



Draft Waverley Affordable Housing Contributions Scheme

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1. Strategic context and background

1.1. Background

Section 7.32 of the Act requires an affordable housing contributions scheme in order to impose a condition requiring land or contributions for affordable housing.

The Waverley Affordable Housing Needs Analysis (Appendix A) demonstrates the need to increase the supply of affordable rental housing in Waverley Local Government Area (LGA). Without provision of more affordable forms of housing, the market will continue to produce more expensive housing in the area, so that housing will only be affordable to households on relatively high incomes. The flow on effect is that existing lower income groups would need to move out of the area, and new lower income households may be prevented from finding housing in the local area.

The Waverley LGA is undergoing significant change from projected population growth and redevelopment pressures. These changes combined with access to the eastern beaches, significant open spaces, Bondi Junction rail interchange, commercial and retail centre makes the area an attractive place to live, work and visit. This will continue to place upward pressure on property values beyond the means of lower income households to purchase or rent in the area.

1.2. Introduction

The *Waverley Affordable Housing Contributions Scheme* (herein referred to as the Scheme) aims to ensure that lower income households continue to live and work locally within the Waverley LGA, to facilitate a socially diverse and inclusive community.

Current approach

Waverley's current approach to collecting affordable housing contributions is under Waverley's Planning Agreement Policy 2014. This Policy has been successfully utilised to negotiate and draft planning agreements accompanying Development Applications seeking a Clause 4.6 variation to Clause 4.4 Floor space ratio for additional floorspace. Waverley has had a longstanding commitment to the provision of affordable housing where every planning agreement contribution allocates 10% of funds towards affordable housing. Amendment 3 to the Policy seeks to increase this to a minimum of 25%.

The NSW Government released a Ministerial Direction requiring that Councils who wish to require land or contributions for affordable housing through a voluntary planning agreement must have an affordable housing contributions scheme. Council wishes to continue allocating planning agreement funds to affordable housing and hence the preparation of this Scheme.

Proposed approach

Under *State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes)* (SEPP 70) all Councils in NSW were made eligible to start collecting affordable housing contributions where there is uplift in the planning controls, an identified local housing need (Appendix A) and where it is viable.

Council has adopted the Local Housing Strategy which does not propose any rezoning in the LGA. This is because it was determined that existing housing capacity under current controls would deliver the appropriate housing supply to meet housing targets. Notwithstanding, the Local Housing Strategy identified a strong need for affordable housing in the Waverley LGA and indicated that new market

housing was not addressing this need but exacerbating it by often reducing existing affordable housing. To this end, there is a clear case for intervention, in the form of an affordable housing contribution, to ensure that new housing delivery is contributing to the delivery of affordable housing. The LHS recommended a percentage range of 1-3% contribution on all new residential apartment development and 10-15% contribution on sites receiving uplift. It was identified that a specific percentage of 1% on all new residential apartment development and 10% on sites receiving uplift would be more appropriate compared to a range, as a test of industry acceptance. It is envisaged that this rate will increase in the future.

Furthermore, Council also receives unsolicited spot rezonings from private industry. The subject scheme will give Council the legislative backing to require affordable housing contributions of 10% from proponents that are granted uplift through the planning proposal process.

1.3. Aim of this scheme

The aim of the Scheme is to deliver affordable housing resulting from contributions in the Waverley LGA. The scheme aims to:

- Support a socially diverse community
- Capture value attributed to individual landowners through uplift granted by the planning system for the public purpose of affordable housing
- Expand Council's existing affordable housing portfolio

1.4. Where does the scheme apply?

The Scheme applies to the whole Waverley Local Government Area.

1.5. What types of development does the scheme apply to?

Residential apartment development and mixed-use development excluding employment generating only development.

1.6. Overview of affordable housing need in Waverley

Affordable housing refers to a spectrum of housing options including social housing, affordable rental housing, and certain types of market housing. There are few opportunities in Waverley to access affordable housing. Unaffordability has been a growing issue over the last two decades as household income-to-house price ratio has increased from 4:1 in 1994 to 12:1 in 2016. At present, Waverley is severely unaffordable. Waverley's rent for all dwellings is 1.3 times higher than the Sydney average. As a result, 30% of all renting households are in rental stress and, most strikingly, 85% of low-income households are in rental stress.

The current forms of affordable housing supply are not going to meet the relevant demand. Waverley has the fifth lowest key worker population in Sydney. Where key workers are on a very low, low and moderate income, this is contributing to overall demand for affordable housing. To meet the base demand, 11% of total dwelling stock needs to be affordable. Projecting this to 2036, this equates to an additional 600 affordable rental dwellings, or approx. 30 affordable rental dwellings per annum. Proposed affordable housing targets of 1% on all new development and 10% on development receiving uplift, while not meeting all underlying demand, will provide a pathway to increasing affordable housing in the LGA. Furthermore, to retain the current proportion (2%) and ensure no further net loss of social housing, 90 social housing units should be delivered by 2036. Whilst Council can continue to advocate for this, the state government owns and manages social housing.

The current sources of affordable housing are from what is approved under the ARHSEPP, Waverley Council's Affordable Housing program and what's available in the market. The current supply of affordable rental housing is only meeting 57% of demand and 43% of households in rental stress are not going to have their housing needs met in the current housing climate.

1.7. Legislative basis for affordable housing contributions

Residential development and mixed-use development excluding dwelling houses (a building containing only one dwelling) and employment generating only development within the Waverley LGA is subject to the collection of contributions for affordable housing under Section 7.32 Clause 1 of the Act because:

- *State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes)* (SEPP 70) is applied to the whole state. It allows Councils to collect affordable housing contributions where there is an identified need for affordable housing in the area. Appendix A provides additional analysis for affordable housing in the LGA.
- Redevelopment in the LGA will reduce the availability of affordable housing by increasing demand for affordable housing while also increasing the cost of housing.

1.8. Relationship to other affordable housing provisions in the LGA

Where an applicant seeks to utilise the bonus provisions of the Affordable Rental Housing State Environmental Planning Policy 2009, this contributions plan does not apply.

1.9. Affordable housing principles

The Waverley affordable housing principles are:

- Affordable housing must be provided and managed in Waverley so that a socially diverse residential population representative of all income groups is available in Waverley,
- Affordable housing must be rented to tenants whose gross household incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:
 - Very low income household - less than 50%
 - Low income household - 50% or more, but less than 80%
 - Moderate income household - 80–120%
 - and at rents that do not exceed a benchmark of 30% of their actual household income, and
- Dwellings provided for affordable housing must be managed so as to maintain their continued use for affordable housing,
- Rental income from affordable housing received by or on behalf of the Council, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), must be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing in Waverley or for research and policy development for housing and affordable housing purposes, and
- Affordable housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings within the development, especially in terms of internal fittings and finishes, solar access and privacy.

2. Affordable housing contributions

2.1. Voluntary Planning Agreements

The Planning agreement policy 2014 requires that at a minimum 25% of all VPA contributions go to affordable housing. In some circumstances, this may be higher.

2.2. Monetary contribution rates in the LEP

The levy will be calculated as a percentage across the whole development in accordance with the market value of residential floorspace around the time of the development. These rates are outlined in the table below and will be updated on a regular basis in line with current market conditions.

- A levy of 1% applying to all new residential apartment development
- A levy 10% applying to sites receiving uplift through planning controls.

Table 1. Suburb revenues to calculate the affordable housing contribution.

Gross realisation \$/sqm	
Rose Bay	\$14,000
Bronte	\$21,000
Waverley	\$14,000
Dover Heights	\$14,000
Bondi	\$18,500
Vaucluse	\$14,000
Bondi Beach	\$20,000
Bondi Junction	\$18,500
Tamarama	\$21,000
North Bondi	\$19,500
Queens Park	\$17,000

2.2.1. Dedication of dwellings

Council's preference is for monetary contributions. However, where the opportunity arises that the monetary contribution is equal to that of a whole unit (at least 50 sqm), this could be dedicated to Council.

2.3. Development that is exempt from the affordable housing contribution scheme

Residential development that is not apartments or employment generating only developments.

2.4. Conditions of consent for affordable housing

Where the total floor area to be dedicated as affordable housing is less than the amount equivalent to a unit at least 50sqm or where the proposed dwellings are considered not appropriate for the purpose of affordable housing (subject to Council approval), an equivalent monetary contribution that would otherwise be required will be sought in accordance with the rate, outlined in section 2.1.

Where an in-lieu contribution is being made the condition of consent is to contain but not be limited to, the following information:

- The monetary contribution required in accordance with the rates as specified under 2.1 of this plan;
- The total floor area of the development used for residential purposes that was used in the calculations;
- A requirement that the condition be satisfied (to Council's approval) prior to the issue of a construction certificate.

3. Administration and implementation

3.1. How to make a contribution

Payment of contributions will be by unendorsed bank cheque to the Council prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation.

3.2. Processes for the distribution and management of funds

Contributions resulting from in-kind or monetary contributions are to be provided in accordance with the following criteria:

- Affordable housing is to be dedicated to the Council
- Contributions are to be pooled and managed by the Council until such time as there is sufficient funding available to develop and/or acquire new affordable housing
- Affordable housing units are owned by the Council and managed by an eligible community housing provider
- Affordable housing is rented to low and moderate income households at 30 per cent of gross household income
- All rent received after deduction of management and maintenance costs will be reinvested back into Council's Affordable Housing Program to be used for the purpose of improving, replacing or providing additional affordable rental housing in Waverley LGA, and
- Affordable housing is designed and constructed to a standard which, in the opinion of Council, is consistent with other dwellings within the same development, that is, they are not differentiated (internally and externally) as affordable housing compared with the design of other housing.

3.3. Tenant eligibility criteria¹

In order to be eligible to participate in the WAHP, successful applicants must be able to substantiate compliance with the following criteria:

- a) The average household gross annual income, which includes all people in the household aged eighteen (18) years and older, taken over the last two (2) years prior to application to WAHP must fall within the following ranges of percentages of the median household income from the Waverley Statistical Division according to the Australian Bureau of Statistics:
 - Low 0% - 80% (the precise income amount will vary annually)
 - Medium 0% - 120% (the precise income amount will vary annually)
- b) Must be able to demonstrate a connectedness to the Waverley LGA area meaning a tenant must be living in the Council LGA currently and for the past three (3) years; or if not living the Waverley Council LGA, have lived in the area for at least five (5) years in the previous ten (10) years;
- c) Must not own assets or property which could reasonably be expected to be used to solve their housing needs;
- d) Employees, or immediate relatives of employees of the Waverley Council and the Affordable Housing Manager (“AHM”);
- e) Must not be already living in secure medium and long term subsidized social housing the Eastern Suburbs including the Local Government Area of Waverley, Woollahra, Randwick, Botany and City of Sydney at the time of application submission;
- f) Prior to accepting potential tenants on the waiting list, their eligibility needs to be confirmed through:
 - proof of income, through documentation such as income tax returns, social security documentation, declaration of all assets etc, and
 - proof of connection with the Waverley area, through evidence of current and past phone/power bills and/or current and past rent receipts.

Interviews are conducted with applicants in order to verify compliance with eligibility criteria; and

- g) Prior to placement of anyone from the waiting list in a dwelling, the income and connectedness criteria, lack of secure accommodation are to be verified.

Applicants no longer meeting the criteria should be removed from the waiting list.

3.4. How tenants are assessed and allocated homes

WAHP properties are allocated to approved tenants as per the following:

- a) properties will be advertised. Advertisements for properties will clearly stipulate all eligibility criteria; applicants who fulfil the eligibility criteria will be short listed;
- b) eligible applicants whose household numbers are appropriate to the available property size will be further short listed; and
- c) all eligible potential tenants will enter a ballot which will be drawn.

¹ This tenant eligibility criteria is from the *Waverley Affordable Housing Program Policy 2007 (Amendment 1)*. This policy will be updated from time to time and should be referred to.

Three (3) years is the maximum period available to any tenant in the WAHP. Shorter periods of tenure may be negotiated for privately owned rent capped properties. Previous tenants unsuccessful at the ballot will be advised of new similar properties coming into the WAHP by way of letter from the respective AHM for twelve (12) months only. It is noted, there will be no succession or transfer of tenure. The AHM should inform prospective tenants of all possible conditions of tenure.

3.5. Monitoring and review of scheme

Council will regularly review this policy and the manner in which it operates. As necessary, amendments and other changes may be required to ensure the policy operates in the way that Council intends.