

ATTACHMENT B

**CITY OF SYDNEY SUBMISSION ON
DRAFT REDFERN-WATERLOO AUTHORITY
AFFORDABLE HOUSING CONTRIBUTIONS
PLAN 2006**

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Redfern-Waterloo Authority Draft Affordable Housing Contributions Plan

A submission from the Council of the City of Sydney

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EXECUTIVE SUMMARY & RECOMMENDATIONS

The City of Sydney welcomes the opportunity to comment on the *Draft Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006* (Draft Plan). The Draft Plan follows on from the suite of three documents which the Redfern-Waterloo Authority (RWA) has developed to guide the revitalisation of these areas being the *Human Services Plan*, the *Employment and Enterprise Plan* and the *Built Environment Plan*. The Draft Plan will also support the *Draft Redfern-Waterloo Authority Contributions Plan 2006*, which will levy developer contributions on development proposed in the eight (8) State Significant Sites.

The City of Sydney supports the aim of revitalising the Redfern-Waterloo area. However, the City is concerned about a selection of issues arising from the Draft Plan. In summary these are:

The Land to Which the Plan Applies: the current wording of this clause results in a clash with the existing Green Square affordable housing scheme.

Housing Needs Analysis: the analysis provided addresses the private sector only and should be expanded to provide a complete view of the public and private housing sectors within the Redfern-Waterloo Operational Area, particularly if funds collected through the Draft Plan are to go to refurbishment or revitalisation of public housing stock.

Affordable Housing Delivery Mechanisms: are broadly described, but detail is lacking as to how and by whom development and construction, and thence ongoing management will be carried out.

Relationship to the *Built Environment Plan* (BEP) – public housing: the BEP proposes a “Stage 2” process when the RWA partners with the Department of Housing to develop a detailed public housing revitalisation programme. The City submits that the Draft Plan needs clarification to explain how it relates to this proposed programme.

Relationship to the BEP – planning controls: The City suggests that the RWA consider amendments to the BEP and/or the State Environmental Planning Policy (Major Projects) designed to encourage or further enable affordable housing within the development of the State Significant Sites.

Financial Issues and Accountability: the City has a number of points to raise including:

- *Calculation of the contribution rate:* questioning the use of a median sales price as the basis for the affordable housing formula and the resultant 1.25% levy,
- *Indexation:* the City questions the proposed indexation method, based on *Rawlinson's Australian Construction Handbook* it seems to have no relationship to the basis for the formula, which is median sales price averaged across the Operational Area,
- *Exemptions:* there are currently no exemption clauses within the Draft Plan to enable minor development to be excluded from payment of the affordable housing levy,
- *In Kind Contributions:* there is no possibility of these in the current drafting of the Draft Plan – the credits provision is not sufficient to enable in kind contributing,
- *Credits:* this provision is extremely general, with references to ‘satisfactory arrangements in the opinion of the consent authority’. Clear circumstances for credits must be developed.

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- *The "fund" and its Accountability:* whilst not stated in the Draft Plan, presumably interest earned on funds paid to the RWA under the Draft Plan will also be expended on affordable housing in the Operational Area, also there is a need for some level of accountability as to how and when the money in the fund is expended,
- *Monitoring:* is essential, not only of the Draft Plan but also of the development take-up and floorspace absorption within the State Significant Sites. This will help to track whether the Draft Plan will be in surplus or shortfall, and thus will indicate if and when review is required.

1. BACKGROUND

The City of Sydney supports the need for affordable housing within the Redfern-Waterloo Operational Area, especially now that significant redevelopment will occur on the eight (8) State Significant Sites, and will most likely result in significant change to the nature of the area. The City of Sydney also has considerable expertise in the administration of affordable housing schemes, and has worked with the State Government and City West Housing to develop and administer schemes for two significant redevelopment areas in the Local Government Area – Green Square and Ultimo Pyrmont. Drawing on this expertise has informed this submission regarding the Draft Plan.

2. GENERAL COMMENTARY

The City understands that the Draft Plan proposes that affordable housing contributions will be collected by the RWA and expended on affordable housing within the Redfern-Waterloo Operational Area. The Draft Plan includes a levy of 1.25% of the total gross floor area of the proposed development, which translates to approximately \$59.00 per square metre, when apportioned across the future potential floor area to be developed across the eight (8) State Significant Sites.

The City understands that similar to the *Draft Redfern-Waterloo Developer Contributions Plan 2006*, the estimated revenue from the Draft Plan is based on the anticipated maximum development outlined in the *Built Environment Plan* (BEP). The BEP estimates that total new floorspace arising from the development of the State Significant Sites would be 600,000 square metres (440,000 square metres being for employment-generating land uses and 160,000 square metres for residential land uses).

Finally, the Draft Plan includes a works schedule that proposes 75 affordable housing units at an average cost to develop of \$470,000 each. 50% of these units are to be provided within five years and the remaining 50% will be completed in ten years.

3. KEY ISSUES & RECOMMENDATIONS

The following key issues and recommendations are discussed in further in the following sections:

- Land to Which this Plan Applies
- Housing Needs Analysis;
- Affordable Housing Delivery Mechanisms;
- Relationship to the BEP; and
- Financial Issues and Accountability.

3.1 Land to Which this Plan Applies

The Draft Plan states that it applies to the “Operational Area” (i.e. not only the State Significant Sites). The notes on Page 4 of the Draft Plan go on to say that the City of Sydney may not prepare or approve any affordable housing scheme on the land to which the Plan applies. This is problematic as the Green Square affordable housing scheme already exists and applies to the north-eastern part of the Operational Area, which overlaps the Green Square Redevelopment Area.

The City submits that the clause explaining the “Land to Which the Plan Applies” in the Draft Plan should be amended to clarify that:

- the Draft Plan will levy affordable housing contributions (and/or any in kind contributions) from the eight (8) State Significant Sites only; and
- the funds collected will fund the construction and delivery affordable housing both within State Significant Sites and in the wider Operational Area.

In this way the levy is drawn from the State Significant Sites where the City of Sydney has no control and where there is no overlap with the Green Square Redevelopment Area. Funds may then be expended across the Operational Area (i.e. beyond the State Significant Sites).

3.2 Housing Needs Analysis

It is agreed that low-cost purchase and rental options are scarce within the Operational Area, due to a range of factors including land values, strong competition for both purchase and rental sectors, and issues such as gentrification. However the analysis included in the Draft Plan is incomplete in that it focuses on low-cost private housing (for sale or for rental) and does not evaluate the public sector stock in the Operational Area.

This seems unusual given that the Draft Plan flags that the levy may be used to refurbish established dwellings, and the BEP includes a Stage 2 process where the RWA will work with the Department of Housing to revitalise public housing stock. Whilst there is little information available in the Draft Plan and elsewhere as to how affordable housing and refurbishment programmes will be managed between the RWA and the Department of Housing, it is clear that the future of affordable housing in the Operational Area will involve improvements to public stock and acquisition/construction from the private market. The analysis in the Draft Plan would therefore be more useful and complete if it also included information such as:

- the number of existing public housing units in the Operational Area;
- the level of occupancy for these public housing units;
- any information as to waiting lists (i.e. numbers of potential tenants on waiting lists, likely time before a placement may be made, etc.);
- any information as to the management models for these public housing units (e.g. is renting the dominant form of tenancy, or are any subject to purchase schemes?); and
- any agreements reached with the Department of Housing as to the scope and nature of the refurbishment/revitalisation programme and timing for the programme.

If the Draft Plan proposes measures to acquire stock privately as well as improving or creating new stock from existing public housing, then it is recommended that the analysis within the Draft Plan be updated to address the housing need as it exists within both public and private housing sectors.

3.3 Affordable Housing Delivery Mechanisms

The Draft Plan proposes options for the delivery of 75 affordable housing units, but these options are very general and the City submits that they require further investigation prior to finalising the Draft Plan. Analysis is needed to develop final options for the two separate issues of:

- mechanisms for actual physical construction and delivery of the dwellings; and
- management and tenure options for the dwellings, once constructed.

3.3.1 Delivery Mechanisms – Development and Construction

In terms of physical construction, where possible the RWA should encourage developers to enter into Planning Agreements that require the construction of the affordable housing within the redevelopment of the eight (8) State Significant Sites. In the City's experience of managing affordable housing schemes, developer provision is often preferable for both the consent authority and the developer.

The City recommends that a new clause is required within the Draft Plan to enable "In Kind Contributions", which should state that the cash contribution may be reduced or waived when a developer agrees to enter into a Planning Agreement to provide the required quota of housing within any redevelopment proposal. The existing provisions within the "Credits" clause are not sufficiently strong or clear enough to convey this. Further recommendations to encourage the provision of affordable housing within the State Significant Sites are discussed later in this submission, in the section relating to the BEP.

The City of Sydney recommends establishing at the earliest possible time an agreement with an affordable housing provider such as the City West Housing Pty. Ltd., to outsource tasks including:

- the purchase of land;
- the management of construction contracts and construction itself; and
- the development of management arrangements for when dwellings are complete.

Whilst the City of Sydney is committed to the provision of affordable housing in the redevelopment areas of Ultimo Pyrmont and Green Square, the City is not a specialist in the provision and management of affordable housing, and so the agreement with City West has brought this expertise to the process.

Also, the role played by City West Housing and other organisations such as the Office of Community Housing (a division of the Department of Housing) is clearly documented in the *Affordable Housing* brochure, prepared by the Department of Planning for Ultimo Pyrmont and in the *Green Square Affordable Housing Development Control Plan 2002*, so that there is transparency as to the process, and the public and developers alike can understand the process through which the levy is converted into affordable housing. City West Housing also have public responsibility to prepare annual plans and statements as to their activities, which again delivers transparency to the process. The City recommends that the Draft Plan be expanded, or be supported by notes to explain how each of the options for construction would be carried out.

3.3.2 Delivery Mechanisms – Management and Tenure

The Draft Plan includes options for management of affordable housing. Choices appear to be rental or purchase through some sort of home purchase model. Further research is required into both options, though the rental option is clearly the established method of managing affordable housing in New South Wales.

Research from the United Kingdom indicates that home purchase schemes usually provide the initial purchaser with a significant windfall gain, and that dwellings often lose their classification as affordable housing when sold by the initial purchaser on the open market.

The City recommends that the RWA research the management issue thoroughly, to determine how a home purchase scheme might be established and how it would fare in the current Sydney real estate market. Finally there is a need to assess whether this option makes a successful contribution to improving housing stress and meeting housing need.

The RWA may also consider determining the proportion of its target of 75 units that it intends to manage through the rental option, and the proportion that will be offered for sale (if any). Resolving these details will be critical to the ongoing success of the Draft Plan and will again improve the clarity of the affordable housing scheme. The City also considers that formal agreement with a specialist housing provider should be entered into, so as to provide certainty about the future ownership/tenancy of the units to be developed under the Draft Plan. As previously discussed, City West Housing have responsibilities to prepare statements and plans regarding their activities, meaning that their processes and activities are transparent and open.

3.4 Relationship to the BEP

3.4.1 Stage 2

The final provisions of the RWA's BEP propose "Stage 2" which is a partnership with the Department of Housing to conduct detailed research on options for revitalising existing public housing stock. It is not clear how this relates to the Draft Plan, nor is it clear as to whether this Stage 2 is the "Redfern-Waterloo Affordable Housing Program" referred to in the Draft Plan.

Whilst the revitalisation of public housing stock is generally supported, there are issues that arise from the BEP Stage 2 that are not clearly dealt with in the Draft Plan. These include displacement of existing tenants whilst revitalisation and refurbishment occur and the need to communicate with tenants in an open and effective manner throughout the refurbishment/revitalisation process.

The City's submission on the BEP recommended that a communications plan and mechanisms such as a representative committee (including public housing tenants) be established to ensure a partnership between the RWA and public housing tenants in the achievement of affordable housing and public housing outcomes. Again the City recommends these measures to ensure open and transparent implementation of both the BEP and the Draft Plan. Clarity as to what the "Redfern-Waterloo Affordable Housing Program" is and when it will be complete is also requested, as it seems unusual to proceed with scheme and generate a levy, if the required wider research is not complete.

3.4.2 Planning Controls

As part of the commitment to affordable housing in the Operational Area the City also recommends that the RWA investigate mechanisms to introduce flexibility to the provisions of the BEP and the *State Environmental Planning Policy (Major Projects)*. These mechanisms may aim to allow more residential development (accepting that this means there would be a reduction in employment-generating development) within the State Significant Sites than is currently allowed by the provisions of the BEP and *State*

Environmental Planning Policy (Major Projects), where that additional residential development is to be affordable housing.

3.5 Financial Issues and Accountability

3.5.1 Calculation of the Contribution Rate

The rate is based on the median sales price across the postcodes that comprise the Operational Area, and whilst it is not stated in the Draft Plan, presumably this median price will be updated annually to ensure its accuracy. The City suggests cross-checking the proposed rate against the current construction cost for average 1, 2 and 3-bedroom units in the Operational Area, and researching land values in the Operational Area to determine a comparison point. The 1.25% levy is not well-justified in the Draft Plan and again may benefit from a cross-check of this nature.

3.5.2 Indexation

The method of indexation in the Draft Plan does not seem to relate to the methodology for the contribution rate. If the rate is based on a median sales price for the Operational Area, then the most effective indexation would seem to be simply updating the formula with a new median sales price each year, and thus adjusting the dollar rate per square metre up or down depending on the movement of this sales price. It is not clear how indexation against the *Rawlinson's Australian Construction Handbook* would work given that the formula is not based on construction cost, but median sales price.

3.5.3 Exemptions

Standard in each of the City's affordable housing schemes are exemptions for development that is small in scale and/or does not generate new floorspace. The Draft Plan needs an exemption clause to ensure that minor development within the State Significant Sites is not levied.

3.5.4 In Kind Contributions

As previously discussed in relation to the delivery mechanisms for affordable housing, the Draft Plan should be amended to enable the reduction or waiver of the cash contribution, if a developer will enter into a Planning Agreement to provide the affordable housing in kind. The present drafting of the "Credits" provision within the Draft Plan is not sufficient to enable this, hence the recommendation of an additional provision.

3.5.5 Credits

This provision within the Draft Plan is extremely general. It refers to the opinion of the consent authority that sufficient arrangements have been made and that a credit may then be considered. There is a clear lack of accountability in the drafting of this provision. It should be supported by a methodology that clarifies the circumstances in which a credit may be possible. This may be added to the Draft Plan, or included in supporting (separate) notes.

3.5.6 The "Fund" and its Accountability

Whilst not stated in the Draft Plan, presumably the interest earned on monies held in the fund will also be expended on affordable housing in the Operational Area. Reference to expending the funds within "a reasonable time" should be amended to read "5-10 years" so that the clarity of the works schedule is consistently stated throughout the Draft Plan.

Finally, there is no financial accountability attached to the fund. The Draft Plan states that cash contributions will be paid to the fund, but does not explain how and when these funds (and any interest earned) will become affordable housing. The Draft Plan should be expanded, or supporting (separate) notes should be prepared to explain where the money goes after payment. Existing City of Sydney affordable housing schemes (for example: the Green Square scheme) use flow-charts to explain the steps in the process.

3.5.7 Monitoring

Monitoring is essential, not only for the implementation of the Draft Plan, but in terms of each of the eight (8) State Significant Sites as they are developed. Monitoring of each site should consider whether the maximum floor area was achieved and how much of the overall maximum 600,000 square metres has been absorbed as each site is developed.

Tracking these figures will help to show whether the affordable housing provision is likely to be in surplus or shortfall, which will in turn indicate whether the Draft Plan needs review. The Draft Plan (or any supporting notes prepared) should include a process for regularly reviewing and updating information on the progress of development across the State Significant Sites.