Urban Taskforce
AUSTRALIA

21 July 2026

Ms Golrokh Heydarian
Strategic Planner
Lane Cove Council
PO Box 20
LANE COVE NSW 1595

Sent to: service@lanecove.nsw.gov.au

Dear Ms Heydarian

Lane Cove Affordable Housing Policy

I write in relation to Lane Cove Council's draft affordable housing policy, which is currently on public exhibition.

Urban Taskforce Australia has concerns about the impact the proposals are likely to have on new housing development, at a time when the industry is facing significant challenges.

While we acknowledge that there is a need for affordable housing initiatives to help to address rental stress for segments of our community, the draft policy will exacerbate the cost of delivering housing, increase prices for homebuyers, and make many projects unfeasible.

What is being proposed?

Council's current proposal is for:

> *"at least 10% of the total residential gross floor space (GFA) in new residential and mixed-use developments as a result of rezoning arising from a proponent led planning proposal"*.

It is not clear from the context whether this is only to be levied against additional floor space, or if the 10% is to be taken from the GFA of the whole development.

Either way, the cost to a project of in perpetuity affordable housing is significant, reducing the value of the development and requiring losses to be recouped (if possible) through higher property prices.

While Council has qualified its position as being "where feasible", it does not appear itself to have attempted any assessment of whether such a rate is <u>ever</u> feasible.

Instead, it is left to the applicant to have to prove that the required levy will not work, with each application to be accompanied by a feasibility analysis.

This is putting the cart before the horse.

High, in-perpetuity affordable housing contribution rates will prevent many projects from proceeding, reducing the overall number of market and affordable dwellings that are able to be delivered within the LGA.

Council, in proposing such a high rate for affordable housing, should be attempting to assess the practicality of what it has proposed.

But this does not appear to have been done.

This affordable housing rate will result in one of two outcomes: it will be layered on top of other statutory fees and charges to increase the purchase price for homebuyers, or it will make a project completely unfeasible and kill it off altogether.

In the former case, it will result in new housing drying up. In the latter, it will require homebuyers (who may have saved for years to be in a position to purchase a home) to subsidise affordable housing for others.

This will drive many potential purchasers away from the local market to seek more affordable options elsewhere, putting the project at risk.

In other words, 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.

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. Council says that its policy has been informed by many of these LGAs.

However, in each of these cases – City of Sydney, Ku-ring-gai, Northern Beaches, and Willoughby – the feasibility of the affordable housing has been untested before the respective council approved its policy, and the cost implications have frequently put financial strain on projects and homebuyers.

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 the policies are not realising their goals, some of these authorities are now seeking to double-down and increase their affordable housing thresholds even further.

Yet, a review of the responses to these council policies, rather than just looking at the policies themselves, would have provided Lane Cove with a clearer idea of the risks posed by a 10% in perpetuity affordable housing levy.

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, making many 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.

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 include market-based practicalities if Council is to have any hope of supporting households in rental stress.

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

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.

On the rare occasions they are carried out, feasibility analyses prepared for councils often underestimate or ignore the issues faced by developers. Consultants conduct desktop calculations of what might be acceptable for a project rather than engaging with the industry to determine what actually is.

Developers need to ensure that there will be a sufficient return on investment that addresses inherent risks and gives confidence to banks and investors that loans will be repaid. Otherwise, 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. A lack of increased supply will drive prices up further.

In reality, project feasibility can be determined most accurately by a developer in conjunction with their financier and with the support of quantity surveyors, real estate experts, and building contractors.

Yet, 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.

Balancing housing delivery with economic realities requires not just looking at the needs of councils or renters but understanding the impediments being placed on development and the impacts of increasing taxes and charges on feasibility.

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 Lane Cove Council undertake feasibility assessments in consultation with developers to understand the true costs of proposed policies.

Recommendation 2: That Lane Cove Council's proposed 10% levy be revised down to a more realistic and feasible target.

Incentives are more effective than in perpetuity levies

As with most affordable housing proposals, the draft policy requires all affordable dwellings to be delivered "in perpetuity". This is the very factor that undermines feasibility of housing supply the most and is strongly opposed.

It is effectively 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 economic and practical consequences for feasibility.

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.

In contrast, the Infill Affordable Housing Bonus Scheme, which requires affordable dwellings to be contributed for 15 years in return for an increase in height and density, 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 has supported housing supply and generated a significant contribution to affordable housing.

State significant development applications, which include the infill affordable housing scheme bonus, had approved around 15,000 dwellings in NSW up to early July 2026, of which nearly 3,000 were approved affordable dwellings.

Applications in the assessment pipeline include around 30,000 new dwellings, with around 4,000 expected to be affordable housing.

These incentive-based schemes demonstrably work and deliver more housing – both market and affordable. Conversely, in perpetuity schemes make market-based or private housing more expensive.

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 <u>on top</u> of any bonus scheme contribution makes it even less appealing.

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

Recommendation 3: That Lane Cove 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):

Table A: Principles for affordable housing policies

- 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 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 4: That the principles detailed above in Table A be adopted as part of Lane Cove Council's affordable housing policy.

Double dipping

Council's proposed policy will almost certainly apply affordable housing levies on top of other fees, taxes, and charges, as has occurred in other LGAs.

This would further increase the cost of development, 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 on investment is not deemed by banks or financiers as sufficient to cover the inherent risk of the development.

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 5: That Lane Cove 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

Council's draft policy says that monetary contributions will only be accepted "in extraordinary circumstances" (although this may change when an Affordable Housing Contribution Scheme is adopted – why this wasn't released with the draft policy is anyone's guess).

Often a developer will choose to make a payment to council rather than dedicate units, as it is a more cost-effective way of contributing. In other circumstances, providing completed dwellings is a more attractive option.

While we recognise that Council may perceive some constraints affecting how it accepts contributions, there needs to be flexibility.

The method of contribution should be a decision for the applicant, so that it can identify the most cost-effective way of meeting its obligations.

Recommendation 6: That Lane Cove Council allow developers to decide the best and most cost-effective way to make their affordable housing contributions.

Payment at CC v OC

Having expressed its opposition to monetary contributions, Council's policy does not specify when any monetary payment must be made.

Urban Taskforce contends that all fees, taxes, and charges should require payment at the issue of an occupation certificate, not at construction certificate stage as currently occurs.

This allows payment to occur at a time when the bulk of the revenue for a sale has been received and when the developer has better cashflow, helping to make projects more feasible.

Recommendation 7: That Lane Cove Council allow payment of affordable housing (and other) levies to be made at the OC stage, rather than prior to the issue of a CC.

Who will benefit?

Council's draft policy seems contradictory in terms of its ultimate beneficiaries.

For example, the "Policy Statement and Roadmap of Actions" states that:

> *"When selecting tenants, Council will give priority to people who are employed in identified key worker occupations in Lane Cove and adjoining LGAs, people with a disability and long-term residents."*

However, in "Approach", it says:

- *Dwellings to be let to:*
  - *a mix of very low to moderate earners;*
  - *women and their children escaping domestic violence;*
  - *Aboriginal and Torres Strait Islander people; or*
  - *people with special housing or access needs, including people with a disability, frail aged people, the homeless and those at risk of homelessness and people from culturally and linguistically diverse communities.*

Further, the definition of "Key and essential workers" means:

> *"… persons employed in roles that are essential to the functioning of a city. While there is no universal definition of the term, key workers typically include police, nurses, fire fighters, teachers, early childhood educators, retail and other employee groups who undertake work considered essential for the day-to-day functioning of a city, and who are typically paid very low to moderate salaries."*

This is vague and open to interpretation.

Urban Taskforce believes that eligibility for affordable housing should be based on need, not on job description. It should not be up to Council to decide which roles are worthy and which are not.

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.

With that said, the policy should be internally consistent. In the differences between the two sections, it clearly is not.

Recommendation 8: That Lane Cove Council confirm who is eligible for affordable housing based on income cap, rather than other subjective factors.

Value capture and planning agreements

This public exhibition is being held at the same time as the exhibition of the Planning Agreements Policy.

That policy states that:

> *"Council will not use a planning agreement as a value-capture mechanism. Any public benefit sought must remain grounded in planning purpose, infrastructure need and public interest."*

and that Council will generally not support a planning agreement proposal that:

> *"Is primarily a value capture mechanism unrelated to planning purpose."*

Yet the draft Affordable Housing Policy states that:

> *"Planning agreements for affordable rental housing will ensure value uplift from planning decisions are captured and used directly for delivering affordable housing. Any such planning agreement is to include a contribution (land, monetary or both) for affordable housing."*

This appears to contradict the assertion from the Planning Agreements Policy that value capture is not the goal.

Recommendation 9: That Lane Cove Council confirm whether value capture through a planning agreement is a specific goal of the draft Affordable Housing Policy and advise how that aligns with the draft Planning Agreements Policy.

Council-specified CHPs

The draft policy states that any dedicated land or dwellings will be managed by selected community housing providers (CHP), once an Affordable Housing Contributions Scheme is in place.

This ignores the reforms adopted by the NSW Parliament through the *Community Housing Providers (Adoption of National Law) Amendment Act 2025*.

That September, 2025, legislation allows for the appointment of affordable housing managers, which gives more flexibility for affordable housing.

The draft Lane Cove Affordable Housing Policy should recognise this change and not lock in CHPs as the only option for managing affordable housing. This would allow for the appointment of a single agent to manage multiple dwellings within the same building, helping to reduce costs and increase efficiency.

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 limited by the Council's policy.

Recommendation 10: That Lane Cove Council allow for 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 me on 0411-875-366 or via email paul@urbantaskforce.com.au

Yours sincerely

Paul Waterhouse
Acting Chief Executive Officer