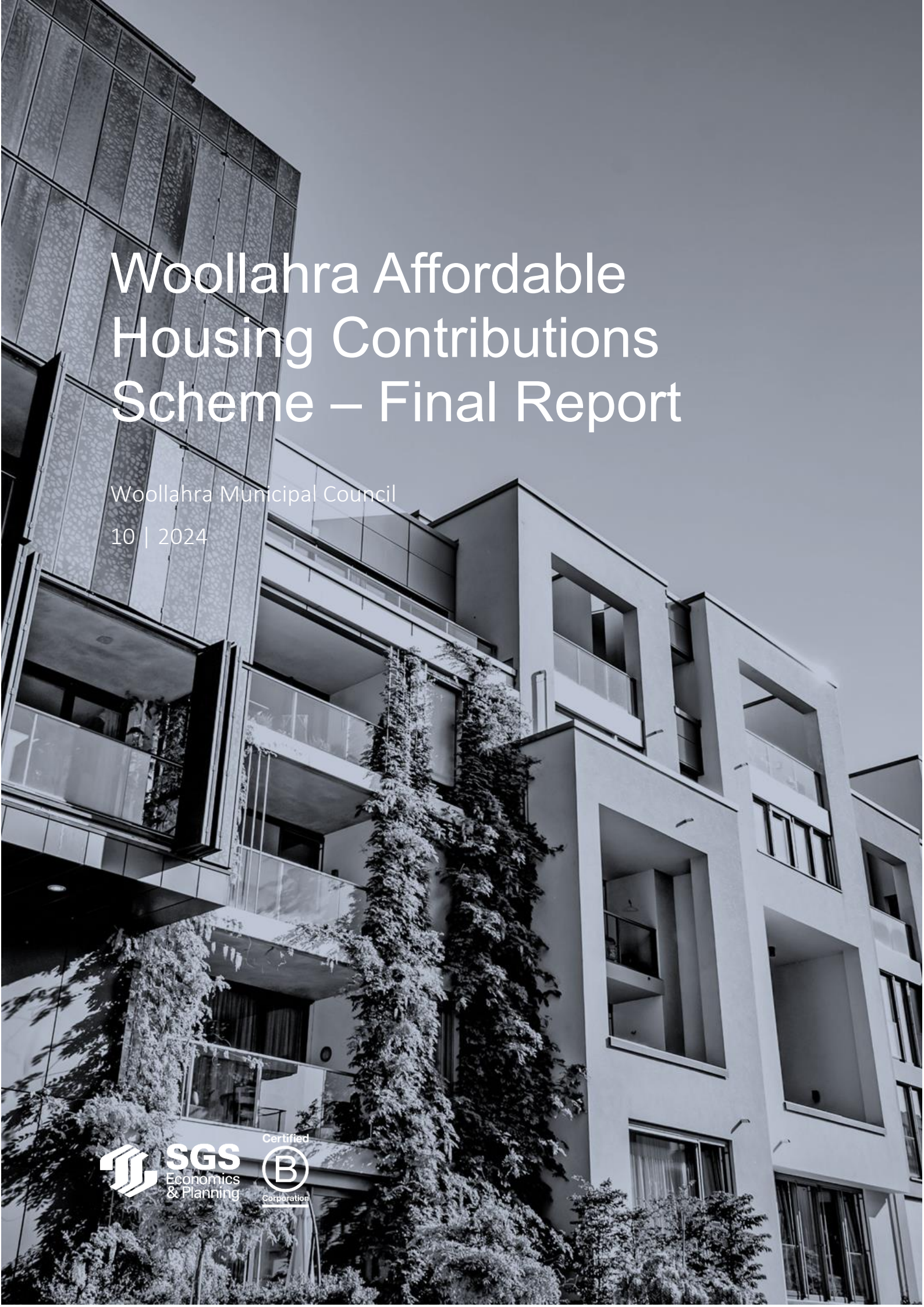
Woollahra Affordable Housing Contributions Scheme – Final Report

Woollahra Municipal Council

10 | 2024



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Contents

Executive summary

This work represents evidence base documenting the continued and growing need for social and affordable housing and analysis of the supportability of an affordable housing contribution scheme for the Edgecliff Commercial Centre.

1.1 Background

The Edgecliff Commercial Centre (ECC) is one of Woollahra's key community hubs, well-located for transport access, and the gateway from the LGA to the CBD and the eastern suburbs. Council is in the process of developing the Edgecliff Commercial Centre Planning and Urban Design Strategy (the Strategy), which is currently in its draft phase. As part of the Strategy, it is likely that planning controls will be introduced to allow for increased building heights and uplift for selected sites within the ECC.

The need to facilitate more affordable housing in the LGA has become increasingly acute as housing affordability has worsened across Sydney. Council's Local Housing Strategy in 2021 identified that while the demand for social and affordable housing in Woollahra was lower than the Sydney average, there was a significant shortfall in supply of this housing compared to demand. At the time, almost all low-income households in the LGA were in in rental stress. While ABS Census estimates for 2021 have been included in this work, it is likely that the pandemic and ensuing housing market challenges have exacerbated housing stress.

1.2 Objectives

In response to these conditions and expanding affordable housing shortfall, Woollahra Municipal Council wishes to capture broader community benefits in the form of the delivery of affordable housing through the uplift envisaged as part of the Urban Design Strategy. To do this, Council commissioned SGS Economics & Planning (SGS) to test the supportability of an Affordable Housing Contribution Scheme (AHCS) for the ECC. In support of Council's preparation of a planning proposal to the Department, and in line with the Department's Guideline for Developing an AHCS (2019), this study provides:

- Evidence base of need for social and affordable housing
- Identify areas to be upzoned and representatives sites to test
- Use industry standard financial modelling supported with market-relevant inputs and assumptions
- Test the supportability of a variety of affordable housing contribution rates
- Document and provide considerations for progressing an appropriate rate in a scheme
- Draft LEP clauses to be inserted into a Planning Proposal

1.3 Approach

As noted above, SGS adhered to the NSW Government's Guideline for Developing an Affordable Housing Contribution Scheme (2019), which outlines the components and process for local governments to follow in preparing a planning proposal. Some technical elements SGS has provided exceed those that are required by the Department. Accordingly, the key components of this study include:

- Legislative and Policy Framework: an overview of the regulatory framework (i.e., authorising legislation from the EP&A Act, 1979), NSW Government guidance, as well as the statutory and strategic planning context for Woollahra Municipal Council (i.e., LEP, LHS, etc.).
- Affordable Housing Need Evidence Base: this section documents trends and conditions in the housing market, such as housing demand drivers (e.g., population and household growth and cohort shifts), housing sales and rent trend, household incomes, households by tenure and rental stress, housing supply conditions, dwelling stock by type and existing conditions and projections of need for social and affordable housing.
- Identification of Areas for Uplift: this section illustrates the areas of proposed uplift, the extent of the Council-led proposed uplift and the prototype sites and redevelopment typologies to test.
- Testing the Viability of Affordable Housing Contributions: in accordance with the Government's guidance on testing the viability of an AHCS, this section examines (using a residual land value methodology) redevelopment viability with the proposed uplift, with varying degrees of additional uplift, with varying potential contribution rates, and with projections of market conditions (realisable values and development costs)

1.4 Findings and Recommendations

Broadly, the analysis of trends and conditions found the following (which constitute a part of the evidence base for the progression of Council's planning proposal):

- The last decade's population growth has been fuelled by older age groups, 65 years and older. Younger populations (every cohort under 65) were declining.
- Households well above the area median household income account for approximately 60% of all households.
- Two- and three-bedroom dwellings accounting for most of the LGA's housing stock (66%). Over the past decade, however, it has seen a net decline in the number of studio and one-bedroom dwellings.
- Only approximately 10% of the rental supply (measured by rental bonds data) is affordable to households earning 80% of the area median income or less.
- Approximately one-third of all renter households are living in housing stress, meaning they spend more than 30% of their pre-tax income on rent.
- Using projections of population, household and affordability patterns, SGS estimates that there will be 3,367 renter households in housing stress by 2041, an increase of 722 households.

Based on the findings of the viability testing, SGS recommends the following with regard to an AHCS in the ECC:

- **Council pursue a contribution rate of 5%.** Analysis demonstrates that viability can be achieved across all sites (except E) with a 5% AHC (either in-kind or in-lieu contribution) within five (5) to ten (10) years.
- **Council could introduce the contribution incrementally**. Pursuing a 5% contribution upfront could be seen by the Department as an aggressive starting position. The Department has previously advised other councils to stage the introduction of (relatively high, e.g., rates greater than 3%) contributions to manage potential negative impacts.[1] For example, a 2% or 3% contribution is introduced first, followed by the 5% contribution taking effect one or two years later.

In consideration of the type of contribution, SGS observes the following:

- **In-lieu (monetary) affordable housing contributions are more viable than in-kind contributions**. developers will generally opt for payment of a monetary contribution, given that it is often substantially less costly than providing an in-kind contribution. This is particularly the case in Woollahra's market.
- **In-lieu contributions are also preferred by CHPs**. While SGS has not specifically engaged with any CHPs in this project, previous consultation with CHPs have indicated that they prefer that Councils to collect monetary contributions that can later be pooled (i.e., over time) and used as capital in either a purpose-built affordable housing development or the acquisition of existing dwellings. This preference seems to emerge from a consideration of operational burdens, where scattered affordable dwellings across an LGA in multiple buildings present a higher opex burden on CHPs (e.g., fixed and variable costs associated with site-to-site maintenance, management and travel, etc.).

Further considerations include issues of the broader market, including:

- **Current market conditions make redevelopment challenging.** Today's market conditions are characterised by a convergence of headwinds across multiple fronts: escalation in construction costs, increased cost of borrowing, diminished consumer purchasing power, as well as unrelenting expectations of land value. Construction costs since the pandemic have increased substantially (as discussed on page 52) due to, amongst other factors, major supply-chain disruptions and increased labour costs. Interest rate increases from central banks, in efforts to tame inflation, have resulted in higher borrowing costs for developers and producers. Higher interest rates have translated to higher cost of debt for borrowers, resulting in diminished consumer purchasing power. Compounding these difficulties are expectations of land value by landholders, which despite lower willingness to pay by either developers or purchasers, generally have not budged. Land values are often characterised as "sticky" or slow to move, reflective of land holders reticence to compromise perceived value based on previous market highs. Taken together, such conditions have created a set of significant challenges not only for the development industry by also for decision-makers (such as local and state government) engaged in longer-term, strategic efforts such as these. As such, this report provides also a view to viability using projections of market conditions to illustrate

[1] Randwick's approved AHCS for K2K was implemented initially at 3%, increasing to 5% 2 years later.

when if not now might viability of a strategic effort such as the establishment of an AHCS be supportable.

- Housing SEPP reforms are likely to be adopted by proponents. Under Part 2 of the Housing SEPP, a development may increase FSR and height by up to 30%, if 15% of the total development is provided as affordable housing for 15 years. It should be noted that the Housing SEPP provision is sought in addition to any AHCS under a Council's LEP. As examined by SGS's (see Appendix A), the AHCS implies a contribution made in perpetuity, which means that the RLV is negatively impacted. By contrast, the Housing SEPP, which only requires floorspace to be affordable for 15 years, means that developers account for such floorspace differently in their RLV estimate. Because floorspace can be sold back into the market following the 15-year term, the present value of a future sales can be capitalised into the RLV (increasing it). As such, analysis confirms that developers are likely to take advantage of the Housing SEPP provision to achieve greater density, even when accounting for the resulting increase to contributions under Council's AHCS.
- Housing SEPP poses additional challenges. Other challenges for strategic planning emerge, however, whereby Councils' ability to appropriately plan for, fund and maintain local and community infrastructure, including roads, libraries, parks, etc is likely to be impacted. In general, Council should be careful to structure local pathways to providing affordable housing contributions that fall in line with broader strategic planning and public infrastructure funding and financing targets.

Appendix A contains additional work Council requested of SGS to evaluate the implications of the NSW Government's recently-introduced Housing SEPP.

Glossary

TABLE 1: GLOSSARY

Term	Definition
AHCS	Affordable housing contribution scheme
The Guideline	The Guideline for Developing an Affordable Housing Contribution Scheme
EP&A Act	Environmental Planning and Assessment Act (1979)
Housing SEPP	State Environmental Planning Policy (Housing) 2021

1. Introduction and background

This chapter contextualises the work of developing an AHCS under the NSW legislative framework.

1.1 Background

The Edgecliff Commercial Centre (ECC) is one of Woollahra's key community hubs, well-located for transport access, and the gateway from the LGA to the CBD and the eastern suburbs. Council is in the process of developing the Edgecliff Commercial Centre Planning and Urban Design Strategy (the Strategy), which is currently in its draft phase. As part of the Strategy, it is likely that planning controls will be introduced to allow for increased building heights and uplift for selected sites within the ECC.

The need to facilitate more affordable housing in the LGA has become increasingly acute as housing affordability has worsened across Sydney. Council's Local Housing Strategy in 2021 identified that while the demand for social and affordable housing in Woollahra was lower than the Sydney average, there was a significant shortfall in supply of this housing compared to demand. At the time, almost all low-income households in the LGA were in in rental stress. While ABS Census estimates for 2021 have been included in this work, it is likely that the pandemic and ensuing housing market challenges have exacerbated housing stress.

This chapter considers the current process and mechanism to develop and adopt an AHCS under the NSW legislative framework.

1.2 Other nearby Affordable Housing Contribution Schemes

Affordable housing policy in NSW is guided both by legislation, and though the regulatory Guideline. These are discussed in detail within the following section. Under the Guideline, introduced in 2019, there have been a limited number of AHCSs implemented in NSW. However, there are examples of schemes (both introduced prior to the Guideline, and after) in the vicinity of the Woollahra LGA:

- **Randwick (2020[2]):** as part of the Kensington and Kingsford town centre rezonings precipitated through the opening of the CBD and South East Light Rail, a contribution of 3% was introduced for residential floorspace, which rose to 5% two years later.

[2] Randwick City Council, 2024, Affordable housing contributions, via https://www.randwick.nsw.gov.au/planning-and-building/planning/affordable-housing-contributions

- Waverley (2023[3]): Introduced a contribution of 1% for all new independent living units, multi dwelling housing, residential flat buildings, and shop-top housing developments. This proposal was not consistent with the Guideline but was granted Gateway determination and implemented.
- City of Sydney (1996[4]): The City of Sydney introduced an affordable housing scheme in Ultimo-Pyrmont in the 1990s through the rezoning and major redevelopment of previous industrial land. This was the first AHCs in NSW and the City has now developed a modest stock of affordable rental housing. Contributions were later required for the Southern Employment Lands and Green Square, with all new residential development in the City now falling under the AHCS at a rate of 3% for residential development and 1% for non-residential development. Higher contributions are required for land which is granted uplift under a Planning Proposal.

These Schemes which have been implemented in LGAs near Woollahra demonstrate that nearby councils have also identified a need for affordable housing.

1.3 Affordable Housing Contribution Schemes in NSW Legislative Context

The following provides the legislative context for the definition of affordable housing, and the creation of Affordable Housing Contribution Schemes in NSW.

The discussion of the legislative framework includes 1) an overview of the authorising legislation under the EP&A Act 1979, 2) the Housing SEPP, and 3) the Guidelines for Development of an Affordable Housing Contribution Scheme (2019).

Defining Affordable Housing

The definition of affordable housing is provided through the legislative framework in NSW as outlined below. The legislative framework is then discussed further in later sections.

Under the EP&A Act, affordable housing is defined as follows:

> affordable housing means housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.

The Housing SEPP further defines households of various income categories as follows:

13 Affordable housing—the Act, s 1.4(1)

(1) In this Policy, a household is taken to be a very low income household, low income household or moderate income household if—

(a) the household—

[3] Waverley Council, 2023, Waverley Council Affordable Housing Contributions Scheme, https://hdp-au-prod-app-waverley-yoursay-files.s3.ap-southeast-2.amazonaws.com/9016/9888/3535/Planning_Proposal_-_Exhibition_-_AHCS_PP.pdf

[4] City of Sydney, 2023, City of Sydney Affordable housing program, via https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/city-of-sydney-affordable-housing-program

(i) has a gross income within the following ranges of percentages of the median household income for Greater Sydney or the Rest of NSW—

(A) very low income household—less than 50%,

(B) low income household—50–less than 80%,

(C) moderate income household—80–120%, and

(ii) pays no more than 30% of the gross income in rent, or

(b) the household—

(i) is eligible to occupy rental accommodation under the National Rental Affordability Scheme, and

(ii) pays no more rent than the rent that would be charged if the household were to occupy rental accommodation under the Scheme.

(2) In this section—

Greater Sydney means the area that the Australian Bureau of Statistics determines from time to time to be the Greater Sydney—Greater Capital City Statistical Area.

National Rental Affordability Scheme has the same meaning as in the National Rental Affordability Scheme Act 2008 of the Commonwealth.

Rest of NSW means the area that the Australian Bureau of Statistics determines from time to time to be the Rest of NSW—Greater Capital City Statistical Area.

These definitions have accordingly been used for the development of the evidence base throughout this work.

EP&A Act 1979

Council is obliged to "promote the delivery and maintenance of affordable housing" under Object 1.3(d) of the Environmental Planning and Assessment Act (The EP&A Act). Affordable housing contributions are authorised under Division 7.2 of the EP&A Act, which falls under Part 7 covering infrastructure contributions and financing. The Act provides that these contributions can be included as a condition of consent of a development and can be either monetary contributions, or a direct dedication of land or dwellings. Under 7.32 (2) a condition for affordable housing can require dedication of the affordable housing/ land or monetary contribution (or both).

They must further be authorised under a clause within a Local Environmental Plan (LEP), which means that to implement or amend an AHCS, councils need to go through the process of altering their LEP (requiring approval by DPE). Section 7.32 (1) establishes the general requirements for affordable housing contributions – this includes that a SEPP has identified the need for affordable housing, and:

(a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or

(b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or

(c) **the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or**

(d) the regulations provide for this section to apply to the application.

Section 7.32(1)(c) is accordingly the mechanism under which an AHCS is established under the current policy paradigm.

Housing SEPP

The Housing SEPP establishes the need for affordable housing in all LGAs (satisfying the above-mentioned requirement of the EP&A Act). It further provides requirements that need to be met to allow a condition to be imposed, which guide councils in their management of contributions raised under an AHCS.

Reforms to the Housing SEPP were implemented in December 2023. The reforms provide an additional 20-30% FSR and height to a proposal, over existing EPI controls, to proposals which provide 10-15% of the gross floor area as affordable housing for a term of 15 years.

Guideline for Developing an Affordable Housing Contribution Scheme (2019)

The Guideline for Developing an Affordable Housing Contribution Scheme[5] (the Guideline) is the policy which outlines requirements for the development of an AHCS under 7.32(1)(c). The Guideline requires that councils complete the following process:

- Gather an evidence base for affordable housing need in their LGA (similar to the evidence base used for councils' Local Housing Strategies)
- Identify the areas of uplift to which an affordable housing contribution scheme will apply
- Determine a viable affordable housing contribution rate using a residual land value (RLV) method
- Produce an AHCS using the Department template
- Submit a Planning Proposal to amend their LEP to reference the AHCS

The AHCS is then assessed by the Department, exhibited, and implemented if the Department is satisfied.

The Guideline requires that AHCS be levied from upzoning, which "ensures contributions are drawn from the increase in land value generated by the rezoning and are consistent with the affordable housing targets established in the Greater Sydney Commission's District Plans". The Guidelines suggest that a percentage of floorspace (and equivalent monetary contribution) should be identified as the 'contribution rate'.

Objective 11 of the Greater Sydney Region Plan (2018), 'Housing is more diverse and affordable' did not directly set affordable housing targets but stated that affordable rental housing targets would be "applied in defined precincts prior to rezoning", and that "within Greater Sydney, targets generally in the range of 5–10 per cent of new residential floor space are viable".

[5] NSW Department of Environment and Planning 2019 *Guideline for Developing and Affordable Housing Contribution Scheme,* Sydney

2. Policy and document review

This chapter seeks to and understand how Woollahra is seen in the NSW strategic planning framework, and what issues have been identified in relation to its affordable housing needs. This forms the context for the evidence base in the next chapter, which quantitatively analyses the issues raised in this chapter.

2.1 State or regional strategies and policies

A Metropolis of Three Cities - Greater Sydney Region Plan (2018)

Under the Greater Sydney Region Plan 'A Metropolis of Three Cities'[6], Woollahra is identified as being located within the Eastern City.

The liveability section of the Plan includes the chapter 'Housing the city' which relates to the housing needs of the area. Objective 10 'Greater housing supply' speaks to the need to provide housing for a growing population, across a broad range of built form typologies. The plan references the role good strategic planning will play in locating this housing close to services and infrastructure, and notes the challenges faced by inner metro councils in providing for housing giving existing urban constraints. For these Councils, of which Woollahra is one, the plan identifies urban infill development as being the most appropriate form of development to pursue. This includes the delivery of housing that is close to existing or proposed infrastructure and transport corridors, with good access to public facilities, open space and jobs.

Whilst not being identified within a future growth area, Woollahra Council contains several 'Local' Centres', which fit the urban infill development profile of being able to support additional housing.

The Plan sets a housing target for the Eastern City of:

- an additional 46,550 between 2016–2021, with 157,500 set to be delivered between 2016-2036.

Stemming from Objective 10 are Actions 3 and 4 which prompt Councils to prepare housing strategies and develop 6-10 year housing targets.

Objective 11 'Housing is more diverse and affordable' of the Plan identifies a range of measures to address housing affordability, including the direct provision of housing by government, the implementation of affordable housing schemes that incentivise the provision of affordable housing by developers and community housing providers and the delivery of market housing stock to ensure supply keeps up with demand.

Action 5 proposes the implementation of Affordable Rental Housing Targets, which will include finalising a consistent viability test for the Affordable Rental Housing Targets to support councils and

[6] Greater Sydney Commission 2018 *A Metropolis of Three Cities – Greater Sydney Region Plan*, New South Wales Government, Sydney

relevant planning authorities and ensuring that housing strategies include a sufficient affordable housing needs analysis and strategy to identify preferred affordable housing locations in each local government area.

Whilst not specifically mentioning Woollahra, these actions are relevant to the LGA in that they feed into the District Plan and provide Council with the direction to make steps to address these issues.

Eastern City District Plan (2018)

The Eastern City District Plan[7] is a guide for implementing the Greater Sydney Region Plan at a district level and is a bridge between regional and local planning. Woollahra is located strategically within the Eastern City District.

Planning Priority E5 'Providing housing supply, choice and affordability, with access to jobs, services and public transport' of the Plan gives effect to Objectives 10 and 11 of the Metropolis of three cities Plan in the context of the Eastern Harbour City.

The Plan identifies the different housing markets that operate within the district, with Woollahra residing within the 'City and Harbourside' housing market. The Plan makes reference to the fact that providing supply in one market demand area may not satisfy demand in another. This information is relevant when considering the potential effectiveness and limitations of various policy and land use planning interventions available to Council to address the supply and affordability of housing.

Woollahra LGA itself is not identified as being subject to any current initiatives or having any specific opportunities for growth. Notwithstanding this, the LGA includes multiple local centres located along transport corridors that are close to public amenities and jobs and thus has an obligation to deliver additional housing stock.

Woollahra was identified as having a housing supply target of 300 dwellings between 2016-2021, which is modest in comparison to the overall district total of 46,550.

[7] Greater Sydney Commission 2018 Eastern City District Plan, New South Wales Government, Sydney

FIGURE 1: EASTERN CITY DISTRICT FUTURE HOUSING SUPPLY

Source: Eastern City District Plan, March 2018, Greater Cities Commission.

The Six Cities Region: Discussion Paper (2022)

The 'Six Cities Region: Discussion Paper'[8], released in September 2022, seeks to build upon the 2018 Region Plan and District Plans and March 2020 assurances by providing additional direction that will allow for faster delivery on the ground, particularly relating to housing and local infrastructure, with measurable and timebound targets that reflect what matters to people in the Six Cities Region.

Woollahra is located within the newly identified Eastern Harbour City, which is an expansion on the previously identified Eastern City. A Draft Region Plan for the six cities region and a City Plans for the Eastern Harbour City is due to be released by the end of 2023.

The discussion paper builds upon the issues mentioned in the previous Plan and emphasises the urgency at needing to address the escalating housing affordability crisis playing out in the region.

[8] Greater Sydney Commission 2022 *Six Cities Region: Discussion Paper*, New South Wales Government, Sydney

The paper recommends that housing diversity and affordability be improved by:

- Increasing the proportion of multi-unit and higher density housing in accessible locations that are supported by infrastructure.
- Ensuring existing and new freestanding homes and medium density housing are connected to quality amenity, essential services and transport infrastructure.
- Continuing to work with councils through their local housing strategies.

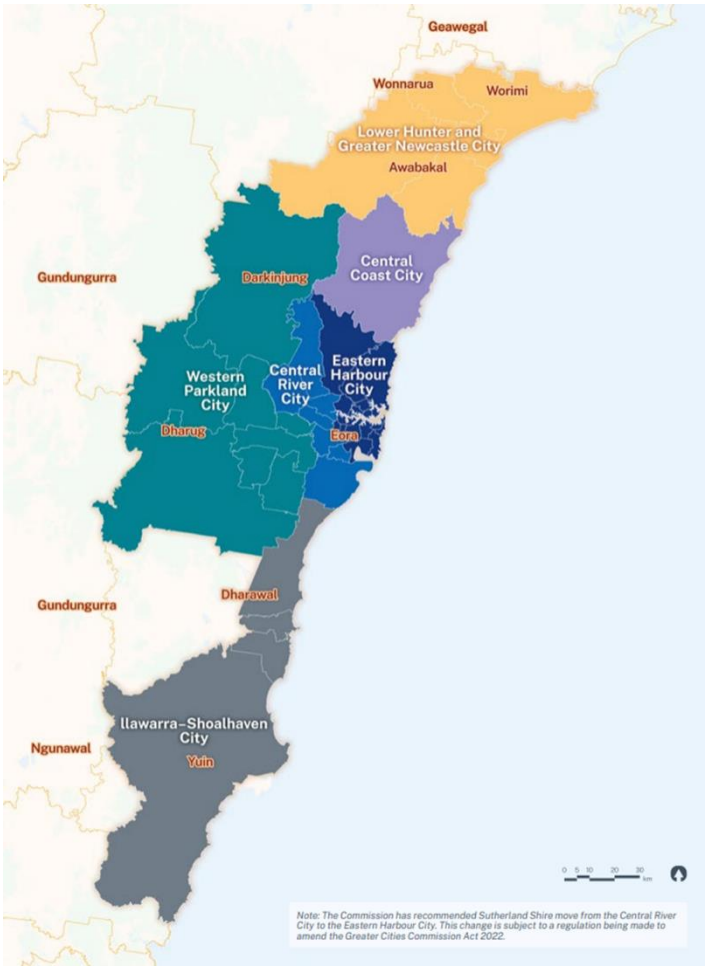
It is expected that the soon to be released Eastern Harbour City Plan will include stronger housing targets and will have a focus on housing affordability and ways in which this can be achieved.

Whilst making no specific mention of the eastern harbour city or Woollahra LGA, it is likely that these will feature as prominent concerns for the area given its central location within the six cities region.

The Plans make reference to the challenges and limitations faced by established inner metro Councils in providing affordable housing, which include the cost of land, difficulty in undertaking infill development and the tight housing markets which these solutions must operate within.

The plans also identify strengths of areas which include multiple local centres located along transport corridors that are close to public amenities and jobs. Woollahra falls within this category and is in a good position to deliver additional affordable housing, noting the above constraints will provide limitations on where this may occur.

FIGURE 2: THE SIX CITIES REGION



Source: Six Cities Region Discussion Paper, 2022, Greater Cities Commission.

2.2 Local strategies and policies

This section seeks to understand Woollahra's current policies and frameworks, specifically in relation to housing, and affordable housing.

Local Strategic Planning Statement (2020)

The Woollahra Local Strategic Planning Statement[9] (LSPS) highlights the importance of planning for future housing that meets the needs and characteristics of the local community. This includes ensuring that new housing developments are able to meet the diverse and changing needs of the community, including those associated with an aging population and greater demand for affordable housing in accessible locations.

[9] Woollahra Municipal Council 2020 *Woollahra Local Strategic Planning Statement,* Sydney

In support of this goal, the LSPS includes actions to develop a local housing strategy that measures the need for affordable housing and explores opportunities for Council to advocate for the delivery of affordable housing stock (see Local Housing Strategy below). Council also committed to work with the Greater Sydney Commission, government agencies, and neighbouring councils to develop affordable housing options.

Local Strategic Planning Assurance (2020)

In March of 2020, as part of the Local Strategic Planning assurance, Woollahra's Local Strategic Planning Statement was given support by the Commission[10].

The letter of support indicated that Woollahra was on track to deliver its housing targets, however also provided updated housing delivery targets to Council of an additional Council is to show how it can meet an indicative draft range for 6-10 year housing targets for 2021/22 to 2025/26 of 500 - 600 dwellings as part of its Local Housing Strategy.

Local Housing Strategy and DPE Letter of Approval (2021)

The Woollahra Local Housing Strategy (LHS)[11] identified a lack of social and affordable housing within the LGA. Compared to the Sydney average, housing affordability in Woollahra is poor, with nearly all low-income households in rental or mortgage stress.

Currently, the primary mechanism for affordable housing contributions is SEPP 70 (now the Housing SEPP) which applies to uplift precincts. In accordance with this, the LHS included a commitment to develop an AHCS for areas experiencing development uplift, including for the Edgecliff Commercial Centre. In approving the LHS[12], the Department of Planning and Environment required that Council develop an AHCS, in consultation with neighbouring councils and community housing providers. This report is the outcome of that requirement.

For LGAs such as Woollahra, which do not have large uplift precincts but are increasingly unaffordable for key workers (especially teachers, carers, nurses, and support workers), broad-based affordable contribution schemes are also an important area of reform. The LHS additionally included measures to improve access to affordable housing by working with the NSW Government and neighbouring Waverley and Randwick Councils to develop affordable housing contribution schemes for new apartment developments.

Affordable Housing Policy (2021)

Woollahra's Affordable Housing Policy[13] details Council's objectives relating to affordable housing, including that the supply of affordable rental housing for key workers be increased, that planning controls facilitate the supply of new affordable housing, and that Council's affordable housing assets

[10] Greater Sydney Commission 2020 *Letter of Support: Woollahra Council draft Local Strategic Planning Statement*, New South Wales Government, Sydney.
[11] Woollahra Municipal Council 2021 *Woollahra Local Housing Strategy,* Sydney
[12] Department of Planning and Environment 2022 *Woollahra Local Housing Strategy 2021,* Sydney
[13] Woollahra Municipal Council 2021 *Woollahra Affordable Housing Policy,* Sydney

and programs are effectively managed. In support of these objectives, the Policy outlines actions and timeframes for completion. Short-to-medium-term actions include:

- investigating the potential to introduce unit mix planning provisions to ensure a diverse range of housing sizes are delivered in new developments;
- investigating the suitability of introducing planning controls to facilitate appropriate and high-quality co-living and/or micro-housing types in areas close to hospitals and tertiary education facilities; and
- advocating for contributions reform to permit the preparation of affordable housing contributions scheme for all new apartment developments.

Longer-term and ongoing actions include working with the NSW Government and neighbouring councils to develop affordable housing options and advocating for increased investment in public housing stock.

The Policy is to be reviewed every two years or in accordance with legislative requirements.

3. Evidence base

The evidence base has been developed to align with the NSW Government's 2019 Guideline for the Development of an Affordable Housing Contribution Scheme (AHCS), comprising of a demographic analysis, assessment of housing supply and demand and the identification of gaps.

The Guideline recommends that the evidence base considers the housing market as a whole, with affordable housing being a subset of it. It responds to the requirements of the 2019 Guideline through three analytical lenses:

- Demand for housing (incorporating the demographic analysis referred to in the Guideline) is illustrated by growth in population and households. Household income and the change of households by income over time, as well as changes in the characteristics of those households, such as by size, are also demand indicators. Projected demographic changes should also be examined.
- Supply of housing is indicated by the change in dwellings over time, considering the size and type of dwellings. While the scale or increase in supply of housing generally aligns with the needs of the household growth, gaps often emerge when examining the distribution of that supply across categories of household size, dwelling size, supply by tenure, and especially affordability levels.
- The affordability of housing, as illustrated in trends in housing sales prices, rental rates, and vacancies. Trends and distribution of housing by affordability level are contrasted against households by income to identify gaps in the affordability of housing. Incidence of rental stress, and change over time, also helps to characterise how many households, and to what extent, are not being provided for by the market. Trends are projected to understand how these conditions could change in the future.

3.1 Demand for housing

Demographic analysis is a key component of demand for housing. While affordability and household preferences play a large part in driving housing choice (such as where to live, in what type of dwelling and in what type of surroundings), there are several key metrics that characterise housing demand:

- Population growth is the overall metric of the net change in underlying conditions, such as births, deaths, in- and out-migration.
- The population by age analysis provides additional insight to population growth. Analysis of household sentiment and housing choices often reveals demand for different preferences sets (housing types, settings, etc.) across key age groups, such as under 35s, family and working age (35 to 64) and empty-nesters or retirees (65 and older). A market with more population growth at the younger end of the spectrum implies housing demand of a different type than more population growth at the older end of the spectrum.

- Households by size: This metric indicates how the population growth is distributed specific sizes of households, such as one-, two-, three-person households, etc. A population growing more strongly in smaller households, for example, will often have more demand for rental housing and smaller dwelling sizes.
- Tenure split shows whether people are renting or if they own their own home (outright, or with a mortgage). Change in this indicator over time can show reduced affordability of dwellings for purchase.
- Households by Income: changes in household income and the distribution of households by income characterise one of the more important aspects of housing affordability analysis. This metric and changes in this metric and the distribution of households by income are central to understanding the affordability of a market for its residents.

Population growth

Across Greater Sydney, the older age brackets of 60 years and above experienced the greatest increase in population between 2011 and 2021. However, this skew towards older age brackets was particularly pronounced in Woollahra, where there was strong growth among those aged 60-79 but minimal or negative growth in younger age brackets (those aged 39 years and less).

Net increases in the 0-19 age group were negligible, while the 20-39 age group decreased by over 1,500 people in Woollahra. The total net population increase across the LGA was just over 1,300, driven mainly by a 21 percent growth in the 60-79 age bracket and 19 percent growth in the 80+ bracket. Across the rest of Eastern Harbour City and Greater Sydney, population growth was more balanced within age brackets, although this trend of strong growth among the older population was apparent.

TABLE 2: POPULATION BY AGE, 2021

Geography	<34	35-64	65+	Total
Woollahra	21,952	20,377	11,180	53,496
Eastern Harbour City	943,620	841,494	340,542	2,125,638
Greater Sydney	2,412,316	2,024,084	794,688	5,231,052

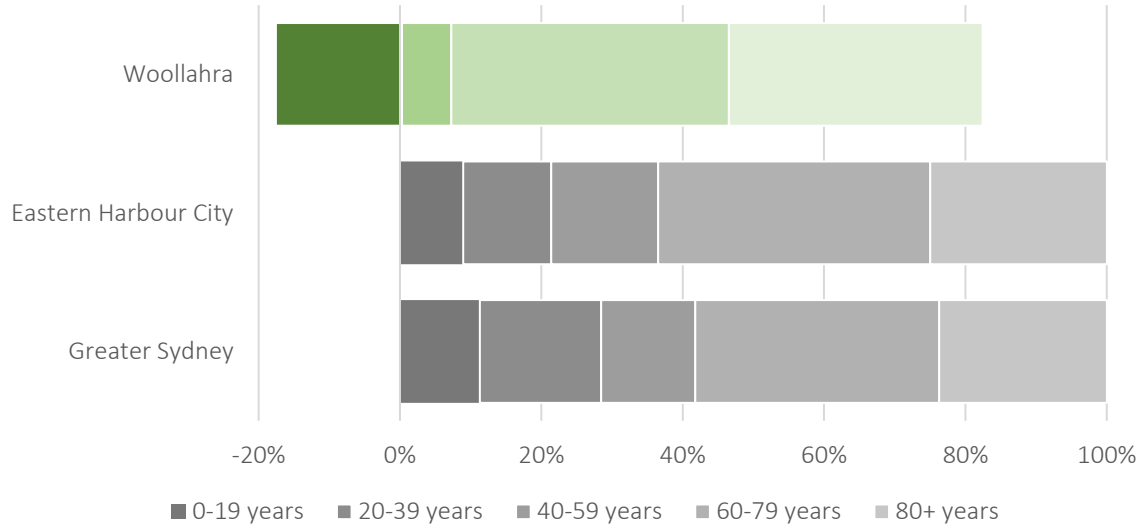
Source: ABS Census 2021

TABLE 3: POPULATION CHANGE (%) BY AGE, 2011-2021

Geography	<34	35-64	65+	Total
Woollahra	-5.0%	-0.9%	31.6%	2.6%
Eastern Harbour City	8.1%	11.8%	32.1%	12.8%
Greater Sydney	14.7%	17.4%	40.8%	19.1%

Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023

FIGURE 3: POPULATION CHANGE (%) BY AGE (2011-2021)



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Household growth

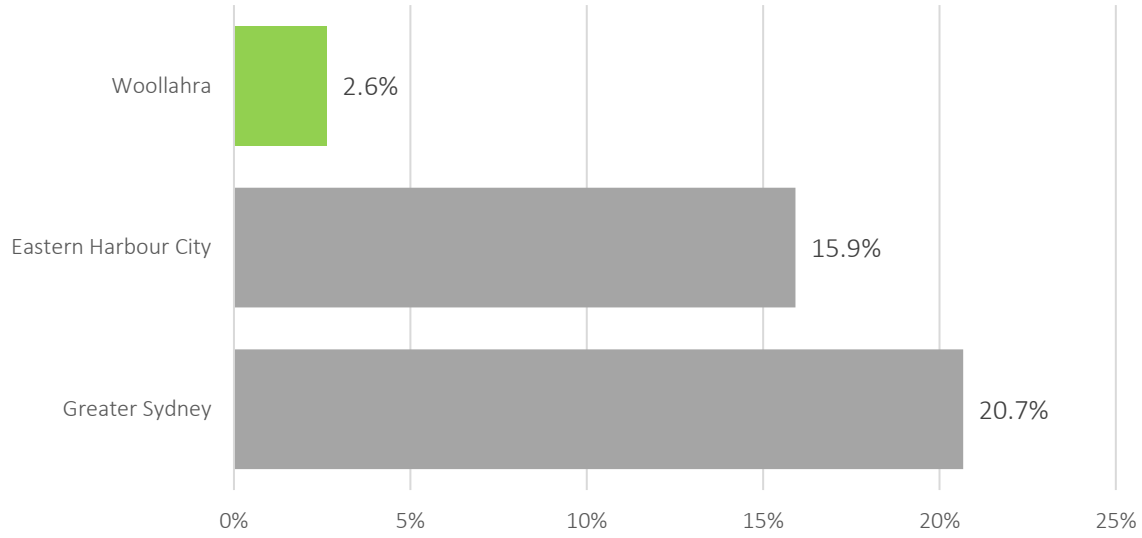
Woollahra grew from a total of 20,457 households in 2011 to 21,916 households in 2021. As shown in Figure 4, the overall net household growth in Woollahra between 2011 and 2021 was 2.6 per cent, significantly below the rate seen across the rest of Eastern Harbour City and Greater Sydney.

TABLE 4: HOUSEHOLDS BY TYPE, 2021

Geography	Family households	Lone person households	Group households	Total
Woollahra	13,617	6,946	1,353	21,916
Eastern Harbour City	547,770	220,488	45,428	813,686
Greater Sydney	1,327,549	424,734	76,564	1,828,847

Source: ABS Census 2021

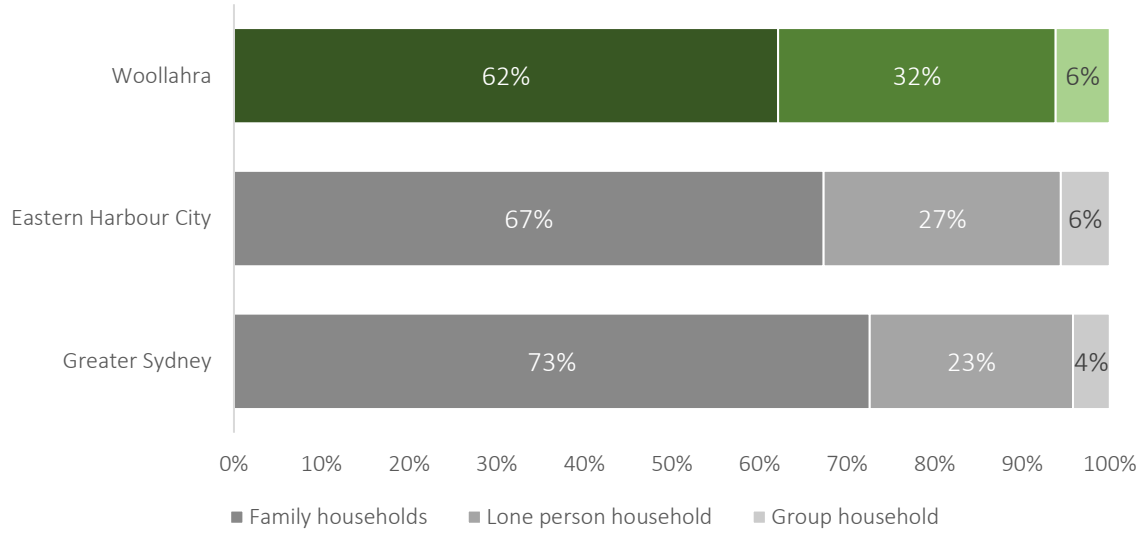
FIGURE 4: OVERALL HOUSEHOLD GROWTH, 2011-2021



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Illustrated in **Figure 5,** household type distributions for 2021 show that Woollahra has a slightly higher proportion of group and lone person households than Eastern Harbour City and Greater Sydney. However, family households still account for the majority in the LGA (62%).

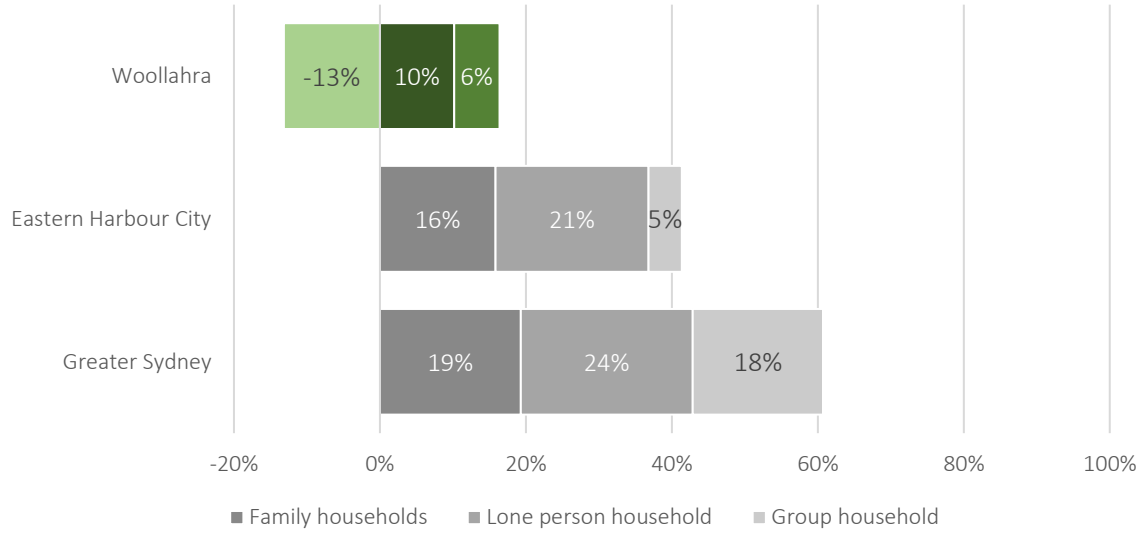
FIGURE 5: DISTRIBUTION OF HOUSEHOLDS BY TYPE (2021)



Source: ABS Census 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

As shown in **Figure 6**, family households saw the fastest growth between 2011 and 2021 (up 10%). Group households declined in the same period (down 13%), while lone person households increased (up 6%). This likely reflects in part the COVID-induced shift away from shared housing and towards lone person households.

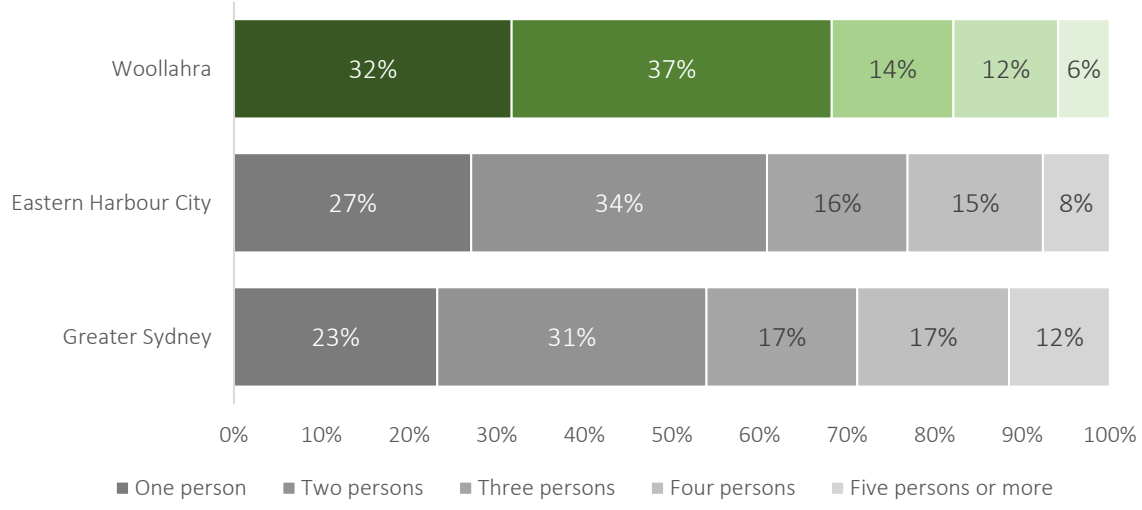
FIGURE 6: CHANGE IN HOUSEHOLDS BY TYPE, 2011-2021



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Figure 7 shows the distribution of households by size in 2021. Across all areas, one and two person households represent a majority of all households, however this is most pronounced in Woollahra.

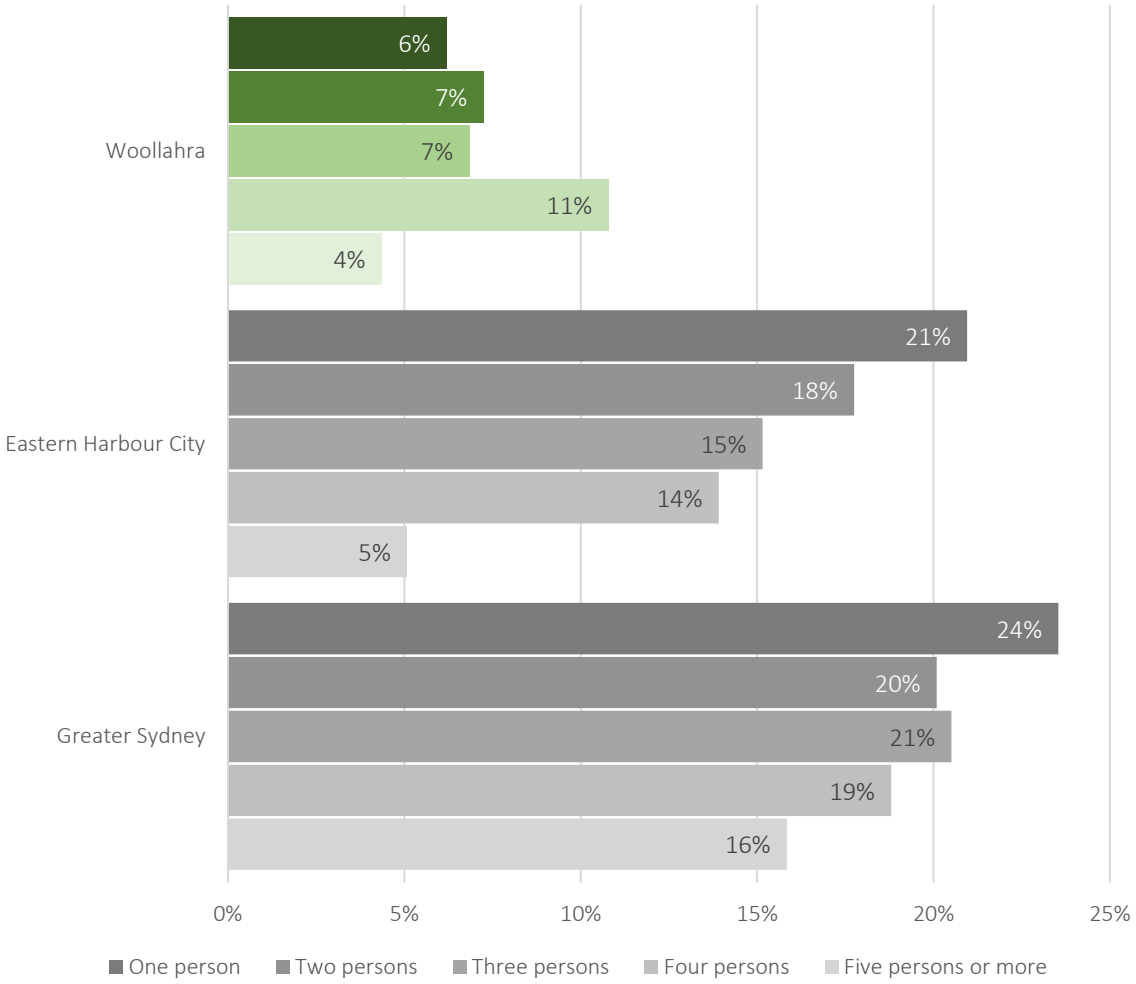
FIGURE 7: DISTRIBUTION OF HOUSEHOLDS BY SIZE (2021)



Source: ABS Census 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Considering the change from 2011 to 2021, as illustrated in **Figure 8**, Woollahra is an outlier in having lower growth than Eastern Harbour City and Greater Sydney, and in that one person households were not the fastest-growing household size within the LGA. In Woollahra, four person households demonstrated the largest growth.

FIGURE 8: GROWTH OF HOUSEHOLDS BY SIZE, 2011-2021



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Households by income brackets

In alignment with the definition of household income levels under the EP&A Act, the analysis of household incomes has been completed in relation to the relevant Greater Sydney median household income, as measured at the 2011 and 2021 censuses.

Table 5 compares the proportions of household incomes with those of Greater Sydney in 2021. This shows that Woollahra has a greater proportion of high-income earners, with 67 percent of households earning above the Greater Sydney AMI.

TABLE 5: GREATER SYDNEY AND WOOLLAHRA INCOME DISTRIBUTION, 2021

AMI Category	Greater Sydney (%)	Woollahra LGA (%)
Less than 30% AMI	12%	7%
30% to 50% AMI	12%	7%
50% to 60% AMI	5%	4%
60% to 80% AMI	11%	7%
80% to 100% AMI	10%	8%
100% to 120% AMI	10%	9%
Greater than 120% AMI	41%	58%

Source: ABS Census 2021; SGS Economics & Planning, 2023

Table 6 presents the analysis of Woollahra households by income. Between 2011 and 2021, the total number of households in Woollahra grew by 12 percent (from approximately 17,900 to 20,200), with most of this increase (61 percent) coming from households earning an income greater than the AMI. Figure 9 illustrates this change by AMI.

TABLE 6: HOUSEHOLDS BY AREA MEDIAN INCOME, 2011 AND 2021

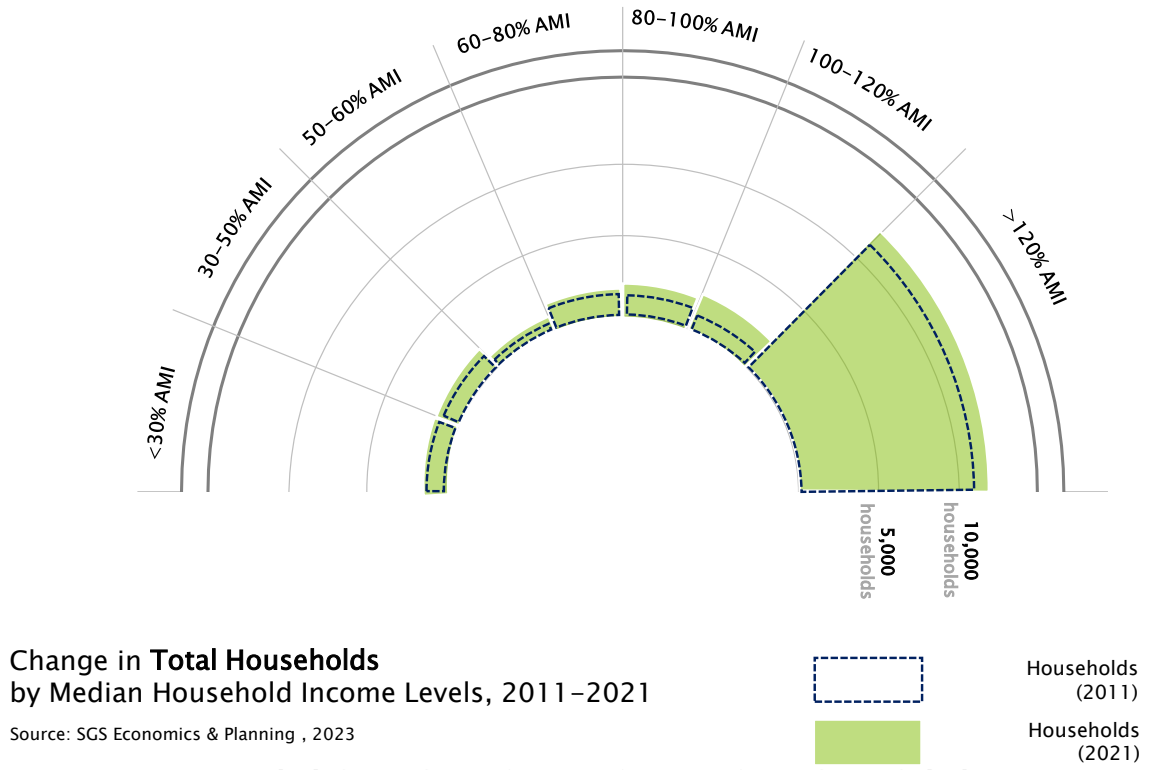
			Change (2011-2021)		
AMI Category	2011	2021	Total	Annual	% CAGR
Less than 30% AMI	1,259	1,424	165	16	1.2%
30% to 50% AMI	1,250	1,448	198	20	1.5%
50% to 60% AMI	661	712	51	5	0.7%
60% to 80% AMI	1,362	1,486	124	12	0.9%
80% to 100% AMI	1,287	1,606	319	32	2.2%
100% to 120% AMI	1,104	1,802	698	70	5.0%
Greater than 120% AMI	11,017	11,685	668	67	0.6%
Total	**17,941**	**20,164**	**2,223**	**222**	**1.2%**

Source: ABS Census 2021; SGS Economics & Planning, 2023

The following discusses a few of the highlights of the analysis by AMI.

- Less than 30% AMI: this segment of Woollahra households remained relatively constant from 2011 to 2021, increasing 13 percent overall.
- 30% to 80% AMI: the increase in number of households within these three segments was also relatively minimal, growing by 11 percent overall.
- 80% to 100% AMI: this segment of the population grew faster than the overall number of households, increasing a total of 25 percent between 2011 and 2021, at an average 2.2 percent per annum. This cohort is often representative of the community workforce, key worker cohorts and those that would benefit from subsidised homeownership solutions, such as shared equity or shared ownership models.
- 100% to 120% AMI: this income cohort saw the largest growth, increasing a total of 63 percent between 2011 and 2021, at an average 5 percent per annum. This segment is inclusive of those in community workforce and key worker designations.
- 120% AMI or higher: overall, this cohort grew by 6 percent between 2011 and 2021. From the perspective of affordable housing policy development, this cohort is largely unimportant as the supply of available housing often meets the needs of this cohort.

FIGURE 9: CHANGE IN TOTAL HOUSEHOLDS BY AMI (2011-2021), WOOLLAHRA

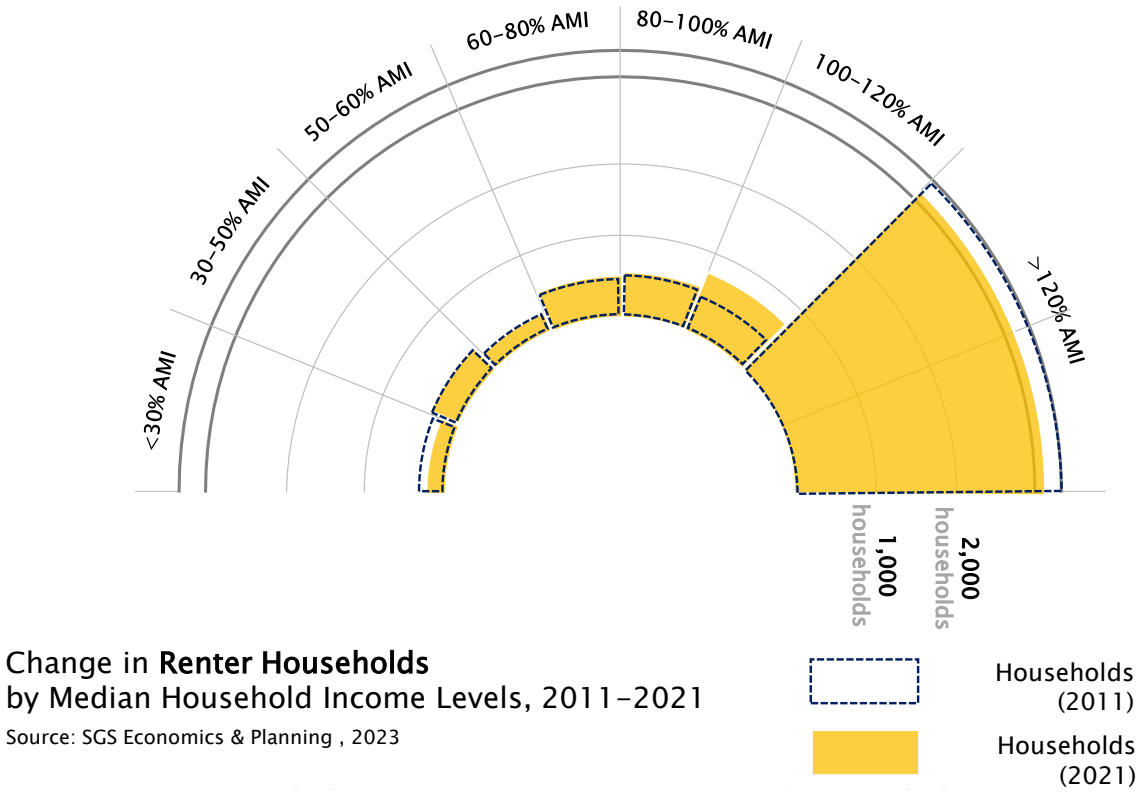


Source: ABS Census 2021; SGS Economics & Planning, 2023

Renter Households

Between 2011 and 2021, the total number of renter households in Woollahra grew by 5 percent (from approximately 5,560 to 5,840). **Figure 10** shows the change in distribution of renter households by Greater Sydney AMI. Households in the lowest income cohort (less than 30% AMI) decreased by 19 percent, while those in the highest income segment (>120% AMI) decreased 6 percent. Renter households in the 101%-120% AMI cohort accounted for most growth, increasing by 78 percent.

FIGURE 10: CHANGE IN RENTER HOUSEHOLDS BY AMI (2011-2021), WOOLLAHRA

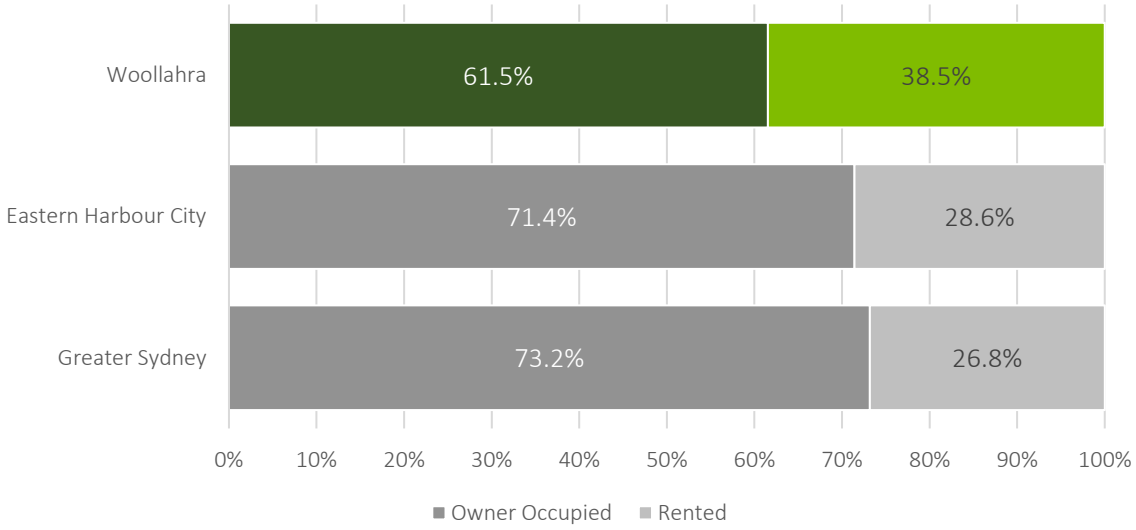


Source: ABS Census 2021; SGS Economics & Planning, 2023

Tenure split

Figure 11 shows the split between owner-occupier and rented dwellings in 2021 (other tenure types having been excluded for the purposes of this analysis). While owner-occupied dwellings account for a majority of households across all areas, Woollahra has comparatively more renters than Eastern Harbour City and Greater Sydney, at 38.5 per cent compared to 28.6 per cent and 26.8 per cent, respectively.

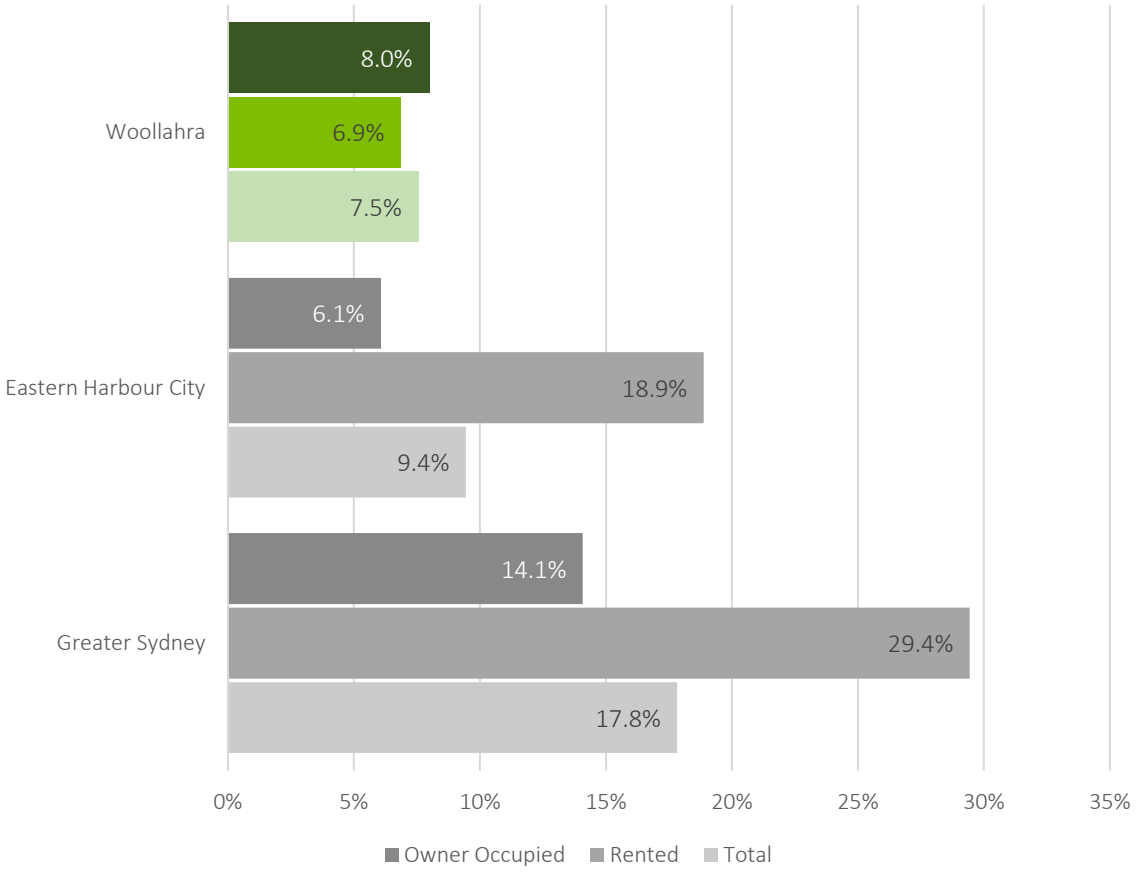
FIGURE 11: TENURE TYPE DISTRIBUTION, 2021



Source: ABS Census 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Considering the growth in households by tenure type between 2011 and 2021, as shown in **Figure 12**, Woollahra saw significantly lower growth in renter households, compared to the rest of Eastern Harbour City and Greater Sydney. In contrast to these other areas, Woollahra's growth in owner-occupied households outpaced growth in rentals, albeit marginally.

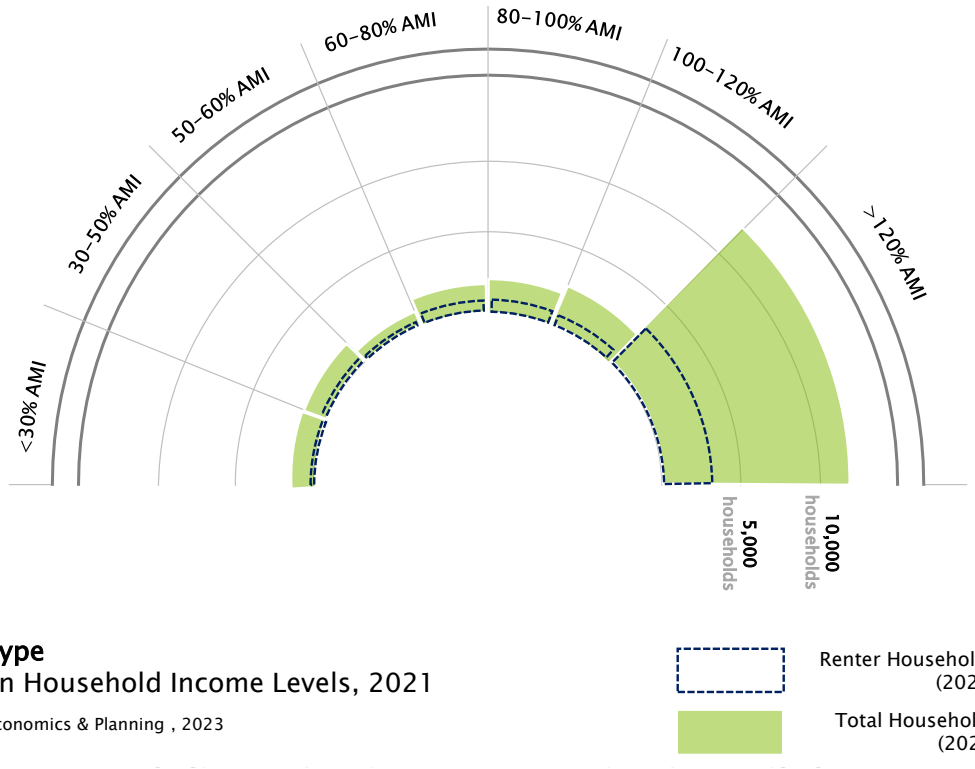
FIGURE 12: TENURE TYPE GROWTH, 2011-2021



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Figure 13 illustrates the distribution of renter households by AMI in 2021. Although renter households account for the smaller portion of housing stock in Woollahra, they follow a broadly similar distribution across income cohorts as total households.

FIGURE 13: TENURE TYPE BY AMI, 2021

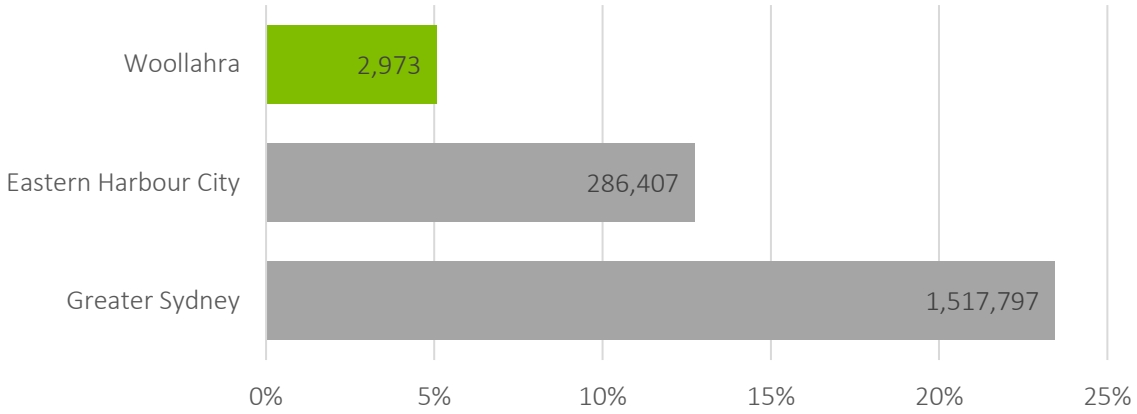


Source: ABS Census 2021; SGS Economics & Planning, 2023

Population projections

Figure 14 illustrates projected population growth in Woollahra, Eastern Harbour City, and Greater Sydney from 2021 to 2041. Woollahra is expected to experience only moderate growth over this period, increasing just 5.1 per cent over the 20 years. In comparison, Eastern Harbour City and Greater Sydney will see 12.7 and 23.4 per cent growth, respectively.

FIGURE 14: PROJECTED POPULATION GROWTH, 2021-2041



Source: SGS Economics & Planning, 2022

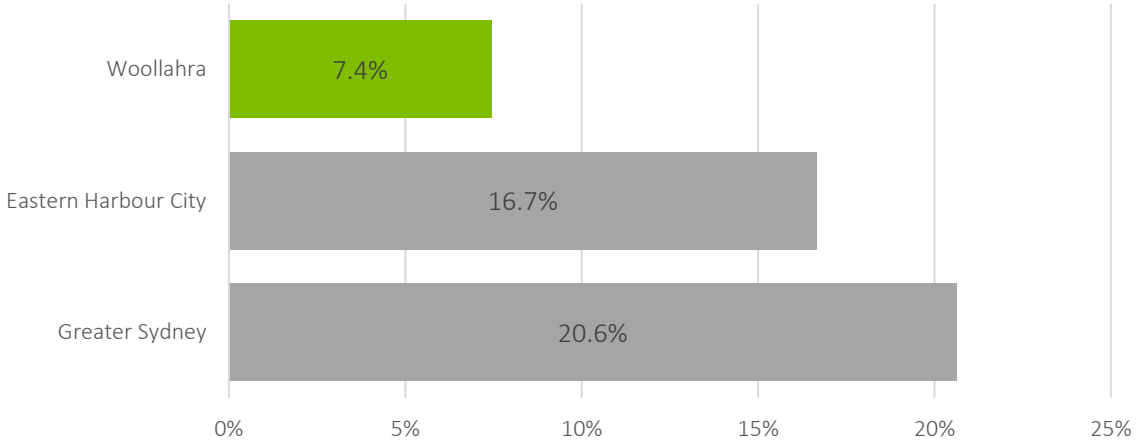
3.2 Supply of housing

Housing Supply discusses overall growth in the supply, as well as the change in the distribution of supply by dwelling size. This section indicates how the market has responded to demand. This begins to highlight where gaps by size, tenure, and type may have emerged.

Growth in total dwellings

Woollahra had a lower proportion of overall dwelling growth between 2011 and 2021 than Eastern Harbour City or Greater Sydney, as shown in Figure 15. Woollahra grew from a total of 20,419 dwellings in 2011 to 21,938 dwellings in 2021, which is an overall growth of 7.4 per cent – contrasted with an overall household growth of only 2.6 per cent.

FIGURE 15: CHANGE IN TOTAL DWELLINGS AS PERCENTAGE, 2011-2021

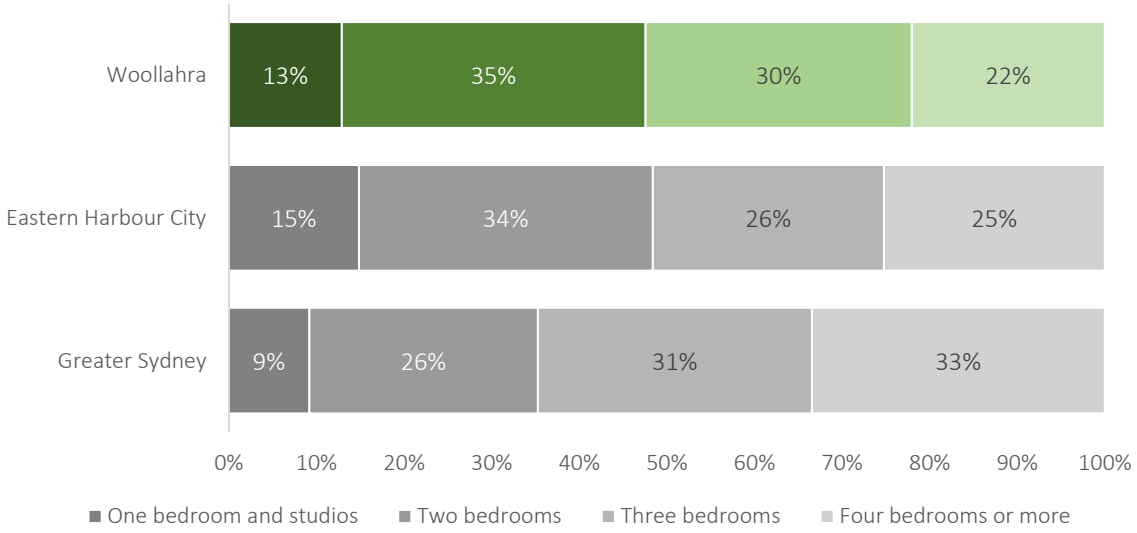


Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Growth in dwellings by size

As illustrated in **Figure 16**, Woollahra's dwelling stock is broadly in line with the rest of Greater Sydney, with two- and three-bedroom dwellings accounting for most housing stock (66%). Compared to Greater Sydney, Woollahra has a greater proportion of single bedroom or studio dwellings, and fewer four-bedroom dwellings.

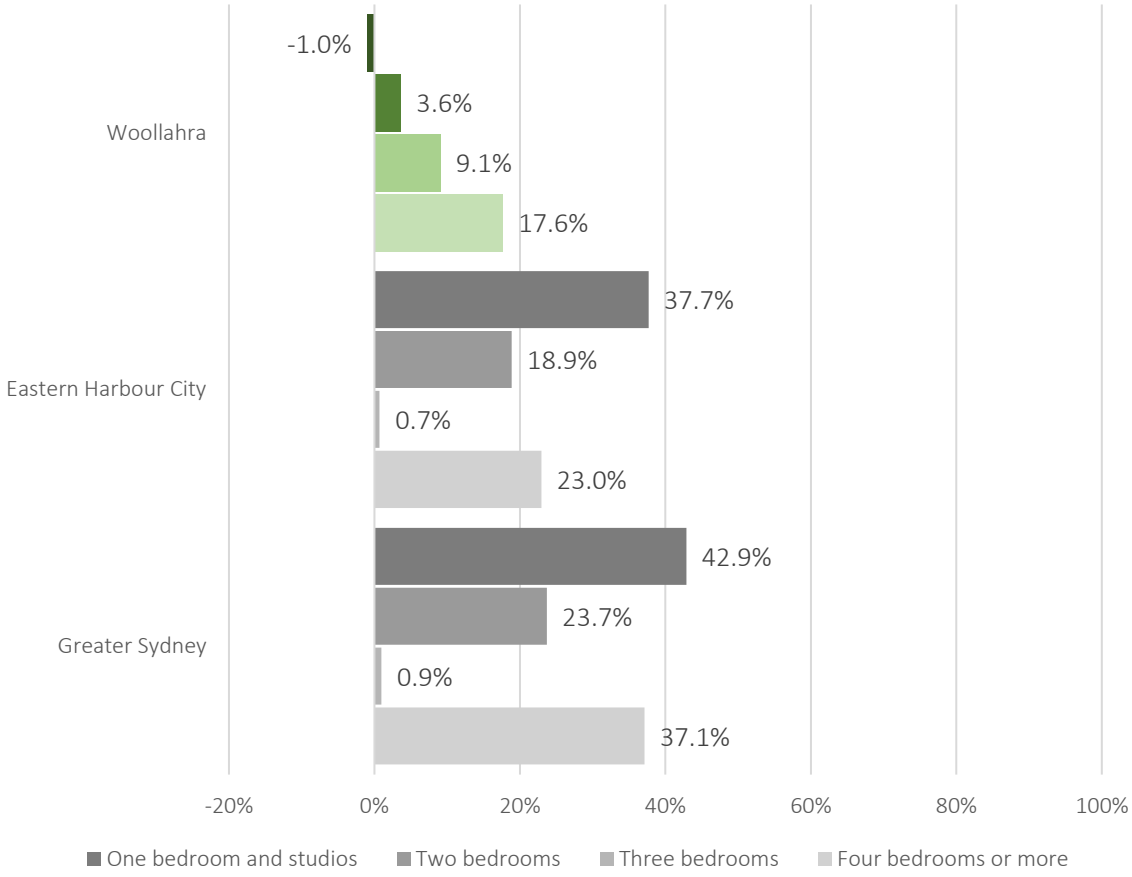
FIGURE 16: DISTRIBUTION OF DWELLINGS BY SIZE (2021)



Source: ABS Census 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Considering the growth in dwellings by size between 2011 and 2021, as shown in **Figure 17**, Woollahra was an outlier is experiencing a decline in the number of one bedroom and studio dwellings. This was the fastest growing typology across Eastern Harbour City and Greater Sydney, increasing by 38 percent and 43 percent, respectively. In contrast, Woollahra saw a 1 percent decline in one-bedroom and studio dwellings over the past decade. Larger dwellings saw positive growth in Woollahra, particularly four-bedroom homes which grew by 18 percent.

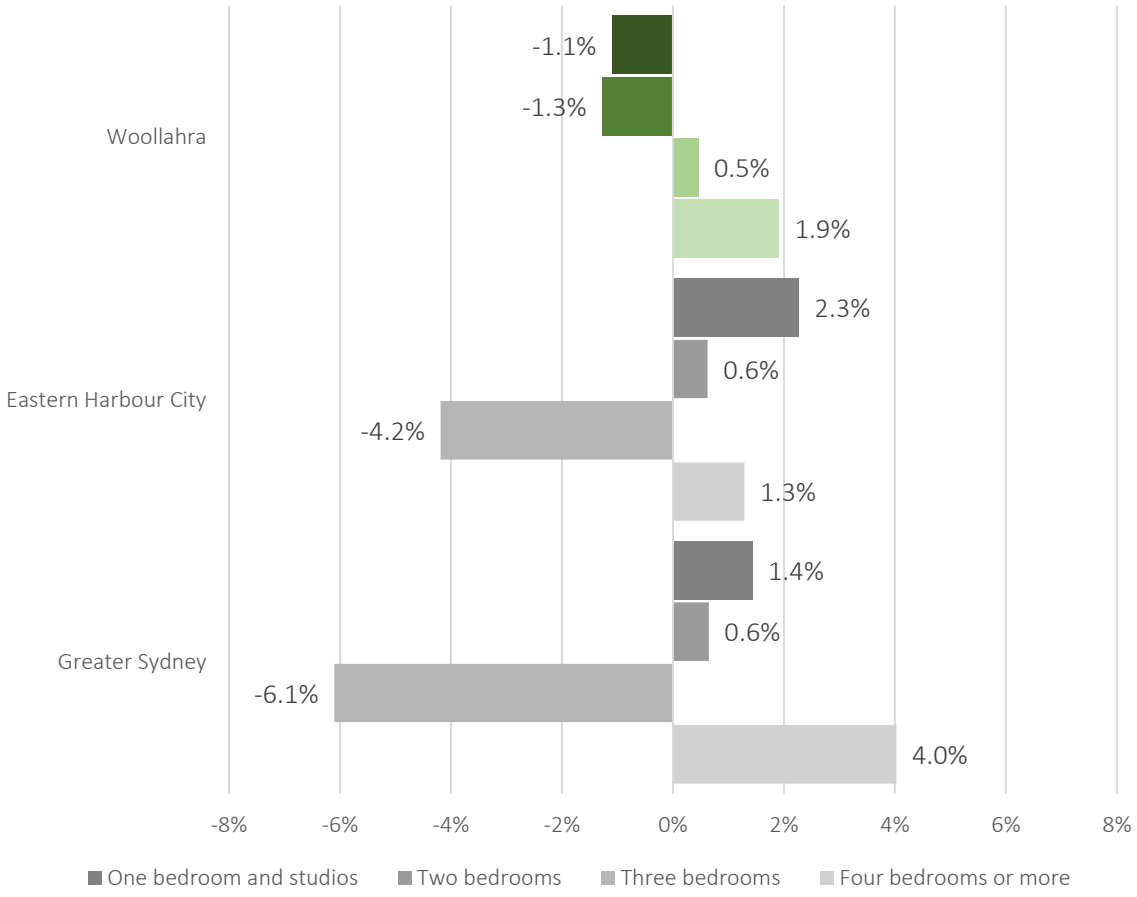
FIGURE 17: GROWTH IN DWELLINGS BY SIZE, 2011-2021



Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

As shown in Figure 18, the growth in three- and four-bedroom dwellings from 2011 to 2021 has increased the total proportion of these dwelling sizes within Woollahra by 1.9 and 0.5 percentage points, respectively. In contrast, one- and two-bedroom dwellings have decreased as a proportion of total housing stock. This differs from the rest of Eastern Harbour City and Greater Sydney, where one- and two-bedroom dwellings accounted for larger proportions of housing in 2021 than 2011.

FIGURE 18: CHANGE IN PROPORTION OF DWELLINGS BY SIZE, 2011-2021

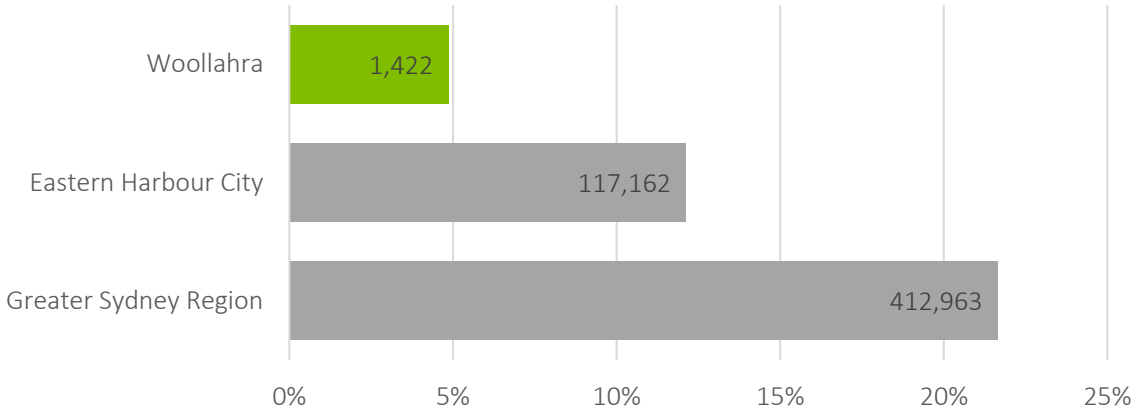


Source: ABS Census 2011, 2021; SGS Economics & Planning, 2023
Note: Woollahra LGA statistics highlighted in shades of green to distinguish results from comparative geographies.

Dwelling projections

As shown in Figure 19, growth in Woollahra's dwelling stock is expected to be moderate over the next 20 years. The number of occupied private dwellings (OPD) is projected to increase by 1,422, or 4.9 per cent, from 2021 to 2041. This aligns with population projections, which show Woollahra growing by 5.2 per cent over the same period.

FIGURE 19: GROWTH IN PROJECTED OCCUPIED PRIVATE DWELLINGS (OPD), 2021-2041



Source: SGS Economics & Planning, 2022

3.3 Affordability of housing

This section discusses how to define affordability of housing and an assessment of the affordability of housing within the Woollahra LGA. This section demonstrates the lack of affordable housing in Woollahra and amounts to a substantial finding with regard to an evidence base for the need for affordable housing.

This section includes an analysis of the distribution of sales in the for-sale market, distribution of rentals in the rental market, and a discussion of the implied gaps that it leaves when considering growth in households in the Woollahra LGA.

- Sales prices of dwellings in terms of the affordability to existing households by income.
- Rental prices of dwellings in terms of the affordability to existing households by income.
- Rental vacancy rates provide an indication of further supply-side constraints in the rental market. A market at equilibrium typically has a vacancy rate of 3.4% to account for turnover in inventory, whereas lower vacancy rates are a strong indicator of rental stress pressures.
- Rental stress, showing where households are paying more than 30% of their income in rent. This can show if specific income cohorts are more likely to be experiencing stress, and whether this has changed over time.

Affordability concepts

Affordability of dwellings is the result of interactions between the demand and supply of housing, as well as external factors on the market. The affordability of housing in the LGA has been analysed as a consideration of the acceptable level of spending on housing, at the household level.

The consensus in the practice of housing affordability analysis is to identify thresholds of income spent on housing beyond which a household is considered unaffordable, placing them in housing or rental stress. Housing is considered affordable when a household spends no more than 30% of its gross

income on housing or rent. A household spending more than 30% (but less than 50%) of its income on housing experiences moderate housing stress, whereas a household spending 50% or more of its income on housing experiences severe housing stress.

This section accordingly provides detail with available data that characterises the relative affordability of the housing market in the same terms as used to define and categorise the change in households in Section 3.1. As discussed previously, affordable housing under the NSW legislative context provides that affordable housing be targeted towards households at the following income levels:

- Very low income households: Less than 50% of median income
- Low income households: 50% to 80% of median income
- Moderate income households: 80% to 120% of median income

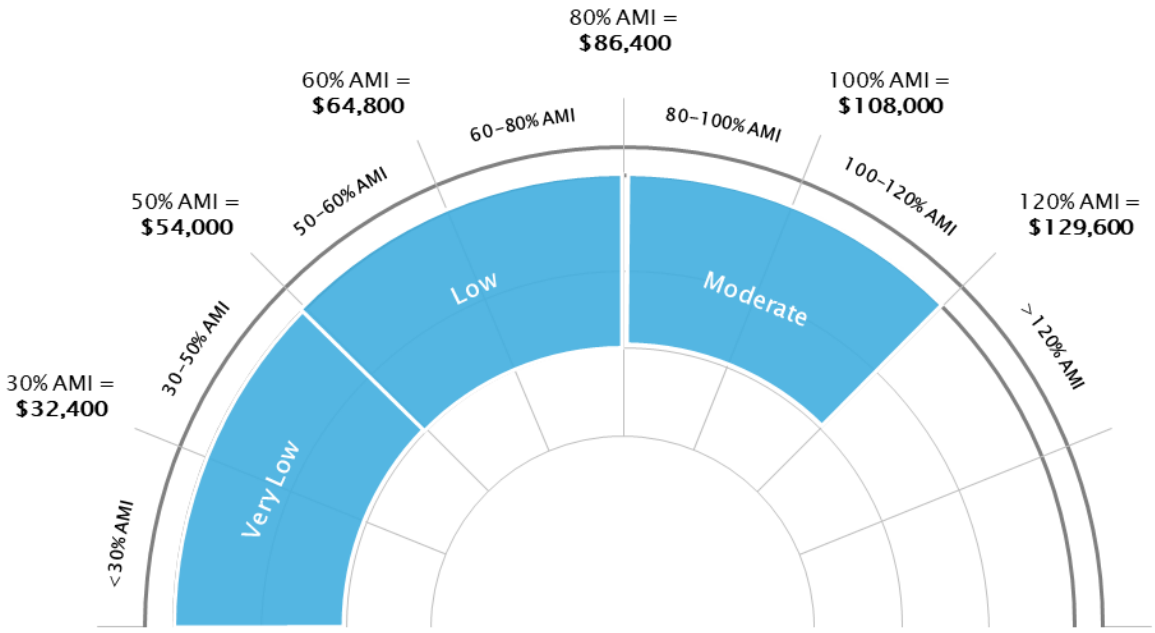
Where the median income (or AMI, for Area Median Income) is that of the Greater Sydney region.

However, as illustrated in Figure 20 below, greater granularity of household incomes has been analysed. This framework of housing affordability analysis reflects the need for policy-makers to understand the alignments or linkages between income levels and broad categories of intervention or response types.

- Supportive Services (under 30% AMI): At the lowest end and generally below the 30% AMI mark is where interventions and policy responses commonly result in investment around crisis accommodation, transitional housing or permanent-supportive or service-enriched housing (terminology can vary by organisation or practitioner). This end of the population is characterised by the presence of a variety of different populations, including: the working poor, retired and/or households on fixed incomes, and those at risk of homelessness. This end of the housing affordability spectrum is generally the focus of homelessness studies and social services.
- Affordable Rental Housing (30% to 80% AMI): the second category is associated with different variants on affordable rental housing (subsidised rentals). Most of contemporary Australian housing policy interventions have been targeted to the middle and upper end of this range, such as the construction of social housing, households benefitting from CRA, housing projects leveraging NRAS or the provision of local affordable housing contributions that translate into affordable rental housing managed or owned by CHPs. This part of the spectrum is arguably the most diverse. From 30% to 50% or 60% AMI is the low end of the service worker economy and represents households in great need for subsidised or affordable rentals, but they are generally not the households needing supportive services. Between 50% or 60% and 80% AMI, however, is a vastly different set of circumstances. These households are representative of the broader community workforce, such as what have recently been characterised as frontline workers or key workers. These are households that can neither afford a home nor often qualify for a mortgage), but also struggle with moderate and severe housing stress when left to the open housing market. For them, policy-makers are often challenged in providing proper interventions or delivery formats because of local housing market dynamics (i.e., the distribution of rents in the private rental housing market often overlaps at this 60% to 80% AMI range).
- Affordable Ownership or Rental Housing (80% to 120% AMI): the third category is particularly challenging from the perspective of scale. Households in this income range can often afford to purchase a home and can be qualified by a lender, but struggle in the private market where housing prices have escalated as much as they have in the Australian context. This is the category

where attention is often given to solutions such as shared equity or shared ownership models or the community land trust (CLT) model in which land is held in common ownership and the homes are made available for purchase as deed-restricted below-market prices. Notwithstanding, households at this income level, particularly in areas with high costs of housing, can also be served by affordable rental schemes, as is envisaged under the NSW legislative context.

FIGURE 20: AFFORDABILITY SPECTRUM WITH BROAD CATEGORIES



Source: ABS Census 2021; SGS Economics & Planning, 2023

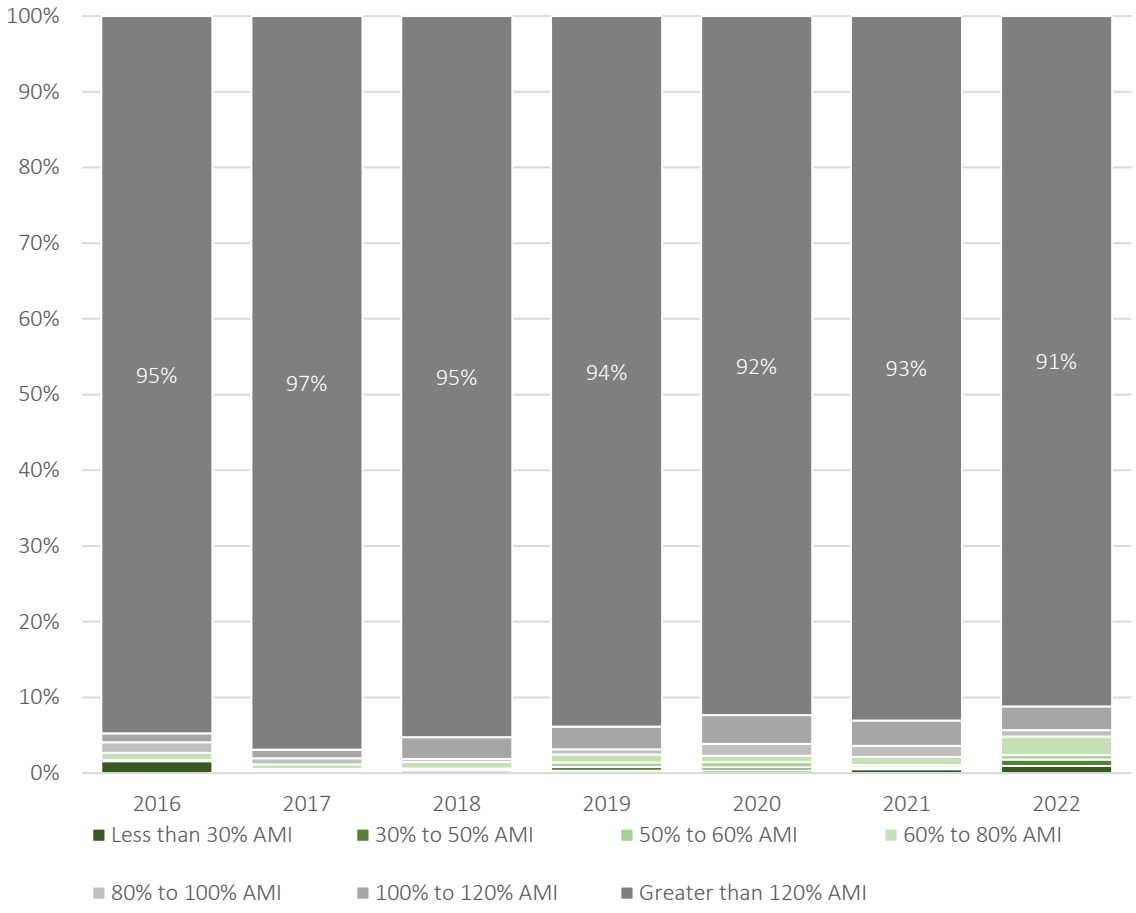
Sales trends and affordability

This section examines existing home and apartment sales evidence data. The analysis, completed and shown in **Figure 21**, examines the distribution of existing dwelling sales applying the following inputs and assumptions:

- Thirty (30) percent of a household's gross income is available for servicing mortgage debt.
- Mortgage borrowing rates from the RBA are used for respective years of data analysis, assuming standard variable rate loan.
- 30-year loan term.
- 20 percent deposit on purchase price.

In general, the analysis reveals a pattern not uncommon for a housing market experiencing affordability challenges, i.e., one in which sales are affordable mainly for the upper income categories. The analysis reveals that the vast majority of home and apartment sales during any given time are generally affordable only to households with incomes above 120% AMI.

FIGURE 21: DISTRIBUTION OF HOUSING SALES BY AMI LEVEL IN WOOLLAHRA (2016-2022)



Source: ABS Census 2021; Valuer General of NSW 2023, SGS Economics & Planning, 2023
Note: Shades of green used to distinguish sales of dwellings affordable to 80% of the median income or below.

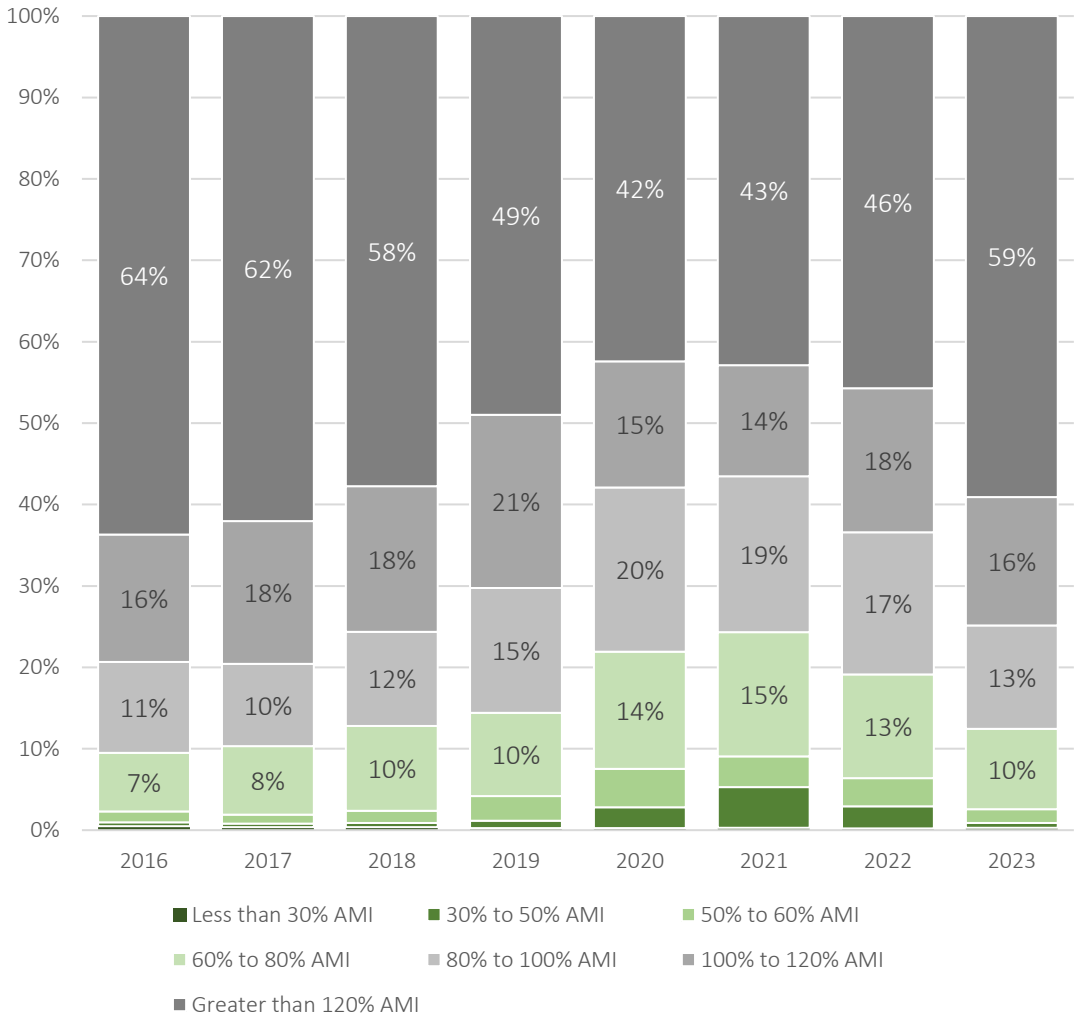
Rental trends and affordability

This section examines the distribution of rental properties through analysis of the distribution of rentals by rental rate converted to an associated AMI level. The analysis, completed and shown in Figure 22, illustrates these distributions of rentals applying the following inputs and assumptions:

- Thirty (30) percent of a household's gross income is available for rental payments

In general, the analysis reveals a pattern not uncommon for a housing market experiencing affordability challenges, i.e., one in which rentals are mainly affordable at income levels generally associated with the open rental market, greater than 80% AMI with some rental availability between 60% and 80% AMI. The analysis also illustrates that, for a brief period leading up to and during the COVID-19 pandemic, more rentals (as a percent of overall rentals turning over in the market) were available at more affordable levels.

FIGURE 22: RENTAL BOND BY AMI DISTRIBUTION IN WOOLLAHRA POSTCODES, 2016-2023

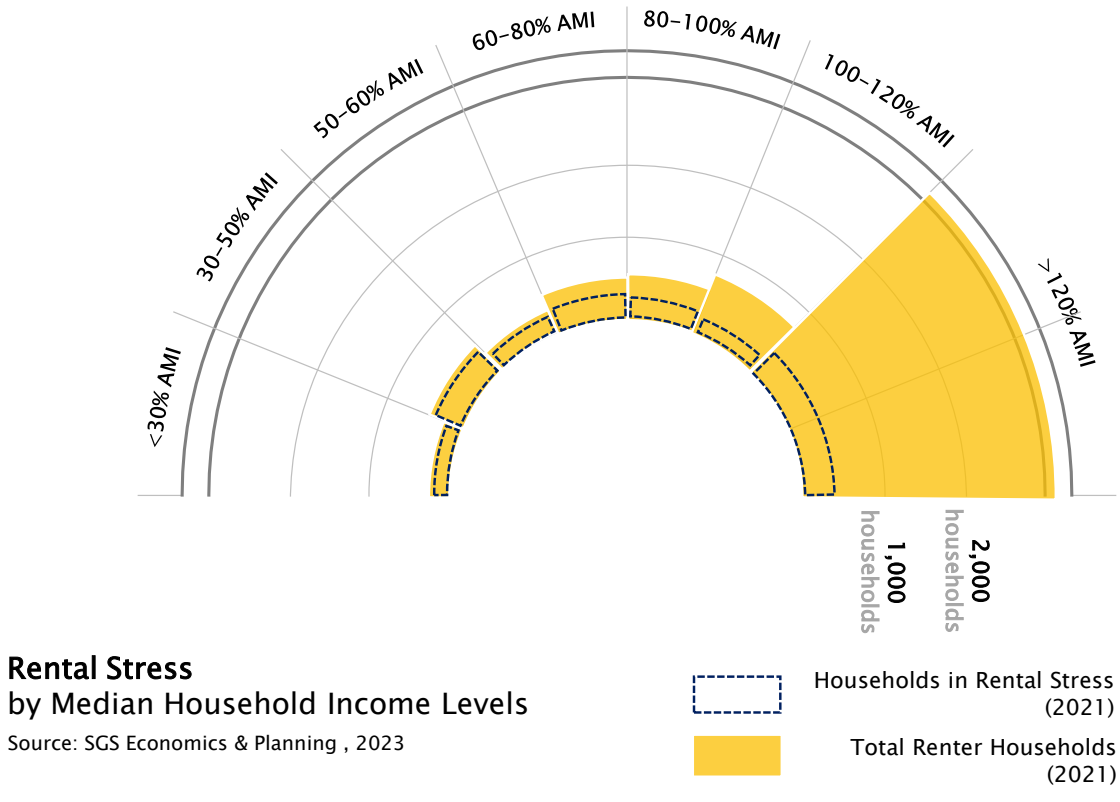


Source: ABS Census 2021; SGS Economics & Planning, 2023
Note: Shades of green used to distinguish sales of dwellings affordable to 80% of the median income or below.

Rental stress

Analysis of ABS data indicate that in 2021, there were approximately 2,000 households in rental stress in Woollahra, representing 34 percent of all renter households. Figure 23 shows the distribution of renter households in Woollahra by AMI. While most rental households are within the >120% of AMI income band, households in the lower income bands are much more likely to be in rental stress. Households with income less than 60% of the AMI, are nearly all in rental stress.

FIGURE 23: RENTER HOUSEHOLDS AND HOUSEHOLDS IN RENTAL STRESS, WOOLLAHRA, 2021



3.4 Projections of social and affordable housing demand

Methodology

The SGS Housing Assistance Demand Model measures the number of households who currently need affordable housing, 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 changes of rental rates. For the purposes of this analysis, the model is used to estimate housing unaffordability through ***rental stress***.

The model uses the following key datasets:

- ABS Census 2021: including weekly rent, weekly household income, household type, tenure type and weekly equivalised income
- 2021 ABS estimation of homelessness (cat 2049.0)
- Forecasts of household by type (NSW Travel Zone Projections)

As shown in Table 7, there are an estimated 2,645 Woollahra households living in social housing or in moderate to severe rental stress. Most of these (49 percent) are one parent families.

TABLE 7: DEMAND FOR SOCIAL AND AFFORDABLE HOUSING, WOOLLAHRA, 2021

Household Type	Living in social housing	Severe rental stress	Moderate rental stress	Total demand for SAH
Couple family with children	1	65	124	189
Couple family with no children	7	171	261	439
Group household	11	159	119	289
Lone person household	0	43	60	102
One parent family	88	716	501	1,305
Other family	5	112	204	321
Total	**112**	**1,266**	**1,267**	**2,645**

Source: SGS Economics & Planning, 2023

Table 8 shows the expected change in demand for social and affordable housing from 2021 to 2041. By 2041, a total estimated 3,367 Woollahra households will be living in social housing or in moderate to severe rental stress, representing growth of 722 households (27 percent) from the 2021 level.

TABLE 8: CHANGE IN DEMAND FOR SOCIAL AND AFFORDABLE HOUSING, WOOLLAHRA, 2021-2041

	Living in social housing		Severe rental stress		Moderate rental stress		Total demand for SAH	
Year	2021	2041	2021	2041	2021	2041	2021	2041
Very low income	93	93	703	855	115	90	911	1,039
Low income	14	14	403	628	409	351	827	994
Moderate income	4	4	160	388	743	941	907	1,334
Total	**112**	**112**	**1,266**	**1,872**	**1,267**	**1,383**	**2,645**	**3,367**

Source: SGS Economics & Planning, 2023

4. Viability Methodology

This chapter outlines the inputs and assumptions required to complete the viability analysis to determine an appropriate affordable housing contribution rate.

4.1 Introduction

The NSW Guideline on Developing an Affordable Housing Contribution Scheme outlines the process and methodologies Councils should follow in identifying an appropriate contribution rate. Specifically, the NSW Guideline states that the "residual land value approach to valuing land for redevelopment is the preferred method to determine a viable affordable housing contribution rate", which is calculated by "estimating the anticipated revenue from a development, then deducting all the development costs and allowance for a reasonable developer profit."

As such, this chapter provides detailed discussions of SGS's RLV modelling framework, and how we developed our inputs and assumptions for Redevelopment Prototypes across a range of Proposed Areas of Uplift. Specifically, this chapter contains the following structure:

- Methodology and Terminology – what steps are taken to conduct the modelling and some key terms.
- Key inputs and assumptions – what inputs and assumptions were required and made for the analysis.
- Scenarios and outputs – How the analysis provides outputs which can be used for strategic decision-making.

4.2 Methodology and Terminology

In accordance with the NSW Guideline, this study applies the preferred RLV methodology to redevelopment typologies across Proposed Areas of Uplift. To further illuminate the sensitivity of the contribution rate to the amount of FSR uplift, scenarios displaying the impacts to RLV of incremental uplift are also provided.

Overview of Residual Land Value Modelling

Two common forms of real estate development feasibility evaluation are static (RLV) and discounted cash flow (DCF) modelling. In analysis, the appropriate methodology is the one that reflects the degree to which credible information and assumptions can be made. For example, DCF modelling is appropriate for 'actual' projects when a detailed development program is available, such that inputs and assumptions on costs, revenues, and timing are known. In the case of identifying supportable contribution rates for strategic planning purposes (and not specific site development purposes), the preferred RLV methodology of a static model is more suitable for such analyses.

RLV modelling seeks to determine the viability of redevelopment by determining the underlying value of a development site by subtracting all development costs (construction, soft costs, finance costs, risk, etc) from the gross realisable value (GRV) of the proposed built form. The residual (i.e., the R in the RLV) is considered to be the maximum that a rational developer would purchase the site for. Where the RLV is greater than the existing value of the site, the site could be purchased for and undergo redevelopment.

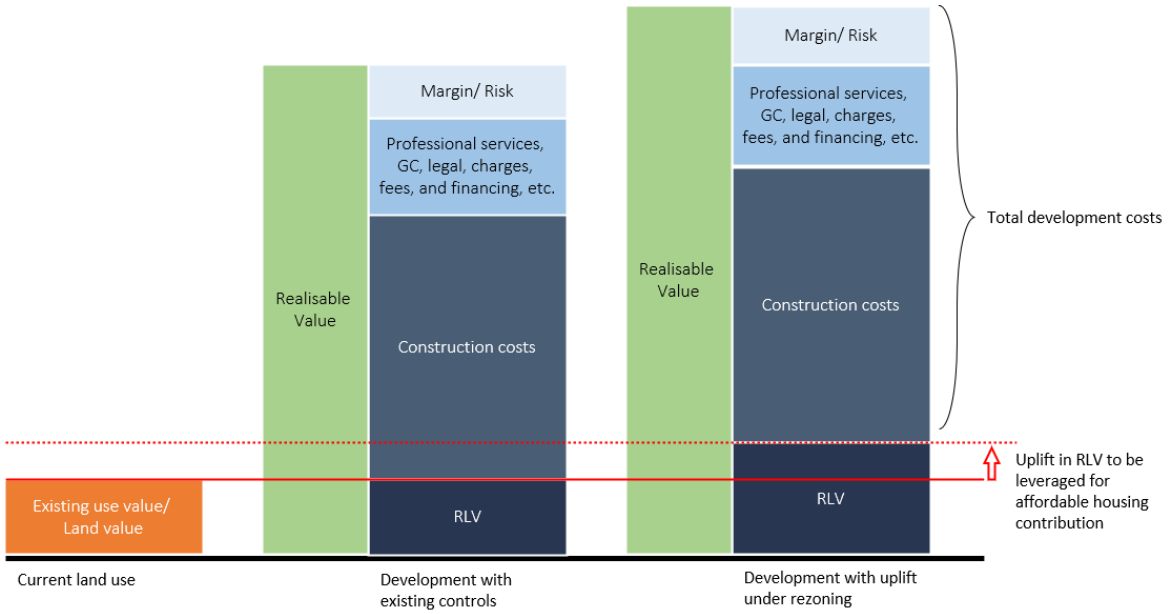
This requires the following key inputs, which are expanded on within section 4.3 below:

- Site characteristics – built form outcomes of proposed development typologies and potential required works to support the site.
- Development costs – including hard costs (e.g., building), soft costs (e.g., professional fees, legal, financing, contingency, etc.), planning fees and charges (e.g., stamp duty, GST, SSDA fees), infrastructure contribution charges (e.g., Section 7.11/7.12, housing and productivity contribution, etc). The Affordable Housing Contribution will form a part of these fees and charges.
- Development margin and risk – an estimate of the minimum margin a developer would seek in developing such a project that is adjusted for the various risks associated with such development (e.g., timing, land cost, construction cost, market, environment, etc.).
- Realisable values – a method to derive the end value of the proposed development, considering rental and a suitable capitalisation rate.

SGS's modelling methodology applies these inputs as reflected by the graphic representation in Figure 24 below, in which the two (2) NSW Guideline-required scenarios are compared:

- Existing Use Value (EUV) – representative of existing built form, or the RLV of the current built form controls (where these are different, the higher value is used). This is the 'base development value', as referred to in the NSW Guideline.
- Redevelopment RLV – representative of the RLV if developed to the proposed level of built form controls, referred to in the NSW Guideline as the 'upzoning' RLV.

FIGURE 24: RESIDUAL LAND VALUE APPROACH TO ANALYSIS



Source: SGS Economics and Planning, 2023

For clarification, a few terms used throughout the following chapters relate to the modelling results and findings.

- *Feasibility* refers to a condition in which a development project's revenues exceed its development costs by a sufficient margin, such that it can be developed with sufficient risk-adjusted investment returns.
- *Viability* on the other hand, refers to a condition in which a developer's willingness to pay for land in a feasible redevelopment exceeds the existing use value of the parcel land to be redeveloped. The development is considered **viable** because the underlying land transaction may proceed.

In summary, feasibility characterises the relationship between a development's total revenues and costs, while viability occurs when a developer's willingness to pay for land in redevelopment is greater than the landowners' expectation of existing use value. As such, the analysis undertaken in the following sections accordingly considers the *viability* of development in relation to a proposed AHCS.

Application of affordable housing contributions in the modelling

In-kind contributions

In-kind contributions are where floorspace is provided directly from the development to either the Council, or a Community Housing Provider (CHP). In the modelling, this is calculated as a reduction in the total sales value, or realisable value, of the residential component of the development. Ie, for a 5% contribution, the realisable value would be reduced by 5%, which models the impact of that percentage of residential floor area being contributed for affordable housing purposes.

In-lieu or monetary contributions

The requirements of an Affordable Housing Contribution Scheme can also be satisfied through the payment of an in-lieu or monetary contribution to Council. Revenues generated by such monetary contributions are typically used as subsidy for either construction of new affordable dwellings or the acquisition of existing dwellings for the purpose of providing them as affordable. In practice, these funds are often deployed through collaborations with Community Housing Providers (CHP).

A monetary contribution is calculated as the per-square metre dollar amount multiplied by the AHCS percentage of residential GFA. For example, if the AHCS rate were 5%, and the residential GFA of a development were 1,000 square metres, a monetary contribution would be payable for 50 sqm of floorspace (multiplied by the per-square metre dollar value).

As has been common practice for contribution schemes in place, the dollar value of the contribution is benchmarked against the median strata sales price for the prior 12 month period. Recently, however, a couple Councils have raised concerns about the appropriateness of such benchmarks to generate adequate funds for acquisition or construction. Specifically, the City of Sydney recently proposed not only updating its monetary contributions on a precinct-by-precinct basis but also grounding the dollar amount in sales evidence of new stock[14]. Waverley also calibrated their in-lieu contributions to market prices by suburb when implementing its AHCS in 2023 [15].

In light of such context, SGS has modelled monetary contributions in line with the adopted realisable value assumptions.

Methodology for projecting market conditions

SGS also considers the viability of development in the future. The RLV modelling tests each site's development program under the assumption that costs and realisable values escalate over time, where realisable values typically escalate faster than costs. As such, the outputs illustrate *when* a proposed development may become viable (in number of years). Specifically, the modelling estimates when the RLV exceeds or is at least equal to the EUV, i.e., the point at which the modelled development becomes

[14] City of Sydney, *Affordable housing revamp set to boost numbers*, December 2024, via https://news.cityofsydney.nsw.gov.au/media-releases/affordable-housing-revamp-set-to-boost-numbers

[15] Waverley Council, *Waverley Affordable Housing Contribution Scheme 2023 – Monetary Contribution Calculation Rates,* September 2024, via https://www.waverley.nsw.gov.au/__data/assets/pdf_file/0009/10206/Affordable_Housing_Contribution_Scheme_Calculation_Rates.pdf

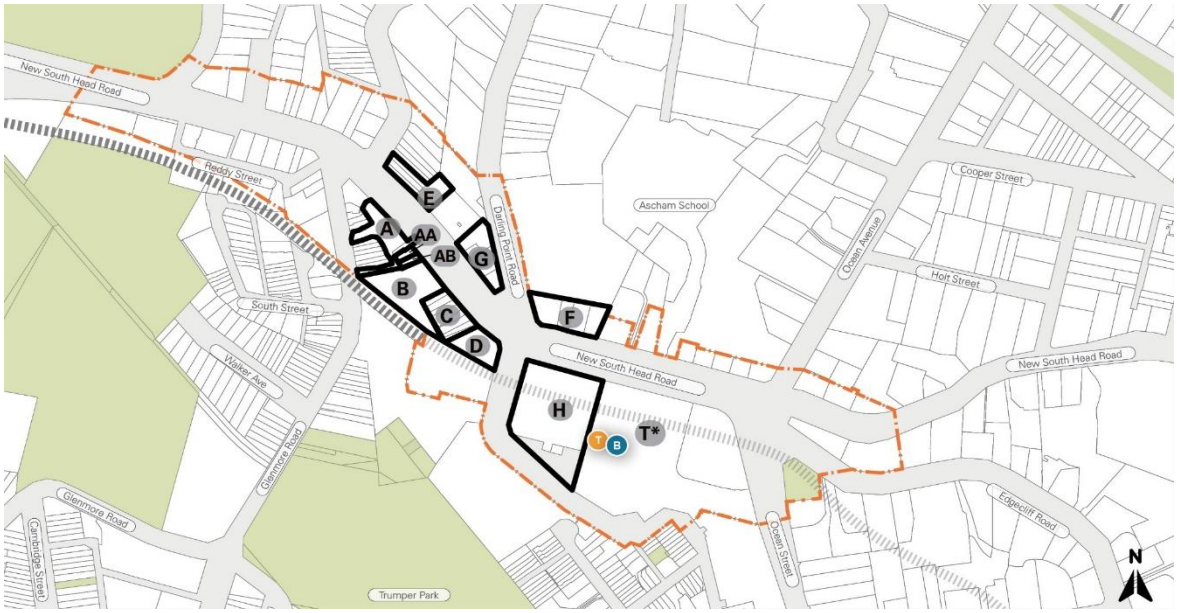
viable. In this modelling, SGS specifically tested realisable values increasing at a rate 2% higher per annum than costs.

4.3 Inputs to the viability model

Development prototype characteristics

Under the Guideline, the testing must be representative of the areas of uplift proposed. Accordingly, this testing has been done for nine (9) sites proposed to be rezoned under the Edgecliff Centre Strategy. These are illustrated in Figure 25.

FIGURE 25: SITES TESTED UNDER THE EDGECLIFF COMMERCIAL CENTRE STRATEGY



Source: Woollahra Municipal Council, 2024

As noted in NSW Guideline, the contribution rate may differentiate between residential and non-residential land uses, and in line with the viability assessment, there may be unique contribution rates for each development prototype. The outputs of the viability modelling are used to identify a recommended affordable housing contribution.

TABLE 9: DEVELOPMENT PROTOTYPES USED IN THE MODELLING - OVERVIEW

Site ID	Area (Sqm)	Current LEP FSR	Current built form FSR	Current built form residential FSR	Proposed FSR tested	Proposed Residential FSR Tested	Proposed height in storeys tested
A	1,206	1.50	2.13	0.00	2.60	1.90	10
AA, AB	260	1.50	1.52	0.00	4.50	2.50	10
B	2,508	2.00	2.19	1.86	4.60	3.00	10
C	1,135	2.50	3.41	0.00	5.10	3.10	10
D	1,023	2.50	2.06	0.00	5.10	2.90	10
E	1,064	2.90	2.11	0.70	2.80	2.30	7
F	1,746	1.50	0.89	0.25	5.00	3.50	12
G	1,227	2.00	2.31	1.60	4.70	4.30	11
H	5,856	2.50	2.31	0.00	7.50	4.50	26

Source: SGS Economics and Planning, 2024

TABLE 10: BUILT FORM CHARACTERISTICS OF PROTOTYPES USED IN THE MODELLING

Site ID	Area (Sqm)	Proposed FSR tested	Total GFA	Residential GFA	Retail GFA	Commercial GFA
A	1,206	2.60	3,136	2,292	725	119
AA, AB	260	4.50	1,170	650	198	322
B	2,508	4.60	11,535	7,523	412	3,600
C	1,135	5.10	5,789	3,519	782	1,488
D	1,023	5.10	5,216	2,966	623	1,627
E	1,064	2.80	3,014	2,703	311	
F	1,746	5.00	8,730	5,872	327	2,542
G	1,227	4.70	5,765	5,275	491	
H	5,856	7.50	43,919	26,351	2,893	14,675

Source: SGS Economics and Planning, 2024

TABLE 11: RESIDENTIAL PARKING RATES USED IN THE MODELLING

Unit size	Distribution of units by size	No. of carparks per unit
1 bedroom	30%	0.5 spaces
2 bedrooms	30%	1.0 spaces
3 bedrooms	40%	1.5 spaces
Visitors		0.2 spaces

Source: Woollahra DCP 2015

TABLE 12: NON-RESIDENTIAL PARKING RATES USED IN MODELLING

Type	Spaces per 100sqm	Spaces per 100sqm (including 0.6 multiplier)	1 space per x sqm
Commercial	2.5 per 100 sqm	1.5 per 100 sqm	1 space per 67 sqm
Retail	3.3 per 100 sqm	2 per 100 sqm	1 space per 51 sqm

Source: Woollahra DCP 2015

Revenue and existing use values

Revenue

The following are revenue assumptions used in the viability modelling to quantify realisable values in redevelopment for the redevelopment prototypes. These assumptions were developed using sales evidence provided from M3 Property, consultation with M3 Property valuers, and reviewed with Council.

Several key assumptions underpin the revenue assumptions:

- Retail and office products are anticipated to be leased to the market at completion of the project and sold at stabilisation as a going concern.
- The residential sales price has been calibrated according to the unit split identified in market research and in consultation with M3 Property. Additionally, parking spaces were assumed at a gross realisable value of $100,000 each per space allocated to residential (non-visitor) parking.
- Sites with higher floors are assumed to attract a view premium, resulting in an additional 5% in realisable value.

TABLE 13: REVENUE ASSUMPTIONS USED FOR RESIDENTIAL PRODUCT TYPES

Unit type	Unit size	Price range	Unit Split	Average $/ sqm excluding parking
1 bedroom	60 sqm	$1.6m - $1.7m	30%	$25,833
2 bedrooms	90 sqm	$2.5m - $2.6m	30%	$27,222
3 bedrooms	150 sqm	$4.5m - $5.0m	40%	$30,333
Average	105 sqm			$28,050

Source: SGS Economics and Planning, 2023.

TABLE 14: RETAIL AND COMMERCIAL REVENUE ASSUMPTIONS USED IN MODELLING

Typology	Net Face Rent ($/sqm/annum)	Vacancy rate assumption	Yield	Realisable value ($/sqm)
Retail	$900	5.0%	5.75%	$14,870
Commercial	$800	5.0%	5.75%	$13,217

Source: SGS Economics and Planning, 2023.

Existing Use Value (EUV)

The following are assumptions central to the estimation of the Existing Use Value (EUV), against which the Redevelopment RLV is compared to ascertain viability. The 'base development value', as it is referred to in the NSW Guideline, is the EUV of a site "if it were developed to its full potential", including information on:

- Existing development controls;
- Highest-and-best use; and
- How much can be paid for a site.

The approach and assumptions discussed in this section identify how the EUVs were calibrated using the above-required information and land sales evidence provided by M3 Property, further consultation with M3 Property valuers, as well as review with Council.

As noted previously in the discussion of SGS's methodology, the modelling in this study estimates both 1) the feasibility of the redevelopment and 2) the viability of a land sales transaction between landowner and developer necessary to progress a redevelopment. As indicated above, for viability to exist, the following must be satisfied:

> The residual land value (RLV) estimated for redevelopment must be greater than the existing use value (EUV), plus an amalgamation premium where applicable.

The EUV is accordingly juxtaposed against the RLV in the modelling to determine viability of redevelopment. Considering the development prototypes selected and the context of the Edgecliff Commercial Centre, the EUV assumptions were calibrated assuming that the current built form of each prototype represents the highest-and-best use of the site, and no further development is anticipated by the market under current controls. These sites are valued through the comparison to sales of similar properties, or through a rent and yield comparison (for commercial properties), on a per square metre basis, as indicated in Table 15 below.

Table 16 below indicates the adopted EUVs for each development prototype. This illustrates how the proportions of uses and intensity of existing use influence the underlying land value. These existing values on a per square metre rate were calibrated to sales and leasing evidence provided by M3 Property.

TABLE 15: EXISTING USE VALUE ASSUMPTIONS USED IN MODELLING

Use	Price per sqm
Residential	$19,000
Retail	$13,000
Commercial	$10,000

Source: SGS Economics and Planning, 2023

TABLE 16: EXISTING USE VALUE INPUTS FOR MODELLING

Site ID	Lot size	Existing FSR	Total sqm	Current residential proportion	Current retail proportion	Current office proportion	Total EUV ($m)	Per sqm ($)
A	1,206	2.13	2,574	0%	23%	77%	$27,549,495	$10,703
AA, AB	260	1.52	396	0%	33%	67%	$4,350,000	$10,985
B	2,508	2.19	5,487	85%	15%	0%	$99,387,000	$18,113
C	1,135	3.41	3,876	0%	15%	85%	$40,462,650	$10,439
D	1,023	2.50	2,557	0%	20%	80%	$27,104,200	$10,600
E	1,064	2.90	3,086	33%	17%	50%	$41,642,827	$13,496
F	1,746	1.50	2,619	28%	33%	38%	$35,497,862	$13,554
G	1,227	2.31	2,830	70%	22%	9%	$47,852,050	$16,909
H	5,856	2.50	14,640	0%	20%	80%	$155,180,820	$10,600

Source: SGS Economics and Planning, 2023

Costs

Hard Costs

The following hard cost assumptions have been sourced from industry publications and updated to reflect recent market trajectories in the cost of materials and labour, in consultation with our valuation partners at M3 Property. The key hard cost assumptions that have been used in the feasibility testing are outlined in Table 17 below. All dollar values are expressed on a per-square metre basis.

TABLE 17: HARD COST ASSUMPTIONS USED IN MODELLING

Costs	Value	Metric	Source
Demolition – Commercial up to 2 floors	$130	Per square metre of building area	Rawlinsons Australia Construction Handbook 2023
Demolition – Commercial 3 to 6 floors	$142	Per square metre of building area	
High density residential construction – Prestige quality	$4,209	Per square metre of building area	Rawlinsons Australia Construction Handbook 2023
Residential construction	$6,563	Per square metre of building area	Napier & Blakeley (July 2023)
Residential balcony construction	$1,095	Per square metre of building area	Rawlinsons Australia Construction Handbook 2023
Underground parking construction	$100,000	Per space, gross	Napier & Blakeley (July 2023)

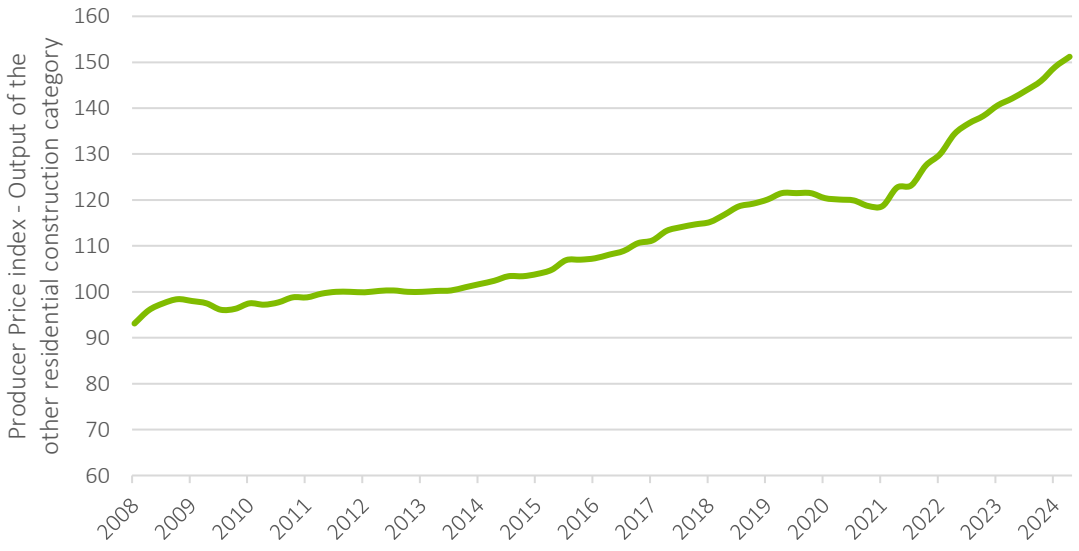
Costs	Value	Metric	Source
Commercial construction – under 8 floors	$3,386	Per square metre of building area	Napier & Blakeley (July 2023)
Commercial construction – 8 to 20 floors	$4,463	Per square metre of building area	Napier & Blakeley (July 2023)
Commercial construction – over 20 floors	$6,799	Per square metre of building area	Napier & Blakeley (July 2023)
Retail construction	$3,192	Per square metre of building area	Napier & Blakeley (July 2023)

Source: SGS Economics and Planning, 2023

Residential building costs for units and apartments have escalated significantly since the onset of the COVID-19 pandemic. **Figure 26** illustrates the change in the Producer Price Index for other residential construction (i.e., excludes houses) since 2008. Between 2008 (the trough of the GFC) and 2020 (onset of the pandemic), building costs escalated at a rate of approximately 1.8 per cent per annum.

Since 2020, however, annual escalation in building costs for apartments has risen by an average of 6.0 per cent per annum (approximately 25 per cent in total). By contrast, this rate of cost escalation exceeded the market price of apartments, leading to a severe deterioration of development viability, a set of circumstances that has not yet corrected.

FIGURE 26: PRODUCER PRICE INDEX - OUTPUTS FOR OTHER RESIDENTIAL CONSTRUCTION, 2008 TO 2024



Source: Australian Bureau of Statistics, Producer Price Indexes, Australia. Table 17, Series ID A2333676X (2024)

Soft Costs

Adopted soft costs are summarised in Table 18 below. Within the viability modelling conducted, these result in the soft costs being around 40 to 45 per cent of hard costs, which is considered a conservative assessment.

TABLE 18: SOFT COST ASSUMPTIONS USED IN MODELLING

Costs	Value/ metric	Source
Professional fees and project management	5% of hard costs (HC)	Industry standard
Marketing and advertising	1.0% of gross realisable value	Industry standard
Legal fees	$2,000 per residential unit	Industry standard
Contingency	7.5% of HC and some soft costs	Industry standard
Land Acquisition costs (e.g., title fees, valuer study)	0.5% of estimated RLV	Industry standard
Cost of financing (assumes financing on 80% of total development costs + estimated RLV)	Ranges between 5.0% and 11.0% of HC Formula, depending on assumed length of project (circa 24 months) and interest rates (currently assumed at 8% borrowing rates)	Formula-based

Source: SGS Economics and Planning, 2024

Fees and charges

Adopted fees and charges are outlined in Table 19 below.

TABLE 19: FEES AND CHARGES USED IN VIABILITY MODELLING

Costs	Value/ metric	Source
Council fees including Section 7.12, and development application fees	Varies – calculated on individual type of application by value	Woollahra Municipal Council
Stamp duty	Calculated per formula	Revenue NSW
Housing and Productivity Contribution	$10,000 per new strata dwelling $30 per square metre of new commercial GFA	NSW Department of Planning and Environment

Source: SGS Economics and Planning, 2024

Margin

A development margin was assumed at 20%. The development margin accounts for: a standard business premium, land cost, construction cost, market, timing, environmental and approvals risks. Each risk is assigned a premium, generally between 0.5% and approximately 4.5%. These premiums account for the possible risks of, for example, unforeseen increases in construction costs, land acquisition costs, slower market absorption (i.e., sales) of residential dwellings or lease-up of non-residential space.

4.4 Scenarios and outputs

This section outlines the core modelling scenarios used in SGS's viability testing. For all modelling, results are expressed on a per square metre of site basis, which enables the prototypes to be compared at the same basis. The RLV of each prototype is modelled to consider the *feasibility* of the development. The EUV is then subtracted from the RLV, which provides *viability* of scenarios.

Outputs are provided across the following key modelling constructions:

- Proposed development viability, at proposed FSR controls and with uplift – the proposed FSR controls are modelled to understand current feasibility and viability. Further modelling then incrementally increases the FSR to model additional gross floor area. The primary assumption in modelling uplift is that additional floor area beyond the proposed built form control (baseline) is residential. This allows for the impact of higher density to be illustrated.
- Development viability with affordable housing contributions – applying the affordable housing contributions, from 1% to 10%, which illustrates how higher contributions affect viability, both at the proposed FSR and with uplift modelled. This is presented on a site by site basis.
- Projecting market conditions – a preferred affordable housing contribution rate is identified, and for these, analysis is carried out with a projection of market conditions. Where the proposed rates are not viable under current market conditions, the assumptions applied identify a time at which viability may be achieved.
- Development viability with the inclusion of the Housing SEPP in-fill affordable housing reforms - The reforms to the Housing SEPP provide an additional 20-30% FSR and height to a proposal, over existing EPI controls, to proposals which provide 10-15% of the gross floor area as affordable housing for a term of 15 years. Full details of the assumptions used for this modelling are provided in Appendix A. An overview of the findings of this modelling, with affordable housing contributions, is provided in the outputs under section 5.3.

5. Viability testing outputs and considerations

The results in this chapter are intended to assist Council in weighing the trade-offs between the (positive) impact that upzoning has on the viability of development and the (negative) impact that affordable housing contributions have on the viability of development.

The chapter is organised around the following series of findings:

- Viability of tested sites with proposed uplift **without** affordable housing contribution
- Viability of tested sites with proposed uplift **with** 1% to 10% affordable housing contribution
- Viability of selected affordable housing contribution rates

Generally, the results are presented on the basis of a value per square metre of land area of each prototype. Results are colour coded throughout this section, where a value of $0 is white, positive values are green (with the highest value being darkest green), and negative values are red (with the most negative value being darkest red).

5.1 Viability without an Affordable Housing Contribution

Results of the modelling – without an affordable housing contribution – are presented below. Absent the consideration of existing use value (EUV), **Table 20** illustrates the residual land value (RLV) on a per square metre of land basis for the redevelopment itself.

TABLE 20: REDEVELOPMENT SCENARIOS WITH UPLIFT – FEASIBILITY RESULTS ($/SQM OF SITE AREA)

	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
A	$15,743	$17,766	$19,789	$21,944	$23,890	$25,776
AA, AB	$21,290	$22,727	$24,721	$26,558	$28,395	$30,403
B	$21,477	$23,499	$25,475	$27,497	$29,474	$31,495
C	$23,735	$25,671	$27,707	$29,644	$31,623	$33,660
D	$23,029	$25,051	$26,968	$28,864	$30,615	$32,410
E	$18,210	$20,206	$22,350	$24,345	$26,489	$28,485
F	$27,964	$29,982	$32,001	$34,020	$36,038	$38,057
G	$35,569	$37,757	$39,954	$41,966	$43,979	$46,076
H	$35,473	$37,364	$31,748	$33,621	$35,512	$37,402

Source: SGS Economics and Planning, 2024

Viability is determined by subtracting the EUV from the RLV, as shown in **Table 21.** Here, findings indicate varying degrees of viability for the baseline redevelopment (i.e., without an affordable housing contribution).

- At proposed levels of FSR (shown in the left-most column), three (3) of the sites tested are viable – that is, sites AA/AB, F and H.
- With minor levels additional FSR (i.e., with an additional 0.5), two (2) more sites become viable – that is, D and G.
- For site A to be viable, an additional 1.0 FSR would be necessary
- For the remaining B, C and E, viability would not be achievable without considerable additional uplift.

TABLE 21: REDEVELOPMENT SCENARIOS WITH UPLIFT – VIABILITY RESULTS ($/SQM OF SITE AREA)

	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
A	-$7,095	-$5,071	-$3,048	-$894	$1,053	$2,939
AA, AB	$4,559	$5,996	$7,990	$9,827	$11,665	$13,673
B	-$18,157	-$16,136	-$14,159	-$12,137	-$10,161	-$8,139
C	-$11,912	-$9,976	-$7,939	-$6,003	-$4,023	-$1,987
D	-$3,471	-$1,449	$468	$2,364	$4,115	$5,910
E	-$20,928	-$18,932	-$16,788	-$14,793	-$12,649	-$10,653
F	$7,633	$9,651	$11,670	$13,689	$15,707	$17,726
G	-$3,439	-$1,252	$945	$2,958	$4,970	$7,067
H	$8,973	$10,864	$5,248	$7,121	$9,012	$10,902

Source: SGS Economics and Planning, 2024

5.2 Viability with Range of Affordable Housing Contribution Rates

Following are results of the modelling of redevelopment with an affordable housing contribution. The modelling results are presented for both scenarios of an in-kind (i.e., onsite provision of affordable dwellings) and in-lieu (i.e., monetary) contribution.

For the reader, this section is presented in the following format:

- Subsections are provided delineating the results of each site being tested
- Individual tables present dollar ($) values that represent the RLV less the EUV, to illustrate viability.
- Each table also displays the variability of viability when trading off incremental amounts of FSR uplift and the in-kind or in-lieu contribution. The purpose is to facilitate decision-making with regard to tipping points that occur on a site by site basis.

For reference, SGS has applied an in-lieu (monetary contribution) in line with the approach taken by other comparable councils. In practice, councils (with adopted schemes) have used the Department of Communities and Justice quarterly sales report[16], which provides the median strata sale price for each LGA. As an example, with an LGA-wide average apartment size of 85sqm and a median strata sales price for that apartment of $1.58 million (in March 2023), the adopted in-lieu contribution would be calibrated as $18,550 per sqm ($1.58 million ÷ 85 sqm). [17]

[16] NSW Government, Department of Communities and Justice Sales Report, 2023, via https://public.tableau.com/app/profile/dcj.statistics/viz/Rentandsales_16849924917120/Rent?publish=yes

[17] This method in practice results in a lower overall cost to compliance with the AHCS for the developer, as the price point represented by the median strata sales will likely be significantly lower than the price point adopted for market-rate dwellings used in the modelling. As discussed in SGS's considerations in Section 5.5, this approach clearly creates an incentive to developers to provide monetary contributions, rather than in-kind dwellings.

Site A

Modelling outputs for Site A in **Table 22** and **Table 23** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does improve viability, but not to the extent of supporting a 5% contribution under in-kind contributions. As shown in **Table 23,** a 5% in-lieu contribution does become viable with an additional 1.25:1 FSR.

TABLE 22: SITE A IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$7,095	-$5,071	-$3,048	-$894	$1,053	$2,939
In-kind at 1%	-$7,555	-$5,592	-$3,629	-$1,535	$398	$2,228
In-kind at 2%	-$8,015	-$6,113	-$4,210	-$2,177	-$275	$1,517
In-kind at 3%	-$8,475	-$6,633	-$4,791	-$2,819	-$977	$806
In-kind at 4%	-$8,935	-$7,154	-$5,372	-$3,460	-$1,679	$95
In-kind at 5%	-$9,395	-$7,674	-$5,954	-$4,102	-$2,381	-$661
In-kind at 6%	-$9,855	-$8,195	-$6,535	-$4,744	-$3,084	-$1,423
In-kind at 7%	-$10,315	-$8,715	-$7,116	-$5,385	-$3,786	-$2,186
In-kind at 8%	-$10,775	-$9,236	-$7,697	-$6,027	-$4,488	-$2,949
In-kind at 9%	-$11,235	-$9,757	-$8,278	-$6,669	-$5,190	-$3,712
In-kind at 10%	-$11,695	-$10,277	-$8,859	-$7,311	-$5,892	-$4,474

Source: SGS Economics and Planning, 2024

TABLE 23: SITE A IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$7,095	-$5,071	-$3,048	-$894	$1,053	$2,939
In-lieu at 1%	-$7,527	-$5,561	-$3,594	-$1,497	$438	$2,270
In-lieu at 2%	-$7,960	-$6,050	-$4,141	-$2,100	-$191	$1,602
In-lieu at 3%	-$8,392	-$6,540	-$4,687	-$2,704	-$851	$934
In-lieu at 4%	-$8,825	-$7,029	-$5,233	-$3,307	-$1,511	$265
In-lieu at 5%	-$9,258	-$7,519	-$5,780	-$3,910	-$2,171	-$433
In-lieu at 6%	-$9,690	-$8,008	-$6,326	-$4,514	-$2,832	-$1,150
In-lieu at 7%	-$10,123	-$8,498	-$6,873	-$5,117	-$3,492	-$1,867
In-lieu at 8%	-$10,555	-$8,987	-$7,419	-$5,720	-$4,152	-$2,584
In-lieu at 9%	-$10,988	-$9,477	-$7,965	-$6,324	-$4,812	-$3,301
In-lieu at 10%	-$11,420	-$9,966	-$8,512	-$6,927	-$5,473	-$4,018

Source: SGS Economics and Planning, 2024

Site AA, AB

Modelling outputs for Site AA, BB in **Table 24** and **Table 25** show that the proposed development is viable, including with a 5% affordable housing contribution, both in-kind and in-lieu.

TABLE 24: SITE AA, AB IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$4,559	$5,996	$7,990	$9,827	$11,665	$13,673
In-kind at 1%	$3,994	$5,375	$7,312	$9,093	$10,874	$12,825
In-kind at 2%	$3,429	$4,753	$6,634	$8,359	$10,083	$11,978
In-kind at 3%	$2,864	$4,132	$5,956	$7,624	$9,292	$11,130
In-kind at 4%	$2,299	$3,510	$5,278	$6,890	$8,501	$10,283
In-kind at 5%	$1,734	$2,889	$4,600	$6,155	$7,710	$9,435
In-kind at 6%	$1,169	$2,268	$3,922	$5,421	$6,920	$8,588
In-kind at 7%	$604	$1,646	$3,244	$4,686	$6,129	$7,740
In-kind at 8%	$39	$1,025	$2,566	$3,952	$5,338	$6,893
In-kind at 9%	-$572	$403	$1,888	$3,218	$4,547	$6,045
In-kind at 10%	-$1,186	-$237	$1,210	$2,483	$3,756	$5,198

Source: SGS Economics and Planning, 2024

TABLE 25: SITE AA, AB IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$4,559	$5,996	$7,990	$9,827	$11,665	$13,673
In-lieu at 1%	$4,028	$5,412	$7,353	$9,137	$10,921	$12,876
In-lieu at 2%	$3,496	$4,827	$6,715	$8,446	$10,177	$12,079
In-lieu at 3%	$2,965	$4,243	$6,078	$7,756	$9,434	$11,282
In-lieu at 4%	$2,434	$3,659	$5,440	$7,065	$8,690	$10,485
In-lieu at 5%	$1,903	$3,075	$4,803	$6,374	$7,946	$9,688
In-lieu at 6%	$1,371	$2,490	$4,165	$5,684	$7,203	$8,891
In-lieu at 7%	$840	$1,906	$3,527	$4,993	$6,459	$8,094
In-lieu at 8%	$309	$1,322	$2,890	$4,303	$5,716	$7,297
In-lieu at 9%	-$242	$737	$2,252	$3,612	$4,972	$6,501
In-lieu at 10%	-$819	$153	$1,615	$2,921	$4,228	$5,704

Source: SGS Economics and Planning, 2024

Site B

Modelling outputs for Site B in **Table 26** and **Table 27** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does not result in viability. This is related to the high existing use value of the site, as there is a significant proportion of existing residential uses on the site. The land use mix of the proposed redevelopment also acts as a depressing factor on realisable values, with high proportions of non-residential.

TABLE 26: SITE B IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$18,157	-$16,136	-$14,159	-$12,137	-$10,161	-$8,139
In-kind at 1%	-$18,894	-$16,934	-$15,019	-$13,058	-$11,143	-$9,183
In-kind at 2%	-$19,631	-$17,732	-$15,878	-$13,979	-$12,125	-$10,226
In-kind at 3%	-$20,368	-$18,530	-$16,738	-$14,900	-$13,108	-$11,270
In-kind at 4%	-$21,104	-$19,328	-$17,597	-$15,821	-$14,090	-$12,314
In-kind at 5%	-$21,841	-$20,126	-$18,457	-$16,742	-$15,072	-$13,358
In-kind at 6%	-$22,578	-$20,925	-$19,316	-$17,663	-$16,055	-$14,401
In-kind at 7%	-$23,315	-$21,723	-$20,176	-$18,584	-$17,037	-$15,445
In-kind at 8%	-$24,051	-$22,521	-$21,035	-$19,505	-$18,019	-$16,489
In-kind at 9%	-$24,788	-$23,319	-$21,895	-$20,426	-$19,002	-$17,532
In-kind at 10%	-$25,525	-$24,117	-$22,754	-$21,347	-$19,984	-$18,576

Source: SGS Economics and Planning, 2024

TABLE 27: SITE B IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$18,157	-$16,136	-$14,159	-$12,137	-$10,161	-$8,139
In-lieu at 1%	-$18,850	-$16,886	-$14,967	-$13,003	-$11,084	-$9,120
In-lieu at 2%	-$19,543	-$17,637	-$15,775	-$13,869	-$12,008	-$10,102
In-lieu at 3%	-$20,236	-$18,387	-$16,584	-$14,735	-$12,932	-$11,083
In-lieu at 4%	-$20,928	-$19,138	-$17,392	-$15,601	-$13,855	-$12,065
In-lieu at 5%	-$21,621	-$19,888	-$18,200	-$16,467	-$14,779	-$13,046
In-lieu at 6%	-$22,314	-$20,639	-$19,008	-$17,333	-$15,703	-$14,028
In-lieu at 7%	-$23,007	-$21,389	-$19,817	-$18,199	-$16,627	-$15,009
In-lieu at 8%	-$23,700	-$22,140	-$20,625	-$19,065	-$17,550	-$15,990
In-lieu at 9%	-$24,392	-$22,890	-$21,433	-$19,931	-$18,474	-$16,972
In-lieu at 10%	-$25,085	-$23,641	-$22,241	-$20,797	-$19,398	-$17,953

Source: SGS Economics and Planning, 2024

Site C

Modelling outputs for Site C in **Table 28** and **Table 29** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does not result in viability. This is due to the high existing use values (with the built form FSR currently at 3.41:1).

TABLE 28: SITE C IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$11,912	-$9,976	-$7,939	-$6,003	-$4,023	-$1,987
In-kind at 1%	-$12,677	-$10,802	-$8,828	-$6,953	-$5,035	-$3,060
In-kind at 2%	-$13,442	-$11,629	-$9,716	-$7,903	-$6,047	-$4,134
In-kind at 3%	-$14,207	-$12,455	-$10,604	-$8,853	-$7,058	-$5,207
In-kind at 4%	-$14,972	-$13,282	-$11,492	-$9,803	-$8,070	-$6,280
In-kind at 5%	-$15,737	-$14,109	-$12,381	-$10,753	-$9,082	-$7,354
In-kind at 6%	-$16,502	-$14,935	-$13,269	-$11,702	-$10,093	-$8,427
In-kind at 7%	-$17,267	-$15,762	-$14,157	-$12,652	-$11,105	-$9,500
In-kind at 8%	-$18,032	-$16,588	-$15,045	-$13,602	-$12,117	-$10,574
In-kind at 9%	-$18,796	-$17,415	-$15,934	-$14,552	-$13,128	-$11,647
In-kind at 10%	-$19,561	-$18,242	-$16,822	-$15,502	-$14,140	-$12,720

Source: SGS Economics and Planning, 2024

TABLE 29: SITE C IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$11,912	-$9,976	-$7,939	-$6,003	-$4,023	-$1,987
In-lieu at 1%	-$12,631	-$10,753	-$8,775	-$6,896	-$4,975	-$2,996
In-lieu at 2%	-$13,351	-$11,530	-$9,610	-$7,789	-$5,926	-$4,006
In-lieu at 3%	-$14,070	-$12,307	-$10,445	-$8,683	-$6,877	-$5,015
In-lieu at 4%	-$14,789	-$13,085	-$11,280	-$9,576	-$7,829	-$6,024
In-lieu at 5%	-$15,509	-$13,862	-$12,116	-$10,469	-$8,780	-$7,033
In-lieu at 6%	-$16,228	-$14,639	-$12,951	-$11,362	-$9,731	-$8,043
In-lieu at 7%	-$16,947	-$15,417	-$13,786	-$12,256	-$10,682	-$9,052
In-lieu at 8%	-$17,666	-$16,194	-$14,621	-$13,149	-$11,634	-$10,061
In-lieu at 9%	-$18,386	-$16,971	-$15,457	-$14,042	-$12,585	-$11,071
In-lieu at 10%	-$19,105	-$17,748	-$16,292	-$14,935	-$13,536	-$12,080

Source: SGS Economics and Planning, 2024

Site D

Modelling outputs for Site D in **Table 30** and **Table 31** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does improve viability: if an additional 1.25:1 FSR were permitted, a 5% in-kind contribution would be viable. As shown in **Table 31,** a 5% in-lieu contribution does become viable with an additional 1.00:1 FSR.

TABLE 30: SITE D IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$3,471	-$1,449	$468	$2,364	$4,115	$5,910
In-kind at 1%	-$4,186	-$2,226	-$328	$1,539	$3,234	$4,972
In-kind at 2%	-$4,902	-$3,003	-$1,167	$714	$2,352	$4,034
In-kind at 3%	-$5,617	-$3,780	-$2,006	-$122	$1,470	$3,096
In-kind at 4%	-$6,333	-$4,558	-$2,845	-$1,022	$589	$2,158
In-kind at 5%	-$7,049	-$5,335	-$3,684	-$1,923	-$320	$1,219
In-kind at 6%	-$7,764	-$6,112	-$4,523	-$2,823	-$1,282	$281
In-kind at 7%	-$8,480	-$6,889	-$5,362	-$3,724	-$2,244	-$717
In-kind at 8%	-$9,195	-$7,666	-$6,201	-$4,625	-$3,207	-$1,741
In-kind at 9%	-$9,911	-$8,444	-$7,040	-$5,525	-$4,169	-$2,765
In-kind at 10%	-$10,626	-$9,221	-$7,879	-$6,426	-$5,131	-$3,789

Source: SGS Economics and Planning, 2024

TABLE 31: SITE D IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$3,471	-$1,449	$468	$2,364	$4,115	$5,910
In-lieu at 1%	-$4,144	-$2,179	-$278	$1,588	$3,286	$5,028
In-lieu at 2%	-$4,817	-$2,910	-$1,067	$812	$2,457	$4,146
In-lieu at 3%	-$5,489	-$3,641	-$1,856	$36	$1,628	$3,264
In-lieu at 4%	-$6,162	-$4,372	-$2,645	-$807	$799	$2,381
In-lieu at 5%	-$6,835	-$5,103	-$3,434	-$1,654	-$33	$1,499
In-lieu at 6%	-$7,508	-$5,834	-$4,223	-$2,501	-$938	$617
In-lieu at 7%	-$8,181	-$6,565	-$5,012	-$3,348	-$1,842	-$290
In-lieu at 8%	-$8,854	-$7,295	-$5,801	-$4,195	-$2,747	-$1,253
In-lieu at 9%	-$9,527	-$8,026	-$6,589	-$5,042	-$3,652	-$2,215
In-lieu at 10%	-$10,200	-$8,757	-$7,378	-$5,889	-$4,557	-$3,178

Source: SGS Economics and Planning, 2024

Site E

Modelling outputs for Site E in **Table 32** and **Table 33** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does not result in viability. This is due to the high existing use values with existing residential uses on the site, and an overall lack of sufficient uplift.

TABLE 32: SITE E IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$20,928	-$18,932	-$16,788	-$14,793	-$12,649	-$10,653
In-kind at 1%	-$21,535	-$19,600	-$17,516	-$15,581	-$13,498	-$11,563
In-kind at 2%	-$22,142	-$20,268	-$18,245	-$16,370	-$14,347	-$12,473
In-kind at 3%	-$22,749	-$20,935	-$18,973	-$17,159	-$15,197	-$13,383
In-kind at 4%	-$23,357	-$21,603	-$19,701	-$17,948	-$16,046	-$14,293
In-kind at 5%	-$23,964	-$22,271	-$20,430	-$18,737	-$16,896	-$15,202
In-kind at 6%	-$24,571	-$22,939	-$21,158	-$19,526	-$17,745	-$16,112
In-kind at 7%	-$25,178	-$23,606	-$21,886	-$20,314	-$18,594	-$17,022
In-kind at 8%	-$25,786	-$24,274	-$22,615	-$21,103	-$19,444	-$17,932
In-kind at 9%	-$26,393	-$24,942	-$23,343	-$21,892	-$20,293	-$18,842
In-kind at 10%	-$27,000	-$25,610	-$24,071	-$22,681	-$21,142	-$19,752

Source: SGS Economics and Planning, 2024

TABLE 33: SITE E IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$20,928	-$18,932	-$16,788	-$14,793	-$12,649	-$10,653
In-lieu at 1%	-$21,499	-$19,560	-$17,473	-$15,534	-$13,447	-$11,509
In-lieu at 2%	-$22,070	-$20,188	-$18,158	-$16,276	-$14,246	-$12,364
In-lieu at 3%	-$22,641	-$20,816	-$18,843	-$17,018	-$15,044	-$13,220
In-lieu at 4%	-$23,212	-$21,444	-$19,527	-$17,759	-$15,843	-$14,075
In-lieu at 5%	-$23,782	-$22,071	-$20,212	-$18,501	-$16,642	-$14,931
In-lieu at 6%	-$24,353	-$22,699	-$20,897	-$19,243	-$17,440	-$15,786
In-lieu at 7%	-$24,924	-$23,327	-$21,582	-$19,984	-$18,239	-$16,642
In-lieu at 8%	-$25,495	-$23,955	-$22,266	-$20,726	-$19,038	-$17,497
In-lieu at 9%	-$26,066	-$24,583	-$22,951	-$21,468	-$19,836	-$18,353
In-lieu at 10%	-$26,637	-$25,211	-$23,636	-$22,209	-$20,635	-$19,208

Source: SGS Economics and Planning, 2024

Site F

Modelling outputs for Site F in **Table 34** and **Table 35** show that the proposed development is viable, including with a 5% affordable housing contribution, both in-kind and in-lieu.

TABLE 34: SITE F IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$7,633	$9,651	$11,670	$13,689	$15,707	$17,726
In-kind at 1%	$6,836	$8,795	$10,754	$12,714	$14,673	$16,632
In-kind at 2%	$6,039	$7,939	$9,839	$11,739	$13,639	$15,539
In-kind at 3%	$5,242	$7,082	$8,923	$10,764	$12,604	$14,445
In-kind at 4%	$4,445	$6,226	$8,007	$9,789	$11,570	$13,351
In-kind at 5%	$3,648	$5,370	$7,092	$8,814	$10,536	$12,258
In-kind at 6%	$2,851	$4,514	$6,176	$7,839	$9,501	$11,164
In-kind at 7%	$2,054	$3,657	$5,261	$6,864	$8,467	$10,070
In-kind at 8%	$1,257	$2,801	$4,345	$5,889	$7,433	$8,976
In-kind at 9%	$460	$1,945	$3,429	$4,914	$6,398	$7,883
In-kind at 10%	-$368	$1,088	$2,514	$3,939	$5,364	$6,789

Source: SGS Economics and Planning, 2024

TABLE 35: SITE F IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$7,633	$9,651	$11,670	$13,689	$15,707	$17,726
In-lieu at 1%	$6,922	$8,887	$10,853	$12,819	$14,785	$16,751
In-lieu at 2%	$6,211	$8,124	$10,036	$11,949	$13,862	$15,775
In-lieu at 3%	$5,500	$7,360	$9,220	$11,079	$12,939	$14,799
In-lieu at 4%	$4,789	$6,596	$8,403	$10,210	$12,017	$13,824
In-lieu at 5%	$4,078	$5,832	$7,586	$9,340	$11,094	$12,848
In-lieu at 6%	$3,367	$5,068	$6,769	$8,470	$10,171	$11,872
In-lieu at 7%	$2,656	$4,304	$5,952	$7,600	$9,248	$10,897
In-lieu at 8%	$1,945	$3,540	$5,136	$6,731	$8,326	$9,921
In-lieu at 9%	$1,234	$2,777	$4,319	$5,861	$7,403	$8,945
In-lieu at 10%	$524	$2,013	$3,502	$4,991	$6,480	$7,970

Source: SGS Economics and Planning, 2024

Site G

Modelling outputs for Site G in **Table 36** and **Table 37** show that the proposed development is not viable with an affordable housing contribution, either in-kind or in-lieu. Modelling of higher FSR controls does improve viability: if an additional 1.25:1 FSR were permitted, a 5% in-kind contribution would be viable. If an additional 1.00:1 FSR were permitted, a 5% in-lieu contribution would be viable.

TABLE 36: SITE G IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$3,439	-$1,252	$945	$2,958	$4,970	$7,067
In-kind at 1%	-$4,548	-$2,425	-$211	$1,759	$3,713	$5,751
In-kind at 2%	-$5,657	-$3,599	-$1,449	$561	$2,455	$4,434
In-kind at 3%	-$6,766	-$4,772	-$2,686	-$693	$1,197	$3,117
In-kind at 4%	-$7,875	-$5,945	-$3,924	-$1,995	-$66	$1,800
In-kind at 5%	-$8,984	-$7,119	-$5,162	-$3,297	-$1,432	$483
In-kind at 6%	-$10,093	-$8,292	-$6,400	-$4,599	-$2,799	-$907
In-kind at 7%	-$11,201	-$9,465	-$7,638	-$5,902	-$4,166	-$2,338
In-kind at 8%	-$12,310	-$10,639	-$8,875	-$7,204	-$5,533	-$3,769
In-kind at 9%	-$13,419	-$11,812	-$10,113	-$8,506	-$6,899	-$5,200
In-kind at 10%	-$14,528	-$12,985	-$11,351	-$9,808	-$8,266	-$6,632

Source: SGS Economics and Planning, 2024

TABLE 37: SITE G IN-LIEU AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	-$3,439	-$1,252	$945	$2,958	$4,970	$7,067
In-lieu at 1%	-$4,428	-$2,299	-$77	$1,889	$3,848	$5,893
In-lieu at 2%	-$5,418	-$3,345	-$1,181	$820	$2,727	$4,718
In-lieu at 3%	-$6,407	-$4,392	-$2,285	-$271	$1,605	$3,543
In-lieu at 4%	-$7,396	-$5,439	-$3,390	-$1,432	$483	$2,368
In-lieu at 5%	-$8,385	-$6,485	-$4,494	-$2,594	-$694	$1,194
In-lieu at 6%	-$9,374	-$7,532	-$5,598	-$3,756	-$1,914	$19
In-lieu at 7%	-$10,363	-$8,579	-$6,702	-$4,917	-$3,133	-$1,256
In-lieu at 8%	-$11,352	-$9,625	-$7,806	-$6,079	-$4,352	-$2,533
In-lieu at 9%	-$12,341	-$10,672	-$8,910	-$7,241	-$5,571	-$3,809
In-lieu at 10%	-$13,331	-$11,718	-$10,014	-$8,402	-$6,790	-$5,086

Source: SGS Economics and Planning, 2024

Site H

Modelling outputs for Site H in **Table 38** and **Table 39** show that the proposed development is viable, including with a 5% affordable housing contribution, both in-kind and in-lieu. It should be noted that the results display a set of results in which an additional 0.5:1 FSR yield diminished viability. The redevelopment prototype at the proposed FSR is 19 floors. When 0.5:1 FSR are added to the prototype, the resulting building reaches 21 floors, which results in a higher per-sqm construction cost. As such, viability generally improves only when marginal increases in FSR do not yield significant increases to per-sqm construction costs.

TABLE 38: SITE H IN-KIND AHC VIABILITY RESULTS

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$8,973	$10,864	$5,248	$7,121	$9,012	$10,902
In-kind at 1%	$7,903	$9,734	$4,058	$5,872	$7,703	$9,534
In-kind at 2%	$6,832	$8,604	$2,869	$4,623	$6,394	$8,166
In-kind at 3%	$5,761	$7,473	$1,679	$3,374	$5,086	$6,798
In-kind at 4%	$4,690	$6,343	$489	$2,124	$3,777	$5,430
In-kind at 5%	$3,620	$5,213	-$781	$875	$2,469	$4,062
In-kind at 6%	$2,549	$4,083	-$2,108	-$417	$1,160	$2,694
In-kind at 7%	$1,478	$2,953	-$3,435	-$1,810	-$166	$1,326
In-kind at 8%	$408	$1,823	-$4,762	-$3,204	-$1,625	-$47
In-kind at 9%	-$739	$692	-$6,089	-$4,597	-$3,085	-$1,573
In-kind at 10%	-$1,934	-$488	-$7,416	-$5,990	-$4,545	-$3,099

Source: SGS Economics and Planning, 2024

TABLE 39: SITE H IN-LIEU AHC VIABILITY RESULTS (RLV / SQM

Affordable housing contribution	Proposed FSR (RLV)	Proposed + 0.25 FSR (RLV)	Proposed + 0.5 FSR (RLV)	Proposed + 0.75 FSR (RLV)	Proposed + 1 FSR (RLV)	Proposed + 1.25 FSR (RLV)
Baseline 0%	$8,973	$10,864	$5,248	$7,121	$9,012	$10,902
In-lieu at 1%	$8,018	$9,855	$4,186	$6,006	$7,844	$9,682
In-lieu at 2%	$7,062	$8,847	$3,125	$4,892	$6,676	$8,461
In-lieu at 3%	$6,107	$7,839	$2,063	$3,777	$5,509	$7,240
In-lieu at 4%	$5,152	$6,830	$1,002	$2,663	$4,341	$6,019
In-lieu at 5%	$4,196	$5,822	-$66	$1,548	$3,173	$4,799
In-lieu at 6%	$3,241	$4,813	-$1,251	$433	$2,006	$3,578
In-lieu at 7%	$2,286	$3,805	-$2,435	-$760	$838	$2,357
In-lieu at 8%	$1,330	$2,796	-$3,619	-$2,003	-$368	$1,136
In-lieu at 9%	$375	$1,788	-$4,803	-$3,246	-$1,670	-$94
In-lieu at 10%	-$647	$780	-$5,987	-$4,490	-$2,973	-$1,456

Source: SGS Economics and Planning, 2024

5.3 Summary of Viability with Selected Contribution Rates

This section summarises results for:

- **Supportability of selected contribution rates**: at 3%, 5% and 10% and with the proposed FSR. This is provided for the purpose of compiling the viability results with a few potential contribution rates.
- **Supportability of 5% AHC and the Housing SEPP**: with distinction between the impact that an in-kind versus an in-lieu (monetary) contribution have on viability. This is provided for the purpose of appreciating the impact on viability of: 1) the Housing SEPP and 2) the monetary contribution.

Findings of Viability at Selected Contribution Rates

As in the section above, **Table 40** presents the difference between the RLV and EUV, where:

- Positive values indicate viability
- Negative values indicate inviability

The table also presents for reference:

- FSR of the current Woollahra LEP
- Existing use FSR (some sites have non-conforming FSRs)
- Proposed FSR for testing

In general, the findings below can be summarised as:

- A 5% affordable housing contribution Highest viability occurs on sites with the most proposed uplift. This is the case for AA/AB, F, and H.
- Low viability occurs when the existing use (as measured by FSR) is dominated by residential. This is the case for B and G.

TABLE 40: SUPPORTABILITY OF KEY CONTRIBUTIONS RATES, COMPARED WITH UPLIFT PROPOSED

					Affordable Housing Contribution (In-Kind)			
Site	Current LEP (FSR)	Existing Use FSR	Existing Res. FSR	Tested FSR	0%	3%	5%	10%
A	1.50	2.13	0.00	2.60	-$7,095	-$8,475	-$9,395	-$11,695
AA, AB	1.50	1.52	0.00	4.50	$4,559	$2,864	$1,734	-$1,186
B	2.00	2.19	1.86	4.60	-$18,157	-$20,368	-$21,841	-$25,525
C	2.50	3.41	0.00	5.10	-$11,912	-$14,207	-$15,737	-$19,561
D	2.50	2.06	0.00	5.10	-$3,471	-$5,617	-$7,049	-$10,626
E	2.90	2.11	0.70	2.80	-$20,928	-$22,749	-$23,964	-$27,000
F	1.50	0.89	0.25	5.00	$7,633	$5,242	$3,648	-$368
G	2.00	2.31	1.60	4.70	-$3,439	-$6,766	-$8,984	-$14,528
H	2.50	2.31	0.00	7.50	$8,973	$5,761	$3,620	-$1,934

Source: SGS Economics and Planning, 2024

Findings of Viability with a 5% and Housing SEPP

The following scenarios are summarised to present the impact that 1) the Housing SEPP and 2) the application of an in-kind vs. monetary contribution have on viability.

Because discussion leading to this point in SGS's work with Council began to narrow in on the potential to pursue a 5% affordable housing contribution, the following results only display the RLV less EUV of a 5% AHC (in perpetuity) with and without the Housing SEPP. (Full outputs of SGS's modelling of the Housing SEPP reform are provided in Appendix A).[18]

The findings in **Table 41** seem to confirm many of the findings from SGS's analysis above:

- Application of the Housing SEPP results in higher viability than either in-kind or in-lieu contributions without the Housing SEPP – the exception is Site H, for which the additional density tips the development prototype into higher construction costs, which reduces the RLV.
- In-lieu contributions are more viable than in-kind contributions, both with and without the Housing SEPP.

TABLE 41: COMPARISON OF A 5% CONTRIBUTIONS WITH AND WITHOUT THE HOUSING SEPP

	Excluding Housing SEPP		Including Housing SEPP	
Site	5% In-kind contribution	5% monetary contribution	5% In-kind contribution	5% monetary contribution
A	-$9,395	-$9,258	-$8,282	-$8,088
AA, AB	$1,734	$1,903	$4,451	$4,711
B	-$21,841	-$21,621	-$19,598	-$19,277
C	-$15,737	-$15,509	-$12,923	-$12,582
D	-$7,049	-$6,835	-$3,872	-$3,546
E	-$23,964	-$23,782	-$23,529	-$23,287
F	$3,648	$4,078	$6,445	$7,068
G	-$8,984	-$8,385	-$8,005	-$7,210
H	$3,620	$4,196	$273	$1,137

Source: SGS Economics and Planning, 2024

[18] The Housing SEPP reform allows for an additional 30% density on a site, with 15% of the GFA provided as affordable housing for a term of 15 years (after which it reverts to market housing).

5.4 Projection of market conditions modelling outputs

Further narrowing in on the viability implications of a preferred scenario, this section presents the results for a specified affordable housing contribution (in-kind) of 5% with escalations to costs and realisable values over time. The purpose being to demonstrate (shown in Table 42 and Table 43) *when* a proposed redevelopment with an AHC may become viable (in number of years).

- Redevelopment without a 5% AHC: as shown in Table 42, while A, B, C and E are currently not viable, with escalation of both cost and revenue factors, viability is likely achieved withing the five (5) to ten (10) year range.
- Redevelopment with a 5% in-kind AHC: as shown in Table 43, the inclusion of an in-kind/in-lieu contribution delays viability by approximately one (1) to three (3) years approximately. Generally, though, redevelopment with an AHC is viable for most sites within a reasonable strategic planning horizon.

It should be noted that this analysis does not include an assessment of land holding costs for the portion of developers or proponents that may have land-banked sites. It also presumes that landholders will be willing to accept an acquisition price equal to today's EUV at some point in the future when the RLV is equal to or greater than the current EUV.

TABLE 42: PROJECTION OF MARKET CONDITIONS MODELLING OUTPUTS FOR DEVELOPMENT WITHOUT AN AHC

	A	AA, AB	B	C	D	E	F	G	H
EUV	$27,549,495	$4,350,000	$99,387,000	$40,462,650	$27,104,200	$41,642,827	$35,497,862	$47,852,050	$155,180,820
1 year	$23,082,209	$6,762,481	$67,596,774	$33,719,574	$29,283,555	$23,586,964	$58,929,378	$51,910,516	$254,415,858
2 years	$24,862,470	$7,281,173	$73,415,328	$36,588,093	$31,568,478	$25,433,249	$63,269,027	$55,430,085	$274,118,477
3 years	$26,749,325	$7,828,176	$79,590,581	$39,632,553	$33,994,282	$27,389,366	$67,871,484	$59,157,064	$295,032,523
4 years	$28,667,125	$8,412,402	$86,142,340	$42,661,689	$36,568,809	$29,461,332	$72,751,263	$63,102,767	$317,225,358
5 years	$30,641,091	$9,032,110	$93,091,464	$45,800,880	$39,300,318	$31,655,480	$77,923,647	$67,279,102	$340,767,913
6 years	$32,731,662	$9,689,264	$100,374,279	$49,129,585	$42,197,506	$33,978,478	$83,404,723	$71,698,601	$365,734,876
7 years	$34,945,204	$10,385,929	$107,561,753	$52,658,254	$45,269,532	$36,437,342	$89,211,430	$76,374,451	$392,204,886
8 years	$37,288,418	$11,124,281	$115,178,762	$56,397,893	$48,526,034	$39,039,456	$95,361,595	$81,320,532	$420,260,737
9 years	$39,768,360	$11,906,610	$123,248,886	$60,360,087	$51,977,165	$41,782,414	$101,873,986	$86,551,449	$449,989,590
10 years	$42,392,451	$12,735,325	$131,796,951	$64,557,029	$55,633,609	$44,496,799	$108,768,355	$92,082,570	$481,483,203
Years for RLV to exceed EUV	3.0 years	Viable at year 0	5.2 years	2.9 years	0.3 years	8.4 years	Viable at year 0	0.1 years	Viable at year 0

Source: SGS Economics and Planning, 2024

TABLE 43: PROJECTION OF MARKET CONDITIONS MODELLING OUTPUTS FOR DEVELOPMENT WITH A 5% IN-KIND AHC

	A	AA, AB	B	C	D	E	F	G	H
EUV	$27,549,495	$4,350,000	$99,387,000	$40,462,650	$27,104,200	$41,642,827	$35,497,862	$47,852,050	$155,180,820
1 year	$20,022,158	$5,952,527	$57,410,172	$28,932,072	$25,447,312	$20,024,488	$51,257,327	$44,762,506	$219,846,072
2 years	$21,649,051	$6,430,629	$62,718,221	$31,560,672	$27,685,724	$21,692,233	$55,212,527	$48,182,834	$237,816,531
3 years	$23,374,869	$6,935,015	$68,357,444	$34,353,216	$29,916,966	$23,460,884	$59,411,312	$51,546,690	$256,911,810
4 years	$25,205,087	$7,474,491	$74,346,373	$37,318,877	$32,287,203	$25,336,010	$63,867,235	$55,111,114	$277,194,939
5 years	$27,145,468	$8,047,212	$80,704,524	$40,466,926	$34,804,208	$27,323,477	$68,594,570	$58,887,105	$298,732,303
6 years	$29,089,752	$8,655,030	$87,452,452	$43,528,433	$37,476,168	$29,429,459	$73,608,346	$62,886,242	$321,593,815
7 years	$31,120,857	$9,299,892	$94,611,803	$46,776,546	$40,311,703	$31,660,457	$78,924,386	$67,120,714	$345,853,102
8 years	$33,272,514	$9,983,851	$101,980,421	$50,221,600	$43,319,890	$34,023,312	$84,559,352	$71,603,347	$371,587,694
9 years	$35,551,319	$10,709,066	$109,389,548	$53,874,479	$46,510,290	$36,525,226	$90,530,783	$76,347,644	$398,879,225
10 years	$37,964,218	$11,477,813	$117,243,565	$57,746,642	$49,892,966	$39,173,781	$96,857,144	$81,367,813	$427,813,649
Years for RLV to exceed EUV	4.6 years	Viable at year 0	7.0 years	4.4 years	1.6 years	10.6 years	Viable at year 0	1.7 years	Viable at year 0

Source: SGS Economics and Planning, 2024

5.5 Recommendations and considerations

Based on the preceding analysis and findings, SGS recommends the following with regard to an affordable housing contribution scheme in the ECC:

- **Council pursue a contribution rate of 5%.** Analysis demonstrates that viability can be achieved across all sites (except E) with a 5% AHC (either in-kind or in-lieu contribution) within five (5) to ten (10) years.
- **Council could introduce the contribution incrementally**. Pursuing a 5% contribution upfront could be seen by the Department as an aggressive starting position. The Department has previously advised other councils to stage the introduction of (relatively high, e.g., rates greater than 3%) contributions to manage potential negative impacts.[19] For example, a 2% or 3% contribution is introduced first, followed by the 5% contribution taking effect one or two years later.
- **Council should calibrate the monetary contribution to $23,800 per square-metre of GFA to be dedicated as affordable.** This dollar amount reflects SGS's adopted realisable value assumptions, which are grounded in M3 Property's sales evidence. These dollar amounts are furthermore tailored to the market to which they will apply, ensuring that their impact as a per cent of development costs remains proportional.

In consideration of the type of contribution, SGS observes the following:

- **In-lieu (monetary) affordable housing contributions are more viable than in-kind contributions**. developers will generally opt for payment of a monetary contribution, given that it is often less costly than providing an in-kind contribution. This is particularly the case in Woollahra's market.
- **In-lieu contributions are also preferred by CHPs**. While SGS has not specifically engaged with any CHPs in this project, previous consultation with CHPs have indicated that they prefer that Councils to collect monetary contributions that can later be pooled (i.e., over time) and used as capital in either a purpose-built affordable housing development or the acquisition of existing dwellings. This preference seems to emerge from a consideration of operational burdens, where scattered affordable dwellings across an LGA in multiple buildings present a higher opex burden on CHPs (e.g., fixed and variable costs associated with site-to-site maintenance, management and travel, etc.).

Further considerations include issues of the broader market, including:

- **Current market conditions make redevelopment challenging.** Today's market conditions are characterised by a convergence of headwinds across multiple fronts: escalation in construction costs, increased cost of borrowing, diminished consumer purchasing power, as well as unrelenting expectations of land value. Construction costs since the pandemic have increased substantially (as discussed on page 52) due to, amongst other factors, major supply-chain disruptions and increased labour costs. Interest rate increases from central banks, in efforts to tame inflation, have resulted in higher borrowing costs for developers and producers. Higher interest rates have translated to higher cost of debt for borrowers, resulting in diminished consumer purchasing power. Compounding these difficulties are expectations of land value by landholders, which despite lower

[19] Randwick's approved AHCS for K2K was implemented initially at 3%, increasing to 5% 2 years later.

willingness to pay by either developers or purchasers, generally have not budged. Land values are often characterised as "sticky" or slow to move, reflective of land holders reticence to compromise perceived value based on previous market highs. Taken together, such conditions have created a set of significant challenges not only for the development industry by also for decision-makers (such as local and state government) engaged in longer-term, strategic efforts such as these. As such, this report provides also a view to viability using projections of market conditions to illustrate when if not now might viability of a strategic effort such as the establishment of an AHCS be supportable.

- Housing SEPP reforms are likely to be adopted by proponents. Under Part 2 of the Housing SEPP, a development may increase FSR and height by up to 30%, if 15% of the total development is provided as affordable housing for 15 years. It should be noted that the Housing SEPP provision is sought in addition to any AHCS under a Council's LEP. As examined by SGS's (see Appendix A), the AHCS implies a contribution made in perpetuity, which means that the RLV is negatively impacted. By contrast, the Housing SEPP, which only requires floorspace to be affordable for 15 years, means that developers account for such floorspace differently in their RLV estimate. Because floorspace can be sold back into the market following the 15-year term, the present value of a future sales can be capitalised into the RLV (increasing it). As such, analysis confirms that developers are likely to take advantage of the Housing SEPP provision to achieve greater density, even when accounting for the resulting increase to contributions under Council's AHCS.
- Housing SEPP poses additional challenges. Other challenges for strategic planning emerge, however, whereby Councils' ability to appropriately plan for, fund and maintain local and community infrastructure, including roads, libraries, parks, etc is likely to be impacted. In general, Council should be careful to structure local pathways to providing affordable housing contributions that fall in line with broader strategic planning and public infrastructure funding and financing targets.

Disclaimer: The modelling in this study has been undertaken to test viability of supportable affordable housing contribution rates at varying degrees of the contribution rate and with varying degrees of uplift, as guided by the required methodologies, inputs and assumptions in NSW Guideline for Developing an Affordable Housing Contribution Scheme.

Inputs and assumptions relevant to costs and revenues for each development program, such as site dimensions, specific floor area, unit sizes and mixes, demolition costs, hard and soft construction costs, as well as sales price points and lease rates, have been applied to redevelopment sites representative of the selected areas of uplift.

Sites that are developed in future, including the identification of a site-specific development program, construction costs, lease rates or sales prices, as well as specific EUVs, for example, may result in findings different from those modelled for this study.

Appendix A: Housing SEPP Reform Testing

As a variation to the original contract, SGS Economics and Planning was commissioned by Woollahra Municipal Council to conduct analysis for the Edgecliff Commercial Centre of the supportability of an Affordable Housing Contribution Scheme as well as the provisions of the Housing SEPP reforms introduced in December 2023. The following provides background, methodology, use of inputs and assumptions to the analysis, as well as the findings and implications.

Introduction

Objectives

SGS Economics and Planning (SGS) was commissioned by Woollahra Municipal Council (Council) to provide analysis for the potential implementation of an Affordable Housing Contribution Scheme (AHCS) in the Edgecliff Commercial Centre, under the current NSW Guideline for Developing an Affordable Housing Contribution Scheme.

SGS undertook further analysis considering the impact of the in-fill affordable housing reforms which were implemented in December 2023[20]. The reforms to the Housing SEPP provide an additional 20-30% FSR and height to a proposal, over existing EPI controls, to proposals which provide 10-15% of the gross floor area as affordable housing for a term of 15 years. As such, Council requested that SGS test further the viability implications of this bonus provision in the Edgecliff Commercial Centre.

Nine sites which are proposed to undergo rezoning in the Edgecliff Commercial Centre were modelled, as shown in Figure 27 and Table 44 overleaf.

Structure of this memo

This memo comprises four parts:

- This introduction
- An overview of the methodology of analyses undertaken and key assumptions made
- Full details of the results of the analyses
- A conclusion and summary of findings

[20] In-fill affordable housing, NSW Government, 2023, via https://www.planning.nsw.gov.au/policy-and-legislation/housing/housing-sepp/in-fill-affordable-housing

FIGURE 27: EDGECLIFF COMMERCIAL CENTRE SITES ANALYSED

Source: Woollahra Municipal Council (2024)

TABLE 44: SITES ANALYSED

Site name	Area (Sqm)	Current LEP FSR	Current built form FSR	Proposed FSR tested
A	1,206	1.50	2.13	2.60
AA, AB	260	1.50	1.52	4.50
B	2,508	2.00	2.19	4.60
C	1,135	2.50	3.41	5.10
D	1,023	2.50	2.06	5.10
E	1,064	2.90	2.11	2.80
F	1,746	1.50	0.89	5.00
G	1,227	2.00	2.31	4.70
H	5,856	2.50	2.31	7.50

Source: SGS Economics and Planning via Woollahra Municipal Council (2024)

Methodology

Several analyses were undertaken to achieve the objectives of the modelling. These were all forms of residual land value (RLV) modelling. Details of the method and assumptions are provided in this section.

RLV Methodology

RLV modelling seeks to determine the viability of redevelopment by determining the underlying value of a development site by subtracting all development costs from the gross realisable value (GRV) of the proposed built form. The residual is considered to be the maximum that a developer would pay to acquire the site. Where the RLV is greater than the existing value of the site, the site could be purchased for and undergo redevelopment. The analysis required the following key inputs:

- Site characteristics – built form outcomes of proposed development typologies. These were provided by Council.
- Development costs – including hard costs (e.g., building), soft costs (e.g., professional fees, legal, financing, contingency, etc.), and fees and charges (e.g., stamp duty, GST, SSDA fees, 7.11/12 fees, etc.). These were taken from relevant sources including Rawlinsons Construction Cost Guide, Council, and State Government agencies.

  Affordable housing contributions are a form of fee on development, and are included in this item.
- Development margin and risk – an estimate of the minimum margin a developer would seek in developing such a project that is adjusted for the various risks associated with such development (e.g., timing, land cost, construction cost, market, environment, etc.).
- Realisable values – a method to derive the end value of the proposed development. These were developed from sales evidence provided by M3 Property.
- Existing use value – a method to derive the current market value of a site, considering the existing built form and statutory controls. These were developed from sales evidence provided by M3 Property.

Modelling Affordable Housing Contributions

There are two forms of affordable housing contributions modelled. A few of SGS's critical assumptions are provided in this section, particularly relevant to the unique model of the recent Housing SEPP reforms introduced.

AHCS under the existing Guideline

Under the current provisions of an AHCS, either dwellings can be provided (in-kind) by the developer or a monetary contribution can be made. In-kind contributions are made in perpetuity, with the required units to be titled over to the Council, or a nominated community housing provider. Such dwellings provide no revenue to a developer, and are modelled as such. Alternatively, an in-lieu payment (monetary contribution) can be made. Standard practice for implementing such a form of the AHCS, as evidenced by Willoughby, Randwick, and Sydney, the monetary contribution is benchmarked to the median strata sales price per square metre, as reported by the Department of Communities and Justice using Valuer General NSW data. For Councils considering such options, it is important to recognise that the median strata sales price is often significantly lower than the monetary value of a new dwelling being sold in a development.[21] As such, developers seeking to comply with the provisions of a local AHCS are incentivised to provide monetary contributions because they do not impact the development's economics as substantially.

Contributions under the Housing SEPP reforms

Under the provisions of the recent Housing SEPP reforms, affordable housing contributions made are only required to be "affordable", as defined by statutory provisions, for a period of 15 years, after which they may be sold or rented as market-rate housing. In modelling this unique affordable housing model, SGS applied the following key assumptions: 1) 30% bonus density; 2) a discount rate of 7% was used across the period of 15 years; 7% is an approximation of the standard business return and it is also the standard discount rate applied to government capital investment as evaluated in a Strategic Business Case, for example; 3) SGS did not escalate sales prices over the 15 years, as the dwellings at that point in time would no longer be regarded as new or off-the-plan, warranting premium price points. Furthermore, SGS considered the operational structures of typical affordable housing models, and decided to exclude rental revenues from the viability modelling. Affordable housing operates with insufficient rental revenues to cover all operational expenditures, which include management and maintenance as well as debt service on project financing. In a typical operational model, availability payments (such as the HAFF) from either the state or federal government would be needed to bring a project into viability.

[21] The median strata price is typically used because it is a readily available rate which does not require the individual valuation of developments.

Time series modelling

SGS also considered the supportability of affordable housing contributions in the future. The RLV modelling tests each site's development program under the assumption that costs and realisable values escalate over time, where realisable values typically escalate faster than costs. As such, the outputs illustrate *when* an affordable housing contribution may become viable (in number of years). Specifically, the modelling estimates when the RLV exceeds or is at least equal to the EUV, i.e., the point at which the contribution(s) become viable. In this modelling, SGS specifically tested realisable values increasing at a rate 2% higher per annum than costs.

Overview of outputs

Outputs are expressed for various metrics which provide important context for the viability environment of the Edgecliff Commercial Centre under various scenarios and a changing regulatory setting. Accordingly, the outputs of the modelling provide representations of a comparison between the existing use value (EUV) and the RLV of the proposed built form, with affordable housing contributions of up to 10%, as well as with additional FSR uplift of up to 1.25:1.

Four scenarios are modelled:

1. In-kind contributions, no Housing SEPP
2. Monetary contribution, no Housing SEPP
3. In-kind contributions, with Housing SEPP
4. Monetary contributions, with Housing SEPP

Furthermore, as noted in the previous section regarding time-series modelling, SGS modelled the supportability of Scenario 1 over time (not all scenarios).

Details of findings

All findings are shown in a tabular format, as the result of RLV, less the existing use value (EUV), on a per square metre of site basis. This indicates the *viability* of redevelopment. The colour ramp moves from red (where values are negative) to green (where values are positive).

Baseline development viability

The following results illustrate the difference between the EUV and RLV of baseline redevelopment for each site. The purpose of estimating viability for baseline redevelopment without an affordable housing contribution is to illustrate that with current market characteristics, not all of the sites are viable. Specifically, Table 45 illustrates the difference between RLV and EUV for the nominated sites without an affordable housing contribution. The results are presented with additional FSR uplift (in increments of 0.25:1, up to an additional 1.25:1 of FSR) to illustrate whether and at what point of uplift sites do become viable in baseline redevelopment.

For example, for Site A, the proposed development would be viable, if an additional 1:1 FSR were applied to the site. There are also points in the modelling which illustrate a change in costs – as taller

buildings cost more to construct, where a building tips into a higher construction bracket, viability is negatively affected – as illustrated in Site H, where the change from an additional 0.25:1 of FSR to 0.5:1 FSR results in a lower RLV than under the proposed FSR (without uplift).

TABLE 45: BASELINE (NO AHCS) VIABILITY RESULTS WITH ADDITIONAL UPLIFT

Site	Proposed FSR	Proposed + 0.25 FSR	Proposed + 0.5 FSR	Proposed + 0.75 FSR	Proposed + 1 FSR	Proposed + 1.25 FSR
A	-$7,095	-$5,071	-$3,048	-$894	$1,053	$2,939
AA, AB	$4,559	$5,996	$7,990	$9,827	$11,665	$13,673
B	-$18,157	-$16,136	-$14,159	-$12,137	-$10,161	-$8,139
C	-$11,912	-$9,976	-$7,939	-$6,003	-$4,023	-$1,987
D	-$3,471	-$1,449	$468	$2,364	$4,115	$5,910
E	-$20,928	-$18,932	-$16,788	-$14,793	-$12,649	-$10,653
F	$7,633	$9,651	$11,670	$13,689	$15,707	$17,726
G	-$3,439	-$1,252	$945	$2,958	$4,970	$7,067
H	$8,973	$10,864	$5,248	$7,121	$9,012	$10,902

Source: SGS Economics and Planning (2024)

In-kind contribution, no Housing SEPP reform

Table 46 shows viability results for each site with a 3%, 5%, and 10% affordable housing contribution. Sites showing positive values (highlighted in a shade of green) are those for which an affordable housing contribution is viable. Sites showing negative values (highlighted in a shade of red) are those for which an affordable housing contribution is not viable. The results presented here also indicate (if relevant at all) whether and what extent of additional uplift would be required for viability to be achieved.[22] The results demonstrate two things:

1. Where sites are viable at the baseline, they are *also* viable with a 5% contribution. This reflects the fact that such sites are proposed to be granted significant uplift.
2. Where sites are not viable at the baseline, they require progressively more uplift to also provide contributions. This is because they are closer to the so-called 'tipping point' of viability.

TABLE 46: VIABILITY RESULTS WITH AN IN-KIND CONTRIBUTION AND NO HOUSING SEPP REFORM

Site	Baseline FSR, no AHC	Uplift req'd for viability	3% AHC	Uplift req'd for viability	5% AHC	Uplift req'd for viability	10% AHC	Uplift req'd for viability
A	-$7,095	+ 1 FSR	-$8,475	+ 1.25 FSR	-$9,395	Not viable	-$11,695	Not viable
AA, AB	$4,559		$2,864		$1,734		-$1,186	+ 0.5 FSR
B	-$18,157	Not viable	-$20,368	Not viable	-$21,841	Not viable	-$25,525	Not viable
C	-$11,912	Not viable	-$14,207	Not viable	-$15,737	Not viable	-$19,561	Not viable
D	-$3,471	+ 0.5 FSR	-$5,617	+ 1 FSR	-$7,049	+ 1.25 FSR	-$10,626	Not viable
E	-$20,928	Not viable	-$22,749	Not viable	-$23,964	Not viable	-$27,000	Not viable
F	$7,633		$5,242		$3,648		-$368	+ 0.25 FSR
G	-$3,439	+ 0.5 FSR	-$6,766	+ 1 FSR	-$8,984	+ 1.25 FSR	-$14,528	Not viable
H	$8,973		$5,761		$3,620		-$1,934	Not viable

Source: SGS Economics and Planning (2024)

[22] If the uplift required to achieve viability exceeds 1.25 FSR above the proposed FSR, SGS does not report the finding.

In-lieu contribution, no Housing SEPP reform

Table 47 illustrates the viability results for each site with the monetary affordable housing contributions. As for the reported results above, sites showing positive values (highlighted in a shade of green) are those for which a monetary contribution is viable, whereas sites showing negative values (highlighted in a shade of red) are those for which a monetary contribution is not viable.

The results of the analysis indicate that the monetary affordable housing contributions are more viable than the in-kind contributions. For instance, a 10% contribution for Site AA, AB, Site F, and Site H is viable as a monetary contribution, but not as an in-kind contribution (as shown in section 0). Further, the uplift required for viability is less for a monetary contribution than an in-kind contribution – this is shown best in the outputs for Site D and Site G.

Note that the baseline outputs for the monetary contribution are identical to the in-kind contributions, as the baseline does not include a contribution.

TABLE 47: VIABILITY RESULTS WITH AN IN-LIEU CONTRIBUTION AND NO HOUSING SEPP REFORM

Site	Baseline FSR, no AHC	Uplift req'd for viability	3% AHC	Uplift req'd for viability	5% AHC	Uplift req'd for viability	10% AHC	Uplift req'd for viability
A	-$7,095	+ 1 FSR	-$8,392	+ 1.25 FSR	-$9,258	Not viable	-$11,420	Not viable
AA, AB	$4,559		$2,965		$1,903		-$819	
B	-$18,157	Not viable	-$20,236	Not viable	-$21,621	Not viable	-$25,085	Not viable
C	-$11,912	Not viable	-$14,070	Not viable	-$15,509	Not viable	-$19,105	Not viable
D	-$3,471	+ 0.5 FSR	-$5,489	+ 0.75 FSR	-$6,835	+ 1.25 FSR	-$10,200	Not viable
E	-$20,928	Not viable	-$22,641	Not viable	-$23,782	Not viable	-$26,637	Not viable
F	$7,633		$5,500		$4,078		$524	
G	-$3,439	+ 0.5 FSR	-$6,407	+ 1 FSR	-$8,385	+ 1.25 FSR	-$13,331	Not viable
H	$8,973		$6,107		$4,196		-$647	+ 0.25 FSR

Source: SGS Economics and Planning (2024)

In-kind contribution, with Housing SEPP reform

Table 48 illustrates the viability results for modelling of a supportable affordable housing contribution, as well as the provisions of the reforms to the Housing SEPP. As described earlier, SGS modelled the provisions of the Housing SEPP reform to include a 30% increase in FSR, 15% of the GFA provided as affordable housing for 15 years.

The findings suggest overall that viability is, overall, more positive in terms of the difference between the EUV and RLV across the tested sites. It should be noted that the bonus density for Site H, for example, pushes the height into a typology of building with higher construction costs – as such, the difference between EUV and RLV declines.

TABLE 48: VIABILITY RESULTS WITH AN IN-KIND CONTRIBUTION AND HOUSING SEPP REFORM

Site	Baseline FSR, no AHC	Uplift req'd for viability	3% AHC	Uplift req'd for viability	5% AHC	Uplift req'd for viability	10% AHC	Uplift req'd for viability
A	-$5,000	+ 0.75 FSR	-$6,969	+ 1 FSR	-$8,282	+ 1.25 FSR	-$11,563	Not viable
AA, AB	$8,850		$6,210		$4,451		$52	
B	-$14,160	Not viable	-$17,423	Not viable	-$19,598	Not viable	-$25,036	Not viable
C	-$7,147	+ 1 FSR	-$10,613	Not viable	-$12,923	Not viable	-$18,698	Not viable
D	$1,516		-$1,661	+ 0.25 FSR	-$3,872	+ 0.75 FSR	-$9,398	Not viable
E	-$19,430	Not viable	-$21,890	Not viable	-$23,529	Not viable	-$27,628	Not viable
F	$12,275		$8,777		$6,445		$616	
G	-$561	+ 0.25 FSR	-$5,027	+ 0.75 FSR	-$8,005	+ 1.25 FSR	-$15,449	Not viable
H	$8,389		$3,519		$273		-$8,749	Not viable

Source: SGS Economics and Planning (2024)

In-lieu contribution, with Housing SEPP reform

Table 49 illustrates the viability results for modelling of an affordable housing monetary contribution, as well as the provisions of the reforms to the Housing SEPP As with the findings discussed previously, the in-lieu contribution with the Housing SEPP reform improves viability by comparison to the results of modelling the in-kind contributions.

TABLE 49: VIABILITY RESULTS WITH AN IN-LIEU CONTRIBUTION AND HOUSING SEPP REFORM

Site	Baseline FSR, no AHC	Uplift req'd for viability	3% AHC	Uplift req'd for viability	5% AHC	Uplift req'd for viability	10% AHC	Uplift req'd for viability
A	-$5,000	+ 0.75 FSR	-$6,853	+ 1 FSR	-$8,088	+ 1.25 FSR	-$11,175	Not viable
AA, AB	$8,850		$6,366		$4,711		$572	
B	-$14,160	Not viable	-$17,230	Not viable	-$19,277	Not viable	-$24,394	Not viable
C	-$7,147	+ 1 FSR	-$10,408	Not viable	-$12,582	Not viable	-$18,017	Not viable
D	$1,516		-$1,466	+ 0.25 FSR	-$3,546	+ 0.75 FSR	-$8,745	Not viable
E	-$19,430	Not viable	-$21,744	Not viable	-$23,287	Not viable	-$27,144	Not viable
F	$12,275		$9,150		$7,068		$1,861	
G	-$561	+ 0.25 FSR	-$4,550	+ 0.75 FSR	-$7,210	+ 1 FSR	-$13,859	Not viable
H	$8,389		$4,038		$1,137		-$6,820	+ 1.25 FSR

Source: SGS Economics and Planning (2024)

Timing considerations

Table 50 illustrates the results of modelling a redevelopment scenario including only the supportable affordable housing contribution, but not including the provisions of the Housing SEPP reforms. As discussed previously, this modelling assumes that realisable values escalate 2% faster than construction costs over time and examines at what point (in number of years) the RLV is equal to or greater than the EUV – the point at which the affordable housing contribution becomes viable.

This type of modelling is important for strategic work and especially in the context of current market conditions, in which even baseline redevelopment is not viable given high construction costs. As such, for strategic planning purposes, the model findings provide some guidance as to whether the sites selected are viable within the realm of a reasonable timeframe (such as 10 years) for build-out of the sites within the Edgecliff Commercial Centre. The modelling shows that:

- Viable redevelopment with a 3% in-kind contribution within 10 years: all sites
- Viable redevelopment with a 5% in-kind contribution within 10 years: all sites except Site E
- Viable redevelopment with a 10% in-kind contribution within 10 years: all sites except Site E

TABLE 50: VIABILITY TIMING ANALYSIS RESULTS

Site	Baseline Redevelopment	w/ 3% AHC	w/ 5% AHC	w/ 10% AHC
A	3.0 years	3.9 years	4.6 years	6.4 years
AA, AB	-	-	-	< 1 year
B	5.2 years	6.3 years	7.0 years	9.1 years
C	2.9 years	3.8 years	4.4 years	6.2 years
D	< 1 year	1.0 years	1.6 years	3.1 years
E	8.4 years	9.7 years	10.6 years	13.4 years
F	-	-	-	< 1 year
G	0.1 years	1.0 years	1.7 years	3.7 years
H	-	-	-	< 1 year

Source: SGS Economics and Planning (2024)

Conclusions

A summary of the findings of the analysis is shown in Table 51, Table 52, and Table 53 below and overleaf, which summarise the analysis of 3%, 5%, and 10% contributions for each scenario of in-kind or in-lieu, and with and without the Housing SEPP reforms. These summaries show that:

- Generally, in-lieu or monetary contributions are more viable than in-kind contributions. This is due to the calculation method applied to determine those contributions. Changes to this method could be explored in future.
- The Housing SEPP reforms, which add a 15% affordable housing requirement for 15 years, also result in increased viability. This indicates that this is likely to be taken up by proponents. A further implication of this finding is that, as this requirement is in addition to any AHCS in place, the adoption of these reforms into development proposals would increase the contributions under the AHCS by 30%.
- Considering individual sites analysed, two sites exhibit significant unviability and are considered unlikely to be developed under the current proposed FSRs in the current market. However, there are three sites which are indicatively viable with a 5% contribution, and the viability timing analysis in the previous section indicated that four further sites would be viable within 5 years with a 5% contribution.

TABLE 51: 3% CONTRIBUTION COMPARISON

Site	BASELINE IN KIND	BASELINE IN LIEU	HOUSING SEPP REFORM IN KIND	HOUSING SEPP REFORM IN LIEU
A	-$8,475	-$8,392	-$6,969	-$6,853
AA, AB	$2,864	$2,965	$6,210	$6,366
B	-$20,368	-$20,236	-$17,423	-$17,230
C	-$14,207	-$14,070	-$10,613	-$10,408
D	-$5,617	-$5,489	-$1,661	-$1,466
E	-$22,749	-$22,641	-$21,890	-$21,744
F	$5,242	$5,500	$8,777	$9,150
G	-$6,766	-$6,407	-$5,027	-$4,550
H	$5,761	$6,107	$3,519	$4,038

Source: SGS Economics and Planning (2024)

TABLE 52: 5% CONTRIBUTION COMPARISON

Site	BASELINE IN KIND	BASELINE IN LIEU	HOUSING SEPP REFORM IN KIND	HOUSING SEPP REFORM IN LIEU
A	-$9,395	-$9,258	-$8,282	-$8,088
AA, AB	$1,734	$1,903	$4,451	$4,711
B	-$21,841	-$21,621	-$19,598	-$19,277
C	-$15,737	-$15,509	-$12,923	-$12,582
D	-$7,049	-$6,835	-$3,872	-$3,546
E	-$23,964	-$23,782	-$23,529	-$23,287
F	$3,648	$4,078	$6,445	$7,068
G	-$8,984	-$8,385	-$8,005	-$7,210
H	$3,620	$4,196	$273	$1,137

Source: SGS Economics and Planning (2024)

TABLE 53: 10% CONTRIBUTION COMPARISON

Site	BASELINE IN KIND	BASELINE IN LIEU	HOUSING SEPP REFORM IN KIND	HOUSING SEPP REFORM IN LIEU
A	-$11,695	-$11,420	-$11,563	-$11,175
AA, AB	-$1,186	-$819	$52	$572
B	-$25,525	-$25,085	-$25,036	-$24,394
C	-$19,561	-$19,105	-$18,698	-$18,017
D	-$10,626	-$10,200	-$9,398	-$8,745
E	-$27,000	-$26,637	-$27,628	-$27,144
F	-$368	$524	$616	$1,861
G	-$14,528	-$13,331	-$15,449	-$13,859
H	-$1,934	-$647	-$8,749	-$6,820

Source: SGS Economics and Planning (2024)

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