-style-type: none"> <li>• Delivers a sustained amount of affordable housing within the LGA;</li> <li>• When paired with upzonings and flagged with industry, the impact on development viability can be minimal;</li> <li>• Provides Council with the flexibility to accept dwellings or funds;</li> <li>• Can reduce land speculation;</li> <li>• Council has been asked to investigate an AHCS as part of the LHS’s approval requirements;</li> <li>• Signals Council’s stance on affordable housing supply and provision; and</li> <li>• Uplift-based schemes are supported by the NSW Government.</li> </ul> | <ul style="list-style-type: none"> <li>• If development conditions worsen, affordable housing contributions can compound impacts on viability;</li> <li>• The development industry is opposed to additional government charges;</li> <li>• Requires Council staff to levy, manage and utilise the contributions;</li> <li>• The NSW Government is generally opposed to broad-based contribution schemes; and</li> <li>• Challenging development viability means uplift-based contribution schemes need to involve significant uplift to generate enough value.</li> </ul> |

Source: HillPDA 2024

**Table 16: Evaluation of an affordable housing contribution scheme**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 3           |
| Staffing cost to Bayside Council        | 2           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 2           |
| Consistency with NSW Government policy  | 3           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 3           |
| Stakeholder acceptability               | 2           |
| <b>Total (weighted score)</b>           | <b>3.00</b> |

Source: HillPDA 2024

### 7.3 Introduce bonuses for affordable housing

Another method of directly delivering affordable housing is to introduce bonuses to development which includes affordable housing. If a developer includes affordable housing dwellings within their development, they can be provided with an increase in density provided the development meets other supplementary controls. This is usually provided on a sliding scale, with bonuses increasing proportionally to the amount of housing provided. As opposed to earlier options, after implementation the private development sector has the impetus to deliver affordable housing, not Council.

For private developers, their preference is for affordable housing to be only classified as such for a set period, while CHPs prefer it to be affordable housing in perpetuity. Either option can be pursued, however thought should be given to the impact it has on development. Affordable housing for a set period has a higher value to the developer meaning more affordable housing could potentially be provided for the same bonus.

The Housing SEPP provides FSR bonuses to development which includes a proportion of affordable housing. It provides up to 30% additional FSR for affordable housing dwellings, with a minimum percentage of 10% affordable housing. For the full 30% additional FSR, 15% of dwellings need to be affordable housing. These dwellings remain affordable housing for 15 years. Additional bonuses are provided for relevant authorities and CHPs. In a worked example, a market development of 42 apartments could utilise the standards to increase their development yield to 54 apartments with 8 of those being affordable housing. This directly increases the amount of housing in the LGA and the supply of affordable housing.

Due to the Housing SEPP, any bonuses provided by Council would need to be above the 30% additional floorspace when 15% of dwellings are dedicated as affordable housing for 15 years (called the 30/15/15 standard).

Height bonuses could be considered, however this would have significant unintended impacts on overshadowing, view corridors and bulk. Additional concerns exist over the potential for Obstacle Limitation Surfaces with Sydney Airport. As such, FSR bonuses are recommended if the option is pursued. Some charges could also be waived depending on the amount of affordable housing proposed.

**Table 17: Positives and negatives of affordable housing bonuses**

| Positives  | Negatives  |
|--|--|
| <ul style="list-style-type: none"> <li>Continually delivers affordable housing in the LGA without Council involvement;</li> <li>Increases the amount of market housing supply in the LGA</li> <li>Provides developers with the flexibility to utilise, or not utilise, the provisions in their projects;</li> <li>The Housing SEPP’s provisions can be utilised as a base; and</li> <li>Functions similar to an informal affordable housing contribution scheme or VPA.</li> </ul> | <ul style="list-style-type: none"> <li>Bonuses can increase the bulk of development beyond what was originally planned for;</li> <li>Larger developments can place increased demand on infrastructure;</li> <li>Untried by local councils;</li> <li>FSR bonuses might not be utilised when height controls are restrictive; and</li> <li>Can lead to affordable housing in high strata cost, modern buildings which is inefficient.</li> </ul> |

Source: HillPDA 2024

**Table 18: Evaluation of affordable housing bonuses**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 3           |
| Staffing cost to Bayside Council        | 1           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 2           |
| Precedented in NSW                      | 1           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.81</b> |

Source: HillPDA 2024

## 7.4 Improve market housing supply

An alternative method of increasing housing affordability is to increase the number of dwellings provided within Bayside. This would impact the supply and demand equation, providing increased numbers of market dwellings to meet demand pressures.

This can be done by upzoning areas with high amenity and access to parks, transport and education for future high-density development. Upzoning areas with high amenity allows Council to increase density (and dwelling supply) while minimising the negative externalities of development. Upzoning also has the added benefit of increasing the viability of projects which can then be levied by affordable housing contributions. The development sector raised the potential of upzoning areas where there is a sharp fall in FSRs (for example, dropping from 2.5:1 to 0.5:1 over the street). This sharp fall in FSRs has occurred around some town centres and older 4-storey walk-up RFBs.

Raised in prior Council strategies, Bayside possesses a number of areas such as Brighton Le-Sands, Ramsgate Beach, and Eastlakes that have older walk-up style apartments. The older apartments generally form the ‘market affordable’ stock in the LGA, which if re-developed will need to be sold at a higher price. For example, in Eastlakes, The Grand Residences have sale prices below:

- 1 bed - \$735,000 to \$745,000
- 1 bed plus study - \$785,000 to \$865,000
- 2 bed - \$855,000 to \$1,000,000
- 3 bed - \$1,375,000
- Penthouse (2 bed plus study) - \$1,625,000

These dwellings present a premium offering which is significantly costlier than the median 2 bedroom unit sales price in Eastlake at \$645,000 (reflecting the older walk-up style apartments). When planning areas for rezoning and compliance activity, ensuring that these dwellings remain safe, and promoting areas currently used for single dwelling houses for significant rezoning will help ensure that there remains robust market affordable options in the LGA. As such, an option is to protect current diverse low-cost market housing.

Council can also enable higher density development typologies in additional land use zones. This increases the amount of development sites available, increasing development viability, and allows developers and CHPs to investigate more projects.

Finally, variable density controls by type can encourage landowners and developers to pursue higher density uses. This is particularly useful in areas with high land and dwelling prices as lower-density development (e.g. dual occupancies and townhouses) can prevent future development through high existing use values.

For these options, care needs to be given to ensure that older, low-rise buildings are preserved. These buildings provide low-cost market accommodation to many of Bayside’s residents, enabling them to live affordably.

**Table 19: Positives and negatives of increasing market supply**

| Positives  | Negatives   |
|--|---|
| <ul style="list-style-type: none"> <li>● Increases the supply of higher-density, relatively cheaper market dwellings. For reference, the average strata dwelling was \$940,000 cheaper than the average Torrens Title dwelling;</li> <li>● Council can gain additional revenue through development contributions and affordable housing contributions (if implemented);</li> <li>● Development can revitalise struggling town centres and areas within the LGA; and</li> <li>● CHPs can also take utilise the benefits to deliver affordable housing.</li> </ul> | <ul style="list-style-type: none"> <li>● Increasing development places pressure on infrastructure and local residents;</li> <li>● Council will need to invest significant resources to ensure development corresponds to the local character and fits within its context;</li> <li>● Attempts to improve market supply can increase land speculation; and</li> <li>● Changes such as upzonings are hard to roll back once implemented if market conditions change and they are not needed anymore.</li> </ul> |

Source: HillPDA 2024

**Table 20: Evaluation of improvements to market supply**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 3           |
| Staffing cost to Bayside Council        | 1           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 2           |
| Precedented in NSW                      | 2           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.88</b> |

Source: HillPDA 2024

## 7.5 Improve market viability

The CHP and development sectors have raised that Sydney is in a challenging development environment with significant construction costs, land costs and presales risks affecting development projects. If Council can alleviate some of these costs, or increase revenue, it is likely that some marginally-unviable projects that are currently on hold might be able to progress to construction. This would deliver more market housing and affordable housing in Bayside.

One method is to ease development controls such as minimum lot size, frontage and deep soil area for diverse low-cost market housing. This would enable development to occur on smaller lots, decreasing land acquisition and consolidation costs. Randwick City Council pursued this change in 2022, changing the lot size and frontage requirements for dual occupancy subdivision to increase housing supply. This approach has also been taken by DPHI in the Housing SEPP.

Similarly to the above, but applying to the development itself instead of the land it sits on, Council can introduce flexibility in development controls to allow projects to respond to viability. The different aspects of a dwelling such as its internal area, bedroom mix, parking allocation and balcony size have associated costs with their construction but also add value to the end dwelling. Providing flexibility with these aspects allows developers to minimise costs and maximise revenue (e.g. not delivering parking where the cost of its construction is more than the value it adds to the end dwelling). For housing projects in areas with difficult development conditions, this flexibility can enable otherwise-unpursued projects.

Upzonings allow developers to buy sites, develop them to a higher density and then sell or hold them to receive a financial return. Where landowners speculate on land before a upzoning and increase its price, developments can become unviable. Considering development feasibility and speculation before announcing upzonings can minimise the effect of speculation on development viability. This would generally improve market viability.

In any consideration of altering controls, development viability needs to be balanced against the planning and public benefits that come from the controls being in place.

**Table 21: Positives and negatives to increasing market viability**

| Positives   | Negatives  |
|---|--|
| <ul style="list-style-type: none"> <li>Increases the supply of market dwellings;</li> <li>Council can gain additional revenue through development contributions and affordable housing contributions (if implemented); and</li> <li>CHPs can also take utilise the benefits to deliver affordable housing.</li> </ul> | <ul style="list-style-type: none"> <li>Increasing development places pressure on infrastructure and local residents;</li> <li>Currently approved and viable projects might seek a modification to take advantage of new controls;</li> <li>Allowing greater flexibility in development standards creates the potential for inadequate developments; and</li> <li>Development conditions may change, eliminating the need for or blunting the effectiveness of the approach.</li> </ul> |

Source: HillPDA 2024

**Table 22: Evaluation of increasing market viability**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 2           |
| Staffing cost to Bayside Council        | 1           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 2           |
| Precedented in NSW                      | 2           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.50</b> |

Source: HillPDA 2024

## 7.6 Create a supportive framework for affordable housing

A point repeatedly raised in stakeholder consultation was that CHPs operating within Bayside are not market developers. The CHPs take a reduced financial yield on their developments and subject themselves to strict internal requirements to deliver a social good. Recognising this, CHPs have raised the potential for additional support in the development and management of affordable housing.

Other local councils in NSW have signed a memorandum of understanding or collaboration agreement with registered CHPs and Homes NSW to assist in managing, partnering and advocating for affordable housing in the LGA. If Council follows a similar process with a shortlist of CHPs in the area, a comprehensive understanding of each other’s views and goals can be gained. This can increase collaboration and the efficiency of affordable housing delivery and management.

Knowing where government, CHP and privately-owned affordable housing dwellings are located in an LGA allows Council and CHPs to efficiently plan for future delivery, preventing an over-concentration of dwellings in one area. Creating a monitor of affordable housing dwellings in the LGA accessible only by Council or CHPs can be beneficial.

Consultation indicated a lack of understanding of affordable housing and difficulties applying Council’s planning controls leading to significant risk in affordable housing development. Having a designated officer for affordable housing DAs in Council can create efficiencies in the application process, decreasing costs and delays. One CHP even noted that they had been provided a local council staff member to assist in their operations temporarily.

Another point raised in consultation was that while Council’s affordable housing tenancy policy is beneficial, having an affordable housing portfolio policy would also be beneficial. Recognising that affordable housing is a continually changing and evolving space, having a portfolio policy to control the management, redevelopment and expansion Council’s portfolio would be beneficial in drawing the maximum value from the dwellings. For instance, expensive dwellings in high strata and maintenance buildings could be sold and used to fund additional housing elsewhere in Bayside.

Finally, Council could include objectives relating to affordable housing in the LEP to create a legal basis for future policies and work in the area.

**Table 23: Positives and negatives of creating a supportive framework for affordable housing**

| Positives   | Negatives   |
|---|---|
| <ul style="list-style-type: none"> <li>Greater support for CHPs makes Bayside more attractive than other LGAs, increasing local affordable housing supply;</li> <li>Creating a supportive framework signals Council’s commitment to housing affordability; and</li> <li>Sustainable and efficient use of Council’s affordable housing portfolio can increase the number of residents house</li> </ul> | <ul style="list-style-type: none"> <li>Creating a memorandum of understanding with multiple CHPs can be a time-consuming process unless all parties are on the same page;</li> <li>Planning officers are a valuable resource and in-demand; and</li> <li>Effectively managing an affordable housing portfolio has significant financial and social challenges.</li> </ul> |

Source: HillPDA 2024

**Table 24: Evaluation of a supportive framework for affordable housing**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 2           |
| Staffing cost to Bayside Council        | 2           |
| Monetary cost to Bayside Council        | 2           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 3           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 3           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.75</b> |

Source: HillPDA 2024

## 7.7 Advocate and raise awareness

Council has a relatively limited ability to influence policy and investment in affordable housing. Recognising this, Council can advocate and raise awareness on the issue of housing affordability in Bayside to other government and non-government bodies.

As the holders of substantial funds and policy powers, Council can continue to advocate to the NSW Government and Federal Government to either investment or supportive policies. This can involve the development of NSW Government and Federal Government land for affordable housing purposes. In these situations, there is usually a targeted affordable housing percentage in their development actions. A 30% target was raised in the *Six Cities Discussion Paper*.

In addition, CHPs and development sector have reported that community opposition can create a barrier to affordable housing development. There are perceptions that affordable housing and boarding houses can bring “undesirable” or “unemployed” to the area. This has been reiterated by real estate agents who advised that the inclusion of affordable housing might compromise sale prices (something that we have not seen play out in actual developments). Highlighting successful examples of affordable housing with high quality design and the role tenants play in the Bayside or Greater Sydney community is critical to addressing community misconceptions.

**Table 25: Positives and negatives of advocacy and raising awareness**

| Positives  | Negatives   |
|--|---|
| <ul style="list-style-type: none"> <li>Advocacy only requires a minor investment of Council resources but can deliver substantial benefits;</li> <li>Even if NSW Government or Federal Government support is not gained, increasing awareness from advocacy is beneficial; and</li> <li>Having a greater community understanding of affordable housing can reduce the risks CHPs face in development.</li> </ul> | <ul style="list-style-type: none"> <li>Advocacy fatigue can occur if numerous efforts are made with minimal results; and</li> <li>It can be difficult to target advocacy and community education efforts in the right areas.</li> </ul> |

Source: HillPDA 2024

**Table 26: Evaluation of advocacy and raising awareness**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 1           |
| Staffing cost to Bayside Council        | 2           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 3           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.44</b> |

Source: HillPDA 2024

## 7.8 Set affordable housing targets

Affordable housing targets represent a public commitment by Council to affordable housing in the LGA and provides a rationale for, and driver of, actions in the affordable housing space which encourages increased affordable housing delivery. These actions can be a flat number of affordable dwellings provided each year or a percentage of dwellings delivered each year. This target can include a goal for council’s development actions. The *Six Cities Discussion Paper* recommended a 30% target for government development actions.

While useful, if affordable housing targets are routinely missed, regulatory and political issues can come up. As such, any targets should be comprehensively investigated and tested to ensure they are realistically achievable in market conditions and the current regulatory framework.

As a note, Bayside’s annual dwelling target was recently updated to be 2,020 dwellings per year until 2029. For illustrative purposes a 5% affordable housing target would be 101 affordable housing dwellings per year.

**Table 27: Positives and negatives of an affordable housing target**

| Positives   | Negatives   |
|---|---|
| <ul style="list-style-type: none"> <li>Affordable housing targets prompt a whole-of-council approach to delivering affordable housing; and</li> <li>Creating an affordable housing target sends a clear message to the community and development industry.</li> </ul> | <ul style="list-style-type: none"> <li>If targets are routinely missed, regulatory and political issues can occur; and</li> <li>Targets do not account for changing market conditions. If development viability significantly changes, a reasonable target previously could become unreasonable.</li> </ul> |

Source: HillPDA 2024

**Table 28: Evaluation of an affordable housing target**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 1           |
| Staffing cost to Bayside Council        | 2           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 2           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.38</b> |

Source: HillPDA 2024

## 7.9 Develop supportive voluntary planning agreement framework

Similar to an AHCS but acting on individual developments. Council can create a VPA policy to set out the criteria and methodology for requiring affordable housing as part of proponent-led rezonings. Uplift-based affordable housing contribution schemes help levy affordable housing in specified areas when combined with rezoning and broad-based contribution schemes which levy a small amount of housing across the LGA. Where a developer seeks uplift outside of the application of an AHCS, a VPA would be needed to ensure affordable housing is delivered. A VPA policy can set out the methodology for levying affordable housing contributions and the expected rate. This creates certainty for developers and local councils. One risk in this approach is that VPAs are voluntary and need to provide benefits to both the Council and the proponent, a VPA is not always the most appropriate mechanism to require contributions. An alternative is to have a clause similar to Waverley LEP that seeks to capture a similar portion of the uplift for a planning proposal.

Affordable housing contributions on VPAs are negotiated so that the development will not be unduly charged and lose its viability. Undertaking feasibility studies of developments on the Council’s side can inform discussions and ensure contributions are efficiently levied. The Sydney North Planning Panel has previously asked, as part of the planning proposal process, that proponents prepare an affordable housing viability report to consider affordable housing on planning proposals in the Ku-Ring-Gai LGA.

**Table 29: Positives and negatives of a supportive voluntary planning agreement framework**

| Positives  | Negatives  |
|--|--|
| <ul style="list-style-type: none"> <li>Allows a dialogue between Council and developers rather than a strict contribution rate;</li> <li>Can levy affordable housing independently, or in support, of an AHCS;</li> <li>Responsive to the needs and context of individual developments; and</li> <li>Allows higher contributions to be charged in certain situations; and</li> <li>Can apply anywhere in the LGA.</li> </ul> | <ul style="list-style-type: none"> <li>Can be time and resource intensive for Council to pursue;</li> <li>VPAs need to provide benefits to Council and the applicant;</li> <li>Can be confusing for the general public;</li> <li>Cannot be easily scaled in application as it works on a case-by-case basis; and</li> <li>VPAs are voluntary.</li> </ul> |

Source: HillPDA 2024

**Table 30: Evaluation of a supportive voluntary planning agreement framework**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 2           |
| Staffing cost to Bayside Council        | 1           |
| Monetary cost to Bayside Council        | 2           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 2           |
| Consistency with Bayside Council policy | 3           |
| Precedented in NSW                      | 3           |
| Stakeholder acceptability               | 3           |
| <b>Total (weighted score)</b>           | <b>2.56</b> |

Source: HillPDA 2024

## 7.10 Continue with current approach

Council can continue its current approach to affordable housing, opportunistically entering into VPA on major sites (as happened on the British American Tobacco Association Site), managing a modest portfolio of affordable housing and working with CHPs on a case-by-case basis.

Saying this, it should be noted that in the *Bayside Affordable Housing Evidence Base Final Report*, it was found that a gap of over 11,000 social and affordable dwellings will remain by 2041 without additional action or investment on Council's part.

**Table 31: Positives and negatives of continuing with the current approach**

| Positives  | Negatives  |
|--|--|
| <ul style="list-style-type: none"> <li>No additional investment of Council resources.</li> </ul> | <ul style="list-style-type: none"> <li>No additional changes in the affordable housing situation.</li> </ul> |

Source: HillPDA 2024

**Table 32: Evaluation of continuing with the current approach**

| Criteria                                | Score       |
|---|-------------|
| Size of the impact                      | 1           |
| Staffing cost to Bayside Council        | 3           |
| Monetary cost to Bayside Council        | 3           |
| Cost to industry                        | 3           |
| Consistency with NSW Government policy  | 1           |
| Consistency with Bayside Council policy | 1           |
| Precedented in NSW                      | 1           |
| Stakeholder acceptability               | 2           |
| <b>Total (weighted score)</b>           | <b>2.06</b> |

Source: HillPDA 2024

## 8.0 NEXT STEPS

Housing affordability is a pressing issue in the Bayside community with a need for 11,000 affordable housing dwellings by 2041, or about 500 dwellings per year. To meet this need there are numerous options Council can pursue. Council can directly deliver affordable housing dwellings or indirectly increase housing affordability (reducing the affordable housing need) through increasing the supply of cheaper market housing.

To help inform the development of an approach to affordable housing and housing affordability, 10 potential options for intervention were identified and evaluated based on a multi-criteria analysis. The categories of which are as follows:

- Size of the impact on affordable housing or housing affordability;
- Staffing cost to Council;
- Monetary cost to Council;
- Cost to the development industry;
- Consistency with NSW Government policy;
- Consistency with Council policy;
- Precedented in NSW; and
- Stakeholder opinion.

This analysis returned the following results:

**Table 33: Multi-criteria analysis of the options**

| Option  | Result |
|---|--------|
| Introduce an affordable housing contributions scheme        | 3.00   |
| Build affordable housing dwellings                          | 2.88   |
| Improve market housing supply                               | 2.88   |
| Introduce bonuses for affordable housing                    | 2.81   |
| Create a supportive framework for affordable housing        | 2.75   |
| Develop a supportive voluntary planning agreement framework | 2.56   |
| Improve market viability                                    | 2.50   |
| Advocate and raise awareness                                | 2.44   |
| Set affordable housing targets                              | 2.38   |
| Continue with current approach                              | 2.06   |

Source: HillPDA 2024

Identifying a number of options for further investigation will help ensure Council has a balanced and context-specific approach to affordable housing and housing affordability. This approach will both support the 18% of households in Bayside which have a need for affordable housing and help market development meet Bayside's broad housing targets and provide a home to current and future residents.

# APPENDIX A : STATE LEGISLATIVE AND POLICY CONTEXT

Understanding the importance of housing affordability and affordable housing to Metropolitan Sydney and NSW as a whole, there is a significant legislative framework surrounding the issue. This framework is made up of the following items:

- *Environmental Planning and Assessment Act 1979 (EP&A Act)*;
- *Environmental Planning Assessment (Planning Agreements) Directions 2019*;
- *State Environmental Planning Policy (Housing) 2021 (Housing SEPP)*;
- *Planning Agreements Practice Note (2021)*;
- *State Environmental Planning Policy (Housing) 2021*;
  - Chapter 2 – Affordable housing;
  - Chapter 3 – Diverse housing;
  - Chapter 5 – Transport oriented development;
- *State Environmental Planning Policy (Low and Mid Rise Housing) 2024* (not released);
- *Greater Sydney Region Plan (2017)* and *Six Cities Discussion Paper (2021)*;
- *Bayside Local Environmental Plan 2021 (Bayside LEP)*;
- Affordable housing planning reforms, practice notes and planning circulars;
- *NSW Affordable Housing Ministerial Guidelines 2023/24 (2023)*; and
- Southern Sydney Regional Organisation of Councils (SSROC).

## A.1 Environmental Planning and Assessment Act 1979

Affordable housing plays a key role in the EP&A Act, the overarching legislation covering urban planning in NSW, with one of the ten key objectives of the Act to promote the delivery and maintenance of affordable housing<sup>11</sup>. Under the Act, local councils:

- May introduce provisions into their local environmental plans to provide, maintain and retain, and regulate any matter relating to, affordable housing;<sup>12</sup>
- Must consider certain matters when determining development applications, including the likely social impacts of the development and the public interest;<sup>13</sup>
- May enter into a planning agreement with a developer as part of a planning proposal or development application<sup>14</sup> requiring dedication of land free of cost, to pay a monetary contribution, or provide any other material public benefit, or any combination of them, to be used for or applied towards a public purpose (which can include the provision of affordable housing).<sup>15</sup>

<sup>11</sup> Environmental Planning and Assessment Act (1979), Clause 1.3(d)

<sup>12</sup> Environmental Planning and Assessment Act (1979), Clause 3.14(d)

<sup>13</sup> Environmental Planning and Assessment Act (1979), Clause 4.15(b) and (e)

<sup>14</sup> Environmental Planning and Assessment Act (1979), Clause 7.32(3)(b)

<sup>15</sup> Environmental Planning and Assessment Act (1979), Clause 7.4(2)(b)

Part 7 Infrastructure contributions and finance, Division 7.2 Affordable Housing Contributions covers conditions requiring land or contributions for affordable housing and requirements around the provision of affordable housing. This division sets the basis for AHCS's which is expanded within the Housing SEPP.

## **A.2 Environmental Planning Assessment (Planning Agreements) Directions 2019**

The direction lays out that under the NSW contributions system, a council may only impose a condition of development consent requiring contributions towards affordable housing if it has an AHCS in place, and the scheme is authorised by the council's local environment plan.

## **A.3 Planning Agreements Practice Note (2021)**

Under the current NSW contributions framework, affordable housing can be secured through a VPA as part of the rezoning process where a proposal involves residential uplift. DPHI's Planning Agreements Guideline promotes VPAs as a flexible and innovative mechanism to fund growth infrastructure including affordable housing.

However, VPAs are not without their challenges. Firstly, it is common for developers to refuse to enter into a VPA on the basis that delivering affordable housing on-site would render their development unfeasible. Similarly, many claim that they do not have adequate cash flow to make a monetary contribution towards affordable housing off-site (cash contributions are commonly required prior to the issue of a construction certificate). Since VPAs are voluntary, a council cannot refuse to progress a proposal on the basis that the developer refused to enter into a VPA.<sup>16</sup> Another shortcoming of VPAs is that they can be time consuming and costly to negotiate, prepare and manage in the long term. Protracted negotiations often create delays in decision-making, increasing uncertainty and risk for developers and creating an administrative burden for councils.

## **A.4 State Environmental Planning Policy (Housing) 2021**

Part 1 of Chapter 2 of the Housing SEPP identifies the need for affordable housing across NSW and sets out requirements that a local council, as a consent authority, must consider before imposing an affordable housing condition on a development consent in accordance with Clause 7.32 of the EP&A Act. As discussed in Section 0, Council may only impose a condition of development consent requiring affordable housing contributions if it has an affordable housing scheme in place that is authorised by its local environmental plan.

Chapter 2 of the Housing SEPP contains planning provisions to promote the delivery of diverse and affordable housing options across the state, including affordable infill housing (attached dwellings, dual occupancies, dwelling houses, manor houses, multi dwelling housing, residential flat buildings, semi-detached dwellings and shop top housing) and boarding houses.

As a separate and distinct mechanism to facilitate the delivery of affordable housing, Part 2, Division 1 of Chapter 2 of the Housing SEPP provides voluntary inclusionary zoning incentives. That is, a floor space ratio (**FSR**) bonus and other non-discretionary development standards to offset the on-site delivery of affordable infill housing. The bonus FSR provisions are voluntary and currently only apply to development that proposes to use a minimum 20% of the total floor space as affordable housing. Larger floor space bonuses are available as the percentage of affordable floor space increases, with bonuses capped for developments that include at least 50 per cent of gross floor area (**GFA**) as affordable housing. The nominated affordable housing dwellings must be used for affordable housing and managed by a registered CHP for a minimum 15 years.

In June 2023, the NSW Government announced that the Housing SEPPs bonus provisions will be revised to provide further incentives for developers to provide affordable housing on-site. This will likely include height and density bonuses of up to 30 per cent for developments that propose at least 15 per cent affordable and social

<sup>16</sup> Planning Agreements Practice Note (2021), p. 4

housing to be used for that purpose for at least 10 years. Developments with a capital investment value of at least \$75 million may also be determined as State Significant Development.

Across NSW, there has been low uptake of the Housing SEPP's voluntary inclusionary zoning provisions<sup>17</sup> which are likely to persist in certain areas despite the proposed further incentives. This is particularly the case for areas with relatively low land values. Key impediments include:

- Difficulties in accommodating the full FSR bonus while complying with development standards and other local council controls such as those relating to height of building, setbacks and landscaping, and uncertainty around the application of Clause 4.6 to vary development;
- The availability of other local environmental plan bonuses (for example, design excellence provisions) that offer better incentives which allow for additional FSR without the requirement to deliver affordable housing; and
- Financing limitations due to the requirement that affordable housing floor space must be used for that purpose for a minimum 15 years and managed by a CHP.

In general, there are a range of barriers to delivering infill development,<sup>18</sup> including:

- Higher construction costs for medium and high-density dwellings compared with those for detached dwellings, including land acquisition and demolition costs for infill;
- Difficulties aggregating and preparing land for construction;
- Delays in securing development finance;
- Lengthy and sometimes uncertain planning and development assessment processes;
- Securing legal title for high density residential projects; and
- Community opposition to infill and to medium to high-density dwellings.

Chapter 5 of the Housing SEPP covers the first stage of the NSW Government's transport oriented development (TOD) reforms. The controls apply within 400m of 37 stations to deliver more affordable, well-designed and well-located homes. The new planning controls introduced include permissibility, building height, FSR, lot size and width, street frontages, heritage and apartment design. In addition to these controls, there is a 2% mandatory affordable housing contribution, delivered onsite and in perpetuity for developments with a minimum GFA of 2,000sqm. Affordable housing must be managed by a registered CHP. The percentage of the affordable housing contribution is expected to be increased over time.

## **A.5 State Environmental Planning Policy (Low and Mid Rise Housing) 2024 (not released)**

In parallel with the TOD changes, the NSW Government has been investigating potential planning system changes to encourage the delivery of a range of low and mid rise housing. The reforms are looking at a range of opportunities to unlock supply of low rise housing like terraces and dual occupancies and mid rise housing of up to 6 storeys in well-located areas. Reforms will contribute to more housing diversity and affordability as well as creating thriving local communities. The proposed reforms seek to:

- Allow dual occupancies (two separate homes on a single lot), such as duplexes, in all R2 low density residential zones across all of NSW.
- Allow terraces, townhouses and 2 storey apartment blocks near train stations and key town centres in R2 low density residential zones across the Greater Sydney region, Hunter, Central Coast and Illawarra Shoalhaven (Six Cities Region).

<sup>17</sup> *Explanation of Intended Effects: Proposed amendments to the in-fill affordable housing, group homes, supportive accommodation and social housing provisions of the State Environmental Planning Policy (Housing) 2021 (2022)*, p. 9.

<sup>18</sup> National Housing Supply Council

- Allow mid-rise apartment blocks near train stations and key town centres in R3 medium density zones across the Six Cities Region.
- Introduce new planning controls, such as floor space and height allowances, that encourage low- and mid-rise housing in well-located areas.<sup>19</sup>

An explanation of intended effect for the changes was on public exhibition from 15 December 2023 to 23 February 2024. DPHI is now considering feedback and is expected to finalise the reforms in mid-2024.

## A.6 Greater Sydney Region Plan (2017) and Six Cities Discussion Paper (2021)

In 2017, the Greater Cities Commission released the *Greater Sydney Region Plan* which proposed a 5-10% affordable housing contribution on housing uplift provided it doesn't remove development viability. Four years later, in 2021, the Greater Cities Commission released the *Six Cities Discussion Paper* which proposed a 10% affordable housing contribution to housing uplift (without a consideration of viability) and that 30% of dwellings delivered on Government land should be social and affordable housing.

In 2023, the Greater Cities Commission published the outcomes of community and stakeholder engagement for the *Six Cities Discussion Paper*. In response to Region Shaper 3: Housing supply, diversity and affordability, extensive feedback was received from local councils, Government agencies, industry, advocacy and associations, not-for-profits, housing providers and Regional Shaper Roundtables. Key feedback is summarised below:

- Infrastructure planning and delivery is critical to support housing supply;
- Local councils generally support specific targets for social, adaptable, affordable and diverse housing within their LGAs, with many requesting a clear definition and separate targets for each housing tenure type;
- Industry, advocacy and associations generally expressed support for specific targets but raised that feasibility testing is needed to ensure the five, 10 and 20-year targets are achievable and will not negatively impact local character;
- Regional Shaper Roundtables suggested a minimum affordable housing target of 10% could be included in LEPs;
- Housing providers indicated strong support for affordable, social and diverse housing targets; raised the need for clear and binding LGA-wide targets; expressed support for a 10% affordable housing target as a minimum with consideration for alternative approaches in LGAs with limited rezoning opportunities; and recommended the inclusion of sub-categories within targets such as housing diversity, location and affordability; and
- Not-for-profits expressed general support for the increase in housing targets, particularly for social, affordable, and diverse housing models. There was general acknowledgement that the private market alone does not adequately meet the needs of all members of society and therefore targets for affordable, social and diverse housing are required with transparent accountability measures to monitor and report on delivery.

The Greater Cities Commission was dissolved on 1 January 2024 with the majority of the commission's functions integrated into DPHI. In addition, the Commission's policies and strategies have been integrated into DPHI however it remains to be seen what impact these policies will have on the State Government's strategic direction for affordable housing. In particular, the NSW Government has been clear about the importance of viability in affordable housing contributions which contradicts the *Six Cities Discussion Paper's* unconditional 10% charge.

The *Greater Sydney Region Plan* is still in effect however the status of the *Six Cities Discussion Paper* is unclear but unlikely to be progressed.

<sup>19</sup> See: <https://www.planning.nsw.gov.au/policy-and-legislation/housing/diverse-and-well-located-homes>

## A.7 Guideline for Developing an Affordable Housing Contributions Scheme (2019)

The *Guideline for Developing an Affordable Housing Contributions Scheme* was released in 2019 to guide local councils in their preparation of AHCSs which fulfill relevant legislative requirements. Within the guideline, a “uplift-based” approach is identified where contributions are levied on development applications in areas subject to rezoning for higher densities, capturing some of the increased value experienced by landowners and developers. The guideline also identifies “special infrastructure contributions” and “voluntary planning agreements” as alternative methods of levying affordable housing contributions. Not captured within the guideline is an “inclusionary-based” AHCS approach where development in a specified area pays development contributions (typically at a lower level than uplift-based contributions) regardless of whether the area is upzoned or not.

The guidance identifies four main steps in the preparation of AHCS, being:

- Establish an evidence base (completed in Bayside);
- Identify areas for rezoning (underway);
- Establish an affordable housing contributions rate (not yet started); and
- Produce the scheme (not yet started).

At this moment, an Affordable Housing Evidence Base has been established and six areas have been identified for rezoning meaning the only barriers left to the implementation of an AHCS in Bayside are to establish a contributions rate and produce the scheme.

## A.8 Bayside Local Environmental Plan 2021

The Bayside LEP does not currently contain any major provisions relating to affordable housing. If a AHCS is pursued in Bayside in the future, relevant clauses will be added to the LEP to allow Council to collect affordable housing contributions.

## A.9 NSW Affordable Housing Ministerial Guidelines 2023/24 (2023)

The NSW Affordable Housing Ministerial Guidelines set out the legislative and policy framework for CHPs which are delivering affordable housing with financial assistance from the NSW Government or were developed under the Housing SEPP.

Applying to CHPs, the guidelines are mainly focused on tenancy, tenant types and rents which are not overly relevant to Council. Saying this, Section 16 to 20 of the guideline focus on portfolio management which can inform Council policy. Specifically relevant points were:

- Affordable housing supply will also make best use of assets by borrowing against them to deliver more housing;<sup>20</sup>
- Rent and allocations policy needs to achieve a balance between meeting housing need across the range of income bands and the sustainable operation for the affordable housing portfolio, including meeting the cost of private finance;<sup>21</sup> and
- Community housing providers may dispose of affordable housing stock they own to better meet demand, realise capital growth or redevelop to a higher density.<sup>22</sup>

<sup>20</sup> NSW Affordable Housing Ministerial Guidelines (2023), p. 15.

<sup>21</sup> NSW Affordable Housing Ministerial Guidelines (2023), p. 15.

<sup>22</sup> NSW Affordable Housing Ministerial Guidelines (2023), p. 16.

## A.10 Southern Sydney Regional Organisation of Councils

The SSROC has been active in the affordable housing space for a significant amount of time, from funding research into the effectiveness of previous affordable housing policies to advocating directly to the NSW Government.

Partnering with Resilient Sydney or Urbanista, SSROC has developed numerous resources which can be utilised by Councils to assist in the preparation of AHCSs. These resources do not possess any legislative requirements by themselves but were prepared to adequately meet legislative requirements at the time of their preparation. Relevant ones are as follows:

- Resilient Sydney – Affordable housing contribution scheme – DRAFT supplementary implementation guide;
- Resilient Sydney – Affordable housing contribution scheme – DRAFT template Resilient Sydney;
- Urbanista report – Affordable Housing Contribution Scheme Overview and Recommendations;
- Urbanista report – Affordable Housing Contribution Scheme Evidence Base Urbanista report – Affordable Housing Contribution Scheme Compendium;
- Urbanista report – Affordable Housing Contribution Scheme Resources;
- Urbanista report – Affordable Housing Contribution Scheme Base Template; and
- Urbanista Report – Affordable Housing Contribution Scheme – Standard LEP Clause.

## APPENDIX B : LOCAL STRATEGIC FRAMEWORK

### B.1 Bayside Local Strategic Planning Statement (2020)

The *Bayside Local Strategic Planning Statement (2020) (LSPS)* provides a strategic land use vision for Council and aligns local planning and services delivery with relevant Regional and District Plans. Included in the LSPS is the Bayside Land Use Vision 2036 which says, among other things, that Council will:

*“Ensure our land use planning controls encourage a mix of dwelling types and increase the number of affordable rental housing to meet the housing needs of our community. This will include a review of our land use planning controls to encourage more medium density development, not just apartments.”<sup>23</sup>*

This vision summarises Council’s high-level stance on housing affordability, being that there are two main levers available, either to indirectly encourage housing affordability (a mix of dwelling types) or directly increase the amount of affordable rental dwellings.

Setting up the background to the issue, the LSPS notes that a lack of affordable housing is serious and increasing problem across Metropolitan Sydney and Bayside, driven primarily by house prices outpacing incomes. Between 2006 and 2016, the median dwelling price across Sydney increased by 88% while median personal income only increased by 39%. Whilst the median dwellings prices did not increase in Bayside as much as other parts of Sydney, observed increases have still outpaced incomes.<sup>24</sup>

This disparity between income and housing prices led property ownership to become more and more unattainable for households and increased reliance on the private rental sector. Recognising this failure of the private market to adequately provide housing for the community, the LSPS raises direct avenues of intervention:

*“Council can also have a role in providing affordable rental housing in the non-market housing sectors. This includes provision of services and crisis accommodation, through requiring development contributions for affordable rental housing as well as by negotiating for affordable rental housing through voluntary planning agreements (VPAs).”<sup>25</sup>*

In addition to this direct intervention in the provision of affordable housing, the LSPS also raises that having a range of dwelling types and tenures at different price points makes it easier for people to live in a dwelling that suits their income and lifestyle need, indirectly increasing housing affordability. As a specific example, it was said that parts of Bayside, particularly in the eastern area, are still comparatively affordable due to the presence of ageing apartment stock.<sup>26</sup>

Table 34 below shows actions related to affordable housing which were included in the LSPS.

**Table 34: Local Strategic Planning Statement housing affordability actions**

| Action | Description  | Status  |
|--------|--|---|
| 8.1    | Prepare an affordable housing policy to meet the requirements of the eastern City district Plan in relation to affordable rental housing and the different mechanisms Council will use to address this need. | Underway – subject to direction from Council          |
| 8.2    | Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for affordable rental housing.                            | Underway – subject to further assessment from Council |

<sup>23</sup> Bayside Local Strategic Planning Statement (2020), p. 9.

<sup>24</sup> Bayside Local Strategic Planning Statement (2020), p. 19.

<sup>25</sup> Bayside Local Strategic Planning Statement (2020), p. 59.

<sup>26</sup> Bayside Local Strategic Planning Statement (2020), p. 19.

8.3 develop a community housing provider governance framework to facilitate the ongoing management and delivery of affordable rental housing. Completed

|     |  |  |
|-----|--|--|
| 8.4 | Develop a Voluntary Planning Agreement policy to facilitate agreements in instances where an Affordable Housing Contributions scheme does not apply. | Completed – specifics around affordable housing are subject to Council |
|-----|--|--|

8.5 Work with key agencies, including NSW Land and Housing Corporation and other stakeholders, to deliver affordable rental housing and advocate for policies and controls that promote housing Ongoing

Source: Bayside Council 2020

## B.2 Bayside Local Housing Strategy (2021)

The *Bayside Local Housing Strategy (2021) (LHS)* is Council’s plan for delivering 26,021 dwellings by 2036 to accommodate the needs of the Bayside community. Within the LHS are considerations to ensure that this expected growth in dwellings also responds to housing affordability issues. Specifically Objective 4 of the LHS which is:

*“Housing affordability in Bayside would be improved, with relatively affordable housing protected and additional affordable rental housing provided.”<sup>27</sup>*

Building on the cause of unaffordability identified within the LSPS, the LHS also states that the cost of housing in Bayside has outpaced income growth, placing many households in stress. Going further however, it states rental housing in the LGA is typically unaffordable or very unaffordable for households with average incomes.<sup>28</sup>

This lack of affordability causes numerous economic and social issues in Bayside. The LHS raises that many employers in Bayside depend on people who earn low to moderate incomes for entry-level positions. Decreasing affordability means lower paid workers may no longer be able to afford to live in Bayside and will reduce the pool of lower skilled labour available to local businesses, limiting their ability to grow and provide services in the LGA. Housing unaffordability can also have social implications. If residents move out of Bayside in response to high housing cost, it can disrupt existing community ties and result in social isolation.

In an important note, the LHS raises that simply increasing dwelling supply will not always increase housing affordability (through increasing supply and affecting the supply/demand equation). The redevelopment of relatively affordable walk-up apartments with new, expensive high-rise units would increase rents and decrease housing affordability. This is particularly an issue in certain precincts in the Bayside LGA with a large proportion of relatively low-cost rental housing in the form of older apartments such as Eastlakes, Hillsdale, Brighton Le Sands, Kogarah and Bexley.<sup>29</sup>

In terms of actions to increase housing affordability and affordable housing, the LHS echoes the dual action pathway identified in the LSPS, combining direct and indirect actions to both deliver increased housing which is affordable and ensure existing housing delivery is more efficient. The following five direct and indirect actions available for Council to promote increased housing affordability are identified in the LHS:

- Direct
  - Increase the supply of affordable and social housing through development contributions, including through value sharing contributions mechanisms.

<sup>27</sup> Bayside Local Housing Strategy (2021), p. 6

<sup>28</sup> Bayside Local Housing Strategy (2021), p. 5

<sup>29</sup> Bayside Local Housing Strategy (2021), p. 34

- Advocacy and partnerships with both NSW Land and Housing Corporation and Community Housing Providers. This would recognise the limited role that local government can play in direct affordable housing provision, while considering the use of Council land resources in partnership projects with community housing providers (this is an indirect action method, motivating government bodies to deliver more affordable housing).
- Indirect
  - Limiting redevelopment to protect parts of Bayside which contain concentrations of relatively affordable housing and limiting the displacement of existing residents (this is an indirect action method, limiting the impact of development on cheaper existing dwellings).
  - Ensuring that there is sufficient supply of housing by the private sector by maintaining enough housing capacity. A constraint on development supply would be likely to decrease affordability, but sufficient supply is not enough by itself to ensure that housing is affordable (this is an indirect action method, increasing supply to limit the increases in house prices).
  - Facilitating a diverse range of housing supply, including medium density housing opportunities within walkable distance of local centres with good public transport accessibility. This will provide a broader range of housing choices at different price points, with medium density housing providing a more affordable Torrens-titled alternative to detached housing (this is an indirect action).

Speaking about development contributions specifically, the LHS notes that the *Eastern City District Plan* (2018) requires local councils to develop an affordable housing contributions scheme. The approach recommended is an uplift-based approach where a portion of the uplift generated through planning changes can be levied for the purpose of providing affordable housing. This could be pursued through an AHCS, previously SEPP 70, or a VPA policy. Specifically, the LHS says

*“Bayside will consider both approaches in tandem to address unmet demand for affordable housing. This will involve investigation of a SEPP 70 contribution and a VPA policy.”<sup>30</sup> (p. 47)*

Table 35 below shows actions related to affordable housing which were included in the LSPS.

**Table 35: Bayside Local Housing Strategy affordability actions**

| Action | Description   | Status   |
|--------|---|--|
| 4.1    | Develop an affordable housing strategy that meets the requirements of the Eastern City District Plan.   | Underway – subject to direction from Council                           |
| 4.2    | 1. Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for affordable housing. | Underway – subject to direction from Council                           |
| 4.3    | Develop a voluntary planning agreement (VPA) policy to facilitate VPAs in instances where an affordable housing contributions scheme does not apply.                          | Completed – specifics around affordable housing are subject to Council |
| 4.4    | Continue to engage with NSW Land and Housing Corporation regarding the retention, upgrade and potential expansion of publicly owned social housing in Bayside.                | Ongoing  |
| 4.5    | Investigate potential partnerships with community housing providers to facilitate affordable housing provision.   | Underway – subject to direction from Council                           |

<sup>30</sup> Bayside Local Housing Strategy (2021), p. 47

|     |  |         |
|-----|--|---------|
| 4.6 | Protect clusters of walk-up apartments from redevelopment to maintain the existing supply of rental housing that is relatively affordable. | Ongoing |
|-----|--|---------|

Source: Bayside Council 2021

### B.3 Bayside Local Housing Strategy Implementation and Delivery Plan (2023)

The *Bayside Local Housing Strategy Implementation and Delivery Plan* provides the framework to implement the LHS, laying out project name, details, plans, status, milestones, risks and funding among other things. Relevant to affordable housing and the delivery of housing generally are the following.

**Table 36: Bayside Local Housing Strategy Implementation and Delivery Plan actions**

| Action | Description  | Status   |
|--------|--|--|
| 1.01   | Plan for housing targets of 10,150 additional dwellings between 2016 and 2021, 7720 additional dwellings between 2021 and 2026 and 8,151 additional dwellings between 2021 and 2026. | Underway   |
| 1.02   | Plan for housing targets of 10,150 additional dwellings between 2016 and 2021, 7720 additional dwellings between 2021 and 2026 and 8,151 additional dwellings between 2021 and 2026. | Ongoing  |
| 2.1    | Investigate and plan for Arncliffee, Banksia, Rockdale Town Centre, (West) Kogarah, Carlton, Bexley North, Brighton Le Sands, Bardwell Park and Eastgardens.                         | Underway – Rockdale Town Centre prioritised                            |
| 3.3    | Develop planning controls requiring a % of all new apartments to be studios in selected precincts close to train stations  | Not yet commenced  |
| 3.6    | Permit dual occupancies throughout the Bayside LGA with minimum site frontage and area provisions set out in the LEP (except in HCA or in potential local character areas)           | Completed  |
| 4.1    | Develop an affordable housing strategy that meets the requirement of the <i>Eastern Harbour City District Plan</i> .   | Underway – subject to direction from Council                           |
| 4.2    | Develop an affordable housing contributions scheme that sets out how, where and at what rate development contributions can be collected by Council for Affordable housing.           | Underway – subject to direction from Council                           |
| 4.3    | Develop a VPA policy to facilitate VPAs in instances where an affordable housing contributions scheme does not apply.  | Completed – specifics around affordable housing are subject to Council |
| 4.4    | Continue to engage with NSW Land and Housing Corporation regarding the retention, upgrade and potential expansion of publicly owned social housing in Bayside.                       | Ongoing  |
| 4.5    | Investigate potential partnerships with community housing providers to facilitate affordable housing provision.  | Underway – subject to direction from Council                           |
| 4.6    | Protect clusters of walk-up apartments from redevelopment to maintain the existing supply of rental housing that is relatively affordable.   | Ongoing  |
| 6.2    | Review principal planning controls using a development feasibility model to ensure Bayside is able to accommodate demand for medium density housing                                  | Not yet commenced  |

Source: Bayside Council 2021

## B.4 Bayside Community Strategic Plan 2032 (2018)

The *Bayside Community Strategic Plan 2032 (CSP)* provides the overall vision and direction for the future of Bayside. It sits alongside the *Bayside 2032 – Delivery Program* and *Bayside Operational Plan and Budget 2022/23* which sets out what Council will deliver during the financial year.

As a high-level plan, the CSP does not specifically delve into housing affordability or affordable housing, however Strategy 1.1.3 of the plan is to “promote the provision of affordable housing for those who need it.”<sup>31</sup> This strategy is then expanded upon in the *Bayside 2032 – Delivery Program* into specific actions.

## B.5 Bayside 2032 – Delivery Program (2022)

The *Bayside 2032 – Delivery Program* outlines the strategic priorities for Council to deliver the vision and aspirations of the community contained in the CSP.

Existing as a delivery program, the document does not outline any new information about housing affordability or affordable housing, however it does expand on Strategy 1.1.3 of the CSP, setting a target for June 2024 for the preparation of an Affordable Housing Options Paper (this document) as the first step towards an affordable housing strategy. Table 37 below shows the relevant action.

**Table 37: Bayside 2032 – Delivery Program affordability actions**

| Action  | Description                         | Status                                       |
|---------|-------------------------------------|--|
| 1.1.3.2 | Prepare Affordable Housing Strategy | Underway – subject to direction from Council |

Source: Bayside Council 2021

## B.6 Bayside Operational Plan and Budget 2023/24 (2023)

Under the *New South Wales Local Government Act 1993*, Council is required to prepare and adopt an annual budget by 30 June each year. The *Bayside Operational Plan and Budget 2023/24* is Council’s budgeted for the 2023/24 financial year. The only information relevant to affordable housing is that Council spent \$117,000 on affordable housing expenses for their portfolio in the previous financial year (2022/23).

## B.7 Bayside Council Affordable Housing Tenancy Policy

In 2021, Council released the *Bayside Council Affordable Housing Tenancy Policy* to provide a framework for the management of Council’s affordable housing properties, including establishing arrangements for the management of the properties by Community Housing Providers and criteria for the tenancing and allocation of the properties.

The policy is meant to be read in conjunction with the Bayside Affordable Housing Strategy and Bayside Affordable Housing Contributions Scheme (when and if developed).

According to the policy, the purpose of affordable housing is to assist employed people on very low, low and moderate incomes for a period of up to three years, to give them a greater level of housing certainty and opportunities to enter the private rental market or home ownership by the end of that period.

<sup>31</sup> Bayside Community Strategic Plan (2018), p. 24

The policy states the rent for each property should not exceed 75% of Bayside’s weekly median rents, usually reviewed annually, and households should pay no more than 25-30% of their gross income as rent.

Managing the portfolio, the policy states that dwellings will be reviewed every three years to determine whether they should be disposed of and replaced or retained and further funds provided for their maintenance or renewal.

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