



**Local Government
Affordable Housing
Programs:
Options and Opportunities**

May 2023

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This section outlines the key design elements for affordable housing programs, key options for councils, and examples of how councils have tackled these challenges. Elements addressed include:

- Vision and Objectives
- Levers
- Affordable Housing Contribution Types
- Delivery and partnership options
- Ownership
- Tenant eligibility and rental policies

Case Studies 19

The 8 case studies show how different design elements are implemented through affordable housing programs or projects. Councils included in this first release include:

- Central Coast
- City of Canada Bay
- City of Parramatta
- City of Sydney
- Griffith City Council
- Penrith City Council
- Randwick City Council
- Shoalhaven City Council

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CHIA NSW thanks the councils and community housing providers who have shared case study details and acknowledges the work of authors cited in this report.

Full references are provided at the end of this report.

CHIA NSW would like to acknowledge the funds provided by the NSW Department of Communities and Justice (DCJ) to help develop this report under the NSW Community Housing Industry Development Strategy (IDS). The NSW Community Housing IDS is a partnership between CHIA NSW and DCJ.



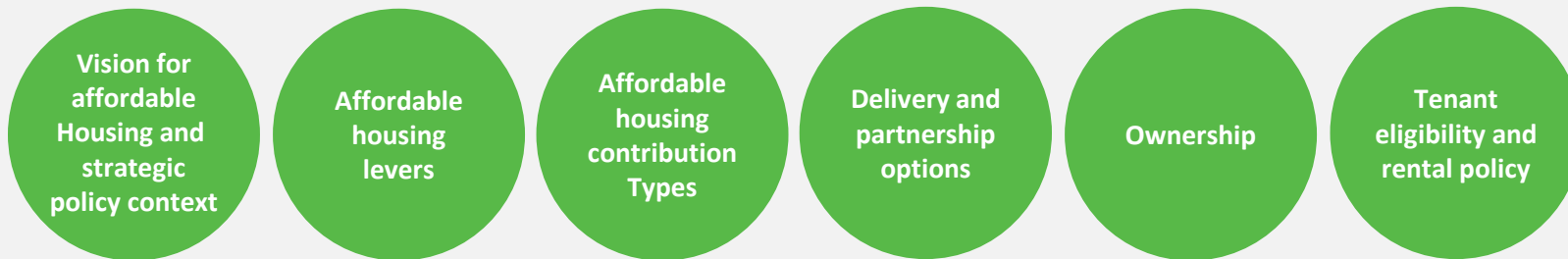
CHIA NSW is the industry peak body for registered community housing providers (CHPs) in NSW. The community housing sector builds and provides low-cost housing for individuals and families who cannot afford to rent or buy a home in the private market. CHIA NSW represents more than 90 community housing providers delivering rental housing for very low to moderate income and disadvantaged households across NSW.

Local Government Affordable Housing Resource Bank

About this Resource Bank

Local councils have a range of tools available to them to support the delivery of affordable housing. Each council considers how to maximise the effectiveness of the levers available to them, and designs their affordable housing program to respond to current and future local housing need and the conditions in the local housing market. Councils can use this resource bank to consider which levers will be most effective for them, and to design their affordable housing program to meet local needs.

This resource bank first outlines the key elements in local government affordable housing programs and provides examples of how councils have addressed these issues. The program elements addressed include:



The resource bank then provides case study examples of councils that have implemented these elements and ways of working. Local councils and CHPs share a commitment to building and fostering vibrant local communities. For more than 20 years, partnerships between CHPs and local councils have been delivering innovative, tailored housing solutions to local housing needs.

Eight council case studies have been included in this first edition of the resource bank:



Navigating this Resource Bank

This Resource bank discusses 6 different elements of a local government affordable housing program followed by 8 different case studies. To jump directly to an issue, links are provided below:

	Option	Case Study
Vision for affordable housing and strategic policy context	Targets	Central Coast, Parramatta, Randwick, City of Sydney
	Collaboration	Griffith, Penrith, Shoalhaven, Sydney
	Local economy	Canada Bay, Central Coast, Griffith, Parramatta, Penrith, Randwick, Shoalhaven, City of Sydney

	Option	Case Study
Affordable housing levers	Discounted land	City of Sydney, Central Coast
	Planning incentives	Griffith, Central Coast
	Streamlined assessment	No specific council process to date.
	AH contribution scheme	Canada Bay, City of Sydney, Randwick
	Planning Agreements	Canada Bay, Waverley, Parramatta
	Grant funding (cash or land)	Penrith, Griffith
	Joint Ventures	North Sydney, Griffith

	Option	Case Study
Affordable housing contribution Types	Dedicated dwellings	Canada Bay, Randwick
	Monetary contributions	City of Sydney, Penrith
	Land contributions	City of Sydney

	Option	Case Study
Delivery and partnership options	Direct allocation	City of Sydney, Canada Bay, Randwick
	Pre-qualification	Landcom pre-qual scheme
	Open tender	City of Sydney

	Option	Case Study
Ownership	Council	Randwick and Canada Bay
	CHP	City of Sydney, Shoalhaven, Griffith

	Option	Case Study
Tenant eligibility and rental policy	Discount to market rents	Various
	Income based rents	Various

Affordable Housing Program Elements

- Vision and Objectives
- Levers
- Delivery and partnerships
- Contribution types
- Ownership
- Tenant eligibility and rent policy

Element: Vision and Objectives

Overview

Most councils set out their vision and objectives for the type of housing to be delivered in their Local Housing Strategies. These Strategies align local priorities with strategic objectives, and often set a specific vision and objectives for affordable housing. Best practice is to include specific actions and targets for supply of affordable housing.

Targets provide a signal to local developers and the local community demonstrating council's level of commitment to increasing affordable housing supply and council's expectations for developers to meet these objectives. Targets provide an opportunity to clearly identify the types of housing products needed to be delivered in a local area. When a common set of targets are agreed by councils and state government agencies, targets can support more effective collaboration and planning.

Targets alone, however, are not enough. The LHS presents an opportunity to consider how identified needs can be met through a range of different levers.

Previous research by Urbanista found that the success of local councils' affordable housing policies was built on:

- Developing a strong evidence base on the need for affordable housing
- Clear policy objectives that link directly to a clear affordable housing delivery program
- Active engagement with the community to educate them on the purposes and roll out of affordable housing strategies

DCJ's [NSW Local Government Housing Kit](#) provides data and evidence on affordable housing need and provides examples and advice on establishing vision for affordable housing. More broadly, DCJ is a key partner for CHPs and Councils delivering affordable housing. DCJ has technical expertise, experience in designing affordable housing projects, and tools & resources that help councils and CHPs to plan for local housing need and deliver secure local investment. DCJ's role is described further in the Shoalhaven Case Study.

Key elements to be included in strategic plans	Case study examples
Setting targets for social and affordable housing	Central Coast, Parramatta, Randwick, Sydney
Prioritises collaborating with other stakeholders to increase affordable housing outcomes	Griffith, Penrith, Shoalhaven, Sydney
Links housing need to key workers and housing options to support local economy	Canada Bay, Central Coast, Griffith, Parramatta, Penrith, Randwick, Shoalhaven, Sydney

Element: Affordable housing levers

Overview

New affordable housing projects are not feasible without subsidies due to high land costs and discounted rental revenues. Council policies have a significant impact on the supply of affordable housing in their local area. The tools, or levers, available to councils include:

- Indirect levers that make it easier for developers to deliver affordable housing projects, for example by streamlining assessment processes, reducing the cost of development, or providing indirect financial support for affordable housing development.
- Direct levers that either mandate delivery of affordable housing dwellings or provide direct financial support to affordable housing projects.

While direct levers have a greater impact on the overall supply of affordable housing, indirect levers are crucial in reducing the cost of projects (and making limited resources stretch further). Indirect levers also benefit councils and their communities by anchoring new supply in their area. Given the limited funding in the broader system, indirect levers can attract developers to the local area by making development more viable.

Urbanista has analysed key considerations for councils that are selecting levers in the [NSW Local Government Housing Kit](#).

Indirect levers:

Levers that combine with other subsidies or funding to attract investment and delivery of affordable housing in the local area.

Lever	Description	Considerations	Case study examples
Discounted land	Councils sell suitable land with specific AH delivery requirements	Particularly effective in tight housing markets, this supports delivery in specific areas suitable for affordable housing. This approach balances council's capacity to forgo revenue from land sales with providing a public benefit through affordable housing. This approach is dependent on developers having access to other funding to develop dwellings, but can make projects more feasible if the discount is sufficient.	City of Sydney, Central Coast
Planning incentives	Council facilitates new supply by making development more efficient.	Reduced car parking rates, FSR bonuses, and other incentives can make development more efficient and attract affordable housing development to the local area, but they are often insufficient on their own to deliver new projects at scale.	City of Sydney, Central Coast, Griffith Other examples: Housing SEPP
Streamlined assessment processes	Streamlined approval process for AH. Could include a dedicated DA team or officer.	The uncertainty and time required as part of the development assessment process presents risks and costs for affordable housing developers. Streamlined processes for developments that meet specific criteria and deliver a public benefit can encourage new development.	No specific council process to date

Element: Affordable housing levers

Direct levers:

Levers that have the potential to directly increase the supply of affordable housing by mandating affordable housing or by providing direct financial support to new projects.

Lever	Description	Considerations	Case study examples
Mandatory contributions for affordable housing	Council sets a specific requirement for new developments in a defined location to make a contribution to affordable housing either as cash or completed units.	<ul style="list-style-type: none"> Provides predictability and certainty for council and developers. Developers can factor in requirements early and gives council certainty on the potential supply that will be delivered. Establishes a pipeline for CHP managers in order to improve efficiencies and leverage additional supply. A clear, mandatory requirement is less resource intensive for councils and developers to implement than individually negotiated agreements. Clear, mandatory requirements remove concerns about negotiated planning outcomes. 	Canada Bay, City of Sydney, Randwick Other examples: Willoughby, Waverley
Planning Agreements	Negotiating a contribution for affordable housing on major development sites	<ul style="list-style-type: none"> Planning agreements, consistent with the latest Ministerial Directions, provide an opportunity to tailor planning outcomes for specific sites. This lever could be employed for major out-of-sequence proposals or for sites where no affordable housing contributions scheme is in place. Negotiating agreements can be time and resource intensive for councils. Clear policies are required to secure consistent outcomes. 	Canada Bay, Parramatta Other examples: Waverley, Clarence Valley, Inner West
Grant funding (cash or land)	Granting cash or land to directly support affordable housing supply	<ul style="list-style-type: none"> Some councils may have additional resources that can directly fund new housing supply for priority groups. In some locations councils have surplus land that is suitable for affordable housing. Due to limited funding for affordable housing in the broader system, even small amounts of grant funding from local councils can support affordable housing development in the area. 	Griffith, Penrith, Shoalhaven, City of Sydney Other examples: Wollongong
Joint Ventures	Council directly partnering with CHPs to deliver affordable housing	Where councils have assets that are suitable for redevelopment for affordable housing, joint ventures can leverage additional investment from partners. These projects can be time and resource intensive to negotiate but have a direct and significant impact on supply.	Griffith, Randwick Other examples: Inner West, North Sydney, Waverley

Element: Contribution Types

Overview

Many councils have put in place policies to raise contributions for affordable housing through voluntary agreements and mandatory contribution schemes. In these arrangements, councils must determine whether contributions will be provided in cash, in completed units, in land, or a mixture of these. The form of the contribution impacts operational costs for council in managing the units and the overall affordable program, the potential for future leverage, and how quickly housing comes online. The contribution type also has implications for tenants and housing managers, in terms of social mix, access to services, and long-term housing outcomes.

The Paxon Group prepared [analysis](#) of the effectiveness of different contribution types. They found monetary contributions provide beneficial outcomes to the Local Council and community, because the affordable housing can be designed in a bespoke manner and provided in purpose-built developments that are not subject to strata fees and other potential operating inefficiencies arising from dwellings provided in-kind in mixed-tenure developments.

Key options:

These options have different implications in terms of affordability outcomes for tenants, the long-term supply of affordable housing, and the timing of when dwellings are available to house tenants. A discussion of the benefits and considerations for the three contribution types follows.

Lever	Considerations	Case study examples
Dedicated dwellings	Either transferred to the ownership of council or a CHP and required to be managed as affordable housing, either in perpetuity or for a specific time period (e.g. 10, 15, 20 years).	City of Canada Bay, Randwick, Waverley
Monetary contributions	Calculated as per affordable housing scheme guidelines, usually a \$/m2 of gross floor area for residential and/or commercial development.	City of Sydney
Land contributions	On large sites, it may be possible for a developer to transfer part of a site to council or a CHP.	City of Sydney, NSW Government

Element: Contribution Types

Land contributions: Benefits and Drawbacks

Benefits	Issues or Considerations
<ul style="list-style-type: none">▪ Purpose-built housing development: A land contribution allows the development to be built to standards for long-term retention as quality affordable housing development.▪ Long term housing outcomes: The land is dedicated for affordable housing supply. Restrictions can be put in place to secure the land in perpetuity.▪ Secure development site: This can be particularly effective in locations where ability to secure development sites is a barrier.	<ul style="list-style-type: none">▪ Dependent on other subsidies or funding: In order to develop these sites, developers must have access to other affordable housing subsidies or resources to fund development costs.▪ Potentially limited impact: Likely to only be an option for very large sites. There will also be a delay in delivery of the affordable housing.

Completed units: Benefits and Drawbacks

Benefits	Issues or Considerations
<ul style="list-style-type: none">▪ Quality long-term housing outcome: Monetary contributions enable councils to flexibly invest in new purpose-built affordable housing dwellings that are designed for long-term retention. CHPs retain most of their new housing stock for the long-term, meaning that they are focused on designing high-quality homes which are environmentally sustainable, require less maintenance as a result of innovative design, and deliver cost savings to their tenants.▪ Greater overall housing supply: Because monetary contributions can be combined with other forms of subsidy, including debt contributions from CHPs and land opportunities, long-term monetary contributions can deliver more affordable housing dwellings. Through partnerships with CHPs, even small amount of contribution can support new housing supply.	<ul style="list-style-type: none">▪ Delayed delivery: The primary issue with monetary contributions is the timeframe required to convert them to completed dwellings, as sufficient funds need to be accumulated, and a development site secured, before projects can commence. Where a council provides the monetary contributions to a CHP, this timeframe is reduced, as CHPs can combine contributions funds with debt finance and their tax concessions to leverage additional housing supply.▪ Administration costs: policies and frameworks are required to manage and invest monetary contributions. This includes processes for receiving payments, financial reporting, and applying funds to new affordable housing projects.

Element: Contribution Types

Completed units: Benefits and Drawbacks

Benefits	Issues or Considerations
<ul style="list-style-type: none">▪ Early availability: Completed dwellings have the significant benefit of providing an affordable housing property available for rent as soon as the development is completed.▪ Social mix: The completed dwellings are located in a mixed community, providing a distribution of affordable and private units. Completed dwellings also potentially offer the benefit of supporting diverse communities as they are located in mixed tenure developments, in locations with good access to education and employment opportunities. Councils need to be conscious and cautious in selecting these units, however, to ensure they do not heighten stigmatisation and isolation of tenants in identifiable units.▪ Secures diversity in large schemes: This option is more effective in very large schemes where a whole building or floor could be dedicated. This allows cost and design issues to be minimised where securing the benefits of early availability and social mix.	<ul style="list-style-type: none">▪ Higher operating costs: Completed dwellings in private developments are more costly to manage for 3 reasons:<ol style="list-style-type: none">1. The high cost of strata fees (due to amenities or strata requirements) can consume a high proportion of the discounted rental revenue received.2. The other cost element is due to the building and dwelling design, fixtures and fittings in private developments not being specifically designed for long-term housing and retention. CHPs have specific design and fittings guidelines to ensure high quality housing outcomes and good quality fittings that reduce maintenance requirements and reduce long-term costs for owners and tenants.3. Managing a single or a handful of units scattered through a large number of sites is highly inefficient compared to managing a single purpose-built scheme.▪ Lower housing supply: While securing completed dwellings means dwellings are available earlier, the higher cost profile means there is limited or no ability to further leverage and increase supply over time. Over the long term, this approach delivers few affordable housing properties.▪ Poorer affordability outcomes: Due to the higher cost profile, completed dwellings often deliver poorer affordability outcomes for tenants, as either higher rents must be charged or only households at the uppermost end of the income eligibility scale can be housed.▪ Social disadvantage: Where completed units are congregated in one section of the development, not only is social mix not achieved, but a level of social disadvantage can arise as people are labelled as sub-market tenants. Locating units close to each other, however, can often make management of the dwellings by a third-party CHP easier. This raises the importance of conscious and careful design for individual dwellings and the overall development to support social outcomes.▪ Short-term housing outcomes: In order to offer completed units, dwellings are sometimes dedicated for affordable rental for a short time period, rather than transferring ownership of the units. This type may bring forward discounted rental dwellings, but, given the large and enduring scale of housing need, the relatively low value of this type of contribution should be calculated carefully.

Element: Contribution Types

Comparing contribution types

Councils' decision on which type of contributions it prefers will be influenced by the local housing market conditions, council resources and risk appetite, and strategic objectives:

Strategic objective	Preferred contribution type
Urgent housing need	Completed dwellings will deliver units most quickly, but may be less efficient over the longer-term.
Long-term housing supply	Land or monetary contributions offer upfront leverage and cost-efficient design.
Low-cost operations	Land or monetary contributions will enable affordable housing developments that are cost efficient for managers and tenants and avoids high strata costs. Long-term this will increase housing supply as it provides leverage to fund new supply.

Element: Delivery and Partnership Options

Overview

When preparing an affordable housing program, councils need to assess the options for delivering and managing dwellings. Developing a clear framework upfront, aligned to council's strategic objectives, helps support business units across council to implement a program's vision effectively and efficiently.

Councils need to determine how key roles will be delivered, and, if they choose to work with partners, how those partnerships will be formed. To implement these roles, Council can work with registered not for profit community housing providers or undertake these functions (or parts of these functions) themselves. Each of these options have different implications for council's liabilities, resource requirements, accountability of staff and council.

Where council chooses to partner with CHPs, several partnership options are available: tenders for ongoing partners who receive direct allocations, tenders for individual projects, or pre-qualification schemes. The key roles include:

Roles	Description
Analysing and planning for local housing fit	This strategic advisory role includes forward planning to deliver housing that meets the need for different dwelling sizes and types, providing advice selecting completed units in private developments. This responsibility is usually held by the owner, while strategic partners can provide specialist advice.
Managing tenancies and sustainable communities	This role includes accepting applications, assessing eligibility against council's policies, setting rent, collecting rent, managing rent arrears, managing social and community disputes, evicting tenants and ending tenancies. CHPs have specialist skills in managing tenancies and supporting communities, and they can deliver these services at a more cost-effective rates. Where councils seek to play a larger role in selecting tenants or managing tenants, a potential risk to council is conflict with community members as council staff have responsibility for making decisions on applications and evictions.
Asset management	Responsive and planned maintenance to ensure that tenants have safe and appropriate housing and to maintain asset value with appropriate cyclical investment in fittings and major items such as kitchens and bathrooms. Proactive maintenance plans are critical to avoid large maintenance backlogs that are expensive to clear and pose risks to tenants' health and asset values. CHPs have specialist skills in long-term asset management and a scale of portfolio that enable them to deliver these services cost-effectively. Councils often have maintenance and asset teams, but may not be specialists in residential property asset management.
Strategic asset planning and replacement	This risk and responsibility is usually held by asset owners. This includes strategic disposals and reinvestments to maintain the value of the asset portfolio over time and ensure the portfolio meets local need.

Element: Delivery and Partnership Options

Why this matters

The allocation of roles and responsibilities in an affordable housing program has significant implications for:

- The long-term operational costs of managing the portfolio and tenancies effectively
- Potential for future growth and long-term supply to be delivered through the program, and
- Accountability of council staff to tenants and applicants for decisions on eligibility, rent-setting, and ending tenancies or evicting tenants who are local residents.

Key considerations in determining roles and responsibilities include:

- Urbanista analysis in 2016 found that engaging community housing providers, which are regulated expert non-profit property and tenancy managers, provided immediate financial benefits for local government, improved tenant and community outcomes, and improved long-term financial outcomes for the portfolio, and accountability and transparency benefits for local councils.
- The National Regulatory System for Community Housing is a regulatory framework for community housing that ensures registered community housing providers meet governance and risk management standards. This provides assurance for government and investors that organisations are accountable and meet tenant and asset requirements. The Registrar of Community Housing is responsible for registering and regulating community housing providers, including powers to take enforcement action where community housing providers do not meet the Regulatory Code.
- Local councils taking on program delivery roles directly would require significant internal resourcing, to meet the regulatory requirements and to undertake property and tenancy management functions effectively.
- Where CHPs are engaged to undertake these roles, local councils will need to put in place contract and policy arrangements to secure the property and to ensure the managers apply any surpluses to leverage additional affordable housing. Appointing an internal specialist to foster and manage the relationship with community housing provider(s) will have long-term benefits.

Element: Delivery and Partnership Options

Key partnership options

Where councils determine that they will partner with CHPs to deliver the affordable housing program, they have several options to engage with community housing providers.

Option	Description	Case study examples
Direct allocation	Upfront engagement via competitive tender of a CHP who is regulated at the appropriate tier to provide specialist services at cost-effective rates. Monetary contributions or completed dwellings are then allocated to the partner(s).	Canada Bay, City of Sydney, Randwick Other examples include: Waverley, Willoughby
Pre-qualification scheme	Upfront tender to identify a panel of preferred CHP partners.	Landcom's pre-qualification scheme is detailed on the next page.
Open tender for individual projects	Responsive tenders to allocate projects or funds as they become available.	Case studies include City of Sydney

How CHPs deliver on local council priorities

CHPs have developed the critical expertise in property and tenancy managements, as well as regulatory requirements, to provide social and financial benefits in partnership with local councils. CHPs can make a positive contribution across a range of areas:

- Cost-effective operations due to professional expertise, organisational scale, and tax benefits.
- Financial capacity to take on debt finance and increase supply of housing in the local council area without exposing council assets.
- Robust compliance and risk management processes regulated by government.
- Large portfolio and tenancy management expertise enables CHPs to respond to tenants' changing circumstances by changing rent and tenancy conditions or by offering alternative housing options.
- CHPs have expertise in working with tenants with a range of housing and other needs. This includes pro-active tenancy management practices, as well as partnerships with specialist providers can ensure flexible and appropriate supports are available for people with additional needs. These arrangements promote sustainable communities and assists tenants to maintain their housing conditions.
- Due to CHPs' scale and engagement in the market, they have low vacancy rates and low rates of lost rent, due to their ability to support tenancies and to turnaround properties quickly.

Element: Delivery and Partnership Options

Landcom Pre-qualification Scheme

The Affordable Housing Provider Prequalification Scheme was established by the NSW Government to help streamline the procurement process and support the development of partnerships that will increase affordable housing in NSW. It is available for use by councils, government agencies and the private sector.

Vision and Objectives

- The Scheme provides details of a pool of nationally registered community housing providers (CHPs) who have the capability to manage or develop affordable housing. By using the Scheme, councils can readily identify providers suited to their project needs, saving time and money on the procurement process.
- The Scheme can be accessed via the [buy.nsw](http://buy.nsw.gov.au) website.

Levers - Joint projects

The Scheme makes it easier for a council to find potential CHP delivery partners. The online tool lists CHPs who are interested in developing new affordable housing. It provides information about the capabilities of each CHPs, including the type and scale of housing they are seeking to build and the areas in which they are active.

Delivery and partnerships

The Scheme is an example of a pre-selection panel. CHPs wishing to be included on the scheme must be registered with the Australian National Regulatory System for Community Housing.

If successful in attaining prequalification to the Scheme, CHPs may then be invited to tender based on their suitability to work in a geographic location, the scale of project and other attributes, for example the type of accommodation.

Any local government seeking to form partnerships to deliver affordable housing can use the Scheme to identify potential partners.

Element: Ownership

Overview

Ownership of the affordable housing portfolio is a critical issue for councils that has implications for other program design decisions, including contribution types, delivery and partnership options, and potential for the portfolio to be leveraged to fund new supply. The decision also has financial implications for councils and as well as for the nature of long-term asset portfolio liabilities.

Most councils operate within tight financial environments and retaining ownership of affordable housing assets is often seen as a potential benefit for councils with constrained finances. Affordable housing assets, however, are legally required to be retained for affordable housing and have significant liabilities associated with their management and maintenance.

Councils that transfer ownership to CHPs, or who facilitate ownership by CHPs, are assured that properties will be retained long-term as affordable housing in the local area. Contracts and restrictions on title secure properties and regulation of CHPs under national charities and community housing legislation.

Recent [analysis by Paxon](#) shows CHPs can deliver double the number of properties that a local council can from the same amount of monetary contributions. Similarly, where a council owns affordable housing properties, CHPs can leverage to deliver 21-27% more units if ownership is transferred to them.

Key options:

Council ownership	CHP ownership
Council retains ownership and engages a CHP to manage.	Council either transfers ownership of properties to a CHP or directly provides funding, land or monetary contributions to a CHP with contractual and regulatory controls in place.
Benefits <ul style="list-style-type: none">Value of the dwellings present on council's balance sheetProvides council with full control over assetsProvides council with redevelopment opportunities in the future	Benefits <ul style="list-style-type: none">CHPs can combine council contributions with other funding sources and tax incentives, including debt finance and other partnerships to build new housing in the area.Over the long-term, this means CHP ownership delivers more affordable housing dwellings in the local government area when they own the assets.CHPs are responsible for all asset maintenance costs, including structural maintenance and asset replacement.
Challenges <ul style="list-style-type: none">Liabilities on council's balance sheet. Council is fully responsible for asset maintenance, both responsive and long-term costs.Council is responsible for structural maintenance and asset replacementLimited ability to leverage to fund new supply means long-term the growth in the housing portfolio is low.	Challenges <ul style="list-style-type: none">Councils must put in place contract arrangements to secure the assets and reporting arrangements to ensure obligations are met.
Case study examples <ul style="list-style-type: none">City of Canada Bay, RandwickOther examples: Waverley	Case study examples <ul style="list-style-type: none">City of Sydney, Shoalhaven, GriffithOther examples: Clarence Valley

Element: Eligibility and Rent Policy

Overview

Eligibility policies and rent policies have a significant impact on the range of tenants that are assisted, the cost of housing management and the financial viability of the portfolio. Councils can either set a high-level policy regarding the outcomes they want to achieve in the housing portfolio and key priorities of the eligibility and rent policy, or they can set more specific requirements. Eligibility and rent policy settings should be linked to Council's overall objectives for the program to ensure the program is supporting its strategic aims.

Key options:

Eligibility Policy

- **Cohort Targets:** Councils sometimes target priority cohorts who have a high level of housing need in the local area. This may include people with disability, older women, refugees, women and families who experience family violence, etc. These tenants may have lower incomes and setting the scale of the target needs to consider the long-term operational viability of the portfolio.
- **Local connection requirements:** Councils often include requirements for applicants to have a connection to the local area, e.g. work or study, support providers, family.

Rent policy

- Councils have two main rent policy options: discounted market rents or income-based rents. These are discussed below.

Council ownership	CHP ownership
<p>Benefits</p> <ul style="list-style-type: none">▪ Discount to market rent (e.g. 25%) provides council with a consistent and predictable income stream. <p>Challenges</p> <ul style="list-style-type: none">▪ Discount to market rents are often not affordable for tenants who are eligible for affordable housing. This means that tenants may not be able to sustain rent payments, and may go in to arrears if they experience a financial shock.▪ Only tenants at the upper end of the eligibility spectrum are likely to be housed, due to affordability challenges.	<p>Benefits</p> <ul style="list-style-type: none">▪ Ensures affordability outcomes for tenants.▪ Improves long-term tenancies, which is positive for tenants and communities, and reduces costs due to vacancies and arrears. <p>Challenges</p> <ul style="list-style-type: none">▪ A mix of income groups need to be housed in the portfolio in order to ensure the program is financially viable and that rent covers operational costs.▪ Rent income can fluctuate as tenants' financial circumstances change.

Case Studies

- Canada Bay
- Central Coast
- City of Sydney
- Griffith
- Parramatta
- Penrith
- Randwick
- Shoalhaven

Vision and Objectives

- Council's Affordable Housing Policy was introduced in 2007 and was updated in 2017. Council's aim is to maintain a diverse, vibrant and healthy community and to alleviate housing stress. Council also notes the need to have an affordable housing program that is financially sustainable.
- Council's Local Housing Strategy, adopted in 2019, includes a detailed examination of housing affordability issues. Council aims to assist key workers and people earning low to moderate incomes to live and work in the local area, provide them with improved housing security, and enable them to establish savings for the private rental or home ownership.

Levers

Contribution Scheme

- Council's affordable housing contributions scheme was adopted in February 2021. The Scheme applies to major growth precincts, and requires a contribution of between 4% and 5%, depending on site location.

Planning Agreements

- Council has negotiated in kind affordable housing contributions through Planning Agreements since 2007 and has increased its program through Commonwealth funding.
- Affordable Housing Contributions Scheme states that in some instances, contributions in addition to the minimum required under the Scheme will be negotiated and required through a Planning Agreement.
- Council updated its Planning Agreement Policy in November 2020 to negotiate the provision of affordable housing as part of proposals seeking increased residential floorspace. The revised Policy indicates a dedication of at least 5% to 10% of the new residential floorspace, having regard to development feasibility.

Contribution types

- Council's Affordable Housing Contributions Scheme allows contributions to be provided as land or dwellings dedicated to Council, or as an equivalent monetary contribution. The Scheme states that where the floorspace to be dedicated is less than 50sqm, a monetary contribution will be required.
- Both the Affordable Housing Contributions Scheme and Planning Agreement Policy include requirements for the design of affordable housing that will be dedicated to Council.

Delivery and partnerships

- Affordable housing management is outsourced to a CHP on a fixed term contract. The selection of the CHP is conducted in line with Council's procurement policy. The chosen provider has a role in signing off on the location, size and quality of any housing delivered via a contribution.
- CHPs provide regular reports to Council on financial reports, asset information, tenant demographics, and tenant satisfaction.

Ownership

- Council's policy is that affordable housing dwellings are dedicated to Council at no cost. However, there is also scope under the Affordable Housing Policy for Council to nominate a community housing provider to take on ownership.
- To minimise ongoing maintenance costs and ensure housing continues to meet the needs and objectives of the program, Council intends to review its housing portfolio every 5 years to determine whether dwellings should be disposed and replaced, or retained and renewed.

Tenant eligibility and rent policy

- The Affordable Housing Policy sets out tenant eligibility and rent setting. The policy includes employment sectors that will be given priority: health, childcare, emergency services, labourers and retail. Six dwellings are reserved for Concord Hospital staff.
- Weekly rent is set at no more than 75% of market rent or 30% of household income, with the explicit aim of ensuring financial sustainability. Some properties are targeted at moderate income households to support this objective.

Vision and Objectives

- Central Coast Council adopted an Affordable and Alternate Housing Strategy in April 2019. The Strategy includes a vision for a “fair and inclusive region, where everyone has access to affordable and sustainable housing.” This includes a specific aim to assist very low, low, and moderate-income households.
- Based on consideration of housing need and current supply, Council has adopted a set of indicators and targets for the delivery of new affordable housing. The Strategy identifies a need for 4,900 additional affordable rental properties by 2036, the majority being for very low-income households. The Strategy also includes targets for affordable for-purchase properties.

Levers

Joint projects

- Council has identified the use of surplus or underutilised council-owned land as one of the most effective ways it can increase the supply of affordable housing. Council’s Affordable and Alternate Housing Strategy includes a commitment to dedicate at least three sites for affordable housing partnerships.
- Council is preparing a Council Affordable Housing Land Proposal (CAHLP), which will provide a framework for identifying sites and selecting delivery partners. The draft CAHLP went through a public consultation process and includes design parameters for housing delivered on its land, including a requirement that schemes comprise a maximum 30% market component.

Planning incentives

- As part of implanting its Affordable and Alternative Housing Strategy, Council intends to review its planning controls to remove impediments for affordable and lower cost housing. This includes a potential reduction in car parking requirements for apartment developments to support housing delivery and reflect actual rates of car ownership.
- Council also intends to investigate density bonuses or variations to other planning controls in return for a contribution to affordable rental housing. A new Voluntary Planning Agreement Policy will set out details of contribution rates, method of calculation and the extent of potential variations.

Tenant eligibility and rent policy

- Council’s Proposal includes initial household income and rental cost benchmarks for new affordable housing. These are based on costing the renter or purchaser no more than 30% of gross household income.

Delivery and partnerships

- Council identified a preference for delivering affordable housing in partnership with CHPs, due to their experience, management expertise, access to government grants and their own financial capacity.
- Council’s CAHLP indicates it will delivery partners through a competitive process. A panel of affordable housing providers with relevant capabilities will be formed using an EOI process. The CAHLP outlines the assessment criteria that will be used to inform the selection of delivery partners.

Ownership

- Council’s CAHLP outlines partnership models that could be pursued. These includes sale of properties and retention of ownership by Council.
- Council’s preference is for development through the CAHLP process to be mixed tenure, incorporating social, affordable (discount market rent) and private rental/owner-occupied components. This provides a cross-subsidy for the social and alternative housing components.

Vision and Objectives

- The City of Sydney's Local Housing Strategy and Affordable Housing Program specify Council's objectives include recognising affordable housing as critical infrastructure and providing housing for very low to moderate income households (particularly those with an historical connection with the city). The objectives also include ensuring people have an opportunity to live in the community in which they are employed.
- The City of Sydney also highlights the need to facilitate opportunities for government and CHPs to supply affordable housing.
- Sustainable Sydney 2030-2050 maintained the City's previous affordable housing target of 7.5%.
- The Affordable Housing Program identifies Principles for the program. These include requiring that all dwellings be maintained as affordable rental housing in perpetuity (ie. not temporary provision such as 15 years). The City also specifies that affordable rental housing is to consist of dwellings constructed to a standard which, in the opinion of Council, is consistent with other dwellings in the LGA.

Levers

Contribution schemes

- Since the late 1990s, the City of Sydney has an affordable housing contribution scheme in place. It was recently expanded to cover the whole local government area, with location-specific rates. In addition, the City has adopted an additional contribution rate of 9% for sites that seek increased FSR.
- To date all contributions under the scheme have been provided as monetary contributions.

Delivery and partnerships

- Historically the City of Sydney has had a direct relationship with a single CHP, City West Housing. This has opened up in recent years, with other CHPs having an active presence in the LGA.
- The City of Sydney's governance and procurement process is currently evolving, but includes tendering for available land sites, a potential EOI for CHP partners under the contribution scheme, and direct targeted grants.

Land Sales

- The City of Sydney has sold a number of development site to community housing providers at a discount rate in order to increase delivery of affordable housing in the area, noting the difficulty and expense of land in the LGA.

Grants

- Grant funding has been provided in a number of instances to support targeted housing options for priority groups for the City, including youth leaving out of home care and Aboriginal people.

Ownership

- All properties in the City of Sydney's affordable housing strategy are owned by CHPs. The City's position is that this maximises leverage and cost efficiencies delivered by not-for-profit CHPs and builds the capacity, scale, and future impact of CHPs that are active in investing in the local community.

Tenant eligibility and rent policy

- The City of Sydney's Affordable Housing Program includes Principles that guide implementation and CHP delivery and management of dwellings:
 - Maintain a socially diverse residential population, representative of all income groups.
 - Targeted to a mix of households on very low to moderate incomes.
 - Rented at no more than 30% of gross household income.
- The City is not involved in eligibility assessment, allocation or management of properties.

Vision and Objectives

- Griffith City Council had become increasingly aware of the housing shortage in the region, particularly for key workers, with seasonal fruit workers, health workers and others finding it hard to secure and afford suitable housing. Council was motivated to address the need for affordable housing through its housing strategy and engaged closely with Argyle Housing to identify opportunities for innovative projects.
- Griffith City Council adopted its Housing Strategy in 2019 and since then has implemented a range of initiatives to achieve its aim of increasing access to diverse housing options for key target groups in the City experiencing housing stress.
- The Housing Strategy determined that Griffith is under-supplied with smaller dwellings and projected unmet housing need would increase to 1,744 dwellings by 2036.

Levers

Joint projects

- Council identified an underutilised portion of land owned by the state government and purchased the land. With Argyle Housing's support, Council then bid for funding from the Commonwealth Government Building Better Regions Fund.
- The Griffin Green Affordable Housing Project will create 20 new medium density affordable rental housing units and 42 new housing lots. The site is close to the city centre, and the development will include a full basketball court, playground, park and new community centre.

- Ten percent of the affordable rental dwellings will be prioritised for First Nation key workers. The 42 lots will be a mix of affordable homes to purchase, through shared equity schemes and other options.
- Affordable and social housing projects are not financially viable without some level of subsidy. The project has been made possible through mixed funding sources:
 - \$6 million through the Building Better Regions Fund.
 - \$3.1 million from Council, including the land, which was gifted to Argyle Housing.
 - \$3.1 million from Argyle Housing
- Once the civil works are completed, the title of the 42 serviced lots will transfer to Argyle Housing for residential development. Argyle Housing is working on a plan for these lots which will include the sale of some lots, with a covenant requiring build commencement within a fixed term to prevent land banking. These sales will fund the building of additional affordable housing on the remaining lots.

Land

- The success of the Griffin Green project has led to further opportunities for Council and the community housing provider to work together. Council gifted Argyle Housing a block of Council-owned land close to the Griffith CBD, on which Argyle Housing is looking to build a further four affordable dwellings in the next 12 months. The land is situated next to an emergency services precinct and was not necessarily something appealing to a private developer – but Argyle Housing sees it as an opportunity to increase affordable housing close to the city centre.

Planning incentives

- Council has also facilitated affordable and lower cost housing development through planning amendments. Council amended the Development Control Plan to reduce the cost of development, amending Floor Space Ratios, reducing parking requirements in some locations, and removing height restrictions and reduction of private open space. Council are also considering rezonings through the LEP To increase the diversity of housing options in the local area.
- In addition to these changes, Council has provided an Affordable Housing Rebate on Secondary Dwellings and rebates on Section 7.11 and 7.12 contributions for projects that address affordable housing concerns.

Ownership

- At the completion of works, the 20 affordable townhouses at Griffin Green will be owned by Argyle Housing and rented as affordable rental housing for a minimum of 10 years. This will likely run for a longer period, if not in perpetuity.

Vision and Objectives

- Parramatta Council adopted an Affordable Rental Housing Policy in 2019. The Policy aims to reduce the level of rental housing stress experienced by residents and to ensure residents can thrive socially and economically. This includes ensuring adequate affordable housing for key workers, which will grow substantially over the coming years.
- The Affordable Rental Policy adopts a target of 9,500 affordable dwellings by 2036. This represents a net increase of approximately 8,800 affordable dwellings over the 2016 baseline.

Levers

Contribution Scheme

- Council's Local Housing Strategy identifies it will implement an affordable housing contributions scheme in high growth precincts to be rezoned. Council estimates that this could deliver between 1,555 and 2,735 dwellings.
- Council intends to apply a 5%-10% affordable housing target but will seek higher rates where feasible. Government-owned sites will aim for a 30%-33% affordable housing target.

Planning Agreements

- Council intends to secure affordable housing contributions through planning agreements on sites undergoing uplift, where an affordable housing contribution scheme does not apply.
- Council's Planning Agreements Policy seeks an affordable housing contribution equivalent to 10% of the land value uplift on sites outside the Parramatta CBD.
- Council has prepared a draft legal agreement template, which includes standard clauses relating to the provision of affordable housing units or land to be dedicated to council.

Other Approaches

- The City of Parramatta intends to investigate other measures to increase supply including:
- Identifying 'Housing Diversity Precincts' to provide additional medium density housing and including a component of affordable housing.
- Identifying areas suitable for 'Incentivised Inclusionary Housing' where height controls will be increased to facilitate FSR incentive bonuses under the Housing SEPP.

Contribution types

- In Melrose Park South, Council has flagged a contribution of in-kind dwellings. Under its Voluntary Planning Agreements Policy, contributions are sought in the form of completed dwellings dedicated to Council.
- Council will accept monetary contributions where the agreed value of the contribution is not exactly equivalent to the value of a single or multiple dwellings, to meet the agreed value of the contribution.

Ownership

- Council intends to retain ownership of any affordable housing dedicated to it. A CHP will be appointed to manage the housing.

Delivery and partnerships

- Council's Affordable Housing Policy 2019 states that Council will appoint a community housing provider to manage its stock of affordable housing. The CHP will be procured through in accordance with Council's Procurement Policy.

Tenant eligibility and rent policy

- Council's Affordable Housing Policy 2019 notes that selection of tenants for affordable housing owned by the Council will be undertaken by the CHP managing the portfolio. An eligibility shortlisting process will be agreed with the Council to guide the allocations process. Tenants will need to have a connection to the City of Parramatta.
- Council criteria for affordable housing includes not charging households rent that exceeds 30% of their weekly income.

Vision and Objectives

- Penrith Council's Local Housing Strategy outlines its objectives for housing supply in the local area. Council highlights the need to provide affordable housing options for workers in the local area and commits to exploring a range of initiatives to ensure supply is delivered in the right places across the LGA.
- Penrith's Planning Proposal to introduce an affordable housing scheme specified additional objectives:
 - Ensure Penrith is an inclusive location
 - Provide equitable affordable rental housing contributions
 - Provide certainty for landowners and developers
 - Provide affordable rental housing where required and development viability can be maintained.

Delivery and partnerships

Tenant eligibility and rent policy

- Council is developing a policy framework for its affordable housing contribution scheme. The policy framework will consider partnership, procurement, and operational issues.
- In its grant funded project, Council agreed to endorse its CHP partner's tenant eligibility and rent policies.

Levers

Planning Agreements + Grant Funding

- Penrith Council has a long-standing policy of requiring contributions for affordable housing in planning agreements. This policy enabled Council to pool individual contributions over time. When the funds reached a sufficient quantum, Council allocated the funds to Link Wentworth, a local CHP, in accordance with Council's procurement policy.
- Link Wentworth, as a not-for-profit CHP, was able to combine the \$1.13 million grant funding from Penrith Council with other funding sources:
 - Commonwealth funding for 24 homes under the National Rental Affordability Scheme
 - \$5.1 million NSW grant funding
 - \$3.95 million debt finance
 - \$5.36 million equity

Contribution types

- The AH Contribution Scheme notes that monetary contributions are preferred.
- While the precincts are greenfield areas, monetary contributions allow for investment closer to transport and services.

- By layering these funds, Link Wentworth was able to fund development of a 49 unit development in St Marys, including 4 Specialist Disability Accommodation (SDA) units, 27 affordable housing units, and 18 social housing homes.

Contribution Scheme

- In November 2022, Penrith exhibited an affordable housing contribution scheme for Glenmore Park and Orchard Hills North.
- The draft Scheme establishes different rates for the two precincts and incorporates an initial rate commencing in 2024 and provides advance notice that that contribution will increase in 2027. This approach meets the Scheme's intent to provide clarity and certainty for landowners and developers in the LGA.

Ownership

- Penrith's policy enables its CHP partner to own properties. This enabled Council to attract investment of more than \$15 million in Penrith LGA through \$1.13 million in grant funding. Council's grant funding to Link Wentworth is secured through NSW Government and local council contracts.

Vision and Objectives

- Council recognises that affordable housing has a vital role to play in developing sustainable local communities and providing a strong labour force to sustain the local economy. Part of Council's vision, as set out in its Local Housing Strategy is for *"Affordable housing will be delivered to cater to the specific housing needs of lower to middle income residents."*
- An objective of the Strategy is for 10% of all housing being affordable to very low, low, or medium-income households by 2040.

Levers

Contribution Scheme

- Council's Affordable Housing Contribution Scheme commenced in August 2020. The Scheme currently applies to Kensington and Kingsford town centres. The affordable housing requirement increased from 3% to 5% in August 2022. The rate applies to the residential component of development. This approach provides forward notice to the market and supports the feasibility of increasing rates over time.
- The Scheme aims to provide more than 200 affordable housing units.

Planning Agreements

- Council's Planning Agreements Policy 2007 guides planning agreements in a manner that is effective, fair, transparent and accountable. Agreements may seek capital or recurrent funding, dedication of land or provision of a material public benefit.

Ownership

- Council will own all affordable housing dwellings.

Planning incentives

- Clause 6.12 of Randwick LEP 2012 requires development controls to be prepared for large sites and housing mix and tenure choice must be addressed. Council has secured affordable housing through this process. For example, the Prince Henry Site includes a requirement for at least 1% of all dwellings to be affordable housing.
- As part of the process of developing detailed development controls for these sites, Council may also consider reduced car parking, to support affordable housing in locations well serviced by public transport.

Delivery and partnerships

- Affordable housing units owned by council will be managed by a registered CHP. Council will select the CHP through a competitive EOI process.
- Council will headlease the properties to the CHP at a nominal rent. Council will enter into a Deed of Management with the CHP, which will set out details on tenant and property management procedures, including requirements for rent setting, tenant selection and dwelling allocation.

Contribution types

- Council's Affordable Housing Plan (2019) preferences in-kind contributions. Monetary payments will be accepted where the contribution is less than 50sqm.

Tenant eligibility and rent policy

- The Affordable Housing Plan (2019) outlines that affordable housing is intended to support tenants to transition into the private rental market. Tenancies are provided for a maximum of 5 years.
- Council intends to allocate dwellings to a mix of low and moderate-income households. Specific allocations need to ensure the continued financial viability of the Program and to enable the full cost of the Program to be covered by rent revenue, including maintenance and upgrade costs and administration fees. This may preference allocations to moderate income households, as rents are also required to not to exceed 30% of income.
- To be eligible for housing, potential tenants need a local connection to the City of Randwick, either living or working locally.

Vision and Objectives

- Shoalhaven City Council became increasingly aware of the local housing challenge, with businesses (and Council itself) struggling to attract key workers due to a lack of available and affordable housing.
- Council's Affordable Housing Strategy (2017) identified the principles now guiding Council's affordable housing initiatives:
 - Developments in key urban centres with good access to services .
 - Social sustainability to promote social diversity and equity.
 - Engagement and partnerships.
- Council's strategy includes high-level directions, such as rezoning and advocacy to state government agencies, as well as specific, concrete actions:
 - Dedicating Council-owned land at 42-46 Coomea Street, Bomaderry, for an affordable housing development
 - Investigating inclusion of additional land in the Coomea Street project
 - Investigating and identifying further sites owned by Council or other public agencies for affordable housing development in the medium to longer term.

Ownership

- SCCH ownership of the land and dwellings unlocked \$11.5 million in funding and finance to fund construction on the \$2.2 million site previously owned by Council.

Levers

Land grant

- When complete, the Coomea Street development will provide 39 units of affordable housing close to Bomaderry train station and ten minutes from the town centre.
- The site is an amalgamation of five adjacent Council-owned blocks containing detached houses that Southern Cross Community Housing (SCCH) had been managing as transitional and affordable housing.
- Council originally owned three of the sites and bought an additional two to achieve a greater housing outcome.
- SCCH, as Council's partner in the project, will own, develop and operate the affordable housing at Coomea Street.
- The development will be a mix of residential apartments and a new generation boarding house.

Tenant eligibility and rent policy

- SCCH will manage the 39 dwellings, providing tenancy management and property maintenance services as well as delivering community development programs.
- As a non profit CHP, SCCH ensures the dwellings will remain as affordable housing indefinitely and any surplus will be used to develop further affordable housing in the Shoalhaven.

Delivery and partnerships

- DCJ played a critical role by facilitating the land transfer from Council to SCCH. Council was able to transfer the land at no cost to DCJ, a state government agency.
- Importantly to Council, DCJ's contractual framework enables them to secure the land in perpetuity for affordable housing. The contract ensures that DCJ can monitor outcomes as CHPs provide regular reporting through DCJ and the NSW Registrar.
- The three-way arrangement allowed Council and SCCH to partner to achieve a financially viable affordable housing development.
- SCCH held a two-day workshop with Council staff, planners, architects, property professionals and local residents. This allowed concepts that would not be approved to be ruled out and allowed the design to reflect the priorities of local communities.
- The project was made possible through three funding sources:
 - Shoalhaven City Council contributed the Coomea Street site for the value of \$2.2 million
 - The Community Housing Innovation Fund through DCJ contributed 35 percent of the construction cost (\$4.8 million)
 - SCCH contributed its own equity (\$2.7 million) and debt financing (\$4 million).

References and resources

Council plans and policies

- *City of Canada Bay Affordable Housing Contributions Scheme* (2023), City of Canada Bay
- *City of Canada Bay Affordable Housing Policy* (2023), City of Canada Bay
- *Central Coast Affordable and Alternative Housing Strategy* (2020), Central Coast Council
- *City of Sydney Affordable Housing Program* (various documents), City of Sydney
- *Griffith Housing Strategy* (2019), Griffith City Council
- *Griffith Green Affordable Housing Project* (webpage), Griffith City Council
- *Parramatta Affordable Rental Housing Policy* (2019), City of Parramatta
- *Parramatta Planning Agreements Policy* (2018), City of Parramatta
- *Kensington and Kingsford Town Centres Affordable Housing Plan and Contributions Scheme* (2019), Randwick City Council
- *Randwick Planning Agreements Policy* (2007), Randwick City Council
- *Shoalhaven Affordable Housing Strategy* (2017), Shoalhaven City Council

Other publications and resources

- *NSW Local Government Housing Kit* (2019), Department of Communities and Justice
- Paxon Group (2022) *Local Council Partnerships for the Provision of Affordable Housing*, prepared for Community Housing Industry Association NSW
- Urbanista (2016) *Facilitating Affordable Housing Through Planning Mechanisms – Part 1: Review of Planning Approaches and Measures*, prepared for the NSW Federation of Housing Associations and Parramatta City Council.
- *Affordable Housing Providers Prequalification Scheme* (2018), Landcom
- Urbanista (2023) *Affordable Housing Contribution Scheme Implementation Guide*, prepared for Resilient Sydney Diverse and Affordable Housing Steering Group.
- Department of Communities and Justice (2022) *NSW Affordable Housing Ministerial Guidelines 2022/23*, Department of Communities and Justice
- *National Regulatory System for Community Housing* (website)