

Attachment F – Planning Proposal: Affordable Housing Contributions Review 2024

Summary of consultation with Community Housing Providers (CHPs) on the dedication of affordable housing dwellings

City officers met with representatives from the three CHPs identified on the City's *Affordable Housing Contributions Distribution Plan* to explore issues around the dedication of affordable rental units and inform new requirements in the *draft City of Sydney Affordable Housing Program*, including:

- triggers for when an affordable housing contribution is to be satisfied by the dedication of built dwellings;
- a requirement for any Recommended CHP identified in an adopted distribution plan to confirm the suitability or otherwise of any proposed affordable dwellings to be dedicated under the Program;
- an outline of the general process for involving Recommended CHPs in the development application process when affordable housing dwellings are to be dedicated; and
- the built design standards for dedicated affordable housing dwellings.

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| In-kind delivery benchmarks / metrics for financial sustainability and positive Affordable Housing outcomes <ul style="list-style-type: none"> • <i>Minimum / preferred number of dwellings or quantum of floor space</i> • <i>Optimal arrangement of units on site</i> • <i>Optimal access arrangements for units</i> • <i>Approaches to minimise strata and maintenance fees</i> • <i>Approaches to ring-fence funds in a strata complex</i> | <p>The preferred unit size / quantum of floor space will depend on each community housing provider.</p> <p>As well as the impact of strata costs when a CHP only takes part of a site (for example units in a block of apartments) there may be other tax breaks and rate exclusions that apply when the CHP owns the whole site that won't apply when there is mixed ownership such as rates exemption, GST exemption and no land tax.</p> | <p>Demand from tenants is so intense that Bridge would almost always take even a single unit, providing that the financials stack up – i.e. that it takes enough rental to cover costs.</p> <p>Bridge already operates one of the largest leasehold programs in the State and lease single or multiple market units in strata buildings. Their large presence in the City of Sydney and structure of their Home Ground real estate business means</p> | <p>Scale is important to make sure things stack up. Single buildings, not salt and pepper in strata buildings, is best to make operational management efficient and costs of operations optimised. Duplication of management and responsibilities leads to confusion for tenants/occupiers.</p> <p>Being able to establish a separate stratum, a dedicated entrance and so on can all be helpful to limit strata fees and ensure the financials work. St</p> |

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| <ul style="list-style-type: none"> • <i>Any other factors / considerations</i> • <i>Circumstances where a cash contribution would be the preferred outcome</i> | <p>Negotiating workable strata outcomes, durable finishes (internal and external) etc. with a third party (private) developer can take a lot of time and resources and requires development expertise.</p> <p>Even when a suitable strata arrangement can be negotiated at the beginning of the process, the sector may request the ability to sell the units in the future if strata fees and costs become unworkable.</p> <p>There can be unexpected, large one-off strata fees to cover issues ('faults') in the overall development which can mount up and affect the financial viability to a provider of continuing to retain the property, especially when rents in the City are capped at 30% of the household income of eligible households. This can be common if a development hasn't been delivered to a good quality or to the usual standards of a CHP, which can often differ to those of a developer. These</p> | <p>Bridge does not have minimum unit requirements.</p> <p>Bridge would need to consider an assessment of building and property outgoings early on to ensure the subsidised rent is able to service these costs (tenancy and property maintenance).</p> <p>Benchmarks for an acceptable level of strata fees may be around \$1,000 to \$1500 per unit per quarter (subject to further confirmation).</p> <p>Bridge would need to account for the draw on time/resources to negotiate outcomes, liaise with multiple strata companies etc; any efficiencies of scale for operations; maintenance and tenant changeovers; geographical spread over LGA vs consolidated holdings etc.</p> <p>These factors may be more relevant in limiting individual or smaller unit allocations.</p> <p>A stratum within a strata plan is preferable, but not essential.</p> | <p>George's preference is a stand-alone building.</p> <p>In St George's acquisition of a 50 key worker unit stratum at Lendlease's Barangaroo development (handover scheduled November 2024), it has taken a combination of special attention to the physical structure / form of the building and units, and legal arrangements which exclude their units from most shared facilities and limit the strata obligations in order for the ownership and management of the units/stratum/building to be financially sustainable.</p> <p>Operational and management costs (tenancy, repairs, power, rates etc) cannot exceed rental revenues and need to create a surplus to establish a viable ongoing management.</p> <p>If a whole building/stratum is not possible (suggest a minimum number of units – 25-30) then a cash contribution is preferable.</p> |

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| | <p>special levies may also be required when a strata corporation defers regular maintenance items.</p> | <p>Bridge would explore other opportunities to limit strata fees, such as exclusion from services and facilities.</p> <p>The key for Bridge will be enabling long term flexibility, through the ability to sell and leverage individual units into a single unit block – within the City of Sydney LGA – if covenants on title don't preclude this.</p> <p>If the site/no of units allows then separate building will always be the preference, however where there are larger numbers of units throughout a unit block we recommend salt and pepper floors throughout the complex, rather than allocating multiple floors at lower levels, creating concentration/separation.</p> | |
| <p>Design and construction quality</p> <ul style="list-style-type: none"> • <i>Preferences for dwelling mix, layout etc.</i> • <i>Preferences around material choices (external and internal) and fitout of units</i> | <p>City West finds their optimal built product can differ quite significantly from what most developers deliver. The build to sell standard generally produced by developers is lower than what CHPs deliver. This is understandable when developers are focussed on</p> | <p>Bridge's general principles for housing design include:</p> <ul style="list-style-type: none"> • units are to be indistinguishable from others in a development • materials and finishes must be robust and hard-wearing and easily replaced/maintained | <p>Important factors for St George are:</p> <ul style="list-style-type: none"> • delivery costs • maintenance costs • bedroom / unit mix • facilities <p>Studio units are not preferred.</p> |

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| <ul style="list-style-type: none"> • <i>Unreasonable inclusions / forced reliance on services which drive running costs</i> • <i>Likelihood of dwellings being returned – what factors would come into play?</i> | <p>achieving consent and a sale, not looking at a 40-year timeframe for occupation and maintenance.</p> <p>City West favours:</p> <ul style="list-style-type: none"> • No gas connection as standard (to reduce service charges to tenants); • Opting out of embedded networks to provide residents choice of utility providers; • Features like fans and blinds as standard, rather than a reliance on air conditioning; • Solar energy connections and rainwater tanks, to address BASIX over the longer-term occupation of the unit; • High quality lifts, to avoid frequent maintenance and long periods of being out of service. <p>CWH has found demand for bedroom sizes has been consistent over the last 6 years at least. Studios should be avoided, and 1-beds should be delivered instead. CWH's</p> | <ul style="list-style-type: none"> • window blinds installed and internal laundries • accessible units need slightly more particular finishes (e.g. greater amounts of hard surfaces for wheelchair manoeuvrability) • silver level design or higher requirements could be considered • preference against bedsits/studios • avoid embedded networks (gas or electricity) if the embedded network does not allow tenants to freely choose provider • consider moving to 100% electric appliances, space heating and HWS (i.e. no gas) • safety requirements for particular tenant cohorts can be important – e.g. fob entry. <p>Dwelling mix should be linked to the demographics in the area, however a mix of 1 and 2 bedroom units with a smaller proportion of studio and 3 bed should be suitable for the City of Sydney LGA – 50% to 80% 1</p> | |

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| | <p>preferred bedroom mix to meet demand, based on extensive experience, is a one-bedroom dominant mix (50-60% 1BR, 35-40% 2BR, 10% 3BR).</p> <p>A more prescriptive mix could be included in the Program to avoid negotiations on this point with developers who prefer to deliver “studios” (regardless of size) for CHPs as it saves on their costs etc.</p> <p>If pursuing standalone buildings, then facades must be low maintenance and durable.</p> | <p>and 2 beds, 10% Studio and 10% 3 bed or larger as a guide.</p> <p>In most respects, requirements on the developer to deliver the AH to the same standard as the market units should be sufficient.</p> <p>Council should ensure that the units delivered meet the same ratio of cross ventilated, solar access units being met in the development.</p> | |
| <p>Dedication process</p> <ul style="list-style-type: none"> <i>Methods for achieving efficient involvement in the design phase</i> <i>Issues to consider in the inspection phase</i> <i>The handover process</i> | <p>If dedicated units are to be secured via VPA at PP or Stage 1, this has traditionally been negotiated between the City and the developer before a CHP can be involved.</p> <p>Choice of units / buildings, parking parameters / loading and servicing zone capabilities are already pre-determined, without any consultation with the CHP and could result in a poor outcome for the provider if the implications of those decisions aren't understood.</p> | <p>Allow for a start-up meeting with developer to highlight project preferences and then design signoff from CHP at the concept, DA lodgement, CC lodgement phases (acting reasonably).</p> <p>The CHP should attend critical inspections i.e waterproofing of units, other critical inspections to be considered.</p> <p>Handover/defects inspections in house or via qualified building inspectors to confirm the</p> | <p>The earlier the CHP can be involved the better – for negotiations with developer and to steer the details of the delivered product. Ideally at the Design and Construction stage.</p> |

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| | <p>The initial agreement is between the developer and City – this limits the leverage of the CHP.</p> <p>There needs to be early involvement by the CHP in the design and construction phase. If requiring developers to dedicate housing more frequently, City West suggests a standard template similar to the VPA works-in-kind template so that the process isn't different every time. It will also give some strength to the CHP's in negotiations.</p> <p>A specification and performance schedule is also needed to capture the back end of things, as defects are not handled well in any agreement for dedication. From the City's perspective the obligation is satisfied at handover, but there can be ongoing issues for the CHP with no real leverage to resolve.</p> <p>There also needs to be an ability for CHPs to inspect the works during construction to identify any issues prior to being covered up. This could be</p> | <p> dwellings are delivered in accordance with the contract (ensure the contract limits unit size change from DA to OC to no more than 3% to 5% or minimum under existing ADG requirements), Approved stamped plans/strata plans, and are defect free or can be defect free within an agreed time after OC is issued.</p> | |

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| | <p>through an independent inspector.</p> <p>CWH suggests holding a bank guarantee until the end of the defects liability period to secure the commitment, strengthen the negotiations, resolve defects and provide a fallback if the end product is fit for purpose. A 2-year defects period is also recommended.</p> <p>City West draws attention to the fact that a good level of development knowledge is needed to negotiate with developers and achieve equitable outcomes. This will be important to consider if the City wishes to bring smaller providers into the mix. If they lack experience and end up with poor quality / financially unviable outcomes, this could be damaging to their capabilities / operations / reputation and bottom line in the future.</p> | | |