

Friday 12 June 2026

Strategic Planning
Inner West Council
PO Box 14
PETERSHAM NSW 2049

Dear Inner West Strategic Planning Team,

Subject: Inner West Draft Affordable Housing Policy

Shelter NSW appreciates the opportunity to make a submission on the Inner West Council's draft affordable housing policy ('The AH Policy'). Recently, Shelter NSW and its members have engaged closely with Inner West Council ('Council') on the 'Our Fairer Future' Local Environment Plan (LEP) revision and have provided commentary and suggestions on the exhibited changes, both in roundtables and at council meetings. We look forward to continuing to work with Council to deliver better housing outcomes in the area.

Who are we?

Shelter NSW has been operating since 1975 as the state's peak housing policy and advocacy body. Our vision is to create a sustainable housing system that provides a secure home for all. We are especially concerned for low-income households who struggle to afford good quality and well-located housing. We provide systemic advocacy and advice on policy and legislation for the whole NSW housing system to resolve housing inequality. We are a member-based organisation; representing organisations and individuals committed to housing justice, including community housing providers, specialist homelessness services and related peak bodies, to community groups, policy professionals, academics and social housing tenants.

1. Context: Proposed amendments to the Inner West's 2022 Affordable Housing Policy

In September 2025, Inner West Council passed resolutions to review their existing affordable housing policy to support the introduction of the 'Our Fairer Future Plan' LEP. Specifically, Council sought to emulate the then proposed policy of the City of Sydney, requiring a 20% affordable housing contribution rate on additional floorspace, as well as review the affordable housing policy in line with feedback received through community consultation undertaken for the LEP.

Shelter NSW commends Council's efforts to improve affordability across the LGA. Importantly, the proposed draft AH Policy would create changes to contribution rates, method and calculation

(including indexation), target tenant groups, and the governance and administration of affordable housing. This submission comments on these issues, with more detailed feedback provided on (a) the contribution rate and feasibility studies and (b) governance and administration of affordable housing.

2. Affordable housing contributions and management

From Shelter NSW's perspective, while the exhibited policy could be implemented as such, and we strongly support its intent to deliver high quality affordable housing in perpetuity, the current proposed baseline contribution rates and management framework might limit the quantity of affordable housing that can be delivered from developer contributions, as well as the ability of Council and not for profit partners to deliver housing solutions tailored to community need.

2.1 Reduction of baseline affordable housing contribution rate

Since the initial resolution in September 2025, where Council sought to replicate the City of Sydney's 20% contribution rate on additional floorspace, the proposed contribution rate has been halved to 10%. The justification for this change is a feasibility study commissioned by Council and undertaken by consultancy firm Atlas Economics.¹ The report prepared for Council examines the affordable housing policy comprehensively, assessing the Inner West's existing approach against that of City of Sydney and other considerations relevant to the delivery and management of affordable housing.

In assessing the feasibility of a '20%' contribution rate on upzoning – broken into 3% of total GFA and 17% of additional residential floorspace – the feasibility report examines the residual land value of three theoretical sites in Dulwich Hill/Marrickville. Two of these scenarios suppose that the land was previously rezoned (during phase 1 of the 'Our Fairer Future Plan') with the third assuming no existing contribution rate.

The report stipulates that in the scenarios where land has been rezoned and is subject to a broad-based contribution rate, the imposition of a 17% contribution rate on additional GFA leaves the developer better off only at a lesser density (FSR 4.5:1) with all additional value created at a higher density (FSR 5.5:1) captured by the contribution rate, and thus discouraging a greater level of development. When a contribution rate of 10% of additional GFA is tested, a proportion of the cost to the developer is reduced (7%), thus increasing the residual land value. As such, the theoretical

¹ Inner West Council, "Item 1, Attachment 2," *Agenda of the Extraordinary Council Meeting*, 28 April 2026, accessed June 9, 2026, [Inner West Council agenda PDF](#).

developer can pay more to acquire the land and retain the difference, theoretically incentivising greater density.

In the third scenario, the report compares the residual land value on a site in a similar location that has not been upzoned nor is subject to an existing broad-based contribution. In comparing residual land values, it notes that a 10% contribution leaves \$9.8m as residual land value while a 17% contribution leaves 7.4m. It is noted that the greater residual land value will grant the developer more flexibility in how much it can 'afford' to acquire land for (re)development.

Feasibility studies are useful tools to help developers, planners and government understand what may be possible on a specific site or within a specific LGA. However, they are not prescriptive. The assumptions made in feasibility studies are conservative; that is, they assume that where development is to occur, it will be at the highest cost to the developer. For example, in the first two scenarios it is assumed that the developer will pay \$4m per 400sqm lot. While it is difficult to find exact data on land values per sqm, Domain notes the median price for a 5-bedroom house in Marrickville is \$3.305m.² Consequently, it would be fair to assume that the required \$4m per lot assumption is a conservative value used to reflect the most difficult of development conditions. Whereas should the price of the land be less than what is conservatively assumed, more room in the 'development stack' becomes available for greater contributions.

It should also be noted that the 20% profit margin is a similarly conservative figure. Different developers will make different decisions as to whether to proceed based upon a variety of factors including their balance sheet, development pipeline and access to finance. What may work for one developer, may not for another and vice versa.

The final scenario notes that the difference in affordable housing contribution rates leads to a difference in what a developer can afford to acquire a site. Shelter NSW contends that dampening rapidly rising land values in the area is part of the positive outcomes of implementing broad value sharing/capture mechanisms. Affordable housing contribution schemes, as an additional development cost, counteract incentives to speculate on land values as sites are rezoned or upzoned. With clarity and certainty, markets are then able to adjust land prices accordingly. This is particularly true for parts of the LGA that have not recently been rezoned, as upon rezoning, their value (albeit speculative) will change to reflect the additional development rights as well as the additional costs.

² Domain, "Marrickville NSW 2204, Suburb Profile & Property Market Trends," *Domain*, accessed June 10, 2026, <https://www.domain.com.au/suburb-profile/marrickville-nsw-2204>.

For land already rezoned, this adjustment may take some time, and interim measures may be appropriate.

It is important to understand that the assumptions made in these feasibility studies are generalised and do not take into account the circumstances of specific developers, particularly their financing stack. Nor are changes in property markets and interest rates taken adequately into account. From our perspective, the feasibility analysis overly generalises insights from certain parts of the LGA without adequately factoring in areas where land values are significantly higher (Balmain, Stanmore, Annandale), and where greater costs are more than offset by significantly higher potential sales revenue.

Consequently, Shelter NSW believes it is most appropriate that the affordable housing contribution rate on uplift be used as a guide to inform future contributions via Voluntary Planning Agreement (VPA). In circumstances where proponents cannot meet the rate, negotiations can be undertaken with Council so that the highest feasible rate is applied. Declaring a higher 'baseline' rate in the affordable housing policy grants Council much greater freedom in this regard. We also note that this how the rate in the City of Sydney – as well as previously in the Inner West – is utilised.

Thus, Shelter NSW recommends that the initially proposed rate of 20% – consisting of 17% of additional GFA + 3% of total GFA – be introduced, with Council retaining the ability to negotiate on a case-by-case basis with proponents where feasibility constraints prevent development.

While Shelter NSW supports Council to have flexibility in how they negotiate and apply affordable housing contributions, we are also concerned about the broad discretion to waive contributions in the AH Policy where 'another material benefit' is offered by the developer or landowner through a VPA. To minimise the risk of sub-optimal VPAs being agreed to, and increase community support and understanding of development in the LGA, Shelter NSW would recommend that Council commit in the AH Policy to (a) have clear, explicit criteria as to when contributions might be waived for other material benefits, (b) provide transparent, public justification and (c) commission and publish independent assessments of the value waived versus the value provided through another material benefit.

2.2 Governance and administration of affordable housing

Preferred CHP allocation

Shelter NSW has reservations about the proposed allocation of all affordable housing contributions to one preferred provider, which we feel might reduce the effectiveness of the AH program. Consultant reports highlight the comparative advantages of Community Housing Providers (CHPs) in the delivery

and management of affordable housing. Specifically, the report uses modelling from 2022 suggesting that CHPs can deliver up to 27% more affordable housing when they are transferred ownership of housing stock. The report also notes the concessional tax status of CHPs and their ability to access greater rental yields through Commonwealth Rent Assistance (CRA). This is particularly true of the Tier 1 CHPs who, by virtue of the size of their organisations, are more readily able to develop sites, access financing and harness economies of scale.

However, while Tier 1 CHPs may be best placed to develop and manage affordable housing on a large scale, this policy should look to produce a diverse range of products to accommodate the diverse needs of residents. The Tier system of CHPs, as determined by National Regulatory System Community Housing, reflects the risk of profile of CHPs, not their ability to deliver and manage social and affordable housing effectively.

While larger Tier 1 CHPs can leverage their existing assets to build additional social and affordable housing, smaller CHPs often leverage existing connections to communities and geographies to provide tailored and specific housing products. For example, the majority of Aboriginal CHPs are Tier 2/3. The peak body for housing co-operatives, Common Equity, is also a Tier 2 CHP. To appoint one Tier 1 CHP at the exclusion of all others will reduce diversity of rental providers in the LGA, potentially at the expense of current and future tenants. For example, it would be counter-intuitive to add artists to the council's target tenants list but to exclude the peak body for housing co-operatives that oversees the operation of numerous artist co-ops across the state.

Concentrating all affordable housing contributions with one Tier 1 CHP might limit the ability for the housing sector to provide tailored responses to the specific and changing needs of the community and exclude existing knowledge and expertise from the delivery and management of affordable housing in the area.

Shelter NSW recommends that Council develops a flexible, 'preferred provider framework' including a range of existing CHPs across all tiers. Cash contributions should be allocated to providers according to development and management capacity as well as local need and aspirations. The City of Sydney's Affordable Housing Contribution Distribution Plan is one example of this kind of framework. In-kind contributions should be dedicated to council, who can then choose a CHP to manage the site according to need.

A portion of the monetary contributions should be held in a fund for later distribution. This fund can then be used to finance (partially or completely) diverse housing responses, allowing CHPs that are not part of the preferred provider framework to access funding to deliver bespoke solutions.

Council-owned stock

From Shelter NSW's perspective, existing land and housing stock should not be transferred without a competitive tendering process. Council has nominated its preference for a Tier 1 CHP to initially control the delivery of its affordable housing program. By definition, a Tier 1 CHP does not need to add the 25 existing council-owned dwellings to its balance sheet to more readily access finance. Much rather, should Council determine that it is no longer in the position to own this stock, it should conduct a tender process, with the successful applicant(s) to be awarded these properties with consideration of the quantity and quality of affordable housing to be delivered on site.

Shelter NSW recommends that Council also retain the right of first refusal for properties dedicated in-kind, to give Council the ability to better respond to emerging needs and the option to expand its portfolio in the future should it wish to do so.

3. Miscellaneous

3.1 Flexible use of contributions

Shelter NSW commends Council for the flexibility it has built in the draft AH Policy regarding collection of affordable housing contributions. Council retaining the right to receive in-kind contributions allows for the immediate delivery of affordable housing on larger projects and in higher-value land areas within the LGA. While in-kind contributions may not always be the most appropriate, the clear approach stated for dwelling and land dedications provides clarity for proponents and Council and will work to ensure that the best outcome is achieved on each site.

Similarly, allowing contributions to be used in adjoining LGAs, to facilitate the efficient delivery of affordable housing, is also strongly welcomed.

The division of the LGA into sub-markets – linked to different cash contribution amounts - is an appropriate move that reflects the differing costs of the development and delivery of affordable housing across the LGA. We acknowledge the significant work undertaken by Council to ensure that contributions accurately reflect these costs.

3.2 Advocacy

Shelter NSW is broadly supportive of the advocacy actions in the draft policy. Specifically, Shelter NSW supports the minimum target for 30% of new dwellings on government land to be 'subsidised housing' [sic]. We note that the proposed Bays West urban renewal project does not currently meet these targets. Shelter NSW would like to formally extend its support to Inner West Council to achieve a

minimum of 30% 'subsidised housing' on this site. We are willing to meet and make representations to NSW Government in partnership with Council to further this goal.

Similarly, we support the redirection of cash contributions collected to compensate for the loss of low-rental housing from state to local government. We also encourage Council to advocate for the protection of affordable housing stock in its LGA that does not meet the statutory definition but by virtue of its management and/or price point is otherwise affordable. This is of particular importance as supply-side measures dominate the policy response to the current housing crisis, encouraging the redevelopment of affordable, lower-density housing stock with newer (and therefore more expensive) higher-density stock notionally offset by a couple of discount-to-market affordable housing dwellings.

Thank you for your consideration

Shelter NSW thanks the Inner West Council for its consideration. Should Council wish to discuss this submission further, please contact Drew Beacom (drew@shelternsw.org.au, 0405 093 123) or Thomas Chailloux (thomas@shelternsw.org.au, 0490 030 809) or use our general address, admin@shelternsw.org.au.

Sincerely,

John Engeler
Chief Executive Officer
Shelter NSW