THE PADDINGTON SOCIETY
FOR COMMUNITY AND HERITAGE
EST 1964

Mr Craig Swift-McNair
General Manager
Woollahra Municipal Council
PO Box 61 Double Bay NSW 1360
By email: records@woollahra.nsw.gov.au

Dear Mr Swift-McNair

Draft Woollahra Affordable Housing Policy 2026 (Council reference: SC9794)

I am writing to make a submission on Council's *Draft Woollahra Affordable Housing Policy 2026* on behalf of The Paddington Society.

Although the Society's interests lie primarily in the protection of Paddington's heritage and the scale, form and design of proposed development, its interests extend beyond the suburb's physical features; Paddington has a social history too. For much of its history, Paddington has been home to low-income individuals and households. Today, the Society still looks to foster a vibrant community within the suburb, one that connects with that past. It seeks to promote a friendly, sociable living environment for use by people and families of all ages. An example is the Society's advocacy for the protection of boarding houses in Selwyn Street, Darlinghurst. Accordingly, the Society makes this submission on Council's draft policy.

Support for the draft policy, and areas for refinement and improvement

The Society supports the draft policy, particularly the policy's statement that "affordable housing delivered through Council's policies [needs to be] fit for purpose and retained for affordable housing in perpetuity." However, the Society believes the following changes would strengthen and clarify the operation of the policy:

1. The policy should explicitly state how it is aligned with "Response 3 - Secure the supply of affordable housing" in the NSW Government's draft *Sydney Plan,* particularly the Plan's expectation that "Every Council must have an affordable housing contribution scheme in place by 2027".
2. The definition of "affordable housing" needs to be clearer. As it stands, the draft policy provides a general, introductory statement but then states that affordable housing "is" housing that: (a) meets the definition in the *Environmental Planning and Assessment Act*; and (b) implicitly applies the definition of 'very low, low and moderate income households' in *State Environmental Planning Policy (Housing) 2021.* The Society believes a definition of affordable housing in the Council's policy should refer clearly to rent not forming more than 30% of a person's gross income.
3. The second dot point in the list of points at p.12 of the draft policy suggests that Council intends that affordable housing be available only to low income and moderate income households, i.e. not very low income households. This may simply be an error in drafting the policy. No rationale for the exclusion of very low income households has been provided. The Society believes the policy should focus on housing for very low and low income households, as defined in Section 13 of *State Environmental Planning Policy (Housing) 2021.* These households are almost certainly in greatest need of affordable housing.
4. The policy defines "community housing provider" but does not define "community housing". Consideration should be given to adding a suitable definition to the policy.

5. It is pleasing to see the acknowledgement in section 6.2 of the policy that Council "can [emphasis added] facilitate and support the provision of affordable housing through … dedicating land or selling land for affordable housing projects [and/or] allocating funds to affordable housing projects or the purchase of dwellings." It is noteworthy, though, that the policy does not say that Council will do those things. Clearly, this requires a review of Council's strategic and budget settings. There appears to be no provision for affordable housing capital outlays in Council's *2025-26 – 2028/29 Program*. There is an arguable case for Council to review its *Program* to determine what scope, if any, there is for Council to allocate funding from other revenue sources to support the delivery of affordable housing in Woollahra.
6. Section 7.1 – Arguably, the wording of this clause is open to interpretation. Affordable housing contributions should be deposited into a financial reserve that is established specifically for the provision of affordable housing.
7. The Society agrees with the characteristics for dwellings to be dedicated as affordable housing under the policy. The policy should require that affordable dwellings must be accessible from the same street entrance as those used by residents of other dwellings in the development.
8. In the same vein, the distribution of in-kind affordable housing within a development needs to ensure the same proportion of affordable dwellings have access to sunlight and daylight and natural cross ventilation as 'market' dwellings in the development. The design criteria for Objective 4A-1 of the NSW Government's *Apartment Design Guide* state: "Living rooms and private open spaces of at least 70% of apartments in a building receive a minimum of 2 hours direct sunlight between 9 am and 3 pm at mid winter in the Sydney Metropolitan Area" and "A maximum of 15% of apartments in a building receive no direct sunlight between 9 am and 3 pm at mid winter", while the same Guide at 4B-3 stipulates 60% minimum of naturally cross- ventilated units. These Guides should apply to the quantum of affordable units provided, not just to the total quantum of units. The Society understands there is a common problem in existing developments where affordable housing tends to be placed in locations do not enjoy as much sunlight or natural ventilation as market dwellings.
9. The policy should also ensure that in other ways, e.g. design and fittings in common areas, the affordable housing is indistinguishable from 'market' housing in the development. In addition, residents of affordable housing should not be excluded from using communal open space provided a spart of a development.
10. The Society supports the policy's intention that contributions can be used for energy efficiency fixtures associated with an affordable housing dwelling (Section 7.1 of the draft policy) and be available for maintenance costs (Section 7.1 and 8.1 of the draft policy).
11. The preferred form of the contributions – in-kind versus cash – is not a straightforward issue. Section 7.1 of the draft policy sets out a preference for in-kind contributions over monetary contributions. Given the risk that monetary contributions may not maintain their real value, there is a plausible case for preferring in-kind provision.
12. However, the report to the 2 March 2026 meeting of Council's Environmental Planning Committee (pp.52 – 54) presents a range of reasonable arguments for preferring cash contributions. For example, compared to schemes where affordable dwellings (often only one or two per development are 'dotted' across a large number of developments), cash contributions allow Community Housing Providers to acquire properties in a smaller number of developments, thereby minimising on-going operational costs. That said, the recent ABC *Four Corners* episode on affordable housing highlights the risks associated with using cash 'in lieu' contributions as opposed to dedication of affordable housing. It can lead to insufficient funds being available to purchase or build new affordable housing (especially where construction costs are rising rapidly) and presents other operational risks to the financial viability of affordable housing schemes.
13. Section 8.2 of the draft policy refers to contracts between Council and a Community Housing Provider for the provision and management and letting of affordable housing. These contracts should be transparent and available for public inspection, and the annual reporting to Council referred to in section 8.2 of the draft policy should be available for public inspection. Community Housing Providers will need to:

a) demonstrate due diligence before acquiring new properties - for example: checking the condition of buildings and other assets condition; checking balances in the Capital Works Fund of strata complexes; checking the effectiveness of strata committees (e.g. their 10-year capital works planning processes) and strata managers (in this regard, the Society is mindful of the number of owners corporations that appear to struggle to administer properly their responsibilities under the *Strata Schemes Management Act 2015*)

b) have short, medium and long-term asset management and associated financial management plans for their portfolio of affordable housing assets.

14. The draft policy should include a commitment by Council to continue advocating for removal of the 15-year provision in the low-medium rise bonus provisions of *State Environmental Planning Policy (Housing)* 2021 which allows affordable housing to be sold as 'market housing' 15 years after a development is completed. The existing provision does **NOT** justify the large FSR and height bonuses it attracts.

Affordable Housing Contribution Scheme

The tenor of the draft policy suggests that the great majority of funding to give effect to the policy will come from affordable housing contributions. As such, the policy needs to be considered in conjunction with Council's *Draft Affordable Housing Contribution Scheme* (AHCS). The Society understands that Council:

- voted on 30 March 2026 to seek a 'Gateway' determination from the Department of Planning, Housing and Infrastructure to allow a planning proposal for the AHCS to be exhibited
- is still waiting for the Department's 'Gateway' determination.

As the planning proposal has not yet been placed on exhibition, the comments below are therefore based on the version of the draft AHCS (and other supporting documents) attached to papers for the 2 March 2026 meeting of Council's Environmental Planning Committee. Any changes from those documents in the final 'post-Gateway' package of documents will therefore need to be considered by the Society.

At this time, the Society notes:

1. Exhibition of the planning proposal is expected to occur in the near future. In March this year, advice to Council indicated that, assuming a Gateway determination is received in August 2026, exhibition of the planning proposal will occur in September 2026, and the planning proposal would be incorporated into the Woollahra Local Environmental Plan in January 2027.
2. The assumptions underpinning the scheme are critical to its success (or failure). As such, the assumptions associated with the proposed contributions – especially those associated with the percentage of floor space to be delivered (in kind or cash equivalent) as affordable housing and the starting per m^2 cost of construction – need to be carefully scrutinised and verified before the planning proposal is exhibited.
3. Analysis prepared for the Council forecasts a 27% increase (722 dwellings) in the demand for social and affordable housing in the Woollahra Local Government Area (LGA) between 2021 and 2041, from 2,645 dwellings in 2021 to 3,367 dwellings in 2041. The same analysis "… reported that approximately $423 million in gap funding would be needed to meet the LGA's social and affordable housing need. Assuming that annual development completions in the LGA continues at average historic levels, total revenue generated through the proposed contributions could range between approximately $153 million and $355 million – subsidising the production or acquisition of 261 to 607 dwellings, respectively."
4. In addition, it seems highly likely that the number of households living in housing stress:

   a) is likely to already have increased appreciably since 2021, given broader housing market conditions; and

   b) will grow more quickly than anticipated in the report by SGS, i.e. given the amount of development under the *SEPP (Housing) 2021* that is **reducing** the supply of existing affordable housing in the Woollahra LGA.

5. **<u>On this basis, the draft AHCS would be unable to meet projected growth in demand for social and affordable housing, and, seemingly, leave at least some existing demand unaddressed.</u>**
6. Dwellings to be dedicated under the draft AHCS must comprise a diverse range of sizes, with a minimum floor area of 50sqm. The Society supports this stance.
7. The proposed percentage of floor space to be dedicated as affordable housing or liable to be paid as a cash contribution would vary, both between Council's five wards and whether 'leviable development' is located in:

   a) an 'inner' or 'outer' Low to Medium Rise (LMR) station or town centre precinct; or
   b) other land in the Woollahra LGA.

   It appears the proposed rates of provision in the inner and outer LMR areas would be some 2 – 4 times higher than in other parts of the LGA.
8. The intention under the draft AHCS is to increase the rates of provision of affordable housing over the next five years, broadly from around 0.5% to 2% in year 1 to around 3% to 8% in year 5, depending on whether a property is in a LMR area or not).
9. The proposed contribution rates (expressed as a percentage of floor area) rest substantially on judgements about the impact of the contributions on development feasibility. Rigorously assessing those judgements will be critical, as the material included in the agenda for the 2 March 2026 meeting of Council's Environmental Planning Committee found that the proposed scheme would not yield enough contributions to secure enough affordable housing to meet projected growth in demand for affordable housing, much less deal with backlogs in meeting existing demand.
10. Setting the 'starting per m^2' contribution rate is especially important; under-estimation of that figure will have lasting consequences for the success of the scheme. At present, the scheme would commence with a contribution rate of \$25,500 per m^2 in most wards, but \$42,500 per m^2 in Double Bay. The case for this difference needs to be examined further. The rates need to be reviewed further by a QS and real estate agent.
11. Proposed contribution rates have been tested for their potential impact on development feasibility. This needs to be checked by a reputable, independent consultant to the development industry.
12. Council resolved that new dwelling houses, semi-detached dwellings, attached dwellings and dual occupancies should be excluded from the AHCS. Given the inability of the proposed scheme to meet growth in demand for affordable housing (see above), TPS believes there is a case for Council to reconsider this position before the planning proposal is placed on exhibition. TPS notes the advice from Council officers that excluding dwelling houses and dual occupancies from the AHCS would come at an estimated cost of \$20 million to scheme revenues. While this sum might seem modest, it needs to be considered against the shortfall in revenues necessary to meet projected growth in demand for affordable housing. Including dwellings (new and extensions) and dual occupancies above a certain value (perhaps \$5 million) in the AHCS is worth considering.
13. The Society supports the proposal in section 3.8 of the draft AHCS, i.e. "Any planning proposal that allows residential development and is considered by Council as likely to result in a significant value uplift must:

    a) include a proposal to amend this scheme and Woollahra Local Environmental Plan 2014 to include the planning proposal site or part of the planning proposal site to specify an affordable housing contribution rate that is supported by feasibility testing; or
    b) be supported by a planning agreement that includes affordable housing provisions consistent with this scheme.

The Society is not in a position at this time to comment in detail on these matters. The Society may comment further on the planning proposal once it has received a Gateway determination and been placed on public exhibition.

It appears Council intends to index the per m^2 contribution rate to reflect the market value of residential floor space. Indexation would occur annually in March "to reflect changes in residential dwelling value over time. The update will be based on the value of residential floor space derived from the NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata for the Woollahra LGA.” This raises two issues:

a) whether monetary contributions should be based on the market value of residential floor space or the cost of constructing new floor space and/or increases in underlying land values (the latter would be particularly relevant if Council anticipates that it may acquire land for new affordable housing and make the land available to a CHP, i.e. akin to what happens in Sydney City Council)
b) the need for contributions to be indexed regularly and to the appropriate index. Contributions should be indexed quarterly, not annually as suggested in the report to the 2 March 2026 meeting of Council’s Environmental Planning Committee.

Monetary contributions should be paid to Council prior to the issue of a construction certificate for the development in question, thereby ensuring that:

a) funds are available as early as possibly to provide affordable housing; and
b) interest on monetary contributions accrues from an early point in delivery of a ‘leviable development’.

Thank you for the opportunity to make a submission on this matter.

Yours faithfully

Esther Hayter

Esther Hayter
President

26 July 2026