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Dear Lashta

Re: Rationale for offering developer incentives to support the delivery of affordable and social housing.

As requested by the Design and Sustainability and Advisory Panel (DSAP) a justification for the yield and viability of the overall scheme is requested for DA 2021/0212. This letter sets out the recognised rationale to support the delivery of affordable and social housing by the private sector and justification of the overall scheme. In addition to the request of the DSAP this letter is written with the full endorsement of Project Independence, the Disability Housing Provider for the development and it is asked strong consideration is given to the needs of this specific user group.

In outlining the rationale for the developer rationale, I have presented the arguments as follows:

1. **Section 1** – sets out the rationale for, and trends occurring, in the use of developer incentives to support the delivery of affordable and social housing by the private sector.
2. **Section 2** – focuses on the rationale and justification for the yield of the development by demonstrating it is only financially feasible to incorporate affordable and social housing into the development if the development is approved in its current form.

SYNOPSIS

The lack of affordable and social housing is a significant and increasing issue across Australia. Over one million low-income households in Australia are in financial housing stress.

The rationale for offering developer incentives to support the delivery of affordable and social housing flows primarily from the fact that current government funding is insufficient to address existing unmet need for affordable housing - let alone the projected demand. In addition, there are constraints on the capacity of the Community Housing Provider sector to meet the growing demand for affordable and social housing and the Private Housing Market has failed in relation to meeting this demand. In the absence of a significant increase in direct funding for affordable and social housing, there is a growing consensus that the private sector will need to be part of the solution if the unmet demand is to be addressed and the problem of widespread housing stress in low to moderate income households across Australia is to be improved.

While the private sector has the capacity to provide significant financial investment into affordable and social housing, it will only do so if the individual development projects which incorporate affordable and social housing are financially viable and have an acceptable risk and return profile.

It is widely recognised that some form of government subsidy or development bonus is required to cover the 'funding gap' between market and affordable housing in order to incentivise private sector participation in the provision of affordable and social housing.

Without some form of government subsidy or development bonus to fund the 'gap' between market and affordable housing costs, it is unlikely that the private sector will incorporate affordable and social components into residential housing development projects.

Section 1

Rationale for State Planning Authorities and Local Councils to approve developer incentives to support the delivery of affordable and social housing?

1. Need

Housing affordability is a significant and increasing issue across Australia. Over one million low-income households in Australia are in financial housing stress with low-income households in the private rental market more likely to be in housing stress, compared with homeowners with a mortgage (ABS 2019). These figures provide an insight into the number of households potentially at risk of experiencing homelessness.

Across the Northern Beaches in Sydney, the need for additional affordable and social housing is evident and unchallenged. In 2020, unmet demand for affordable and social housing across the Northern Beaches was estimated to be 8,100 dwellings with a projected demand for 2,000 more by 2036.¹ In addition, the Northern Beaches Council has estimated that there are hundreds more people in short-term or crisis accommodation or couch-surfing with friends or relatives, simply because they are unable to afford accommodation across the Northern Beaches.

While the urgent need for affordable housing is established, the issue of who will provide it remains unclear.

Need for Affordable Housing for Older Women at risk of homelessness

NSW has a growing homeless population, a social housing waiting list of 60,000² and waiting times of up to 10 years³ in some areas. By 2016, 32 per cent of Australia's homeless population lived in NSW, up from 27 per cent in 2011. NSW also recorded the largest percentage increase in the number of homeless people (37.3 per cent) of any State or Territory between 2011 and 2016.⁴

Research by the Association of Superannuation Funds of Australia (ASFA) indicates that 22% of people aged 55-59 years and 81% of people aged 75+ have no superannuation. The 2016 Census showed that 65% of people aged 65+ receive an income less than \$33,800 per year, well below the \$43,665 required to provide a comfortable lifestyle for a single person in retirement. With the maximum pension at \$437 per week, a large proportion of the population has insufficient funds for retirement living.⁵

The situation for older women is particularly dire. They are the fastest growing group of homeless people in Australia. Census data shows a 31 per cent increase in the number of older women experiencing homelessness between 2011 and 2016.⁶

The number of women aged 55+ requesting homelessness services has increased by 53% in the last five years.

The combination of an ageing population, the high cost of housing and a significant gap in the wealth accumulation between men and women across their lifetimes means that many single older women have very modest savings, are renting and still working or looking for work. When they are no longer able to work and pay their rent, they are at serious risk of becoming homeless.

¹ *Towards 2040 - Local Strategic Planning Statement*, Northern Beaches Council, 25 February 2020 <https://eservices.northernbeaches.nsw.gov.au/ePlanning/live/Common/Output/LoadGenWebDoc.ashx?id=z8E8mSOvjKAV0A60ki4OEq%3d%3d>

² *Total Households on the Housing Register and Median Wait Times. NSW Family and Community Services 2018*. This Report analysed data from June 30, 2018 and concluded that there were 52,932 on the social housing waiting list; however a NSW Audit Office report published in December 2018 includes a chart showing 60,000 households on the housing register. **Audit Office of New South Wales. December 4, 2018:** <https://www.audit.nsw.gov.au/our-work/reports/family-and-community-services-2018government-forced-to-intervene-to-save-dv-services-from-cuts-20190619-p51z9l.html>

³ *Housing - Expected Waiting Times*. NSW Department of Family and Community Services. June 30, 2018: <https://www.facs.nsw.gov.au/housing/help/applying-assistance/expected-waiting-times>

⁴ Issues Backgrounder: *Homelessness in NSW - Electorate Statistics*. NSW Parliamentary Research Service. December 2018 Page 4. <https://www.parliament.nsw.gov.au/researchpapers/Documents/NSW%20Homelessness%20by%20SED%20-%20Key%20Statistics.pdf>

⁵ *Seniors Living Insight*. KNIGHT FRANK Sept 2017.

⁶ *Older Women's Risk of Homelessness: Background Paper*. Australian Human Rights Commission, April 2019

Older women's homelessness is often hidden from view and, as a consequence, it is acknowledged that these figures understate the true extent of the problem. Women experiencing homelessness frequently move between family or friends, live in their cars or in severely crowded dwellings or are physically "hiding".⁷

The Human Rights Commission has identified the urgent need for innovative housing models and a range of Affordable Housing solutions to assist vulnerable older women to achieve housing security and sustain it through retirement.⁸

Need for Social Housing for People with a Disability

The disability prevalence rate in Australia has remained relatively stable over time, with almost one in five Australians reporting living with a disability (18.3% or 4.3 million people).⁹ The Australian Bureau of Statistics (ABS) reports that around 2.9% (668,100) Australians have an Intellectual Disability (ID), with higher rates for the elderly and children.¹⁰

It is estimated that the number of households with a person with a disability, who is not a child and who is not over 65, is up to 1.8 million.¹¹ There are 7,500 young people with a disability living in aged care homes.

More than 120,000 people with a disability will need housing in the next five years.¹² As ageing parents die, their adult children living with a disability who had been living with them, will need housing.

If we apply the ABS's reported 21.5% of Australians with a disability having mental or behavioural problems to the 120,000 estimate, up to 25,800 people with ID will be seeking housing over the next five years.

The [Every Australian Counts](#) campaign surveyed 160,000 people with a disability and their carers nationwide and found the majority of people with a disability want to live in a home of their own, with family, or in a shared house. Only 12 per cent want to live in the hostel style shared-living models that exist today. None of the respondents wanted to live in a large institution.

2. Government investment in social and affordable housing is failing to meet demand.

Social and affordable housing, funded by government, has historically made a significant contribution to Australian society by providing accommodation for working households and thereby supporting economic development. Over recent years, governments in Australia have demonstrated an unwillingness or an inability to meet the growing demand for social and affordable housing. As a result, Commonwealth and State and Territory funding has not kept pace with demand.

- While Federal and State bi-lateral funding agreements for housing assistance require increased **social and affordable housing** construction, they provide inadequate additional funding to meet existing and projected need.
- **Public Housing** stock is declining (down 20,000 since 2007) and has become a marginal and highly targeted form of housing tenure shrinking from a peak of 7 per cent of total housing stock in 1990 to 4.2 per cent in 2016. (AHURI 2017a).
- **State Housing Agencies** are running at large losses, with ageing portfolios, increasing maintenance backlogs, and limited funding to increase supply and properly maintain existing public housing (IPART 2017).

⁷ 'Older Women's Pathways out of Homelessness in Australia' Maree Petersen and Cameron Parsell, (Report, Mercy Foundation, 2014) p.18.

⁸ *Older Women's Risk of Homelessness: Background Paper*. Australian Human Rights Commission, April 2019, p.4

⁹ Australian Bureau of Statistics; 4430.0 – Disability, Ageing and Carers, Australia: Summary of Findings, 2015

¹⁰ Australian Bureau of Statistics; 4433.0.55.003 – Intellectual Disability, Australia, 2012

¹¹ Australian Bureau of Statistics; 4430.0 – Disability, Ageing and Carers, Australia: Summary of Findings, 2015

¹² <https://www.news.com.au/national/the-disability-housing-crisis-that-could-leave-120000-people-without-a-home/news-story/7e4df418282d4b58a589724db5570547>

- The **Social Housing system** is under-resourced and unable to meet demand.(AHURI Report No. 315, 2019)¹³ The portion of new completions that are social housing is very low in Australia and declining (2 per cent in 2012, compared to 20 per cent in the United Kingdom and over 50 per cent in the Netherlands). (Gilbert and Gurran 2016)¹⁴
- **Community Housing Providers (CHPs)**, funded by a combination of rental income paid by tenants, federal rental subsidy, philanthropic donations, and private finance, are experts at building and managing social and affordable housing. Current programs to redevelop public housing with private and CHP organisations will add social and affordable housing but will not be sufficient to meet the demand. While Community Housing Providers (CHPs) are scaling up their activities, future growth is limited by Government funding policy changes, access to private funding, their balance sheets, and the capacity of CHPs. (Pawson et al. 2019) They are growing but cannot address the need for more affordable and social housing alone.

3. The private housing market is incapable of meeting the demand for affordable housing.

Housing market failure in Australia is much broader than just public housing. It extends to low-paid workers living in locations where rents are high and supply is low; low-income retirees or age pensioners living in the private rental market; single people; 'key workers' whose incomes are insufficient for them to live within a reasonable distance of their place of work; young people trying to establish themselves in independent housing; and people experiencing changes in income or housing need as a result of illness, unemployment or a relationship breakdown.¹⁵

It is increasingly evident that, in Australia, the private housing market is not meeting the needs of a growing proportion of Australian households facing housing stress, particularly in the absence of, and sometimes even in spite of, direct subsidies from government.

- Despite the fact that Australia has a relatively high proportion of new housing to total housing (compared to countries like New Zealand, the United States, Canada, and European countries) **housing affordability has continued to decline in Australia.**
- **The Australian aspiration of home ownership is being replaced by the expectation of long term, even lifetime, rental housing.** Over the past two decades, home ownership has fallen, and a rising number of households are in private rental. More than a quarter of all Australian households - 2.1 million households - now live in the private rental sector (ABS 2016 Census). Over the ten-year period 2006–2016, the private rental sector grew by 38 per cent - twice the rate of all households. This growth is likely to continue, largely because of a long-term decline in access to home ownership because of high house prices and the contraction of the social rental sector.
- There are **economic consequences of this market failure.** For the growing numbers of households living for extended periods in the private rental market, a systemic lack of tenure security affects workforce and educational engagement and social cohesion. This change in tenure is particularly evident for 'key workers', many of whom are in moderate income employment.
- There are also **social consequences.** Social inclusion can be enhanced when secure, affordable housing is available across the community, addressing a clear and unmet need for affordable housing.

The reality is that, left to themselves, the ordinary housing market processes do not respond to these needs. Research indicates that new housing supply is weighted towards higher priced rather than more affordable housing, even though there is sustained demand for the latter.¹⁶

¹³ AHURI Final Report No. 315 - *Social housing as infrastructure: rationale, prioritisation and investment pathway* June 2019

¹⁴ Gilbert and Gurran 2016

¹⁵ AHURI Final Report No. 315 - *Social housing as infrastructure: rationale, prioritisation and investment pathway* June 2019

¹⁶ *Housing Supply Responsiveness in Australia: Distribution, Drivers and Institutional Settings*

AHURI Final Report No. 281, Australian Housing and Urban Research Institute Limited, Melbourne.

5 Jun 2017

At a high level, the rationale for offering developer incentives to stimulate private sector investment in affordable and social housing, is the demonstrated need for affordable housing across Australia coupled with the manifest failure of the public, community and market-driven private housing systems to meet the current demand, let alone the projected need, for affordable and social housing.

There is a growing consensus that, in the absence of sufficient Government funding and constraints on Community Housing Provider (CHP) sector capacity, the private sector will have to contribute to affordable housing supply if the unmet demand is to be met and the issue of widespread housing stress in low to moderate income households across Australia is to be addressed.¹⁷

The private sector has played a significant role in delivering affordable housing supply in a variety of housing systems across Western countries and, increasingly, across Australia over recent decades.

However, the private sector is not a silver bullet that will replace the government's role in funding housing and providing housing assistance.

Private sector participation in delivering affordable housing supply always requires some form of government subsidy, contribution or other financial incentive to fund the gap between market and affordable housing.

While **local government** has no direct role in providing financial housing assistance it can play a significant role in facilitating affordable and social housing by leveraging the planning system to enable private developers to contribute affordable housing in exchange for planning incentives, such as up-zoning and density bonuses.

4. Financial viability

To attract private sector participation in delivering additional affordable housing, it is widely accepted that the 'funding gap' between affordable and private market housing must be met in order to attract private investment. This can take the form of a government subsidy or contribution or other financial or planning incentives which fund the gap between market and affordable housing and ensure the financial viability of the development project. (Australian Government 2017).

State governments are increasingly employing planning policies and asset renewal programs to ensure the financial viability of projects and encourage private sector participation in the supply of affordable housing.¹⁸

There are increasing examples in Australia where local planning authorities identify the level of unmet need for affordable and social housing and use locally negotiated agreements and incentives, such as density bonuses, to obtain contributions from private housing developments. In these cases, the supply of affordable and social housing increases beyond the level which would be achieved solely by government and local council investment.¹⁹

Planning bonuses or incentives for voluntary affordable housing contributions have been used in NSW since the mid-1990s and in South Australia since 2006. Mandatory inclusionary requirements for affordable housing are being used in isolated inner-city jurisdictions of NSW and in new residential areas in South Australia.²⁰

There is growing interest in the potential for inclusionary planning approaches²¹ to help deliver affordable housing supply in Australian cities and regions. Within wider government strategies for affordable housing supply, inclusionary planning approaches can play a role in requiring or

¹⁷ Henry Halloran Trust, University of Sydney - *Potential private sector roles in affordable housing supply in Australia: working in collaboration across sectors* – Final Report, February 2020.

¹⁸ Ibid

¹⁹ Ibid

²⁰ Gurran and Whitehead 2011.

²¹ 'Inclusionary planning' is used to refer to a spectrum of models and approaches for securing or leveraging affordable housing through the planning and urban development process. Within this broad term, specific approaches can include density bonuses; planning concessions, streamlined processes and fast-tracked planning approval, negotiated agreements etc.

incentivising dwelling units, land, or financial contributions from the private sector towards affordable housing projects.

South Australia's 15 per cent inclusionary target (introduced in 2005) and the voluntary incentives that apply in NSW (principally via a density bonus for infill affordable rental housing introduced in 2009), have both delivered a share of affordable homes. South Australia's inclusionary target resulted in 17 per cent of total dwelling approvals within major new residential development areas in SA between 2005–15 being affordable homes.²²

At the individual project level, the rationale for offering developer incentives relates to the fact that private sector participation in delivering affordable housing supply will not occur unless the overall development projects are financially feasible. Without some form of government subsidy or other planning incentive to contribute to funding the gap between market and affordable housing, projects which include affordable and/or social housing are unlikely to be financially viable. Planning incentives and bonuses for voluntary affordable housing contributions enable developers to cross-subsidise the affordable and social housing components of the project while preserving the project's overall financial viability.

There are various types of planning incentives that can be offered to help deliver affordable housing supply. They include, but are not limited to:

- **planning controls that incentivise affordable housing**, such as allowing increased height and density where additional development potential is offered in return for an affordable housing contribution. These development bonuses improve the financial viability of projects and enable cross-subsidisation of the costs of affordable housing.
- **'planning concessions'** where planning rules are varied for affordable housing development or to enable low-cost market housing
- **streamlined processes and fast-tracked planning approval** with early community engagement to minimise delays resulting from community consultation. The high cost of lengthy assessment processes can 'eat into' the value of the density bonuses and planning concessions offered through the policy.
- **a consistent planning regime** which provides certainty around approval processes
- **coordination with relevant infrastructure agencies** to mitigate risks, expedite developments and reduce holding costs.
- **Government bonds or tax subsidies** to fund the gap between market and affordable housing and increase the ability to access private finance.
- **alternative tenures**, such as shared equity and land trusts to reduce costs to developers and consumers and improve affordability.
- **incentivising a range of housing types**, including social and affordable rental housing and low-cost home ownership to improve choice and equitable access for low-income households, and to mitigate the risk of local residents being displaced.²³
- **'negotiated agreements'** - where affordable housing contributions are negotiated on a case-by-case basis within a policy framework.

The focus in NSW has been on voluntary provisions, progressively introduced since 2005, to incentivise affordable housing supply. Voluntary Planning Agreements (introduced under NSW state planning laws in 2005) are able to be negotiated when plans are amended, or developments assessed, and can include contributions for affordable housing. The voluntary approach was extended in 2009 with the introduction of State Environmental Planning Policy (Affordable Rental Housing) (ARHSEPP) which introduced a density bonus for affordable housing as well as planning concessions to enable more affordable forms of market housing,

²² Henry Halloran Trust, University of Sydney - *Potential private sector roles in affordable housing supply in Australia: working in collaboration across sectors* – Final Report, February 2020.

²³ AHURI study in 2012 AHURI Final Report No. 297 6 (Rowley and Phibbs, 2012)

including boarding houses and secondary dwellings. Its aim is to 'provide a consistent planning regime for the provision of affordable rental housing' across local governments and to facilitate the delivery of new affordable rental housing (both market and rent-controlled). It provides a range of incentives in the form of liberalised development controls and density bonuses to encourage private developers to deliver affordable housing.²⁴

OVERSEAS EXPERIENCE

In addition to the Australian experience, there is a growing body of international evidence that planning mechanisms incentivise the private sector to deliver affordable housing within new and renewing communities.

In both the UK and USA, planning incentives have successfully incentivised private development of affordable housing in major residential projects, sometimes in exchange for increased density, planning concessions or accelerated assessment.²⁵

In the United States, there is a very established private affordable housing sector that has delivered more than 70,000 new affordable homes every year since 1995 - over 2.1 million affordable homes in total (WNC 2017). These providers blend profit and mission, to develop housing with services for the community - sometimes partnering with not-for-profit organisations.

In England and Scotland, the general expectation is for 20 - 40 per cent of new housing developments to be affordable housing across the continuum of needs and options. (Gurran et al. 2018) These affordable housing requirements have been supported by funding or financial incentives for affordable housing development. For instance, 12,866 affordable housing units (43 per cent of total affordable housing output) were delivered through inclusionary planning requirements in England between 2015–16. In the United States, more than 500 cities have inclusionary planning schemes in place and additional incentives and financial subsidies are available for affordable housing development. As an example, about 12 per cent of annual housing completions in San Francisco are affordable dwellings produced through inclusionary zoning and planning incentives. (Gurran et al. 2018).

AN INTEGRATED POLICY APPROACH

What is becoming clear, both internationally and in Australia, is that policies that encourage a role for the private sector in delivering affordable housing supply are most effective when they work in conjunction with each other resulting in a multiplying effect which optimises housing outcomes. A combination of demand subsidies, such as rental assistance, and supply incentives, such as planning mechanisms, can close the “funding gap” and create a pipeline of affordable and social housing delivered by the private sector.²⁶

CROSS-SECTOR PARTNERSHIPS TO FINANCE, CONSTRUCT AND MANAGE DEVELOPMENTS THAT INCLUDE AFFORDABLE HOUSING

There is also increasing recognition that it will take the efforts of all sectors to ‘close the gap’ on affordable and social housing supply. Cross-sector partnerships between the private sector, not-for-profit community housing providers and local government to deliver projects that include social and affordable housing are becoming more common.

Cross-sector partnerships require sectors with very different objectives and imperatives to work collaboratively at both the housing system and individual project levels. Each sector brings strengths to the partnership - the private sector is uniquely positioned to provide access to significant finance and is expert at constructing new residential projects; State and local government can use the planning system to incentivise affordable housing contributions in private residential developments; the NFP community housing providers are experts at managing

²⁴ ARHSEPP was significantly amended in 2011 to ensure that social housing development complied with council requirements for resident notification and the floor space ratio bonus for infill affordable housing development was scaled back from 0.75:1 to its current level of 0.5:1.

²⁵ AHURI study in 2012 (Rowley and Phibbs, 2012)

²⁶ Henry Halloran Trust, University of Sydney - *Potential private sector roles in affordable housing supply in Australia: working in collaboration across sectors* – Final Report, February 2020.

social and affordable housing as well as coordinating support services for tenants and actively engaging with the community.

While these partnerships are inherently complex, they can be very successful if there is a shared vision, clearly defined roles, careful risk management, good communication and trust, clear contractual arrangements and structures that facilitate innovation and best practice. (Pinnegar et al. 2011).

Section 2:

Rationale for the Sydney North Planning Panel to approve the development application for Stage Two (lot 1) of the proposed Platino Properties' development at 5 Skyline Place, Frenchs Forest.

Background

In 2019 Platino Properties received development approval for **Stage 1 (Lot 2)** of 5 Skyline Place, Frenchs Forest - a six-story development, with a floor space ratio of around 1.9 to 1 incorporating a mix of seniors housing units, a café, office/business uses and basement car parking. Units were sold off the plan and construction of this development has commenced.

In March 2021, Platino Properties submitted a development application for **Stage 2 (Lot 1)** of the project - a mixed-use development, with a floor space ratio of around 2.4 to 1 which incorporates a significant percentage (17%) of affordable and social housing at 5 Skyline Place, Frenchs Forest.

The Proposed Development - Lot 1, 5 Skyline Place, Frenchs Forest.

The proposed development aspires to build an innovative, leading-edge model for over-55 living providing fully integrated housing types together: Premium quality Independent Living accommodation for Seniors, Affordable Housing for older women (over 55) at risk of homelessness and Social Housing for people living with an intellectual disability.

Specifically, the concept is to integrate into the development:

1. 111 independent living units for seniors (over 55)
2. 12 Affordable Housing Units for older women (over 55) on low incomes, delivered in partnership with a women's housing provider.
3. 10 Social Housing Units for people with an Intellectual Disability (including one carer's unit), based on a home ownership model and delivered in partnership with Project Independence.
4. Commercial uses and car parking.

Platino Properties is proposing to make a voluntary contribution to the provision of affordable and social housing in the Northern Beaches LGA. The model proposed by Platino Properties blends profit and mission to develop housing which provides services for the community and has social and planning as well as economic goals.

The proposed development represents a state-of-the-art partnership model where the private sector (**Platino Properties**) will partner with not-for-profit organisations – **Project Independence** and a **women's community housing provider** – to deliver a fully-integrated housing complex incorporating seniors housing, 12 affordable housing units and 10 social housing units for people with an intellectual disability.

Platino Properties is seeking approval for a development which will provide 12 affordable and 10 social housing units in the development.

There is no floor space ratio or height control on the site. In the current circumstance where the proposal has no adverse environmental effect, and bearing in mind the significant public benefits, the consent authority should approve the development.

It is noted that both the SEPP(Seniors) and the Affordable Rental Housing SEPP allow for an incentive for development to provide a minimum of 10% of dwellings as affordable. While there are no "bonus" provisions that apply to the subject development at Skyline Place, it is noted that the amount of proposed floorspace over that approved on the adjoining site (which has no affordable housing) is roughly commensurate with the incentive offered under the SEPPs.

1. Need for Affordable Housing across the Northern Beaches

Across the Northern Beaches in Sydney, the need for additional affordable and social housing is evident and unchallenged.

The Northern Beaches Council has identified the level of unmet need for affordable and social housing across the Northern Beaches. In 2020, unmet demand for affordable and social housing across the Northern Beaches was estimated to be 8,100 dwellings with a projected demand for 2,000 more by 2036.²⁷ In addition, the Northern Beaches Council has estimated that there are hundreds more people in short-term or crisis accommodation or couch-surfing with friends or relatives, simply because they are unable to afford accommodation across the Northern Beaches.

In 2016 there were 20,126 people in low-income households²⁸ living in the Northern Beaches. In the last 5 years, the rate of homelessness on the Northern Beaches has increased by 63%²⁹

Mortgage and rent data from the 2016 Census show that Median Weekly Mortgage repayments and Median Weekly Rents for Northern Beaches are significantly above the median figures for NSW and Australia.³⁰

The Northern Beaches Council recognises that a rapidly growing population and escalating house prices are placing increasing pressure on housing supply and affordability across the Northern Beaches. The Council also acknowledges that this housing affordability 'crisis':

- increases inequality, threatening social stability and sustainability along the Northern Beaches
- has economic consequences as higher housing costs increasingly exclude key service workers - nurses, teachers, police, fire officers, etc - from living close to where they work and are needed
- is a major driver of homelessness and is causing a broader group of Australians (including a growing number of single older women) to experience homelessness.

The Northern Beaches Council's **Affordable Housing Policy** articulates a commitment to increasing the range and supply of affordable housing in the Northern Beaches to meet the growing and changing needs of its community, an ageing population and affordable accommodation for key workers.³¹

Priority 16 of the Northern Beaches Council **Towards 2040 - Local Strategic Planning Statement** (Feb 2020) recognises the importance of access to quality social and affordable housing and the fact that there is a limited supply of social housing and affordable rental housing on the Northern Beaches. It confirms that rents across the LGA are rated as "severely unaffordable" to "extremely unaffordable" for a typical rental household and the lack of affordable housing is more pronounced for households on lower incomes. This is driving up the demand for social housing and affordable housing.³²

²⁷ *Towards 2040 - Local Strategic Planning Statement*, Northern Beaches Council, 25 February 2020
<https://eservices.northernbeaches.nsw.gov.au/ePlanning/live/Common/Output/LoadGenWebDoc.ashx?id=z8E8mSOvjKAV0A60ki4OEg%3d%3d>

²⁸ "Low-income households" are defined as households with incomes in the bottom 20% of equivalised incomes across Australia.

²⁹ Community Northern Beaches, <https://www.cnb.org.au/news/2018/5/28/homelessness-on-the-northern-beaches>

³⁰ ABS 2016 Census Quick Stats
https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA15990

³¹ Northern Beaches Council: *Planning for the Future* <https://www.northernbeaches.nsw.gov.au/>

³² *Towards 2040 - Local Strategic Planning Statement*, Northern Beaches Council, 25 February 2020. p.126
<https://eservices.northernbeaches.nsw.gov.au/ePlanning/live/Common/Output/LoadGenWebDoc.ashx?id=z8E8mSOvjKAV0A60ki4OEg%3d%3d>

The Platino Properties Development Proposal:

- will go some way towards **addressing the serious shortfall in social and affordable housing** on the Northern Beaches by integrating 10 Social Housing units and 12 Affordable Housing units into the development.
- **aligns with Northern Beaches Planning policies**, especially *Towards 2040 - Local Strategic Planning Statement* (Feb 2020) and the Northern Beaches Council - *Affordable Housing Policy* and will go some way to implementing both.
- **incorporates 17% affordable and social housing** on a per unit basis which exceeds the Northern Beaches Affordable Housing Policy which sets a target rate of 10% for urban renewal or greenfield developments. This policy has no statutory standing.

2. Government, the Social Housing system and Community Housing providers are all failing to meet the demand for affordable housing across the Northern Beaches and the private housing market is incapable of meeting the unmet need for affordable housing.

The Commonwealth and NSW State Governments are unable, or unwilling, to fund the current and projected need for affordable and social housing across the Northern Beaches. The Social Housing system is under-resourced and unable to meet demand for its services and Community Housing providers (CHPs), while growing, cannot address the entire requirement for affordable and social housing alone.

In addition, the private housing market across the Northern Beaches has demonstrated that it is intrinsically incapable of meeting the needs of a growing proportion of households facing housing stress. The ordinary housing market supply across the Northern Beaches continues to be weighted towards higher priced rather than more affordable housing. As a result, housing affordability has continued to decline across the Northern Beaches; home ownership has fallen over the past two decades and a rising number of households now live, for extended periods, in the private rental sector. This has both economic and social consequences for the Northern Beaches community.

As stated above, there is a growing consensus that, in the absence of sufficient Government funding, constraints on CHP sector capacity, and the failure of the private housing market to meet the unmet demand for affordable housing, the private sector will have to be part of the affordable housing supply solution.

However, to attract private sector participation and investment in delivering affordable housing the 'funding gap' between affordable and private market housing needs to be funded. This can be achieved via a government subsidy or other financial or planning incentives which fund the gap. The financial benefit derived, for example, from an additional height or density allowance, can assist the developer in cross-subsidising the inclusion of affordable housing while preserving the financial viability of the overall development project.

In circumstances where there is a demonstrated need for affordable housing across the Northern Beaches and a manifest failure of the public, community and market-driven private housing systems to meet the current and projected demand for affordable and social housing there is a justifiable rationale for offering developer incentives to stimulate private sector investment in affordable and social housing.

Offering developer incentives to encourage private sector investment in affordable and social housing provision can also be justified because it facilitates the Northern Beaches Council to achieve its stated affordable housing policy objectives - to increase the supply of affordable and social housing. And it fulfils the objectives and conditions of the NSW Planning Policy which encourages the use of planning incentives to attract private sector investment in affordable housing.

3. Financial viability

The Platino Properties Development Proposal:

Platino Properties is voluntarily proposing, in its development application for Stage 2 (Lot 1), 5 Skyline Place, Frenchs Forest, to contribute to help address the affordable and social housing shortages in Northern Beaches.

However, the incorporation of affordable and social housing into this residential development cannot be included if it makes the entire development project financially unviable.

Platino has commissioned a separate study to investigate the financial viability of the proposed mixed-use development relating to Lot 1, 5 Skyline Place, Frenchs Forest.

HillPDA's independent feasibility assessment reveals that:

- the proposed does not result in any increase in allowance for profit and risk to the developer from the Lot 2 approval and
- the developer cannot deliver the 22 affordable housing and housing for people with a disability unless the development is approved in its current form.

The development being proposed by Platino Properties is for a fully integrated housing complex which incorporates seniors housing, 12 affordable housing units and 10 social housing units for people with an intellectual disability.

The financial viability of this model is founded on:

1. the Northern Beaches Council (**Sydney North Planning Panel**) supporting the proposal.
2. the developer (**Platino Properties**) utilising the revenue from the development to subsidise the construction of the affordable and social housing and
3. the community housing provider (provider to be confirmed) and disability housing provider (**Project Independence**) contributing part of the cost of construction - equating to a 65%-67% discount on end-sale revenue.

The rationale for the Sydney North Planning Panel to approve the proposed Platino Properties' development at 5 Skyline Place, Frenchs Forest rests on the following:

- While the Northern Beaches Council has no direct role in providing financial housing assistance it can play a significant role in facilitating affordable and social housing by leveraging the planning system to enable private developers to contribute affordable housing in exchange for planning incentives, such as density bonuses.
- Offering developer incentives to encourage private sector investment in affordable and social housing provision aligns with the Northern Beaches Council stated affordable housing policy objectives - to increase the supply of affordable and social housing across the Northern Beaches.
- **the development incorporates 17% affordable and social housing** on a per unit basis which exceeds the Northern Beaches Affordable Housing Policy which requires a target rate of 10% for urban renewal or greenfield developments.
- The integration of 22 social and affordable housing units is consistent with the Senior's Housing SEPP. The development as designed is capable of subsidising the construction of the affordable housing component. Any decrease in the development or increases in costs imposed by the consent authorities will result in a reduction in the affordable component.
- The proposed amount of floorspace will enable Platino Properties to cross-subsidise the affordable and social housing components of the project while preserving the project's overall financial viability.
- **Without the proposed amount of floorspace, the proposed development will not be financially viable in its proposed format with the inclusion of the affordable and social housing components. The development will proceed but without the 12 affordable and 10 social housing units.**

4. Cross sector partnerships to finance, construct and manage developments that include affordable housing

Stage 2 of the Jardin Frenchs Forest development exemplifies a best-practice social and affordable housing options.

The model being proposed is for an **innovative partnership model** where the private sector (**Platino Properties**) will partner with not-for-profit organisations – **Project Independence** and a **women’s housing provider** – to deliver the fully integrated housing complex incorporating seniors housing, 12 affordable housing units and 10 social housing units for people with an intellectual disability.

Platino’s vision is to deliver fully integrated Affordable Housing for women over 55 in collaboration with a Community Housing Provider as an exemplar of how additional affordable housing can be delivered for the Northern Beaches community. Platino’s preference is for a Shared Equity Model delivered in partnership with a Community Housing Provider which would involve Platino providing land at a significantly discounted or nil cost; providing Project Management services to the Community Housing Provider, working with the Community Housing Provider to determine the design and apartment mix and then building the apartments to affordable specifications and at cost to the Community Housing Provider. Platino will also work with the Community Housing Provider to identify innovative designs and models suitable for over 55’s women and to ensure that the proposed affordable housing units continue as affordable housing in perpetuity for all re-sales of the apartments, not just the first sale.

Similarly, Platino’s proposed partnership with **Project Independence** (PI) will continue the innovations that PI has made within the Intellectual Disability (ID) housing sector. A model which empowers residents to purchase a home using just their Disability Service Pension, enabling those with the lowest available revenue stream to become homeowners. Residents can secure title over their property, while Project Independence manages both the land title process and reselling. PI properties are only on-sold to new residents with an ID.

Platino’s deliberate decision to partner with not-for-profit community and social housing providers will not just deliver a mix of residents, in terms of health status and socio-economic status. The integration of Social Housing for people with an intellectual disability with other Housing for Seniors and Affordable Housing for older women again has the potential to provide employment or volunteering opportunities for the residents both within the development and in the adjacent health facilities and community. The intention is to build ‘community’ in the development - to provide purpose and connectedness and to support the mental and physical well-being of the residents.

Conclusion

The rationale for offering developer incentives to support the delivery of affordable and social housing is well-established overseas and increasingly recognised in Australia as an important factor in incentivising the private sector to participate in the provision of affordable and social housing.

The justification for offering developer incentives to support the delivery of affordable and social housing becomes even stronger in a situation of rapidly increasing housing stress and market failure for affordable housing. Increasingly, the Commonwealth and State Governments are unable, or unwilling, to fund the current and projected need for affordable and social housing. At the same time the Social Housing system is under-resourced and unable to meet demand for its services and Community Housing providers (CHPs) cannot address the entire requirement for affordable and social housing alone.

It is increasingly accepted that the private sector will need to be part of the affordable housing supply solution. However, to attract private sector participation and investment in delivering affordable housing the “funding gap” between affordable and private market housing needs to be funded, primarily to safeguard the overall financial viability of the development project.

Developer incentives, including height and density bonuses, can assist in funding this gap and stimulate private sector investment in affordable and social housing.

In the current circumstance, the developer will provide the affordable housing, without being granted any incentive. It is merely seeking approval for a development which complies with all relevant planning regulations, and which has no adverse environmental effect.

The proposed Platino Properties' development at 5 Skyline Place, Frenchs Forest offers a unique opportunity for the Northern Beaches Council to implement its own planning policies aimed at increasing the supply of affordable and social housing across the Northern Beaches. The proposal will enable the inclusion of the affordable and social housing units in the development without giving rise to adverse effects and without breaching any planning controls.

The development at Lot 1, 5 Skyline Place, Frenchs Forest proposed by Platino:

- is zoned B7 Business Park and has **no height or floor space ratio restrictions**.
- **aligns with the intent of the Seniors Housing SEPP**, Clause 45 which provides for an uplift FSR of 0.5:1 in certain locations and circumstances when a vertical village is constructed. The increase in floor space proposed is similar to the difference between the FSR of the proposal and the FSR as previously approved by the Panel for Lot 2.
- **aligns with Northern Beaches Planning policies**, especially *Towards 2040 - Local Strategic Planning Statement* (Feb 2020) and the Northern Beaches Council - *Affordable Housing Policy* and will go some way to implementing both.
- **incorporates 17% affordable house** on a per unit basis which exceeds the Northern Beaches Affordable Housing Policy which requires a target rate of 10% for urban renewal or greenfield developments.
- will go some way towards **addressing a serious shortfall in social and affordable housing** on the Northern Beaches by integrating 10 Social Housing units and 12 Affordable Housing units.
- represents **world-leading best-practice** innovation that will allow the Northern Beaches Council to demonstrate that it is leading in social, affordable and senior's housing models and designs.
- will **add to the range of housing options** required to meet the changing needs of the Northern Beaches Community including some of the most vulnerable and low-income groups.
- offers **innovative solutions** around the integration of Housing for active seniors; Social Housing for people with an intellectual disability and Affordable Housing for older women at risk of homelessness.
- provides more diverse **affordable and social housing options** that will help low-to-moderate income households, including key workers, such as teachers and health care workers, to stay in the area. It will mean people of all incomes and backgrounds can participate in the community. Currently, many of the lower income key workers are shut out of the Northern Beaches because of housing unaffordability.
- is located within a rapidly evolving health and education precinct which has potential to provide **employment, volunteering, health and well-being opportunities** for residents of the seniors, affordable and social housing units in nearby health and education facilities, in neighbouring businesses and in community organisations.
- incorporates **innovative design and state of the art technology** which will enable aging in place and social connectedness.
- offers a ground-breaking **strata title purchase model** which will provide financial freedom and flexibility not found in a traditional retirement village model.
- involves a **pioneering partnerships model between the private and NFP sectors**, and incorporates practical solutions from financing, business, government, community housing and philanthropy.
- Incorporates a **variety of housing types to accommodate residents of different socio-economic circumstances and abilities**, including key workers
- is located in **proximity to transport and services**. The exceptional location of the site **close to health, transport, civic and recreational services** will foster a connected community and encourage an active, independent lifestyle.

About the Author

Chris Faulks



Chris Faulks has a long history in public policy and administration, government relations and business administration across the government, business and not-for-profit sectors.

Ms Faulks is currently Deputy Chancellor of the University of Canberra (UC) and a member of the University Council. She also sits as an independent director on several Government, Corporate and Not-for-Profit Boards.

Most recently, Ms Faulks spent six years as an independent director on the **National Capital Authority (NCA)** – an independent Statutory Authority established to manage the design, development and ongoing planning interests of the Commonwealth in Canberra, the Nation’s Capital. She has been an independent director on the **City Renewal Authority (CRA)** - an ACT Government Authority established in 2017 to play the crucial role of co-ordinating and implementing world-class urban renewal in Canberra. The CRA is responsible for the planning and delivery of urban renewal and improved urban infrastructure within the City Renewal Precinct – all with a design-led, people-focussed approach and a social and environmental sustainability focus. Ms Faulks also chaired the UC Planning and Development Committee where she oversaw the development of the 2020-2040 UC Masterplan.

Ms Faulks was CEO of Canberra Business Council (2007-2015) - a business organisation which represents the interests of a large number of businesses across the ACT and Capital Region. She has been a vocal advocate for economic development and the private sector in Canberra and the Region and is passionate about planning for “liveable” cities that have strong environmental, educational, employment and social assets and outcomes.

Prior to her role at CBC, she spent 13 years working as a Senior Adviser to five Federal Government Ministers responsible for the portfolios of Education, Science and Training; Health and Ageing; Family and Community Services; and was Chief of Staff to the President of the Senate. In the not-for-profit/health sector Chris was General Manager, Policy, Public Affairs, Government Relations and stakeholder engagement at Diabetes Australia.

Ms Faulks has a Bachelor of Arts (Economics and Politics, ANU), Graduate Diplomas in Education (UC) and Business Administration (AGSM) and in April 2014 was awarded an Honorary Doctorate by the University of Canberra in recognition of her contribution to business and education. She is a graduate of the Australian Institute of Company Directors (GAICD).

Ms Faulks has made a considerable contribution to Canberra and the surrounding region through her promotion of Canberra as the National Capital, as the hub of a vibrant region and as a maturing city in its own right with a rapidly developing innovation ecosystem, a highly educated population, an enviable lifestyle and an increasing proportion of smart, technology-enabled businesses.

Ms Faulks has also been involved in a wide range of community organisations for the past 38 years.