

9 June 2026

Ms Simone Plummer  
Director Planning  
c/o Strategic Planning  
Inner West Council  
PO Box 14  
PETERSHAM NSW 2049

Sent to: [planning@innerwest.nsw.gov.au](mailto:planning@innerwest.nsw.gov.au)

Dear Ms Plummer

## Draft Affordable Housing Policy

I write in response to Inner West Council's draft Affordable Housing Policy.

The Council's proposed policy will create unnecessarily barriers for development, at a time when the industry is facing significant challenges.

Urban Taskforce Australia acknowledges the need for affordable housing initiatives to help address rental stress for segments of our community. We recognise that there is a role for developers to play but believe that the most effective method for delivering such accommodation is through collaboration and incentives.

With construction costs at historically elevated levels, high, in-perpetuity affordable housing contribution rates will prevent many projects from progressing from DA approvals to construction commencement and completions, thus reducing the overall number of market and affordable dwellings delivered within the LGA.

Urban Taskforce Australia's members are concerned that the proposed changes to the affordable housing policy will escalate the cost of delivering housing supply, reduce feasibility, and, ultimately, fail to deliver the desired affordable housing units.

### What is being proposed?

Council has already introduced a **2%** in-perpetuity affordable housing contribution, which will move to **3% after 3 years**, across all privately owned land in upzoned areas.

The proposed amendment will result in a **10%** affordable housing levy on any additional proposed floor space, or a **7.5%** levy on all residential floor space for a building not already zoned for residential development. Council will require no net loss of affordable housing in any redevelopments. That is exorbitant and will have a massive negative impact on housing supply.

The \$/sqm rate for monetary contributions (ranging from \$11k to \$17k with very little explanation for why there need to be differences) will be indexed, and the definition of key workers will be amended to include "artists and cultural creators".

These affordable housing rates will be added to other statutory fees and charges, increasing the cost of housing for all home buyers and renters who do not qualify for reduced-price housing.

The policy will continue the trend of councils hitting up developers for funding for a variety of purposes, without taking any time to determine whether such levies will have a detrimental impact on house prices and affordability.

### **An adverse market**

With councils across the state introducing affordable housing levies and seeking to increase developer contributions as a percentage of construction costs, the feasibility of projects is being undermined.

The development sector is facing difficult economic conditions, following three interest rate rises and the ongoing effects of the war in Iran. These are escalating construction costs, which were already too high even before these changes, putting pressure on developers and making projects unworkable.

Council's proposed policy is likely to exacerbate this problem.

Rising land, construction, and regulatory costs, combined with an array of taxes and levies, have adversely affected supply. Councils must do a better job at acknowledging and addressing these market problems rather than continuing to add to them.

Under current policy settings, housing affordability is only going to get worse, as demand continues to outstrip supply.

A high rate for affordable housing – even in situations where there is uplift – will undermine the delivery of new dwellings and cause projects to be abandoned.

If it is too difficult or costly to build, there will be no affordable housing.

Now is not the time to be adding new taxes to market housing, even if it is well-intentioned.

### **Affordable housing will increase prices and reduce supply**

You cannot tax your way out of a crisis, but current council proposals across NSW attempt to do just that. While it may be tempting to see developers as a convenient source of revenue, the reality is that seeking too much funding to support local housing aspiration will undermine feasibility.

Initiatives to increase affordable housing need to have market-based practicalities if Council is to have any hope of supporting households in rental stress.

To date, several NSW councils have introduced affordable housing schemes, but **none** of them have delivered the quantum of housing that was intended when the schemes were introduced.

And they have been shown to increase costs overall – for example, Willoughby's affordable housing scheme has been found to increase the cost per unit by as much as \$120,000 for developments around Chatswood.

Instead of seeking feedback from industry as to why this may be the case, some of these authorities are now seeking to double-down and increase their affordable housing thresholds.

Yet, balancing housing delivery with economic realities requires not just looking at the needs of renters but understanding the impediments being placed on development and the impacts of increasing taxes and charges.

## Challenges to feasibility

Project feasibility in residential development is already at risk as a result of rising fees, taxes, and charges, poor planning processes and decisions, restrictions on development, zoning constraints, and increasing construction costs.

These increase housing prices and jeopardise the ability of developers to deliver much needed supply as already marginal projects cease to be feasible, despite increasing demand.

Urban Taskforce Australia members advise that the feasibility analysis carried out by Atlas Economics does not reflect the issues faced by developers but appears to be a desktop calculation of the possible impacts.

For example, the consultants proposed the following case study in Dulwich Hill:

- a 1,200sqm site;
- FSR upgraded from 3.5:1 to 4.5:1;
- total GFA of 5,200sqm;
- 60 dwellings at 90sqm per dwelling; and
- an increase of 1,200sqm GFA.

It is assumed there is no commercial space in this development.

According to our calculations, this would result in 84sqm of baseline affordable housing (\$1,092,000) and 120sqm of additional affordable housing (\$1,560,000), or a total contribution of \$2,652,000.

The gross margin before the uplift affordable housing would be \$3,410,667, but this would drop to \$1,850,667 after the contribution – a margin of 11.9%.

At 80sqm, the gross margin before the uplift affordable housing would be \$1,869,000, but this would drop to \$309,000 after the contribution, a margin of 2.0%. This would not deliver the significant margins proposed by Access Economics but would cut the margins to the bone and most likely to result in no development occurring.

The only way to make the numbers more workable would be to increase the size of apartments and charge a lot more for them, which would not assist with affordability, and which is unlikely to be supported by the market.

Developers need to ensure that there will be a sufficient return on investment that addresses inherent risks and gives confidence that loans will be repaid, the project will not and regularly does not proceed.

Getting financial feasibility analyses wrong and imposing too high-a requirement for affordable housing (along with other taxes, fees, and charges) will not only mean that no affordable dwellings get built, but it will also discourage the creation of market housing.

Feasibility can only be determined by a developer in conjunction with their financier and with the support of quantity surveyors, real estate experts, and building contractors.

In our view, and as evidenced by the current housing supply crisis, councils, in their modelling, have repeatedly failed to estimate project feasibility accurately,

underestimating the costs faced by developers and the impacts of development delays.

As Atlas Economics has cautioned in an earlier report to Inner West Council, development feasibility is not a given, and:

***“A high % contribution requirement is moot if development does not occur.”***

In other words, ill-considered in-perpetuity affordable housing levies and developer contribution fees will only worsen the housing crisis.

**Recommendation 1: That Inner West Council undertake feasibility assessments in consultation with developers to understand the true costs of proposed policies.**

### **Incentives are more effective than in perpetuity**

The draft policy proposes that all affordable dwellings are delivered “in perpetuity”, which is the very factor that undermines feasibility of housing supply the most. This, in particular, is strongly opposed.

Urban Taskforce Australia opposes the introduction of inclusionary zoning policies, which have been shown in both overseas studies and here in Sydney to increase the cost of housing. Inclusionary zoning – a percentage of dwellings gifted in-perpetuity to the Council – is often favoured by planners but rarely considers the impact on feasibility.

The economic and practical consequence is not considered.

In perpetuity policies result in an immediate loss for a developer, making it harder to get projects to stack up, compared to incentive schemes that help proponents to manage and mitigate their risks.

Conversely, the Infill Affordable Housing Bonus Scheme, which requires affordable dwellings for 15 years, gives the developer flexibility to retain value and recoup capital growth, offsetting other expenses and underwriting feasibility.

Evidence to date has shown that the model implemented through the infill affordable housing bonus scheme under the Housing SEPP supports housing supply and has generated a significant contribution to affordable housing.

SSD applications, which include the infill affordable housing scheme bonus, have approved 11,638 dwellings up to 30 April, of which 3,376 are approved affordable dwellings.

Those applications in the assessment pipeline include 31,744 new dwellings, of which 4,132 are expected to be affordable housing dwellings.

Incentive-based schemes demonstrably work and deliver more housing – both market and affordable.

If affordable housing is to be provided, Urban Taskforce maintains that planning incentives are needed make it attractive and feasible for a developer, allowing them to keep their costs lower and to offer their other dwellings at a more realistic market price.

A mandatory quota with no incentives will deliver no flexibility and will therefore discourage companies to pursue projects. And putting it on top of any bonus scheme contribution makes it even less appealing.

That means less housing of any type, affordable or not.

If affordable housing is to be provided in perpetuity in addition to any other scheme, it will increase costs in a way that cannot be mitigated and potentially cause projects to become unfeasible.

**Recommendation 2: That Inner West Council consider adopting an incentives-based policy position on affordable housing, similar to the highly successful infill affordable housing bonus scheme.**

### **Principles for affordable housing policies**

Urban Taskforce believes that any affordable housing initiative should be subject to certain principles that are applied only where the council has a growth agenda:

**Table A**

- contribution rates should be clear and easy to calculate up front, and not be subject to change over time;
- rates should be low and broad, applying to whole growth areas or across an LGA;
- consent authorities should be able to reduce or abolish contributions on a case-by-case basis when feasibility is threatened;
- contributions beyond the base rate should be incentive driven and explicit under the policy, not used as an opportunity to leverage additional outcomes;
- the cost of providing public benefits or other submarket housing should be accounted for in calculating the contribution;
- contributions made under other arrangements – infill affordable housing, TODs – should be offset against the proposed rate;
- payment of contributions should be made at OC, not earlier in the development process;
- contributions should be flexible, so that payment can be monetary, by dedication, or retained in private ownership, depending on what works best for the project; and
- developers who contribute more than they are required to under any affordable housing scheme should be eligible for a refund for the difference.

**Recommendation 3: That the principles detailed above in Table A be adopted as part of Inner West Council's affordable housing policy.**

## Double dipping

Council's proposed policy will apply affordable housing levies in addition to other fees taxes and charges:

*Affordable Housing contribution rates are required in addition to other statutory fees and charges, including local infrastructure contributions (section 7.11 or section 7.12 of the EP&A Act), state and regional infrastructure contributions and water and sewerage infrastructure charges. (page 20)*

This further increases the cost of development significantly, which either has to be absorbed by the developer or passed onto a new homebuyer.

If the latter, this will add considerably to the cost of a new home. If the former, it could jeopardise a developer's ability to get financing for future projects, as the return is not deemed by banks as sufficient for the inherent risk of the development.

The policy, as outlined by Council, effectively represents a value capture tax – a 10% share of any uplift or a 7.5% of the total development where an application seeks to turn a non-residential property into housing.

It is penalising housing delivery and creating barriers to the construction of new supply, placing projects at risk.

For example, the policy gives a case study of a development in Petersham that seeks an uplift of 1,400sqm, taking FSR from 3:1 to 4:1, resulting in the following affordable housing charges:

- a base rate (2% of GFA) of 70sqm or \$910,000; plus
- a levy on uplift (10% of additional GFA) or 140sqm or \$1,820,000.

This would result in a total monetary contribution of \$2,730,000.

This additional \$1,820,000 charge would slash the developer's margin to \$360,500 from a gross margin before the additional contribution of \$2,180,500, or just 2%.

If the sale price per sqm for Petersham is around \$16,000 per sqm, the affordable housing levy for uplift would work out to require a sale price of \$17,585 per sqm to recover the costs. This is beyond what the market would pay.

So, as industry feasibility requires a return of between 18 and 20% and there is little likelihood that costs will be able to be passed on, these additional charges would kill off the project.

Affordable housing needs to be affordable for a developer too. High rates that undermine feasibility could cause dwellings not to be constructed.

If affordable housing is being delivered through other means, or if developers are already paying significant contributions to State or local government, there should be an ability to offset some of the costs, so that the impact of affordable housing contributions can be managed effectively.

This does not appear to be an option in the proposed policy.

**Recommendation 4: That Inner West Council consider the cost of affordable housing in relation to other State and local taxes, fees, and charges, to understand the effects of applying a high rate for uplift.**

### **In-kind versus monetary contributions**

Although Council has indicated that it would prefer contributions to be in the form of monetary contributions, it has left the door open to the dedication of completed dwellings or land.

While we dispute the quantum and lack of meaningful incentives, Urban Taskforce welcomes such flexibility, which allows developers to meet their responsibilities in the most cost-effective way possible.

Often a developer will choose to make a financial contribution to council rather than dedicate units, as it is a more cost-effective way of contributing. For example, dedication of dwellings in build-to-rent developments would create significant issues for the proponent.

However, there will be circumstances where providing dwellings is a more attractive option, and this should be the choice of the developer, not the consent authority.

Further, developers who pay more upfront than is ultimately required under the policy should be entitled to a refund on the difference. Precluding such a return is unreasonable given the unpredictability of early assessments, and the expectation that any shortfalls are covered.

**Recommendation 5: That Inner West Council allow developers are able to decide the best and most cost-effective way to make their affordable housing contributions.**

### **Payment at CC v OC**

As with other affordable housing initiatives, Council's policy specifies that any monetary payment must be made prior to the issue of the construction certificate.

This puts a developer in the position of having to find additional financial resources to pay a levy upfront, often years before pre-sales start and long before the development is complete.

Financing costs can be significant and have the potential to ruin a project's feasibility.

Because contributions are charged at the CC stage, they impact dwelling commencements, particularly in areas requiring high rates of affordability. The NSW Productivity Commission recommended that fees and charges should be levied at OC, when cashflow is secured, not at CC.

Council should change its position on the timing of payments, to allow them at the occupation certification stage, when the developer has received downpayments from their purchasers and have funds that they can access.

This would ensure that more projects can reach feasibility, delivering the affordable housing sought by the Council.

**Recommendation 6: That Inner West Council move payment of affordable housing levies to the OC stage, rather prior to the issue of a CC.**

## **Key workers – picking “winners”**

Council’s policy continues with its focus on key workers, expanding the concept to include “artists and cultural creators”.

There is no reason why this new category is particularly worthy of inclusion, and it highlights problems with the whole “key worker” concept being used.

Urban Taskforce believes that eligibility for affordable housing should be based on need, not on job description.

By deciding who should be included in the concept of “key worker” Council is effectively picking winners and establishing a category of renters that might work today but could soon miss the mark when it comes to eligible occupations.

Why should these “key workers” get a subsidy on their housing from other home buyers? Why not all shift workers? Why artist, but not cleaners? Why not aged care workers?

The most sensible way to define eligibility for affordable housing is through a household income cap, independent of job role.

Both the NSW and Commonwealth Governments have eligibility criteria for affordable housing, specifying a rental rate based on income, rather than employment category.

Council would be better served trying to reduce the cost of construction for new homes overall and to place downward pressure on prices, rather than trying to pick and choose which tenants are worthy of consideration.

**Recommendation 7: That Inner West Council refocus affordable housing policy on those who qualify based on income cap, rather than arbitrary definitions of who might be a “key worker”.**

## **Council-specified CHPs and Capacity to deliver**

The policy requires that any dedicated land or dwellings be handed over to Council’s nominated community housing provider (CHP).

Such an approach is no longer necessary, [given law changes in September, 2025](#), which introduced the category of “affordable housing managers”.

Management of these properties should be open to market forces, so that the most efficient, experienced, and cost-effective operator can be selected to ensure that dwellings are rented to those in need in accordance with existing eligibility requirements.

Developers often partner with a preferred CHP, or have their own in-house affordable housing managers, to ensure that their properties are being appropriately cared for, and this should be allowed to continue.

Otherwise, it could result in multiple dwellings within the same building being managed by different entities, leading to confusion and inefficiencies.

So long as a property is being appropriately and transparently managed – such as being listed on the Register of Affordable Housing Dwellings and under the watch of

the Registrar of Community Housing – the operator doing so should not be dictated by the Council.

**Recommendation 8: That Inner West Council allow market-based “affordable housing managers” to manage dedicated land or dwellings, in line with legislative changes made back in September, 2025.**

## Conclusion

Urban Taskforce Australia recognises the Council's desire to increase available affordable and social housing to match local needs.

However, it is our members' view that the current draft plan is likely to discourage housing development, given its likely impact on project feasibility.

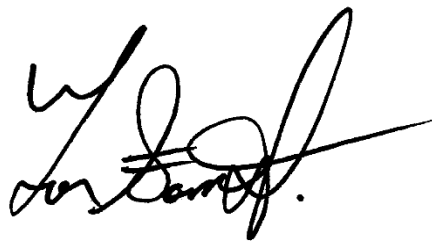
We believe that incentives are the most effective way to deliver tangible change and to create the desired affordable housing supply.

Industry has embraced initiatives such as the NSW Government's Infill Affordable Housing bonus policy and is looking for more opportunities to deliver good quality housing that meets the needs of the public.

Council's approach, conversely, repeats the mistakes of the past by seeking to embed inclusionary zoning, insisting that properties be handed over in-perpetuity, and killing the feasibility of housing projects.

Should you wish to discuss any aspect of this submission further, please contact our Head of Policy, Paul Waterhouse, on 0411-875-366 or via email at [paul@urbantaskforce.com.au](mailto:paul@urbantaskforce.com.au)

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tom Forrest', with a stylized flourish extending to the right.

**Tom Forrest**  
Chief Executive Officer