

Affordable Housing Contributions Scheme

Draft

December 2020



northern
beaches
council

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Section 1 - Introduction

1.1 Objectives of the Scheme

The objectives of Council's Affordable Housing Contributions Scheme are:

- to set out how, why, where and at what rate development contributions can be collected for the purpose of affordable housing; and
- to provide local residents and key workers on low to moderate incomes with access to affordable rental accommodation to assist them to enter the private rental market or home ownership.

1.2 Areas to which the Scheme applies

The Scheme will apply to specified areas within the Northern Beaches Council area as follows:

1. Frenchs Forest Planned Precinct as identified within Figure 1.

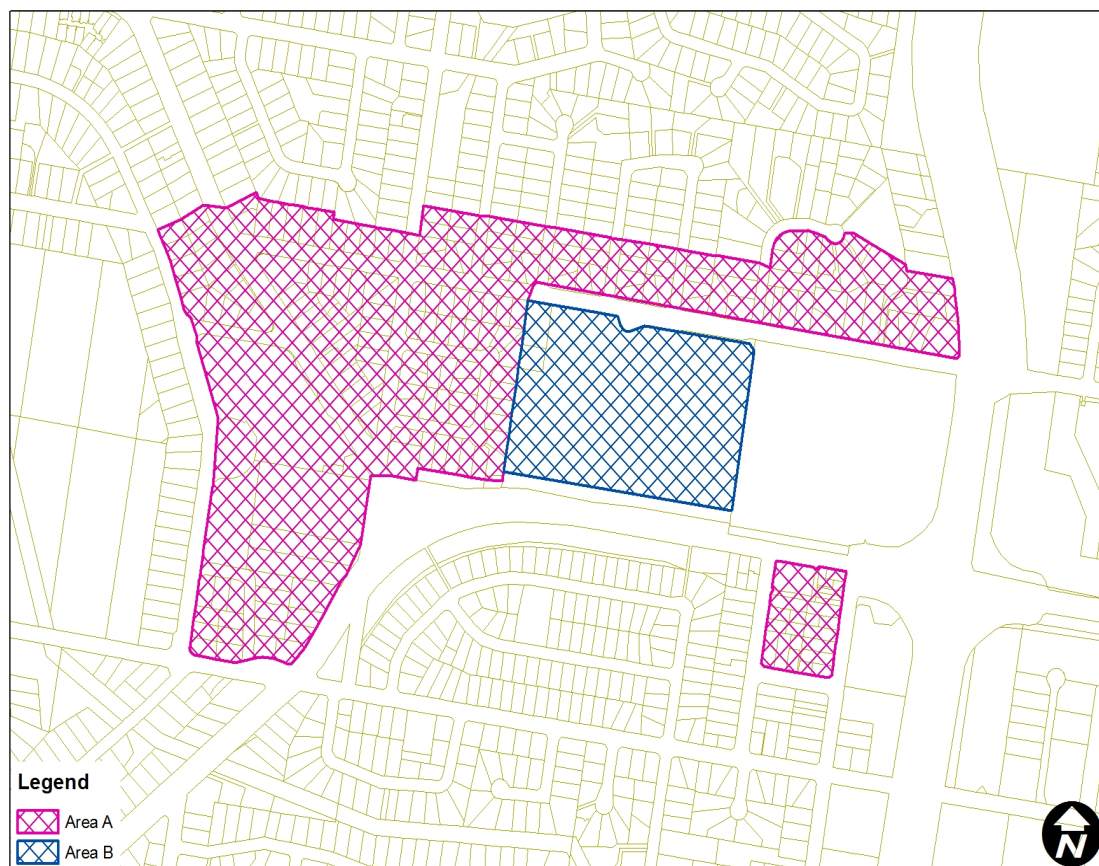


Figure 1: Frenchs Forest Planned Precinct - Affordable Housing Contribution Rate Areas

1.3 Types of Development to which the Scheme Applies

The Northern Beaches Affordable Housing Contributions Scheme applies to the residential component of a development to which the development application relates.

1.4 Overview – Affordable Housing Need

Housing has a vital role to play in developing sustainable local communities. Providing housing that is affordable and appropriate to the needs of the local community also ensures a strong and stable labour force to sustain local businesses.

The lack of affordable housing for households on low and middle incomes has become a critical issue on the Northern Beaches.

Many households on moderate or lower incomes cannot afford to rent without experiencing “housing stress” or being forced into sub-standard housing in order to secure affordable rents.

The consequences of poor rental and home purchase affordability are substantial, including:

- local residents with established ties being driven further away from the sub-region in search of more affordable housing. This has tended to undermine social bonds and diversity in the local community; and
- community sector and lower paid employees who have relocated further afield in order to find more affordable housing options. This adversely affects the operational viability of local services and businesses.

In December 2016, Northern Beaches Council resolved to develop a Northern Beaches Affordable Housing Policy.

A draft Affordable Housing Policy and supporting evidence of the need for affordable housing (Housing Needs Analysis and Affordable Housing Discussion Paper), and a recommended Action Plan to respond to that need, were subsequently developed in consultation with an internal working party, State Government, and representatives from other Councils across Metropolitan Sydney. The Affordable Housing Strategic Reference Group, comprising industry representatives and community members, worked closely with Council to confirm the policy principles, statements, and actions.

At its meeting on 28 March 2017, Council resolved to publicly exhibit the draft Policy and Action Plan. The exhibition included the following community engagement:

- Bulk emails to over 13,500 members of the Community Engagement Register
- Targeted email to 283 community and disability groups
- Targeted email to all representatives of Council’s 11 Strategic Reference Groups, comprising of 170 representatives from the community and community organisations
- Drop-in session held at Council’s Dee Why Civic Centre
- Presentations to the Affordable Housing Strategic Reference Group and Local Representation Committee
- Notices in the Manly Daily

The community expressed strong overall support for the adoption of an Affordable Housing Policy. Council subsequently adopted the Policy in June 2017.

A key element of the Policy and related Action Plan was the delivery of affordable rental housing through the operations of State Environmental Planning Policy 70 (Affordable Housing) Revised Schemes (SEPP 70), which enables Councils to levy

developers for the provision of affordable housing through its Local Environmental Plans (LEPs), subject to the approval of the State Government.

Following strong submissions, Council was included in SEPP 70 in April 2018. Since then, Council has been working with the Department of Planning and Environment to develop affordable housing requirements for inclusion in Council's LEP for the Frenchs Forest Planned Precinct. It is important to note that the State Government has directed that affordable housing requirements will only be supported in localities subject to "up-zoning" e.g. Frenchs Forest.

At its meeting on 28 August 2018, Council reviewed its Affordable Housing Policy and resolved to tender for a Community Housing Provider to manage affordable housing dedicated to Council through the planning process.

In addition, Council is undertaking additional research on affordable housing in the preparation of the Northern Beaches Housing Strategy. This Strategy, will inform the preparation of a single Northern Beaches Local Environmental Plan by 2021.

1.5 Legislative Basis for the Affordable Housing Contributions

An Object of the *Environmental Planning and Assessment Act 1979* (the Act) is to encourage the provision and maintenance of affordable housing.

Section 7.32 of the Act allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

- 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 so provide

State Environmental Planning Policy No. 70 – Affordable housing (Revised Schemes) 2009 (SEPP 70) enables Councils identified in the SEPP to prepare schemes requiring developer contributions for affordable housing.

1.6 Relationship to other affordable housing provisions in the LGA

The Affordable Housing Contribution Scheme will be referenced in Councils LEP(s) and is the primary mechanism for Council to levy for affordable housing (for areas of uplift) in the Northern Beaches LGA.

Council is undertaking additional research on affordable housing in the preparation of the Northern Beaches Housing Strategy. This Strategy will inform other Council responses to affordable housing issues and the preparation of a single Northern Beaches Local Environmental Plan by 2021.

Should Council undertake negotiations through a proposed planning agreement for the provision of affordable housing, in connection with a development application or proposed development application, the Minister's Direction *Environmental Planning and Assessment (Planning Agreements) Direction 2019* is to be considered. This includes consideration of the Northern Beaches Council Affordable Housing Contributions Scheme.

1.7 Affordable Housing Principles

(1) The ***Northern Beaches Affordable Housing Contribution Scheme Principles*** are:

- a) Affordable housing must be provided and managed so that accommodation for a diverse residential population representative of all income groups is available in the Northern Beaches, and
- b) Affordable housing must be rented to tenants whose gross household incomes fall within the following ranges of percentages of the median household income for the time being for the Greater Sydney (Greater Capital City Statistical Area) according to the Australian Bureau of Statistics:

Very low income household	less than 50%
Low income household	50% or more, but less than 80%
Moderate income household	80–120%

or any combination of these households, and at rents that do not exceed a benchmark of 30% of their actual household income, and

- c) Dwellings provided for affordable housing must be managed so as to maintain their continued use for affordable housing, and
- d) Rental from affordable housing received by or on behalf of the Council, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), and money from the disposal of affordable housing received by or on behalf of the Council must be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing in Northern Beaches, and
- e) Affordable housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with the same type of dwellings within the development to which the development application relates, especially in terms of internal fittings and finishes, solar access and privacy, and
- f) The affordable housing rental program is a transitional program providing access to affordable housing to eligible local residents and key workers to assist them to enter the private rental market or home ownership by the end of that period.

NOTE:

The affordable housing principles set out in Schedule 2 to State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes) may also apply to any development.

1.8 Definitions

Accountable total floor space means the gross floor area of the residential component of the development to which the development application relates. This includes changes of use of floor area to a residential use.

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 in an environmental planning instrument.

Gross floor area is defined by the relevant Local Environmental Plan

Section 2 – Affordable Housing Contributions

2.1 Contributions Rates

The following affordable housing rates apply to the areas in which the Scheme applies:

1. The Frenchs Forest Planned Precinct (Figure 1)

Where the contribution is provided as a dedication of dwellings:

- Within area “A” the dedication in favour of the consent authority, free of cost, one or more complete dwellings with a gross floor area equivalent to 10% of the accountable total floor space.
- Within area “B” the dedication in favour of the consent authority, free of cost, of one or more complete dwellings with a gross floor area equivalent to 15% of the accountable total floor space.

Where the contribution is provided as an equivalent monetary contribution:

- \$11,000 per square metre.

See Attachment 4 for the feasibility assessments for the Frenchs Forest Planned Precinct.

2.2 Dedication of Dwellings

Generally, the contribution is to be provided via the dedication of dwellings – build and dedicate free of charge to the Council, the required affordable housing dwellings in order to achieve the objectives of this plan.

Each dwelling is to have a gross floor area of not less than 50 square metres, and be incorporated within the proposed development.

Where a dedication of affordable housing dwellings is required, the development application must:

- state the amount of affordable housing floor area to be dedicated, and any residual amount for which a monetary contribution is required;
- clearly identify on the plans the affordable rental dwellings proposed to be dedicated;
- demonstrate the appropriateness of the dwellings proposed for dedication, the location, size and quality of the affordable housing dwellings are to be to the satisfaction of Council. If they are not to satisfaction, Council may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution; and
- demonstrate the accountable total floor space of the development that was used to calculate the contribution.

Example

A development application within area “A” comprises 1000m² of accountable total floor space (the gross floor area of the residential component of the development). The affordable housing contribution is calculated as:

$(10\% \times 1,000\text{m}^2) = 100\text{m}^2$ (gross floor area) dedicated as affordable housing dwellings

NOTE:

The area to be dedicated as affordable housing is gross floor area i.e. does not include balconies, car spaces, storage and common circulation areas.

There are to be no ‘savings’ or ‘credit’ for floor space that already exists on the site, even if the building is being adapted and reused.

2.3 Equivalent Monetary Contribution

If the percentage of accountable total floor space results in an area which equates to less than 50 square metres, or where Council otherwise considers it appropriate to achieve a better affordable housing outcome, a monetary contribution equivalent to the market value of the dwellings that would otherwise be required will be sought as condition of development consent.

In some cases, a contribution may comprise a combination of dedication and monetary contribution.

Example

A development application within area “A” comprises 1000m² of accountable total floor space (the gross floor area of the residential component of the development). The affordable housing contribution is calculated as:

$(10\% \times 1,000\text{m}^2) = 100\text{m}^2$ (gross floor area) \times \$11,000 per square metre = \$1,100,000 as an equivalent monetary contribution

2.4 Development that is Exempt from the Scheme

The following development is excluded from the requirement to make an affordable housing contribution:

- (a) community housing (as defined in section 3 of the Housing Act 2001);
- (b) group homes; and,
- (c) public housing (as defined in section 3 of the Housing Act 2001)

2.5 Conditions of Consent for Affordable Housing

The requirement for an affordable housing contribution will be a condition of development consent. A summary of conditions that will be applied to relevant consents is provided below.

Dedication of Dwellings

Where the dedication of dwellings is required, a condition requiring the dedication in favour of the Council, free of cost, of land comprised of one or more complete dwellings as determined by Council's LEP requirements and the requirements of this Scheme, with each dwelling having a gross floor area of at least 50 square metres.

The transfer of title of dwellings will be required to be completed prior to the earlier of:

- a. Two months after the registration of the subdivision of the development
- b. Six months after the issue of any Occupation Certificate for the development

Monetary Contribution

Where a monetary contribution is required, a condition requiring the payment of a monetary contribution to the Council calculated by reference to the market value of dwellings of a similar size to those proposed by the development application.

Council may require the applicant to provide evidence of the market value of dwellings prior to the issue of development consent or undertake its own valuation at the applicant's cost.

The condition of consent will contain but not be limited to, the following information:

- The monetary contribution required including the market price used in the calculations;
- The accountable total floor space used in the calculations;
- The contribution period at the time of determination (i.e. for a consent dated July 2019, the contribution period is 1 June 2019 – 31 August 2019);
- The method of indexation of contribution rates; and
- A requirement that the condition be satisfied (to Council's satisfaction) prior to the issue of any construction certificate for development. Where a construction certificate is not required, the condition must be satisfied prior to the commencement of work.

Combination of Dedication of Dwellings and Monetary Contribution

A condition requiring the dedication of dwellings and the payment of a monetary contribution to Council will be required where the required contribution cannot be met through the dedication of a whole dwelling.

NOTE:

Section 7.32 of the Act permits the imposition of such a condition and specifies the circumstances under which such a condition may be imposed. Any condition imposed is subject to section 7.33 of the Act.

An affordable housing condition will not be imposed in relation to an amount of accountable total floor space if the consent authority is satisfied that such a condition has previously been imposed under this clause in relation to the same or an equivalent amount of accountable total floor space on the site.

Section 3 – Administration and Implementation

How to make a Contribution

Complete affordable dwellings are to be dedicated to Council as outlined in Section 2.

Monetary Contributions are to be paid to Council by unendorsed bank cheque prior to the issue of any construction certificate for the development. In circumstances where no construction certificate is required, payment is required prior to commencement of any work or the use/occupation of the development (whichever occurs first). The procedure for making payment is available on Council's website.

3.1 Indexing of Payments

3.2.1 Adjustment of Monetary Contribution Amount

Monetary contribution amounts are adjusted on an annual basis, on 1 March each year, with reference to movements in the median strata dwelling price in the Northern Beaches LGA as detailed in NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

The Rent and Sales Report is available on the NSW Government, Family and Community Services website.

The formula for adjustment of the monetary contribution rate is:

$$\text{New Contribution Rate} = \text{Current Contribution Rate} \times (\text{MDP2}/\text{MDP1})$$

Where:

- The Current Contribution Rate is available on the Council's website.
- MDP1 is the median strata dwelling price used to establish the current contribution rate
- MDP2 is the median strata dwelling price for the CURRENT period, being established in the most recently published Rent and Sales Report.

3.2.2 Adjustment of a Monetary Contribution Amount on a Development Consent

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2018 and the applicant does not wish to pay the contribution and develop the site until August 2021, the contribution amount will need to be adjusted to the period in which it is paid.

Monetary contributions are adjusted by Council and confirmed with the applicant prior to payment being made.

The formula for adjusting a contribution amount in a condition of consent is:

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{R2}/\text{R1})$$

Where:

- Base Contribution Amount is the required payment amount contained in the Development Consent.
- R1 is the contribution rate that applied at the time of consent.

- R2 is the contribution rate that applies at the time of payment.

3.2 Where a Previous Affordable Housing Contribution has been Paid

If an affordable housing contribution has already been paid in accordance with the Scheme, a contribution is not required on subsequent development on land if:

- the total floor area is the same, or because of redevelopment of the site, will replace an equivalent area; or
- the same percentage of the total floor area has already been provided for use for affordable housing.

Where a development is for a larger total floor area than a previous development on the site for which an affordable housing contribution was made, then the consent authority will require a contribution for the difference in total accountable floorspace. It does not matter whether the total accountable floorspace for which the contribution was previously paid is demolished or re-used as part of the new development.

3.3 Refunds for Demolition or Changes in Use

Council will not refund the applicant where there is a subsequent change in use from residential uses to non-residential uses or demolition of floor area.

Similarly, where affordable housing dwellings are replaced on site, the dwellings (as replaced) are to remain the property of the Council.

3.4 Process for the Distribution and Management of Funds

Contributions are to be managed and allocated by the Council. As sufficient funding becomes available through the Scheme, Council will seek proposals from eligible community housing providers for projects for the development of affordable housing within the LGA.

Any financial return resulting from the management of funds in waiting is to be used for the purpose of developing affordable housing in accordance with this Scheme.

Tenders or requests for expressions of interest may be issued for:

- immediate use of contribution funds for development in the LGA;
- allocation of funding for eligible community housing providers to seek development opportunities in the LGA; or
- land and funding packages, where land is made available by supplementary sources for the purpose of developing affordable housing.

Terms will include, amongst other things, that proposals demonstrate how the resulting affordable rental housing will be consistent with the Affordable Rental Housing Principles set out in this Scheme and comply with the requirements of this Scheme. Proposals will also be required to demonstrate how funding will be leveraged to maximise the quantum of affordable rental housing dwellings. Priority will be given to eligible community housing providers who have appropriate experience.

3.5 Registered Community Housing Provider and Delivery Program

Council resolved at its meeting on 28 August 2018, that following Council obtaining appropriate Affordable Housing stock, an open Request for Tender be issued for a Community Housing Provider to manage this stock on the Northern Beaches.

3.6 Monitoring and Review of the Scheme

The Affordable Housing Contribution Scheme will be reviewed and amended as required in accordance with the requirements of the *Environmental Planning and Assessment Act, 1979*.

Council Policy

Affordable Housing

Purpose of Policy

Council is committed to increasing the range and supply of affordable housing in the Northern Beaches to meet the growing and changing needs of its community and particularly, key workers. The purpose of this policy is to outline Council's position and approach to the provision of affordable housing in the Northern Beaches.

The policy comprises principles and policy statements that together will guide Council's actions to support affordable housing.

Principles

- a) Establishing clear targets for the provision of affordable housing in the Northern Beaches.
- b) Leading change by example.
- c) Embedding affordable housing in Council's strategies, plans and policies.
- d) Partnering with the State and Commonwealth Government, other local councils, industry experts, the private sector, stakeholders and community housing providers to deliver affordable rental housing.
- e) Advocating for change to support affordable housing in the Northern Beaches.

Policy Statements

- a) Council is committed to a 10% affordable rental housing target for all strategic plans and planning proposals for urban renewal or greenfield development. Higher rates of provision will be sought where feasible.
- b) Targets for the provision affordable rental housing in other parts of the Council area will be established through feasibility analysis as part of Council's new local housing strategy.
- c) Mechanisms to deliver more affordable market-based or private housing will be investigated and implemented through Council's new local housing strategy.
- d) Council will enter into relationships with community housing providers to manage and deliver affordable rental housing in the Northern Beaches.
- e) Council will undertake an expression of interest to determine the best model for relationships with community housing providers to deliver affordable rental housing.
- f) Council will use the expression of interest process to determine whether to transfer title of affordable rental housing delivered to Council through the planning approval process to community housing providers.
- g) When selecting tenants, Council will give priority to persons who are employed in identified key worker occupations in the Northern Beaches Council area, persons with a disability, long term local residents, and persons with a social or economic association with the Council area.

Responsible Officers

Executive Manager Community, Arts & Culture and Executive Manager Strategic & Place Planning

Related Council Policies

- a) Property Acquisition Reserve Fund – P100 (Former Manly Council)
- b) Property Management Policy – No 200 (Former Pittwater Council)
- c) Allocation of funds obtained from the Sale of Council Real Property Policy – GOV PL 915 (Former Warringah Council)
- d) Asset Management Policy – PL 550 (Former Warringah Council)
- e) Voluntary Planning Agreements – PL 600 VPA (Former Warringah Council)

Legislation and references

- a) Environmental Planning and Assessment Act 1979
- b) Local Government Act 1993
- c) State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)
- d) State Environmental Planning Policy (Affordable Rental Housing) 2009

Definitions

Affordable housing: Is defined by the *Environmental Planning and Assessment Act 1979* as: “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”.

Affordable rental housing: Affordable housing managed by a community housing provider and rented to very low, low, or moderate income level households.

Community housing provider: A not-for-profit organisation which provides affordable rental and social housing for very low, low, to moderate income and is registered under the National Regulatory System for Community Housing.

Housing affordability: Relates to the general affordability of both rental and purchase housing on the open market, and is not limited to those on low to moderate incomes. A common benchmark of affordability is housing that does not absorb more than 30% of the gross income of very low, low, or moderate income households.

Key worker occupations: Workers on very low to moderate incomes critical to the economic and social development of the Northern Beaches, including but not limited to occupations such as school teachers, carers, midwifery and nursing professionals, hospitality and retail workers, personal carers and assistants, child carers, fire fighters, police, carers and aides, automobile, bus and rail drivers, cleaners and laundry workers.

Review Date

1 August 2021

Revision History

Revision	Date	Change	TRIM Ref
1	28/3/2017	Draft Affordable Housing Policy	2017/054781
2	5/6/2017	Affordable Housing Policy authorised by CEO, under delegation as per Council resolution 110/17 on 30/5/2017, incorporating formatting changes.	2017/176253
3	28/8/2018	Policy reviewed with no changes recommended. Minor amendments to reflect changes to titles and update review date.	2017/176253

**NORTHERN BEACHES
COUNCIL**

NORTHERN BEACHES AFFORDABLE HOUSING NEEDS ANALYSIS

December 2016



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EXECUTIVE SUMMARY

The purpose of this background paper is to provide an understanding of demand for affordable housing within the Northern Beaches and the extent to which current provision of housing (to buy or rent) meets the needs of its existing and future residents. The paper also considers how population and workforce changes, as well as market conditions, are likely to impact on the future affordability of housing on the Northern Beaches.

This paper provides an 'evidence-base' which could support the Northern Beaches Council in developing an understanding of the demand for affordable forms of housing across the northern beaches and how to communicate this to the wider community.

The findings highlight the worsening conditions for very low, low, and moderate income households to buy or rent properties across the Northern Beaches, with rising levels of housing stress for these communities and property values and rental costs accelerating at unprecedented rates.

Housing Stress

- Rates of '**housing stress**' for very low to moderate income households across the Northern Beaches grew from 67% to 69% between 2006 and 2011, with 1,500 additional households experiencing housing stress.
- For **renters housing stress** grew more significantly from 73% to 79% between 2006 and 2011.
- Significant increases in property values and rental growth since 2011 are likely to have **exacerbated levels of housing stress** further, as wage and salary growth has failed to keep pace with rising housing costs.

Demand for Affordable Housing

- Projections for **20,300 additional households** between 2011 and 2036 within the Northern Beaches will require different housing forms and price brackets.
- Social changes (such as divorce) and a **growing and ageing population** are likely to create demand for a more diverse range of affordable housing. Household growth is expected to be strongest in lone person or 'non-family households'.
- Expansion of the leisure and hospitality and the health and education industries, including the opening of the Northern Beaches Hospital, will fuel demand for affordable housing to **attract/retain 'key workers' occupations**.
- Provision of affordable housing for key workers is a specific challenge for local businesses due to **the poor public transport connections into the northern beaches**, for those workers who can't afford to live locally. This was highlighted in the recent Council Business Survey.
- Households tend to move within the Northern Beaches, however there is a recent trend for households, especially 24-34 and 35-44 year olds, to **relocate out of the region** to the Central Coast, north to Hornsby or Ku-ring-gai or further afield to Gold Coast or Sunshine Coast, due possibly to rising housing costs.

Supply of Affordable Housing

- Meanwhile, the **supply of affordable housing** to rent or buy within the Northern Beaches is at historically low levels, and is significantly below the Sydney average.
- Across the Northern Beaches, in 2011 only 2% of total housing stock (1,718 dwellings) was for **social housing**. This was less than half the Sydney average (5% of all housing stock) and tended to be concentrated in a handful of suburbs, namely Narrabeena (16.9% of all

dwellings); Brookvale (8.2%); Allambie Heights (5.4%); Forestville (4.6%) and Narrabeen (4.5%) and Manly Eastern Hill (3.8%).

- Beyond social housing, there is little supply except for market housing with virtually no non-market or community housing provider housing on the Northern Beaches.
- The **median house prices** for the Northern Beaches at June 2016 was \$1.51 million (compared to \$949,000 for the Sydney region), and no suburb had a median house price below \$1 million.
- For the **lower end of housing market**, which be more applicable to moderate to low income earners and first home buyers, house prices are exactly double the Sydney average (\$1.34million compared to \$669,500).
- While less distinct, lower end **units sale prices** for northern beaches are also substantively higher (+28%) than the Sydney average and increased by 47% last 4 years.
- Consequently, less than 1% of properties (unit or homes) are available to **purchase at an affordable price** for very low to low income households (i.e. households earning less than \$65,000 per annum) across the Northern Beaches.
- For moderate income households (\$65,000-\$80,000), only a handful of properties would be **affordable to purchase** across the Northern Beaches at June 2015: 4% for Warringah; 3% for Manly; and 2% for Pittwater (compared to 18% for Sydney average).
- The ability of lower income households to rent a property within the Northern Beaches has also become more constrained, with the **median rental costs** for homes nearly double the Sydney average at \$895 per week compared to \$520 at June 2016.
- The weekly **rental values of units**, while still high, are less distinct from the Sydney average (\$595 per week for the northern beaches, compared to \$500 for median bracket for Sydney), but increased 14% last 4 years.
- Analysis of **stocks of rental properties** across the Northern Beaches which would be considered affordable (i.e. less than 30% household disposable income) at June 2015 found that:
 - For very low income households only 1% would be affordable, compared to 3% for Sydney average.
 - For low income households only 3% of rental properties in Manly, 5% in Warringah and 7% in Pittwater are considered affordable, compared to 18% for Sydney average.
 - For moderate income households only 26% of rental properties in Manly were considered affordable, increasing to 30% in Pittwater and 40% in Warringah (compared to 60% of all rental properties for Sydney region).
- This is despite strong **new supply of dwellings** in recent years, with 1,648 new dwellings built between 2012 and 2015 across the Northern Beaches (82% of which were mulit unit dwellings). This emphasises that supply of new housing alone will not address affordability, without policy and planning intervention.
- There is, therefore, an **urgent need for action** to increase the supply of affordable, especially rental, housing which is targeted at low to moderate income households, who are required to live and work in the Northern Beaches to support its community and economy. There are a number of opportunities arising with current Structure Planning undertaken by Council in key locations e.g. Northern Beaches Hospital and Ingleside precincts.

1. What is Affordable Housing and Affordable Rental Housing?

'Affordable housing' refers to 'reasonable' housing cost in relation to income'. A common benchmark is housing that does not absorb more than 30% of the gross income of very low, low or moderate income households. State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARHSEPP) defines low to moderate income households as households with a gross income that is less than 120 per cent of the median household income for the Sydney Statistical Division. Currently, this would equate to a household income of less than \$100,000 per annum.

'Affordable Rental Housing' is rental housing delivered by the not-for-profit sector for very low, low or moderate income households. Eligibility for this form of housing is not limited to any one occupation and includes: essential services workers such as nurses, teachers and police officers; hospitality and retail workers; and creative and cultural sector workers.

2. What is Housing Stress?

Housing Stress has generally been defined as those households in the lowest 40% of incomes (i.e. very low, low or moderate income households) who are paying more than 30% of their usual gross weekly income on housing costs (rental or purchasing).

Housing stress is a critical measure of the need for affordable housing, as it shows the interplay between housing costs (rental and purchasing) and income levels.

According to 2011 Census data, 12,525 very low, low or moderate income households across the Northern beaches, were experiencing housing stress. Of these, 6,847 were renting and 5,678 were purchasing a home. This results in over two-thirds (69%) of all very low to moderate income households experiencing housing stress, in renting or purchasing a home.

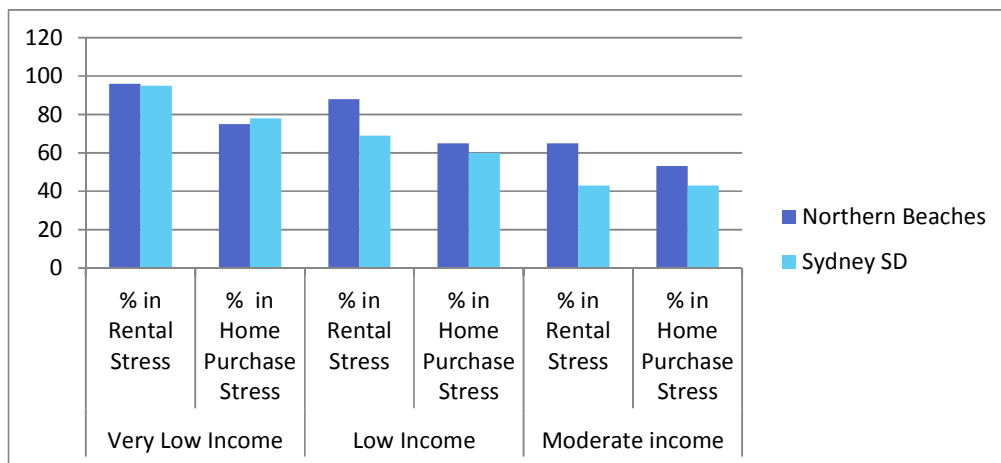
Those who were renting were even more susceptible to housing stress (79%), compared to 60% of those purchasing a home. Rental stress is especially high for very low income households with 96% demonstrating housing stress. This is consistent with the Sydney average at 95%. However rental stress was significantly higher in the Northern Beaches than the Sydney average for low income (88% compared to 69%) and for moderate income households (65% compared to 43%).

Between 2006 and 2011 the number of very low to moderate income households experiencing housing stress has increased by over 1,500 from 10,990 to 12,525 households. This is a change from 67% to 69% of renters and purchasers. For renters, the share experiencing housing stress increased even more significantly from 73% to 79%, while for home purchasers the proportion in housing stress marginally declined from 61% in 2006 to 60% in 2011.

Housing Stress is a significant issue if mortgage and rent payments rapidly increase as a share of income. As discussed further below, house sales prices and rents have grown significantly over the last 5 years, while wages and salaries have grown modestly (less than 1% per annum). This is likely to have exacerbated levels of housing stress in the Northern Beaches for very low to moderate income households in recent years.

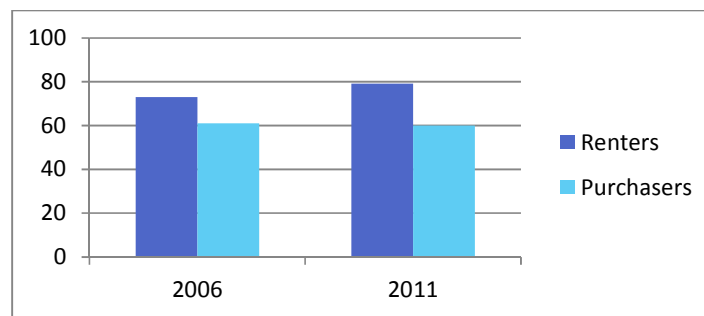
Figure 1: Households in Housing Stress in the Northern Beaches

Area	Very Low Income		Low Income		Moderate income	
	% in Rental Stress	% in Home Purchase Stress	% in Rental Stress	% in Home Purchase Stress	% in Rental Stress	% in Home Purchase Stress
Northern Beaches	96	75	88	65	65	53
Sydney SD	95	78	69	60	43	43

Figure 2: Comparison chart of housing stress in the Northern Beaches and Sydney

Source : Census 2011. Housing NSW, Local Government Housing Kit.

Note: Housing stress = housing cost above 30% of their equivalised household income.

Figure 3: Changing Levels of Housing Stress between 2006 and 2011 in the Northern Beaches

Source : Census 2006 and 2011. Housing NSW, Local Government Housing Kit

3. What is the Demand for Affordable Housing?

3.1 Very Low, Low and Moderate Income Households

While often perceived as an affluent and homogenous part of Sydney, the Northern Beaches has a diverse social structure, which requires a range of housing forms and prices to accommodate.

In 2011, across the Northern Beaches, 40,000 households had a combined income of less than \$2,000 per week (or \$100,000 per annum). Nearly 17,000 households (22%) earned less than \$800 per week (\$41,000 per annum).

These low to very low income households are more prevalent in the suburbs of Narrabeena (22% of all households), Narrabeen (19%), Forestville (17%), Allambie Heights (17%), Cromer (16%), Brookvale (16%), Mona Vale (13%), Newport (13%) and Manly, Pittwater Road (12%).

Figure 4: Very Low, Low and Moderate Income Households in the Northern Beaches

Weekly income	Northern Beaches	annual hh income (max)
Negative Income/Nil Income	926	0
\$1-\$199	950	10348
\$200-\$299	1,372	15,548
\$300-\$399	3,314	20,748
\$400-\$599	5,225	31,148
\$600-\$799	4,898	41,548
total very low income hh	16,685	
\$800-\$999	5,377	51,948
\$1000-\$1249	5,331	64,948
total low income hh	10,708	
\$1250-\$1499	5,376	77,948
\$1500-\$1999	9,255	103,948
total moderate income hh	14,631	
\$2000-\$2499	7,270	129,948
\$2500-\$2999	10,793	155,948
\$3000-\$3499	6,491	181,948
\$3500-\$3999	3,483	207,948
\$4000-\$4999	3,172	259,948
\$5000 or more	3,664	260,000
Not stated	9,540	
Total households*	76,897	
total v low to moderate income hh	40,024	
% very low to moderate income hh	52%	

excludes 'not stated'

Source: ABS 2011 Census (ID. The Population Experts)

3.2 Growing demand for Key Worker Housing

Low to moderate income jobs, or 'key worker' occupations, are expected to becoming increasingly important in supporting the Northern Beaches' economy and changing demographic needs in the long term due to:

- A growing and ageing population (the proportion of residents over 65 years increasing from 15% in 2011 to 19% in 2031);
- Major investment in health infrastructure (i.e. Northern Beaches Hospital);
- Increasing female participation in the workforce; and
- Increasing affluence and demand for recreation and lifestyle services

In 2011 around 11,500 jobs within Northern Beaches were in 'key worker' occupations (as defined in Figure 5 below), accounting for 15% of all jobs. School teachers were the highest number of key worker jobs followed by hospitality workers and personal carers and assistances. Between 2006 and 2011 jobs in these occupations grew by over 1,500 jobs.

There were also over 14,000 residents of the Northern Beaches who were employed in the selected 'key workers' occupations in 2011. This represents 12% of all resident workers and an increase of 750 resident workers between 2006 and 2011. While it is not possible to assert if these residents work within the northern beaches area, there is likely to be a desire to work locally.

Midwifery and nursing professionals was the second largest resident key worker occupation (2,275 resident workers). The opening of the Northern Beaches Hospital in 2018 will significantly increase demand for local workers in this and other health related occupations.

Figure 5: 'Key Worker' Residents and Jobs in Northern Beaches

Key Worker Occupations	2011		2006	
	Jobs	Resident workers	Jobs	Resident workers
School Teachers	3,230	3,469	2,827	36,35
Midwifery and Nursing Professionals	1,399	2,352	1,347	2,275
Hospitality Workers	2,048	2,472	1,854	23,340
Personal Carers and Assistants	1,495	1,644	1,156	1,378
Child Carers	1,336	1,621	934	1,195
Defence Force Members, Fire Fighters and Police	357	781	361	764
Carers and Aides nfd	25	58	36	54
Automobile, Bus and Rail Drivers	733	851	620	807
Cleaners and Laundry Workers	1,019	1,513	1,027	1,556
total key worker jobs/resident workers	11,642	14,761	10,162	14,004
total jobs/resident workers	76,713	121,636	72,812	115,375

Source: *northern beaches economy.id* (ABS Census 2011)

NSW Government employment forecast's show that over the next 20 years 'Health and Social Assistance' will be the faster growing job sector across the Northern Beaches (+62% or 6,800 new jobs), followed by 'Retail' (+38% or 4,750 new jobs) and 'Education and Training' (+45% or 3,500 jobs). These industries are characterised by key worker occupations and likely to generate further demand for more affordable housing forms to enable these workers to live locally.

The 2015 Warringah Council Business Survey identified the ability to attract and retain staff as a significant challenge to businesses in operating in the local area. The issue of housing costs for key workers was raised, especially in precincts such as Brookvale and Frenchs Forest, which have a diverse workforce (ranked top 3 challenge for Brookvale and top 4 for French Forest businesses). This issue is exacerbated by relatively poor public transport connections for workers into Warringah from lower housing cost areas outside the local area.

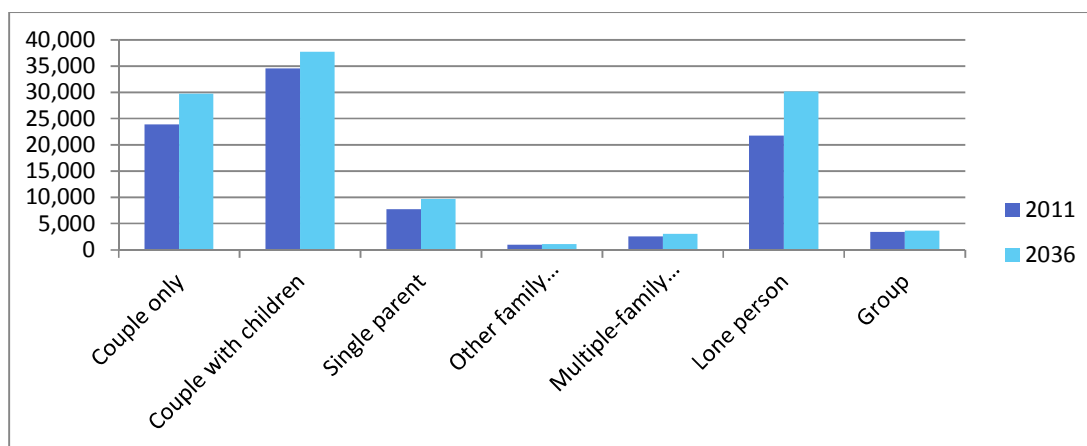
3.3 Changing Household Structures

An ageing population and social change is also likely to increase demand for greater housing choice and affordability. The Department of Planning & Environment latest household projections for the period 2011 to 2036 predict the creation of an additional 20,300 households within the Northern Beaches.

Assuming the proportion of very low to moderate income households remains constant at 52%, another 10,500 very low to moderate income households will need to be accommodated within the Northern Beaches over the next 20 years.

Across all households, 'non-family households' (i.e. lone persons and groups) are expected to increase by 8,700 households (+34%) while single parent households are expected to grow by 2,000 households (26%). Catering for these different household structures will require a greater range of housing forms and affordability.

Figure 6: Changing household structures in Northern Beaches 2011-2036



Source: Department of Planning & Environment Population, Household and Dwelling projections (2016)

In summary, available data shows growing demand within the Northern Beaches for a diverse range of housing forms and affordability levels to meet the needs of a growing and changing resident population, as well as the workforce to it.

3.4 Household mobility

Between 2006 and 2011, the Northern Beaches experienced a significant churn in household migration i.e. the number of households coming into the area and the number of households moving out. Households that migrated tended to remain within the Northern Beaches, with most relocations occurring between the 3 former LGAs.

In terms of people leaving the northern beaches, this was highest for 25-34 year olds who tended to out migrate to the Central Coast (Gosford and Wyong), upper North Shore (Hornsby and Ku-ring-gai) and even further afield to the Gold Coast and Brisbane. These are areas which offer many of the lifestyle attributes of the Northern Beaches, but are considered more affordable, possibly reflecting 'push out' from rising housing costs for this age group who are more likely to be first home buyers or 'up-graders'.

In terms of household's movements within the Northern Beaches, there was a trend for movement from former Manly LGA to Warringah LGA. Higher rental and home purchasing costs in Manly

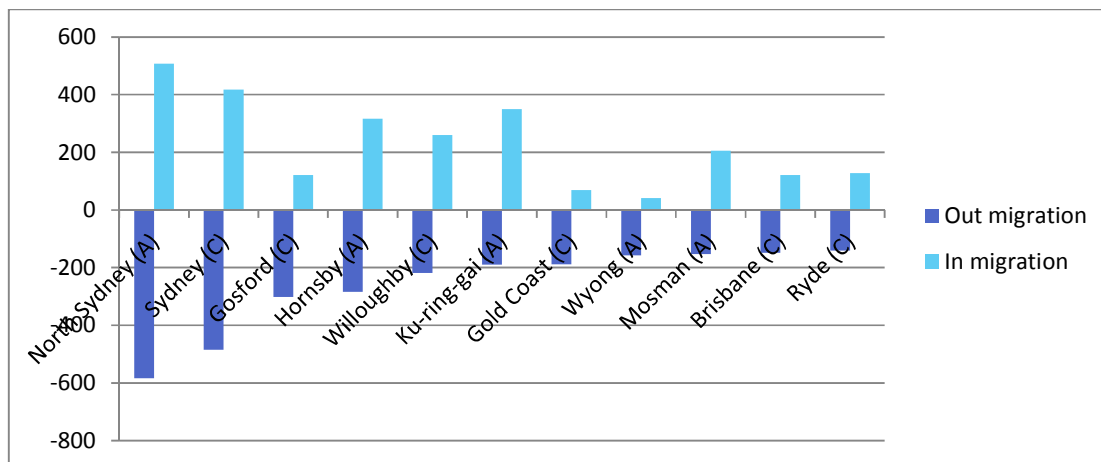
may have caused households wanting to remain on the Northern Beaches but requiring more affordable or larger properties, to move to adjoining areas.

This highlights the importance of looking at affordable housing supply from a Northern Beaches wide perspective, as well as a propensity for some age groups (especially young families) to move out of the area to find accommodation to meet changing needs.

Figure 7: Household migration into and out of Northern Beaches by age 2006-2011

Age group	In migration	Out migration	Net migration
5 to 11 years	2,050	2,355	-305
12 to 17 years	1,012	1,222	-210
18 to 24 years	1,986	2,589	-603
25 to 34 years	5,680	6,657	-977
35 to 44 years	5,737	6,014	-277
45 to 54 years	2,600	3,171	-571
55 to 64 years	1,777	2,525	-748
65 years and over	1,932	2,529	-597
Total	22,774	27,062	-4,288

Figure 8: Movement of younger people (24-35 yr olds) out of the Northern Beaches 2006-2011



Source: .ID The Population Experts (based on 2006 and 2011 Population and Housing Census data)

4 What is the Existing Supply of Affordable Housing?

4.1 Housing Tenure Profile

Across all households within the Northern Beaches there has been a decline in the proportion of households owning their property outright between 2006 and 2011 (35% to 33%), while the proportion purchasing a home has increased from 32% to 35%.

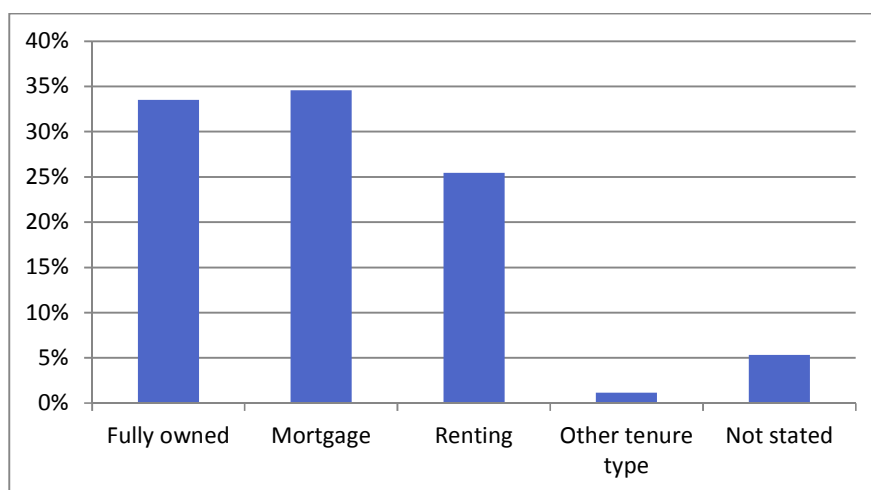
The proportion of households renting has stayed constant at 25%. However, the number of households renting has grown by over 1,303 with a vast majority renting privately with only 69 additional households renting in social housing.

Compared to Greater Sydney, there is a lower share of households renting but a higher proportion of home ownership, 69% (purchasing a home or own outright), which may reflect a slightly older demographic.

Figure 9: Housing Tenure Profile of Northern Beaches Households

Tenure	2011	%	2006	%
Fully owned	29,904	33%	29,962	35%
Mortgage	30,859	35%	27,449	32%
Renting	22,724	25%	21,421	25%
<i>Renting - Social housing</i>	1,718		1,649	
<i>Renting - Private</i>	20,532		19,185	
<i>Renting - Not stated</i>	474		587	
Other tenure type	1,047	1%	928	1%
Not stated	4,747	5%	5,961	7%
Total households	89,281		85,721	

Figure 10: Chart of Housing Tenure Profile of Northern Beaches Households



Source: Australian Bureau of Statistics, *Census of Population and Housing 2006 and 2011*.

The Northern Beaches has a comparatively low stock of housing targeted at lower income households. Across the Northern Beaches in 2011 there were 1,718 social rental properties. This constitutes only 2% of total housing stock in the council area and is less than half the rate of total housing stock for metropolitan Sydney and NSW (5% and 4.9% respectively).

The supply of social housing is spatially concentrated in the suburbs of: Narrabeena (16.9% of all dwellings); Brookvale (8.2%); Allambie Heights (5.4%); Forestville (4.6%) and Narrabeen (4.5%). For former Manly council area the highest proportion of social rental housing was in Manly Eastern Hill (3.8%) and for former Pittwater, this was 0.8% for Mona Vale.

4.2 Affordable Home Purchasing

Across the Northern Beaches monthly median mortgage payments range from an average of \$2,600 per month for Warringah households, to \$3,033 per month for Manly households, in 2011. This compares to \$2,167 per month on average across the Sydney region. Over half of all households who were paying off a mortgage were paying over \$2,600 per week (considered to be 'high'), compared to 36% across Sydney.

Figure 11: Median Monthly Mortgage Repayments 2011

Former LGA Area	Median mortgage repayment (\$)	Households paying over \$2,600 month
Manly Council area	3,033	58.2 %
Pittwater Council area	3,000	53.7 %
Warringah Council area	2,600	50.1 %
Greater Sydney	2,167	36.0 %

Source: Housing NSW, Local Government Housing Kit

The Northern Beaches has seen very strong growth in house values over the last few years, which has seen diminishing stocks of properties available to low earners to purchase. The median house price in the Northern Beaches at June 2016 was \$1.51 million which was significantly higher than the Sydney average of \$949k.

Of particular concern from affordability perspective, is the significantly higher cost of housing at lower end of the housing market. For 'first quartile', house sales in the northern beaches in 2016 were exactly double the Sydney average (\$1.34, compared to \$670,000 for Greater Sydney).

Houses prices in the first quartile on the northern beaches increased by 58% (nearly \$500k) between 2012 and 2016

Unit sale prices are also higher in first quartile for northern beaches, compared to the Sydney average (\$695k compared to \$548k), though this is less distinct than house sales (28% higher). During 2012 to 2016 unit sales in the first quartile increased by 47%.

Figure 12: House & Unit Sales in the Northern Beaches

Sales	2016			2012			Change
Housing value (at June)	Northern Beaches LGA	Greater Sydney	Nthn Beaches relative to Gt Sydney	Northern Beaches LGA	Greater Sydney	Nthn Beaches relative to Gt Sydney	2012 to 2016
House							
First Quartile	1,339,779	669,558	100.1	846,174	418,587	102.2	+493,605
Median	1,514,939	949,151	59.6	953,775	603,520	58.0	+561,164
Third Quartile	1,885,559	1,402,097	34.5	1,200,652	865,792	38.7	+684,907
Unit							
First Quartile	694,799	547,903	26.8	474,201	370,647	27.9	+220,598
Median	828,083	699,292	18.4	570,318	481,561	18.4	+257,765
Third Quartile	1,021,119	872,649	17.0	687,498	605,892	13.5	+333,621

Source: Hometrack 2011-2016, Housing Valuation System.

Escalating housing purchase costs are resulting in very few low to moderate income households being able to purchase a home on the Northern Beaches. Data below of house sales and loan repayment estimates suggest that less than 1% properties for sale in 2015 would be 'affordable' (less than 30% of income household) to very low or low income household across the Northern Beaches.

Only 2% of properties for sale in former Pittwater would be affordable to moderate income households, increasingly slightly to 3% properties in former Manly and 4% in former Warringah council areas. This is a significantly lower level of affordable housing stock compared to the rest of Sydney where 18% of properties for sale would be affordable to moderate income households.

Figure 13: Proportion of Property Sales Affordable to Very Low to Moderate Income Households in the Northern Beaches (2015)

Former LGA Area	Very Low Incomes	Low Incomes	Moderate Incomes
Manly	0.5	0.5	3.1
Pittwater	0.1	0.4	2.2
Warringah	0.0	0.3	4.0

Source: Valuers General (VG) Data - Affordable purchase - Based on sales transferred in the last 2 quarters.

Note: A property is regarded affordable if the loan repayment is less than 30% of the household incomes.

4.3 Affordable Rental Accommodation

At June 2016, the median weekly rental for houses in the northern beaches was nearly double the Sydney average (\$895 per week compared to \$520). This is also the case for lower value rental properties in the first quartile (\$695 compared to \$420).

The weekly rental values of units, while still high, are less distinct from the Sydney average (\$595 per week for the northern beaches, compared to \$500 for median bracket for Sydney).

Figure 14: House and Unit Rental Costs in Northern Beaches vs Greater Sydney

Rental listings	2016			2012			Change
Housing value (at June)	Northern Beaches LGA	Greater Sydney	Nthn Beaches relative to Gt Sydney	Northern Beaches LGA	Greater Sydney	Nthn Beaches relative to Gt Sydney	2012 to 2016
House							
First Quartile	695	420	65.5	695	390	78.2	0
Median	895	520	72.1	825	500	65.0	+70
Third Quartile	1,200	700	71.4	1,100	700	57.1	+100
Unit							
First Quartile	500	410	22.0	440	375	17.3	+60
Median	595	500	19.0	520	450	15.6	+75
Third Quartile	715	630	13.5	635	580	9.5	+80

Source: Hometrack 2011-2016, Automated Valuation System.

Between 2012 and 2016, the weekly cost of renting a unit in the first quartile grew 14%, similar to the Sydney average. The cost of renting a home in the first quartile did not change between 2012 and 2016, though increased for median and third quartile homes (\$70 and \$100 per week, respectively).

Over the last 14 years, the Northern Beaches has seen a decline in the proportion of rental properties which is affordable to very low to moderate income households. In 2015, only 1 % of existing rental properties are classified as 'affordable' (i.e. less than 30% gross income) for very low income households across the Northern Beaches. This increases to 3% of rental properties being affordable to low income earners in former Manly, 5% in Warringah and 7% in Pittwater.

Moderate income households are able to afford to rent nearly 40% of all rental properties in Warringah, declining to 30% in Pittwater and 27% in Manly. However this share of affordable rental stock which is affordable to moderate income households is significantly less than the Sydney average of 60%, and has also significantly declined from levels in 2006 (60% for former Warringah and 49% for both former Manly and Pittwater council areas).

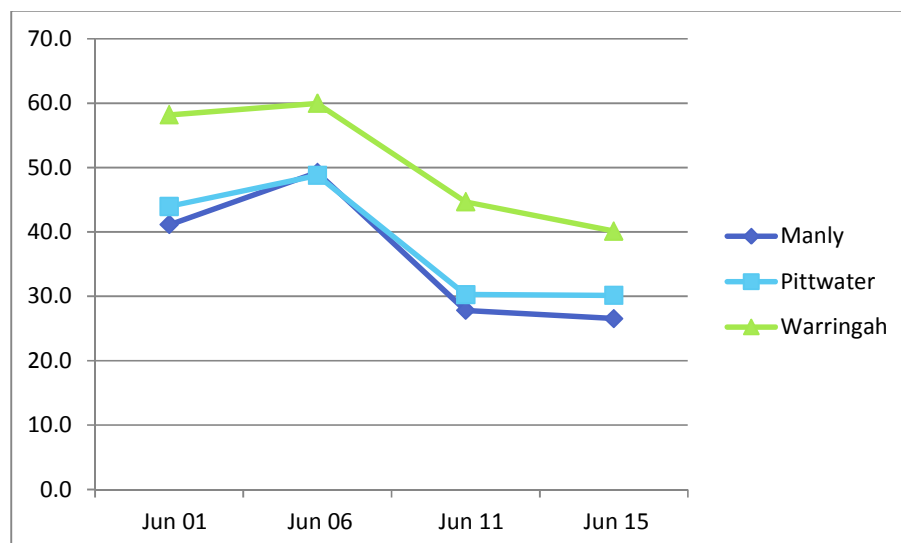
Figure 15: Proportion of Affordable Rental Properties for Very Low to Moderate Income Households in the Northern Beaches

Former LGA Area	Very Low Incomes	Low Incomes	Moderate Incomes
Manly	1.3	3.4	26.5
Pittwater	1.0	7.4	30.1
Warringah	1.0	5.3	40.1
Sydney average	3.3	18.0	59.0

Source: Rental Bond Board (RBB) Data (Housing NSW, Local Government Housing Kit)

Note: Rental affordability indices have been calculated for Very Low Incomes

Figure 16: Declining Stock of Affordable Rental Accommodation to Moderate Income Households in the Northern Beaches

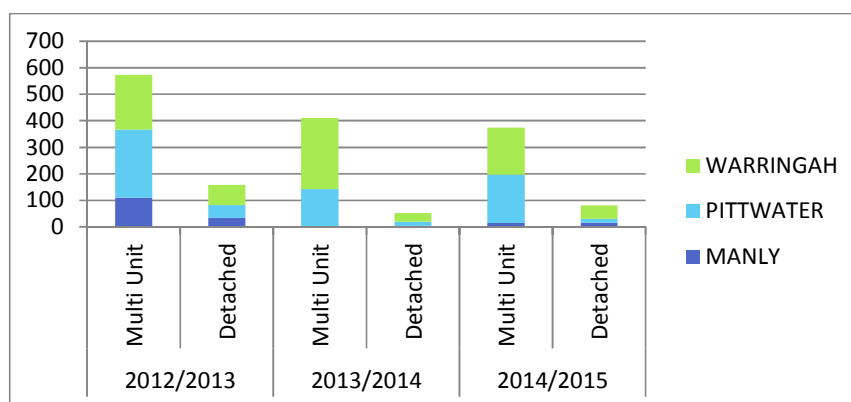


5. New Housing Supply

Data from the Department of Planning & Environment's Metropolitan Development Program, which monitors completion of new dwellings across Sydney, shows that there has been a strong supply of new dwellings in the Northern Beaches in recent years: 730 in 2012/13; 463 in 2013/14 and 455 in 2014/15.

Of the 1,648 dwellings constructed over the last 4 years: 808 were in the former Warringah; 658 in former Pittwater; and 182 in former Manly. The vast majority of these (82%) have been multi-unit dwellings (i.e. apartments) in local centres such as Dee Why and Narrabeen.

Figure 17: Recent Supply of New Dwellings within the Northern Beaches 2012-2015



Source: DP&E Metropolitan Development Program 2015

Significant additional supply is also forecast, including the proposed Meriton development in Dee Why town centre (around 380 new apartments), plus expected potential new apartment development from other key sites in the town centre.

Structure Planning around the new Northern Beaches Hospital and the Ingelside land release area, is also expected to deliver several thousand additional dwellings over the next decade across the Northern Beaches.

While there is a strong market for new residential development (especially apartments), new supply is having limited impact on the overall affordability of housing within the Northern Beaches, with new build houses and apartments beyond the reach of most low to moderate income households.

Clearly, the issue of affordable housing will not be addressed through new supply alone. Without policy and planning interventions to ensure that a proportion of new dwelling construction is set aside for lower income households, housing affordability will continue to worsen across the Northern Beaches.

6. Summary

In summary, the escalating cost of housing (to rent or buy) is placing a growing number of households in housing stress across the Northern Beaches. The Northern Beaches has comparatively low stocks of social or affordable housing targeted at very low to moderate income households

The declining affordability of housing is unlikely to slow without intervention into the market, and supply of new dwellings alone will not address this issue. Existing stocks of social and affordable housing must therefore be protected.

Further, opportunities to create new forms of affordable housing, especially rental, must be taken up to prevent deepening of the housing crisis, and to support demographic change and economic growth. There are a number of opportunities arising with current Structure Planning undertaken by Council in key locations e.g. Northern Beaches Hospital and Ingleside precincts.

**Frenchs Forest
Precinct**

Town Centre Feasibility Update brief – Option 2A

**August 2018
MacroPlan**



Key Assumptions

General assumptions underlying built-form options include:

- Section 94 Contribution charge per dwelling of \$20,000*
- State Infrastructure Contributions (SIC levy) per dwelling of \$15,000**
- Affordable housing targets to be tested: 15% of residential dwelling yield using affordable sale price at 15% discount from the market price.
- No detailed cost estimate available for carbon, water and waste precinct outcomes, but we have included allowance for ESD (3% of construction cost).
- These are all assumptions that are built into our feasibility assessment, which will be fully outlined in our report.
 - Building efficiency (CHROFI)
 - Car Parking rates (Architectus)
 - Developer Profit Market (the hurdle rate): 20% (MacroPlan)
 - Financing: 100% debt. Interest on this amount is 6% (MacroPlan)
 - Construction Timeframe: 12-24 months & assumed staging
 - Lift requirements: 50 elevators (MacroPlan)
 - Unit size: 80 sq.m GFA per unit (CHROFI & Architectus)
 - Pre-commitment sales (of units): 70% (MacroPlan)
 - Statutory fees and Levy: adopted from DP&E
 - Other non-residential composition (in sq.m) : adopted from CHROFI
 - High level QS estimates: adopted from Altus Group
 - Affordable housing: 15% discount from the market price



* MacroPlan has assumed a maximum Section 94s contribution rate of \$20,000 per dwelling, which might not be reflective of the ultimate situation.

** A SIC contribution of \$15,000 per dwelling might not be reflective of the ultimate situation/SIC rate, it only has been used to compare the different development options.

Current Land Value

Key Assumption - Threshold Feasibility Condition

Opportunity cost

- The current value of the TC site land if development does not occur
- The value of land with land zoning for **standard detached houses**

Market evidence

- The figure (right) maps the spread of property sales for Frenches Forest for the 2017/18 financial year to date.
- There is a substantial concentration of property sales within the 600 to 800 square meter range and within the price range of \$2,000 to \$3,000 per sq.m

For our assessment

Based on these sales the following value has been adopted for our assessment

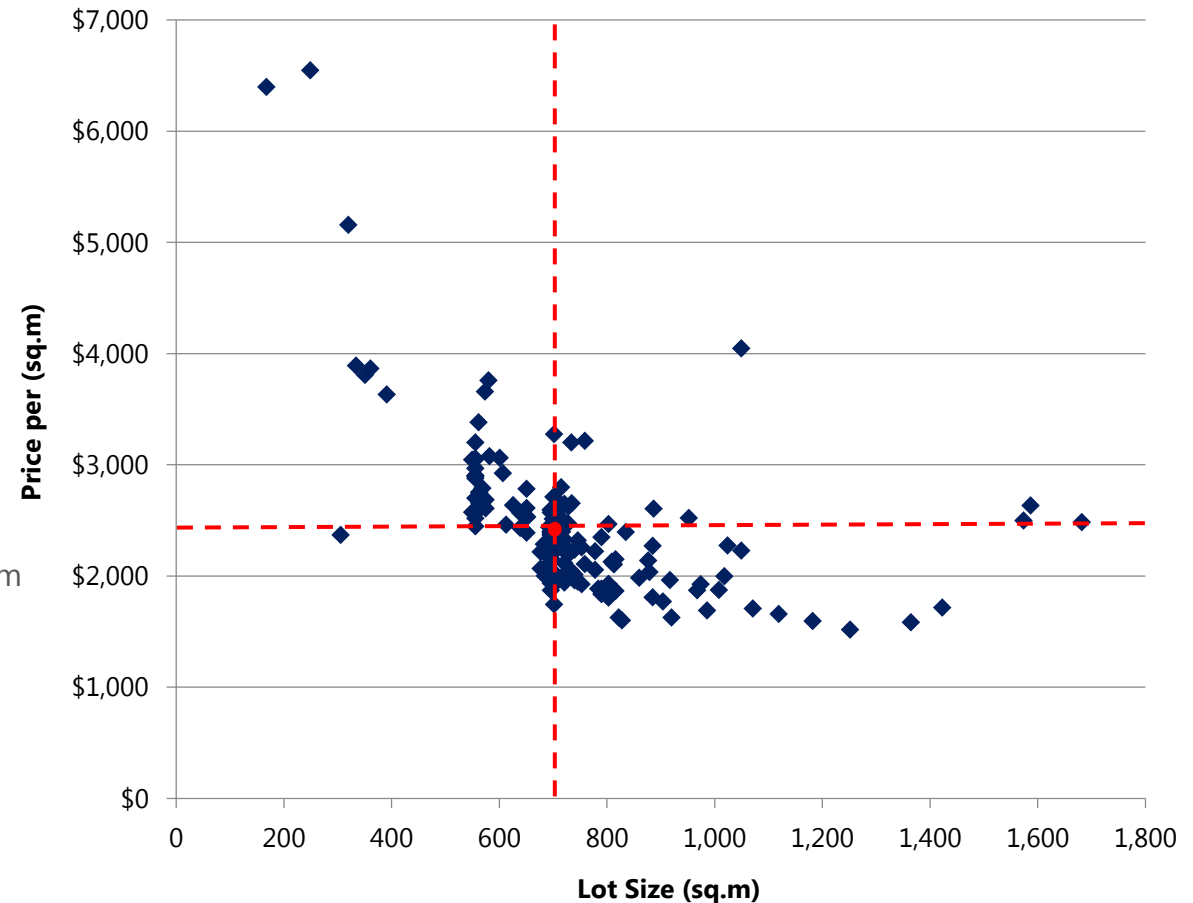
- Current land value in Frenches Forest Precinct: **\$2,400 per sq.m**
- Note: Our previous assessment conducted in March 2017 applied a rate of \$2,300 per sq.m

Residual Land Value

= 'Value of the completed development' – 'development costs' – 'developer's profit'

- Residual land value is the surplus after development cost and profit have been deducted from the value of a completed development project.

Recent House Sales, Frenches Forest (FY 2017 – 18)



Scenario 2A (FSR 2.16:1)

Frenchs Forest TC with specified non-residential uses

- Scenario 1 includes the following components (GFA)
 - Community – 2,046 sq.m
 - Commercial (office) – 5,896 sq.m
 - Residential -77,562 sq.m (i.e. 801 apartments)
 - Retail – 10,630 sq.m
 - Hotel – 9,202 sq.m
 - University – 8,362 sq.m
 - Aged Care – 10,880 sq.m
 - School -7,905 sq.m
 - Non-retail (e.g. Gym) -616 sq.m
 - Underground Supermarket and other retail uses-5,719 sq.m
 - University Library -1,504 sq.m
 - Childcare Centre -506 sq.m
 - Indoor Sport Centre -2,427 sq.m
- Key development costs
 - Total basement carpark – circa \$122.5 M (about \$50k per carpark)
 - Additional costs* – Circa \$20.5 M
 - Project Contingency** – Circa \$50.6 M (for any excavation cost)

* Includes Roadworks, Public domain works, Additional Earthwork (excl. basement carpark), Landscaping etc.

** 7.5% of construction, professional, statutory fees, state infrastructure levy and any other additional costs

Feasibility Outcome

- Scenario 2A is feasible, with 15% affordable housing provision.

Feasibility Analysis	Scenario 2A
Assumed FSR	2.16 :1
Affordable housing target	15%
Site Area	66,310 m ²
Retail	10,630 m ² GFA
Commercial	5,896 m ² GFA
Apartments	77,562 m ² GFA
Hotel	9,202 m ² GFA
University	8,362 m ² GFA
Aged Care facilities	10,880 m ² GFA
School	7,905 m ² GFA
Community	2,046 m ² GFA
Non-retail	616 m ² GFA
Underground retail	5,719 m ² GFA
Library	1,504 m ² GFA
Childcare	506 m ² GFA
Indoor Sport	2427 m ² GFA
Total Yield	143,255 m² GFA
Total Revenue	\$1,136M
Total Development Cost	\$776M
Target (Goal)	\$360M
Residential Land Value*	\$160M
RLV per m2 (of site area)	\$2,419

Source: MacroPlan

Feasibility Assessment - Frenchs Forest Transition Areas

1. Development Feasibility – Explanation Notes

Residual land value is the surplus after development cost and profit have been deducted from the value of a completed development project.

Residual Land Value (RLV) = Value of the completed development – development costs – developer's profit

Residual land value is a useful technique for testing alternative development schemes for a given parcel of land. It usually involves a reference to comparable evidence to estimate inputs (value, costs and profit) and is often a pre-cursor to more rigorous (cash-flow) value assessment techniques.

Residual land value can be calculated for various development schemes and compared to land prices of similar sites that have been recently sold. Residual land value provides insight as to whether development is feasible and should proceed or whether the land is best left untouched.

In general, if the value of a property 'as improved' is greater than the value of the property 'as though vacant', its highest and best use is 'as improved'. If not, then development under the assumed controls is not presently viable, meaning that development is delayed until either:

- The estimated gross value of the completed development rises;
- Development costs (e.g. land costs) are reduced; or
- The controls that determine development yield are adjusted.

The Residual Land Value therefore represents **the maximum price a developer would be prepared to pay for a development site to achieve target hurdle rates.**

Calculating residual land value involves an estimation of development value and development costs and an estimation of developer's profit, explained as follows:

- Development value relates to the gross sale or lease value of a completed development.
- Development costs include land costs, borrowing costs, construction costs (including required monetary contributions and taxes) and sales/marketing costs.

- Developer's profit is the reward for taking development risk and for initiating and facilitating development. It can be estimated as either a percentage of gross development cost or as a percentage of gross development value.

Developer profits vary from market to market, however, for our analysis we assume a target profit margin of 20% of gross development costs and apply this approach to all of the development scenarios and sites being investigated.

The residual land value method for testing site development feasibilities is not a detailed financial model. It has several limitations:

- It does not account for the time value of money, e.g. whether profit is achieved over 2 or 20 years; and
- It is suspect to input errors which may have a magnified effect on findings.

Nevertheless, the method is a useful indicator of development profitability, especially in the absence of detailed financial information for tested projects. In practice the method is generally employed in its simplest form to gauge project viability, with complexity added as more detail about development plans and costings is made available.

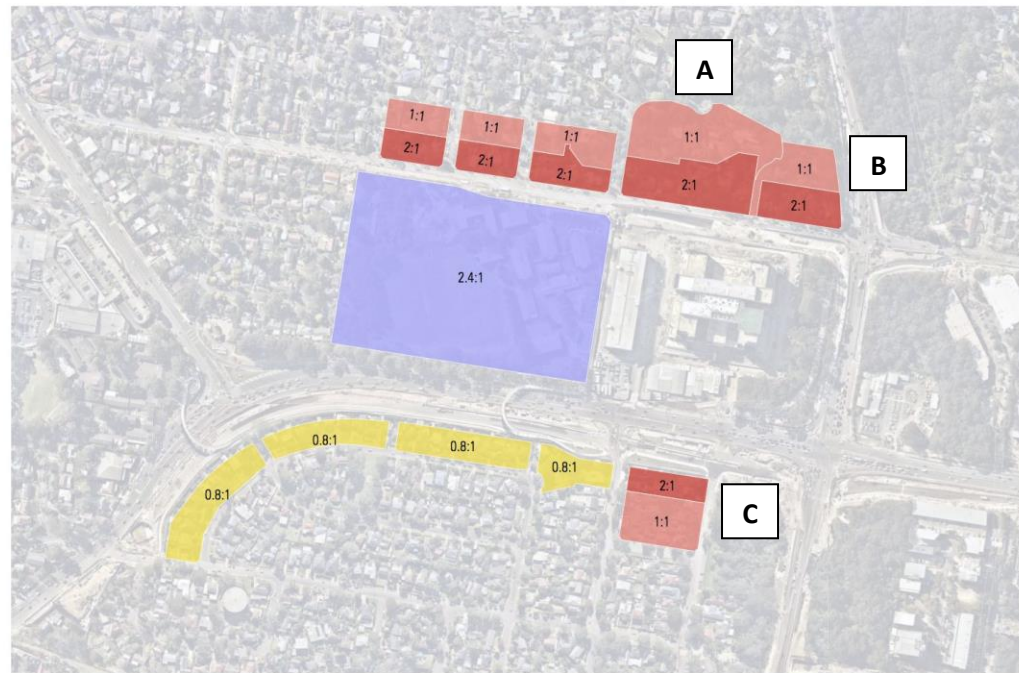
2. General assumptions underlying built-form options include:

For our residual land value based feasibility assessments for various development options at Frenchs Forest in the vicinity of the proposed new Frenchs Forest town Centre, we have made the following assumptions:

- Section 94 Contribution charge per dwelling of \$20,000*
- State Infrastructure Contributions (SIC levy) per dwelling of \$15,000**
- Affordable housing targets to be tested: 10% of residential dwelling yield using affordable sale price at 15% discount from the market price.
- These are all assumptions that are built into our feasibility assessment.
 - Building efficiency – 85%
 - Car Parking rates – Warringah DCP 2011
 - Developer Profit Market (the hurdle rate): 20%
 - Financing: 100% debt. Interest on this amount is 6%

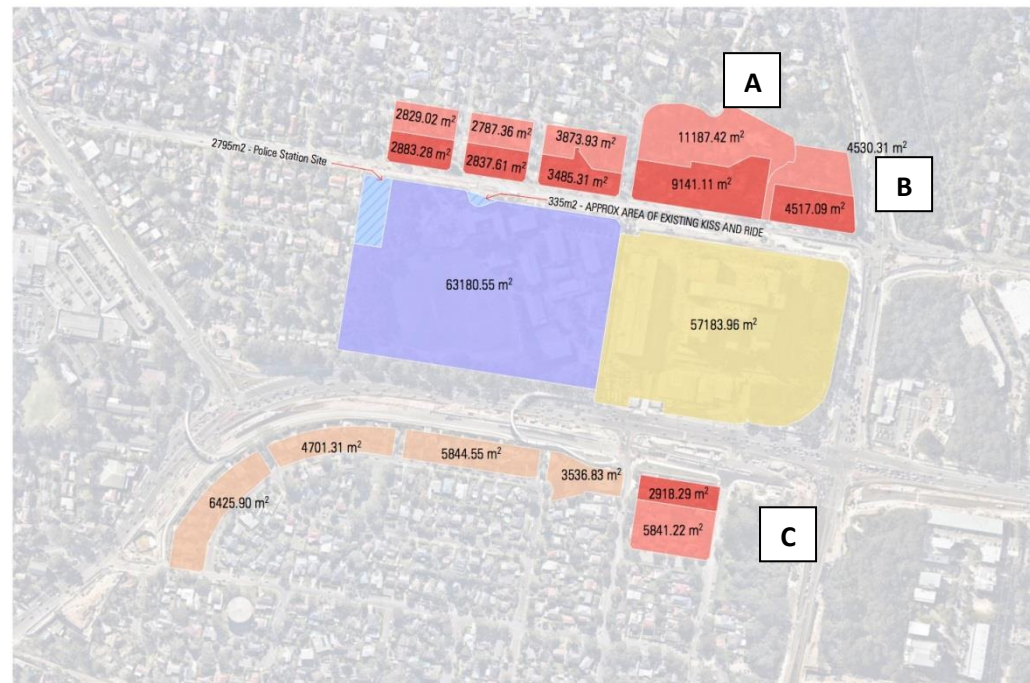
- Construction Timeframe: 12-15 months (depending on construction value)
- Residential Construction – 'walk-up medium density apartments' (Sites with a FSR of 1:1) & 'mixed-use standard apartments with lift ' (sites with a FSR of 2:1)
- Unit size: 90 sq.m per unit (CHROFI & Architectus)
- Pre-commitment sales (of units): 70%
- Statutory fees and Levies: adopted from DP&E
- High level QS estimates: adopted from Rawlinsons & BMT QS
- Realisation rate (i.e. sales price) – marginally lower than what we adopted for the Frenchs Forest TC site

The 'tested sites' for the purpose of this assessment are depicted below:



1 : 5000; FRENCHS FOREST PRECINCT - DRAFT MAXIMUM FSR DIAGRAM - 19.07.18 - CHROFI

The assumed site areas that we have used are as per provided by CHROFI (below).



3. Feasibility Outcome – Part of Site A zoned residential FSR 1:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

$$\text{Residual Land Value (RLV)} = (\text{Value of the completed development}) - (\text{development costs}) - (\text{developer's profit})$$

- At a \$26.9 M land acquisition cost (i.e. \$2,400 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site A
FSR	1:1
Site Area	11,187 m ²
Retail	0 m ² GFA
Commercial	0 m ² GFA
Medium Density*	11,187 m ² GFA
Total Yield	11,187 m² GFA
Total Revenue	\$88.2M
Total Development Cost	\$42.6M
Selling Costs	\$3.8M
Residential Land Value	\$26.9M
Developer's target margin**	\$15.3M
RLV per m² (of site area)	\$2,400
Current Land Value (RP Data)	\$2,400

* Low-rise (walk-up) Apartment

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

4. Feasibility Outcome – Part of Site A zoned Mixed-Use FSR 2:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

$$\text{Residual Land Value (RLV)} = (\text{Value of the completed development}) - (\text{development costs}) - (\text{developer's profit})$$

- At a \$22.8 M land acquisition cost (i.e. \$2,494 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site A
FSR	2:1
Site Area	9,141 m ²
Retail	1,500 m ² GFA
Commercial	3,000 m ² GFA
Apartments*	13,782 m ² GFA
Total Yield	18,282 m² GFA
Total Revenue	\$134.8M
Total Development Cost	\$84.0M
Selling Costs	\$5.9M
Residential Land Value	\$22.8M
Developer's target margin**	\$23.4M
RLV per m² (of site area)	\$2,494
Current Land Value (RP Data)	\$2,400

* Residential buildings with lifts

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

5. Feasibility Outcome – Part of Site B zoned residential FSR 1:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

$$\text{Residual Land Value (RLV)} = (\text{Value of the completed development}) - (\text{development costs}) - (\text{developer's profit})$$

- At a \$10.9 M land acquisition cost (i.e. \$2,410 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site B
Overall FSR	1:1
Site Area	4,530 m ²
Retail	0 m ² GFA
Commercial	0 m ² GFA
Medium Density*	4,530 m ² GFA
Total Yield	4,530 m² GFA
Total Revenue	\$35.7M
Total Development Cost	\$17.3M
Selling Costs	\$1.5M
Residential Land Value	\$10.9M
Developer's target margin**	\$6.2M
RLV per m² (of site area)	\$2,410
Current Land Value (RP Data)	\$2,400

* Low-rise (walk-up) Apartment

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

6. Feasibility Outcome – Part of Site B zoned Mixed-Use FSR 2:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

$$\text{Residual Land Value (RLV)} = (\text{Value of the completed development}) - (\text{development costs}) - (\text{developer's profit})$$

- At a \$11.5 M land acquisition cost (i.e. \$2,541 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site B
FSR	2:1
Site Area	4,517 m ²
Retail	800 m ² GFA
Commercial	1,200 m ² GFA
Apartments*	7,034 m ² GFA
Total Yield	9,034 m² GFA
Total Revenue	\$67.4M
Total Development Cost	\$41.9M
Selling Costs	\$2.9M
Residential Land Value	\$11.5M
Developer's target margin**	\$11.7M
RLV per m² (of site area)	\$2,541
Current Land Value (RP Data)	\$2,400

* Residential buildings with lifts

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

7. Feasibility Outcome – Part of Site A zoned residential FSR 1:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

$$\text{Residual Land Value (RLV)} = (\text{Value of the completed development}) - (\text{development costs}) - (\text{developer's profit})$$

- At a \$14.1 M land acquisition cost (i.e. \$2,405 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site C
FSR	1:1
Site Area	5,841 m ²
Retail	0 m ² GFA
Commercial	0 m ² GFA
Medium Density*	5,841 m ² GFA
Total Yield	5,841 m² GFA
Total Revenue	\$46.0M
Total Development Cost	\$22.3M
Selling Costs	\$2.0M
Residential Land Value	\$14.1M
Developer's target margin**	\$8.1M
RLV per m² (of site area)	\$2,405
Current Land Value (RP Data)	\$2,400

* Low-rise (walk-up) Apartment

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

8. Feasibility Outcome – Part of Site A zoned Mixed-Use FSR 2:1

- The Residual Land Value is that price which a developer can afford to pay to purchase the land knowing all the variable input costs associated with the proposed development in order to achieve the anticipated gross realisation.
- Residual land value is the surplus after development costs and profit have been deducted from the value of a completed development project.

Residual Land Value (RLV) = (Value of the completed development) – (development costs) – (developer's profit)

- At a \$7.3 M land acquisition cost (i.e. \$2,499 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site C
FSR	2:1
Site Area	2,918 m ²
Retail	500 m ² GFA
Commercial	1,000 m ² GFA
Apartments*	4,437 m ² GFA
Total Yield	5,836 m² GFA
Total Revenue	\$42.8M
Total Development Cost	\$26.7M
Selling Costs	\$1.9M
Residential Land Value	\$7.3M
Developer's target margin**	\$7.4M
RLV per m² (of site area)	\$2,499
Current Land Value (RP Data)	\$2,400

* Residential buildings with lifts

** 20% on 'total development cost + selling costs + RLV (also inc. other land acquisition cost e.g. stamp duty)'

9. Feasibility Outcome – Part of Site A zoned residential FSR 1:1 (townhouse)

- Here we have tested a particular scenario, where developer(s) decides to amalgamate the existing residential lots (i.e. 2 lots) for their townhouse development, instead of medium density development (i.e. walk-up unit complex/apartments).
- We have assumed that there is no affordable housing under this scenario.
- We have assumed a site area of 1,000 m² after merging lots
- Building efficiency – 75%
- 2 storey development, span over basement carpark
- 3 bedroom & 2 toilets and 1 carpark
- Realisation rate (i.e. sales price) – assumed at \$9,550 per sq.m GFA
- At a \$1.9 M land acquisition cost (i.e. \$2,436 per sq.m site area), the project achieves the hurdle rate of 20% and the Net Present Value of this project becomes 0 (i.e. NPV break-even).

Feasibility Analysis	Site C - townhouse
FSR	0.8:1
Site Area	1,000 m ²
Retail	0 m ² GFA
Commercial	0 m ² GFA
Townhouses*	800 m ² GFA
Total Yield	800 m² GFA
Total Revenue	\$5.0M
Total Development Cost	\$2.1M
Selling Costs	\$0.2M
Residential Land Value	\$1.9M
Developer's target margin**	\$0.9M
RLV per m² (of site area)	\$2,436
Current Land Value (RP Data)	\$2,400

* 3 bedroom townhouses with basement carpark

** 20% on total development cost + selling costs

Affordable housing demand in Frenchs Forest

Final report



Northern Beaches Council
May 2017

Independent insight.



This report has been prepared for Northern Beaches Council. SGS Economics and Planning has taken all due care in the preparation of this report. However, SGS and its associated consultants are not liable to any person or entity for any damage or loss that has occurred, or may occur, in relation to that person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to herein.

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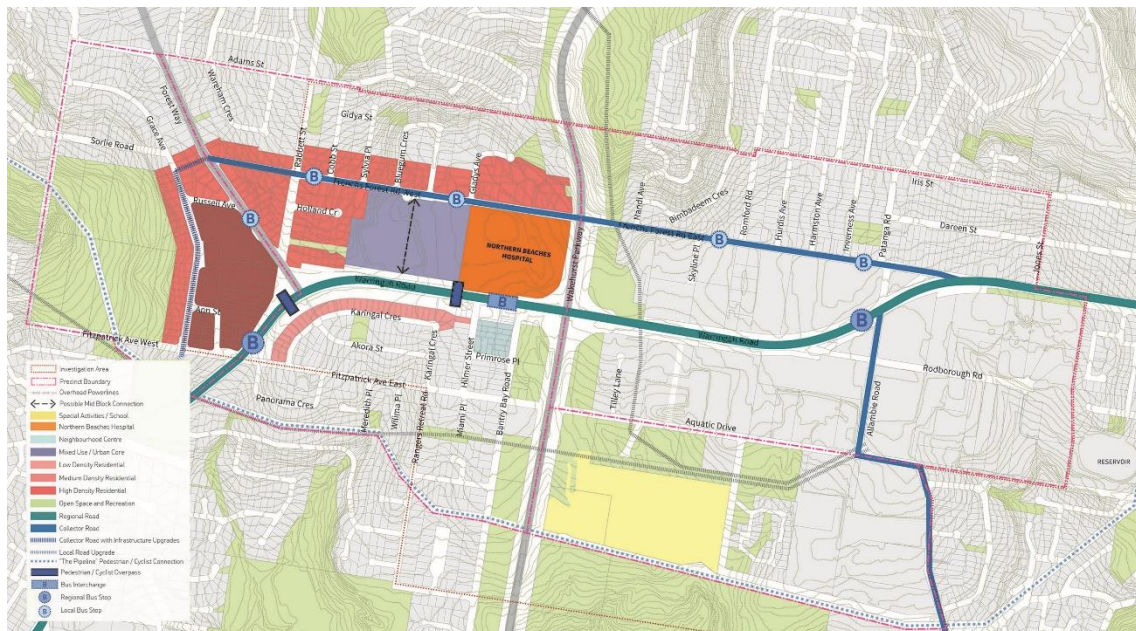
1 INTRODUCTION

SGS Economics and Planning has been commissioned by Northern Beaches Council to assess demand for affordable housing for key workers in Frenchs Forest associated with the realisation of the draft *Hospital Precinct Structure Plan* and determine a feasible proportion of floorspace for affordable housing to meet this demand.

1.1 Study area

This report considers the Hospital Precinct as defined in the draft *Hospital Precinct Structure Plan* as exhibited by Northern Beaches Council. The draft structure plan is shown in Figure 1.

FIGURE 1. DRAFT HOSPITAL PRECINCT STRUCTURE PLAN



Source: Hames Sharley 2016

1.2 Scope of this report

This report provides a demand study and feasibility assessment for affordable housing in the Hospital Precinct. This report addresses:

- The policy and economic rationale for the provision of affordable rental housing for key workers within the Hospital Precinct
- The need for affordable rental housing within the Hospital Precinct
- The scope for securing such housing without unduly disrupting the development feasibility
- What the appropriate level of affordable housing contributions should be, in light of above considerations

This report builds upon the draft *Hospital Precinct Structure Plan* prepared by Hames Sharley (November 2016) as well as the findings of the *Northern Beaches Hospital Precinct Structure Plan*:

Feasibility Assessment prepared by MacroPlan Dimasi in March 2017 and the *Northern Beaches Affordable Housing Needs Assessment* prepared by Northern Beaches Council in December 2016 where appropriate.

1.3 Definition of key workers

This analysis focuses on housing affordability for key workers. This follows the emphasis placed on affordable housing for key workers in recent Council policy development, as noted in the *Northern Beaches Affordable Housing Needs Analysis*.

This study builds on the definition of key workers provided in the *Northern Beaches Affordable Housing Needs Analysis*. This definition includes occupations as defined by the Australian Bureau of Statistics' Australian and New Zealand Standard Classification of Occupations (ANZSCO). This definition includes 3-digit level occupations (i.e. categories of occupations with similar skill specialisation). The occupations considered to be key workers for the purpose of this report are:

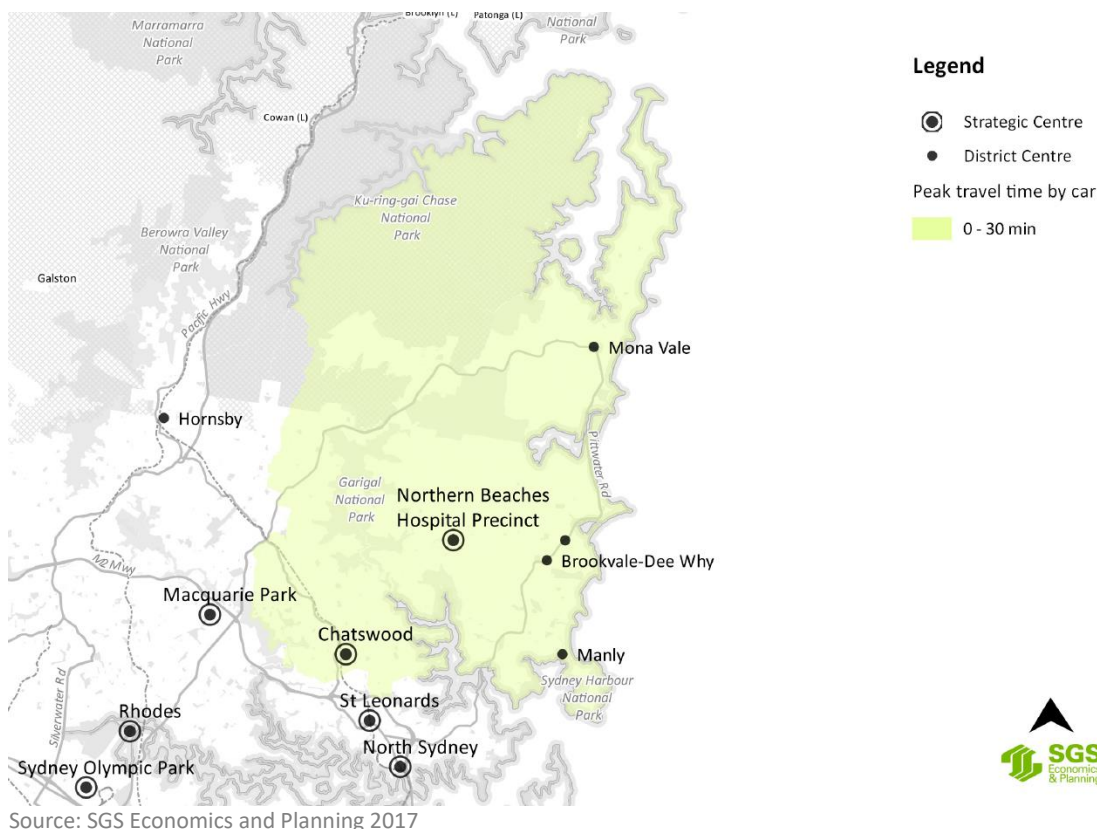
- School Teachers
- Midwifery and Nursing Professionals
- Hospitality Workers
- Personal Carers and Assistants
- Child Carers
- Defence Force Members, Fire Fighters and Police
- Carers and Aides
- Automobile, Bus and Rail Drivers
- Cleaners and Laundry Workers
- Sales Assistants and Salespersons

Catchment of key workers

For the purposes of this study, a catchment of key workers has been defined. This catchment is a 30 minute peak hour drive time from the Hospital Precinct and identifies households with at least one key worker working in the catchment at the 2011 Census, the most recent data available. A 30 minute catchment has been employed to reflect the average commuting time reported for Greater Sydney as published by the NSW Transport and Performance Analytics branch of Transport for NSW and the concept of the 30 minute city put forward in recent Federal and State government planning policies. At the 2011 Census, 23,081 key workers were employed in this catchment.

The catchment is shown in Figure 2 overleaf.

FIGURE 2. 30 MINUTE COMMUTE CATCHMENT OF THE HOSPITAL PRECINCT



1.4 Report structure

The subsequent chapters of this report are as follows:

Chapter 2: Policy and economic rationale for affordable housing	Provides an overview of the current policy framework for affordable housing development and the social and economic rationale for providing affordable housing in the Hospital Precinct.
Chapter 3: Rental affordability of the Hospital Precinct and surrounds	Assesses the rental affordability of the Hospital Precinct and surrounds under current market conditions for key workers.
Chapter 4: Affordable housing demand from key workers	Calculates current demand for affordable housing from key workers and future demand generated from the draft <i>Hospital Precinct Structure Plan</i> .
Chapter 5: Feasibility of affordable housing provision	Assess the feasibility of development of the Hospital Precinct with an affordable housing levy.
Chapter 6: Conclusion and recommendations	Summarises the findings and provides a recommendation for an affordable housing levy at the Hospital Precinct.

The following appendices have also been included:

Appendix A: Detailed policy review	A comprehensive review of relevant legislation, state and local planning and affordable housing policies.
Appendix B: Median rents by postcode	Median rents by postcodes and number of bedrooms for the key worker catchment applied to this study.
Appendix C: Centre case studies	Maps of the Travel Zones included for case studies.

2 POLICY AND ECONOMIC RATIONALE FOR AFFORDABLE HOUSING

2.1 Policy framework for the provision of affordable housing

The provision and maintenance of affordable housing is an Object of the *Environmental Planning and Assessment Act 1979*. The existing legislative framework enables select local government areas to levy affordable housing as a development contribution under *State Environmental Planning Policy No 70 Affordable Housing (Revised Schemes)*. This environmental planning instrument does not currently apply to land in the Northern Beaches local government area. NSW legislation also contains special development controls and permissibility for certain affordable housing developments, such as secondary dwellings, groups homes and infill affordable housing managed by community housing providers, under *State Environmental Planning Policy (Affordable Rental Housing) 2009*.

Affordable housing in NSW is primarily provided through affordable rental housing managed by community housing providers. According to the Registrar of Community Housing, community housing providers across NSW managed approximately 34,000 dwellings in 2012/13. The vast majority of these are community housing dwellings for social housing tenants. Approximately 6,550 dwellings are managed as affordable rental housing.

Northern Beaches Council has recently prepared a *Northern Beaches Affordable Housing Needs Assessment* (2016) to understand the demand for affordable housing within the Northern Beaches local government area and the extent to which current provision of housing meets the needs of current and future residents. The document does not include recommendations; however, it does provide an overview of the current state of the provision of affordable housing and affordable rental housing as well as increasing demand from key workers employed in the local government area.

The *Northern Beaches Affordable Housing Needs Assessment* found that there were approximately 40,000 households in the Northern Beaches local government area falling within very low, low or moderate income households. This equates to approximately 52% of all households residing in the Northern Beaches local government area in 2011. The majority of within very low, low or moderate income households were also experiencing housing stress in 2011, with 69% of households with mortgages and 79% of renting households experiencing housing stress in 2011.

The *Northern Beaches Affordable Housing Needs Assessment* also found that this demand for affordable housing is likely to increase as the population of the local government area increases, household sizes reduce, and there are increases in key worker employment in the area. The *Northern Beaches Affordable Housing Needs Assessment* noted that this trend is likely to be exacerbated as the current supply of affordable housing is low and sales and rent prices continue to increase.

There have been several recent changes to the policy framework in NSW that may see increased provision of affordable housing. These changes have primarily occurred in the draft District Plans released in 2016 and prepared by the Greater Sydney Commission. The draft *North District Plan* provide an increased emphasis and direction for the planning and development of affordable Sydney across the district, proposing a target for the provision of affordable rental housing for low and very low income households.

The proposed Affordable Rental Housing Target proposes 5% to 10% of new floorspace at the rezoning stage to be dedicated to affordable housing. The target can only be applied in areas which have a demonstrated current or future need for affordable housing, subject to development feasibility, where additional housing capacity could be achieved through the rezoning. The target applies to new floorspace above the existing permissible floorspace. It is proposed that dwellings are secured by the relevant planning authority and passed on to a registered community housing provider to manage.

Affordable housing dwellings constructed under the Affordable Rental Housing Target are only to be provided to very low and low income households. The draft District Plans make clear that this does not preclude councils encouraging affordable rental housing to support moderate income households.

At the time of writing, Northern Beaches Council exhibited the *Draft Affordable Housing Policy*. This draft policy outlines a set of principles and policy statements designed to increase the range and supply of affordable housing in the local government area. The Draft Policy includes:

- Council is committed to an affordable rental housing target of 10% of all new floor space (subject to feasibility) in the Ingleside and Northern Beaches Hospital (Frenchs Forest) precincts and all ‘spot’ rezonings (planning proposals) in the Northern Beaches.
- Targets for the provision of affordable rental housing in other parts of the Council area will be established through feasibility analysis as part of Council’s new local housing strategy.
- Mechanisms to deliver more affordable market-based or private housing will be investigated as part of Council’s new local housing strategy.
- Council will enter into a relationship with a Tier 1 community housing provider to manage and deliver affordable rental housing in the Northern Beaches.
- Council will undertake an expression of interest for a Tier 1 community housing provider every five years.
- Council’s preference is to transfer the title of affordable rental housing delivered to Council to a Tier 1 community housing provider.
- Council will give priority to key worker occupations as tenants of affordable rental housing in the Northern Beaches.

A detailed policy review is included in Appendix A.

2.2 Economic rationale for affordable housing

It is widely recognised that the provision of affordable housing to support very low, low and moderate income households produces significant social and economic benefits not only for residents of these dwellings but also for society at large.

Social impacts of affordable housing

Households and individuals who experience housing stress, particularly those who struggle to make regular rent payments, are likely to suffer heightened emotional and physical stress. The provision of affordable housing prevents housing stress from eventuating, avoiding emotional and physical stress and associated poor health and wellbeing outcomes.

Improved social cohesion may also result as households are able to remain in a community despite rising rent levels and/or reduced income. The provision of affordable housing also encourages a social mix within communities as people in a variety of occupations and with a variety of household incomes live together in a community.

The provision of affordable housing near places of work also reduces transport costs and transport times for households. The concentration of lower cost and lower rental households in less accessible locations can lead to spatial isolation. This can increase the severity of housing stress, as households are often forced to pay additional transport costs to access jobs.

The provision of affordable housing near employment not only reduces this additional stress and costs. Reduced travel times enable increased time for recreation, interaction with family, friends and community members, and overall improved quality of life.

Economic impacts of affordable housing

In direct terms, the provision of affordable housing provides households with increased income to spend on other essential items such as food, utilities, education and health services.

Economic efficiency can be improved through labour market productivity, as households and individuals are able to migrate to locations which have more job opportunities yet higher housing costs. Increases in labour productivity can improve the regional gross product and gross value added of local industries and businesses.

The provision of affordable housing can also assist with staff attraction and retention for local businesses. Affordable housing can help attract and retain key workers otherwise impeded by poor and expensive public transport connections to places of employment.

Increasing house prices can lead to inequity, with the wealth of existing owners growing, and non-owners increasingly shut out of the housing market. The provision of affordable housing provides a means to combat wealth inequality and provide an economically stable housing environment for residents to save for home purchase.

2.3 Implications

There is a clear social and economic rationale for the provision of affordable housing to improve the lives of key workers, and the functioning of the community and local economy. The development will provide a new 488-bed hospital, town centre and approximately 2,200 new dwellings supported by a major, albeit congested, road network and relatively poor public transport connections. Recent changes in the policy and strategic framework for Greater Sydney provides a new mechanism for the provision of affordable housing in the Hospital Precinct. This report considers an affordable housing levy in light of the proposed Affordable Rental Housing Target criteria prepared by the Greater Sydney Commission, and the commitment to a 10% affordable rental housing target of all new floorspace in line with Council's *Draft Affordable Housing Policy*.

3 RENTAL AFFORDABILITY OF HOSPITAL PRECINCT AND SURROUNDS

This Chapter assesses the rental affordability of the Hospital Precinct and surrounds under current market conditions. This assessment considers whether very low, low and moderate income households can be accommodated in the private rental market within a 30 minute commute of the Hospital Precinct.

3.1 Defining rental affordability

Rental bond data published by NSW Family and Community Services has been used to determine the median rental prices across the 30 minute commuting catchment for key workers servicing the Hospital Precinct and the future population of Frenchs Forest. Median rent prices for leases lodged are reported by postcode and number of bedrooms. Rental bond data for the September Quarter 2016 was the most recent data available at the time of writing. Median rents for each postcode and number of bedrooms are shown in Appendix B.

Two thresholds of affordability have been applied for very low, low, and moderate income households. The standard threshold for affordability is 30% of household income, that is housing costs (whether rent or a mortgage) is considered to be affordable if a household contributes less than 30% of the income (NSW Family and Community Services 2016). Paying more than 30% of household income to housing costs places a household in housing stress. A threshold of 50% of household income has also been applied in this analysis.

Table 4 below identifies the 30% and 50% income thresholds for very low, low, and moderate income households in Greater Sydney.

TABLE 1. RENTAL AFFORDABILITY IN GREATER SYDNEY

Household	Maximum annual income	Weekly income	30% of weekly income	50% of weekly income
Very Low	\$42,300	\$811	\$243	\$405.62
Low	\$67,600	\$1,296	\$389	\$648.22
Moderate	\$101,400	\$1,945	\$583	\$972.33

Source: NSW Family and Community Services, 2016

Rent data has been collected from Family and Community Services' Rental Sales Reports. The most recent data available at the time of writing was September Quarter 2016.

The maps on the following pages illustrate the rental affordability of postcodes within a 30 minute catchment of the Hospital Precinct under current market conditions. For the purpose of these maps, postcodes are considered 'affordable' if the median weekly rent for the postcode is less than 30% of maximum weekly household income, 'unaffordable' if the median weekly rent falls between 30% and 50% of the maximum weekly household income, and 'significantly unaffordable' if the median weekly rent is greater than 50% of the maximum weekly household income. Postcodes with insufficient data (i.e. fewer than 10 properties were rented over the September Quarter) are shown in grey, indicating that there are few appropriate properties in that postcode.

3.2 Very low income households

Figure 3 and Figure 4 show the rental affordability of one and two bedroom dwellings respectively for households on very low incomes (less than \$42,300 annually) within the 30 minute driving catchment of Frenchs Forest.

FIGURE 3. RENTAL AFFORDABILITY – VERY LOW INCOME HOUSEHOLDS, 1 BEDROOM DWELLINGS

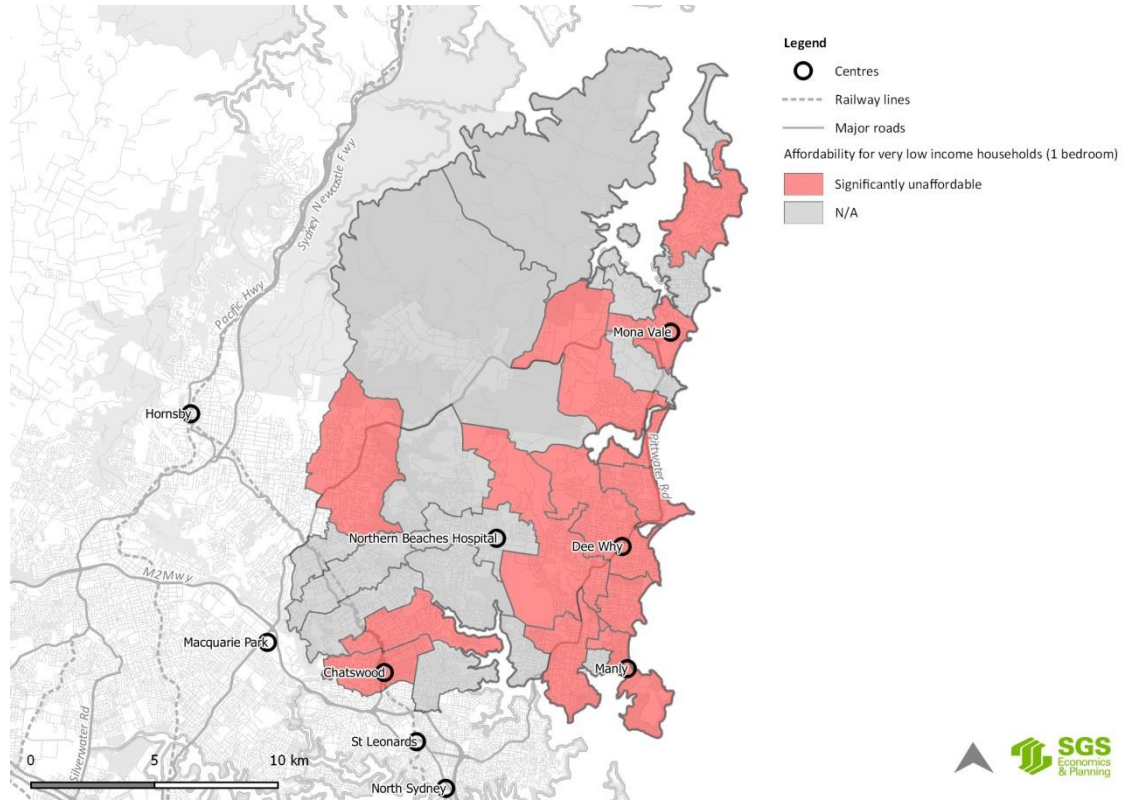
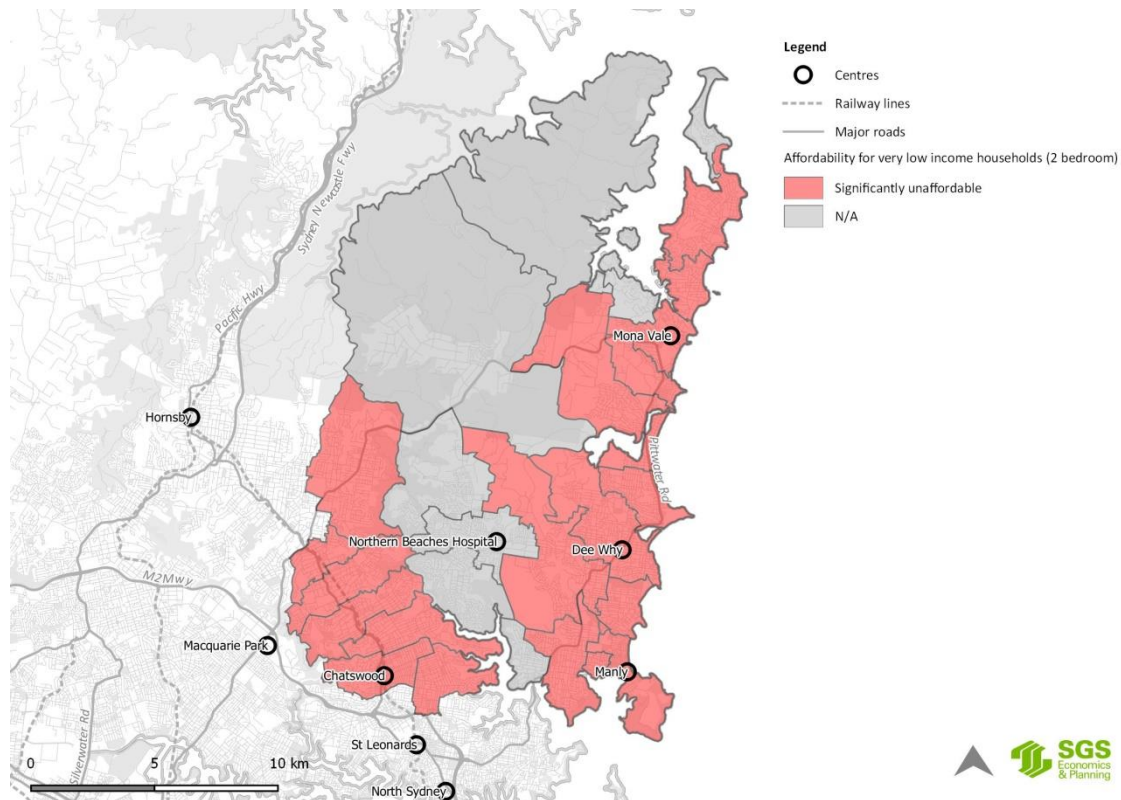


FIGURE 4. RENTAL AFFORDABILITY – VERY LOW INCOME HOUSEHOLDS, 2 BEDROOM DWELLINGS



Source: SGS Economics and Planning, 2017

As illustrated, all the postcodes with available data are rated as significantly unaffordable for very low income households in both one and two bedroom dwellings. Similarly, rents for larger three and four bedroom dwellings are also rated as significantly unaffordable for these households across the catchment area, including around the Northern Beaches Hospital Precinct, as show in Figure 5 and Figure 6 respectively.

FIGURE 5. RENTAL AFFORDABILITY – VERY LOW INCOME HOUSEHOLDS, 3 BEDROOM DWELLINGS

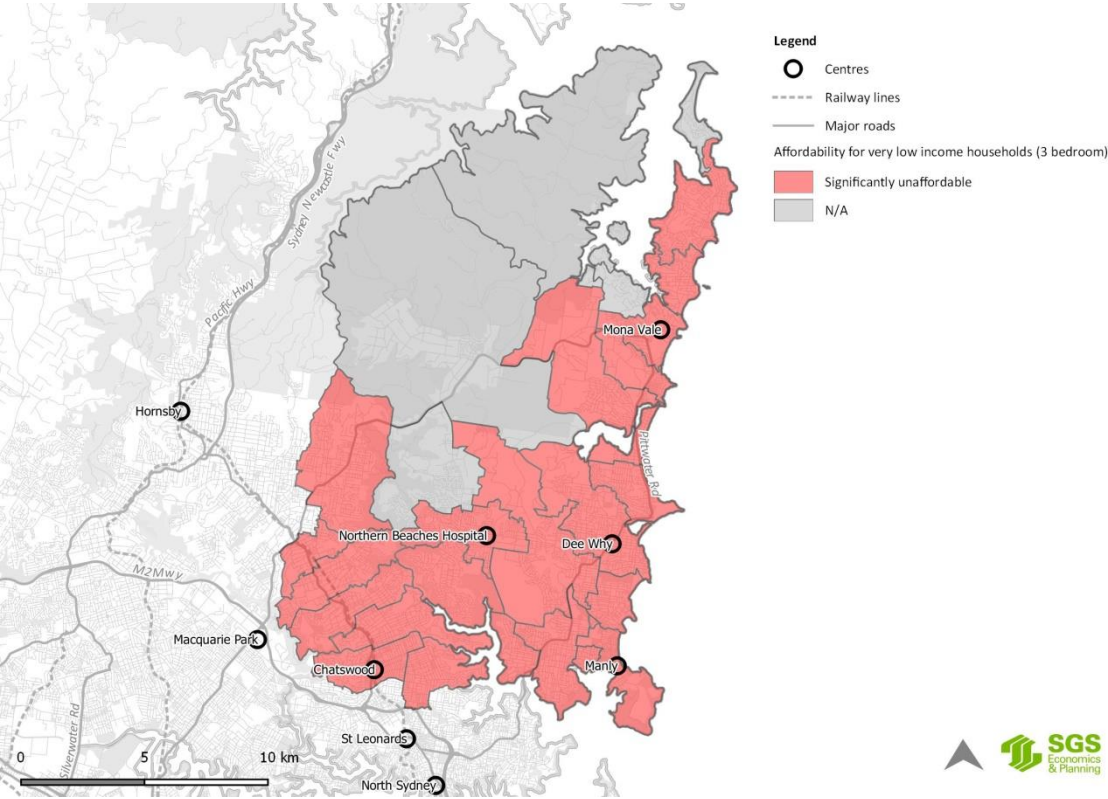
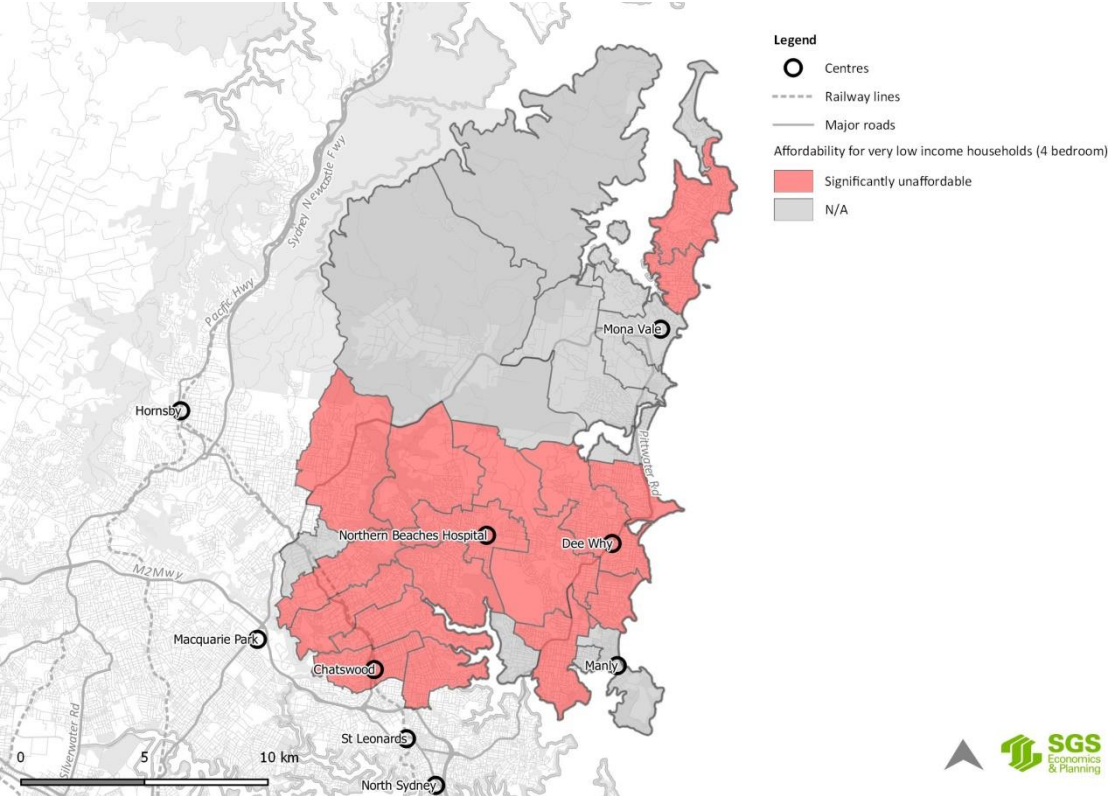


FIGURE 6. RENTAL AFFORDABILITY – VERY LOW INCOME HOUSEHOLDS, 4 BEDROOM DWELLINGS



3.3 Low income households

Figure 7 and Figure 8 illustrate the rental affordability of the 30 minute catchment for low income households (earning up to \$67,600 annually) for one bedroom and two bedroom dwellings respectively. For one bedroom dwellings, the postcodes with available data are rated as unaffordable. Rents for two bedroom dwellings across the area are largely rated as unaffordable, with pockets around Chatswood, Manly, Pymble and Warriewood that are significantly unaffordable.

FIGURE 7. RENTAL AFFORDABILITY – LOW INCOME HOUSEHOLDS, 1 BEDROOM DWELLINGS

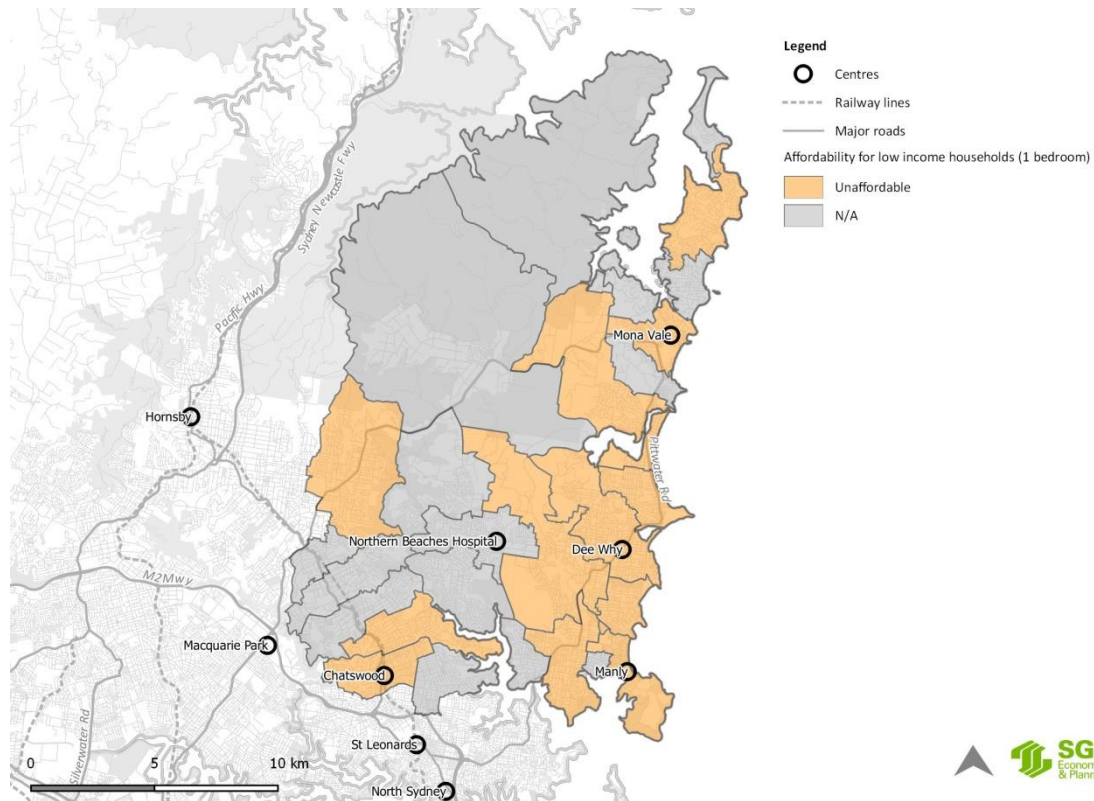
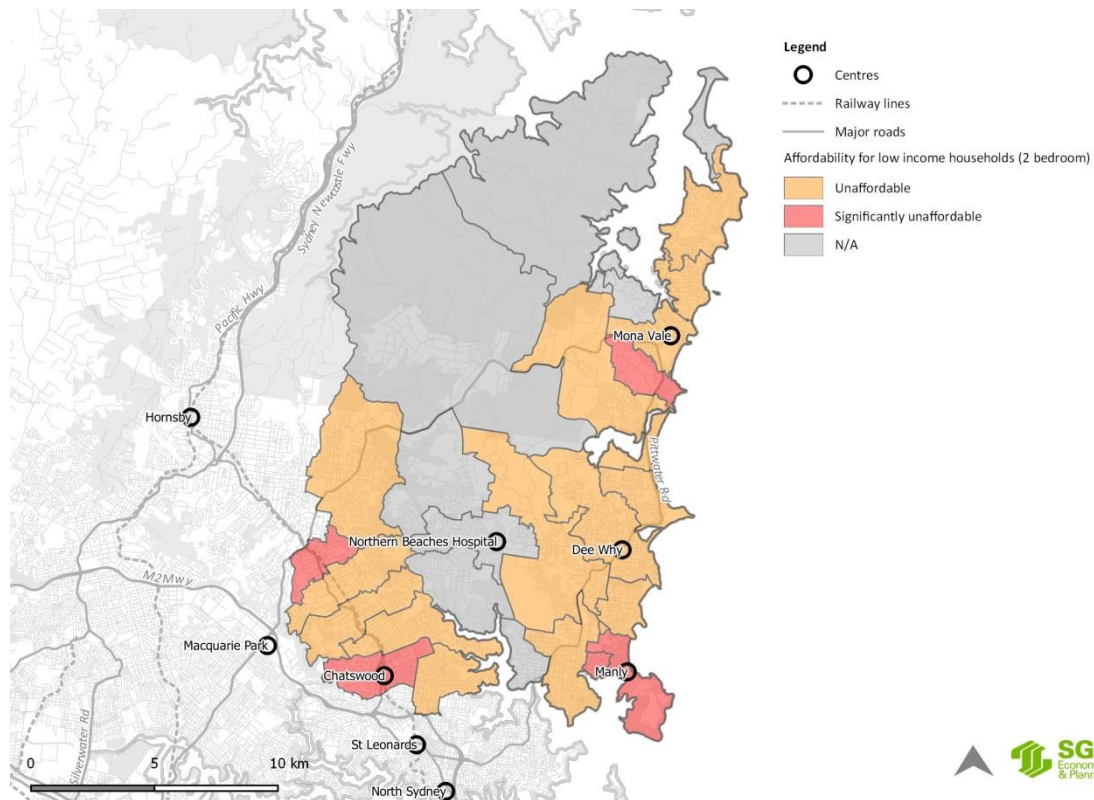


FIGURE 8. RENTAL AFFORDABILITY – LOW INCOME HOUSEHOLDS, 2 BEDROOM DWELLINGS



Source: SGS Economics and Planning, 2017

Figure 9 and Figure 10 show the affordability of three and four bedroom dwellings respectively in the catchment area for households on low incomes. The figures illustrate that for these types of housing, all the areas within 30 minutes of Frenchs Forest (with available data) are significantly unaffordable, including around the Hospital Precinct.

FIGURE 9. RENTAL AFFORDABILITY – LOW INCOME HOUSEHOLDS, 3 BEDROOM DWELLINGS

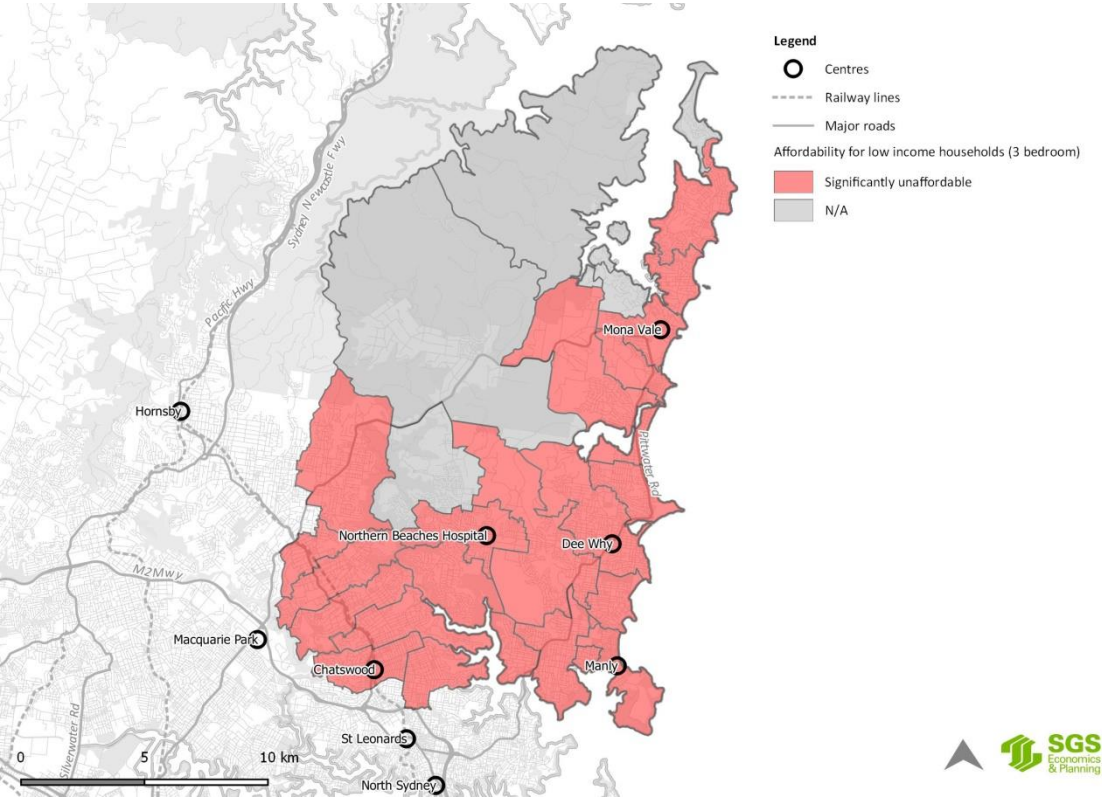
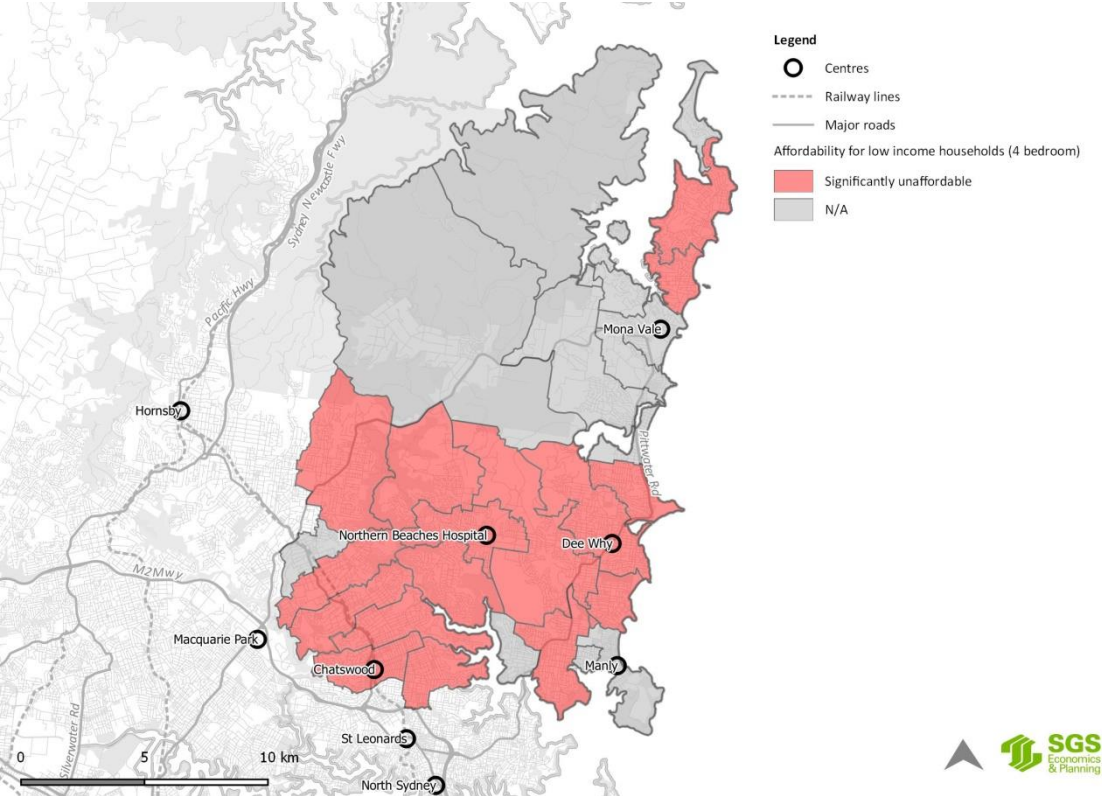


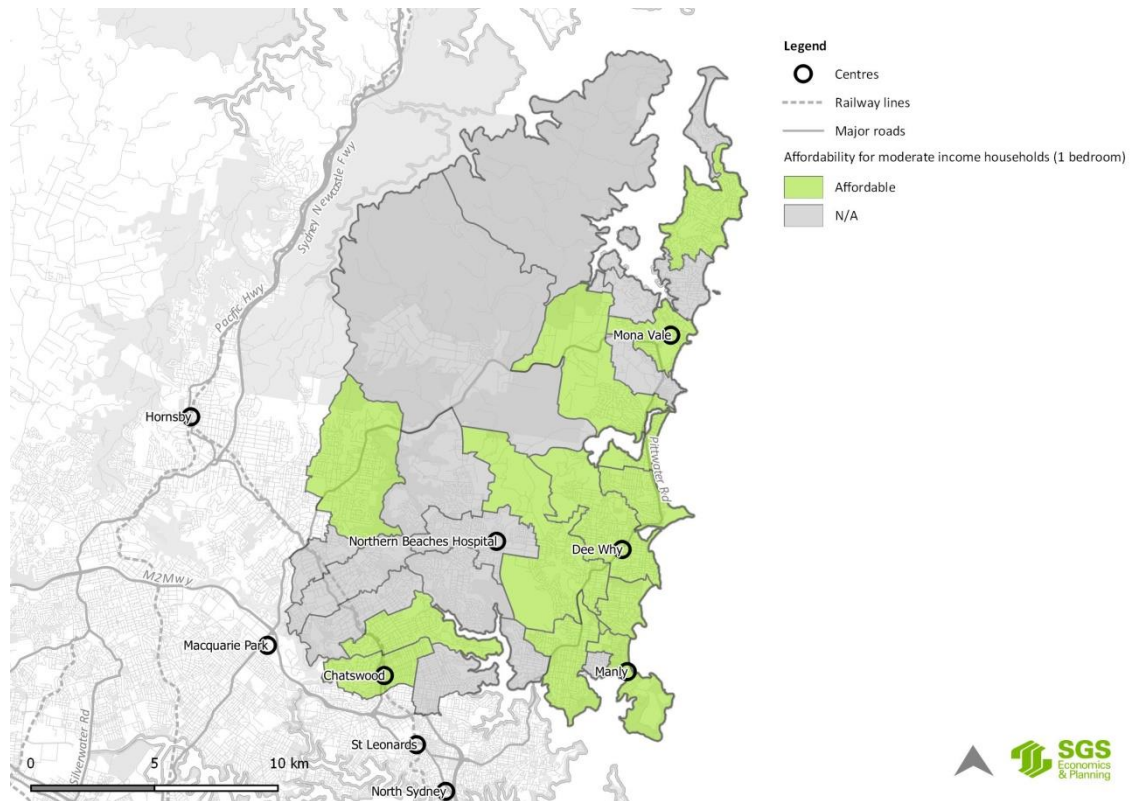
FIGURE 10. RENTAL AFFORDABILITY – LOW INCOME HOUSEHOLDS, 4 BEDROOM DWELLINGS



3.4 Moderate income households

Figure 11 and Figure 12 show the affordability of one and two bedroom dwellings respectively for households on moderate incomes (up to \$101,400 annually) within a 30 minute drive. One bedroom dwellings for this household type are rated as affordable across the area, however for two bedroom dwellings there are only some pockets where rents remain affordable, including around Avalon Beach, Collaroy Plateau, Willoughby and Lindfield.

FIGURE 11. RENTAL AFFORDABILITY – MODERATE INCOME HOUSEHOLDS, 1 BEDROOM DWELLINGS



Source: SGS Economics and Planning, 2017

FIGURE 12. RENTAL AFFORDABILITY – MODERATE INCOME HOUSEHOLDS, 2 BEDROOM DWELLINGS

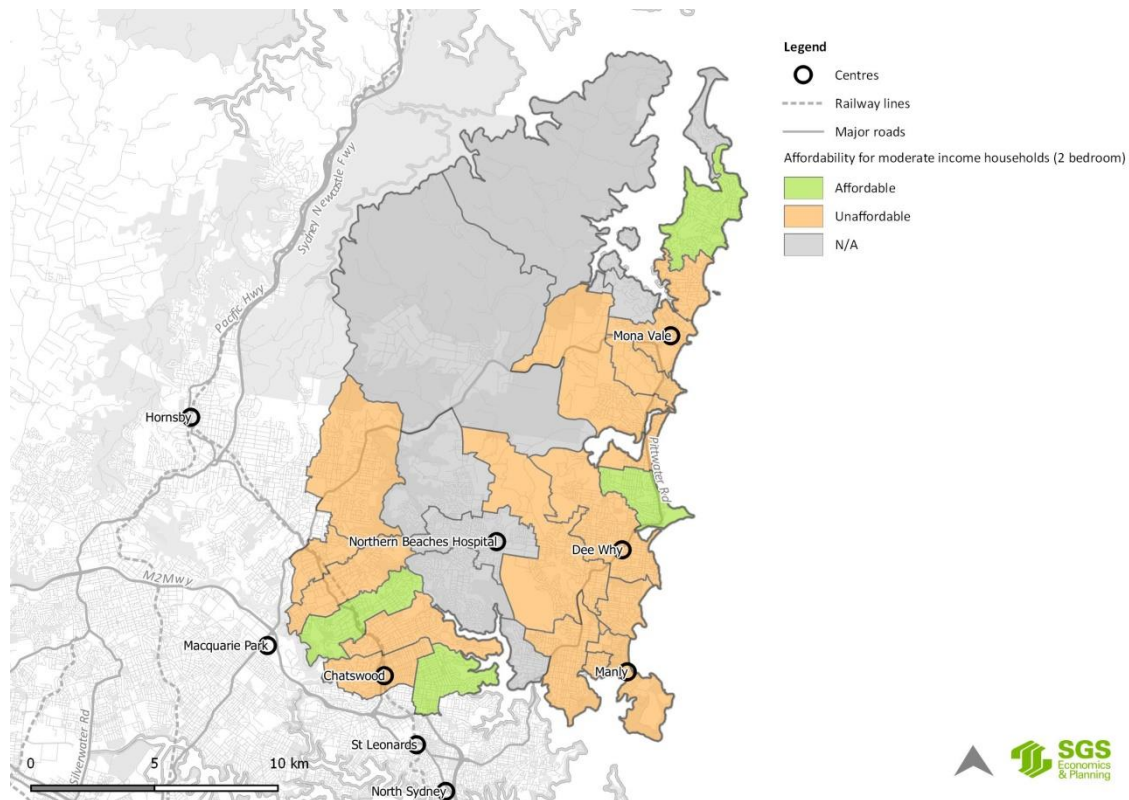


Figure 13 and Figure 14 illustrate the rental affordability for moderate income households of three and four bedroom dwellings respectively. There are no areas within the 30 minute catchment rated as affordable for either three or four bedroom dwellings. Rents for three bedroom dwellings across the area are largely rated as unaffordable with the exception of areas around Chatswood and Manly which are significantly unaffordable. For four bedroom dwellings, the only area that is unaffordable rather than significantly unaffordable is around Forestville and Killarney Heights.

FIGURE 13. RENTAL AFFORDABILITY – MODERATE INCOME HOUSEHOLDS, 3 BEDROOM DWELLINGS

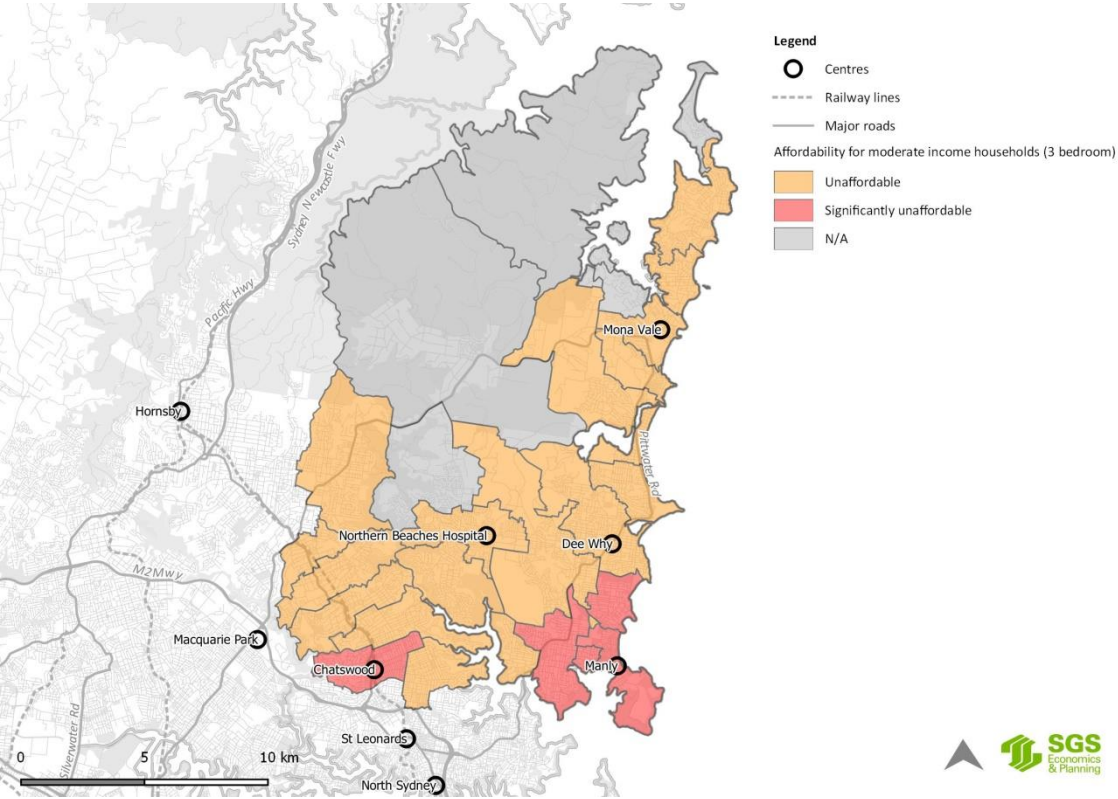
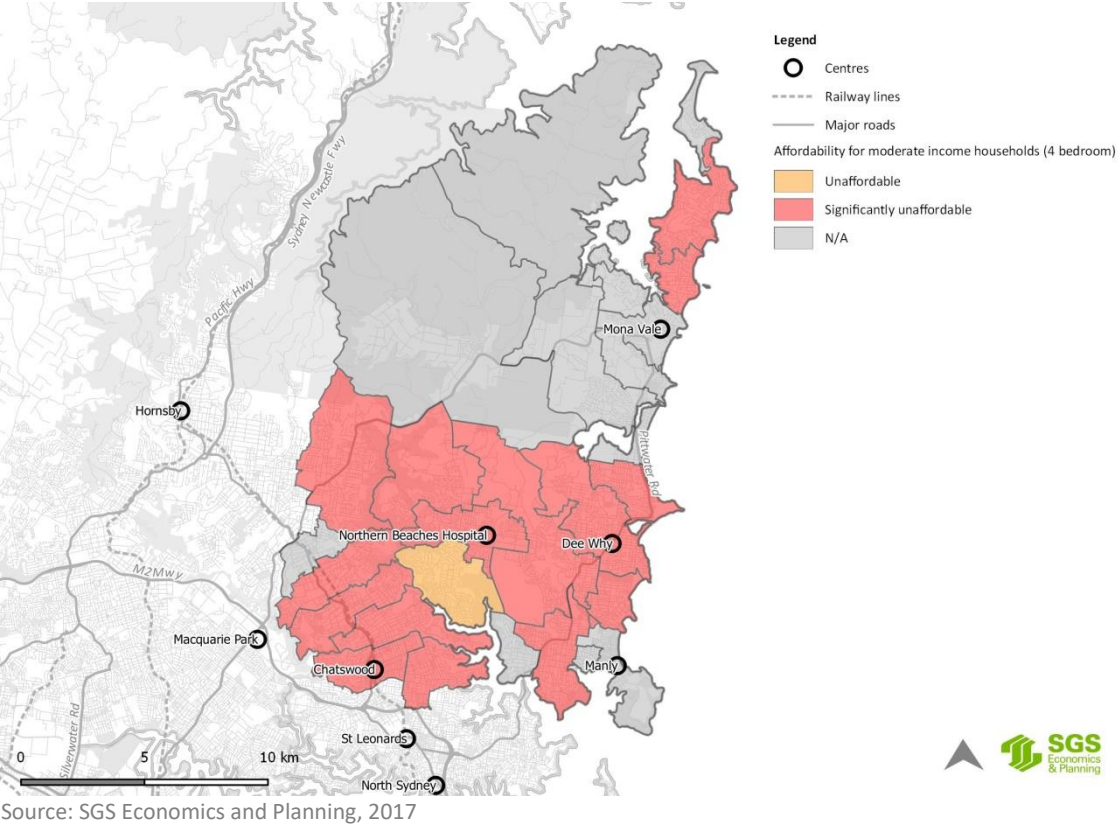


FIGURE 14. RENTAL AFFORDABILITY – MODERATE INCOME HOUSEHOLDS, 4 BEDROOM DWELLINGS



3.5 Implications

Based on the above analysis of rental affordability within a 30 minute drive catchment of Frenchs Forest, there is currently a limited amount of affordable rental housing available in the area. Very low and low income households in particular cannot be accommodated within the private rental market without contributing the majority of their income to housing costs.

The analysis shows that rents within the catchment for one, two, three and four bedroom dwellings are currently at unaffordable prices for households on very low incomes. In all locations, very low income households are required to pay over half of their household income to rent, or there are not a sufficient number of rental properties on offer. One and two bedroom dwellings across the area are also generally at the unaffordable level for low income households, while three and four bedrooms rentals are significantly unaffordable.

Rents for one bedroom dwellings within the catchment are affordable for households earning moderate incomes, and there are some pockets of rental affordability in two bedroom dwellings. However, for the most part, both two bedroom and three bedroom dwellings are unaffordable for moderate income households, with some areas also rated as significantly unaffordable and requiring over half of household income in rent payments. Four bedroom dwellings are also significantly unaffordable even for those on moderate incomes, with the exception of one area that is still rated as unaffordable.

Based on the available data, rental housing around the Hospital Precinct in particular is also unaffordable to significantly unaffordable for the different dwelling sizes, even for households on moderate incomes. This emphasises the lack of affordable rental accommodation for families and larger households requiring 3 or more bedrooms found in the *Northern Beaches Affordable Housing Needs Assessment*.

This suggests that there is a need for more provision of affordable rental housing within the catchment and the Hospital Precinct. This will be particularly important for key workers which the Hospital Precinct is intending to accommodate, particularly for those key worker households requiring more than one bedroom.

4 AFFORDABLE HOUSING DEMAND FROM KEY WORKERS

This Chapter analyses demand for affordable housing from key workers. Current demand from key workers employed within a 30 minute commute of the Hospital Precinct is determined, as well as future demand for affordable housing from the development of the precinct under the draft *Hospital Precinct Structure Plan*. Future demand has been determined through two approaches; demand generated by future residents and demand from employment uses in the Hospital Precinct.

4.1 Current key worker affordable housing demand

Current demand for key workers has been determined from 2011 Census household income, occupation and place of work data. The 2011 Census is the most recent data available at the time of writing. Household income data has been inflated to 2016 dollars using the Wage Price Index published by the Australian Bureau of Statistics. This inflation provides an estimate of household incomes in the September Quarter of 2016 from the most recent available data. This inflation assumes household income follows the same distribution in 2016.

Table 2 identifies the number of key workers by industry in the catchment that would qualify for affordable housing in line with the requirements in the 2016/17 *NSW Affordable Housing Ministerial Guidelines*. In total, 9,230 workers in key worker occupations have a household income which qualifies for affordable housing. This equates to 39.99% of all key workers employed in this catchment (23,081 workers).

Almost half of the households (4,351 or 47% of eligible key workers) reside in moderate income households with a household income of between 80% and 120% of the Greater Sydney median household income. As noted in Chapter 2, moderate income households would not qualify for affordable housing delivered under the Greater Sydney Commission's proposed Affordable Rental Housing Target. Approximately 4,800 key workers employed within a 30 minute commute of the Hospital Precinct reside in very low and low income households.

TABLE 2. NUMBER OF KEY WORKERS ELIGIBLE FOR AFFORDABLE HOUSING

Household income category	Number of key workers	% of key workers
Very low	2,218	24.04%
Low	2,660	28.82%
Moderate	4,351	47.14%
Total	9,230	100.00%

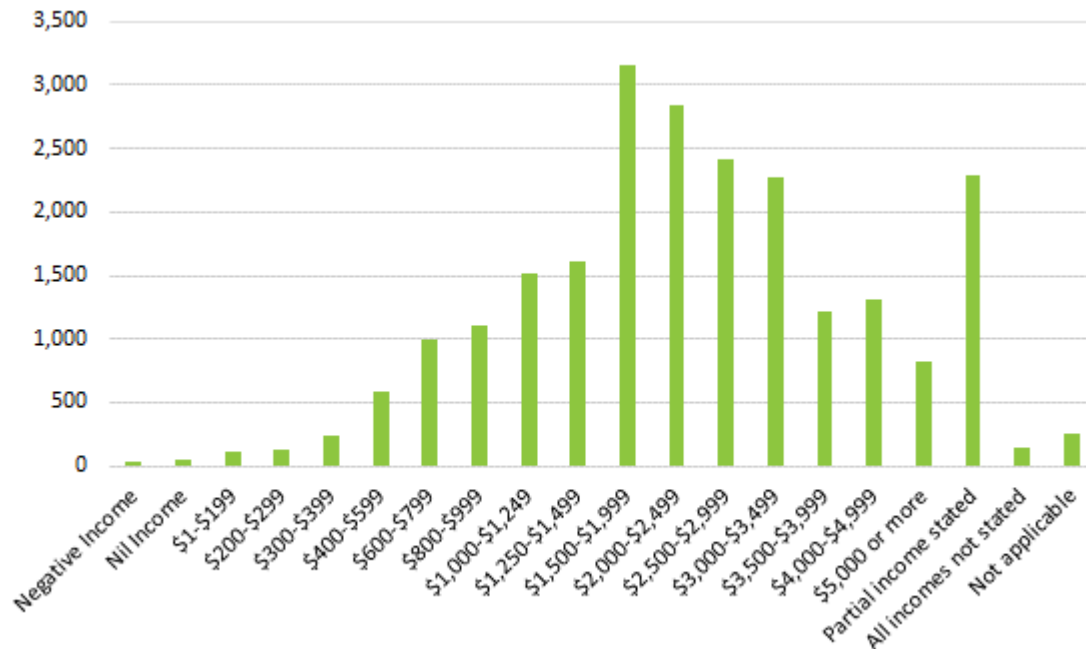
Source: SGS Economics and Planning 2017, using ABS 2011

Note: This table assumes a uniform distribution of key workers within each income bracket.

The income distribution of key workers in the 30 minute commute catchment is shown in Figure 15 overleaf. The figure shows that there are significant proportion of key worker households have incomes slightly higher than the affordable housing threshold. There are also a significant number of households with a key worker employed in the catchment area which have not stated their complete household

income. These households have been included in the overall count of key worker households and have been assumed to have household incomes that exclude them from affordable housing eligibility and may represent an underestimation of affordable housing demand.

FIGURE 15. INCOME DISTRIBUTION OF ALL KEY WORKERS



Source: SGS Economics and Planning 2017, using ABS 2011

4.2 Additional demand associated with the draft Hospital Precinct Structure Plan

Demand for key workers from residential development

Table 3 overleaf illustrates the proportion of key worker households to the residential population of the key worker catchment. As at the 2011 Census, there were 339,092 residents in the key worker catchment. Key workers eligible for affordable housing equate to 2.72% of all residents in the 30 minute commute catchment. Applying this rate to the resident yield of new development in the Hospital Precinct suggests that this development creates demand for an additional 127 key workers who are eligible for affordable housing.

Assuming one key worker per household, this demand equates to 5.99% of the total dwellings proposed. Of these households, 30 are very low income households, 37 are low income households and 60 are moderate income households. Demand for affordable housing dwellings from key workers in very low and low income households equates to 3.16% of the total dwellings proposed.

TABLE 3. ESTIMATED FUTURE DEMAND FOR KEY WORKER AFFORDABLE HOUSING
BASED ON CURRENT PROPORTION OF KEY WORKERS

Household income category	Number of key workers	Proportion of all residents	Number of key workers per 1,000 residents	Number of key worker households to support new Hospital Precinct residents
Very low	2,218	0.65%	7	30
Low	2,660	0.78%	8	37
Moderate	4,351	1.28%	13	60
Total	9,230	2.72%	27	127

Source: SGS Economics and Planning 2017, using ABS 2011

Note: This table assumes a uniform distribution of key workers within each income bracket.

Demand from employment activities

The Northern Beaches Hospital Precinct is identified as a Strategic Centre in the draft *North District Plan* (discussed further in Appendix A). This distinction recognises the potential for Frenchs Forest as an employment destination anchored by the Northern Beaches Hospital. These employment activities are likely to generate demand from key workers employed in the Northern Beaches Hospital Precinct over and above demand required to support new residents.

The draft *Hospital Precinct Structure Plan* plans for an additional 2,350 jobs in Frenchs Forest in the short term. Of these new jobs, 1,300 of these will be at the Northern Beaches Hospital and 1,050 will be in the new Frenchs Forest town centre. Likely demand for affordable housing from key workers has been calculated for the new hospital and town centre separately.

Key worker affordable housing demand from the Northern Beaches Hospital

As noted above, the new Northern Beaches Hospital is expected to contain 1,300 jobs in the short term. Employment at the hospital is expected to increase to 1,900 in 2036. In the absence of a publicly available breakdown of workers forecast for the Northern Beaches Hospitals, the breakdown of occupations in NSW hospitals has been applied from the Australian Institute of Health and Wellbeing's *Hospital resources: 2014-15: Australian Hospital Statistics*.

For the purpose of this analysis, key worker demand from the Northern Beaches Hospital considers demand from key workers in Midwifery and Nursing Professional occupations. It is recognised that some key workers, including some workers in Cleaners and Laundry Workers and Personal Carers and Assistants occupations, may also be employed at the hospital. However, *Hospital resources: 2014-15: Australian Hospital Statistics* does not provide an appropriate breakdown to identify these occupations. All occupations other than Midwifery and Nursing Professionals are considered in demand generated from the town centre and demand from the Northern Beaches Hospital may represent an undercount.

Across NSW hospitals, 41.82% of all FTE staff are nurses¹. At the Northern Beaches Hospital, this would equate to 544 FTE staff employed as nurses. As noted in section 4.2, 39.99% of key workers currently employed within a 30 minute driving catchment of the Northern Beaches Hospital Precinct are eligible for affordable rental housing in line with the 2016/17 *NSW Affordable Housing Ministerial Guidelines*. Applying these assumptions and assuming one key worker per household, the Northern Beaches Hospital is likely to generate demand for 217 affordable housing dwellings. This equates to 10.27% of all dwellings proposed for under the draft *Hospital Precinct Structure Plan*.

Table 4 overleaf provides a breakdown of likely demand applying the income distribution assumptions outlined in section 4.2. Under these assumptions, and assuming one key worker per household, 52 households would be very low income households, 63 would be low income households and 102 would be moderate income households. Demand for affordable housing dwellings from key workers in very low and low income households equates to 5.43% of the total dwellings proposed.

¹ Australian Institute of Health and Wellbeing (2016) *Hospital resources: 2014-15: Australian Hospital Statistics*.

TABLE 4. ESTIMATED FUTURE DEMAND FOR KEY WORKER AFFORDABLE HOUSING FROM NORTHERN BEACHES HOSPITAL

Household income category	Number of key worker households eligible for affordable housing	Proportion of all dwellings
Very low	52	2.47%
Low	63	2.96%
Moderate	102	4.84%
Midwifery and Nursing Professionals	217	10.27%

Source: SGS Economics and Planning 2017, using AIHW 2016, ABS 2011

Note: This table assumes a uniform distribution of key workers within each income bracket.

Key worker affordable housing demand from the Frenchs Forest town centre

A number of case studies have been reviewed to provide an indication of key worker demand stemming from the development of the new Frenchs Forest town centre. These case studies are centres in the North District of Greater Sydney which contain a public hospital. These centres are:

- Mona Vale (Mona Vale Hospital)
- Manly (Manly Hospital)
- Hornsby (Hornsby-Ku-ring-gai Hospital)
- Denistone-Eastwood (Ryde Hospital)
- North Ryde (Gladesville-Macquarie Hospital)
- St Leonards (Royal North Shore Hospital)

Current occupations in these centres have been determined from the Travel Zone/s that contain the centre and the hospital as defined by NSW Transport Performance and Analytics. Maps of the Travel Zones that make up these centres are included in Appendix C. The proportion of key worker occupations of all workers in each centre has been calculated, as well as the proportion of key workers eligible for affordable housing. As per the demand assessment from the Northern Beaches Hospital, it is assumed 39.99% of key workers would be in households eligible for affordable housing.

In order to avoid double counting, hospital occupations have been excluded from this demand analysis. To exclude these occupations, medical and administrative occupations associated with hospital operations that are located in the Travel Zone with the hospital have been removed. Workers in these occupations located in the centre (i.e. in the other Travel Zones that make up the centre) are still included. In some cases (i.e. St Leonards and North Ryde), part of the centre falls within the hospital Travel Zone. These assumptions may result in an undercount of key worker demand generated from workers in the Frenchs Forest town centre.

The proportion of key worker jobs in these centres ranges from 8.29% and 29.49% of all jobs in these centres. This equates to key workers in households eligible for affordable housing ranging between 3.31% and 11.76% of all workers in the centre. The median proportion of key workers eligible for affordable housing is 7.36% of all jobs in the centre. The proportion of key workers in the centre case studies are shown in Table 5 overleaf.

TABLE 5. KEY WORKERS IN CASE STUDY CENTRES

	Proportion of key workers of all jobs	Proportion of key workers eligible for affordable housing	Equivalent key workers in the Frenchs Forest town centre
Mona Vale	22.01%	8.80%	92
Manly	9.07%	3.63%	38
Hornsby	29.42%	11.76%	123
Denistone	14.81%	5.92%	62
North Ryde	24.19%	9.67%	102
St Leonards	8.29%	3.31%	35
Median	18.41%	7.36%	77

Source: SGS Economics and Planning 2017, using TPA 2014 and ABS 2011

For the Frenchs Forest town centre, which is planned for 1,050 jobs in the short term, this equates to 77 key workers eligible for affordable housing. Assuming one key worker per household, this equates to 3.64% of all new dwellings planned for the Hospital Precinct. Demand for affordable housing from key workers employed in the new Frenchs Forest town centre would equate to 19 very low households, 22 low income households and 36 moderate income households. Demand for affordable housing dwellings from key workers in very low and low income households equates to 1.92% of the total dwellings proposed.

TABLE 6. ESTIMATED FUTURE DEMAND FOR KEY WORKER AFFORDABLE HOUSING FROM FRENCHS FOREST TOWN CENTRE

Household income category	Number of key worker households eligible for affordable housing	Proportion of all dwellings
Very low	19	0.87%
Low	22	1.05%
Moderate	36	1.72%
Total	77	3.64%

Source: SGS Economics and Planning 2017, using TPA 2014 and ABS 2011

Total demand from employment in the Hospital Precinct

Table 7 shows the total likely demand for affordable housing generated by key workers employed in the Hospital Precinct. In total, there is likely demand for affordable housing for 294 key workers in the Hospital Precinct. Assuming one key worker per household, this equates 13.91% of all new housing proposed. If only very low and low income households are considered, key worker demand for affordable housing equates to 7.35% of all dwellings proposed.

TABLE 7. ESTIMATED FUTURE DEMAND FOR KEY WORKER AFFORDABLE HOUSING FROM EMPLOYMENT

	Hospital	% of all dwellings	Town centre	% of all dwellings	Key worker affordable housing	% of all dwellings
Very low	52	2.47%	19	0.87%	71	3.34%
Low	63	2.96%	22	1.05%	85	4.01%
Moderate	102	4.84%	36	1.72%	139	6.56%
Total	217	10.27%	77	3.64%	294	13.91%

Source: SGS Economics and Planning 2017, using AIHW 2016, TPA 2014 and ABS 2011

4.3 Summary

The Hospital Precinct has demonstrated current and future demand for affordable housing to support key workers. There are currently 9,230 key workers employed within a 30 minute catchment of the Hospital Precinct who reside in households eligible for affordable housing in accordance with the 2016/17 *NSW Affordable Housing Ministerial Guidelines*.

Future demand for affordable housing from key workers has been calculated considering demand to support the new residents of the Hospital Precinct (5.99% of all dwellings (127 dwelling or approximate 12,700sqm of residential floorspace)) and from proposed employment uses in the Hospital Precinct (13.91% of all dwellings (294 dwellings or approximately 29,400sqm of residential floorspace)).

If only very low and low income households are considered as per the proposed Affordable Rental Housing Target, affordable housing demand from key workers would equate to 3.16% of all dwellings proposed if only demand from residents is considered (the equivalent of 67 dwellings or approximately 6,700sqm of residential floorspace). If demand from employment uses is considered, there is likely demand for 156 affordable housing dwellings to support key workers. This equates to 7.35% of all dwellings proposed or approximately 15,600sqm of residential floorspace.

5 FEASIBILITY OF AFFORDABLE HOUSING PROVISION

The previous chapters have established there is likely demand for up to 294 affordable housing dwellings from key workers in the Hospital Precinct from new development under the draft *Hospital Precinct Structure Plan* in addition to existing demand for affordable housing. Chapter 3 also demonstrated that this demand cannot be met under current market conditions, especially for very low and low income households.

This Chapter tests the feasibility of providing affordable housing through developer contributions to meet this forecast likely demand. The feasibility assessment builds on the *Northern Beaches Hospital Precinct Structure Plan: Feasibility Assessment* prepared by MacroPlan Dimasi in March 2017. The methodology and assumptions used to inform the feasibility assessment are outlined as well as the results of the affordable housing contribution scenarios tested.

5.1 Feasibility modelling methodology

For the purpose of the report, the feasibility assessment considers the financial viability of the precinct as a whole rather than the feasibility of individual development sites. This differs from the approach adopted by MacroPlan Dimasi. A precinct-wide feasibility assessment has been employed as the nature of development sites and the amalgamation of lots is unknown and floorspace for affordable housing would be levied across the precinct.

A bespoke residual land value model has been developed by SGS to test the feasibility of development in the Hospital Precinct. The model calculates the residual land value of the development by deducting all the development costs from the sales revenues of all new dwellings and commercial development in the current market. The development costs include the construction costs plus contingencies, professional fees, typical profit margin for the developer, interest charges and sales transaction costs.

This model aims to determine the threshold for an affordable housing levy, i.e. the point beyond which the proportion of affordable housing levied makes the development unviable. The development is usually considered feasible when the residual land value is greater than the current land value.

A levy on non-residential floorspace developed as part of the draft *Hospital Precinct Structure Plan* has also been tested as part of this assessment. A levy of 1% for all non-residential floorspace has been tested. This is in accordance with available precedent in NSW in the *Sydney Local Environmental Plan 2012*.

5.2 Key inputs and assumptions

Development form and land use mix

Assumptions for dwelling and land use mix and dwelling size applied in the *Northern Beaches Hospital Precinct Structure Plan: Feasibility Assessment* have been obtained from MacroPlan Dimasi and incorporated in this analysis.

Land values

Land value assumptions have been taken from the *Northern Beaches Hospital Precinct Structure Plan: Feasibility Assessment*. The land value applied for this analysis is \$2,300 per square metre of developable land.

Land development costs

The following land development costs have been considered as part of this analysis:

- Construction costs for different built forms, including a mix of dwelling types, including construction contingency
- Professional fees
- GST
- External works and services
- Infrastructure contributions
- Key worker housing levy

Construction costs

Construction costs have been taken from *Rawlinsons Construction Cost Guide (Rawlinsons)*. *Rawlinsons* is widely recognised as an industry standard and reference guide for construction costs across Australia and a variety of built forms. Costs are included at a per square metre rate. A construction contingency of 10% of construction costs has also been applied.

Professional fees and external works and services

These costs assumptions represent a percentage of the construction costs. For the purposes of this assessment, professional fees are assumed to be 15% of construction and external works and services represent 3% of construction costs.

Infrastructure contributions

As per the *Northern Beaches Hospital Precinct Structure Plan: Feasibility Assessment*, a \$20,000 Special Infrastructure Contribution per dwelling is assumed in addition to local infrastructure development contributions of \$20,000 per dwelling.

In addition to these infrastructure levies, a levy for key worker housing has been applied to provide affordable housing for key workers to meet the likely demand established in Chapter 4. The feasibility assessment treats an affordable housing contribution as a development contribution in accordance with the current legislative framework (i.e. SEPP 70).

Transaction costs

Transaction costs considered as part of this analysis include:

- Sales expenses
- Interest charges

Sales expenses are assumed to represent 4% of the sales revenue for each dwelling. Interest charges are based on an interest rate of 10% p.a. over a two year construction period.

Sales revenue

Sales revenue assumptions have been applied from the *Northern Beaches Hospital Precinct Structure Plan: Feasibility Assessment* as follows:

- Townhouses
 - 1 bedroom - \$8,500 per square metre
 - 2 bedroom - \$8,500 per square metre
 - 3 bedroom - \$8,500 per square metre
- Apartments
 - 1 bedroom - \$10,500 per square metre
 - 2 bedroom - \$11,000 per square metre
 - 3 bedroom - \$11,000 per square metre
- Retail - \$7,000 per square metre
- Commercial/Other - \$6,500 per square metre

5.3 Feasibility results

Exhibited development scenario

Using the aforementioned inputs and assumptions, the residual land value of the development of the draft *Hospital Precinct Structure Plan* with a key worker affordable housing levy has been calculated. The development of the Hospital Precinct as exhibited in the draft *Hospital Precinct Structure Plan* is not feasible. This is regardless of whether an affordable housing levy is applied to the development or not. The feasibility calculations are shown overleaf in Table 8.

It is important to note that this feasibility assessment considers current market conditions. It is likely that market conditions will shift into the future, which in turn impacts the revenue and costs assumptions applied in this analysis. Prices may change to absorb costs associated with the development of affordable rental housing, as had been forecasted for costs associated with BASIX requirements², however it is difficult to predict such price movement, as it can be impacted by a range of other market factors, including increasing demand for housing.

² Allen Consulting Group 2013, *Benefit-cost analysis of proposed BASIX stringency settings*, Report to the Department of Planning and Infrastructure, Sydney, June.

TABLE 8. FEASIBILITY RESULTS – EXHIBITED DEVELOPMENT SCENARIO

Affordable housing levy	0.00%
Costs	\$
Townhouses	\$45,258,353
Apartments	\$407,439,371
Retail	\$48,750,000
Office	\$3,864,000
Total Dwelling Costs	\$505,311,724
External works and services	\$15,159,352
Construction contingency	\$50,531,172
Professional fees	\$75,796,759
Construction GST	\$50,531,172
Local Infrastructure Contributions	\$42,320,000
SIC	\$42,320,000
Interest charges	\$156,394,036
Developer's profit margin	\$156,394,036
TOTAL Construction Costs	\$1,094,758,250
Revenue	
Townhouses	
1 bedroom	\$48,266,400
2 bedroom	\$83,538,000
3 bedroom	\$49,857,600
Apartments	
1 bedroom	\$793,346,400
2 bedroom	\$624,393,000
3 bedroom	\$115,434,000
Retail	\$148,750,000
Office	\$12,240,000
Sales expenses	(\$75,033,016)
AH contributions - Res only	\$0.00
AH contributions - Non-res	\$0.00
TOTAL Revenue	\$1,800,792,384
Residual Land Value	\$706,034,134
Current Land Value	\$727,798,200
Feasibility Ratio	0.97

Source: SGS Economics and Planning, 2017

Alternate floorspace ratio scenario

An alternate development scenario has been prepared in light of the results of the feasibility test shown in Table 8, the findings of feasibility testing for individual sites prepared by MacroPlan Dimasi and the draft policy commitments of Northern Beaches Council. MacroPlan Dimasi's report found that the five individual sites tested were not feasible under the development controls as exhibited in the draft *Hospital Precinct Structure Plan*. This is consistent with the findings shown in Table 8. MacroPlan Dimasi's report suggested changes to development controls, primarily through increased floorspace ratios, to improve the feasibility of individual developments in the Northern Beaches Hospital Precinct.

Separately, a commitment to 10% residential floorspace levy for affordable rental housing at the Northern Beaches Hospital Precinct has been included in Council's *Draft Affordable Housing Policy*. A similar draft commitment is made for the Ingleside precinct.

Furthermore, revised traffic modelling has been prepared as part of the Hospital Precinct planning process has indicated additional development capacity may be achievable without comprising the road network in and around the precinct.

In light of these factors, increased floorspace ratios have been tested alongside a 10% affordable housing levy for residential floorspace. Revised floorspace ratios have been provided by Council. This analysis assumes approximately 3,680 dwellings in the Hospital Precinct in line with revised traffic modelling prepared by ARUP.

The results of the feasibility testing are shown in Table 9 overleaf. Under the alternate floorspace development scenario, a 10% affordable housing levy would be feasible under current market conditions. This equates to approximately 36,347sqm of residential floorspace.

An affordable housing levy up to 18.00% of all residential floorspace has been found to be feasible under current market conditions. Table 10 overleaf outlines the feasibility calculations for the Hospital Precinct for this threshold levy. Under the alternate FSR development scenario, this equates to approximately 65,290sqm of residential floorspace.

A 1% affordable housing levy on non-residential floorspace has also been tested, as shown in Table 11. With the inclusion of a 1% levy on non-residential floorspace, an affordable housing levy on residential floorspace is feasible up to 17.90% of all residential floorspace. Along with a 1% levy on non-residential floorspace, this equates to approximately 65,564sqm of floorspace.

TABLE 9. FEASIBILITY RESULTS – ALTERNATE FSR DEVELOPMENT SCENARIO – 10% LEVY

Affordable housing levy		10.00%
Costs		\$
Townhouses		\$32,638,235
Apartments		\$814,248,188
Retail		\$48,750,000
Office		\$3,864,000
Total Dwelling Costs		\$899,500,424
External works and services		\$26,985,013
Construction contingency		\$89,950,042
Professional fees		\$134,925,064
Construction GST		\$89,950,042
Local Infrastructure Contributions		\$72,540,000
SIC		\$72,540,000
Interest charges		\$277,278,117
Developer's profit margin		\$277,278,117
TOTAL Construction Costs		\$1,940,946,818
Revenue		
Townhouses		
1 bedroom		\$34,807,500
2 bedroom		\$60,243,750
3 bedroom		\$35,955,000
Apartments		
1 bedroom		\$992,864,712
2 bedroom		\$1,272,512,158
3 bedroom		\$826,816,254
Retail		\$148,750,000
Office		\$12,240,000
Sales expenses		(\$135,367,575)
AH contributions - Res only		(\$322,319,937.38)
AH contributions - Non-res		\$0.00
TOTAL Revenue		\$2,926,501,861
Residual Land Value		\$985,555,043
Current Land Value		\$727,798,200
Feasibility Ratio		1.35

Source: SGS Economics and Planning 2017

TABLE 10. FEASIBILITY RESULTS – ALTERNATE FSR DEVELOPMENT SCENARIO – THRESHOLD LEVY ON RESIDENTIAL FLOORSPACE

Affordable housing levy	18.00%
Costs	\$
Townhouses	\$32,638,235
Apartments	\$814,248,188
Retail	\$48,750,000
Office	\$3,864,000
Total Dwelling Costs	\$899,500,424
External works and services	\$26,985,013
Construction contingency	\$89,950,042
Professional fees	\$134,925,064
Construction GST	\$89,950,042
Local Infrastructure Contributions	\$72,540,000
SIC	\$72,540,000
Interest charges	\$277,278,117
Developer's profit margin	\$277,278,117
TOTAL Construction Costs	\$1,940,946,818
Revenue	
Townhouses	
1 bedroom	\$34,807,500
2 bedroom	\$60,243,750
3 bedroom	\$35,955,000
Apartments	
1 bedroom	\$992,864,712
2 bedroom	\$1,272,512,158
3 bedroom	\$826,816,254
Retail	\$148,750,000
Office	\$12,240,000
Sales expenses	(\$135,367,575)
AH contributions - Res only	(\$580,076,780.62)
AH contributions - Non-res	\$0.00
TOTAL Revenue	\$2,668,745,018
Residual Land Value	\$727,798,200
Current Land Value	\$727,798,200
Feasibility Ratio	1.00

Source: SGS Economics and Planning 2017

TABLE 11. FEASIBILITY RESULTS – ALTERNATE FSR DEVELOPMENT SCENARIO –
THRESHOLD LEVY ON RESIDENTIAL AND NON-RESIDENTIAL FLOORSPACE

Affordable housing levy – res floorspace	17.90%
Affordable housing levy – non-res floorspace	1.00%
Costs	\$
Townhouses	\$32,638,235
Apartments	\$814,248,188
Retail	\$48,750,000
Office	\$3,864,000
Total Dwelling Costs	\$899,500,424
External works and services	\$26,985,013
Construction contingency	\$89,950,042
Professional fees	\$134,925,064
Construction GST	\$89,950,042
Local Infrastructure Contributions	\$72,540,000
SIC	\$72,540,000
Interest charges	\$277,278,117
Developer's profit margin	\$277,278,117
TOTAL Construction Costs	\$1,940,946,818
Revenue	
Townhouses	
1 bedroom	\$34,807,500
2 bedroom	\$60,243,750
3 bedroom	\$35,955,000
Apartments	
1 bedroom	\$992,864,712
2 bedroom	\$1,272,512,158
3 bedroom	\$826,816,254
Retail	\$148,750,000
Office	\$12,240,000
Sales expenses	(\$135,367,575)
AH contributions - Res only	(\$576,952,687.91)
AH contributions - Non-res	(\$1,609,900.00)
TOTAL Revenue	\$2,670,259,211
Residual Land Value	\$729,312,393
Current Land Value	\$727,798,200
Feasibility Ratio	1.00

Source: SGS Economics and Planning 2017

Monetary payment in lieu of in kind contribution

Under section 94F of the *Environmental Planning and Assessment Act 1979*, consent authorities that can levy affordable housing under that provision can require the dedication of land, a monetary contribution, or both for the purposes for affordable housing. This section provides an indication of the equivalent monetary contribution in lieu of residential floorspace for the alternate floorspace ratio scenario outlined above.

The monetary contribution has been calculated as a percentage of the sales price per square metre. The same percentage that is applied to residential floorspace is applied to the average sales price per square metre of development assumed in this analysis (i.e. \$10,714 per square metre).

If an affordable rental housing levy of 10% of all residential floorspace is applied, the equivalent monetary contribution is \$1,071 per square metre of residential floorspace in the development. This increases to \$1,929 per square metre if the threshold levy of 18% were to be applied.

If a levy on non-residential floorspace were to be applied as per the feasibility assessment in Table 11, the equivalent monetary contribution would be \$1,918 for residential floorspace and \$69 per square metre of non-residential floorspace.

Impact of floorspace ratio on feasibility of affordable housing

The potential floorspace ratio of residential and mixed use development in the Hospital Precinct has a significant impact on the feasibility of development. Table 12 presents a 'sliding scale' of floorspace ratios and the resulting maximum percentage of affordable housing before development of the Hospital Precinct becomes unfeasible. Table 12 assumes that all land in the Hospital Precinct has the same floorspace ratio (which is not the case under the draft Structure Plan nor the alternate floorspace ratio scenario above) and the height of buildings remains consistent with the draft *Hospital Precinct Structure Plan*.

Table 12 shows that the provision of affordable rental housing will become feasible when all sites within the Precinct have a floorspace ratio of 1.5:1. At this point, a maximum proportion of 10.91% of residential floorspace contributed as affordable rental housing is feasible. This up to 31.31% if the floorspace ratio is 5.0:1 across all sites in the Hospital Precinct.

TABLE 12. IMPACT OF FSR ON THE FEASIBILITY OF AFFORDABLE HOUSING

FSR	% of affordable housing that is feasible
5.0:1	31.31%
4.5:1	30.57%
4.0:1	29.66%
3.5:1	28.59%
3.0:1	27.09%
2.5:1	24.93%
2.0:1	21.14%
1.5:1	10.97%
1.0:1	0%
0.5:1	0%

Source: SGS Economics and Planning 2017

Note: This table assumes all lots have the same floorspace ratio and maximum height buildings is as per the draft *Hospital Precinct Structure Plan*.

6 CONCLUSION AND RECOMMENDATIONS

There is a clear economic rationale for the provision of affordable housing near key employment, recreation and transport nodes to provide housing for key workers and support the productive functioning of cities. Recent changes to policy in NSW and Greater Sydney, in particular the proposal to introduce an Affordable Rental Housing Target, provide a framework to deliver new affordable housing dwellings to support those in need, and very low and low income households.

It is evident that there is a need for affordable housing in and around the Hospital Precinct. Within a 30-minute commute of the Hospital Precinct, there were 9,230 key workers employed in the area who also were eligible for affordable housing under the requirements of the 2016/17 *NSW Affordable Housing Ministerial Guidelines*. However, the current rental market is unable to adequately deliver affordable rental housing to support key workers. This is especially true for very low and low income households as well as households containing key workers that require more than two bedrooms.

The development of the Hospital Precinct in accordance with the draft *Hospital Precinct Structure Plan* brings with it additional demand for affordable housing driven by key workers employed in the precinct and those required to support the new residential population. Based on the scale and nature of development proposed, there is likely demand for approximately 294 affordable housing dwellings, which equates to approximately 29,400sqm of residential floorspace or 13.91% of all dwellings proposed. If only very low and low income households are considered, as per the proposed Affordable Rental Housing Target, key worker demand for affordable housing equates to 156 affordable housing dwellings. This is equivalent to 15,600sqm of residential floorspace or 7.35% of all dwellings proposed.

However, the provision of affordable housing dwellings to fully accommodate demand is not feasible under current market conditions and the exhibited development controls under the draft *Hospital Precinct Structure Plan*. Feasibility testing for the entire precinct found that the development of the precinct under the exhibited development controls is not feasible, regardless of whether an affordable housing levy is applied or not.

An alternate development scenario with different floorspace ratios has been tested in light of the feasibility testing prepared by SGS and MacroPlan Dimasi, Council's commitment to a 10% levy in the *Draft Affordable Housing Policy*, and revised traffic modelling. Under this alternate scenario with increased floorspace ratios, an affordable housing levy of 10% of residential floorspace is feasible. An affordable housing levy remains feasible until it encompasses 18.00% of all residential floorspace. If a 1% affordable housing levy is also applied to non-residential floorspace, development of the Hospital Precinct under the alternate floorspace ratio development scenario remains feasible up to 17.90% of the residential floorspace.

It is recognised that this feasibility assessment adopts a precinct wide approach. As such, this does not consider site-specific costs and mix of residential and non-residential floorspace which vary on a site by site basis. The proposed Affordable Rental Housing Target prepared by the Greater Sydney Commission enables some flexibility in providing affordable housing subject to development feasibility.

In light of this analysis and the potential variation in development feasibility on a site by site basis, it is therefore recommended that an affordable housing levy should not be applied if the development controls exhibited under the draft *Hospital Precinct Structure Plan* are implemented. However, if floorspace ratios are increased in line with the alternate floorspace ratio scenario provided by Council, it

is recommended that 10% of new residential floorspace be levied for the provision of affordable rental housing at the Northern Beaches Hospital Precinct. In accordance with the Greater Sydney Commission's proposed Affordable Rental Housing Target, this levy should provide for very low and low income households.

A 10% levy would accommodate the demand for affordable housing generated by key workers employed in the Hospital Precinct who reside in very low and low income households (calculated to 7.35% of residential floorspace). The remaining residential floorspace could provide affordable rental housing to very low and low income households that do not have key workers. Further targets could be applied by Northern Beaches Council to accommodate some demand generated from moderate income key worker households.

A 10% levy is considered appropriate in light of the policy framework established by the Greater Sydney Commission and the draft policy exhibited by Northern Beaches Council. A 10% levy also recognises that the Northern Beaches Hospital Precinct is not the only location suitable for the provision of affordable rental housing in the local government area. The proposed levy returned a feasibility ratio of 1.35, indicating that there is potential for value uplift of 35% above the current land value. This provides an incentive for developers and landowners to develop within the precinct above the assumed internal rate of return and contribute to the provision of affordable rental housing.

The recommended levy only considers new demand generated by the development of the Hospital Precinct. It is stressed that this levy does not address existing demand for affordable housing as identified in the *Northern Beaches Affordable Housing Needs Analysis*.

Furthermore, it is unlikely that all key workers would require or choose to reside in the Northern Beaches Hospital Precinct. The Northern Beaches local government area has several high amenity locations which have greater accessibility to services and activities other than employment, such as recreation and leisure, and have high natural amenity. It is therefore recognised that key workers choosing to locate close to employment in the Hospital Precinct may not locate directly in the precinct and may locate elsewhere in the local government area.

Therefore, the application of an Affordable Rental Housing Target should be considered in the future across the Northern Beaches local government area in light of the findings of this report, the *Northern Beaches Affordable Housing Needs Analysis* and the draft Action Plan of Northern Beaches Council's *Draft Affordable Housing Policy*.

APPENDIX A - DETAILED POLICY REVIEW

Legislative requirements

Environmental Planning and Assessment Act 1979

An Object of the *Environmental Planning and Assessment Act 1979* is to 'encourage the provision and maintenance of affordable housing'. Under Part 3 Environmental Planning Instruments, 'providing, maintaining and retaining, and regulating any matter relating to affordable housing' is an objective in the contents of environmental planning instruments. The *Environmental Planning and Assessment Act 1979* also provided provisions for a consent authority to levy affordable housing as a development contribution subject to a state environmental planning policy identifying the need for affordable housing in that area (i.e. SEPP 70).

State Environmental Planning Policy (Affordable Rental Housing) 2009

The primary aim of the *State Environmental Planning Policy (Affordable Rental Housing) 2009* is to provide a consistent planning regime for the provision of affordable rental housing. The environmental planning instrument defines affordable housing as the following:

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.

Divisions under the Policy are designed to guide and facilitate the delivery of new affordable rental housing and include development direction for in-fill affordable housing managed by community housing providers, secondary dwellings, boarding houses, supportive accommodation, residential flat buildings (social housing providers, public authorities and joint ventures), residential development by the Land and Housing Corporation and group homes. The policy provides controls which enable community housing sectors to provide a range of different types of new affordable housing through both private developers and social housing providers.

State Environmental Planning Policy 70 Affordable Housing (Revised Schemes)

The aim of *State Environmental Planning Policy No 70 Affordable Housing (Revised Schemes)* (SEPP 70) is to recognise areas where the need for affordable housing has been identified in accordance with the *Environmental Planning and Assessment Act 1979*. The land to which this policy applies does not include the Northern Beaches local government area.

SEPP 70 outlines the Schedule 2 provides a set of affordable housing principles, which includes:

- Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups in developed and maintained in a locality.
- Affordable housing is to be made available to a mix of very low, low and moderate income households.
- Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income.
- Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.

- Buildings provided for affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.
- Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

NSW Government policy

NSW Affordable Housing Ministerial Guidelines (2016/17)

The *NSW Affordable Housing Ministerial Guidelines* sets out the criteria for eligibility for affordable rental housing in NSW. The primary criterion is the income of the household. The 2016/17 *NSW Affordable Housing Ministerial Guidelines* identify the maximum household income for very low, low and moderate income households in Greater Sydney and the balance of NSW. Applicants for affordable housing also must be in housing need and unable to resolve this need in the current market without assistance.

Under section 8.5 of the 2016/17 *NSW Affordable Housing Ministerial Guidelines*, additional eligibility criteria aside for income may be applied to some affordable housing dwellings. A connection to a local area, including living and working in an area, are recognised examples of additional eligibility criteria that can be applied to affordable housing.

It is noted that affordable housing should target households across income bands experiencing housing stress under section 9 of 2016/17 *NSW Affordable Housing Ministerial Guidelines*. The allocation of affordable housing by community housing providers should prioritise the following cohorts:

- households in housing stress whose housing need cannot be met in the short to medium term, or
- households with the potential to transition into home ownership in the medium term, or
- social housing applicants and tenants, including those exiting social housing, seeking another choice of housing which may be more suited to their needs.

A Plan for Growing Sydney (2014)

A Plan for Growing Sydney was released in December 2014 as the NSW Government's plan for metropolitan Sydney over the next 30 years. The Northern Beaches Hospital Precinct is recognised as a Strategic Centre under the Plan. The Plan details that the priority for the centre is to 'work with council to provide capacity for additional mixed-use development in Northern Beaches Hospital Precinct including offices, health, retail, services and housing' (*A Plan for Growing Sydney*, 2014, p126).

Goal 2 under the Plan states 'a city of housing choice, with homes that meet our needs and lifestyles'. As outlined in the Plan, the purpose of this goal is to enable people to live close to work, education and social activities and to ensure new housing is supported by local infrastructure and services that reflect the changing demographic needs and different household budgets. The directions and actions under Goal 2 have been established to implement actions to achieve this goal. Relevant directions and actions under Goal 2 include:

- Direction 2.1: Accelerate housing supply across Sydney
 - Accelerate housing supply and local housing choices
 - Accelerate new housing in designated infill areas (established urban areas) through the priority precincts and UrbanGrowth NSW programs
 - Deliver more housing by developing surplus or under-used government land
- Direction 2.2: Accelerate urban renewal across Sydney – providing homes closer to jobs
 - Use the Greater Sydney Commission to support council-led urban infill projects
 - Undertake urban renewal in transport corridors which are being transformed by investment, and around strategic centres
- Direction 2.3: Improve housing choice to suit different needs and lifestyle

- Require local housing strategies to plan for a range of housing types
- Enable the subdivision of existing homes and lots in areas suited to medium density housing
- Deliver more opportunities for affordable housing.

Draft North District Plan

The Greater Sydney Commission has been established by the *Greater Sydney Commission Act 2015*. The Greater Sydney Commission have been tasked with delivering the District Plans for metropolitan Sydney which provide strategic direction based on the actions established in *A Plan for Growing Sydney*. In preparation of the draft District Plans, *A Plan for Growing Sydney* has been amended to further align with the vision in the draft District Plans.

Towards Great Sydney 2056 outlines a draft amendment to *A Plan for Growing Sydney* in order to align with the vision set out in the draft District Plans. The amendment focuses on Sydney as a metropolis of three cities as presented in the draft District Plans.

The Northern Beaches Hospital Precinct at Frenchs Forest falls within the strategic planning for the North District. Under the draft *North District Plan* (2016), the Northern Beaches Hospital and surrounding industrial areas are considered a Strategic Centre with a population of 9,300 (2016) and forecast to reach a baseline target of 12,000 by 2036. A housing target of 97,000 new dwellings by 2036 has been forecast in the draft *North District Plan* across the district. A five year target of 3,400 dwellings has been established for the Northern Beaches local government area.

The draft *North District Plan* builds on the affordable housing direction in *A Plan for Growing Sydney* by establishing a target for the provision of affordable rental housing in new urban renewal and land release areas for the low and very low income households. The proposed Affordable Rental Housing Target proposes 5% to 10% of new floorspace at the rezoning stage to be dedicated to affordable housing. The target can only be applied in areas which have a demonstrated current or future need for affordable housing, subject to development feasibility. The target applies to new floorspace above the existing permissible floorspace. It is proposed that dwellings are secured by the relevant planning authority and passed on to a registered community housing provider to manage.

Affordable housing dwellings constructed under the Affordable Rental Housing Target are only to be provided to very low and low income households as per the definitions in the Ministerial Guidelines. The draft District Plans make clear that this does not preclude councils encouraging affordable rental housing to support moderate income households.

It is noted in the draft *North District Plan* that this relates to supporting a supply of diverse housing types in the private market that are more affordable to key workers and moderate income households. The Plan identified that Greater Sydney requires 4,000 to 8,000 additional affordable dwellings per annum to meet the needs of low and very low income groups. Liveability actions have been established in the draft District Plan to address the provision of affordable housing and include:

- L1: prepare local housing strategies
- L6: support councils to achieve additional affordable housing
- L7: provide guidance on Affordable Rental Housing Targets
- L8: undertake broad approaches to facilitate affordable housing.

The Plan notes that the Greater Sydney Commission are in partnership with NSW Health and other state and local government stakeholders to provide new housing, including affordable housing, to support key workers.

Future Directions for Social Housing in NSW (2016)

In 2016, FACS released *Future Directions for Social Housing in NSW*, the guiding policy document for the department setting out the NSW Government's vision for social housing over the next 10 years. The policy has three key objectives over the next 10 years:

- More social housing
- More opportunities, support and incentives to avoid and/or leave social housing
- A better social housing experience.

While focussed on social housing, *Future Directions* identifies affordable rental housing as ‘an ideal stepping stone’ along the housing continuum for households transitioning out of social housing. Affordable housing is also identified in *Future Directions* as a means to divert households away from social housing, providing subsidised rent to meet their needs and maintain social housing access for the most vulnerable of NSW’s households. In terms of contributions and delivery of affordable housing, affordable housing is identified as a feature of the Social and Affordable Housing Fund and Land and Housing Corporation redevelopments. *Future Directions* also includes a policy action to ‘explore options to better utilise Government land for social and affordable housing’.

As part of *Future Directions*, FACS have commenced two programs to deliver additional social and affordable housing on current government-owned properties (through Communities Plus) and on privately owned land (through the Social and Affordable Housing Fund). While both programs aim to increase social and affordable housing stock, the focus remains on social housing to achieve the key objectives of *Future Directions*.

Local government policy

Draft Warringah Housing Strategy (2011)

The *Draft Warringah Housing Strategy* was prepared to determine how Warringah will meet the NSW Government’s housing target of 10,300 new dwellings between 2005 and 2031. The purpose of the Strategy is to ensure Council’s planning policies respond to the housing demand of the current and future population.

The objectives of the Strategy include:

- Ensure that an adequate supply of appropriate land is appropriately zoned for residential development.
- Plan for housing in accessible location to transport and services.
- Provide a more constrained and efficient pattern of urban development with an emphasis on efficient and effective use of existing and new facilities, services and infrastructure.
- Optimise the use of existing infrastructure, services and facilities.
- Facilitate a diversity of housing options through the provision of a greater mix of housing, in terms of type, density and affordability, to accommodate an increasing and diverse population.
- Minimise the impacts of residential growth on the natural environment.
- Encourage development that will enhance the amenity of residential areas, and ensure that new housing relates to the character and scale of existing residential development.

The Strategy does not explicitly detail the extent of demand for affordable housing in the local government area. However, the Strategy identifies the importance of the availability of affordable housing at a local level and the role of local government in influencing the availability of affordable housing directly through partnerships with social housing providers, or indirectly, through planning policy. The Strategy recognises the importance of affordable housing at a local level, noting affordable housing:

- Allows essential service workers such as shop assistants, bus drivers, construction workers, cleaners, nurses and teachers, to live close to work. A shortage of affordable housing will force lower income earners to relocate to more affordable areas and thereby face longer commute times to work which will contribute to poor environmental outcomes.
- Provides housing for a diverse local workforce.
- Provides direct economic benefits to the local community, including increased demand for a range of goods and services which in turn provides increased local employment opportunities.
- Meets the needs of the growing number of smaller households living in high-cost areas.

- Promotes social integration and social diversity.

The Strategy highlights that there is capacity for 4,219 additional dwellings under current planning controls, however the percentage of affordable housing was not identified in the Strategy. The Strategy identified centres in the LGA capable of accommodating future growth as informed by the centres hierarchy under the former Metropolitan Strategy (2005). This included the study area, Forest Way and Bantry Bay Road at Frenches Forest as a potential centre for additional housing. Dwelling forecasts were not published; however, it was highlighted that the Warringah LEP will need to be amended to enable more housing through rezoning and changes to development controls.

Northern Beaches Affordable Housing Needs Assessment (2016)

The purpose of the *Northern Beaches Affordable Housing Needs Assessment* (2016) is to understand the demand for affordable housing within the Northern Beaches local government area and the extent to which current provision of housing meets the needs of current and future residents. The document reports on the current state of the provision of affordable housing and affordable rental housing in the Northern Beaches local government area. The document does not include recommendations, however may inform the development of future housing strategies.

The *Northern Beaches Affordable Housing Needs Assessment* found that there were approximately 40,000 households in the Northern Beaches local government area falling within very low, low or moderate income households. This equates to approximately 52% of all households residing in the Northern Beaches local government area in 2011. The majority of very low, low or moderate income households were also experiencing housing stress in 2011, with 69% of households with mortgages and 79% of renting households experienced housing stress in 2011.

The *Northern Beaches Affordable Housing Needs Assessment* also found that this demand for affordable housing is likely to increase as the population of the local government area increases, household sizes reduce, and there are increases in key worker employment in the area. The *Northern Beaches Affordable Housing Needs Assessment* noted that this trend is likely to be exacerbated as the current supply of affordable housing is low and sales and rent prices continue to increase.

It was noted that jobs in 'key worker' occupations grew by over 1,500 between 2006 and 2011 within the Northern Beaches. In 2011, there were 11,500 jobs in 'key worker' occupations, accounting for 15% of all jobs within the Northern Beaches (ABS Census, 2011). Of this total, school teachers were the highest number of key worker jobs followed by hospitality workers and personal carers and assistances. Notably, the document highlighted that in 2011, there were 1,399 jobs in the 'midwifery and nursing professionals' occupation in the Northern Beaches and 2,352 resident workers (ABS Census, 2011).

The provision of affordable housing for key workers was raised as a challenge for local businesses. The document further noted that for those that cannot afford to live locally, public transport connections to the Northern Beaches is poor. The Northern Beaches has low levels of housing stock targeted at lower income households with 1,718 social rental properties. This accounts for 2% of total dwellings in the Northern Beaches local government area. The document reports that the distribution of social housing is concentrated in the suburbs of Narrabeena (16.9% of total dwellings), Brookvale (8.2%), Allambie Heights (5.4%), Forestville (4.6%) and Narrabeen (4.5%).

The document highlights that changing demographics, such as a growing and ageing population and the growth of lone person or 'non-family households' are likely to create demand for affordable housing. Further, affordable housing, particularly rental housing for key workers, will be needed to support the development of Northern Beaches Hospital at Frenches Forest.

Draft Affordable Housing Policy (2017)

At the time of writing, Northern Beaches Council exhibited the *Draft Affordable Housing Policy*. The Draft Policy outlines a set of principles and policy statements designed to increase the range and supply of affordable housing in the local government area.

The Draft Policy includes the following eight policy statements outlining Council's approach and actions to support the provision of affordable housing:

- Council is committed to an affordable rental housing target of 10% of all new floor space (subject to feasibility) in the Ingleside and Northern Beaches Hospital (Frenchs Forest) precincts and all 'spot' rezonings (planning proposals) in the Northern Beaches.
- Targets for the provision of affordable rental housing in other parts of the Council area will be established through feasibility analysis as part of Council's new local housing strategy.
- Mechanisms to deliver more affordable market-based or private housing will be investigated as part of Council's new local housing strategy.
- Council will enter into a relationship with a Tier 1 community housing provider to manage and deliver affordable rental housing in the Northern Beaches.
- Council will undertake an expression of interest for a Tier 1 community housing provider every five years.
- Council's preference is to transfer the title of affordable rental housing delivered to Council to a Tier 1 community housing provider.
- Council will give priority to key worker occupations as tenants of affordable rental housing in the Northern Beaches.

The Draft Policy is accompanied by a draft Action Plan, identifying relevant actions and timing of the actions under each principle. Relevant actions to this study as per the draft Action Plan include, but are not limited to:

- A1 - Advocate for the inclusion of the Northern Beaches Hospital (Frenchs Forest) precinct in State Environmental Planning Policy No. 70 (SEPP 70) to mandate Council's affordable rental housing target.
 - Timing - 2017-2018
- A6 - Investigate financial incentives for the provision of affordable rental housing provided in perpetuity including development application fees reduction and rate rebates.
 - Timing - 2017-2018
- A7 - Waive section 94A development contributions for that part of any development proposal comprising affordable rental housing.
 - Timing - Ongoing
- A8 - Recognise that affordable rental housing is essential social and economic infrastructure for the Northern Beaches in Council's land-use planning strategies, plans and policies.
 - Timing - Ongoing
- A9 - Incorporate affordable rental housing targets in Council's land-use planning strategies, plans and policies.
 - Timing - Ongoing
- A12 - Develop relationships with State Government departments, the Greater Sydney Commission and other local councils to understand wider affordable housing needs and opportunities.
 - Timing - Ongoing
- A14 - Identify priority key workers for tenants of affordable rental housing in the Northern Beaches.
 - Timing - 2017-2018

The *Draft Affordable Housing Policy* was placed on public exhibition on Saturday 1 April 2017. The exhibition period continues to Sunday 30 April 2017.

APPENDIX B - MEDIAN RENTS BY POSTCODE

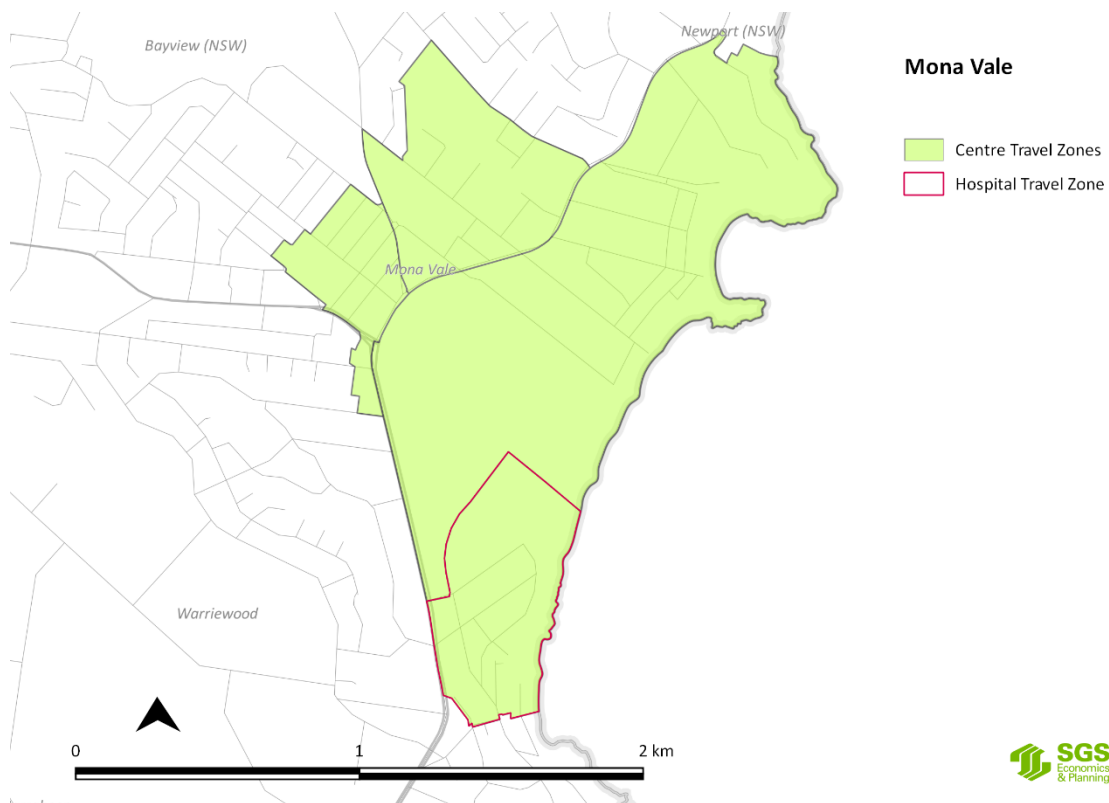
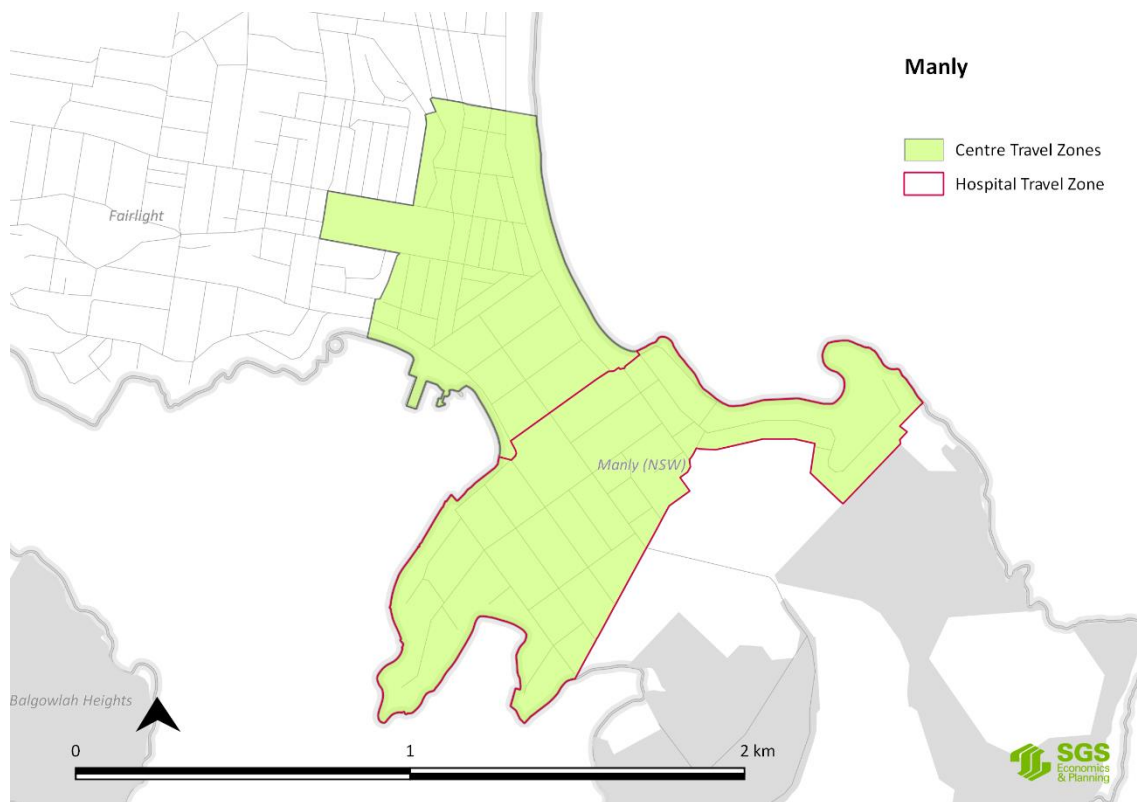
Median rents for the September Quarter 2016.

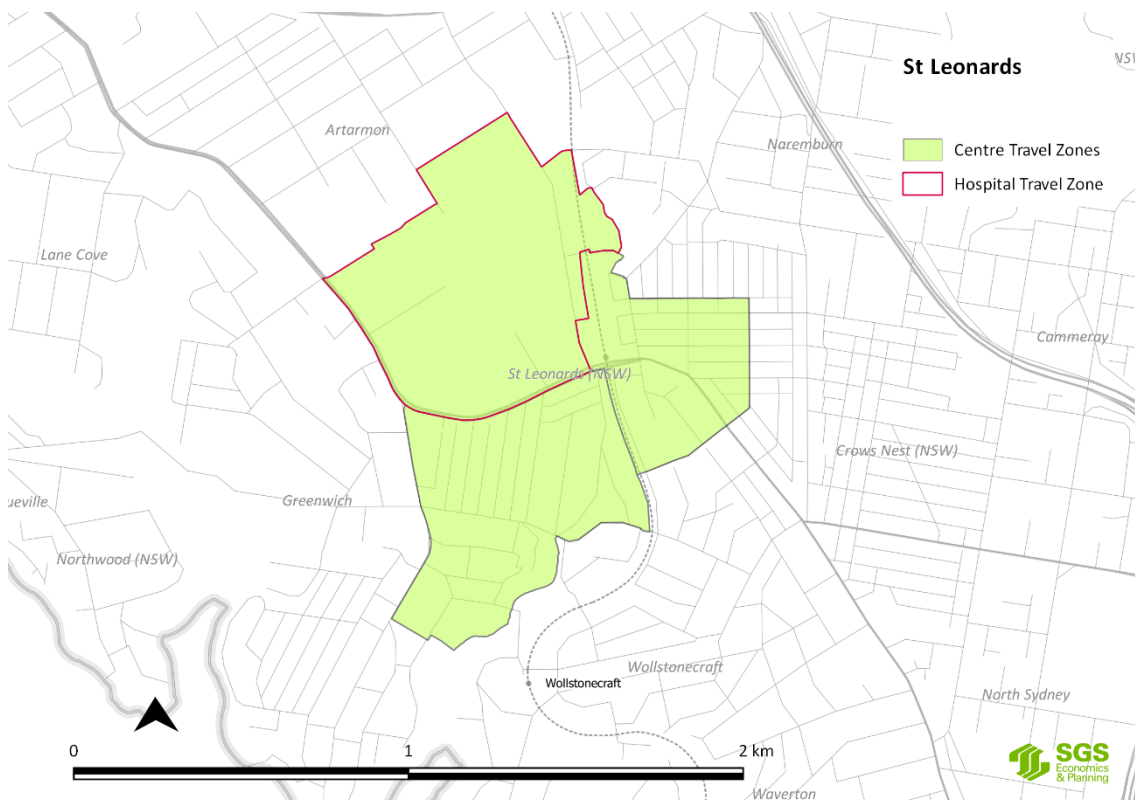
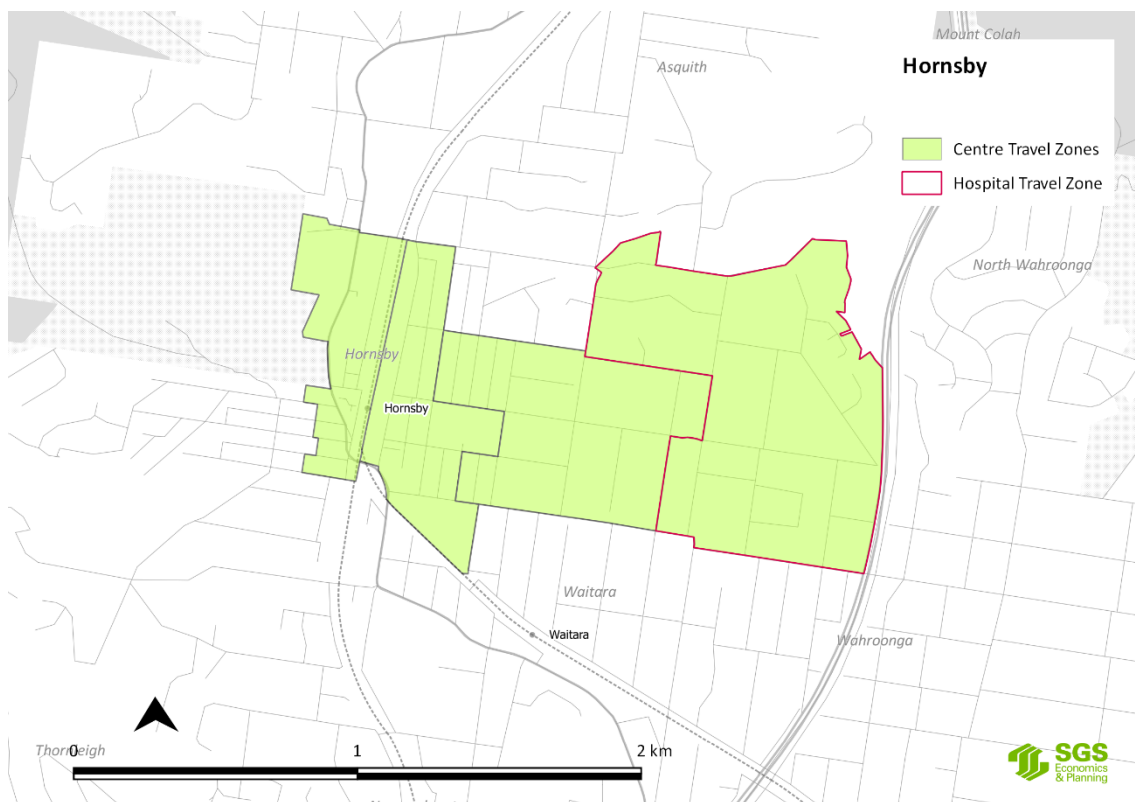
	One bedroom	Two bedroom	Three bedroom	Four bedroom
2067	\$580	\$750	\$980	\$1,260
2068	-	\$580	\$927.5	\$1,450
2069	\$440	\$610	\$967.5	\$1,325
2070	-	\$575	\$877.5	\$1,235
2071	-	\$635	\$825	\$1,500
2072	-	\$657.5	\$810	-
2075	\$490	\$630	\$800	\$1,097.5
2084	-	-	-	-
2085	-	-	-	\$1,100
2086	-	-	\$760	\$1,047.5
2087	-	-	\$790	\$952.5
2092	-	-	\$895	-
2093	\$450	\$600	\$995	\$1,730
2094	-	\$697.5	\$1,075	-
2095	\$570	\$800	\$1,137.5	-
2096	\$467.5	\$610	\$1,085	\$1,550
2097	\$435	\$575	\$820	\$1,250
2099	\$472.5	\$585	\$820	\$1,075
2100	\$470	\$630	\$800	\$1,100
2101	\$455	\$620	\$762.5	-
2102	-	\$690	\$800	-
2103	\$455	\$607.5	\$825	-
2104	-	-	-	-
2105	-	-	-	-
2106	-	\$597.5	\$800	\$1,100
2107	\$482.5	\$580	\$850	\$1,250
2108	-	-	-	-

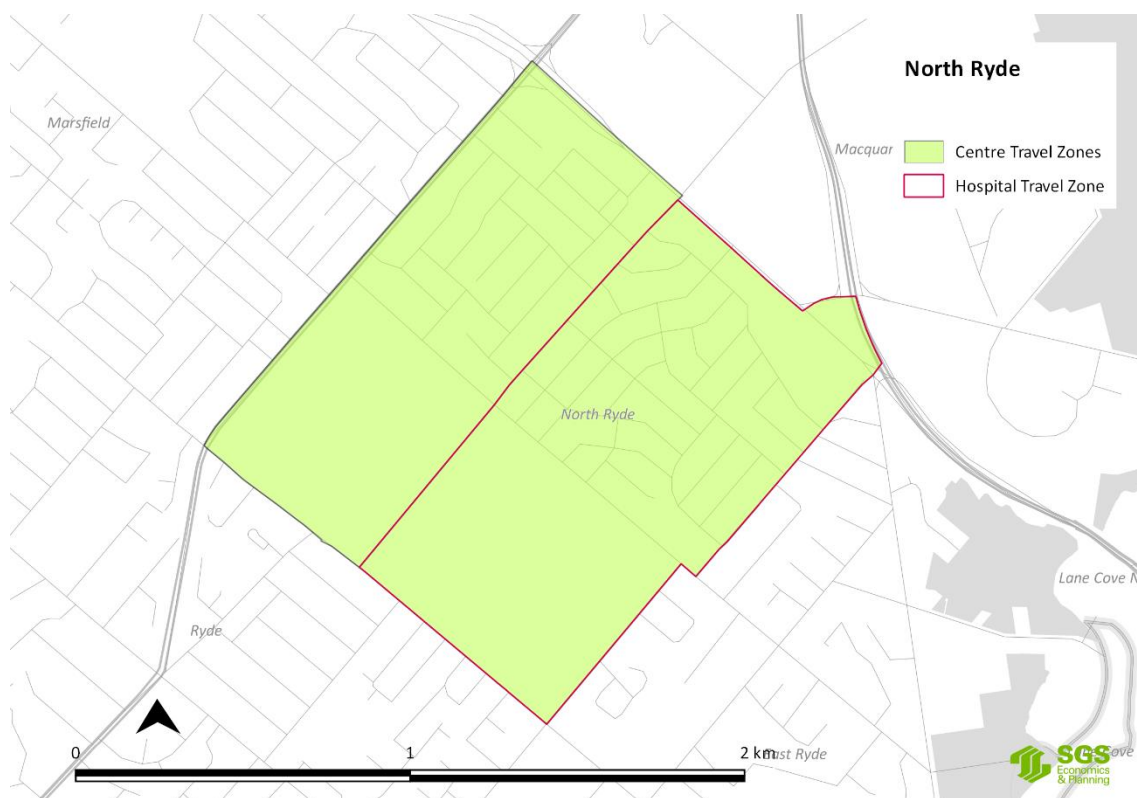
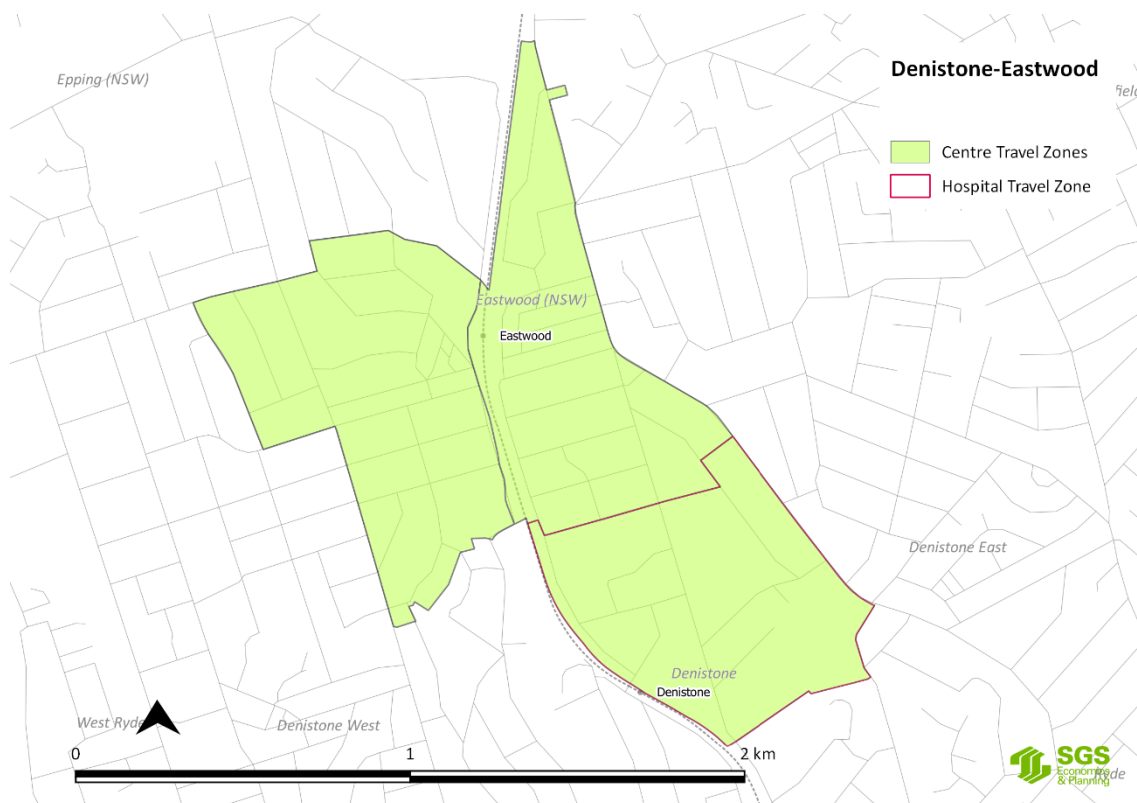
Source: Department of Family and Community Services, 2017

APPENDIX C - CENTRE CASE STUDIES BY TRAVEL ZONE

The following pages show the Travel Zones used for the purpose of this study to identify employment in centres with an adjacent public hospital in the North District. The Travel Zone containing the hospital is outlined in pink.







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