Urban Taskforce
AUSTRALIA

30 November 2023

The General Manager
Waverley Council
PO Box 9
BONDI JUNCTION NSW 1355

Electronic submission

To whom it may concern

Re: Waverley Affordable Housing Contribution Scheme Planning Proposal

Urban Taskforce Australia does not support the amendment proposed by Waverley Council to its Affordable Housing Contribution Scheme.

The application of local affordable housing contributions has largely proven ineffective in delivering affordable housing. Worse, these levies act as disincentives to the private sector to deliver market housing. More market housing places downward pressure on housing prices and makes a wider range of housing more affordable.

The entire policy is poorly conceived and outcomes with respect to affordable housing outcomes uncertain.

The fact that Waverley Council has delivered a mere 25 affordable housing properties betrays a boutique approach to housing that reflects an ideological stance more than a practical policy seeking to deliver tangible housing outcomes.

The solution to the housing supply crisis requires a drastic step up in housing approvals and completions right across the State – but particularly in those well-located areas with high amenity such as many of the suburbs within the Waverley Local Government Area.

In the context of the housing supply crisis and the acute unaffordability of housing, the Planning Proposal's aim of 30 affordable rental dwellings per year will do little to addressing the broader underlying causes of housing stress. A small number of families will be fortunate enough to received subsidised housing, while a great majority continue to struggle.

Waverley's poor recent track record in housing supply

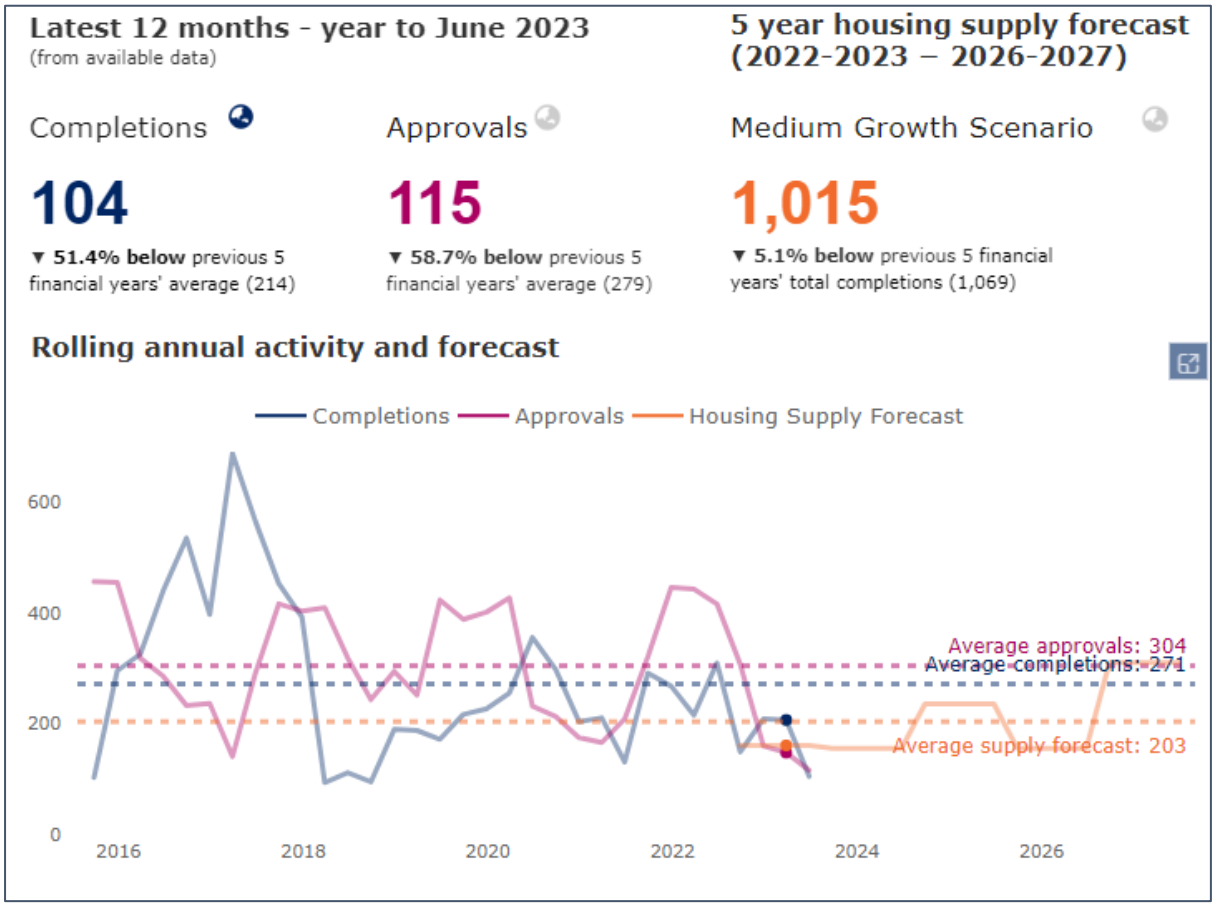
Urban Taskforce Australia Ltd. ABN: 21 102 685 174 | GPO Box 5396 Sydney NSW 2001
T 612 9238 3955 | F 612 9222 9122 | Level 12, 32 Martin Place Sydney NSW | Level 6, 39 London Circuit, Canberra ACT
admin@urbantaskforce.com.au | www.urbantaskforce.com.au

Waverley is an LGA favoured by good transport links, amenity and proximity to the Sydney CBD. It is a place where there should be much more housing

Yet Council has presided over a collapse in approvals that restricts a future pipeline of housing that will, if left unaddressed, simply lead to skyrocketing house prices and rents that largely precludes younger generations, recently arrived migrants from living within the LGA.

Yet these groups comprise many of the key workers that existing residents in Waverley rely upon.

According to the Department of Planning's Urban Development Program Dashboard (see below), housing approvals from Waverley Council for the 2022-23 financial year are down 59% on the previous five-year average, with completions down 51%.



Source: DPE, Greater Sydney UDP Dashboard, accessed 15 November 2023

Even based on the conservative targets set by the Greater Cities Commission of 1,250 new dwellings by 2026, Waverley Council has only delivered 104 dwellings in the 12 months to March 2023.

With the National Housing Accord setting NSW a target of 376,000 new dwellings in the five years to June 2029, strategic centres like Bondi Junction

must do more of the heaving lifting when it comes to delivering market-based housing.

Further, to seek to emulate affordable housing policies of the likes of Willoughby and City of Sydney raises further concerns. Willoughby Council's affordable housing policy has delivered 37 dwellings over 25 years.[1] City of Sydney, whilst significantly more dwellings have been delivered, still equates to only 55 new dwellings per year, with the Council itself expecting to only deliver 30% of its 12,000 affordable housing target by 2036.[2]

It is unclear how Waverley expects to deliver the 30 affordable homes annually nor how this will solve severe housing unaffordability in the Waverley LGA. It could be described as a tokenistic response. The medium growth scenario of the five-year housing supply forecast for Waverley LGA suggests 1,000 new homes may be delivered in the 5 years to 2026, roughly 200 new homes a year. Besides requiring a dramatic reversal in the recent downward approval and completions figures in Waverley, it is unclear how this forecast marries up with the 30 affordable homes to be delivered on an annual basis.

Added to this, Council has adopted a Local Housing Strategy which does not propose any upzoning in the LGA. The only hope for upzoning would be through a planning proposal, to which an onerous tax would be added (see below)

The proposed levies are more about Council being seen to be doing something about affordable housing. Ironically it is the anti-housing policies of Waverley Council over recent decades that has severely restricted supply and made the cost of owning or renting a home significantly worse.

Whether deliberately or not, Council has created a wealthy enclave in the Eastern Suburbs underpinned by a housing market antithetical to affordable housing. To seek to impose taxes on the source of new housing will aggravate the situation. The Planning Proposal is flawed and should be abandoned.

Recommendation 1: that Waverley Council does not proceed with the Affordable Housing Contribution Scheme Planning Proposal

Impact of housing levies on supply

The implementation of a tax on the deliver of a good or service has an impact on the supply of that good or service. In the current circumstances,

[1] Willoughby City Council, Draft Affordable Housing Policy Amendment, 2023, https://www.haveyoursaywilloughby.com.au/draft-affordable-housing-policy

[2] City of Sydney, Planning Proposal" Affordable Housing Program update 2022, p.4

with high costs and tight margins, all of these costs are passed onto new home buyers.

It adds pressure to the feasibility of supply and acts as a disincentive to the supply of new housing. Even a 1% impost can have significant impacts and it is frankly offensive for the planning proposal to discount a 1% levy as a minor adjustment.

Urban Taskforce strenuously disagrees with the assumptions contained within the planning proposal that the 1% affordable housing levy will be absorbed by the developer. Current market conditions are so precarious and margins so tight (with demonstrable profit margins a major influence on whether a developer secures financial backing) that any additional fee, tax or levy is simply passed onto the sale price of the final product. In a housing supply crisis, buyers simply take on these costs.

To assert that "the impact of the affordable 1% affordable housing is likely to be absorbed by landowners" and to back that with two selective academic articles is disingenuous and is simply not borne out in the current market conditions.

Council even acknowledges this when discussing the economic impacts of the levy. When discussing the economic theory underpinning affordable housing levies, the Proposal states,

> "… *it is important to make the distinction that private feasibility occurs when industry can generate a return on capital that is sufficient to proceed with a project. This will arise when a purchaser's willingness to pay exceeds delivery costs and a minimum acceptable profit to developers. This is very different from an economic perspective, which is concerned with the public interest and measures changes to society's welfare and economic benefits or costs...*"
>
> *Waverley Council, Planning Proposal, p.22*

The Planning proposal should be focussed on the impact of any policy on market feasibility and acknowledge that is the present market conditions additional fees and charges will significantly impact the feasibility of new housing proposals.

Recommendation 2: The [proposed Affordable Housing Contributions Scheme must address the private feasibility implications of the levy.

Uplift contribution

Further, the second contribution of an affordable housing contribution target of 10% on sites subject to uplift via a planning proposal also acts as a disincentive for more medium to high density housing supply given that with margins already so tight developers will simply forgo applying for uplift and additional supply to bypass an additional affordable housing tax.

Council should be incentivising height and density, as its scale will assist place downward pressure on housing prices and make housing more affordable.

The 10% contribution will impact feasibility, deter housing developments, and work against broader aims to deliver more well-located housing in areas such as Waverley LGA.

Recommendation 3: that Waverley Council abandon its proposal to impose a 10% contribution of total gross floor area for sites subject to uplift via a Planning Proposal. This proposal works against housing supply and against housing affordability.

Affordable housing principles – need for consistency

As with the State Government's draft infill affordable housing reforms, Council's draft policy provides a definition of households eligible for affordable housing that differs from the definition adopted by Housing Australia and the National Housing Accord, where affordable housing is defined as housing where rent is between 20-25% less than market rent.

The discounted rent model, as used by Housing Australia and embedded in the National Housing Accord will ensure that all levels of Government operate to a consistent definition of what comprises affordable housing.

Recommendation 4: The definition of affordable housing should align with the definition used by the Commonwealth, namely a percentage discount of between 20-25% of market rent.

Replace local levies with the State Government Housing SEPP reforms

A practical way forward is for Council to abandon its own policy and adopt the infill affordable housing amendments to the Housing SEPP being finalised by the NSW Government.

To have local and State Government affordable housing policies acting in tandem creates an unlevel playing field across the State, adds to complexity, and will affect the feasibility of housing development. Combined, the two systems will ensure less overall housing and less affordable housing.

The removal of local affordable housing policies will ensure a consistent approach that offers incentives to those providing new market and affordable housing across the State. It removes the arbitrary policies adopted by a small group of inner Sydney councils, and hopefully provide more incentive for the private sector to deliver a range of housing in areas where there is need and demand.

The benefit of the State Government approach is that it seeks to incentivise the production of more housing, not simply add another tax. It is an approach that may succeed in creating a regulatory environment conducive to the delivery of more market and more affordable housing.

Even if NSW retains the ability for double dipping on affordable housing levies, responsible Councils should abandon their own affordable housing levies for the sake of a clear, consistent, statewide policy.

Recommendation 5: that Waverley Council removes any existing local affordable housing levies once the State Government's Housing SEPP as they apply to infill affordable housing come into effect.

Abolish Community Planning Advocate position

The concerns over this Planning Proposal are viewed in the context of a decision by Waverley Council last year to use ratepayer revenue to fund a position within Council to assist NIMBY residents oppose new housing within the Waverley LGA.

This reflects poorly on a council that has performed so poorly in relation to the delivery of housing generally, the delivery of affordable housing, and their performance on housing affordability.

Rather than using ratepayer funds to pursue a myopic political agenda, Waverley Council should remain impartial in terms of development.

Recommendation 6: that Waverley Council abolish the position of the Community Planning "NIMBY" Advocate.

Conclusion

Whilst Affordable Housing is important, it is only a small part of a much larger problem. Waverley Council's Planning Proposal should have recognised the central challenge is housing supply per se – more housing means improved

housing affordability. Greater housing supply will also assist those renting a home.

The delivery of more housing supply through height and FSR incentives to private developers – along the lines of what the NSW Government has set about achieving through its proposed amendments to the Housing SEPP – is a constructive and nuanced solution.

The Planning Proposal will not deliver the intended affordable housing, nor will it create an environment favourable to the delivery of market housing. It will simply entrench a wealthy enclave in Sydney's east and a culture hostile to those millennials, down sizers and renters wishing to buy or rent a home within the LGA.

This is a disaster for broader efforts to incentivise housing supply and improve affordability and access to housing.

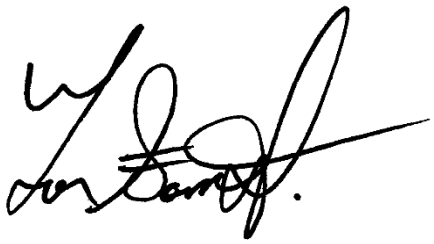
This is a case of a Council crying crocodile tears over local affordable housing as a fig leaf for their true agenda - thwart housing supply.

Affordable housing needs to be linked to the provision of market-based housing – this is a principle underpinning the NSW Government's amendments to the Housing SEPP as it applies to infill affordable housing.

No new market housing means no new affordable housing. This is a fundamental maxim that many councils, including Waverley, have thus far failed to acknowledge.

Should you wish to discuss this matter further, please call our Head of Policy, Planning and Research, Stephen Fenn on 9238 3969 or via email stephen@urbantaskforce.com.au.

Yours sincerely



Tom Forrest
Chief Executive Officer