Wednesday 22 July

Jacquelyne Della Bosca
Executive Planner
Woollahra Council
PO Box 61
Double Bay NSW 1360

Dear Ms. Della Bosca, Executive Planner, Woollahra Council,

Subject: Draft Woollahra Affordable Housing Policy

Shelter NSW appreciates the opportunity to make a submission on Woollahra Council's draft Affordable Housing Policy 2026 ('The AH Policy'). We also make comments on the draft Woollahra Affordable Housing Contributions Scheme (AHCS), given how important it is to give effect to the objectives of the AH Policy. 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. **In-principle support**

Shelter NSW supports the overall direction of the draft AH policy and the principles that underpin it. In particular, we welcome Council's recognition that affordable housing is "*a critical part of the area's infrastructure*" which underpins "*a socially inclusive, economically sustainable, and diverse community, now and for future generations.*" We also support Council's commitment to protecting existing affordable housing and facilitating new affordable housing opportunities.

Shelter NSW strongly supports Council's commitment to ensure affordable housing delivered through its planning framework **is retained in perpetuity**. We also welcome Council's clear inclusion in the draft AH Policy that '*Any decision to sell the affordable dwellings must be by Council resolution and funds obtained through the sale must be reinvested into affordable housing in the Woollahra LGA*' (p11).

The proposed scope of the policy is appropriate, and we note Council's willingness to get involved in affordable housing delivery and management outside of the strict boundaries of the local government area (LGA). While the primary focus should appropriately remain on delivering affordable housing within the Woollahra local government area (LGA), we support Council applying the policy to land outside the LGA where it has an interest in the provision of affordable housing, including through partnerships, ownership of property or involvement in adjoining local government areas. Housing markets do not operate according to administrative boundaries, and providing Council with flexibility to participate in affordable housing opportunities beyond the municipal boundary has the potential to support more effective partnerships and improve housing outcomes for households connected to the Woollahra community.

Shelter NSW would welcome a commitment in the AH Policy that Woollahra Council will consider pooling monetary contributions with neighbouring councils, where appropriate, in order to maximise delivery of affordable housing in the broader urban region. This is one of the reasons why we recommend a more flexible approach regarding the form of contributions – which are currently overly focused on in kind contributions, from our perspective - as developed further later in this submission.

1.1 Need for affordable housing and eligibility criteria

Shelter NSW welcomes the policy's acknowledgement that people require affordable housing for a wide range of reasons, including low-paid employment, relationship breakdown, family violence and other significant life events. Recognising the diversity of causes of housing stress and/or people living in inadequate housing is important and supports the broad targeting of affordable housing, as well as explaining to community members why it is such essential social and economic infrastructure.

However, we encourage Council to reconsider the suggestion that affordable housing is sometimes only required for a "short (6 month) or medium period until circumstances change". While some households will transition from affordable housing into market housing over time, for many households - particularly in high-cost areas such as Woollahra LGA - affordable housing provides an essential long-term housing option rather than a temporary 'hand' or 'stepping stone'. The principal reason households leave affordable housing is often not because their need has disappeared, but because limited supply means housing must be prioritised for others with equally pressing needs. If affordable housing were available at a greater scale, there would be little policy rationale for requiring households to move into higher-cost market housing when they could instead remain in secure, affordable accommodation. Affordable housing should be understood as a normal part of a healthy housing system, with significant amounts of non-market housing, not solely as a 'temporary' housing solution for people whose needs are not being met by the private market.

Shelter NSW also supports the proposed approach to establishing eligibility for Council-owned affordable housing, including recognising family, social and economic connections to the Woollahra LGA. We recommend, however, a minor amendment to the policy to include households with a **current or future** connection to the area, acknowledging that affordable housing should not only help people remain in their community, but also enable people to move into the area to take up employment, provide care, reconnect with family or establish new social connections. Current wording of eligibility under the policy (p12) requiring a 'demonstrated' connection might inadvertently exclude people seeking affordable housing in order to pursue opportunities in the LGA. A broader wording of how applicants might establish their need for affordable housing in the area would be welcome.

1.1.1 Definition of 'essential workers'

Shelter NSW recognises that there is no universally accepted definition of an "essential worker" and supports Council's pragmatic approach to defining the term for the purposes of this policy. The draft policy defines essential work by its common characteristics, namely work that requires "physical presence rather than remote work, and therefore needing to live close to their workplace"; "requirement to respond at short notice (to be 'on call') or shift workers"; and the "provision of services essential to the community."

Shelter NSW considers this definition to be both appropriately targeted and sufficiently broad for determining eligibility, recognising the diversity of 'essential workers'.

At the same time, linking affordable housing eligibility to employment status will inevitably lead to practical issues for some tenancies, as we have covered in submissions to NSW Legislative Council, or more recently Randwick City Council. Circumstances change, including where a tenant changes employment or loses their job, should not put tenants into a negative spiral of loss of employment leading to loss of housing, or rise in housing costs, etc. Shelter NSW therefore encourages Council to work closely with Community Housing Providers (CHP) and NSW Government to develop clear and consistent tenancy management policies that respond to these situations in a fair and transparent

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way, while maintaining the long-term objective of housing those most in need. We would also support explicit inclusion in the affordable housing policy that changes in employment for 'essential workers' occupying affordable housing properties will be not automatically lead to people being no longer eligible, and that their circumstances (including levels of income) will be considered as part of any eligibility review – with a presumption that their eligibility for affordable housing will be continuing – unless they now earn significantly above eligibility thresholds.

2. Affordable housing contributions and management

This section comments on the proposed framework for collecting, managing and distributing affordable housing contributions, including form and rates of contributions, governance arrangements, rent setting, and permissible uses of contributions collected by Council. Shelter NSW notes that the draft AHCS itself is not formally on exhibition, and that our comments are based on the Environmental Planning Committee's minutes and agenda.

The AHCS is evidently a core part of the AH Policy, and we would have liked it to be formally exhibited, as the current form of the consultation may have confused or limited comments of other stakeholders.

2.1 Forms of contributions

Shelter NSW supports Council's decision to accept both monetary and in-kind contributions. Maintaining flexibility will allow Council to respond to the characteristics of individual developments and changing market conditions. This is particularly important in a high-value and land-constrained LGA such as Woollahra, where the dedication of completed dwellings may, in some circumstances, secure affordable housing that may otherwise be difficult to deliver.

At the same time, Shelter NSW notes that Council's own supporting report presents a compelling case for monetary contributions as the preferred contribution type over the longer term. The report acknowledges that CHPs generally prefer monetary contributions because they can be pooled with other funding sources, directed towards purpose-built affordable housing, and used to deliver housing that better reflects local need while reducing strata, maintenance and operating costs. The report also notes that monetary contributions are generally considered to achieve superior affordable housing outcomes over the long term, a position – from our understanding - consistently put to Council staff by Homes NSW and CHPs during consultation.

Shelter NSW agrees that these considerations should carry significant weight. Community housing providers are often able to leverage monetary contributions and transferred assets through concessional finance, taxation settings and grant programs to deliver additional affordable housing. Conversely, in-kind contributions can present ongoing management challenges (and poor optics – such as 'poor doors') where they comprise isolated dwellings dispersed across multiple strata developments and, without robust assessment criteria, there is a risk that dedicated dwellings are those of comparatively lower amenity or higher lifecycle costs (i.e. because property developers have a financial interest in dedicating the lowest value dwellings to affordable housing). Because of this, we strongly support the draft policy's requirement that all proposed in-kind dwellings be assessed against suitability criteria (developed in consultation with CHPs), with monetary contributions required where these standards cannot be met.

While Shelter NSW does not oppose Council expressing a preference for in-kind contributions, we recommend that the policy continue to preserve - and where possible strengthen - its flexibility to determine the most appropriate contribution type on a case-by-case basis. In our view, the ultimate objective should be to maximise the quantity, quality and long-term value of affordable housing delivered through the scheme, rather than establishing a default preference that may not produce the best outcome in every circumstance.

Recommendation 1 – Revise section 7.1 of the draft AH Policy to state that Council will assess the preferred form of contributions on a case-by-case basis.

2.2 Level of AHCS contributions

As previously mentioned, Shelter NSW supports the introduction of a broad-based AHCS across the Woollahra LGA, and we support its implementation as fast as practicable, as well as the levels (3-5%) proposed, in the absence of further supporting information. Establishing a clear and consistent contribution framework will provide certainty for developers, while ensuring that a fair proportion of the land value uplift generated through planning decisions is captured to deliver lasting public benefit under the form of affordable housing.

The draft AHCS proposes affordable housing contribution rates of **3 to 5% of residential gross floor area**, depending on the relevant planning controls. While these proposed rates would deliver clear benefits, and represent an important first step in better sharing land value increases, it is difficult for stakeholders – such as Shelter NSW, but also community members and organisations with housing justice concerns operating in the area - to meaningfully assess whether they are appropriate, because feasibility testing and other economic modelling underpinning these rates has not been publicly exhibited - to our knowledge - alongside the draft scheme. Without access to this analysis, it is not possible to understand the assumptions used, the extent of feasibility testing undertaken, or why the proposed contribution rates were selected, as opposed to higher alternatives (which we believe are possible).

Regarding the potential for higher contributions, Shelter NSW notes that development feasibility studies are generally conservative by design. Feasibility assessments commonly adopt cautious assumptions regarding land and construction costs, finance, sales values, developer profit and market risk to ensure that contributions do not overly affect development feasibility across a range of market conditions. Consequently, contribution rates based on conservative feasibility studies do not necessarily represent the maximum level that could reasonably be secured.

Given Woollahra's exceptionally high land values and the substantial uplift/profit generated through rezoning /upzoning and/or general development in the LGA, Shelter NSW considers there is scope for a more ambitious approach to value capture. In our view, a **minimum affordable housing contribution of 10 per cent** should be pursued where land is rezoned or otherwise receives significant planning uplift. Capturing a greater proportion of publicly created land value would better reflect the scarcity of development opportunities within the LGA and contribute to maximising long-term supply of affordable housing.

***Recommendation 2 - Publicly release feasibility studies and other economic modelling underpinning the proposed affordable housing contribution rates*.**

Recommendation 3 - Increase the affordable housing contribution applying to land subject to rezoning or significant planning uplift to a minimum of 10 per cent.

2.3 Partnering with multiple CHPs supports a diverse and competitive community housing sector

Shelter NSW supports Council's commitment to partnering with registered, not-for-profit CHPs to manage affordable housing delivered under the policy. CHPs are recognised experts in the ownership, delivery and management of social and affordable housing, and their involvement will be critical to ensuring affordable housing is managed professionally, adequately, and retained in perpetuity. We note the concerns of Shelter NSW regarding the creation of a new category of for profit Affordable Housing Managers (AHM) by the NSW Government and consider that they should be excluded from social and affordable housing delivery and management as far as practical by Councils.

We note that Section 8.1 of the draft policy appears to contemplate the appointment of a single CHP for Council to work with in the LGA. From Shelter NSW's perspective, there is considerable value in maintaining flexibility to work with a diverse range of registered CHPs, including organisations of different sizes and those with expertise in supporting particular cohorts, such as young people, older people, First Nations people, or people with disability. The policy should therefore remain open to Council partnering with multiple CHPs to manage different components of its affordable housing portfolio, or to deliver and manage affordable housing secured through different programs, partnerships or funding mechanisms over time.

Recommendation 4 – Amend the draft AH Policy to clarify that Council may partner with multiple CHPs to deliver and manage affordable housing in the LGA, including multiple CHPs at a time.

2.4 Support for income-based rent setting

Shelter NSW strongly supports the draft policy's commitment to setting affordable housing rents at no more than 30 per cent of gross household income for eligible households. This approach ensures that affordability is determined by what households can reasonably afford to pay, rather than private rental market price points, and is consistent with the widely accepted definition of housing affordability and housing stress.

In light of the recent public scrutiny of affordable housing rent setting, including the ABC Four Corners investigation, which found that many so-called affordable rental properties remain unaffordable for the households they are intended to assist, we commend Woollahra Council's commitment to an income-based rent model. The investigation highlighted significant shortcomings in market discount models, including examples of "affordable" dwellings that exceeded what eligible households could reasonably afford and, in some cases, were advertised above median market rents.

Shelter NSW encourages Council to go even further by joining Shelter NSW, and other housing and homelessness organisations, to advocate to the NSW Government for amendments to the Ministerial Guidelines for Affordable Housing so that all affordable housing delivered under the NSW planning system is required to adopt an income-based rent setting model. While discounted market rents may appear affordable on paper, they do not necessarily ensure that households avoid housing stress, particularly in high-cost housing markets such as metropolitan Sydney. A consistent, statewide income-based approach would provide greater certainty that affordable housing remains genuinely affordable for the people it is intended to serve.

We would welcome explicit inclusion of an advocacy action for amending the Guidelines in the draft AH Policy and stand ready to collaborate with Council to action this.

2.5 Use of affordable housing contributions

Shelter NSW broadly supports the framework set out in Section 8.1 of the draft AH Policy, which provides flexibility for monetary contributions to be used to acquire or develop affordable housing, partner with CHPs and other government agencies, maintain affordable housing stock, and leverage Council-owned land to increase affordable housing supply.

However, Shelter NSW recommends that the policy be more prescriptive about the use of affordable housing contributions for activities that do not directly contribute to the delivery or long-term management of affordable housing. While we acknowledge that Council may require specialist advice to identify suitable opportunities for investment or partnership, the policy currently contemplates using affordable housing contributions to engage consultants and Community Housing Providers to advise on the use of funds, as well as to administer the scheme itself.

Shelter NSW considers that these costs should be minimised wherever possible and that affordable housing contributions should principally be directed towards increasing the supply and quality of affordable housing. We recommend either removing these provisions or making it explicit that strategic planning, consultant advice and other administrative costs will ordinarily be funded through Council's consolidated revenue, consistent with the way other strategic planning functions are resourced, with affordable housing contributions reserved for activities directly associated with delivering and managing affordable housing.

Recommendation 5 – Remove potential use of affordable housing contributions to administer the draft AH Policy and AHCS from the draft AH Policy and limit use of contributions to direct delivery and management of affordable housing.

Shelter NSW also recommends that the policy provide greater flexibility to enable regional investment of affordable housing contributions. While we support Council's intention to prioritise delivery within the Woollahra LGA, there may be circumstances where partnering with neighbouring councils - including the City of Sydney, Waverley, Randwick and Bayside - would deliver better affordable housing outcomes through larger, more efficient or more strategically located projects. Regional pooling of contributions with adjoining local government areas could improve economies of scale, enable more effective partnerships with CHPs, and help overcome the significant land acquisition constraints faced in Woollahra, while continuing to support households with an existing or future connection to the municipality.

Recommendation 6 – Explicitly include potential pooling of affordable housing contributions for delivery and management of affordable housing in the Woollahra LGA or neighbouring LGAs in the AH Policy.

Thank you for your consideration

Shelter NSW thanks Woollahra Municipal Council for its commitment to developing and implementing an affordable housing policy and contributions scheme in one of Australia's least affordable housing markets.

We look forward to continuing to work with Council as the policy and AHCS are finalised and implemented to support the long-term supply of genuinely affordable housing within the municipality.

Should Council wish to discuss this submission further, please contact Thomas Chailloux (thomas@shelternsw.org.au, 0490 030 809) or use our general address, admin@shelternsw.org.au.

Sincerely,

Thomas Chailloux
Senior Policy Officer
Shelter NSW