



Willoughby Affordable Housing Feasibility Report – FINAL

Willoughby City Council

30 | 08 | 2021





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1. Introduction

This section introduces the purpose and context for this report.

1.1 Project purpose

Willoughby LEP 2012 and proposed changes

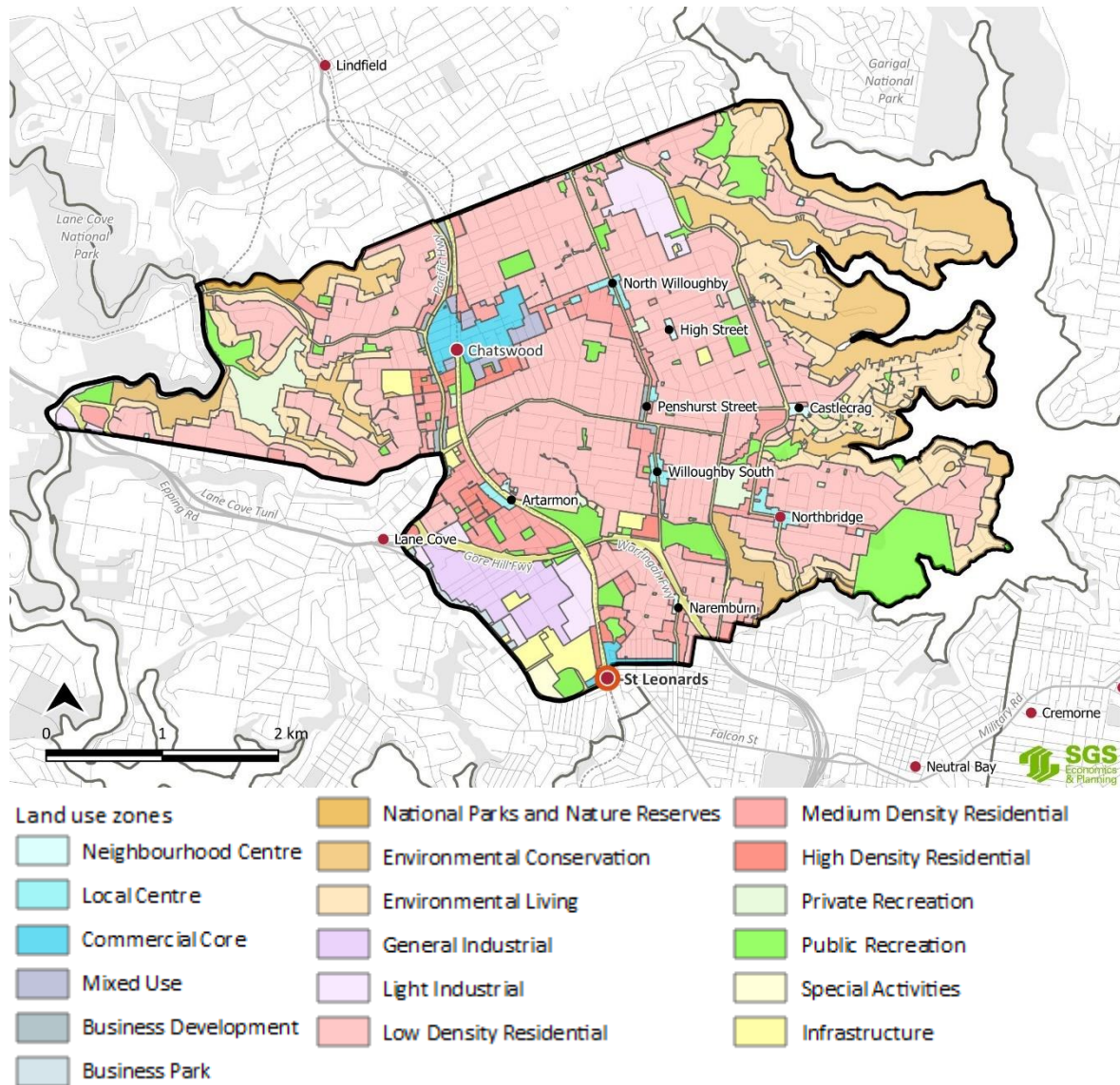
Willoughby City Council's LEP currently includes provisions which require proponents of developments that benefit from rezoning for residential purposes, in certain areas, to provide the equivalent of four per cent of GFA for affordable housing, whether as dwellings or as cash in kind. Specifically, Clause 6.8 Affordable Housing requires that any dwelling provided through this contribution be a minimum of 50 square metres in floor area, and that monetary contributions in lieu of dwellings are based on the market value of dwellings of a similar size.

In line with directions from the GSC and Willoughby's strategic planning documents (see Section 1.2 below), Council has developed a Planning Proposal for a comprehensive LEP amendment, currently under review by the Department of Planning, Industry and Environment (DPIE), which will see changes to planning controls that will result in uplift in some areas (see Section 4.1).

As part of the Planning Proposal, **Council is seeking to increase the current floorspace requirement for affordable housing from the existing four per cent of GFA (with additional compensatory floorspace) to 10 per cent of GFA, without any compensatory floorspace (i.e. must be provided within the nominal FSR of a given site) and extend the application of this provision to additional areas being rezoned.**

Figure 1 below shows the Willoughby LGA's existing zoning and surrounding context.

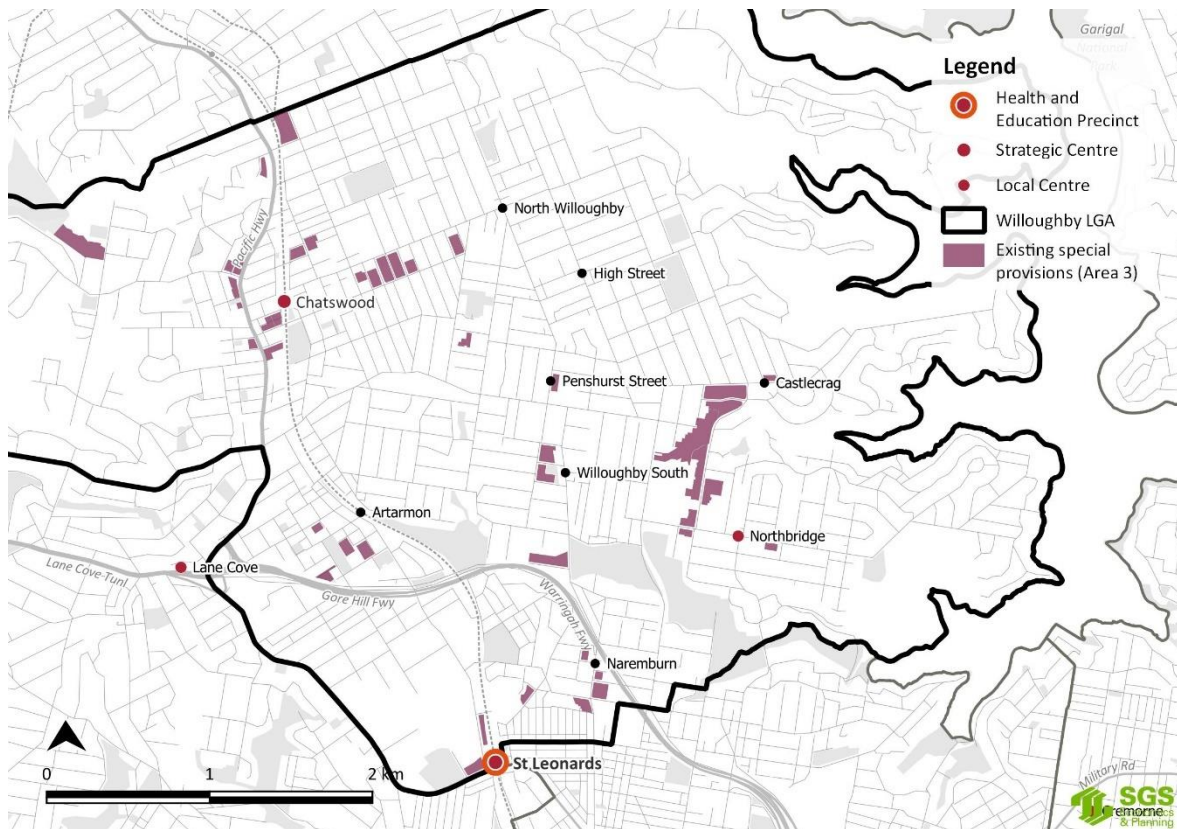
FIGURE 1: WILLOUGHBY LGA, CONTEXT AND CURRENT ZONING



Source: SGS, 2021.

Figure 2 shows the Special Provisions areas to which the current affordable housing requirement currently applies (Area 3 in the Special Provisions map).

FIGURE 2: APPLICATION OF EXISTING AFFORDABLE HOUSING REQUIREMENT (SPECIAL PROVISIONS AREA 3)

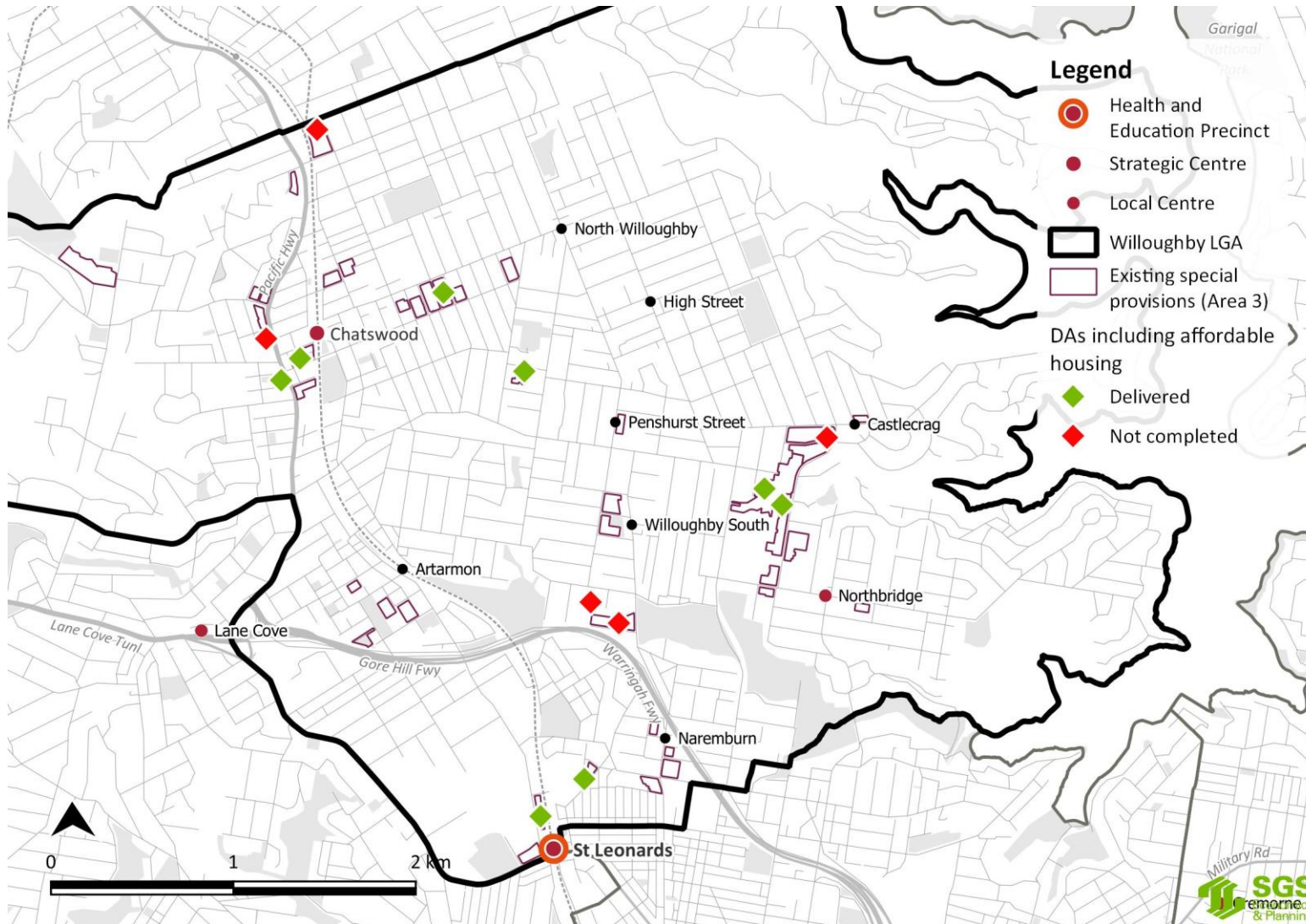


Source: SGS, 2021 based on Willoughby LEP 2012.

Figure 3 below illustrates locations where housing (or a monetary contribution) has been dedicated for affordable housing under the Area 3 Special Provisions, or where affordable housing contributions have been proposed in DAs but not completed. While some developments have been delivered, the largest being Chatswood Place delivering nine affordable dwellings, several of the DAs have not progressed to the construction stage or been completed.

In several of the DAs, a monetary contribution has also been made by the proponent to account for either a shortfall in the GFA provided as part of the development, or where there is a small number of dwellings overall, to account for the fact that four per cent of the total floorspace would not be large enough to dedicate as one dwelling.

FIGURE 3: DEVELOPMENTS OR PROPOSALS WITH AFFORDABLE HOUSING CONTRIBUTIONS



Source: SGS, 2021, based on data provided by Willoughby City Council.

Feasibility testing

Council has engaged SGS to undertake a feasibility analysis to test the impacts of the proposed increase in the affordable housing requirement on market feasibility, as required under the State Government guidelines (2019). This analysis has used a high-level residual land value (RLV) feasibility model to consider 15 test sites across the LGA, with markets inputs provided by Savills, and with consideration of assumptions used in DPIE's viability tool.

In addition, SGS has also undertaken an assessment of the current and projected demand for social and affordable housing in the LGA, considering the gap between this demand and current and proposed supply – to meet the requirements under the State Government guidelines. A comparative analysis of affordable housing contribution rates for other councils in Sydney and best practice examples of affordable housing contribution schemes nationally and internationally has also been included.

Outline of this report

This report documents these analyses as follows:

- The remainder of Section 1 provides a review of relevant Council documents and policies.
- Section 2 compares the proposed contributions rates to other councils in Sydney and considers best practice examples and options for the delivery and management of affordable housing stock.
- Section 3 provides a picture of affordable housing demand in the LGA.
- Section 4 identifies the 16 test sites used in the feasibility analysis and the key market inputs that have informed this.
- Section 5 outlines the results of the feasibility testing.
- Section 6 summarises conclusions from the analysis and key implications for Council.

1.2 Review of background and context

This section provides a brief review of Council's existing strategic documents and policies related to affordable housing and the proposed target to increase the proportion of GFA required for affordable housing in developments.

Willoughby Local Strategic Planning Statement (LSPS) (2020)

Willoughby's LSPS sets out a 20-year vision for land use planning in the LGA, and what needs to change for Willoughby's housing, centres, and environment to respond to forthcoming challenges and trends. The LSPS reflects strategic directions in the North District Plan and the GSC's Metropolis of Three Cities.

The vision for housing in 2036 includes that Willoughby will provide for a diversity of housing catering to a range of households, allowing for ageing in place, and providing affordable options for young people and families. Compact housing types are identified for around local centres, with high density housing concentrated in the Chatswood CBD, allowing for the distinctive character of the LGA's suburbs to be retained and protected. The LSPS forecasts that the number of dwellings in Willoughby will increase by 6,700 between 2016 and 2036.

Among the Priorities in the LSPS is to increase the supply of affordable housing (Priority 2). The LSPS sets a baseline of having four per cent of GFA with housing uplift as affordable housing, with a target increase to 7-10 per cent with new housing uplift by 2036.

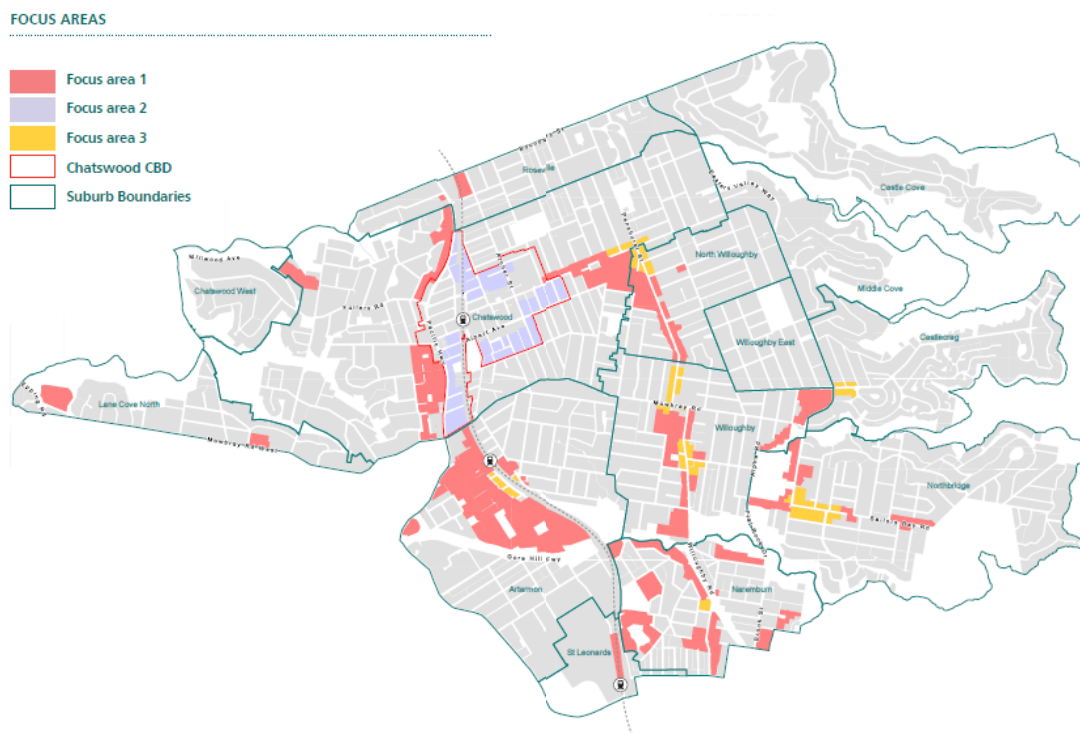
The LSPS also notes that other measures to increase the supply of affordable housing may be appropriate in areas seeing development uplift. Other actions under Priority 2 include to advocate for higher levels of investment in affordable housing by the NSW Government, working with LAHC to support the renewal of social housing, focus affordable housing delivery on public transport routes, maintain Council's community housing program, and to deliver affordable housing when Council-owned land is redeveloped for housing.

Willoughby Housing Strategy 2036 (2020)

The Willoughby Housing Strategy sets out a 20-year plan for future housing in the LGA, including the envisioned quantity, location, and type of future residential development within Willoughby. Under the Strategy there are three focus areas:

- Focus area 1 – existing medium and high density zones (R3, R4) that are not yet developed to their full capacity
- Focus area 2 – proposed B4 mixed use zone to surround the B3 zone in Chatswood.
- Focus area 3 – in local centres, namely Artarmon, Northbridge, North Willoughby, Penshurst Street, Castlecrag, Naremburn, and Willoughby South.

FIGURE 4: FOCUS AREAS IN WILLOUGHBY HOUSING STRATEGY



Source: Willoughby City Council, 2021.

The Strategy notes that in 2016, around 8.5 per cent of households in the LGA were experiencing housing stress, compared to the 11.8 per cent across Greater Sydney.

The Strategy notes Council's existing commitments, which in addition to investigating increasing the proportional affordable housing requirement, to increase the number Council affordable housing properties, monitor the supply of affordable housing for low-income workers, and enable 'model' affordable housing developments through Council joint ventures.

Draft Affordable Housing Strategy 2020 to 2026 (2020)

Willoughby's Draft Affordable Housing Strategy has the overall aim to increase affordable rental housing for moderate-income key and essential worker households, to maintain a liveable and prosperous city. Three key outcome areas for the Strategy are identified:

- Affordable housing supply – increase the supply of affordable rental housing within the LGA through affordable housing targets and policy.
- Affordable housing assets – the effective management of Council's Affordable Housing assets and Affordable Housing Program.
- Advocacy and leadership – Advocating for affordable and social housing needs within the LGA and region.

The Draft Strategy builds on the initiatives identified in the Willoughby Housing Strategy. Among the measures noted are by 2023 to increase the Affordable Housing requirement from four per cent to seven per cent, and by 2026, to increase this to 10 per cent. Other measures noted include for Council to enable affordable housing on identified sites, monitor the occupancy of Council-owned properties for key workers, returning a minimum of one per cent of annual return to the Affordable Housing Reserve, increasing the number of Council-owned affordable housing properties, and preparing submissions on Affordable Housing initiatives alongside other advocacy approaches.

Chatswood CBD Planning and Urban Design Strategy 2036 (2020)

The Chatswood CBD Strategy aims to guide the future development of the Chatswood centre for the next 20 years, providing capacity for future growth while achieving design excellence and a resilient and vibrant CBD. Key elements of the Strategy include reinvigorating the commercial core, balancing different land uses, facilitating a compact and walkable CBD, creating a city form and scale that can accommodate growth and change.

The Strategy considered different options for defining the boundary of the CBD, with the preferred option a 'balanced growth' scenario with expansions to the north and south to protect the B3 Commercial Core zone and introduce more B4 Mixed Use zone. The recommended land uses identified are shown in Figure 5 below. The Strategy also identifies recommended building height and FSR controls to apply across this area. These have been integrated in the Planning Proposal and comprehensive LEP amendments.

FIGURE 5: CHATSWOOD CBD RECOMMENDED LAND USES, CHATSWOOD CBD STRATEGY



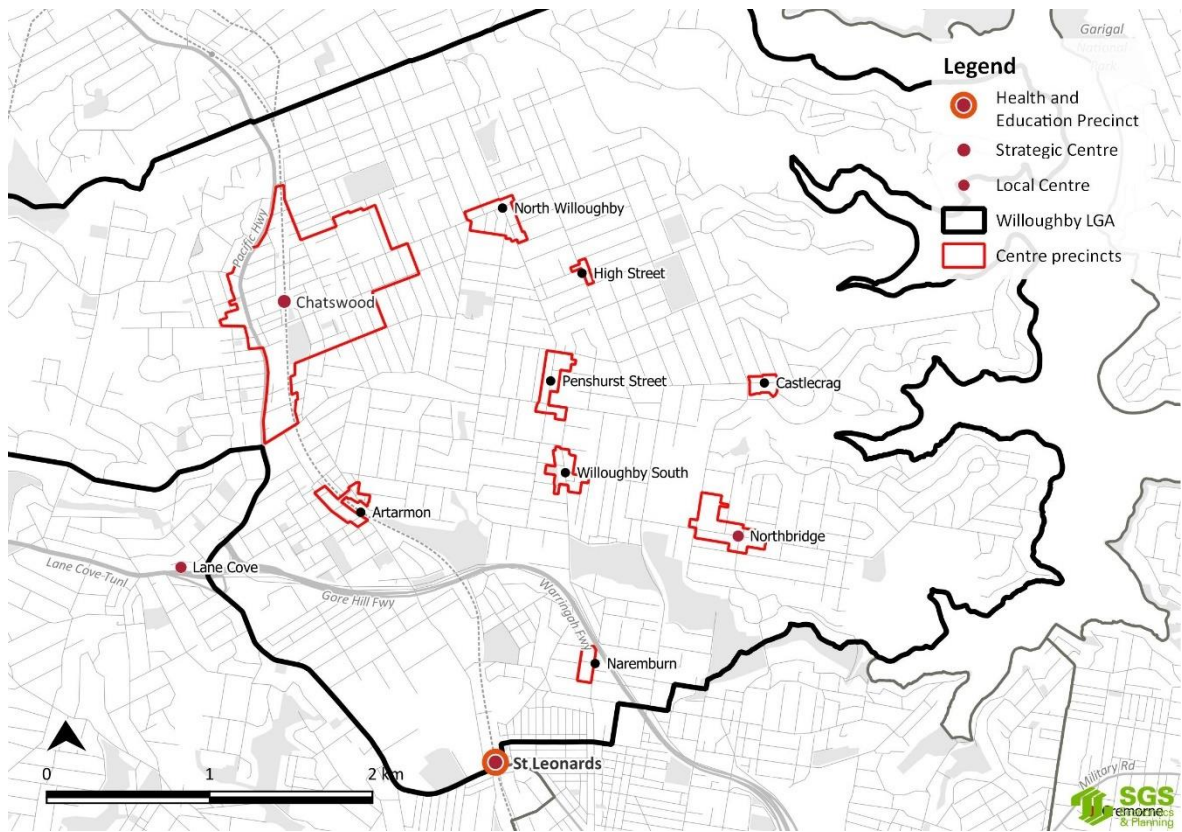
Source: Willoughby City Council, 2020.

Willoughby Local Centres Strategy 2036 (2020)

Willoughby's Local Centres Strategy aims to promote a network of thriving, attractive and distinctive village centres across the LGA, with a framework for future planning controls and public domain improvements across Council's eight local centres.

The location of these centres is illustrated in Figure 6 below (as well as Chatswood).

FIGURE 6: WILLOUGHBY'S CENTRES



Source: SGS, 2021.

Recommendations that were made in the Strategy for each centre are shown in Table 1 below, which have been integrated into the Planning Proposal and comprehensive LEP amendment.

TABLE 1: RECOMMENDATIONS BY CENTRE FROM LOCAL CENTRES STRATEGY

Centre	Key recommendations – LEP	Key recommendations – DCP
Artarmon	<ul style="list-style-type: none"> – Retain the existing fine grain heritage frontage on Hampden Road. Retain existing conservation zone. Retain and refurbish existing shopfront facades. – Utilise the slope of the terrain to achieve 4-5 storey development between Francis Road and Jersey Road. – Increase FSR's up to 3:1 on amalgamated sites fronting Hampden Road, between Francis Road and Jersey Road. – Increase heights up to 6 storeys and FSR's up to 3:1 on amalgamated sites fronting Hampden Road. – Maintain heights of up to 3 storeys and an FSR of 1.3:1 on the library site. Ground floor uses to be community uses. 	<ul style="list-style-type: none"> – Minimum 8m upper level setback (above 2nd storey) to Hampden Road. – Hampden Lane to accommodate at grade parking. – No upper level setback required to Hampden Lane. – Minimum 3m upper level setback from side street.
Castlecrag	<ul style="list-style-type: none"> – Increase heights up to 4 storeys on Eastern Valley Way and up to 3 storeys above Edinburgh Road with an FSR up to 1.6:1 on the Quadrangle site. An FSR could be considered to 1.8:1 with an additional storey below the Edinburgh Road frontage to utilise the topography of the site without adversely impacting the streetscape and scale of the centre. – Retain existing controls for the Griffin Centre and identify as a heritage item. – Retain heights up to 3 storeys, with an FSR of 1.6:1 in the B1 zone north of Edinburgh Road. – Retain B1 zoning for The Postern, with a height limit of up to 3 storeys with an FSR of 1.1:1. – Retain R3 zoning and FSR of 0.7:1 for properties in Edinburgh Road (95-103) and allow amalgamation for 2 developed lots. – Rezone the Council owned car park adjacent to the Griffin Centre to RE1 Public Open Space. 	<ul style="list-style-type: none"> – Minimum 3m upper level setback (2nd storey) for shop top housing. Provide a new publicly accessible open space within the Quadrangle site relating to the Edinburgh Rd frontage and achieving good solar access. This may be achieved by providing a setback in the order of 3.5 - 4m along the frontage of the site. – Maintain direct pedestrian through site links from the Quadrangle site to The Postern – Maintain full sun access along the length of the footpath on the southern side of Edinburgh Road between 9am and 3pm during the winter solstice. – Any redevelopment of the Quadrangle site is to retain the mature trees at the front and rear of the site. – Green entry point. – Rooftop garden.

Centre	Key recommendations – LEP	Key recommendations – DCP
North Willoughby	<ul style="list-style-type: none"> – Increase heights up to 5 storeys and increase FSR up to 2:1 for amalgamated lots directly fronting a new public open space. – Rezone land fronting Sydney Street (within the study area) to B2 local centre with a maximum height limit of 5 Storey. – Increase heights up to 6 storeys, and FSR up to 2.8:1 for amalgamated sites at the corners of the intersection of Victoria and Penshurst Streets. – Lots immediately adjacent to the Willoughby Hotel should not exceed the current eave height of the heritage item. – Increase heights up to 8 storeys and an FSR up to 2.1:1 to facilitate lot amalgamation and the delivery of new public open space/plaza. 	<ul style="list-style-type: none"> – Minimum 3m upper level setback above 2 storeys. – Public domain improvements at the intersection of Sydney and Penshurst Streets. – Public domain and pedestrian improvements at the intersection of Macmahon and Penshurst Streets. – Provide through site pedestrian links to laneways. – Maintain and improve laneway access from Victoria Avenue. – New public open space to be provided at the corner of Royal and Victoria Avenue (minimum dimensions of 15 x 30m).
High Street	<ul style="list-style-type: none"> – Retain existing planning controls as per Willoughby LEP 2012. 	<ul style="list-style-type: none"> – Maintain rear parking and laneway access. – 3m setback above 2 storeys.
Naremburn	<ul style="list-style-type: none"> – Increase heights to 3-4 storeys and maintain FSR of 1.5:1. – Increase heights up to 6 storeys and FSR 1.9:1 on the north-east corner site. – Rezone R3 land fronting Glenmore Street to B1 Neighbourhood Centre with heights up to 4 storeys and an FSR up to 1:1 for amalgamated lots with setbacks to Glenmore Road. 	<ul style="list-style-type: none"> – Maintain fine grain/existing shop fronts along Willoughby Road. – Minimum 3m upper level setback above 2 storeys fronting Willoughby Road. – Additional 3m setback above 4 storeys fronting Willoughby Road. – Maintain appropriate height and setbacks adjacent to heritage listed buildings. – Minimum rear setback of 18m for lots fronting Willoughby Road to allow for future public parking and service access. – Potential ground floor arcade/public through-site link to be provided. – Provide new public space with active ground floor frontage. – Relocate car parking to create improved public plaza on Willoughby Road.

Centre	Key recommendations – LEP	Key recommendations – DCP
Northbridge	<ul style="list-style-type: none"> – Increase heights of up to 6 storeys for commercial development along Sailors Bay Road, equating to 2.5:1 floor space ratio. – Increase heights up to 3-5 storeys to allow residential apartment development and deliver new open space. Consider partial rezoning to R3 Medium Density Residential. – Increase heights up to 3 storeys and rezone land to R3 Medium Density Residential along the northern side of Barringa Road. Increase heights up to 4 storeys along Sailors Bay Road. Consider a minimum lot width control to ensure lot amalgamation and improved access from Barringa Road, equating to 1:1 floor space ratio. – Increase heights up to 4 storeys for amalgamated sites to the northwest corner at the intersection of Eastern Valley Way and Sailors Bay Road. – Increase heights up to 5 storeys for amalgamated sites in the B2 Zone on Strathallen Avenue. – Increase heights up to 5 storeys as an incentive for an additional storey of commercial floorspace. 	<ul style="list-style-type: none"> – Deliver a new public open space, with a minimum area of 2,000m² – Minimum upper level setback of 3m above 2nd storey, and additional 6m setback above 4th storey for commercial buildings along Sailors Bay Road. – Minimum 6m landscaped setback to be provided along the southern side of Sailors Bay Road. – Shared laneway to be provided from Eastern Valley Way to Harden Avenue. – Laneway and service access to be provided from Sailors Bay Road.
Penshurst Street	<ul style="list-style-type: none"> – Heights up to 5 storeys and FSR's up to 2.8:1 fronting Penshurst Street on amalgamated sites. – Retain R3 zoning with increased heights up to 4 storeys and FSR's up to 2.1:1 on amalgamated sites. – Increased heights up to 6 storeys and FSR's up to 2.8:1 on amalgamated corner lots fronting Penshurst Street and Mowbray Road. – Heights up to 4 storeys and FSR's up to 2:1 fronting Penshurst Street on amalgamated sites. 	<ul style="list-style-type: none"> – 3m setback above 3 storeys and a maximum height of 4 storeys fronting Penshurst Street. – Maintain and extend Medway Lane to join Penshurst Street. – Encourage shared site access on amalgamated lot boundaries to minimise the number of driveways on Penshurst Street. – Maintain rear setback and solar access to adjoining properties on Ward Street.
Willoughby South	<ul style="list-style-type: none"> – In the B2 zone on the eastern side of Willoughby Road increase heights to no more than 4-5 storeys. 	<ul style="list-style-type: none"> – Provide fine grain shop fronts along Willoughby Road, consistent with the existing scale.

Centre	Key recommendations – LEP	Key recommendations – DCP
	<ul style="list-style-type: none"> – For amalgamated lots east of Willoughby Road increase in FSR to 2.0:1. – For amalgamated lots west of Willoughby Road maintain an FSR of 2.0:1. – Consider an increase in FSR to 3.0:1, for amalgamated lots with a frontage on the eastern side of Willoughby Road, to incentivise the delivery of additional commercial floorspace, public plaza and supermarket. A minimum non-residential FSR of 1.5 should be considered. 	<ul style="list-style-type: none"> – A minimum 3m upper level setback above 2 storeys fronting Willoughby Road. Consider additional upper setbacks to minimise any amenity impacts on Willoughby Road. – Future development on lots adjacent to The Bridgeview Hotel, between Julian Street and Borlaise Street, is to provide a consistent street setback to the heritage item above the first storey, and a 3m setback to the heritage item. – For all development, measures to limit access from Willoughby Road should be considered to limit pedestrian and vehicular conflict and increase activation. – Development involving amalgamated sites to the west of Willoughby Road and north of Julian Street, is required to provide a 7m rear lane way for access and servicing.

Source: Willoughby City Council, 2020.

St Leonards and Crow's Nest 2036 Plan (2020)

Prepared by DPIE, the St Leonards and Crow's Nest 2036 Plan aims to facilitate the urban renewal of the two as an expanding employment centre and growing residential community, building on improved transport accessibility with the introduction of the Crow's Nest Metro station. The Plan applies to the area illustrated below in Figure 7, and includes parts of Naremburn and the industrial area of Artarmon within the Willoughby LGA.

FIGURE 7: ST LEONARDS AND CROWS NEST PLAN BOUNDARY



Source: DPIE, 2020.

Actions under the Plan relating to housing are to:

- Include opportunities through amendments to planning controls to encourage a range of dwelling typologies to cater for the diverse community in St Leonards and Crow's Nest.
- Concentrate higher density housing along the Pacific Highway between the St Leonards Station and Crow's Nest Metro Station and transition to lower density living options in the surrounding area.
- Encourage a mixture of densities in St Leonards South.
- Undertake investigations to identify an appropriate target for affordable housing in the area, consistent with each Council's affordable rental housing target scheme.
- Explore build-to-rent opportunities within the precinct.

Voluntary Planning Agreements (VPA) policy (2013) and Draft Revised Agreements Policy (2020)

Council's existing VPA policy was enacted in 2013. Under the policy, a range of requirements can be negotiated with development proponents, including:

- Infrastructure: accessibility improvements; roads; open space; drainage and stormwater controls; traffic measures; public and green transport outcomes; pedestrian and cycleway connections; communications and information technology; and bridges.
- Facilities: community services; childcare and family health care centres public toilets; youth spaces; public leisure facilities; performance spaces; civic spaces; public car parking areas; bus shelters; family care facilities; sport, recreation, and activity centres; business, research, and creative industries incubator space; and **affordable housing**.
- Public domain improvements: paving; plantings; furniture; banners; public art; kerbs and gutters; treatment and/or features in public places; facilities such as kiosks in parks/open spaces; turf; environmental management improvements; water bubblers, lockers, and other amenities; and signage.
- Other contributions: land dedications; contributions for the development of community facilities plans and cultural facilities plans; Aboriginal site protection; and other benefits in line with Council plans and strategies.

The Revised Draft VPA policy provides revisions and updates to facilitate a more transparent process of negotiating VPAs and valuing public benefits, including a new Community Infrastructure Contributions (CIC) scheme using a fixed monetary rate per square metre based on apportionment of expenditure for public infrastructure works.

The proposal is for the establishment of a community infrastructure contribution rate for the Chatswood CBD that would be used as a standard for voluntary planning agreements, set at \$900 per additional square metre of floorspace, although this has been discounted to \$765 per square metre in recognition of the impacts of the COVID-19 pandemic. The intention is to apply the VPA policy to the rest of the LGA.

2. Comparative assessment and best practice

This section provides a comparison of the proposed affordable housing contributions to other local government areas and outlines affordable housing schemes and options available for the delivery of affordable housing stock.

2.1 Affordable housing schemes in Sydney

Only two additional affordable housing contribution schemes have been implemented under SEPP 70 since its application to all NSW councils in 2019.¹ These schemes are in the Randwick and Canada Bay LGAs. Both are yet to produce any additional affordable units as of July 2021. An inclusionary zoning approach has previously been used successfully in the City of Sydney, and a similar scheme has been proposed for the Waverley LGA.

Kensington and Kingsford Town Centres (Randwick LGA)²

The Kensington and Kingsford Town Centres Affordable Housing Plan was approved and adopted by Randwick City Council in 2019. It applies to land along Anzac Parade where additional development rights were granted in coordination with the CBD and Southeast Light Rail line. Where applied, it requires a contribution equivalent to three per cent of the residential floorspace component of new developments. This will increase to five per cent after August 2022. This approach to phasing the increase in the requirement has been used to allow the land market to adjust sufficiently, to not render development unfeasible throughout the scheme's rollout.

Canada Bay³

The Canada Bay Draft Affordable Housing Scheme applies to three 'Affordable Housing Contribution Areas' across the LGA where a rezoning is expected or has occurred. These locations and their respective contribution rates are as follows:

- Rhodes East and Rhodes West: five per cent of the of the residential floorspace component of new developments (this is lower at 3.5 per cent on two specific sites).
- Parramatta Road Corridor: four per cent of the residential floorspace component of new developments (this is higher at five per cent on two specific sites).

¹ Burke, K 2021, 'Developer contributions to affordable housing slow to be mandated across Sydney councils', <https://www.domain.com.au/news/developer-contributions-to-affordable-housing-slow-to-be-mandated-across-sydney-councils-1041364/>

² Randwick City Council 2019, 'Kensington and Kingsford Town Centres Affordable Housing Plan', https://www.randwick.nsw.gov.au/__data/assets/pdf_file/0009/283815/Affordable-Housing-Plan.pdf

³ City of Canada Bay 2019, 'Affordable Housing Contribution Scheme - Rhodes West', <https://collaborate.canadabay.nsw.gov.au/affordable-housing-contribution-scheme-rhodes-west>

- 106 Burwood Road Concord: five per cent of the residential floorspace component of new developments.

City West Affordable Housing Program (City of Sydney LGA)

The City West Affordable Housing Program is an inclusionary zoning scheme which has been successfully implemented in parts of the City of Sydney since 1992. Originally administered as a Regional Environmental Plan, it now sits under SEPP 70. It applies a contribution rate of 1.1 per cent for residential floorspace and 0.8 per cent for commercial floorspace across all land in the suburbs of Ultimo and Pyrmont. It also now administers a three per cent inclusionary contribution for residential developments in the Green Square urban renewal area. This broad-based style of contribution distinguishes the City West Program from the 'value capture' approach taken by other schemes in Sydney and as set down by the DPIE Guideline for Developing an Affordable Housing Contribution Scheme.⁴

This inclusionary contribution is based on the notion that affordable housing provision should be treated similarly to other development standards, such as car parking. Like these other standards, the rationale here is based on economic efficiency, rather than redistributive grounds. In the case of affordable housing, this efficiency dividend is achieved mostly in the form of improved labour market function.

As of 2019, City West held 722 properties in its portfolio across the City of Sydney, all of which had been delivered since its inception in 1992.⁵ Despite being divested from direct provision of housing itself, the City of Sydney has continued to be a key enabler of delivery for new stock across this time, providing surplus Council-owned land to City West at a discounted price for affordable housing delivery.⁶ This forms a key lever for housing provision in high-value locations where operational land is scarce and expensive.

Waverley LGA⁷

The draft SEPP 70 scheme lodged by Waverley Council proposes a broad-based inclusionary contribution of one per cent of the gross realisation value (GRV) of GFA in residential apartment developments across the LGA. Similar to the City West scheme, this runs counter to the requirements set out in DPIE's Guideline for Developing an Affordable Housing Contribution Scheme. This alternative approach is necessitated by the fact that no major increases to residential development capacity are expected to occur across the LGA, given that existing planning controls are sufficient to meet the LGA's housing supply targets.

The scheme also proposes a contribution rate of 10 per cent of GFA on sites that have received uplift granted through the planning approval process. The scheme has yet to obtain approval from DPIE as of July 2021.

⁴ NSW Department of Planning 2010, 'Revised City West Affordable Housing Program', https://www.planning.nsw.gov.au/affordablehousing/~/_media/COE8043FDEC841ACB25D3B68F0FBC7D3.ashx/

⁵ City West Housing 2019, 'Annual Report 2019', https://citywesthousing.com.au/wp-content/uploads/2020/03/WEB_2019-CWHAnnualReport.pdf

⁶ Morris, A & Hanckel, B 2017, 'The City of Sydney's approach to the supply of affordable housing', <https://www.uts.edu.au/sites/default/files/2017-10/City%20of%20Sydney%20report%20-%2018%20Sept%202017-ippg.pdf>

⁷ Waverley Council 2020, 'Draft Waverley Affordable Housing Contributions Scheme', <https://haveyoursay.waverley.nsw.gov.au/affordable-housing-contributions-policy>

Parramatta VPA Policy and Affordable Rental Housing Policy

Parramatta City Council's Affordable Rental Housing Policy nominates that 10 per cent of land value uplift generated by development approvals outside the Parramatta CBD will be collected by Council for the purpose of affordable housing.⁸

This position is maintained in Parramatta's VPA Policy, which states that where applicable this requirement will be considered in VPA negotiation. This contribution forms part of a broader mandate within the policy for 50 per cent of land value uplift to be apportioned to Council in VPA negotiations.⁹

Comparison

Table 2 below provides a side-by-side comparison of the schemes included above. As noted previously, the number of dwellings produced by each scheme cannot yet be compared fairly given the difference in the timing of their adoption and the differing amounts of development in each LGA.

TABLE 2: COMPARISON OF SYDNEY AFFORDABLE HOUSING CONTRIBUTION SCHEMES

LGA	Contribution rationale	Contribution rate (residential GFA)	Year adopted	Number of dwellings produced
Randwick	Value capture	3%, increasing to 5% in 2022.	2019	0
Canada Bay	Value capture	3.5% - 5%.	2019	0
City of Sydney	Inclusionary	1.1% (includes separate rate for commercial).	1992	722 (as of 2019).
Waverley	Inclusionary	1%	TBD	N/A

Source: compiled by SGS, 2021.

2.2 Interstate and international practice

Across Europe, Australia, and North America, five common justifications emerge for land use planning to deliver affordable housing:

1. The need to remedy regulatory and systemic barriers to the production of affordable housing within the land use planning system.
2. The need to minimise and offset the impact of urban planning and residential development processes on the availability of low cost housing.

⁸ City of Parramatta 2019, 'Affordable Rental Housing Policy 2019', <https://www.cityofparramatta.nsw.gov.au/sites/council/files/inline-files/Affordable%20Rental%20Housing%20Policy.pdf>

⁹ City of Parramatta 2018, 'City of Parramatta Planning Agreements Policy (Amendment 1)', <https://www.cityofparramatta.nsw.gov.au/sites/council/files/2020-03/Voluntary%20Planning%20Agreements%20policy.pdf>

3. The need for planning systems to provide for and facilitate greater housing variety to respond to the growing diversity of households, to achieve social mix and to support labour market needs.
4. The potential to leverage more subsidised housing stock for low income people, in better locations.
5. The opportunity to recapture some of the gain associated with planning decisions or to create additional gain through incentives, and to apply this profit to achieving public objectives, such as the provision of dedicated affordable housing.

Arguments three and four are most common internationally in places where the planning system itself is used as a mechanism for delivering affordable housing supply (including Australia). However, it is important to note that in all jurisdictions where this occurs, it is insufficient to service the total need for affordable housing without substantial public subsidy. These mechanisms serve to reduce public expenditure, not replace it.¹⁰ International practice has also sought to improve effective job density in more affordable parts of the city via improvements to connective infrastructure. This is also the case in Sydney, where spatial relationships between areas of naturally occurring housing affordability, transport, and employment present arguably the key challenge for metropolitan planners.

However, mechanisms must be coordinated with these improvements to ensure that naturally affordable areas are protected from major inflation in land and property values. In the absence of these measures, additional housing supply in these locations are not translated into benefits for lower income households.¹¹ These lessons from global practice are highly relevant to the case of Willoughby, where large increases in land value are currently being influenced by the construction of new metro stations. As such, argument 2 from the list above may offer an additional rationale for delivering affordable housing via the planning system in the Willoughby LGA.

Below are outlined specific interstate and international examples where planning systems include provisions to cross-subsidise the supply of affordable housing through the development process.

South Australia's Affordable Housing Overlay

South Australia's Planning and Design Code was adopted in 2021, with the aim of consolidating and clarifying the rationale for planning controls across the state. It specifies minimum performance requirements for development according to the objectives of the relevant zone, subzone, and overlay. The reform includes a standardised 'affordable housing overlay' which applies state-wide. It requires development comprising 20 or more dwellings or residential allotments to include a minimum of 15 per cent of floorspace for affordable housing, except where this requirement will be fulfilled at another stage of development.¹²

The new overlay also clarifies incentives which apply to developments which fulfill this requirement. For example, where a development includes at least 15 per cent affordable housing, the maximum building height can be increased by one building level in most zones. Developers are also only required to provide 0.3 parking spaces per affordable dwelling where they are located within 400 metres of high-

¹⁰ AHURI 2008, 'International practice in planning for affordable housing: lessons for Australia', https://www.ahuri.edu.au/__data/assets/pdf_file/0021/2928/AHURI_RAP_Issue_105_International_practice_in_planning_for_affordable_housing_lessons_for_Australia.pdf

¹¹ AHURI 2020, 'Strategic planning, city-deals and affordable housing', https://www.ahuri.edu.au/__data/assets/pdf_file/0022/63841/AHURI-Final-Report-331-Strategic-planning-city-deals-and-affordable-housing.pdf

¹² PlanSA 2021, 'Browse the Planning and Design Code', https://code.plan.sa.gov.au/home/browse_the_planning_and_design_code?code=browse

frequency public transport. However, developers may avoid this requirement where they can show a ‘clear planning rationale’ for why it won’t be met, subject to the discretion of the assessment authority. This has generated uncertainty around the true efficacy of this provision.¹³

Inclusionary housing in Greater London

The 2021 London Plan mandates that all new residential developments within the metropolitan area must deliver at least 35 per cent of their dwellings as affordable housing. Scheme’s which comply with this mandate benefit from a ‘fast track’ approvals process, known as a ‘Threshold Approach’. Those which fail to comply are subject to viability assessment to ensure that they are maximising their provision of affordable housing (this may result in more than 35 per cent being set aside for affordable housing if it is found to be feasible).¹⁴

However, the inclusion of project-specific viability assessments as a component of this policy has been criticised for being fundamentally at odds with the basis for an inclusionary approach – that the land market adjusts to account for the impost of an affordable housing contribution. In other words, if developers collectively can offer less for each development site as a result of the required contribution, land prices must naturally lower. As a result of the discretion allowed by the current approach, large and highly profitable developments have reduced their affordability obligations in some circumstances.¹⁵

This issue has been widely reported on and acknowledged by the Mayor of London, who has sought to respond by mandating the Threshold Approach in his most recent version of the London Plan, as outlined above.¹⁶

ACT Lease Variation Charge remission for community housing providers (CHPs)

The ACT’s ‘Lease Variation Charge’ (LVC) is a value capture mechanism which applies when a lease holder (essentially the landowner) receives planning permission to ‘vary their lease’ to enable new or additional development.¹⁷ This is based on the ACT’s system of land ownership, where land is operationalised and leased by the Commonwealth to its users on a long term basis. Where the development rights granted under that lease are increased, the LVC takes back a portion of the administratively created increase in value.

Since 2019, a 25 per cent remission in the LVC has been given to registered CHPs that are developing land for affordable rental and purchase opportunities. This aims to incentivise affordable development on privately-owned land.¹⁸ However, it neglects to provide a clear mechanism for CHPs to acquire land

¹³ SA Government 2021, ‘Developer responsibilities for affordable housing’, <https://www.sa.gov.au/topics/planning-and-property/land-and-property-development/planning-professionals/developer-responsibilities-for-affordable-housing>

¹⁴ Mayor of London 2012, ‘Affordable Housing and Viability Supplementary Planning Guidance (SPG)’, <https://www.london.gov.uk/what-we-do/planning/implementing-london-plan/london-plan-guidance-and-spgs/affordable-housing-and-viability-supplementary-planning-guidance-spg>

¹⁵ City Futures 2017, ‘Sydney must heed lessons of London affordable housing fiasco’, <https://blogs.unsw.edu.au/cityfutures/blog/2017/07/sydney-must-heed-lessons-of-london-affordable-housing-fiasco/>

¹⁶ Mayor of London 2021, ‘Affordable Housing & Viability Supplementary Planning Guidance’, <https://www.london.gov.uk/questions/2021/0665>

¹⁷ ACT Government n.d., ‘Lease Variation Charge’, <https://www.planning.act.gov.au/leasing-and-titles/varying-crown-leases/lease-variation-charge>

¹⁸ ACT Government 2019, ‘Planning and Development (Remission of Lease Variation Charges—Affordable Rental Development Concession) Determination 2019’, https://www.legislation.act.gov.au/DownloadFile/es/db_61111/current/PDF/db_61111.PDF

other than via competition with traditional developers. This can create an inefficiency in the delivery of new affordable supply where contributions to CHPs are not provided in-kind as land or dwellings.

Implications for Willoughby

Based on the experience of the examples discussed above, relevant findings for Willoughby include:

- Various rationales can be used to underpin the provision of affordable housing in the development process. Clarity around the chosen rationale and key objectives of a scheme is important to the design of its mechanisms and implementation.
- Certainty and clarity around the requirements of a contribution scheme is vital. Where schemes are applied piecemeal or inconsistently, there is a possibility that their benefits will be undermined. Schemes which allow for negotiation or discretion generally place greater demands on planners and are more likely to prompt backlash from developers or the community.
- The design of an affordable housing contribution scheme must consider not only the levying of monetary contributions, but also pathways for this funding to be efficiently realised as affordable stock.

2.3 Options for local government in delivery of social and affordable housing

Although levy mechanisms and contribution rates are obvious concerns of an affordable housing contributions scheme, the realisation of new stock is an equally important consideration where contributions are not provided in-kind as dwellings.

Research published by the Australian Housing and Urban Research Institute (AHURI) in 2018 compared the financing and delivery of six affordable housing projects using documentary evidence, interviews, and site visits. Their findings raise the importance of supporting social and affordable housing providers to access land rather than having them compete on the open market. The latter scenario can pose a significant inefficiency in translating affordable housing contributions into new stock.¹⁹ A failure to consider these practical elements of delivery is likely undermine the fulfillment of the contribution scheme's original policy objective.

As noted above, Willoughby's existing scheme for affordable housing contributions has delivered a mixture of monetary and in-kind contributions towards affordable housing. Monetary contributions can be compiled over time to purchase new dwellings. Surplus Council-owned sites can also be used for affordable housing (such as the current project at 3 Abbott Road, Artarmon, expected to deliver 16 dwellings on a formerly unused Council site).²⁰ The following sections describe a range of methods by which councils can contribute to the delivery of affordable housing stock.

¹⁹ AHURI 2018, 'Assessing how to best fund affordable housing', https://www.ahuri.edu.au/__data/assets/pdf_file/0009/16110/PES_002_Assessing_how_to_best_fund_affordable_housing.pdf

²⁰ Willoughby City Council, 'Affordable housing design and construction - Abbott Rd, Artarmon', <https://www.willoughby.nsw.gov.au/Residents/Current-works-and-projects/WCC/Affordable-housing-design-and-construction-Abbott-Rd-Artarmon>

Rental subsidies

Rental subsidies are a relatively low-intervention way for councils to support the provision of affordable housing, where funding is provided to subsidise private market leases to affordable price levels (e.g. 25 per cent below the market rate). The advantage of this is that there is less need for council day-to-day resourcing, apart from the financial subsidy, which may be more cost-effective than council purchasing or developing sites directly or in partnership with a CHP. However, this approach is highly reliant on the private market and the availability of dwellings, is subject to fluctuations in market rents, and does not necessarily provide a supply of affordable housing in perpetuity as a result. It may also require a council to divert its own funding to affordable housing if developer contributions are unavailable.

Direct council acquisition of properties for affordable housing

The most direct and involved way for a council to increase the volume of affordable housing in their LGA is by purchasing dwellings or funding new developments. This can also achieve greater scale by combining different streams of developer contributions, including SEPP 70. However, in expensive or constrained housing markets it can be challenging to deliver a large volume of stock, as the cost of purchasing dwellings can be very high.

Waverley Council

Under Waverley's current VPA policy, 25 per cent of funding accessed via VPAs is set aside for the purpose of delivering affordable housing, including the purchase of existing dwellings within the LGA for repurposing as affordable housing.

Transfer of contributions to the CHP sector

Councils may allocate in-kind or monetary contributions generated from their schemes to CHPs to increase their capacity to deliver upgrades and new stock. This approach allows CHPs to achieve greater financial capacity by leveraging newly dedicated dwellings and consolidating multiple streams of funding/finance which a council may be unable to access (one of which is outlined below).

Federal Government low-cost loans to CHPs

NHFIC is an independent corporate Commonwealth entity dedicated to providing finance for city-shaping infrastructure projects and social and affordable housing.

The Affordable Housing Bond Aggregator (AHBA) is NHFIC's primary means of providing finance for affordable housing projects. It does so by issuing its own bonds into the wholesale capital market. It then provides low cost, long-term loans to registered CHPs to support housing delivery.

This has provided a secure source of finance for several social/affordable housing projects to date, including loans to CHPs, such as Evolve.

Joint ventures with CHPs or leveraging council-owned land

Land costs are one of the largest barriers to the provision of new social or affordable housing stock in accessible locations, often making up 20-25 per cent of the costs of a development project. If the costs of land can be alleviated for CHPs, this gives them additional capacity to deliver new affordable housing stock. For this purpose, surplus council-owned land or land dedications made to a council can be provided to CHPs for a discounted price. Councils can also choose to work with a CHP as a development partner, on the proviso that sites are developed for the purpose of affordable housing provision and retained as such by the CHP.

City of Sydney land transfers to CHPs

Despite being divested from direct provision of housing itself, the City of Sydney has continued to be a key enabler of delivery for new stock across its LGA through the transfer of multiple land parcels to CHPs at discounted rates. For instance, a former City of Sydney council depot at Gibbons Street, Redfern, was sold to Tier 1 CHP St George Community Housing, with 160 social and affordable dwellings since constructed on the site.²¹ This forms a key lever for housing provision in high-value locations where development sites are scarce and expensive.

Comparison of options

Table 3 below provides a comparison of some of the strengths and weaknesses of the above options for councils in relation to the delivery of affordable housing stock.

²¹ Bleby, M 2017, 'City of Sydney to sell discounted Redfern site to SGCH for affordable housing', <https://www.afr.com/property/city-of-sydney-to-sell-discounted-redfern-site-to-sgch-for-affordable-housing-20171213-h03ri0>

TABLE 3: DELIVERY OPTIONS – STRENGTHS AND WEAKNESSES

Model	Strengths	Weaknesses
Rental subsidies	<ul style="list-style-type: none"> – Relatively easy to implement 	<ul style="list-style-type: none"> – Reliant on the private market and availability of dwellings – Subject to market rent fluctuations – Supply not guaranteed in perpetuity
Purchase of dwellings by council	<ul style="list-style-type: none"> – Council retains control of delivery 	<ul style="list-style-type: none"> – High costs for councils associated with property acquisition – Limited opportunity to leverage additional funding
Transfer of stock to CHPs	<ul style="list-style-type: none"> – Builds on CHP capacity to deliver new stock – Fewer responsibilities for councils – CHPs can use ownership to leverage and deliver more housing 	<ul style="list-style-type: none"> – Less control for councils
Joint ventures with CHPs or leveraging land	<ul style="list-style-type: none"> – Builds on CHP capacity to deliver new stock – Opportunity to reduce costs with CHP as the developer 	<ul style="list-style-type: none"> – May be less control for councils in delivery – Financing models more effective when ownership vested in CHP

Source: SGS, 2021.

3. Affordable housing demand

This section provides a picture of the existing need for affordable housing in the Willoughby LGA.

3.1 Existing program and tenants

To gain a broad understand the existing picture and need for affordable housing in the Willoughby context, consultation was undertaken with the current CHP managing Council's affordable housing properties, Evolve Housing. Key points from this discussion included:

- There is a high level of demand for affordable housing and a shortage of stock – though this is the case across NSW and the rest of the country and not unique to Willoughby.
- It is important to consider how 'affordable housing' is defined, as there can be distinct products which target different cohorts within this categorisation. Willoughby's approach, where rents are set as a proportion of the tenants income (e.g. capped at 30 per cent), is seen as actually being affordable, whereas other programs, where rents are set as a percentage below market rents, are less so due to the lack of capacity for tenants to be able to pay and sustain those rents alongside other living costs (under this approach it can mean that tenants are actually paying 40-50 per cent of their income, which is not affordable). The income-cap approach also allows for flexibility and scaling when a tenants circumstances change (e.g. if they lose income, payments can be adjusted to account for this).
- Willoughby's program is beneficial in targeting tenants who have a connection to the area, limited to people who either live or work in the LGA. The program has a lot of long-term tenants, though there have been positive exits over time where people have been able to move out and purchase their own home, or have been able to transition to the private rental market.
- A lot of the people looking for affordable housing are service workers.
- There is a mix of household types in Willoughby's program, however the type of tenants is highly dependent on the types of dwellings available. Spaces suitable for large families (such as three-bedroom apartments) are quite scarce, and as such have to be targeted to those who need it most. The majority of dwellings delivered through planning mechanisms are 1-2 bedroom units, which can only really suit singles or couples – which affects the profile of tenants.
- COVID-19 has affected a lot of tenants, with people losing employment, though Evolve worked hard to ensure that no-one in their portfolios lost their housing through the initial impact of the pandemic.

3.2 Housing assistance demand and supply model (HADS)

Household financial stress drives demand for social and affordable housing and is influenced by a range of factors, from macroeconomic conditions (such as demographics, employment, and wages) to the operation of our cities and the housing market (supply and location of housing stock). It is important to have a clear understanding of the definition of *total demand* for social and affordable housing:

Households in need of social and affordable housing are those who, due to financial stress (and potentially other issues), are either:

- Unable to access market housing (including homeless persons), and
- Have low household incomes and spend a high proportion of this income on rent (i.e. are experiencing rental stress).

This definition excludes those who are homeowners, or households experiencing mortgage stress.²²

Once total demand is known, the quantum of unmet demand must consider the existing stock of social and affordable housing, along with expected changes in the policy landscape, such as:

- Investment in social or affordable housing stock, and
- The loss of affordable housing with the conclusion of the National Rental Affordability Scheme (NRAS) ten-year subsidy.

Method

SGS has undertaken a baseline needs analysis using a Housing Assistance Demand model. The model measures the number of households who may be in need of affordable housing based on their income status, segmented by demographic and spatial variables, and forecasts the evolution of this need subject to factors such as expected population growth, demographic shifts, changes in household incomes, and the evolution of rental rates.

The demand for social and affordable housing is classified by three key cohorts, these include:

- Households who are in moderate rental stress (i.e. low income and spending between 30 per cent and 50 per cent of their income on rent) or severe rental stress (i.e. low income and spending greater than 50 per cent of their income on rent)
- Homeless households, who in 2016 (Census night), were outside the private market for dwellings²³, and
- Households residing in social housing. These households are both in need of, and being provided with social and affordable housing, and therefore make up a component of total demand.

These cohorts are then further filtered using the income band definitions as set out in the *NSW Affordable Housing Ministerial Guidelines* for the 2016-17 year, the closest version to the 2016 census. These guidelines set Household Income bands based on the number of persons living in a household by level of income (Very Low, Low, Moderate).

²² This cohort is typically excluded, as these households have the option of liquidating their asset and entering the rental market.

²³ These households are clearly in need of social and affordable housing, but would not be identified as being in rental stress as they are homeless (i.e. 0% of income is spent on rent).

TABLE 4: NSW AFFORDABLE HOUSING GUIDELINES HOUSEHOLD INCOME BAND BY HOUSEHOLD SIZE

Household Members	Very Low	Low	Moderate
Single Adult	\$25,000	\$40,000	\$59,900
Additional Adult (18+)	\$12,500	\$20,000	\$30,000
Each Additional Child (Under 18)	\$7,500	\$12,000	\$18,000

Source: NSW Affordable Housing Ministerial Guidelines 2016-17.

The definitions have been distributed across household and family types from the 2016 census for the Willoughby region to identify household income bands by household size and family composition, shown in Table 5 below.

TABLE 5: HOUSEHOLD INCOME BANDS BY HOUSEHOLD AND FAMILY COMPOSITION

Household and family composition	Very Low	Low	Moderate
Couple family with no children	\$39,436	\$63,098	\$94,547
Couple family with children	\$52,064	\$83,302	\$124,853
One parent family	\$38,260	\$61,216	\$91,724
Other family	\$78,587	\$125,739	\$188,508
Lone person household	\$25,000	\$40,000	\$59,900
Group household	\$43,186	\$69,098	\$103,547

Source: SGS, 2019.

Using ABS Census data, the total demand for social and affordable housing in 2016, as defined above, can be estimated. The Census attributes considered are presented in Table 6: . The model supplements these with data extracted from the 2016 estimate of homelessness (ABS Cat. 2049.0).

TABLE 6: CENSUS ATTRIBUTES

Variable	Use
Weekly rent	Weekly rent is used to identify households spending a large proportion of their income on rent.
Weekly household income	Weekly household income is used to identify households spending a large proportion of their income on rent.
Household type	Lone person, Group household, or several family sub-types. The appropriate housing response for households in need of social and affordable housing will vary based on household type.
Tenure type	Used to differentiate between home-owner households, rental households, social housing households, and households with no tenure types (includes homeless households).
Local Government Area (LGA)	Spatial component used to show distribution of social and affordable housing demand across NSW

Source: SGS, 2018.

Following this, the SGS model forecasts the demand for social and affordable housing from 2021 to 2041, incorporating the following key assumptions:

- Growth in the number of households, by type and location, are assumed to follow DPIE projections
- Unless otherwise stated, new households assume the 2016 distribution across all attributes. For example, newly formed lone person households (obtained from previous step) will assume the 2016 distribution across the attributes of equivalised income, tenure type, total income, and rent expenditure.

Detailed definitions and methodological details for the three cohorts are provided in Appendix A.

3.3 Social and affordable housing demand for Willoughby

Summary

In 2016, demand for social and affordable housing within the Willoughby LGA was estimated at 4,186 households.²⁴ Most of this demand is made up of households experiencing varying degrees of rental stress, as well as those currently residing in social housing.

Overall, demand for social and affordable housing in Willoughby is expected to grow by 1,795 households between 2016 and 2041, resulting in a *total demand* of 5,981 households (i.e. 14.6 per cent

²⁴ Note: this number is calculated using Census data, DPIE population projections, and ABS homelessness counts, and reflects households that are homeless, already living in social housing, and those in severe and moderate rental stress. As such, this estimate may vary compared to other estimates of housing stress, such as those identified in Council's Community Profile.

of all households in Willoughby). In comparison the Northern District Plan (NDP) LGA's ²⁵ have total demand for 12.2 per cent of households growing to 13 per cent by 2041.

Sensitivity tests, which correspond to improving and decreasing rental affordability, imply the following lower and upper bounds for growth in social and affordable demand:

- Improved affordability: Total social and affordable housing demand growth of 1,707 households, and
- Decreased affordability: Total social and affordable housing demand growth of 1,909 households.

Current demand

In 2016, there was demand for 4,186 social and affordable housing dwellings within Willoughby. Table 7: below shows this demand, disaggregated by current tenure and household type.

TABLE 7: WILLOUGHBY LGA CURRENT (2016) DEMAND FOR SOCIAL AND AFFORDABLE HOUSING

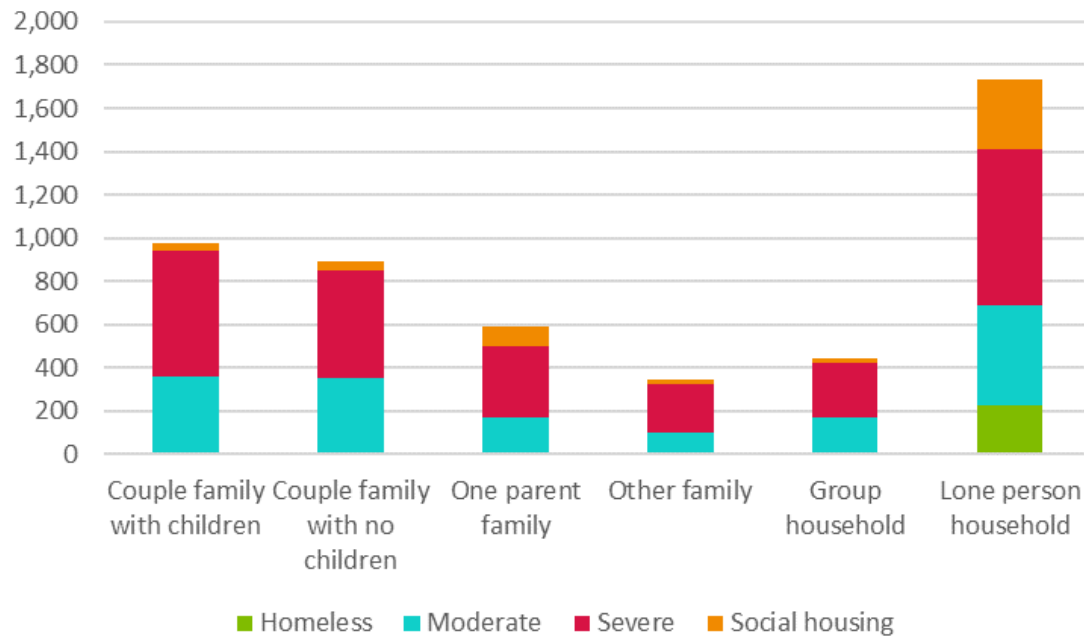
LGA	Homeless	Living in Social Housing	Severe Rental Stress	Moderate Rental Stress	Total Demand for SAH	Total Households	Demand % of Total households
Couple family with children	0	35	531	311	877	10,925	8.0%
Couple family with no children	0	44	473	228	745	6,346	11.7%
One parent family	0	89	304	85	478	2,359	20.3%
Other family	0	23	223	100	346	1,241	27.9%
Group household	0	23	238	120	381	1,473	25.9%
Lone person household	225	320	651	162	1,358	6,360	21.4%
Total	225	534	2,420	1,007	4,186	28,704	14.6%

²⁵ Ryde (C), Hornsby (A), Hunters Hill (A), Ku-ring gai (A), Lane Cove (A), Mosman (A), North Sydney (A), Northern Beaches (A) & Willoughby (C)

Source: ABS Census 2016, ABS Homelessness Estimate (Cat. 2049.0), SGS, 2021.

Figure 8 shows the demand composition for social and affordable housing. This is largely made up of households in severe (2,420) or moderate (1,007) rental stress. The 534 households currently living in social housing and 225 homeless persons also contribute to the higher expressed demand.

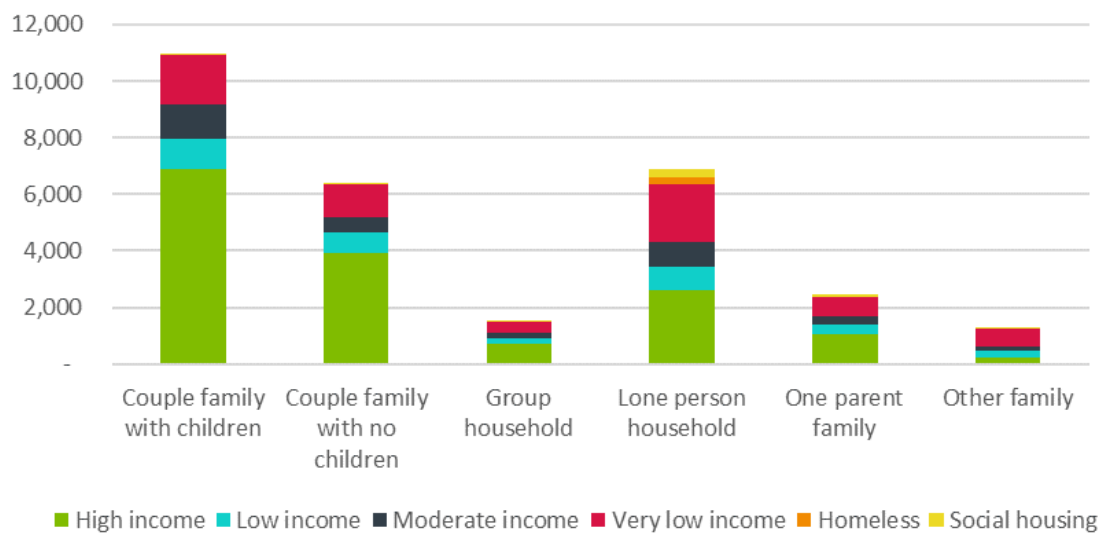
FIGURE 8: WILLOUGHBY LGA CURRENT (2016) DEMAND FOR SOCIAL AND AFFORDABLE HOUSING, BY COHORT



Source: ABS Census 2016, ABS Homelessness Estimate (Cat. 2049.0), SGS, 2021.

Figure 9 shows the income classification distribution after applying the income definitions set out in Table 5 for Willoughby. The highest proportion of very low income households are lone person households, followed by couples with children. Lone person households are also created the most demand for social and affordable housing, accounting for 1,358 of households in need (or 41 per cent), as shown above in Table 7:.

FIGURE 9: HOUSEHOLDS BY INCOME TYPE IN WILLOUGHBY LGA, 2016



Source: ABS Census 2016, ABS Homelessness Estimate (Cat. 2049.0), SGS, 2021.

The couple family with children cohort had the largest proportion of low income households and the largest proportion of high income households. Couple family with no children households had the highest proportion of households in rental stress with 17.4 per cent.

Table 8: below also shows median rents in 2021 for Willoughby compared to Greater Sydney. Willoughby in general showed more expensive rents for all dwellings in comparison.

TABLE 8: MEDIAN RENTS, WILLOUGHBY LGA AND GREATER SYDNEY, 2021

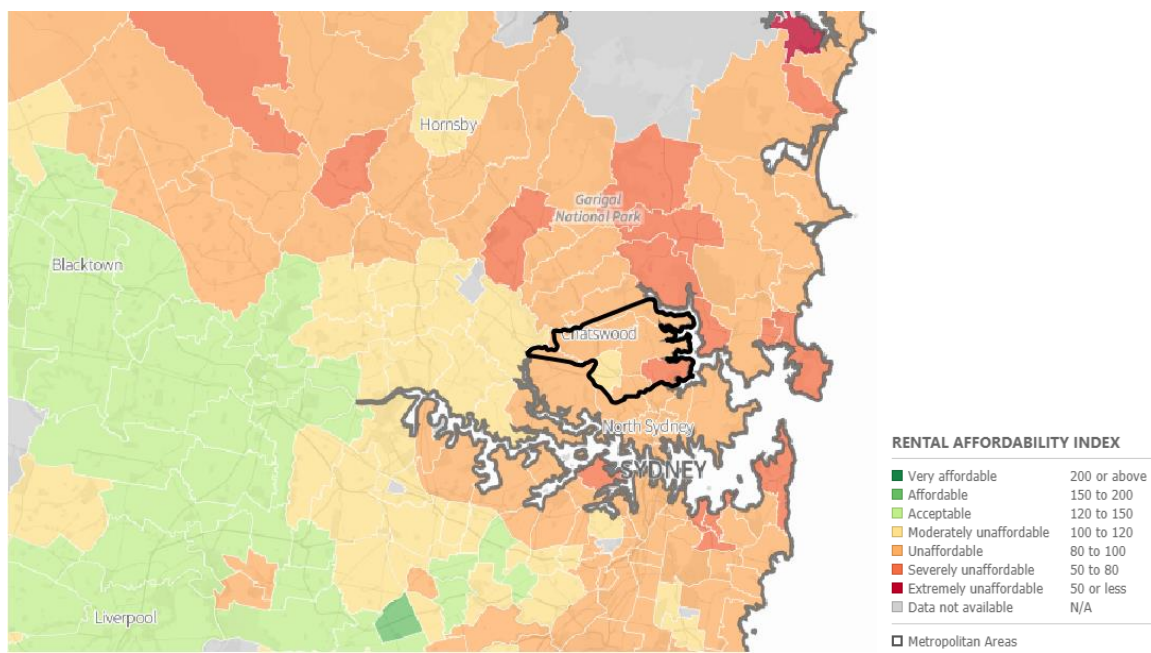
	One Bedroom	Two Bedrooms	Three Bedrooms	Four + Bedrooms	Number of Bonds
Willoughby	\$450	\$550	\$850	\$1250	9,185
Greater Sydney	\$430	\$500	\$580	\$680	62,289

Source: FACS Rent and Sales Report, Issue 135, May 2021.

SGS's Rental Affordability Index (RAI)²⁶ also illustrates the relative unaffordability of Willoughby in relation to broader Sydney, by using the 30 per cent income rule to identify where different households are likely to be in housing stress. Figure 10 below shows the RAI for the December 2020 quarter for the average Australian rental household (household income of \$95,000 per annum). This shows the Willoughby area is ranked as overall being Unaffordable, with Artarmon being slightly Moderately Unaffordable, and Northbridge being Severely Unaffordable.

²⁶ See <https://www.sgsep.com.au/projects/rental-affordability-index>

FIGURE 10: RENTAL AFFORDABILITY INDEX, DECEMBER 2020 QUARTER, AVERAGE AUSTRALIAN RENTAL HOUSEHOLD

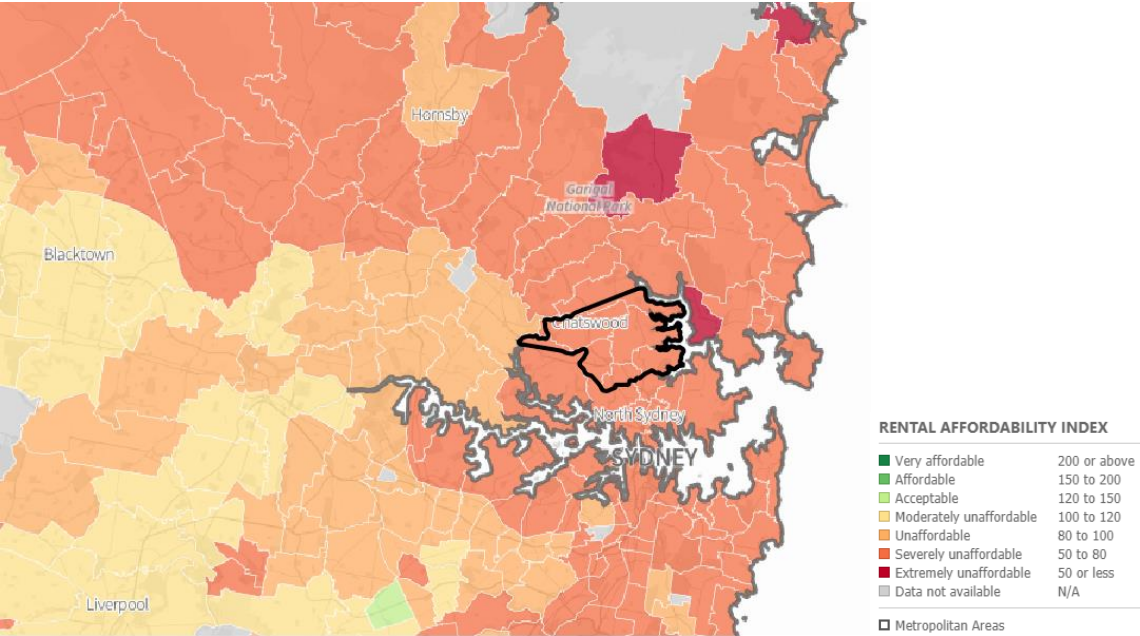


Source: SGS, 2021.

This unaffordability is also more acute for people on lower incomes, and for key workers serving the Willoughby LGA but who cannot afford to live there. For a single pensioner, the entirety of the Willoughby LGA is ranked as Extremely Unaffordable. Figure 11 shows the RAI for the estimated typical income for a nurse in Sydney, of around \$75,000 per annum,²⁷ and that almost all of the Willoughby LGA is Unaffordable for this household type.

²⁷ <https://au.indeed.com/career/registered-nurse/salaries/Sydney-NSW>

FIGURE 11: RENTAL AFFORDABILITY INDEX, DECEMBER 2020 QUARTER, \$75,000 INCOME



Source: SGS, 2021.

Future demand

Over the period spanning from 2016 to 2041, Willoughby is expected to accommodate approximately 26,250 additional people, or 0.9 per cent of Greater Sydney’s population growth. This in turn will drive demand for social and affordable housing. As shown below in Table 9, demand for social and affordable housing is expected to grow by approximately 1,795 households, representing an average annual growth rate of 1.4 per cent, compared to 1.8 per cent across Greater Sydney.

Table 9 also shows this forecast demand disaggregated by household type. Lone person households have the fastest growth rate of demand for social and affordable housing. This is consistent with trends across NSW, as the ageing of the population (as the largest driver) leads to more lone person households overall, combined with the lower incomes of such households. In absolute terms, lone households show the greatest growth in demand and remain the largest group of households requiring social and affordable housing.

TABLE 9: WILLOUGHBY LGA FORECAST DEMAND FOR SOCIAL AND AFFORDABLE HOUSING, BY HOUSEHOLD TYPE

Household Type	2016	2021	2026	2031	2036	2041	Change	AAGR
Couple family with children	877	913	925	992	1,103	1,125	248	1.0%
Couple family with no children	745	767	806	904	1,038	1,065	320	1.4%
Families Households (sub-total)	1,622	1,681	1,732	1,896	2,141	2,190	568	1.2%
Group household	381	380	377	411	464	463	82	0.8%
Lone person household	1,358	1,457	1,560	1,757	2,030	2,167	809	1.9%
One parent family	478	513	542	596	676	718	240	1.6%
Other family	346	351	359	393	438	443	98	1.0%
Total	4,186	4,382	4,569	5,053	5,750	5,981	1,795	1.4%

Source: DPIE Household Forecasts 2019, SGS, 2021.

The above analysis presents a base case, which is the expected demand for social and affordable housing, if the distributions of household incomes and rents remain constant, relative to each other. In other words, it is assumed that rents do not grow faster than income, or vice versa.

However, both rents and incomes will be influenced by a variety of factors ranging from macroeconomic conditions to housing policy and infrastructure investment.²⁸ Table 10 shows the forecast demand for social and affordable housing under two alternate scenarios – one where affordability improves, and one where affordability decreases:

- **Affordability improves:** Household incomes grow by 1.0 per cent per annum, relative to rents. Over a 25-year period (i.e. at 2041), incomes would have grown by 25 per cent relative to rents, and
- **Affordability decreases:** Household rents grow by 1.0 per cent per annum, relative to incomes. Over a 25-year period (i.e. at 2041), rents would have grown by 25 per cent relative to incomes.

²⁸ E.g. Improving the accessibility of an area can significantly alter property values and rents

TABLE 10: WILLOUGHBY LGA FORECAST DEMAND FOR SOCIAL AND AFFORDABLE HOUSING – SENSITIVITY TESTS

Scenario	2016	2021	2026	2031	2036	2041	Change	AAGR
Base	4,186	4,382	4,569	5,053	5,750	5,981	1,795	1.4%
Affordability decreases	4,186	4,470	4,660	5,152	5,861	6,095	1,909	1.5%
<i>Difference</i>	0	88	90	99	111	114	-	-
Affordability increases	4,186	4,314	4,499	4,976	5,664	5,893	1,707	1.4%
<i>Difference</i>	0	-68	-70	-77	-87	-89	-	-

Source: DPIE Household Forecasts 2019, SGS Economics and Planning 2021.

This illustrates the sensitivity of the demand to changes in these broader conditions. Under the improving scenario the need for affordable housing decreases to around 5,900 by 2041, while if affordability worsens, the demand increases to around 6,100 households.

4. Test sites and market analysis

This section considers existing market factors in the Willoughby area and outlines the sites chosen for feasibility testing.

4.1 Current market

Market analysis and inputs have been provided by Savills to inform the analysis. The section below highlights key points from this, with further detail on current market values and examples of recent developments provided at Appendix B.

Residential market

As has been the case across Sydney, the residential market has been heavily impacted in the last 18 months by the COVID-19 pandemic. An initial reduction in property transfers, driven by uncertainty, has been outweighed by recent values, with market values largely having recovered as of early 2021 (noting this was prior to the current Sydney lock-down).

Key trends noted in the broader residential market include:

- An increase in sales volumes in the last six months – for both units and houses.
- Strong demand being seen from owner-occupiers, supporting increasing property values, and
- Very little demand from overseas investors, and subdued demand from domestic investors, though enquiries are beginning to increase.

In Willoughby specifically:

- There has been limited apartment supply in recent times, driven by a lack of investor demand, with a large volume of off-the-plan sales in Chatswood and St Leonards in the previous property cycle (between 2014-19) and few large projects more recently.
- New developments are typically boutique, with 15-30 apartments (see examples in Appendix B such as The Bowery, Abode, Northern Light), targeting wealthy owner-occupiers. Townhouse projects are also targeting wealthier buyers, typically delivering between five and 15 dwellings.
- There appears to be little depth of demand, resulting in larger developments not occurring.

Commercial market

Like the residential sector, the commercial property market has also been significantly impacted since the onset of the pandemic. Market uncertainty has seen rental rates remain static while incentives have increased with landlords having to attract and retain tenants – in Chatswood and St Leonards incentives have increased to around 30 per cent. In Willoughby's major centres of Chatswood and St Leonards, a two-tiered market has emerged for office space, with prime offices being tightly held and secondary office spaces seeing very high rates of vacancy by comparison – though these trends are also being observed elsewhere.

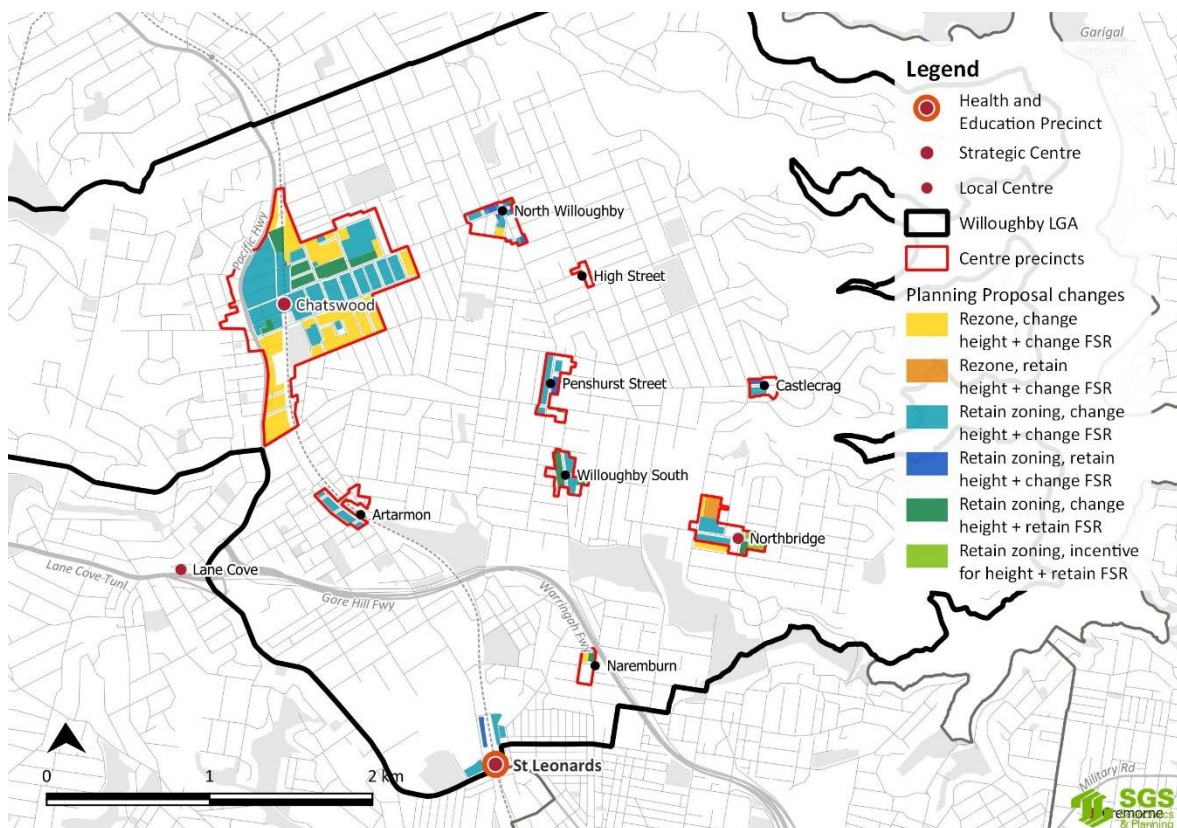
Retail has similarly been affected, with reported increases in the incentives offered by landlords, and increase vacancies, particularly in retail spaces on the fringe of centres like Chatswood, St Leonards, North Willoughby, Willoughby South, and Penshurst Street. Fewer workers being in the major centres day to day has reduced spending in discretionary retail in those areas, but this may have been offset by spending in smaller centres closer to where people are working from home (such as the prime retail areas in North Willoughby).

4.2 Selected test sites

Changes under Planning Proposal

Figure 12 below shows at a high level the types of changes proposed in each of the centres, giving effect to the principles and directions outlined in the Council's Local Centres, Chatswood CBD, and St Leonards strategies. In some cases, sites are being rezoned, while in others only changes to building height or FSR controls are proposed. A small number of locations are proposed to have additional provisions for height incentives introduced (e.g. in Northbridge).

FIGURE 12: CHANGES UNDER PLANNING PROPOSAL



Source: SGS, 2021, based on Willoughby City Council Planning Proposal.

As noted above, as well as these changes to controls the Planning Proposal includes the extension of application of the Special Provisions for Affordable Housing to these areas (which currently apply to sites identified as Area 3 above in Figure 2).

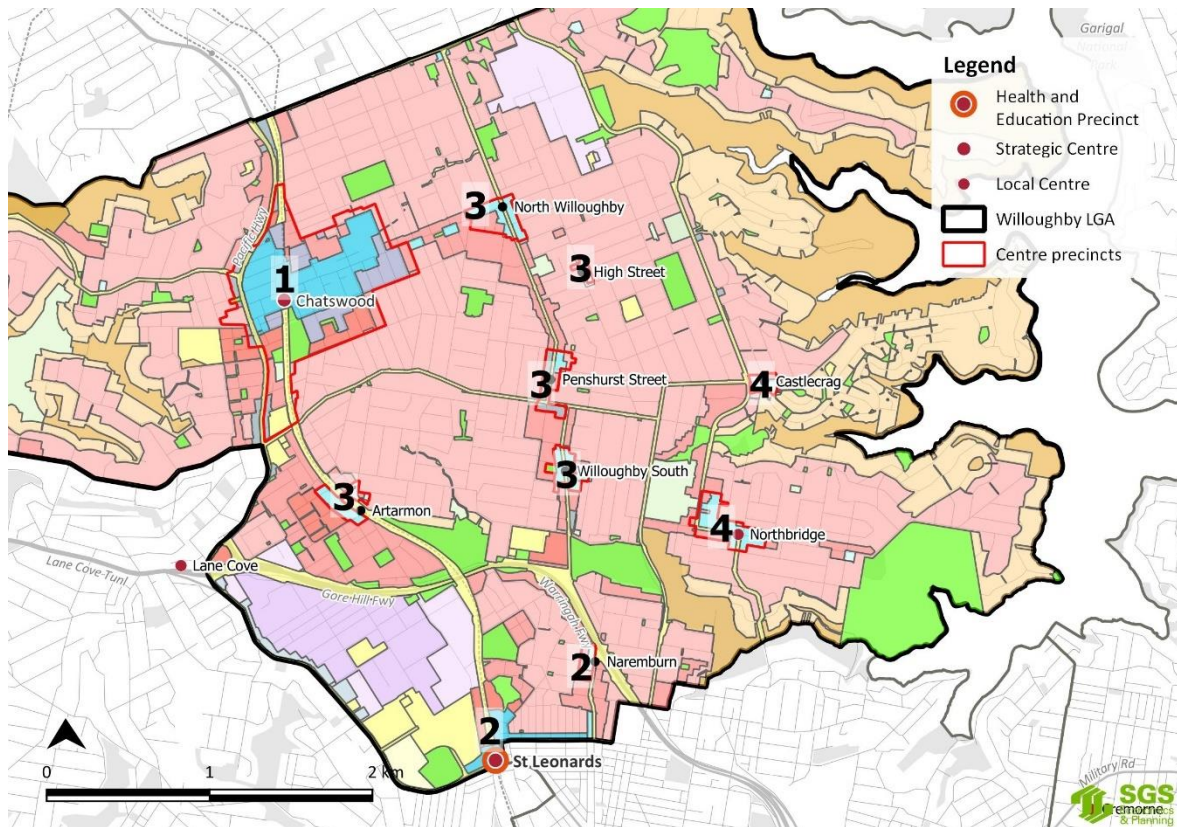
Housing market groupings

To inform the selection of sites and inputs to the feasibility modelling, Savills has identified four separate housing sub-markets within the LGA. These groupings reflect areas which have similar locational attributes, existing use and sales values, demographics, and buyer preferences. The four sub-market precincts are:

- Precinct 1 – Chatswood centre/CBD
- Precinct 2 – Naremburn and St Leonards
- Precinct 3 – North Willoughby, High Street, Penshurst Street, Willoughby South, and Artarmon, and
- Precinct 4 – Northbridge and Castlecrag.

These are illustrated below in Figure 13.

FIGURE 13: IDENTIFIED HOUSING SUB-MARKETS WITHIN WILLOUGHBY LGA



Source: SGS and Savills, 2021.

Feasibility testing sites

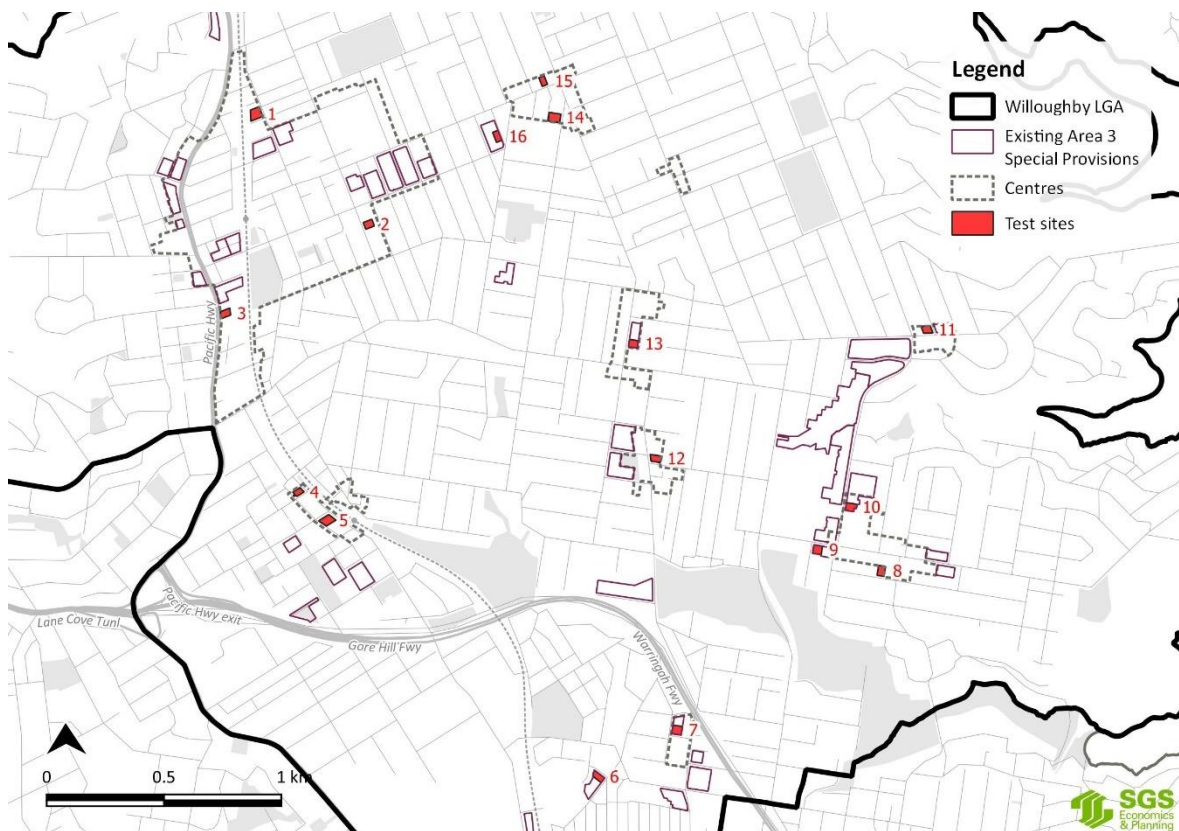
For the feasibility testing, 16 sites were selected. The selection of the sites was based on a number of considerations including:

- Selecting sites from each of Council's centres (with the exception of High Street where no LEP changes are proposed) and having a sample across each of the sub-market precincts identified in Figure 13.

- Having a mix of the types of changes being proposed with the LEP changes – i.e. changes to zoning, changes to FSR.
- Selecting sites with a mix of proposed zones, FSRs and heights, and different types of existing uses.
- Including sites where amalgamations would likely be required.
- Including some sites where changes are not proposed under the LEP, but which are currently subject to the affordable housing Special Provisions (i.e. Area 3), to understand the feasibility of increasing the rate to 10 per cent.

The selection of sites was also adjusted based on input from Council. Table 11 below identifies the selected sites, their key existing and proposed planning controls, and the rationale for their selection. The sites are also illustrated in Figure 14.

FIGURE 14: SITES SELECTED FOR FEASIBILITY TESTING



Source: SGS, 2021.

TABLE 11: FEASIBILITY TESTING SITES

Number	Site address	Centre and sub-market	Existing zone and controls	Proposed zone and controls under PP	Rationale for testing
1	44-46 Anderson St Chatswood	Chatswood CBD Precinct 1	Zone: R3 FSR: 0.9:1 HOB: 12m	Zone: B4 FSR: 6:1 HOB: 90m	Rezone to B4, existing flats, north part of centre, current PP
2	51-53 Archer St Chatswood	Chatswood CBD Precinct 1	Zone: R3 FSR: 0.7:1 HOB: 9m	Zone: B4 FSR: 5:1 HOB: 90m	Rezone to B4, existing low density, east part of centre, amalgamation
3	689-691 Pacific Highway Chatswood	Chatswood CBD Precinct 1	Zone: R3 FSR: 0.9:1 HOB: 12m	Zone: B4 FSR: 6:1 HOB: 90m	Rezone to B4, existing low density, Pacific Highway area, amalgamation
4	130-134 Hampden Rd, Artarmon	Artarmon Precinct 3	Zone: B2 FSR: 2:1 HOB: 14m	Zone: B2 FSR: 3:1 HOB: 20m	FSR and HOB change, existing B2, amalgamation
5	84-92 Hampden Rd, 2A Broughton Rd Artarmon	Artarmon Precinct 3	Zone: B2 FSR: 2:1 HOB: 14m	Zone: B2 FSR: 3:1 HOB: 17m	FSR and HOB change, existing B2, amalgamation
6	46-48 Northcote St, Naremburn	St Leonards Precinct 2	Zone: R3 FSR: 0.9:1 HOB: 75m (RL)	Zone: R3 FSR: 0.9:1 HOB: 75m (RL)	Existing affordable housing Area 3, R3 zone

Number	Site address	Centre and sub-market	Existing zone and controls	Proposed zone and controls under PP	Rationale for testing
7	1-5 Rohan St Naremburn	Naremburn Precinct 2	Zone: R3 FSR: 0.9:1 HOB: 9-12m	Zone: B2 FSR: 1:1 HOB: 14m	Rezoning R3 to B2, existing residential, amalgamation
8	25-27 Baringa Rd Northbridge	Northbridge Precinct 4	Zone: R2 FSR: 0.4:1 HOB: 8.5m	Zone: R3 FSR: 1:1 HOB: 9m	Rezone R2 to R3, existing low density residential, amalgamation
9	58-66 Sailors Bay Northbridge	Northbridge Precinct 4	Zone: R3 FSR: 0.7:1 HOB: 9m	Zone: R3 FSR: 0.7:1 HOB: 9m	Existing affordable housing Area 3, R3 zone, amalgamation
10	13-15 Eastern Valley Way Northbridge	Northbridge Precinct 4	Zone: R3 FSR: 0.7:1 HOB: 9m	Zone: R4 FSR: 2.5:1 HOB: 9-16m	Rezone R3 to R4, existing residential, amalgamation
11	83-91 Edinburgh Rd Castlecrag	Castlecrag Precinct 4	Zone: B1 FSR: 1.3:1 HOB: 11m	Zone: B1 FSR: 1.6:1 HOB: 11m	FSR change, B1 zone, amalgamation
12	525-533 Willoughby Rd Willoughby	Willoughby South Precinct 3	Zone: B2 FSR: 1.5:1 HOB: 11m	Zone: B2 FSR: 2:1 HOB: 17m	FSR and HOB change, existing B2, amalgamation

Number	Site address	Centre and sub-market	Existing zone and controls	Proposed zone and controls under PP	Rationale for testing
13	27-33 Penshurst St Willoughby	Penshurst St Precinct 3	Zone: R3 FSR: 1.5:1 HOB: 12m	Zone: R3 FSR: 2.1:1 HOB: 12m	FSR change, existing R3, amalgamation
14	202-212 Sydney St North Willoughby	North Willoughby Precinct 3	Zone: R3 FSR: 0.9:1 HOB: 12m	Zone: B2 FSR: 2:1 HOB: 17m	Rezone to B2, existing residential, amalgamation
15	153 Victoria Avenue Chatswood	North Willoughby Precinct 3	Zone: B2 FSR: 0.9:1 HOB: 12m	Zone: B2 FSR: 2.8:1 HOB: 14m	FSR change, recently developed, one site
16	4-6 Lawrence St Chatswood	North Willoughby Precinct 3	Zone: R3 FSR: 0.9:1 HOB: 12m	Zone: R3 FSR: 0.9:1 HOB: 12m	Existing affordable housing Area 3, R3 zone, amalgamation

Source: SGS, 2021.

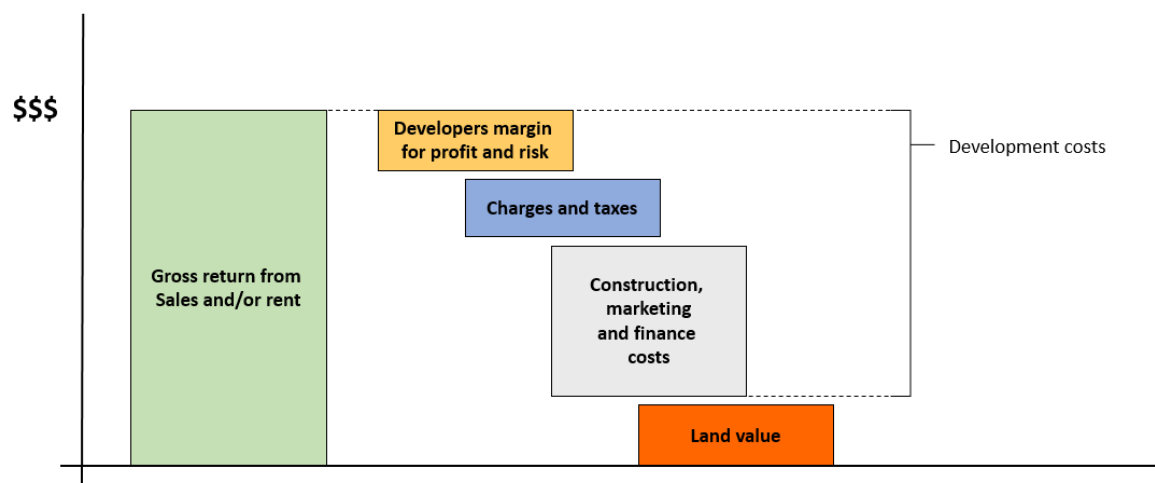
5. Feasibility results

This section contains the results of high-level modelling of the impact of affordable housing contribution rates on the viability or development feasibility for case study developments in Willoughby LGA.

5.1 Feasibility methodology

Development feasibility is typically assessed by comparing the residual land value (RLV) to the existing use value for a site. The RLV can be thought of as the maximum amount a rational developer would pay for a development site. RLV is estimated by deducting all development costs, including profit mark and a risk contingency, from anticipated development revenue. The amount leftover – the residual – could be capitalised into the value of the land. This is shown conceptually in Figure 15.

FIGURE 15: RESIDUAL LAND VALUE APPROACH TO FEASIBILITY ANALYSIS



Source: SGS, 2020.

A feasibility ratio of 1.0 or greater indicates that development may be feasible. At this feasibility ratio a developer would be able to make enough profit from a development to cover the cost of acquisition of the land if a landowner is willing to sell their land. A feasibility ratio of less than 1.0 indicates that a developer would not make enough profit to make development viable.

5.2 Modelling assumptions

Assumptions

Table 12 below shows the cost inputs and assumptions used in the feasibility modelling.

TABLE 12: COST ASSUMPTIONS TO FEASIBILITY MODEL

Costs	Value	Metric	Source
Demolition	\$124	Per SQM of Land Area	Rawlinson
Residential construction	\$3,050	per sqm of GFA	Rawlinson
Commercial construction	\$1,650	per sqm of NSA	Rawlinson
Landscape	\$3,200	per dwelling	Rawlinson
Parking	\$1,850	Per sqm	Rawlinson
Professional fees	10.0%	of costs	Industry Standard
Contingency	10.0%	of costs	Industry Standard
Finance/holding costs	12.0%	of costs	Industry Standard
Marketing/legal fees	2.5%	of GRV	Industry Standard
Land acquisition	5.0%	of RLV	Industry Standard

Source: SGS 2021, Rawlinson Construction Guide 2021.

Table 13 provides a comparison between these assumptions and those typically used in the DPIE viability tool.

TABLE 13: DPIE AND SGS COST ASSUMPTION DIFFERENCES

Variable	DPIE assumptions	SGS assumptions
Dwelling Size	Mix	80 Sqm Apartment 140 Sqm Townhouse
Developer Profit Margin - % of GRV	15%	18%
Finance Costs - % of Total Development Costs	6%	6%
Professional fees - % of Construction Costs	10-12%	10%
Contingency - % of Construction Costs	10-15%	10%
Land acquisition - % of RLV	5-6%	5%
Marketing/legal fees - % of GRV	N/A	2.5%

Source: SGS 2021, Rawlinson Construction Guide 2021, DPIE Viability Tool.

Charges for local and state contributions associated with the development of multi-unit developments in Willoughby city council are shown below in Table 14, and have also been used as part of cost assumptions for the modelling.

TABLE 14: LOCAL AND STATE CHARGE ASSUMPTIONS USED IN FEASIBILITY MODEL

Taxes and charges	Value	Metric	Source
Stamp duty	Variable	% of RLV	NSW Treasury
Section 7.11	\$15,544 or \$20,000	Per Dwelling	Willoughby Local Infrastructure Contributions Plan
Development Application fees	Est. works between \$1 million - \$10 million: \$2,615 + \$1.44 for each \$1,000 over \$1 million Est. works \$10 million+: \$15,875 + \$1.19 for each \$1,000 over \$1 million	Variable per site	Willoughby Fee's & Charges 2021-22
Affordable Housing Contribution Rate		Residential Income	Test Variable
Voluntary Planning Agreement - Precinct 1 Chatswood CBD	\$900	\$/M2 GFA	Chatswood CBD Community Infrastructure Funding Study

Source: SGS 2021, NSW Treasury, Willoughby City Council.

Residential and commercial revenue assumptions

Residential sale prices were provided by Savills using prices achieved by the recent sales and development in the study area. For the modelling, dwellings are assumed to be either 80 square metres or 140 square metres in size based on whether the development is assumed to be an apartment building or townhouses. The prices used within the model are identified in Table 15 below.

TABLE 15: ASSUMED REVENUE FROM SALES ASSOCIATED WITH MULTI UNIT DWELLING SALES

Precinct	Apartment Values	Townhouse Values	Retail NSA
Chatswood (Precinct 1)	\$1,178,000	\$1,950,000	\$12,000
Naremburn/St Leonards (Precinct 2)	\$1,485,000	\$1,750,000	\$11,000
Artarmon/North Willoughby/Willoughby (Precinct 3)	\$1,232,500	\$1,650,000	\$8,500
Northbridge/Castlecrag (Precinct 4)	\$1,575,000	\$1,850,000	\$9,500

Source: Savills 2021.

Existing Value

The existing value of the sites identified for the modelling is calculated under the assumption that the developers will need to acquire sites for either current market or expected market value. This means that when valuing the sites selected the current highest use of the site based on its zoning, FSR and precinct inform the likely price a developer will need to pay to purchase. Values for each site have been determined and utilised in the modelling, but for privacy reasons have not been detailed in this report.

5.3 Feasibility results

RLV ratio results are shown in Table 16 for each development site and test scenario – at contribution rates of six, seven, and 10 per cent respectively.

Of the sites tested, sites 1-5, 10, 11 and 15 are all feasible with the six per cent contribution. These same sites are also feasible with the seven per cent contribution. Site 12 also approaches feasibility with the six per cent rate (ratio of 0.94) and the seven per cent rate (ratio of 0.91).

Sites 1-3, 10, 11 and 15 are also feasible with a 10 per cent contribution (with sites 4 and 5 also approaching feasibility with ratios of 0.94).

TABLE 16: RESIDUAL LAND VALUES ALL SITES TESTED

Site	RLV with 6% contribution	RLV with 7% contribution	RLV with 10% contribution
1 (Precinct 1)	1.79	1.74	1.58
2 (Precinct 1)	1.91	1.85	1.68
3 (Precinct 1)	1.79	1.73	1.57
4 (Precinct 3)	1.05	1.02	0.94
5 (Precinct 3)	1.05	1.02	0.94
6 (Precinct 2)	0.54	0.53	0.50
7 (Precinct 2)	0.50	0.49	0.47
8 (Precinct 4)	0.75	0.73	0.68
9 (Precinct 4)	0.42	0.41	0.38
10 (Precinct 4)	1.59	1.55	1.45
11 (Precinct 4)	1.21	1.18	1.11
12 (Precinct 3)	0.94	0.91	0.84
13 (Precinct 3)	0.50	0.49	0.45
14 (Precinct 3)	0.78	0.76	0.70
15 (Precinct 3)	2.15	2.10	1.93
16 (Precinct 3)	0.39	0.38	0.35

Source: SGS, 2021.

Of the sites which are not shown to be feasible at the six per cent rate and above (sites 6-9, 13-14, 16), most of these have lower FSRs, which is likely to be a primary factor driving the lower RLV results – i.e. there is insufficient revenue from sales to cover the costs of acquisition and development and an affordable housing contribution.

The pattern of centres or sub-precincts which are more/less feasible than others with the proposed changes to the LEP varies. Chatswood stands out as being the most feasible across each contribution rates (due to the larger FSRs proposed for those sites).

6. Summary and implications

This section highlights key points from the analysis and potential implications for the proposed changes to affordable housing contribution requirements in Willoughby.

6.1 Summary of key findings from the analysis

This report has tested the feasibility of different rates of affordable housing contributions on a sample of 16 sites across the Willoughby LGA, reflecting:

- Sites in each of Council's centres and key housing sub-markets
- Areas where planning controls are proposed to change
- Sites with a mix of different zones, FSRs, heights and existing uses
- Sites which would require amalgamation, and
- Sites which are subject to the current housing Special Provisions.

The results of this testing have shown that:

- Sites with greater FSRs are more likely to be feasible at all rates of affordable housing contribution
- Higher contribution rates are likely to be more feasible in Chatswood centre, as a larger scale of development is permitted under the proposed controls, and
- Higher contribution rates are also likely to be more feasible in parts of other centres where the proposed FSR controls are greater.

6.2 Implications for Willoughby Council

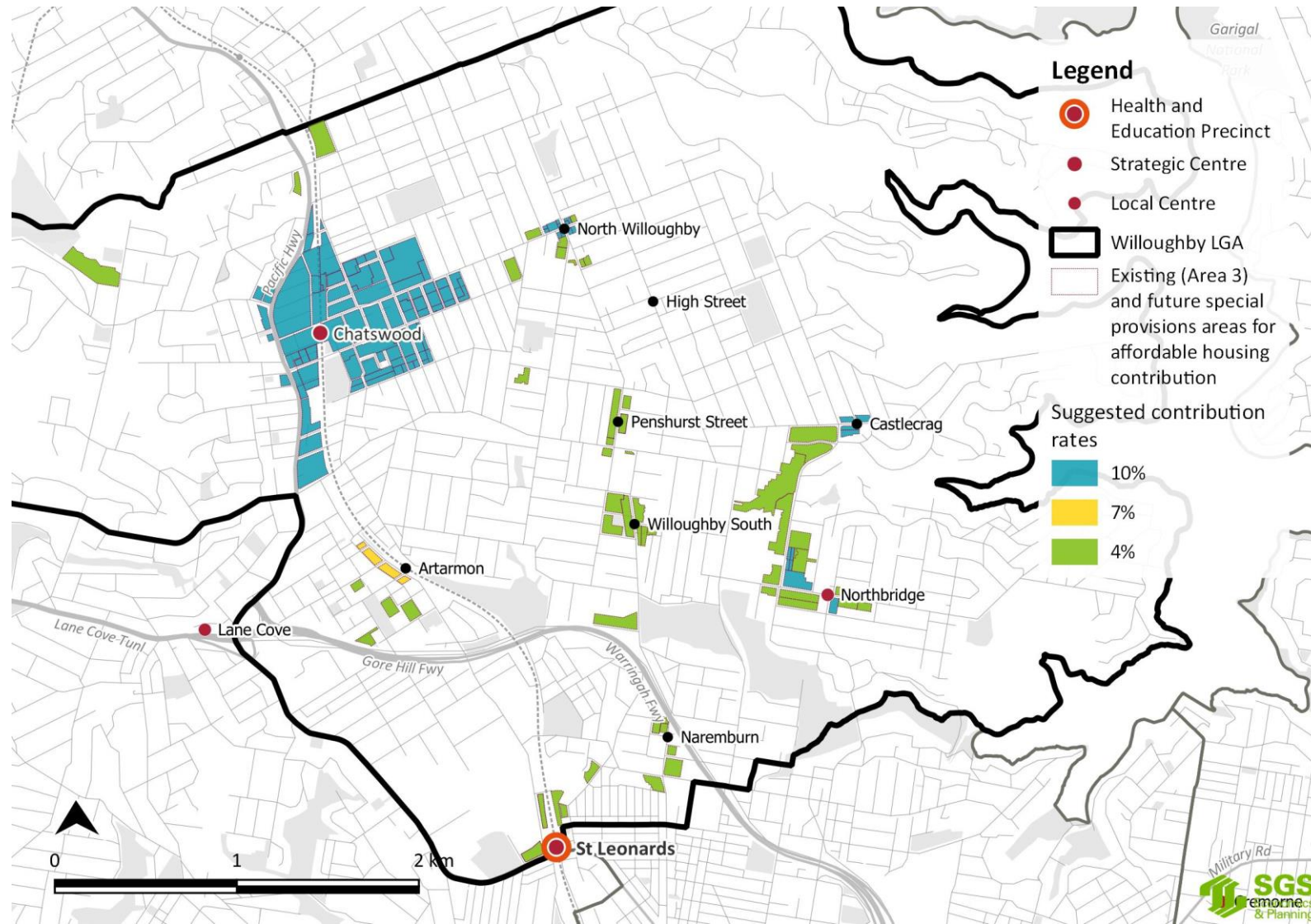
Based on the above, Figure 16 below outlines suggested contribution rates for different areas of the LGA to which the affordable housing contribution provisions will apply.

The feasibility analysis has shown that sites in Chatswood centre are likely to be able to be developed with at least a 10 per cent contribution, consistent with the target under the NSW Government's district strategic plan. The B1 area in Castlecrag, the area proposed to be rezoned to R4 in Northbridge or have an FSR of 2.5:1, and the central area of North Willoughby where a higher FSR of 2.8:1 is proposed are also suggested for a 10 per cent rate given the results of the testing.

Sites in the Artarmon B2 zone could have a seven per cent rate, with the proposed changes shown to be feasible at this rate (and approaching feasible at the 10 per cent rate).

The remaining areas to which the provisions will apply are proposed not be varied from the current rate of four per cent, as a higher rate 6,7 or 10 per cent was not viable. Table 17 overleaf provides a summary of the suggested rates for each centre.

FIGURE 16: SUGGESTED CONTRIBUTION RATES



Source: SGS, 2021.

TABLE 17: SUMMARY OF SUGGESTED AFFORDABLE HOUSING CONTRIBUTION BY CENTRE

Centre	Affordable housing contribution feasible increase
Chatswood	10%
North Willoughby	10%
Northbridge	10%
Castlecrag	10%
Artarmon	7%
Remaining centres	No change

Source: SGS, 2021.

Appendix A – Affordable Housing Demand Model Notes

Total Demand – Rental Stress

Households are experiencing rental stress if they are both low-income and spending a high proportion of their income on rent. Low income households are those which have a weekly household income as identified in above for Greater Sydney, in line with the NSW Ministerial Guidelines for Affordable Housing. Once low-income households are identified, they are classified by Household and Family type and identified as being in rental stress if they expend greater than 30 per cent of weekly household income on rent. Those spending between 30 per cent and 50 per cent are considered to be in moderate rental stress, while those spending greater than 50 per cent are considered to be in severe rental stress.

In 2016, the number of households, by type, which are in rental stress can be identified using census data (see variables presented above). One issue to note, is that households receiving assistance in the form of rental subsidy (or an affordable rental dwelling) may not be captured as part of total demand, as these are immeasurable characteristics.

Forecasting the number of households who would potentially be in rental stress in the future uses following key assumptions:

- Growth in the number of households, by type and location, are assumed to follow DPE projections
- New households assume the 2016 distribution across all attributes, with the exceptions of weekly rent and weekly income
- The relative growth rate of rents to household incomes is an assumed parameter
- In the base case scenario, the growth rates are assumed to be equal
- In the improving affordability and worsening affordability scenarios, it is assumed that the annual growth in rents is one per cent slower and one per cent faster than the growth rate of household incomes respectively.

Total Demand – Households residing in social housing

Estimation of the number of households residing in social housing utilises ABS Census 2016 data related to the reported landlord type. Specifically, households who report the following landlord categories are assumed to reside in social housing:

- State or Territory Housing Authority
- Housing Co-operative/Community/Church Group.

For forecast years, it is assumed that households with the same characteristics as those who currently live-in social housing (e.g. household types, income, etc) will continue to form part of total demand. That is, they are included in the count of social and affordable housing demand, despite no additional social and affordable housing supply being assumed.

An important point to note in the estimation of demand for social and affordable housing, is that locations which have a high existing stock of social housing will also have a higher forecast demand for social and affordable housing in the future. This is because social housing is, by definition, targeted to households who are most in need. In the absence of additional data, it is implicitly assumed that such low-income households will choose to locate according to current patterns in the future. A more detailed analysis, which should be explored in future research, should estimate the 'pool' of demand for social and affordable housing at a metropolitan level, and test scenarios which allocate demand to finer

geographies (LGAs) based on policy driven targets which consider factors ranging from accessibility to feasibility.

Total Demand – Homeless households

Estimation of the number of homeless households utilises the 2016 ABS estimation of homelessness (Cat 2049.0), which is available at a state-wide scale. Although this is derived using census data, it provides a more accurate estimate of the following homelessness operational groups than is possible using publicly available variables:

- Persons living in improvised dwellings, tents, or sleeping out
- Persons in supported accommodation for the homeless
- Persons staying in boarding houses.

Following this, these state-wide estimates are disaggregated to LGA using publicly available ABS Census 2016 data. Similar to households currently living in social housing, it is assumed that in future, households with the same characteristics as those who are currently homeless will continue to form part of total demand (i.e. this does not forecast homelessness, but rather the need for social and affordable housing).

Appendix B – Market Analysis (Savills)

See attached PDF.

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