

Central Coast Affordable Housing Strategy:

Affordable Housing Case Studies

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Introduction

A range of case studies are provided as examples of the types of support and engagement that local government can have with affordable housing needs and issues at the local level.

The focus of the case studies is on practical ways that Council can address the need for affordable housing that are most likely to be effective and within its power as a local authority. Most case studies have involved some form of partnership with the community and/or the private sector, and also include practical ways that Council can support affordable housing through the planning and development process.

Specifically, the case studies include:

- Affordable housing development and/or management partnerships where Council has been proactive
- Innovative and genuinely affordable 'New Generation' Boarding House models for various target groups
- Mixed tenure developments including private owner occupied and rented housing, as well as social and affordable ('key worker') housing as well as a component of housing for formerly homeless people
- The use of Voluntary Planning Agreements to capture a reasonable share of land value uplift
- Developments that include a proportion of shared equity arrangements to facilitate affordable purchase for low to moderate income households.

Development & Management Partnerships on Council Land

Introduction

Council can enter into a long term development and/or management partnership with a community housing provider (CHP), where the CHP has 'preferred partner' status. Alternately, Council may decide to enter into a partnership on a case by case basis, subject to a competitive tendering or EOI process for each development.

Different councils have also taken varying approaches to partnering arrangements, ranging from making land available at no cost or at a discount rate to direct construction and ownership of the development themselves, with a range of options between these two positions available.

Examples of a few different approaches taken by councils that are active in the direct development of affordable housing are provided below. At one end of the spectrum is **City of Perth**, which provided both land and financing for an affordable housing (mainly 'key worker') development on an under-utilised Council car park, took all of the risk on the project, and engaged a local community housing provider to manage the development after its completion.

Using two different approaches, in 2010, **Shoalhaven City Council** sold land at a very low cost to a local CHP, Southern Cross Community Housing (SCCH). SCCH then partnered with another CHP with extensive development experience, capital resources and access to Federal funding to develop a low density affordable and social rental housing development at **East Nowra**. A further partnership development is currently in the planning process at **Bomaderry**. This will see Council take on a more active role in its partnership with SCCH on Council-owned land in a mixed tenure development.

In these two approaches by Shoalhaven City Council, we also see its growing engagement with an increasingly serious local issue, noting that in late 2017 Council unanimously adopted its first Affordable Housing Strategy that includes the dedication of several sites for the purpose of affordable housing partnerships.

A range of partnering arrangements is possible, depending on a council's preference, asset base, desired rate of return, and appetite for risk.

City of Perth Case Study

In 2009, City of Perth adopted its first *Affordable Housing Strategy*¹, which included a commitment to proactively develop well-located affordable housing on under-utilised Council land. The research for the *Strategy* had identified 16 Council car parks with the potential for mixed use development, including commercial or community uses, affordable housing and replacement of car parking spaces. Council resolved to dedicate three of these high value, but financially under-utilised assets, to affordable housing.

Fig 1: City of Perth Affordable and Social Housing Development, managed by Access Housing



In 2012/13, it undertook the redevelopment of the first of these car parks to construct 48 units of affordable housing, mainly allocated to locally-employed 'key workers' at discount market rent (around 70% of market rent for that precinct). Four of these units were initially allocated to social housing, where very low income households pay around 25% of their income in rent, with more units planned to be dedicated to social housing as debt is retired.

In this case, Council used its own resources to construct the housing in anticipation of short-term cash flow and longer-term return on capital. As well as income and other criteria applied to tenancies, there is a time limit on the occupancy period for the 'affordable housing' units so as to provide a 'stepping stone' for workers into the private market. Access Housing Australia was successful in a competitive EOI process as the housing/tenancy manager, and looks after all maintenance and tenancy issues on a fee-for-service basis.

Fig 2: A City of Perth Car Park identified for a future Affordable Housing Development

SCCH Social and Affordable Housing Development at East Nowra

In 2009, Shoalhaven City Council sold land at a very low cost to a local CHP, Southern Cross Community Housing (SCCH) for the purpose of a low to medium density affordable and social housing development on the outskirts of **East Nowra**, and opposite a relatively new private development. However, the development application process was not easy. The proposed development received very strong opposition from local private residents, who were angry at the loss of the lightly wooded open space area on which the development would be built, as well as fears about devaluation of their properties and the 'type of people' who would move into their community. Despite having sold SCCH the land, Council refused the development.

SCCH appealed Council's refusal in the NSW Land and Environment Court, which upheld the appeal in 2010.ⁱⁱ The development was completed in 2014, and provides homes to around 50 diverse people who are working

parents, families with young children, aged couples and people living with a disability who meet the affordable or social housing eligibility criteria. The East Nowra development (pictured below) has since gained a high degree of community acceptance and support from Council, and is reported to have a high level of satisfaction among tenants.ⁱⁱⁱ

SCCH also engaged BlueCHP, a community housing association with considerable experience in construction of affordable housing and capital raising capacity, to construct the development. The development was also supported by NRAS credits from the Federal Government. The development includes 26 dwellings including 21 freestanding homes, 1 cluster-housing group of 3 dwellings and 1 dual occupancy. Most dwellings are 2 bedroom, single storey with a single garage and a driveway, with a few larger family homes. SCCH is the tenancy manager for the development.





Shoalhaven City Council Future Affordable Housing Development at Bomaderry

In late 2017, Shoalhaven City Council unanimously adopted its first **Affordable Housing Strategy**^{iv} that includes the dedication of several sites for the purpose of affordable housing partnerships. The *Strategy* was based on extensive research on the state of the local housing market, local housing need and the most effective ways of meeting this need. Although a relatively low cost regional housing market, the Shoalhaven experiences higher levels of housing stress among local renters than the Sydney average due to the constrained supply of social and private rental housing and smaller dwellings, high vacancy rates and holiday lettings, loss of long-term caravan parks sites, pressure from the Sydney market, and the relatively low incomes of the resident population.

Fig 3: Council Site at Bomaderry ear-marked for Affordable Housing

The **direct creation of affordable and social housing** was found to be one of the most effective strategies that Council could pursue given the nature of need and the ability of the market to respond. Mechanisms such as value capture and development incentives are not generally feasible, at least in the short- to medium-term.

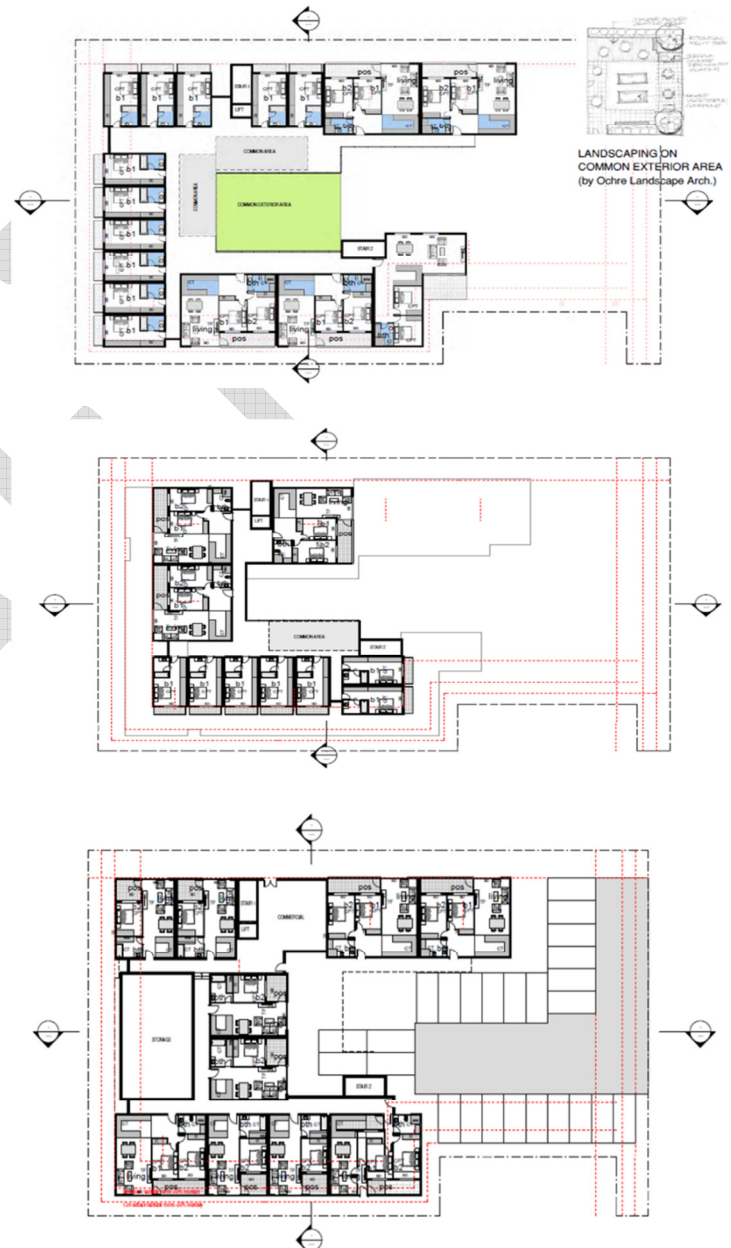
A **land audit of suitable Council sites** was conducted based on a number of key criteria, including the size and zoning of the site, its proximity to transport and services, existing uses on the site, and whether there were any significant environmental or heritage constraints. On this bases, a range of sites were short-listed and assessed by the consultants. In close consultation with Council, a number of these sites were subjected to financial feasibility analysis based on several development options that sought to maximise yield without 'over-developing' the site, and to house those most in need (very low income renters who were effectively excluded from the

private rental market but unlikely to gain access to social housing due to very long waiting lists, and including some who were at risk of homelessness).

The first site selected currently has two older fibro dwellings on it that have reached the end of their economic life. It is also near a high frequency train station with links to Wollongong and Sydney CBD, is proximate to service and facilities, and has good yield potential.

Following the preliminary financial feasibility analysis, Council then initiated a '**co-design**' process between a private sector peak body (PCA), SCCH, local resident association, as well as pro bono input from a local architecture firm, a local developer, and council engineers, property officers, and quantity surveyor. A further workshop on doing a '**DA in Day**' was also conducted to identify any further opportunities and constrains to the site and the proposed development (pictured below).

A Concept Design Plan (CDP) was produced and 'ground-truthed' during this process, with a somewhat yield higher than that initially envisaged from the feasibility analysis. This CDP currently incorporates 18 New Generation Boarding House rooms, 6 x one-bedroom apartments, 12 x two-bedroom apartments, a ground floor commercial space and 25% under-croft parking (see draft concept plans for 3 storey building at right). All dwellings will be affordable to very low and low income households. At the time of writing, planning for an EOI process are currently underway, as is an application for SAHF by SCCH and Council.



Many partnering options are possible...

Councils around Australia have also pursued other options in the development and management of affordable housing partnership developments.

Some Councils have entered into development and management partnerships on Council owned land. Some councils have put out an EOI with performance criteria, for example, the type of land uses to be included in development; the number and type of anticipated units; the expected rate of return on capital; tenant selection criteria; and cost/income/asset/risk sharing arrangements between Council and the Community Housing Provider, and selects its preferred partner on the basis of their ability to meet these criteria or to otherwise add value.

There are also a range of preferred partnering approaches, for example, where Council pre-qualifies the preferred Community Housing Provider based on demonstrated capacity, cultural alignment and the like, and negotiates all aspects of development, management, cost/income sharing with them as the long-term preferred partner rather than go through a case by case competitive selection process.

There are many possible types of arrangements, depending on a council's preference, asset base, desired rate of return, and appetite for risk.

'New Generation' and Supported Boarding Houses

Introduction

Increasingly, Boarding Houses, particularly New Generation Boarding Houses using the provisions of *SEPP Affordable Rental Housing 2009* are providing affordable accommodation to diverse very low and low income households. These are likely to fill an important affordable housing gap for a range of very low and low income retirees, workers, and other singles and couples without an asset who are otherwise likely to struggle to find anything 'affordable' in many local housing markets.

Boarding Houses are often permissible with consent under local planning schemes in a wide number of zones, including R1, R2, R3, B1, B2 B3, B4 and B5, consequently there are limited planning restrictions on the development of Boarding Houses, and the SEPP is likely to take precedence over a local DCP to the extent of any inconsistencies in controls.

However, Boarding Houses are often unpopular with local residents, generally due to intensification of land use in lower density environments, and misconceptions about the 'type of people' who will live there. Councils also sometimes have concerns that privately developed Boarding House are not likely to genuinely 'affordable' in higher value markets, and about the internal amenity of design in this context. Incompatibility with 'local character' is often used as a grounds for refusal.

Some of these concerns can be addressed through a negotiated development approval process if a local authority has clear ideas and /or guidelines on preferred design, rents and management. There is also a

considerable advantage in having the Boarding House developed and/or managed by a Community Housing Provider with a long-term interest in the building, strong links to the local community and appropriate rent-setting and tenancy management policies and procedures. Moreover, rates of return on capital are often favourable for Boarding Houses, and they are becoming more popular.

Several examples of genuinely affordable New Generation Boarding Houses are provided below. The first is one developed by North Sydney Council on Council-owned land in **Wollstonecraft** in partnership with Link Community Housing for very low income households in one of Sydney's most expensive housing market.

The second is a privately constructed Boarding House in Sydney's **Inner West** that is managed by Hume Community Housing, and genuinely affordable to smaller low-income working households.

The third is one constructed under the **Abbeyfield model** for older low-income people with low to moderate support needs in a regional area of South Australia.

The future development at Bomaderry on Shoalhaven Council land provides a further example of the potential to combine this form of accommodation with other housing types and tenures.

Each of these examples could be readily adapted to the Central Coast context.

Wollstonecraft Boarding House Development

The development of the **Wollstonecraft 'New Generation' Boarding House** is an example of a strong partnership between a community housing provider, Link Housing, with a proved track record in the local area, and North Sydney Council, a local government authority with a long-term commitment to maintaining at least *some* affordable housing and income diversity in one of Sydney's most expensive housing markets.



Once the home of many very low and low income people, including in more than 100 older boarding houses, North Sydney has been gentrifying for many years. It has lost most of its low cost flats buildings and all but 20 of its low cost boarding houses over the past two decades, despite the provisions of SEPP 10 (Now SEPP ARH) that aims to protect such stock. Amid this serious decline, Council has been able to expand the amount of stock it owns that is dedicated to affordable and social housing through a range of strategies and its strong commitment and leadership.

The site of the new Wollstonecraft Boarding House previously contained an older two-storey single family home that was part of Council's affordable housing portfolio (pictured left). The cottage had been rented to social housing tenants, and managed by Link Housing, for many years. North Sydney Council identified the site as a good place to grow the local supply of affordable housing and increase the efficient use of land under its **Strategic Asset Management Plan** by replacing the house with something that would meet the needs of more than just one household. This approach was also supported by Council's **North Sydney Council Affordable Housing Strategy 2008; and 2015.**^v

Council utilised provisions in the SEPPARH to develop the new two-storey Boarding House. As part of the planning and design process, North Sydney Council and Link Housing **pro-actively engaged with neighbours**, providing information on the project prior to lodging the application and an opportunity to comment early on the design.

Once the DA was lodged and a few concerns were raised by neighbours about overlooking and privacy, the proponents took these concerns on board and found an architectural solution to the problem. When Link Housing fielded a few calls from neighbours with concerns about ***“who might be living there?”***, neighbours were satisfied when Link Housing advised that the new tenants would be ***“people similar to those who have been renting the home previously”***.

In 2016, Link Housing and North Sydney Council successfully completed the **seven-room Boarding House**. Up to fourteen very low income tenants can now call this Boarding House home.

The strong partnership between Link Housing and North Sydney Council has made the growth of quality affordable housing for very low income households in an exceptionally unaffordable part of Sydney a reality.



Fig 4: New Generation Boarding House developed by Council and Link Housing in 2016 (2nd from the right)

Hume Community Housing 'New Generation' Boarding House

The 'New Generation' Boarding House at Pembroke Street, Ashfield is an example of a private sector development that is genuinely affordable in an expensive housing market due to its management by Hume Community Housing. The Boarding House (pictured below) offers a high quality external and internal finish throughout at an affordable rental price, mainly to low income working single people and couples. The Boarding House is in an area that was once affordable to low income people, but is now one of the most rapidly gentrifying areas in NSW.^{vi}

However, the early days of its development were not without their problems. The SEPPARH DA was refused by the then Ashfield Council. Council had received at least 50 submissions from neighbours opposed to the proposal, with particular issues raised including incompatibility with the 'character of the local area' and unacceptable privacy impacts on neighbouring properties.

The applicant appealed the refusal to the NSW Land and Environment Court. After a conciliation conference, it was agreed that all of the relevant development standards contained in SEPPARH had been met, with the remaining issue being whether the development met the 'character test'. The LEC concluded that the development as designed was appropriate in its context and sufficiently compatible with 'local character' to be

approved. More covert issues were also raised about the 'type of people' who would be living there.

In 2014, the private developer successfully completed the development of the 20 room 'New Generation' boarding house in Summer Hill. It is managed to a high standard by Hume Community Housing and their on-site manager. Hume Community Housing is proactively managing the property with regular inspections, block meetings and customer wellbeing visits as well as the provision of an on-site manager.

Fig 5: Pembroke Street, Ashfield (pictured below)



Each room features well-appointed living areas, with a fitted fridge/freezer, washing machine and tumble dryer as well as having fitted air conditioning. The 16-20m² rooms offer a good-sized bedroom area with built in robes and well-appointed bathroom and kitchen. They each have their own balcony or courtyard, and there is also a common area lounge and a common area garden.



Fig 6: Inside one of the New Generation Boarding House Rooms

To be eligible for accommodation, prospective residents must meet a number of allocation criteria, including being in full or part time work, having links to the local area, being on a low income, having no children, and being prepared to enter into a 12 month lease, with options to renew.

A recent study found that the residents of the Summer Hill Boarding House are very satisfied with the quality of the internal design and fit out and standard of management and maintenance. The rent is genuinely affordable to low income working singles and couples.

Despite initial opposition raised by neighbours, it appears that quality design and good management matters, with the overall sentiment of neighbours towards the project post-occupancy much improved. There have been no complaints to Council, and post-occupancy neighbour relationships are reported to be 'very good'.

Supported Boarding House for Older People ('Abbeyfield' Model)



'New Generation' Boarding House-style accommodation can also be provided with varying levels of support to frail aged people or those with a disability who have no, or very limited, capital base. Such developments often have a live-in manager/housekeeper, visiting support staff such as personal care workers, in-home meals, cleaning etc. This can be provided from tenant rents augmented by FACS or other government funding, through HACC Community Aged Care Packages or other funding programs.

One example is the **Abbeyfield Housing Model**, which offers a community-based group housing option for very low income frail aged people and people with a disability who are in need of housing and some degree of support.

Fig 7: Abbeyfield House, Williamstown, South Australia

The developments are generally initiated, developed and managed by volunteers from local communities in partnership with Abbeyfield Australia. They are well-integrated into the streetscape and are non-institutional in design and operation, and usually accommodate no more than 10 people. Residents are encouraged to be active and involved in the

running of the house and in the life of the community. The operation of the houses is supported by a formal legal and administrative framework linking the local and national levels; and support funding for a live-in housekeeper. As noted, visiting support staff can be incorporated through different funding programs.

Mixed Tenure Housing Developments that include Social and Special Needs Accommodation

Introduction

Mixed tenure developments, when **well designed and managed**, can promote housing affordability for a range of income groups and social inclusion for low income people and for more marginalised groups within mainstream housing in the general community.

Increasingly, mixed tenure developments in Australia includes a mix of private rented and owned occupied housing, affordable rental housing for low income working households, as well as social rental housing. Some relatively 'up market' mixed tenure developments, like those in **Adelaide** and **Melbourne** described below, also successfully incorporate special needs accommodation for formerly homeless people.

Despite community concerns, research has shown that developments that incorporate a wide range of income and lifecycle groups **do not**

adversely affect property values or marketability, or lead to social problems such as anti-social behaviour provided they are well-designed, well managed by a community housing provider, and are 'tenure blind' (that is tenures are indistinguishable from the outside, and there is good opportunity for casual social interaction between tenure groups through access to common entrance ways, streets and public open space areas).

Although the case studies below were partnerships between relevant state governments, the private sector, community housing providers and other NGOs, on a smaller scale, these could readily translate to sites owned by Council or another public authority in the local area. However, a reasonable level of public investment was required in the case of these developments in order to incorporate housing for those most socially marginalised and to ensure they are appropriately supported.

The Nicholson at East Coburg, Melbourne



The Nicholson Apartments in East Coburg (pictured left) is a mixed use/tenure development of 199 apartments and eight ground floor commercial spaces on the site of a former government tram depot.

The redevelopment was led by the State Government (Places Victoria), which engaged a private sector developer under a competitive tendering process. **Launch Housing** is the owner and manager of the social and affordable housing dwellings, which were funded through government grants, their own borrowings and private sales. **Urban Communities Ltd** is contracted as the on-site place manager, providing body corporate services, tenancy management for privately rented apartments and other services across the site.

Of the 199 new apartments, 45% are social and affordable housing and 55% are private housing. Decisions about '**tenure mix**' related to contractual requirements and commercial considerations, mainly how integrated on-site place management is provided by community housing provider, **Urban Communities Ltd**, which is contracted by the Owners' Corporation (OC) to provide OC management, building and facilities management, tenancy management, and maintenance services for some private rental units. **Launch Housing**, another community housing provider, provides tenancy management and maintenance for their social and affordable housing tenants.

many units would be needed to be privately sold to fund the project when grant funding and debt equity was considered.

Importantly, 18 of the social housing tenants are **formerly homeless people** with high support needs. Urban Communities is able to get to know people, and are attuned to residents' needs and issues. They are able to 'softly' intervene to avoid or de-escalate conflict should it occur. They can also develop relationships across tenures and ensure integrated services are provided promptly and to a high standard.



Tenure configuration is in a 'quasi-core' layout:

Residential floors are laid out around a central courtyard, accessible to all tenures (pictured left);

There are two separate entrances but access is available across each floor;

The 58 social housing units are on one side (72% of units on that side), so tenants collect their mail and generally enter the building through that entrance;

All units are of the same high quality design externally, although there are some optional extras provided in the internal fitout of private units.

The Nicholson was highly regarded at the time of construction for its innovative design and use of modular construction, and has **won a number of awards** including UDIA (Victoria) Award for Excellence in 2011; and was a finalist in the 2012 Property Council of Australia/Rider Levett Bucknall Innovation and Excellence Awards.

UNO Apartments in Adelaide



UNO Apartments is an **award winning urban intensification project** comprising 146 apartments in a 17 storey development. The units are in a 'clustered' and 'pepper potted' layout (generally all tenures mixed across each floor throughout the building, apart from the top three floors. with:

- 30 studios and offices for a youth crisis service in one 'core';
- 116 mixed tenure units in one 'core':
- 27 social housing units
- 27 NRAS rental (private)
- 28 AH ownership (private)
- 34 private market units

The lead agency was the SA Department for Communities and Social Inclusion, which contracted with a private developer to construct the development, and with Urban Communities Ltd (a CHP) to provide integrated site management (tenancy management for the social housing dwellings, on-site place management and to be the owners corporation manager). St Johns Youth Services is the youth crisis accommodation manager.

Interestingly, UNO was the **highest priced and best-selling apartment building in Adelaide** at the time it was sold, with the mixed tenure reportedly having no bearing on the value of the units sold. UNO Apartments shows that **'affordable housing' does not mean 'lower quality' housing**. The development teams was particularly committed to achieving as high a quality a finish and design as possible on every floor,

regardless of tenure mix. This is particularly important for parties with a long-term investment in the development – for the apartment owner, and for those with long-term responsibility for building management and maintenance. Government also sought to maximise its return through the sale of the private dwellings, and providing a high standard that all tenures could enjoy ensured this.



A reasonable amount of **public investment was initially required**, noting that the project's aim was first and foremost to create youth crisis accommodation. Additional funding, debt financing and sale of private apartments made a much larger and innovative project possible. There was also reported to be a considerable amount of political will and risk taking to make a project with the type of tenure mix proposed happen.

It is also important to note that strata subdivision need not be an impediment to mixing tenures within a building and across floors – even if a higher level of integration is desired. As noted, the configuration of tenures in UNO Apartments is partly clustered in cores and separate floors, and partly 'pepper potted across floors'. Key features of UNO Apartments in this regard are:

- Secondary titling is used to create a quasi-core of private units on upper three floors to increase marketability and maximise return to government;
- Indistinguishable amenity and finishes to other floors containing mixed private and affordable housing;
- Communal entry and lifts for all tenures in the mixed 'core';
- Provides owners on the 3 upper floors with more choice for upgrades to finishes in future, and capacity to charge differential service fees, which is important to contain costs for community housing providers who own/manage other apartments in the complex.

'Pop-Up' Models of Transitional or Temporary Accommodation

Pop-up shelter for homeless women uses Sydney building awaiting demolition

With no end in sight to Australia's homelessness crisis, one charity is taking an innovative approach to housing people in need - a pop-up shelter. Uniting Care has repurposed one of its out-of-use aged care homes that is awaiting demolition into a temporary home for women aged 45 and over, who are making up a growing proportion of the homeless population.

Uniting's director of property and housing, Simon Furness, said the inner-Sydney building would otherwise be lying vacant while awaiting demolition, planned for early next year.

"We've all seen pop-ups all over the place — pop-up bars, pop-up restaurants and clothes outlets and shoe outlets," he said. "Those are pop-ups for a commercial purpose, why not have pop-ups for a social purpose? 'Really, anybody can do this'".

Mr Furness said it did not take too much work to make 30 rooms in the building fit for use. They just needed a good clean and for the utilities to remain connected. They were furnished using second-hand items from a major hotel chain that was having a cleanout.

"We knew the building was going to be here for probably a year to two years while we do all the DAs and engage contractors, so it occurred to us that it's an empty building and a lot of people

need homes, so we decided to reopen the building as temporary housing for older women," he said.

He urged others with empty buildings to consider whether they could do the same with their properties, which he said were often vacant for months or years during the development application and planning control period before redevelopment.

"Really, anybody can do this," he said. "I would strongly encourage any property developer or owner-operator like ourselves to look at their building portfolio and their development plans and if there are buildings that are going to be empty, think about what they can be used for."

Former general manager for Frasers Property Australia, Robert Pradolin, said he believed there were thousands of empty buildings around Australia that could be used for temporary housing with the support of not-for-profit housing providers.

"Well over a decade ago, we used to throw away good food," he said. "Then we changed the laws because it did not make ... sense to discard such a valuable resource. Existing buildings sitting there empty while people are homeless on our streets does not make sense. We need to change the

laws to allow society to help people with the fundamental human need of shelter."

Liz Yeo, CEO of Newtown Neighbourhood Centre said that housing options for women like Anne were often unsafe, male-dominated boarding houses. She said the homelessness crisis was worsening and needed innovative solutions to solve.

"We know we're not going to suddenly, magically have government be able to produce the hundreds of thousands of new homes that are needed," she said.

"So, we need organisations like Uniting and other housing providers to take these initiatives and provide appropriate housing for people."

Anne (not her real name) is one of the 30 women who have lived in the pop-up shelter while seeking permanent housing. The 54-year-old lost her home in March after suddenly becoming unemployed, and has since been living in her car and in temporary accommodation.

"I'd lost my job after 18 years of work, and I wasn't able to pay my rent because I live on my own," she told AM.

Anne was concerned that if she stayed in the property and was unable to pay rent, she would lose her good tenancy record.

"You never think you're going to lose your job," she said. "I didn't have any extra in the bank [as] savings. I was on a minimum wage, so I gave the

key, gave them notice, and I went to stay with a friend."

Anne said the women living in the pop-up shelter were finding support among each other, lending one another blankets, sharing meals. She said even though she feared for the future, she felt lucky to have a roof over her head as there were so many people without one.

"If there is other buildings that are going to go under demolition and they can opt to help people for three to six months, a year [they, should]," she said. "This is a good place, and we all feel safe — it's a safe haven for us."



Pictured above: A lot of the furniture used in the pop-up homeless shelter was donated by a large hotel chain

Value Capture Mechanisms

Introduction

The provision of additional development potential through the rezoning of land to higher uses or a variation to controls that would normally apply creates additional value or profit to the developer. Such additional value or profit has not been 'earned' by the developer, but is a result of the operation of the planning system. It is also not equitable – the owners of an adjacent block of land or precinct that is *not* subject to up zoning or beneficial variations will *not* receive additional value or profit, and may in fact experience a devaluation of their asset in certain circumstances.

Further, the up zoning or variations to controls will often result in diminished amenity for others in the community, for example, where there is significantly higher density in a low density precinct that is in transition. In international jurisdictions like the USA and Great Britain, it is common practice to capture a reasonable share of the 'unearned portion' of land value uplift (LVU) to use for a community benefit, in particular, the creation of affordable rental housing.

The creation of affordable rental housing in redeveloping precincts is both reasonable and appropriate, as such redevelopment generally results in an increase in land and housing values and gentrification, leading to the displacement of historical populations. Seeking to retain at least some of those who would otherwise be displaced through the

creation of affordable housing as part of new mixed tenure developments has been described in a number of the case studies above.

Two mechanisms for capturing a reasonable share of land value uplift created through the planning and approvals process in NSW are described below.

The first is generally negotiated between a consent authority and developer in the form of a **Voluntary Planning Agreement** under s7.4 of the Act (formerly s94F). Various NSW councils use this provision differently, and two examples (**Byron Shire Council** and **Inner West Council**) are provide below.

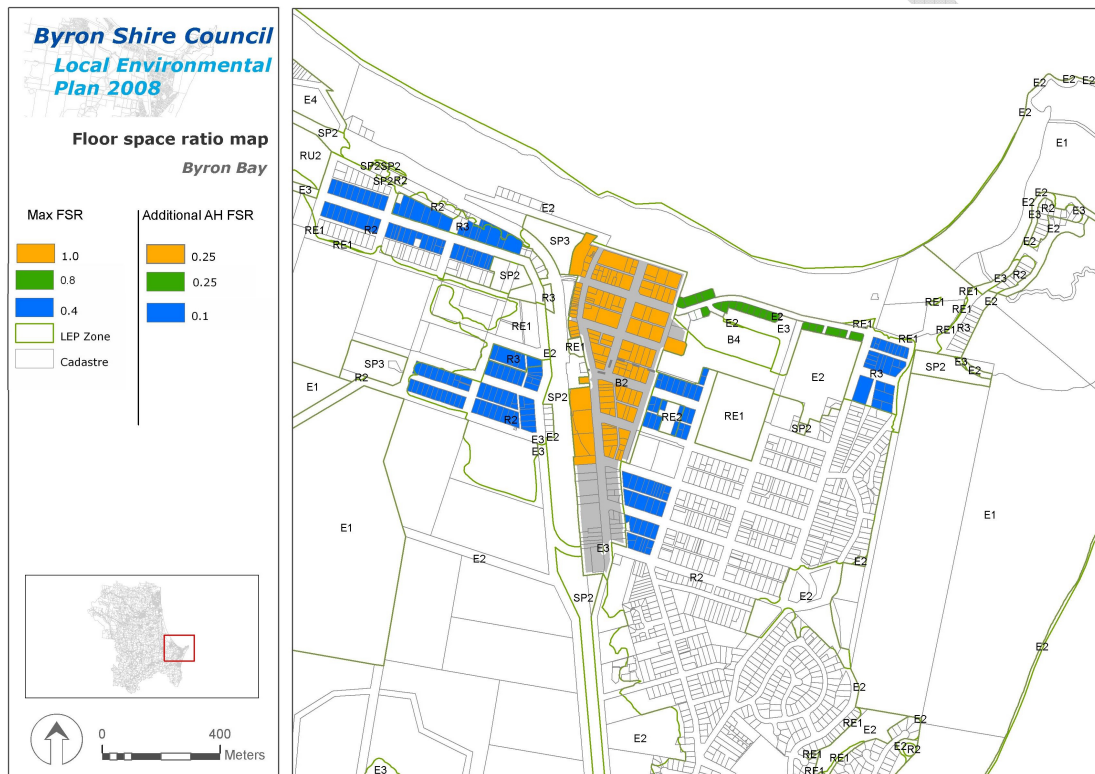
The second is implemented as **mandatory affordable housing contributions** under s7.32 (formerly s94F) of the *Act* or other enabling legislation. In NSW, this is operationalised under *SEPP 70 – Affordable Housing*, which has recently been amended to include a number of additional councils, including **Inner West Council**.

In each case, the additional affordable rental units created from the cash or in-kind contributions are **created in perpetuity** and rented through a community housing provider.

Voluntary Planning Agreements

Byron Shire Council

Byron Shire Council, one of the least affordable regional areas in Australia, adopted its *Affordable Housing Strategy* in early 2009,^{vii} and its *Voluntary Planning Agreements Policy – Affordable Rental Housing*,^{viii} soon after. Under the *Policy*, planning incentives in the form of density bonuses or other variations to planning controls such as height or parking may be granted where a developer agrees to make a contribution, in cash or in-kind, to Council's affordable housing program in perpetuity.



Byron Shire Council's *Policy* is supported by detailed research, economic analysis and mapping of relevant precincts. The affordable housing contribution is **50% of additional profit on additional floor space/units created**. Other councils, such as **Waverley Council**, have long-established density bonus programs, and have generated hundreds of units over some 30 years.

The mechanism is most effective in precincts where land values are high, and/or where there is significant redevelopment pressure, and where there are sufficient redevelopment opportunities to make implementation worthwhile.

The adjacent map shows the precinct-based approach and the variations apply under the *Policy* in Byron Bay town centre (JSA 2008).

Inner West Council

After extensive demographic and housing market research, and a detailed economic analysis of the quantum of affordable housing contributions that would be reasonable in the local context, **Inner West Council** adopted its *Affordable Housing Policy* in late 2017.^{ix}

Among other things, the Policy provides for a voluntary contribution toward affordable housing based on the nature and the quantum of the proposed re/development. In the case of **rezonings**, the preferred

contribution is 15% of total Gross Floor Area of the new development where the development results in 1700m² or more of total floor area. The calculations that support this take into account all costs to the developer, including land, dwelling construction and 10% normal profit, and a substantial margin on costs that favours the developer. The remaining profit is then assumed to be divided evenly between Council and the developer.



The very high rate of land value uplift in the LGA's main redevelopment areas (for example, along the Sydenham to Bankstown Corridor) would justify even higher rates of contribution. For example, a factory site valued at \$4.0 million before rezoning sold for around \$48.0 million post-rezoning. However, the Council decided on a uniform rate that is effectively an LGA-wide average. It is noted that this type of uplift is unusually high, and that Councils in areas where uplift is far more modest have also implemented this type of mechanism.

A **variable rate of affordable housing contribution** also applies to sites already zoned for residential or commercial uses, where the developer is applying for a variation to the normal controls. In this case, average affordable housing contributions have been calculated on a precinct by precinct basis, and is supported by a contributions table appended to the *Policy*.

Fig 8: Older industrial area in Sydenham in Inner West Council area.

Mandatory Affordable Housing Contributions

Inner West Council was one of a handful of additional councils **included under the provisions of SEPP 70 – Affordable Housing** in late 2017. This means that Council will be able to levy mandatory affordable housing contributions rather than use Voluntary Planning Agreements in the case of major rezonings. At the time of writing, it is not known whether Council will be permitted to levy the 15% of GFA that is provided for in its *Affordable Housing Policy*. Currently, Central Coast Council is not legally able to levy mandatory affordable housing contributions, although this may be possible in the future.

Shared Equity Purchase Arrangements

Introduction

One of the only ways that many low and moderate income purchasers can enter the home purchase market is through some form of shared equity arrangement. This is particularly the case those needing a family home.

Typically, a purchaser will enter shared equity arrangement with a community housing provider where the purchaser will own 25-75% of the equity in the home.

Generally, there is a covenant on title or other similar legal arrangement that provides that the purchaser will sell the home back to the housing provider if they wish to exit the arrangement to regain their equity as well as an agreed share of any capital gain that has accrued. Under some schemes, the purchaser can increase their share of equity over time.

This ensures that the home stays as affordable purchase in perpetuity, and that the first purchaser does not obtain a windfall profit from the sale of a home where there has been a public subsidy (as is often the case in

more standard subsidised home purchase arrangements). Partnering with a community housing provider rather than a bank or private sector developer tends to keep costs lower for the purchaser, and keep the housing stock in the 'affordable housing' market.

This type of arrangement is not generally as well-developed in NSW as it is in some other Australian and international jurisdictions, and there are no government supported schemes in NSW. However, it is likely to work well in the local context in either a higher density or Greenfield development, and a scheme similar to ones that operate in other jurisdictions could be developed by a local community housing provider, potentially in partnership with a financial institution, and/or on Council-owned land.

Share equity arrangements on some dwellings could work well as part of a mixed tenure development, like those described earlier.

Tweed Shire Council/Horizon Housing Partnership



A development in NSW using a partnership approach to shared equity purchase is between Tweed Shire Council and Horizon Housing (a local community housing provider) on a Greenfield site near Murwillumbah on the far north coast. The Commonwealth Government, Stockland and Bank Australia have also been involved as partners to increase the scope of the project.

Federal funding, obtained by Tweed Shire Council through the Building Better Regional Cities program, has seen Horizon Housing partner with Stockland to fund the delivery of infrastructure works in their Hundred Hills Estate, Murwillumbah (pictured).

The infrastructure works will allow the delivery of fully serviced lots throughout various stages of the development, of which Horizon Housing will receive 52 lots within the total development area. As infrastructure works have been progressively completed, Horizon Housing has been constructing 3 and 4 bedroom houses on the designated lots.

A majority of dwellings in the estate will be for private market sale, and the balance to be retained and rented to locals at an affordable rate by Horizon Housing. An innovative feature of the development is the option of more affordable purchase. This is provided through the development subsidy from the BBRC funding, and the ability of low and moderate income purchasers to defer 25% of their mortgage cost until the sale of the property through the Horizon Housing-Australia Bank partnership as a form of shared equity.

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ii Southern Cross Community Housing Ltd v Shoalhaven City Council [2010] NSWLEC 1306.

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vii Prepared by Judith Stubbs and Associates from 2008-09, including detailed Background Reports.

viii Prepared for Byron Shire Council by JSA (2009), and available with the Planning Agreement Template and calculations on the website of Byron Shire Council

ix Developed for Inner West Council by Judith Stubbs and Associates. Policy at: <file:///C:/Users/judy.jsa/Downloads/Affordable%20Housing%20Policy.pdf>