

# Illawarra Shoalhaven Affordable Housing Strategic Options Report



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This report has been prepared for  
Business Illawarra

by



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# 1 Background to the Strategic Options Report

## 1.1 Overview

The *Illawarra Shoalhaven Regional Affordable Case Studies and Strategies Report* has been developed in response to serious concerns across a wider range of private, public and community sector bodies in the Region about the growing affordable housing crisis, and the impact that this is having on regional economic growth, the ability to attract and retain low very low, low and moderate income key workers, and the wellbeing of the wider community.

The project has been commissioned by Business Illawarra, the Region's peak business organisation, with support from a range of private, government and community sector agencies, including the Illawarra Shoalhaven Joint Organisation (ISJO), consisting of Wollongong, Shellharbour, Kiama and Shoalhaven Councils; Warrigal Aged Care, one of the Region's largest aged care providers; The Housing Trust, a Tier 1 Community Housing Provider operating primarily in Wollongong, Shellharbour and Kiama LGAs; MMJ Real Estate; and the Property Council of Australia, the national group representing property developers and owners.

The *Illawarra Shoalhaven Affordable Housing Background Report* provides detailed analysis on the funding, policy, demographic and housing market, affordability and need context in the Region and its four constituent LGAs. Although it provides an analysis across all relevant income and tenure groups, it has a particular focus on **very low, low and moderate income 'key workers'**, although an increase in housing that meets their needs will also be of benefit to more vulnerable groups and to the wider community.

The *Illawarra Shoalhaven Affordable Housing Case Study and Strategic Options Report Report* (this report) provides a range of case studies on various strategies and actions that would be effective in the context of the regional affordable housing market and need, and/or have been effective elsewhere in increasing the supply of affordable (including social) housing for relevant target groups.

**Sections 3.1, 4.1, 5.1 and 6.1** of this *Affordable Housing Case Study and Strategic Options Report Report* provides the **strategies and recommended actions** that are likely to be most effective, based on the evidence. The remainder of the *Report* provides a range of case studies, and reporting on modelling and analysis of tangible ways that affordable housing has or can be created in the regional context, supported by technical appendices.

## 1.2 What is Affordable Housing?

'**Affordable housing**' has a statutory definition under the *Planning and Environment Act 1979 (NSW)*, with benchmarks set out for very low, low and moderate income households. A broad 'rule of thumb' for affordability is that such households should pay no more than 30% of their gross

household income on rent or mortgage payments, above which they would be deemed to be in ‘housing stress’ or at risk of after housing poverty

The following table provides benchmarks that are used in this policy when referring to ‘affordable housing’, in **June Quarter 2022 dollars**, and are consistent with relevant NSW legislation. This should be updated to reflect CPI at least annually.

Table 1.1: Affordable Housing Income, Rental and Purchase Benchmarks – Rest of NSW

	<b>Very Low Income Household</b>	<b>Low Income Household</b>	<b>Moderate Income Household</b>
Income Benchmark	<50% of Gross Median Household Income for Rest of NSW	50%-80% of Gross Median Household Income for Rest of NSW	80%-120% of Gross Median Household Income for Rest of NSW
Income Range (2)	<\$756 per week	\$756-\$1,209 per week	\$1,209-\$1,813 per week
Affordable Rental Benchmarks (3)	<\$227 per week	\$227-\$363 per week	\$363-\$544 per week
Affordable Purchase Benchmarks (4)	<\$223,000	\$223,000-\$356,000	\$356,000-\$534,000

Source: JSA 2022, based on data from ABS (2021) Census of Population and Housing, ABS (2022) Consumer Price Index, indexed to Mar Quarter 2022 dollars, ANZ Home Loan Repayment Calculator <https://www.anz.com.au/personal/home-loans/calculators-tools/calculate-repayments/><sup>1</sup>

‘**Affordable housing**’ includes the full range of housing for very low, low and moderate income households, as defined in the Act. This can include housing that is subsidised to a greater or lesser extent, from **special needs accommodation** such as group homes, crisis and transitional accommodation, and **social (community and public) rental housing** for those most disadvantaged in the housing market that will require deep subsidies; to ‘key worker’ (**discount market rent**) housing, and assisted or subsidised purchase, such as **shared equity**, for households who still need some assistance to enter home ownership that will require some subsidy.

In some areas or housing markets, it also includes **housing delivered through the private market**, typically smaller, lower cost accommodation such as boarding houses, co-living housing, smaller

(1) <sup>1</sup>All values reported are in June Quarter 2022 dollars

(2) Median household income \$1,434 (ABS Census 2021) for Rest of NSW; CPI 119.7 Sept 2021 126.1 June 2022 Adjusted income \$1,511.

(3) Calculated as 30% of total weekly household income

(4) Calculated using ANZ Loan Repayment Calculator, using 04 October 2022 interest rate (5.24% pa) and assuming a 20% deposit for a 30 year ANZ Standard Variable Home Loan and 30% of total household income as repayments.



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apartments, secondary dwellings and lower cost caravan parks, provided it meets the statutory affordability benchmarks.

## 1.3 Why is Affordable Housing important?

There is a common misconception that ‘affordable housing’ refers only to social (public or community) housing. However, many residents facing affordability problems in the Illawarra Shoalhaven Region are likely to fall outside the eligibility criteria for such housing or be unlikely to access it due to long waiting times. This is particularly the case for very low and low income ‘key workers’, who would not generally be eligible for social housing, but are generally unable to rent or purchase affordably through the private market in the Illawarra Shoalhaven Region.

Anyone in the community could need affordable housing. This includes a young person entering the workforce and wanting to live near where they grew up, a recently separated or divorced person with children for whom conventional home ownership may no longer be economically viable, households dependent on one (or even two) low-waged key worker jobs, or an older person on a reduced retirement income, for example, after the death of a spouse.

Lack of affordable housing affects the quality of life of individual families, who are often sacrificing basic necessities to pay for their housing. It also has a serious impact on employment growth and economic development in the Illawarra Shoalhaven. The loss of young families and workers in lower paid essential service jobs adversely affects local business viability and growth and the economy more broadly, and is contributing to labour shortages in the Region. The displacement of long-term residents also reduces social cohesion, engagement with community activities such as volunteering, and extended family support.

As well as impacting the health and wellbeing of low income families, and older and younger people, this contributes to a lack of labour supply among ‘key workers’ who are essential to various services including childcare, aged services, health care, tourism, hospitality and emergency services, but whose wage increasingly does not allow them to access rental or purchase housing in the Region. Affordable housing is thus an important form of community infrastructure that supports community wellbeing and social and economic sustainability, including a diverse labour market and economy, and strong and inclusive communities.

Finally, the location of affordable housing is a key issue in terms of social equity and sustainability. Providing a mix of affordable housing for different target groups in well-located areas provides for social mix and reduces the potential stigma that can be associated with such accommodation. Locating such housing close to transport and services also provides for the needs of key groups including low income workers, people with a disability and the frail aged, and reduces car dependency and the cost of transport, which can be a significant impost on very low, low and moderate income households and on the environment.<sup>2</sup>

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<sup>2</sup> See for example Gleeson, B. and Randolph, B. (2002) ‘Social disadvantage and planning in the Sydney Context’, in *Urban Policy and Research Vol. 20(1) pp101-107*; and Kellett, J. Morrissey, J. and Karuppannan,

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## 1.4 Who are the Target Groups?

### 1.4.1 Overview

The following case studies show the human face of the affordability crisis in the Region for very low, low and moderate income key workers, and other more vulnerable groups. Even though the case studies are hypothetical, they are based on real dollar values and housing situations, and reflect a synthesis of the research that has been conducted for this study.

### 1.4.2 Very Low Income Key Worker Households (<\$756 p/w)

A lone person working as a **barista in a local café**, or as a **sales assistant in a department store**, earning \$595 and \$634 respectively per week. These workers could affordably pay up to \$190 per week, and could not afford to rent a median one bedroom unit in even the cheapest part of the Region (\$283 in Nowra Bomaderry), let alone afford the median one bedroom unit rent in Wollongong or Shellharbour LGAs (\$360 and \$400 respectively).

A couple household with one studying and **one working as an office cleaner** (on \$710 per week); or a hairdresser whose partner is caring for their small child (\$735 per week), who could afford to pay up to \$220 per week, and likewise could not affordably rent a one bedroom unit anywhere in the Region.

### 1.4.3 Low Income Key Worker Households (\$756-\$1,209 p/w)

A **child care worker** wanting to move out of Sydney to take up a job in Kiama, and earning \$772 per week, would be able to pay \$231 in rent, and could also not rent a one-bedroom unit in the cheapest part of the Region. They would pay more than half of their very low income to rent the median one bedroom unit in Kiama LGA (\$400), noting that these are in very short supply.

A **personal care worker in aged care or an educational aid** (each on around \$843 per week), wanting to move out of the family home close to their Shellharbour workplace would be able to pay \$253 per week, and again could not affordably rent a one bedroom unit in even the cheapest part of the Region. Although they were willing to pay rent that would place them in housing stress, having applied for one of the very few one bedroom apartments that came up for rent, they were not even offered a viewing. Both are currently considering job offers in the central west of NSW, where rent is more affordable and more is available. A delivery driver on \$801 per week would be in the same position.

A **clerical worker** on \$1,014 per week or a **machine operator** on \$1,063, and offered a job in Wollongong CBD, could afford to pay around \$310 per week in rent, and could not afford to rent anywhere near where they work. They could affordably rent in Nowra Bomaderry, but this would be a daily two-way commute of 160 kilometres, and would cost a lot, both in money for petrol and

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S. 2012. 'The Impact of Location on Housing Affordability', *Presentation to 6th Australasian Housing Researchers Conference*, 8-10 February 2012, Adelaide, South Australia.

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vehicle wear-and-tear, and in travel time. Like others in this position, they are considering sleeping in their car so that they can take up the job offer.

#### 1.4.4 Moderate Income Key Worker Households (\$1,209-\$1,813)

A **Registered Nurse** wanting to relocate from Newcastle to take up a job promotion in Kiama in residential aged care, and earning \$1,477 per week, would be able to pay \$443 per week in rent. She would be able to affordably rent a one bedroom unit (\$400 per week), but there have been none advertised in the four weeks she has been looking, nor in nearby areas, and she is seriously considering remaining in Newcastle, where she is paying off a unit. The aged care home itself was short staffed and may have to consider closing down if it cannot find more workers.

A **primary school teacher** in Dapto is on \$1,400 per week and could pay \$420 per week, and likewise rent a one bedroom apartment in much of the Region if they were available for lease. However, he is a sole parent with shared custody of a son and daughter, and so needs a larger home. He could afford a two bedroom apartment in the Shoalhaven (\$400 per week), and in the southern suburbs of Wollongong, but again the market is very competitive, and real estate agents have not returned his calls. He suspects this may be due to putting his two children on the rental applications for two bedroom apartments.

**NOTE:** Higher income key workers, such as **Police and Fire Fighters**, on median incomes of \$1,852 and \$1,996 respectively have not been included in the case studies as they do not meet the statutory income benchmarks for affordable housing, although people working part time or in entry level positions may be on incomes that are lower than the median.

#### 1.4.5 Centrelink Recipients Case Studies

As a subset of households on very low incomes, people who are receiving some form of Services Australia payment, such as a single Aged Pension, Disability Support Pension or JobSeeker Payment, would be excluded from affordable rental in virtually all housing products in the Region.

A **single aged female pensioner with no superannuation** would have an income of \$513 per week, and could afford to pay \$230 in rent including CRA.<sup>3</sup> She could not affordably rent even a studio or one-bedroom apartment in any part of the Region, and would pay more than 65% of her income for the median one bedroom apartment in Shellharbour or Kiama LGAs.

An **aged pensioner couple with no superannuation** and receiving CRA would have an income of \$774 per week, and could afford to pay \$303 in rent including Rent Assistance.<sup>4</sup> This couple could not affordably rent even a studio one-bedroom apartment in most of the Region, apart from the Shoalhaven LGA, where they could rent a one bedroom unit. They would pay almost 50% of their income for a one bedroom apartment in Shellharbour or Kiama LGAs.

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<sup>3</sup> Commonwealth Rent Assistance of around \$76 per week for eligible households.

<sup>4</sup> Commonwealth Rent Assistance of around \$71 per week for eligible households.

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A **single working-age male on JobSeeker Payment** would have an income of \$334 per week, and could afford to pay \$176 in rent including Rent Assistance.<sup>5</sup> He could not affordably rent anything in the Region, and would pay almost all of his income to rent in a one-bedroom unit in Shellharbour or Kiama, and more than 70% of his income to rent a one-bedroom unit in Shoalhaven.

A **single parent household with two children** on Parenting Payment supplements would be on an income of \$740 per week, and could afford to pay \$310 per week in rent including Rent Assistance.<sup>6</sup> This household could just afford the median one bedroom unit in the Shoalhaven LGA, although there are few available at the time of writing and they would not be suitable for this family's needs.

## 1.5 Need for Affordable (including Social) Housing

### 1.5.1 Current Unmet Affordable Housing Need in ISR (2021)

At the time of the 2021 Census, **around 22,700 very low, low and moderate income households were estimated to be in housing stress** in the Illawarra Shoalhaven Region, with around 17,750 households (78%) in rental stress and 4,950 households (22%) in purchase stress.

By far the most serious affordable housing need is among **very low and low income renters**, who combined make up 82% of households in affordable housing need by this measure.

In terms of housing type, overall, at least **60% would need smaller strata dwellings** suited to lone person or couple only households, while 40% would need dwellings suited to families with children (see **Section 6.11** of the *Background Report* for detailed discussion).

### 1.5.2 Additional Affordable Housing Need in ISR (2021-41)

Additional (projected) need for affordable housing from 2021-2041 has been calculated at around **11,645 additional dwellings**. This assumes the existing rate and distribution of housing stress projected forward using the proportional increase in dwellings to 2041 by DPE (2022) (+34%). It also assumes that the existing rate of social housing is maintained to 2041. Of these:

- **86% would be for renting households**, with almost 90% of these very low and low income renting households (70% and 19% respectively);
- **70% would need to be well-located, smaller strata dwellings**, and 30% would need to be dwellings suited to families with children;
- At least **3,925 dwellings** need to be social housing to maintain the regional average (5.8%).

As such, by far the greatest need in terms of number of people, severity of housing stress and lack of anything that is affordable through the private market, is among **very low and low income renters**, a majority of whom will need **smaller strata dwellings**, and who are likely to require deep subsidies and strong market intervention to achieve the statutory definition of 'affordability'.

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<sup>5</sup> Commonwealth Rent Assistance of around \$76 per week for eligible households.

<sup>6</sup> Commonwealth Rent Assistance of around \$89 per week for eligible households.

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This additional projected need is summarised for the Region in the table below, and is broken down for each LGA in **Section 6.11** of the *Background Report*.

Table 1.2: Illawarra-Shoalhaven City affordable housing target to 2041

		Renting Households			Purchasing Households		
		Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL	Suitable for Lone Persons or Couples w/o Children	Suitable for Families with Children	TOTAL
Additional projected 2021-2041	Affordable to Very Low Income Households	2,258	836	3,094	235	141	376
	Affordable to Low Income Households	864	1001	1,865	324	268	592
	Affordable to Moderate Income Households	386	691	1,076	317	398	715
Social housing	Affordable to Very Low Income Households	2,355	1,570	3,925	n/a	n/a	n/a
<b>TOTAL</b>		<b>5,862</b>	<b>4,098</b>	<b>9,960</b>	<b>876</b>	<b>806</b>	<b>1,683</b>

Source: JSA 2022 calculation based on DPE 2022, ABS 2021.

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## 1.6 Ability of Market to Supply Affordable Housing

As discussed in the *Background Report*, there is a very limited opportunity for the market to provide affordable housing to meet current and projected need.

Around **85-90% of very low, low and moderate income renters in housing need would be excluded from renting affordably through the private market**, although the provision of **studio and one bedroom apartments** would be highly beneficial in terms of lower cost housing and increased diversity of supply, and **Boarding Houses, Co-Living Housing and permanent sites and small cabins for rent in lower cost caravan parks** would be affordable to some of these target groups if it were available. It is also noted that around 50% of flats and units and 35% of medium density housing types in the local housing market are in private rental compared with only around 15% of houses, so would be beneficial in increasing the supply of private rental.

Home **purchasers** in the Illawarra Shoalhaven Region are generally excluded from affordable purchase in most areas within the Region, although around 50% of smaller households could affordably purchase a first quartile (likely one bedroom) strata dwelling in the Shoalhaven. This means that at **least 95% of very low, low and moderate income purchasers** would be excluded from affordable purchase in the future across most of the Region.

When renters and purchasers are combined, this means that at **least 90% of current and projected affordable housing need among renters and purchasers is unlikely to be met by the private housing market in the future**, although as noted, an increase in smaller strata dwellings, special housing products such as Boarding Houses and Co-Living Housing, small lot housing and affordable caravan parks and MHEs would be beneficial in reducing cost, and likely improving affordability estimates above for *some* income groups.

**This has strategic implications with regard to the current planning and development regime in the four regional LGAs, the nature and location of future supply, and the nature of market intervention that is likely to be effective, and indicates that strong intervention is likely be needed through the planning system and direct funding to meet most of the current and projected need.**

## 1.7 Stakeholder Roles and Responsibilities

### 1.7.1 Need for Strong Intervention

The creation of affordable housing for very low, low and moderate income households through the planning system becomes more important in the context described above. The inability of the market to provide for virtually all very low and low income renters, many moderate income renters, and for most purchasers in the target groups has led to **an unprecedented affordable housing crisis** in the Illawarra Shoalhaven Region.



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Although traditional groups requiring social housing with deep subsidies continue to be most seriously affected by this housing crisis, many low income working people and families are now seriously affected by the lack of affordable rental housing in particular, and are increasingly entering homelessness, severe housing stress, and risk of displacement from the areas where they and their families have traditionally lived.

As noted, making housing affordable for those most vulnerable, as well as for low income workers, will generally require strong intervention through the planning system, and moderate to deep subsidies, including through **affordable housing contributions, inclusionary zoning approaches, direct government funding, use of Council and other government land in affordable housing partnerships with Registered CHPs, and unlocking the value in existing public housing to diversify stock and increase yield.**

It will also require increased opportunities for delivery of smaller strata dwellings and special housing products such as Boarding Houses, Co-Living Housing and affordable manufactured homes **through the market** to meeting the needs of some people, including some low and moderate income renters, and moderate income purchasers, in some areas of the Region. This will also support the need to diversify stock for an aging population in much of the Region, and the projected increase in smaller households more generally, and support the housing targets of State Government and local Councils in their strategic documents.

As well as strategies to increase the supply of social housing and supported housing for those most vulnerable in the housing market, a **particular focus of this strategic research is low income key workers**, who are generally not eligible for social housing, and have often ‘fallen through the gaps’ of government policy and funding.

### 1.7.2 Role for All Stakeholders

Affordable (including social) housing is the responsibility of all levels of government, with impacts on cost and affordability influenced by a range of factors including funding, taxation, interest rates, other implicit and explicit subsidies, and regulatory regimes including the planning system.

Although the private sector operates within this environment, decisions by developers in relation to the timing and nature of development, as well as decisions about investment, also influence the cost and diversity of what is constructed. Accommodation of workers by large public, community and private sector, are also actions that can increase supply and affect cost and affordability.

Community Housing Providers (CHPs) are increasingly important as both developers, owners and managers of affordable housing, and have access to a range of government funding and subsidies, their own equity, and capacity to borrow against rental income and equity. They have strong presence in and commitment to their local communities.

The wider community is also an important stakeholder in affordable housing, not the least in a market where a large and growing number of people cannot affordable to buy or rent a place to



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live, but also in terms of support for projects and initiatives that have an impact on the supply of diverse and affordable housing.

The strategies recommended in this report often rely upon the range of stakeholders that varying impacts upon housing cost and affordability, either in partnership or acting alone where relevant. These strategies are far more likely to be effective where they are supported by all levels of government, industry and the community.

In this context, local government has a vital role to play through leadership, advocacy, local and regional co-ordination, and strategic planning to support housing affordability, diversity and supply. As such, many of the strategies involve local Councils in the Region in recognition of the importance of their role.

In reality, the commitment of all stakeholders will be critical in addressing the affordable housing crisis in the Illawarra Shoalhaven Region.

### 1.7.3 The Role of Local Government

There are significant opportunities for local government to support the creation and maintenance of affordable housing through core planning policy and legislation in NSW. Local government has an explicit role in ‘affordable housing’ under relevant legislation, and an impact on affordability through land use zoning, controls, the timing of land release, location of services and facilities, and the levying of rates and development contributions and the like.

Local Councils in the Region also have an important role to play in lobbying and advocacy to other levels of government to ensure that their local communities receive an equitable share of funding and resources; co-ordination of local and regional action; and ensuring that government policies such as use of government land for affordable housing, are implemented at the local level.

In NSW, affordable housing objectives and a range of related provisions have been progressively included in the *Environmental Planning and Assessment Act 1979 (NSW)*. Section 1.3(d) of the Act provides that an objective of the Act is the ‘**maintenance and provision of affordable housing**’.

There are likewise **definitions and benchmarks** related to ‘affordable housing’ in section 1.4 of the Act, and in clause 13 of *SEPP (Housing) 2021*, which have been adopted for the purpose of this report.

Section 7.4 of the *Act* provides for the making of a **voluntary planning agreement** in relation to a proposed amendment to a planning instrument or development application. Under such an agreement, a developer is required to dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit, or combination of them, to be used for or applied towards ‘affordable housing’ as public purpose.

Section 7.32 of the Act also enables councils to levy mandatory contributions under an **Affordable Housing Contribution Scheme** for affordable housing in perpetuity, provided they can

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demonstrate affordable housing need and the economic viability under the DPE Guideline and Viability Tool.

It is also a requirement of the Act that a consent authority consider the **social impacts** of a development application as part of a merits assessment under section 4.15(1)(b) of the Act. This is relevant to development applications that may result in the loss of affordable or low cost housing, or otherwise generate a need for affordable housing.

As such, local Councils in the Region have an important role to play in facilitating the creation of affordable housing in areas that are within their power, and through strong leadership and co-ordination, and engaging in evidence-based advocacy with other levels of government on behalf of their local communities. Councils may also choose to prioritise affordable housing as a form of community infrastructure through use of Council land, the waiving of fees and the like.

That said, again, **the strategies recommended in this report also recognise the importance of action by others, and will be far more effective when all levels of government, the private and community sector and local communities come together to support this critical policy area.**

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## 2 Strategies and Mechanisms to Deliver Affordable Housing

### 2.1 Framework of Mechanisms and Strategies

There are a wide range of potential strategies and mechanisms available to increase the supply of affordable (including social) housing in the Illawarra Shoalhaven Region, as outlined in **Table 2.1 below**. These strategies range from:

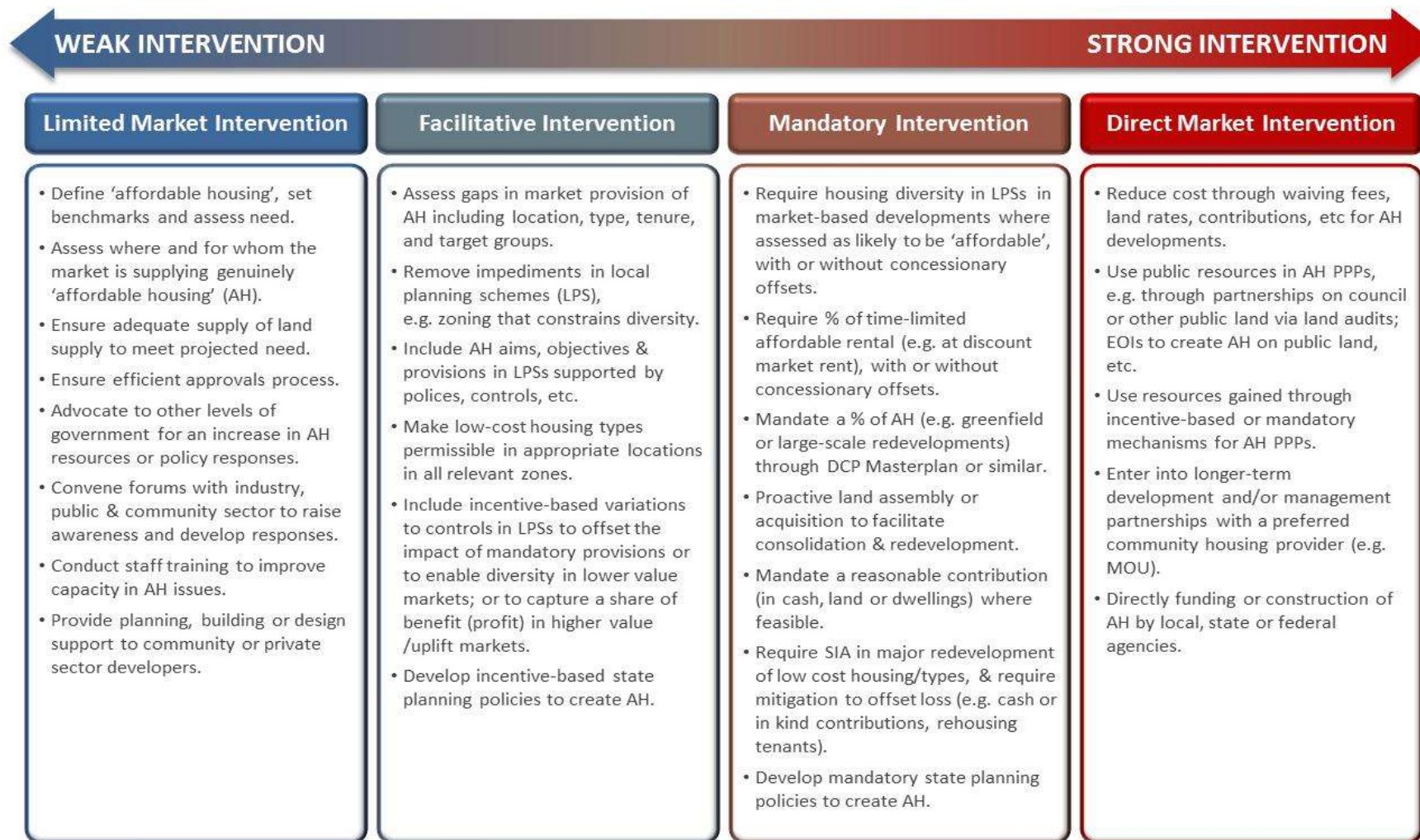
- **‘Light’ intervention** in the housing market, such as conducting research, developing affordable housing targets, community education, brokerage schemes, and lobbying and advocacy (column 1);
- **‘Facilitative’ intervention**, such as affordable housing incentives and removing impediments within local planning instruments or undue delays through the planning and approvals processes (column 2); to stronger intervention, such as:
- **‘Mandatory’ interventions**, such as developing an Affordable Housing Contribution Scheme, inclusionary zoning and mandating market delivery of affordable and low-cost housing types through the planning system (column 3); and
- **‘Direct provision’** of affordable housing through use of Council and other government land in affordable housing partnerships, direct funding or subsidisation of housing, including social housing, affordable rental housing or shared equity, and more efficient use of existing social housing through selective redevelopment (column 4).

### 2.2 Summary of Strategies and Actions

**Sections 3 to 6** below provide key findings and analysis around each of these themes on the planning continuum below, illustrated by a range of case studies, analysis and modelling to show what has been, or can be done in the Region to increase the supply of affordable housing. Strategies and case studies are grouped under the four broad headings of market or planning intervention outline above, and focus on those which are most likely to be effective in the regional and local housing market and need context.

A summary of recommended strategies and actions, and the rationale for each, are provided in:

- **Sections 3.1** Summary of ‘Light’ Intervention: Strategic Options Report, Lobbying, Advocacy and Brokerage;
- **Section 4.1** Summary of ‘Facilitative’ Strategies & Mechanisms;
- **Section 5.1** Summary of Mandatory Mechanisms; and
- **Section 6.1** Summary of Direct Creation of Affordable Housing.



Source: Stubbs (2003); JSA (2011)

Figure 2-1: Mechanisms and Strategies to Create Affordable Housing along a Continuum of Planning Intervention

## 3 ‘Light’ Intervention: Strategic Options Report, Lobbying, Advocacy and Brokerage

### 3.1 Overview of Findings and Recommendations

This section provides an overview of key findings and recommended strategies and actions from **Sections 3.2 to 3.5** below.

#### 3.1.1 Adoption of the Strategic Options Report

##### Rationale

An evidence-based **Regional Affordable Housing Strategic Options Report**, that sets out a shared understanding affordable housing definitions, benchmarks, needs and targets across constituent LGAs, and that can be supported by a broad range of government, community and private sector bodies with an interest in this policy area, is crucial.

To be effective, it is also important that the development of affordable housing responses is a shared responsibility across all levels of government, as well as the development industry, large employers, peak industry bodies and community housing providers and other not for profit agencies.

The vital role of State and local government is noted in this regard, particularly in relation to policy, funding, planning and facilitation, as well as strong leadership in this important policy area.

##### Recommended Strategies and Actions

The following strategies and actions are recommended to provide a co-ordinated regional and local response to the affordable housing crisis affecting the Illawarra Shoalhaven Region.

- Make the research from this research widely available to enable relevant agencies, peak bodies, Councils and the wider Illawarra Shoalhaven community to use research findings for planning, lobbying and advocacy, and community education.
- Adopt the definitions and benchmarks in **Table 1.1** above as the basis of what constitutes ‘affordable housing’ in the Region and constituent LGAs.
- Prioritise **very low and low income renters** for affordable housing created through this Strategic Options Report, including a particular focus on the broader definition of ‘key workers’ outlined in Section 2 of the *Background Report*, as well as those more vulnerable in the housing market.
- Adopt the affordable (including social) housing targets to 2041 for the Region in **Table 2.1** above, and for each LGA in **Sections 6.11.4 to 6.11.7** of the *Background Report*, noting that this would be:
  - 11,645 additional affordable dwellings for the Illawarra Shoalhaven Region;
  - 5,385 additional affordable dwellings for Wollongong LGA;

- 2,525 additional affordable dwellings for Shellharbour LGA;
- 438 additional affordable dwellings Kiama LGA; and
- 3,280 additional affordable dwellings for Shoalhaven LGA.
- 
- Seek to ensure that relevant government, private and community sector stakeholders in the Illawarra Shoalhaven Region take a co-ordinated approach to the implementing the strategies and actions recommended in this Report, and to planning and lobbying to increase the supply of affordable rental housing in the Region.

### 3.1.2 Lobbying and Advocacy

#### Rationale

It is vital that the Region, and constituent Council areas, receive a fair share of additional funding and resources to meet identified affordable housing need under existing and planned State and Federal Government programs.

Evidence of significant unmet demand for social housing in each LGA, and the loss of social housing in proportional and absolute terms amid increasing need, is also important in this regard.

It is also noted that there is a new National Housing and Homelessness Agreement (NHHA) to be negotiated by Federal, State and Territory Governments. It will be important to understand how governments respond to the findings and recommendations of the Productivity Commission's Review of the previous NHHA, such as reducing restrictions on housing supply and re-directing funding away from first homebuyers towards preventing and responding to homelessness (see also Section 5 of the *Background Report* for discussion).

#### Recommended Strategies and Actions

##### At the Federal Level

It is recommended that Business Illawarra, local Councils, peak bodies, community housing providers (CHPs) and other relevant parties:

- Engage in strong advocacy regarding the Region's needs during the development of the next National Housing and Homelessness Agreement (NHHA) as it is negotiated by Federal, State and Territory Governments.
- Lobby to ensure that the Region receives a fair share of finance opportunities through:
  - NHFIC for CHPs and other eligible entities through the Affordable Housing Bond Aggregator (AHBA) and National Housing Infrastructure Facility (NHIF) to facilitate creation of, and infrastructure to support, new affordable housing projects in the Region;
  - Any future finance opportunities created through the \$10 billion Housing Australia Future Fund investment intended to provide for 30,000 new dwellings across Australia in the coming years including 20,000 social housing and 10,000 affordable housing dwellings for 'frontline workers' like including those prioritised in the *Affordable Housing Strategic Options Report*;



- Seek to ensure such funds are available for future affordable housing partnership developments on Council and other government land (see **Section 6 below**).

## At the State Level

It is recommended that:

- There is strong advocacy to the NSW Land and Housing Corporation (LAHC) by local Councils, industry and CHPs to ensure that there is no further loss of social housing in the Illawarra Shoalhaven Region through sale or redevelopment of existing dwellings, and that any social housing transfers or redevelopment be guaranteed to result in a net gain in social housing dwellings;
- 
- There is the progressive funding of at least an additional 3,925 social housing dwellings by 2041 by NSW State Government to maintain regional rate of such housing in the context of growing need for such accommodation in each LGA, including the following:
  - At least 1,940 additional social housing dwellings in Wollongong LGA;
  - At least 807 additional social housing dwellings in Shellharbour LGA;
  - At least 219 additional social housing dwellings in Kiama LGA; and
  - At least 901 additional social housing dwellings in Shoalhaven LGA.
- 
- There is strong lobbying from the Region to ensure the following initiatives outlined in **Section 5** of the *Background Paper*:
  - That regional CHPs and partners are able to deliver new social and affordable housing through funding from the final tender of the Community Housing Innovation Fund (CHIF) in early 2023 and any future funding streams (that may be announced) under the 2022-23 Housing Package.
  - That the Region receives some of the 270 new key worker homes (for teachers and NSW Police Force) to be delivered in regional areas by Regional NSW and LAHC.
  - That the Region benefits from the ‘whole-of-government key worker housing model review’ to be undertaken by NSW Government.<sup>7</sup>
  - That the Region be included in the pilot a **rent-to-buy** program to be delivered by LAHC and CHPs. Local CHPs and development industry partners could identify existing projects in the development pipeline that may be suitable pilot sites.
  - That eligible first home buyers in the Region are able to make use of **Share Equity Schemes** provided at Federal (NHFIC schemes) and State levels (two-year trial proposed by NSW Government).

### 3.1.3 Short-term strategies (brokerage, meantime use, etc)

#### Rationale

There are significant and growing levels of homelessness, displacement of historical populations, and inability to find anything to rent in the short- or long-term rental for many, including among non-traditional groups, such as low income key workers. More vulnerable groups, such as those

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<sup>7</sup><https://www.dpie.nsw.gov.au/our-work/2022-housing-package-programs-and-initiatives/key-worker-housing>, accessed 28/11/2022.



with on pensions and benefits, people with a disability and mental health issues, asset poor older people, including a growing number of older women, are particularly seriously affected in this context.

Real estate agents interviewed during this study noted the unprecedented tightness of the regional rental market, and the ‘near zero’ vacancy rate. As noted by a local CHP interviewed for this study, *‘It’s no longer about having a job. It’s about finding anything to rent at all’.*

Councils, large employers, CHPs, and other not for profit and philanthropic bodies are engaged in a range of actions to quickly add to the supply of rental accommodation through community awareness raising, brokerage and meantime use schemes at the local level. These will generally require an audit of vacant or under-utilised land or buildings that may, for example, be earmarked for longer-term sale or redevelopment; and will sometimes need some regulatory support or flexibility by local and/or State governments to allow for such ‘meantime’ uses.

## Recommended Actions and Strategies

### Overview

**Sections 3.3 to 3.5 below** provide a range of examples of such initiatives that are being developed in the Region, or that would be suitable for regional implementation, and should be supported across the Region to urgently increase the supply of short-term accommodation for low income key workers and other vulnerable groups.

The following recommendations are made in relation to supporting these types of initiatives across the Region.

### Council Appeals to Non-Resident Property Owners (Section 3.3.3 below)

It is recommended that Wollongong, Shellharbour and Kiama Councils:

- Note initiative by Shoalhaven, Eurobodalla and Bega Valley to appealed to non-resident property owners to consider long-term rental of their homes for a period of one to two years in order to make a contribution towards easing the local housing crisis exacerbated by bushfires and Covid pandemic; and
- Implement this initiative within their LGAs to increase the supply of long-term rental accommodation as a matter of urgency.

### Share housing appeals & brokerage programs (section 3.3.4 below)

It is recommended that local Councils in the Region, together with CHPs and other not for profit providers:

- Note the brokerage and matching initiatives in in areas like Bega Valley Shire and Mid North Coast to address under-occupancy of existing housing as a potential source of additional rental housing; and
- Seek to implement such a model as a matter of urgency in each LGA.

### ‘Meantime Use’ for Vacant & Underutilised Buildings and Land (sections 3.4.1 and 3.4.2 below)

It is recommended that local Councils, real estate agencies, large employers and CHPs in the Region:

- Develop a comprehensive register of land and buildings that are currently (or likely to become) vacant, under-utilised or planned for redevelopment, and that would be appropriate for adaptation to a meantime use, such as short-term rental, Boarding House, key worker Hostel or similar;
- Develop protocols that allow for regulatory flexibility, and actively facilitate this meantime use;
- Develop regional pilot on vacant buildings that can be rolled out more widely across the Region;
- Develop a regional pilot on vacant or redundant land that can accommodate caravans and/or smaller (‘tiny’) manufactured homes for key workers, itinerant (e.g. construction) workers and the like;
- Note the initiative by Eurobodalla Shire Council in temporarily suspending use of camping grounds from tourist use to provide for extended stay for homeless people, and investigate whether there may be a facility on Crown or Council Land that could be used for this purpose.

### Initiative by Large Regional Employer (Warrigal Aged Care) (section 3.4.3 below)

It is recommended that:

- The active engagement of large employers like Warrigal Aged Care be promoted to other large employers in the Region as an important initiative to increase accommodation for very low and low income key workers;
- That the model be expanded in the Illawarra Shoalhaven Region to include domestic/local key workers;
- That Councils actively support these types of initiatives wherever possible through appropriate regulatory support and cost reduction of fees and charges that would normally apply.

### Existing Shellharbour Hospital site (see Section 3.3.7 below)

It is recommended that planning for the existing Shellharbour Hospital include:

- Opportunities for ‘meanwhile use’ and/or more permanent accommodation for key workers in the health and hospital system whilst decision are being made for its future use; and

- Any plans for future redevelopment of this site should provide at least 30% affordable rental housing in accordance with aspirations in the Greater Cities Commission (2022) *Discussion Paper*.<sup>8</sup>

It is further recommended that any such public buildings that are planned to become redundant and/or redeveloped be considered for ‘meantime use’, and that their future redevelopment include at least 30% affordable rental housing in perpetuity for key workers and other vulnerable groups.

### Secondary Dwelling Pipeline Project (see Section 3.5)

It is recommended that Councils in the Region:

- Note the benefits of increasing the supply of Secondary Dwellings in areas with appropriate zoning and controls, particularly where they can meet requirements as Complying Development per the ‘pipeline project’ model; and
- Actively support this type of development through promotion of the model in their local areas among small investors, real estate agents and employers.

## 3.2 Council Appeals to Non-Resident Property Owners

### 3.2.1 Overview

Councils on the NSW south coast including Shoalhaven, Eurobodalla and Bega Valley have appealed to non-resident property owners to consider long-term rental of their homes for a period of one to two years to make a contribution towards easing the local housing crisis exacerbated by bushfires and Covid pandemic.

It is not clear just how successful these appeals will be in adding a number of homes to the long-term rental market, as some appeals were made in the last few months. Eurobodalla Shire Council has reported that its appeals have added 110 homes to long-term rental that perhaps would not have been otherwise.

### 3.2.2 Bega Valley Shire

In October 2022, Bega Valley Shire Mayor wrote to all non-resident ratepayers with secondary or investment properties to consider the longer-term rental market for their properties.

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<sup>8</sup> Greater Cities Commission (September 2022) *The Six Cities Region Discussion Paper: Delivering global competitiveness and local liveability*, p 42.

Council noted that ‘we are facing a significant crisis for people who live and work in the shire’ having lost 467 homes during the Black Summer bushfires and with many potential homes purchased as secondary accommodation during the Covid pandemic period.<sup>9</sup>

### 3.2.3 Eurobodalla Shire

Around one third of all houses in the Eurobodalla Shire are the second homes of people from outside the area. Council has made two appeals to around 8,000 non-resident ratepayers urging them to consider placing their homes on the long term rental market for one to two years whilst long term solutions could be established to address the local housing crisis.

The first appealed was made in 2020 following the Black Summer Bushfires, which resulted in 80 homes being added to the long-term rental market. In June 2022, the Eurobodalla Shire Mayor made a second appeal.<sup>10</sup> Within one month, around 30 homes were added to the long-term rental market.

### 3.2.4 Shoalhaven City Council

In late September 2022, the Mayor of Shoalhaven City Council, Amanda Findley made a similar appeal to non-resident property owners where the property is currently vacant to consider long-term rental ‘even if only for 12-18 months’ to ‘help alleviate some of the pressure and to buy us some time as we await the promised housing investment funding from the Federal and State Governments.’<sup>11</sup>

## 3.3 Share housing appeals & brokerage programs

### 3.3.1 Overview

Some groups have sought to target under-occupancy of existing housing as a potential source of additional rental housing by appealing for people interested in letting a room or portion of their property and through matching programs that aim to bring together people with spare capacity in their homes and others in need of rental accommodation.

### 3.3.2 Bega Valley Shire Council key worker share housing pilot

Bega Valley Shire Council’s adopted Affordable Housing Strategic Options Report includes a Strategic Options Report to develop a pilot to match young key workers with older people in the growing number of large, underoccupied dwellings. The pilot is to be operated through a registered

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<sup>9</sup> Bega Valley Shire Council (2022) Housing crisis plea to non-resident ratepayers, 26 October, <https://begavalley.nsw.gov.au/council/housing-crisis-plea-to-non-resident-ratepayers>, accessed 24/11/2022.

<sup>10</sup> Tregenza H and Olumee F (2022) South Coast council begs holiday home owners to rent out properties as housing crisis escalates, 23 June, ABC News, South East NSW, <https://www.abc.net.au/news/2022-06-23/south-coast-council-asks-people-to-rent-out-holiday-homes/101176426>, accessed 24/11/2022.

<sup>11</sup> 26 September 2022, Letter from Amanda Findley, Mayor of Shoalhaven City Council, <https://www.shoalhaven.nsw.gov.au/Council/News/Shoalhaven-experiencing-housing-crisis>, accessed 24/11/2022.

CHP that will be responsible for tenant screening, matching and support to sustain tenancies as required.<sup>12</sup>

### 3.3.3 Regional Development Australia - Mid North Coast: Our Spaces Housing Pledge

In acknowledging the significant housing crisis facing its region, Regional Development Australia Mid North Coast (RDAMNC) has made housing one of its key priorities for 2022. Two of its key recent initiatives include:

- Partnership with flatmates.com.au to encourage local homeowners with spare capacity in their homes (81,000 spared bedrooms across the Mid North Coast have been estimated) to pledge to get a flatmate.<sup>13</sup>
- Community education short-film Our Spaces which tells the stories of how everyday people in the Mid North Coast are creating housing opportunities in their own domestic spaces including landowners that allow people to live on their land, homeowners that rent a room to a flatmate, three retired couples who have chosen to build a home to live together to combat loneliness as they age. Benefits of such arrangements can extend beyond affordability to reduced loneliness and isolation, increased enjoyment and stimulation by learning and interacting with different people and improved mental health.<sup>14</sup>

The RDA MNC website does not provide information about how many people have signed on-to its housing pledge, or how many rooms of accommodation have been created through the initiative. That said, it is an interesting initiative that could be replicated in the Illawarra Shoalhaven region and elsewhere in Australia.

### 3.3.4 Better Together Housing

Better Together Housing (BTH) is share housing matching service/program for women aged 55 and over in Queensland.<sup>15</sup> The program was co-created by Coast2Bay Housing Group (registered CHP) and Sundale (a local aged care provider), winning the Leading Innovation Award at the Australasian Housing Institute Awards in 2019.

The program does not provide housing or support to participants, but provides structure to safely match interested and registered participants who are either interested in providing accommodation to share or looking for accommodation to share. Participants are not expected to provide care to the person that they share with. There is no cost to register with the program, apart from funding the cost of a required national police check required.

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<sup>12</sup> Bega Valley Shire Council (2022) Affordable Housing Strategic Options Report, <https://begavalley.nsw.gov.au/community/affordable-housing-Strategic-Options-Report>, accessed 24/11/2022.

<sup>13</sup> RDA Mid North Coast housing pledge, <https://rdamnc.org.au/mid-north-coast-housing-pledge/>, accessed 16/11/2022.

<sup>14</sup> RDA Mid North Coast, Our Spaces, [https://www.youtube.com/watch?v=jtU\\_qwXul6s&t=3s](https://www.youtube.com/watch?v=jtU_qwXul6s&t=3s), accessed 16/11/2022.

<sup>15</sup> Better Together Housing: A Shared Housing Community, <https://bettertogetherhousing.com.au/>, accessed 24/11/2022.

The BTH program is currently receiving some funding from the Queensland Government and is operational in the Sunshine Coast, Noosa Council, Mackay catchment areas with plans to expand. BTH provides registered participants with access to informal ‘Get it Together’ events, like weekday coffee meet up at a café, to bring interested women together in a safe and secure way to meet each other and find shared housing.

BTH is partnering with the Sunshine Coast University to undertake evaluative research about the program and the women who use it. Participants in the program are asked to complete surveys as part of this research. Coast2Bay Housing’s Annual Report provides this BTH Success Story.

A 60 year old woman has been a member of Better Together Housing (Sunshine Coast) for 3 months. She was renting out her downstairs granny flat via Airbnb since her divorce and until Covid19 impacted demand. She decided she’d prefer someone of similar age with similar interests to move in but is wary of online house sharing sites.

She learned about BTH from a member of her choir and signed up that day. She attended a Get it Together gathering and met another member she liked, so they met up twice before arranging to live together. Both women are making plans for the move and activities they’d like to do together, and our homeowner feels excited and relieved to have found someone compatible to welcome into her home.<sup>16</sup>

## 3.4 ‘Meantime Use’ for Vacant & Underutilised Buildings & Other Uses

### 3.4.1 Overview

‘Meanwhile’ or ‘meantime’ use is the short-term use of vacant or underused buildings that are retrofitted to provide housing until the building returns to commercial operation or is demolished.

Meanwhile use can be applied to residential premises, aged care facilities, hospitals, church-owned buildings, office and retail spaces and government assets. Different types of organisations including churches, charities, Community Housing Providers, and ‘for purpose’ private sector collectives like Housing All Australians are working to establish meanwhile use projects around Australia, including in NSW.

Whilst meanwhile use seems like a logical and practical matching of vacant buildings with those in need of housing, there are a range of barriers and ‘planning hoops’ that can frustrate efforts to activate them within a short period of time.

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<sup>16</sup> Coast2Bay Housing, 2022 Annual Report, Pg 12, <https://coast2bay.com.au/annual-reports/>, accessed 17/11/2022.



‘Meanwhile use’ was explored by the NSW Parliament Committee on Community Services in its 2021 inquiry into options to improve access to existing and alternate accommodation to address the social housing shortage. The Committee has recommended that Government provide a framework to further facilitate ‘meanwhile use’ in NSW.

The Committee Report states that NSW Department of Planning and Environment is developing a ‘meanwhile use’ pilot project including working with Wollongong City Council to explore ‘meanwhile use’ opportunities in Wollongong. Ideally, this work will result such projects becoming a reality in the region.

### 3.4.2 Housing All Australians

Housing All Australians (HAA) is private sector initiative that looks at housing and homelessness through a commercial lens, acknowledging that all sectors of the community and economy are needed to play a role in collaborating to address this problem in Australia. HAA was founded by Rob Prandolin, former general manager for property group Frasers Property Australia, who has been a strong advocate for innovative solutions to address homelessness for many years.

Mr Prandolin was involved with one of the first Australian ‘meanwhile use’ projects, The Lakehouse in South Melbourne (City of Port Phillip) which refurbished 32 rooms within a 52 room aged care facility owned by CaSPA Care for short-term use as a shelter for women. YWCA managed and provided support for the tenants. Over 3 years, the building provided housing for 107 women.

HAA has developed a comprehensive model to deliver Pop Up Shelters as ‘meanwhile use’ as owners contemplate future use or apply for planning permits. Initial establishment involves Property Owner offering peppercorn rent of \$1 per year for a Lessee that is the Support Agency Service Provider. A number of aspects of the model rely on pro bono contributions including legal services for lease costs, building works and fit-out of the housing.<sup>17</sup> For the Lakehouse, an estimated value of \$300k of donated professional services and goods were provided by the private sector and local government.<sup>18</sup>

HAA has recently developed a documentary (Under Cover) about middle-aged women, often employed, facing homelessness to raise awareness of the issue for this cohort, and is working to establish meantime use projects around the country Box Hill, Perth, Adelaide, Sydney and Tasmania.<sup>19</sup>

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<sup>17</sup> Housing All Australians, Pop Up Shelters, How Does the Model Work, <https://housingallaustralians.org.au/whatwedo/pop-up-shelters/>, accessed 25/11/2022.

<sup>18</sup> Housing All Australians, Case Study: Pop Up Shelter Lakehouse, Victoria, chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://housingallaustralians.org.au/wp-content/uploads/2019/09/POP-UP-Lakehouse-Case-Study-FINAL-24.09.19-2.pdf, accessed 25/11/2022.

<sup>19</sup> Housing All Australians, Pop Up Shelters, <https://housingallaustralians.org.au/whatwedo/pop-up-shelters/>, accessed 25/11/2022.



*Newly renovated spaces at the Lakehouse - all provided pro bono by the private sector*

Figure 3-1: Housing All Australians & YWCA Housing, Pop Up Shelter: The Lakehouse in South Melbourne (2018)

Source: Housing All Australians, <https://housingallaustralians.org.au/whatwedo/pop-up-shelters/>

### 3.4.3 Status of ‘meanwhile use’ in NSW

#### Overview

A small number of ‘meanwhile use’ projects providing housing for women have been established in NSW by Women’s Community Shelters (WCS), Uniting Care and a range of community housing, social service and development partners.

In 2016, PAYCE Foundation offered WCS the opportunity to utilise vacant properties land-banked for future development at no cost to provide transitional housing to clients exiting crisis accommodation, particularly those not entitled to mainstream housing supports or private rental products.<sup>20</sup> WCS, PAYCE Foundation and Bridge Housing have created **Pathways Home**, a ‘meanwhile use’ venture to provide transitional housing for women and their children and older single women escaping domestic and family violence.<sup>21</sup> In 2018, United Care repurposed one of its vacant aged care homes awaiting demolition for a ‘pop-up shelter’ for women aged 45 and over.<sup>22</sup>

#### Women’s Community Shelters - Beecroft House

In 2018, Twilight Aged Care offered Women’s Community Shelters (WCS) their vacant aged care facility in Beecroft, Jamieson House, rent-free to use as transitional housing for two years.<sup>23</sup> WCS partnered with Link Housing, National Projects and Maintenance, The Generous and the Grateful, Hornsby Ku-ring-gai Women’s Shelter to deliver the housing and support model for 20 women over 55 experiencing homelessness or financial instability, including women working in low paid key worker jobs.<sup>24</sup> It is understood that the permitted use of the site is an Aged Care Facility,

<sup>20</sup> Pathways Home, <https://pathwayshome.com.au/>, accessed 25/11/2022.

<sup>21</sup> Pathways Home, <https://pathwayshome.com.au/>, accessed 25/11/2022.

<sup>22</sup> Pop-up shelter for homeless women makes use of Sydney building awaiting demolition, 2 July 2018, <https://www.abc.net.au/news/2018-07-02/pop-up-shelter-for-homeless-women-makes-use-building-sydney/9918850>, accessed 25/11/2022.

<sup>23</sup> Disused aged care facility offers solution for homeless women, Government News, 4 August 2019, <https://www.governmentnews.com.au/disused-aged-care-facility-offers-solution-for-homeless-women/>, accessed 25/11/2022.

<sup>24</sup> <https://www.womenscommunityshelters.org.au/shelter-network/beecroft-house/>, accessed 25/11/2022.



restricts use to accommodate people under the age of 55 without development consent.<sup>25</sup> As at November 2022, it appears that Beecroft House is continuing to provide transitional housing.



Figure 3-2: Beecroft House ‘meanwhile use’ of vacant aged care home for women 55+

Source: Women’s Community Shelters, <https://www.womenscommunityshelters.org.au/shelter-network/beecroft-house/>, 25/11/2022



Figure 3-3: Interiors of Beecroft Housing ‘meanwhile use’ project for women 55+

Source: Women’s Community Shelters, <https://www.womenscommunityshelters.org.au/shelter-network/beecroft-house/>, 25/11/2022

## 2021 NSW Parliament Committee on Community Services explores ‘meanwhile use’

In 2021, the NSW Parliament Committee on Community Services held an inquiry of options to improve access to existing and alternate accommodation to address the social housing shortage with terms of reference that included exploring **options to better support ‘meanwhile use’ (temporary supportive accommodation), and the current major planning barriers to ‘meanwhile use’**.<sup>26</sup>

<sup>25</sup> Shelter NSW, Submission to NSW Parliament Appendix C – “Challenges in activating ‘Meanwhile Use’ Housing opportunities” – (extract from letter by Women’s Community Shelters to Minister for Planning & Public Spaces, Rob Stokes on May 6th, 2021).

<sup>26</sup> NSW Parliament Legislative Assembly Committee on Community Services, Final Report: Options to improve access to existing and alternate accommodation to address the social housing shortage, Final Report tabled 18/08/2022, <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2823#tab-reportsandgovernmentresponses>, accessed 25/11/2022.

The Final Report of the Committee was released in August 2022, with the Government Response due **February 2023**.<sup>27</sup>

The Committee summarised that ‘meanwhile use could have a role in helping to ease the social housing shortage. However, it is not suitable for all cohorts, and it is important that tenants get the right wraparound services’<sup>28</sup> and that ‘a government framework is needed to guide meanwhile use... as there is no standardised system or criteria for meanwhile use accommodation and that it is not recognised in the planning system’.<sup>29</sup>

The NSW Government aims to deliver a ‘meanwhile use’ pilot project that will provide knowledge needed for new regulation that includes clear definitions of meanwhile use and allow its use to be expanded, building on existing policy. It is understood that NSW Government is working with **Wollongong City Council** to look into vacant buildings and land in Wollongong to deliver safe housing using the meanwhile use model.<sup>30</sup>

However, Wollongong City Council’s submission to the inquiry, whilst agreeing that vacant suitable buildings could be repurposed wherever practicable to offer short-term social housing to people who require temporary accommodation, identifies numerous barriers to such initiatives rather than solutions.<sup>31</sup>

The NSW Government response to the Report is due in February 2023. The NSW DPE ‘meanwhile use’ pilot project with Wollongong City Council will hopefully identify opportunities and facilitate such projects for the area.

#### 3.4.4 ‘Meanwhile Use’ of Camping Ground by Eurobodalla Council

Like much of regional NSW, there is an affordable housing crisis in the Eurobodalla Shire Council (ESC) due to the loss of around 500 homes in the Black Summer Bushfires 2019/20, in-migration during the Covid pandemic and many dwellings used for Short Term Rental Accommodation.

Two Council-managed Crown Land primitive campgrounds with limited facilities, at Moruya North Head Campground and Mystery Bay Campground, have become home to many people experiencing homelessness. In late 2022, ESC resolved use its discretion not to enforce the relevant Local Government Regulations<sup>32</sup> against itself, which would involve evicting people who remained within its campgrounds for longer than the 50 day regulatory limit.<sup>33</sup>

The Moruya North Head Campground, located around 7 km outside of town, is now home to around 50 families and is ‘apparently the largest contingent of homeless people in the State’.

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<sup>27</sup><https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2823#tab-reportsandgovernmentresponses>, accessed 25/11/2022.

<sup>28</sup> NSW Parliament Legislative Assembly Committee on Community Services, Ibid, Pg 4.

<sup>29</sup> NSW Parliament Legislative Assembly Committee on Community Services, Ibid, Pg 11.

<sup>30</sup> NSW Parliament Legislative Assembly Committee on Community Services, Ibid, Clause 1.63, Pg 11.

<sup>31</sup> Submission 73, Wollongong City Council, 18 August 2021.

<sup>32</sup> Clause 131 of the *Local Government (Manufactured Home Estates, Caravan Parks, Camping Grounds and Moveable Dwellings) Regulation 2021*; Section 68 of the *Local Government Act 1993*.

<sup>33</sup> Report to Ordinary Meeting of Eurobodalla Shire Council Held on Tuesday 22 November 2022, PSR22/057 North Head and Mystery Bay Campgrounds, Pg 47.

Council has temporarily closed the Campground to tourists by ESC ‘due to the current accommodation crisis.’

Due to the lack of facilities, and the fact that many people staying at the Campground were families with children, single people (including teachers and other low paid workers) and elderly people, Council resolved to install portable hot showers for 5 months to improve amenity and hygiene for the people staying on through the winter of 2022 under a \$20,000 Federal grant, and to fit a token system into laundromats in three towns, where services would distribute tokens. Power for the portable showers was safely accessed through connection to the adjacent Moruya Airport terminal, owned and operated by ESC. Council also funded the hire, installation and daily cleaning of the portable showers.

Council advises that it was happy with the improved amenity that the hot showers provided for people last winter and plans to re-install them this winter, and ‘perhaps for the next few years depending on how things go’. Members of the Eurobodalla community take soup and meals to people each week, and there are also regular visits by DCJ and other services.

The Council interviewee noted that, ‘We had a man dying of cancer out there. He chose not to take up temporary accommodation because he did not want to leave his dog, and no longer-term accommodation could be found. We managed to get him an army bed. The hot showers are a small thing that we can do to make people more comfortable...Often, pets are the only friend many people have.’

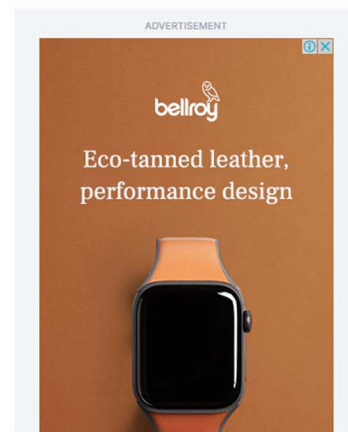


Figure 3.4: Canberra Times article about 50 families camping at North Head

Source: Canberra Times, 15 January 2023, <https://www.canberratimes.com.au/story/8047250/more-than-50-people-call-campground-home-as-south-coast-battles-housing-shortage/>, accessed 30/03/2023



### 3.4.5 Initiative by a Large Regional Employer (Warrigal Aged Care)

#### Profile in the Illawarra Shoalhaven

Warrigal is a community-based organisation that provides **retirement living** and **aged care services** across 15 locations in the Illawarra, Southern Highlands, Queanbeyan and Canberra regions. Warrigal reports that its services are delivered by **1846 staff** and **365 volunteers**.<sup>34</sup>

In the Illawarra Shoalhaven region (4 LGAs), Warrigal has **7 residential care homes** providing **783 care places**<sup>35</sup>, delivers home care and social services to **961 people**<sup>36</sup>, and has **8 community villages** providing **437 units of accommodation** (villas and apartments).<sup>37</sup>

Warrigal aims to offer more villages and home care services in the region in the coming years.<sup>38</sup> Current development plans include the redevelopment of its existing Warrigal Warilla facility (residential care home and village) to a large modern village of 120 apartments, the final 24 apartments at its Shell Cove village and a 60 villa development at Lake Illawarra.

#### Workforce shortages, skilled migrants & housing challenges

Workforce shortages that have existed in the aged care industry have been exposed and exacerbated during the Covid pandemic. Like many providers, Warrigal has struggled to retain and attract staff in the tight labour market conditions experienced in 2022. Some of the main challenges and factors identified by Warrigal as contributing to this include:

- Many workers left/leaving the aged care industry for other opportunities, such as nurses and others who took up higher paid roles created within the hospital system during the pandemic that have not returned to aged care. Warrigal notes that its new EA has brought pay rates for nurses up to the same level as offered in the hospital system, with the aim of improving nurse retention.
- Dramatically reduced numbers of nursing students, predominately international students, in search of employment compared to pre-2020. Whilst international borders are now open, international student numbers remain well below pre-2020 levels.
- Delays in visa processing and approval by Home Affairs for international students and sponsored workers coming to Australia.

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<sup>34</sup> Warrigal 2022 Annual Report, Pg. 2.

<sup>35</sup> Warrigal 2022 Annual Report, Our Locations, Pg 66, Residential Care Homes: Albion Park Rail 149 places, Coniston 60 places, Mt Warrigal 40 places, Mount Terry 151 places, Shell Cove 128 places, Warrawong 100 places and Wollongong 155 places.

<sup>36</sup> Warrigal 2022 Annual Report, Pg. 36.

<sup>37</sup> Warrigal 2022 Annual Report, Our Locations, Pg 66, Warrigal Community Villages: Albion Park 16 villas, Albion Park Rail 64 villas, Figtree 39 villa, Lake Illawarra 30 villas, Shell Cove 33 villas 47 apartments 6 serviced apartments, Links Seaside 154 apartments, Warilla 40 apartments and villas, Warrawong 8 apartments.

<sup>38</sup> Warrigal Strategic Plan, Towards 2030, aim referred to in 2022 Annual Report,

Like other aged care providers, Warrigal utilises skilled migrant workers through a variety of visa and sponsorship programs including student visa holders to workers recruited and brought to Australia by Warrigal through the Pacific Australian Labour Mobility (PALM) scheme.<sup>39</sup>

The PALM scheme run by the Australian Government allows eligible Australian businesses to higher workers from 9 Pacific islands and Timor-Leste when there are not enough local workers available for low and semi-skilled positions in certain industries including aged and disability care. For non-agricultural industries like aged and disability care, there are limitations on the geographic areas where PALM workers can be based in Australia.

Under current restrictions, eligible postcodes for the scheme exclude all postcodes in the Wollongong metropolitan, but does include the ACT and postcodes in regional NSW outside of the Illawarra where Warrigal provides services such as Queanbeyan, Goulburn and Bundanoon. Since 2018, Warrigal has engaged 72 workers through the PALM scheme. At one stage, the postcode of Shell Cove was included in the PALM scheme and Warrigal was able to bring 12 workers to its Shell Cove facilities under the program.

Warrigal reports that across the organisation in the Illawarra, it could easily fill 100 roles with skilled migrant workers. The organisation has sought approval from the Australian Government to bring skilled aged care workers through the PALM scheme to the Illawarra to fill its workforce gaps. PALM scheme workers receive the same pay and entitlements as domestic Warrigal employees.

## Providing housing for skilled migrant workers

Based on the requirements for some visa programs (like PALM) as well as providing additional incentive, Warrigal has started providing housing for some of its skilled migrant workforce. With housing becoming increasingly scarce and unaffordable in many areas near its facilities, it is finding that assisting its skilled workforce with housing is essential to ensure that they are able to attract and retain workers. Some of the ways Warrigal **are providing** housing include:

- Head leasing properties in the private market.
  - Warrigal current head leases 3 three-four bedroom homes in the Bundanoon area. Warrigal fully-furnishes the properties and provides them as share accommodation for in-coming skilled migrant workers. Warrigal takes care of all maintenance and gardening required at the property and workers pay a rental fee.
- Meantime use of some of its properties slated for redevelopment.
  - Warrigal purchased three properties adjoining its Albion Park facility, with future plans to extend. In the 'meantime', the properties are providing housing for skilled migrant workers.
  - Warrigal has plans to redevelop its residential care home and village apartments at 1 Arcadia Street, Warilla. In May 2022, the residential care home was closed and all residents and staff relocated to other local homes to progress with the redevelopment.<sup>40</sup>

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<sup>39</sup> PALM Pacific Australia Labour Mobility scheme, <https://www.palmscheme.gov.au/>, accessed 11/11/2022.

<sup>40</sup> Warrigal 2022 Annual Report, Pg 5.

The village apartments continue to house existing residents until the redevelopment plans are finalised and construction begins. Warrigal has utilised 3 of the village apartments at Warilla that have become vacant for ‘meantime use’ to house some of its skilled migrant workers until redevelopment.



Figure 3-5: Warrigal Warilla Village units current ‘meantime use’ for 3 migrant workers

Source: JSA 2022.

## Options for further provision of housing for workers

Warrigal is also exploring other ways it could provide housing for its workers (skilled migrants and domestic workers) including:

- Use of existing vacant land (at Bundanoon) for ‘meantime use’ for tiny homes / relocatable homes.
- Offering workers (at Bundanoon) with a Drive In Drive Out (DIDO) style roster (36 hours work over 3 days) with fully-furnished unit to stay during the work period, likely to be a ‘meantime’ use of village units slated for redevelopment.
- Creating a host matching program among residents’ families, staff and volunteers who may have and be interested in renting a spare room/granny flat to a skilled migrant worker. External support to manage this type of program, such as fee-for-service tenancy management by the Housing Trust, would be required.
- Approaching local short-term rental accommodation (STRA) / AirBnB providers in close proximity to certain facilities about options for renting their accommodation for workers.
- Exploring joint venture partnerships. Warrigal notes that it has previously explored options of entering into a joint venture partnership with a community housing provider (like the Housing Trust) to develop and provide housing that could provide accommodation for some of its workforce (skilled migrants and domestic). As at late 2022, the organisation is in transition under a new CEO. Whilst partnership development remains an option, the priority for Warrigal is ‘providing housing and care for older people’ above ‘providing housing for workers’.

### 3.4.6 Existing Shellharbour Hospital site

#### Overview of Existing Site and Planning

The NSW Government is undertaking significant health infrastructure projects in the Illawarra Shoalhaven Local Health District including construction of a new hospital in Shellharbour on a new site at Dunmore.<sup>41</sup>

As at November 2022, there have been no public announcements regarding the future of the existing Shellharbour Hospital site at Mount Warrigal. There are no applications registered on the DPE Major Projects State Significant Projects website or on Shellharbour City Council DA Tracking website.

The existing Shellharbour Hospital is located at 15-17 Madigan Boulevard, Mount Warrigal. The site is zoned SP2 Infrastructure. It is adjacent to the Shellharbour TAFE campus, likewise SP2 zoned land and is in close proximity (opposite Lake Entrance Road) to the B3, B4, B5 and R3 zoned areas in and around the Shellharbour City Centre.



Figure 3-6: Shellharbour Public Hospital at Mt Warrigal

Source: JSA 2019.

The Shellharbour LEP 2013 dictionary definition of *hospital*<sup>42</sup> includes ancillary facilities including **accommodation for nurses or other health care workers**. As such, it would appear that there is potential for the site and existing infrastructure to provide ‘meantime use’ and perhaps longer-term key worker housing for health and hospital workers under the existing zoning whilst health services continue to be provided on the site in some capacity.

<sup>41</sup> [https://www.health.nsw.gov.au/news/Pages/20220624\\_00.aspx](https://www.health.nsw.gov.au/news/Pages/20220624_00.aspx), accessed 18/11/2022.

<sup>42</sup> **Hospital** means a building or place used for the purpose of providing professional health care services (such as preventative or convalescent care, diagnosis, medical or surgical treatment, psychiatric care or care for people with disabilities, or counselling services provided by health care professionals) to people admitted as in-patients (whether or not out-patients are also cared for or treated there), and includes ancillary facilities for (or that consist of) any of the following—  
(b) accommodation for nurses or other health care workers,  
(c) accommodation for persons receiving health care or for their visitor.



The existing Shellharbour Hospital site at Mt Warrigal may provide **opportunities for ‘meanwhile use’ and/or more permanent accommodation for key workers** in the health and hospital system whilst decision are being made for its future use.

It is also noted **that any future redevelopment of this sites should provide at least 30% affordable rental housing** in accordance with aspirations in the Greater Cities Commission (2022) *Discussion Paper*.<sup>43</sup> The ability of the site to providing affordable housing for key workers in the health and caring industries, as well as students and workers at the adjacent TAFE campus, should be considered in the long-term planning for the future use of this public site.

### 3.5 Secondary Dwellings – ‘The Housing Pipeline’

An innovative project to fast-track the supply of Secondary Dwellings on ‘lazy assets’ to provide an important source of lower-cost rental for key workers was identified during the research.

"The Housing Pipeline" is in the process of development and ‘proof of concept’ at the time of writing, has been developed by Natalie Allan of MMJ Real Estate. The project identifies existing smaller residential landlords or ‘mum and dad investors’, who are currently renting out a house on a larger block of land, where zoning and controls are appropriate for the addition of a Secondary Dwelling, either built or in the form of a manufactured home.

Provided controls, such as setbacks, can be achieved, this means that such a development would be assessed as Complying Development under the State Environmental Planning Policy (Housing) 2021, and therefore able to be determined for approval by a private certifier rather than as a Development Application. Secondary Dwellings created in the "The Housing Pipeline" are able to be secured as rentals off- the-plan as part of a head-leasing process, where for example, an employer could secure a number of such dwellings for lower paid key workers where they are having trouble attracting or retaining such staff.

Other council areas are also promoting the benefits of ‘tiny homes’ and smaller manufactured homes in contributing the stock of granny flats of Secondary Dwellings.<sup>44</sup>

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<sup>43</sup> Greater Cities Commission (September 2022) *The Six Cities Region Discussion Paper: Delivering global competitiveness and local liveability*, p 42.

<sup>44</sup> See for example <https://www.cgrc.nsw.gov.au/wp-content/uploads/2020/10/GRANNY-FLATS-TINY-HOUSES-CARAVANS.pdf>





Figure 3-7: Example of a smaller manufactured (or ‘tiny’) home as a Secondary Dwelling

Source: <https://www.cgrc.nsw.gov.au/wp-content/uploads/2020/10/GRANNY-FLATS-TINY-HOUSES-CARAVANS.pdf>

It is not known what the take-up of this initiative has been to date, and the project is in its early days. However, it has the potential to significantly add to the stock of smaller, lower cost dwellings for rent, as well as urban and approvals efficiency in the Region.

## 4 ‘Facilitative’ Strategies & Mechanisms

### 4.1 Overview of Findings and Recommendations

This section provides an overview of key findings and recommended strategies and actions from **Sections 4.2 and 4.3** below in relation to facilitative strategies and mechanisms to create affordable and lower cost housing through the market.

As discussed, it is likely that the market would be able to provide for only around 10% of projected affordable housing need under the existing planning and regulatory regime and market conditions. However, this could be improved (perhaps to around 15% or so of need) if there was an increase in smaller (studio, one and two bedroom) strata dwellings in Residential flat buildings and Multi dwelling housing lower cost localities. This would mainly benefit moderate income renters, and market supply of diversity and rental more generally, noting that around 50% of apartments enter the private rental market compared with 15% of houses. The lack of growth in housing diversity across most of the Region over the past 15 years or so is noted in this regard.

It is also important to actively facilitate an increase in the supply of special rental housing products such as Boarding Houses, Co Living Housing, and permanent rental sites and lower cost cabins in caravan parks under the NSW Housing SEPP, noting that these would be of significant benefit to smaller low income renting households where they are developed in non-premium localities. It is noted that there is a very constrained supply of such accommodation across the LGAs, and virtually none of these more affordable housing products in Kiama LGA.

It is therefore important that there are **no impediments to the delivery of such accommodation** through local planning instruments in well located areas, and to provide for additional incentives for the market delivery of such housing where this is justified economically. Local **Councils have a crucial role to play** in actively seeking to facilitate the supply of such dwellings and housing products through their planning and assessment processes.

#### 4.1.1 Remove Impediments in Local Planning Instruments

Removing Planning Constraints based on Modelling the Economics of Redevelopment (see Section 4.2.1 below)

A detailed analysis of the economics of redevelopment has been undertaken by JSA, and is summarised in **Section 4.2.1 below**, and in detail in **Appendix 4: The Economics of Redevelopment**.

The following are recommended strategies to address the main impediments or unintended barriers to the development of more affordable, diverse and lower cost housing types through the market in the four LGAs.

## Recommended Strategies and Actions

It is recommended that regional **Councils consider the following amendments as part of their review of local planning instruments** in order to remove the main impediments identified to the development of more affordable, diverse and lower cost housing types, and to actively facilitate their development.

- Extend more liberal planning controls to the area south of Wollongong suburb, to ensure an ongoing supply of developable opportunities.
- Remove additional DCP constraints on set back and height in Warrawong, and adopt zero front, side and rear setbacks, with uniform height across the B3 zone of 24 metres and FSR 2.5:1.
- Consider opportunities for additional height and density in Corrimal B2 and R3 zones.
- Consider opportunities for increased height in Oak Flats B2 zone.
- Assess opportunities to extend areas covered by higher density controls around key centres.
- Consider opportunities for residential ground floor uses in business zones, including provision of adaptable apartments, which can be converted to commercial uses if its viability increase in the future.
- Remove impediments to provision of parking as a ground floor use in business zones in Shop top housing.
- Ensure that parking controls in centres reflect actual rate of vehicle ownership, and provide further discounts for proximity to railway stations, bus stops and business zoned areas in all key centres.
- Provide additional height in Corrimal B2 and R3 zones; Warrawong B3 zone; Dapto B2 zone, B4 and R3 zone; Oak Flats B2 zone; Kiama B2 zone; and Ulladulla B3 zone to ensure that the available FSR can be utilised, including in conjunction with the provision of parking in parking stations.
- Remove all DCP controls on Residential flat buildings and rely on the Apartment Design Guide.
- Avoid small incremental changes in planning controls when up-zoning land, as redevelopment for one use will quarantine land against further development when land is further up-zoned.
- Promote opportunities for development of Residential flat buildings, Multi dwelling housing and small lot housing in Greenfields release areas, including consideration of mandatory provisions.
- Promote the uptake of available bonuses under SEPP (Housing) 2021 for Seniors housing and for Co living housing with local developers through information sessions and workshops.

## Other Factors Affecting Purchase Affordability from Regression Analysis on EAC Red Square Data Base (see Section 4.2.2. below)

A range of other factors were also assessed as part of a linear regression of all sales of dwellings and vacant land reported in the EAC Red Square data base by JSA. This is summarised in **Section 4.2.2 below**, and in detail in **Appendix 6: Red Square Purchase Affordability Analysis**.

The following are recommendations to address other factors that have found by JSA to have an impact upon cost and reduced affordability of purchase in the local context.

### Recommended Strategies and Actions

It is recommended that the following **strategies be considered by regional Councils** to improve affordability and reduce cost of land and dwellings in accordance with the findings of JSA's regression analysis in **Appendix 6** to this report.

- Maintain and increase the supply of urban land in the generally lower priced areas of West Dapto (Avondale and Calderwood), west Albion Park (Tongarra) and Nowra (Cambewarra), by bringing forward up-zoning of rural land to urban land.
- 
- Develop master planning or other controls mandating a proportion of smaller dwellings in Residential flat buildings and Multi dwelling housing development. Councils could consider **mandating a proportion** of studio apartments of no more than 40 m<sup>2</sup> and one bedroom, one bathroom dwellings with a maximum floor area of 55 m<sup>2</sup> in Multi dwelling housing developments, Shop top housing developments and Residential flat developments in areas within 400 metres of town centres (for example, one dwelling in five or 20% of dwellings). Councils could also consider **mandating a proportion** of two bedroom, one bathroom dwellings with a maximum floor area of 75 m<sup>2</sup> in multi dwelling housing developments and residential flat developments in areas within 400 metres of town centres (for example, two in five or 40% of dwellings).
- 
- Develop master planning or other controls mandating a proportion of sites (for example, 10% of lots) to be allocated for Residential flat buildings and Multi dwelling housing in greenfield developments, with a proportion of lots to be allocated to Multi dwelling housing and/or Residential flat buildings with mandatory provisions for smaller one and two bedroom dwellings (i.e. with one bathroom and a maximum floor area of 55 m<sup>2</sup> and 75 m<sup>2</sup> respectively).
- 
- Reduce minimum lot sizes to facilitate the delivery of small lot housing, including row housing in greenfield developments. A lot size of 150 m<sup>2</sup> with FSR of 1.0:1 and height of 8.5 metres when coupled with rear lane access and reduced parking requirements (one space per dwelling) would allow for construction of a three bedroom home as two storey row housing, and such a dwelling would be affordable to most moderate income households.
-

- Ensure that parking controls reflect actual rates of vehicle ownership, to avoid oversupply of parking spaces with development. Recommended parking requirements are:
  - One bedroom row houses 1.0 spaces per dwelling
  - Two bedroom row houses 1.0 spaces per dwelling
  - Three bedroom row houses 1.0 spaces per dwelling plus provision for one space per dwelling as on street parking

## 4.1.2 Systemic Issues in Local Planning and Approvals Processes

### Rationale

**Planning and approvals processes** that slow down or restrict delivery of smaller more diverse housing products like small-lot subdivisions, Residential flat buildings, Multi dwelling housing and Boarding Houses has been explored in consultations and research for this Strategic Options Report.

Issues raised in interviews included Council staff shortages; loss of experienced local government staff to better paid private and State Government jobs; an increasingly complex planning and approvals system; frequent community opposition to diversity and density, despite widespread acceptance in the community that affordable housing is major issue; lack of support and targets for more diverse housing types despite stated planning objectives by State and local government; relatively onerous planning and design requirements for more diverse housing; and lengthy referral timeframes to external agencies.

Council note in feedback provided to this Strategic Options Report that they have or are putting place processes to ensure more efficient assessment and approvals processes, including taking up offers of ‘flying squad’ staff, and internal reviews. Private sector developers interviewed report and understanding of the constraints faced by regional Council, but nonetheless stress the impost that undue delays and more complicated processes place on development, particularly higher density forms of development, with attendant increases in cost and impacts on supply and affordability.

Increasing the supply of smaller, more diverse and lower cost housing types is critical in the current housing market context, and needs a continuation of proactive measures by all Councils to ensure that such developments are expedited wherever possible to increase the urgent need for such supply. Community awareness raising is also a critical leadership role of local government, as well as of Business Illawarra and other stakeholders, in promoting support for such developments.

### Recommended Strategies and Actions

It is recommended that:

- Councils consider reviewing their internal processes to reduce assessment times for smaller, more diverse housing types such as Residential flat buildings, Multi dwelling housing, Boarding Houses, Co-Living Housing, Dual occupancies and Secondary dwellings wherever possible;
- Councils seek to expedite developments that have a demonstrated ability to provide affordable housing, in accordance with statutory benchmarks;

- Councils continue to monitor their performance in this regard, including against State averages, as well as their performance against targets for well located, smaller strata dwellings in their LGAs;
- Councils and Business Illawarra provide an important leadership role with their local communities in developing a **community education campaign** about local and regional affordable housing need, and the importance of increased housing diversity and more efficient approvals processes in providing for low cost and (for some) more affordable housing types to increase community acceptance and reduce community opposition.

### 4.1.3 Actively Facilitating Lower Cost Housing Types (see Section 4.3 below)

#### Smaller Strata Dwellings

The strategies and mechanisms outlined above are likely to assist in facilitating an increase in smaller strata dwellings, and should be implemented by each local Council to the greatest extent practicable in their local planning schemes.

#### Caravan Parks

##### Rationale

Permanent sites in lower cost residential caravan parks, and smaller park-owned cabins can provide an important source of affordable accommodation for low income renters, and even some very low income renters in lower cost areas. There is a crucial need to actively facilitate an increase in the supply of such accommodation in each LGA.

##### Recommended Strategies and Actions

It is recommended that:

- Local Councils and State Government be informed of the urgent need to **increase the number of permanent sites in caravan parks**, and lower cost MHEs, and to ensure that **existing permanent sites are protected** through the use of mechanisms such as Council's requiring a social impact assessment and appropriate mitigation under section 4.15 of the Act.
- There is **liberal zone permissibility** for residential caravan parks throughout the Region's LGAs, and to proactively identify additional sites for caravan parks on private and council-owned land as discussed elsewhere.
- Such developments can also take the form of a '**meantime use**' on rural land in the case, for example, of major infrastructure projects that result in an influx of often higher paid itinerant workers that can outcompete the local renting population, which should be developed as a housing option in the Region.

#### Boarding Houses

##### Rationale

Boarding Houses (and likely Co-living Housing) provide one of the only housing types affordable to many low income renters in the Region, and have the capacity to be affordable to very low income renters in some low cost localities.



## Recommended Strategies and Actions

It is recommended that:

- Boarding Houses and likely Co-living Housing be actively facilitated by Councils as one of the only forms of accommodation genuinely affordable to very low and low income smaller households, including low income key workers, in many parts of the Region;
- There be a community education campaign that seeks to increase community support for these housing types.

This is looked at in detail in **Sections 4.2 and 4.3 below**.

## 4.2 Remove Impediments in Local Planning Instruments

### 4.2.1 Removing Planning Constraints based on Modelling the Economics of Redevelopment

#### Overview

This section reports on the results of preliminary modelling of the feasibility of redevelopment for more diverse housing types in key urban centres and growth areas in the four regional LGAs (see **Appendix 4: The Economics of Redevelopment** for detailed modelling and analysis).

The modelling required a review of relevant planning controls in the four LEPs and DCPs to understand undue constraints on redevelopment for diverse housing types (principally Residential flat building and Multi dwelling housing), and an understanding of the local housing market to examine the economic feasibility of re/development for such housing types.

In addition, modelling considered opportunities generally available under the NSW Housing SEPP to private sector developers to increase supply of smaller, more diverse and well-located housing through the market, principally bonuses available for Co-living Housing, and Seniors Housing. It is noted that other provisions of the Housing SEPP are available for developments carried out and/or managed by Community Housing Providers (CHPs), including in relation to Boarding Houses and Infill Affordable Housing. These are looked at in relation to potential partnership sites in **Section 6.3** below.

The SEPP also contains limited provisions to support Built to Rent housing, however, JSA could not identify any advantage to the application of these provisions in the four LGAs.

The Illawarra Shoalhaven Regional Plan 2041 identifies a number of key centres and growth areas.<sup>45</sup> These include:

- The metropolitan city of Wollongong;
- The regional cities of Shellharbour and Nowra;

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<sup>45</sup> NSW Government (2021) *Illawarra Shoalhaven Regional Plan 2041*, Map 1.

- The strategic centres of Corrimal, Warrawong, Dapto, Oak Flats, Kiama, Gerringong, Jervis Bay–St Georges Basin and Milton–Ulladulla; and
- The growth areas of West Lake Illawarra, Bombo and Nowra Bomaderry.

This analysis largely focuses on these precincts, where it would be good practice to facilitate smaller, more diverse housing types where the market would be expected to take up such opportunities.

A summary of findings and recommendations from the analysis are provided below, with detailed review of planning instruments and economic modelling provided in **Appendix 4**.

## Summary of Findings

### Viability of Redevelopment

Redevelopment for Residential flat buildings was estimated to be economically viable in the following centres:

- Wollongong B3 and B4 zones due to a combination of higher dwelling prices and opportunities for value uplift from generous height and density provisions;
- Corrimal B2 and R3 zones due to high dwelling prices and some uplift from height and density provisions;
- Dapto B3, B2 and B4 zoning, noting that modelling may be optimistic as strata sales may not reflect prices for apartments, and modelling optimistically assumes that commercial development will recover costs;
- Shellharbour City B3, B4 and R3 zones, due to high dwelling prices and a supply of undeveloped land;
- Oak Flats B4 zoning, due to a supply of undeveloped land;
- Kiama B2 and R3 zones, due to high dwelling and commercial prices;
- Gerringong B2 and R3 zones, due to high dwelling and commercial prices;
- Vincentia B2 zoning, due to high dwelling prices and availability of undeveloped land;
- St Georges Basin B4 zoning, due to high dwelling prices and availability of undeveloped land; and
- Ulladulla B3, B4 and R3 zoning, due to high dwelling prices.

It is noted that, while redevelopment in these areas is economically viable, redevelopment is unlikely to result in the delivery of ‘affordable’ dwellings, although amended controls as recommended would reduce cost and increase supply and diversity, which is likely to have flow on effects to increased levels of private rental housing.

Redevelopment for strata dwellings was unlikely to be viable in the following centres:

- Warrawong B3, B4 and B3 zoning, due to low dwelling prices and restrictions on height and set back arising from the architectural vision set out in the DCP;
- Oak Flats B2 and B4 zoning, due to low dwelling prices and the low value of commercial space; and
- Nowra B3, B4 and R3 zones, due to low dwelling prices.

As such, the areas where redevelopment for strata dwellings is most likely are those areas where creating them will not necessarily lead to affordable housing through the market for low and moderate income workers, although increase supply will be still be beneficial in terms of lower cost and more diverse housing for the growing number of smaller households. The areas where affordability could be achieved, such as Warrawong, Oak Flats and Nowra, as less likely to be viable for redevelopment at this stage.

## Factors Affecting Viability of Redevelopment

The Greater Cities Commission's *Six Cities Region Discussion Paper* sets out an aspirational target of at least 25% of new dwellings as smaller strata dwellings, Boarding Houses and the like in key centres. Although Councils rely at least in part on appropriate zoning to achieve targets, such redevelopment is not always economically viable in the local housing market context. For example, the available development opportunities will not generally be taken up until shortages of supply mean that the price of dwellings increases to a point where redevelopment becomes viable. The four main impacts on the economics of redevelopment are the price of dwellings, the level of uplift available, the availability of developable land and the cost of the form of construction.

The price of dwellings in the locality is a major driver, as the price must be sufficiently high to recover the cost of construction, and to amortise the land purchase, including the existing use. The price of dwellings is set by supply of dwellings in a particular locality (with variations between localities set by amenity). Development in lower priced (and likely lower amenity) areas such as Warrawong, Oak Flats and Nowra, is more likely to deliver affordable housing, however development in these regions was not economically viable and was not observed to be occurring. Due to lack of viability in lower priced markets, it seems unlikely that redevelopment for Residential flat buildings and Shop top housing will lead to an increase in the supply of affordable housing in the short term; however increasing supply may lead to a fall in prices and in rents in the medium term, and so perhaps some marginal change in housing affordability.

The level of uplift available (in terms of dwellings per square metre of land) affects opportunities for redevelopment, as the greater the level of uplift, the lower the land purchase cost per dwelling, and the greater the incentive to redevelop land. Uplift is increased by permissibility of higher density forms such as Residential flat buildings, greater height, greater FSR and reduced boundary set backs. This can be most clearly seen in **Wollongong City Centre**, where high levels of uplift have led to extensive redevelopment in recent times.

In those areas assessed as unlikely to be viable, additional uplift is unlikely to facilitate redevelopment in **Nowra**, as sales prices are close to the cost of construction. It is likely that redevelopment in **Warrawong** could be facilitated by a change in controls, as the centre contains tracts of low value land used for at grade parking; however, development is constrained by a pastiche of height and set back controls, put in place to deliver an architectural vision for the centre. Adoption of a uniform height of 24 metres, FSR of 2.5:1 and zero side, rear and street setbacks with other set backs according to the Apartment Design Guide would be expected to improve the viability of development in this centre. Redevelopment in **Oak Flats** may be facilitated by an increase in height in the B2 zones. The generally low level of controls in **Corrimal** compared to Warrawong and Dapto is also noted, and greater height and density in Corrimal may facilitate development within the existing market.

The availability of larger under-developed lots is important for redevelopment, as areas with appropriate zoning controls, but containing high value development, will provide few opportunities for redevelopment. Where there are lower value uses, many owners will not choose to redevelop for a variety of reasons, and the need for site amalgamation will further limit development opportunities. This is most likely to be of concern in the **older shopping strip areas** of centres, where ownership is made up of many smaller lots. Generally, the areas assessed contain larger areas with low value uses, such as at grade parking, where redevelopment could be supported, however as development progresses, these areas will become rarer, and so opportunities to increase the area covered by more liberal controls need to be identified, particularly **older light industrial areas** with low rise development on larger lots.

Feasibility of redevelopment is also dependent on the form of construction, with some forms of construction cheaper than others. Traditional low-cost forms of Residential flat building construction such as three storey walk-ups are no longer being built due to the constraints of the Apartment Design Guide. As a result, sites with height of three storeys or less are unlikely to be developed as Residential flat buildings; and are more likely to be developed for two storey Multi dwelling housing. **Break even planning controls for Residential flat buildings is likely to require height of at least four storeys.**

Provision of **commercial and retail space is a disincentive to redevelopment in business zones** in most markets, with the exception of **Kiama and Gerringong**. While data is not available for some localities, this conclusion is supported by the lack of take up of the generous FSR bonus for commercial property in **Wollongong City Centre**, the minimisation of ground floor commercial development in this Centre, and research in other markets. The provision of parking as **underground parking** rather than as a ground floor use in shop top housing development will also adversely affect viability. All modelling assumed that parking could be provided as a parking station as appears to be typical in development in Wollongong City Centre, but this may not be compatible with the definition of Shop top housing.

DCP provisions requiring a **high level of parking are a significant impost to the viability** of redevelopment, and provisions requiring parking to be provided underground (such as parking not being an appropriate ground floor use in Shop top housing) will either reduce yield (through loss of site area due to providing at grade parking) or will not be viable in other than the most expensive markets, due to the high cost of providing underground parking. In other cases, the provision of parking as a parking station will reduce yield due to height and set back criteria.

Parking controls should have reference to **actual levels of parking** and these can be determined through ABS Census data. In addition, further parking discounts can be applied due to proximity to public transport and **B2 and B3 zones** providing walkability. Wollongong DCP contains provisions allowing up to a 30% discount in parking due to proximity to railway stations and bus stops, which could be replicated in other Council's DCPs. The following table shows actual average vehicle ownership for different size apartments and medium density housing type by LGA in 2021.

Table 4.1: Actual level of car ownership per dwelling

	Wollongong LGA	Shellharbour LGA	Kiama LGA	Shoalhaven LGA
<b>Apartments</b>				
Bedsit	0.7	No data	No data	No data
One bedroom	0.8	0.9	0.8	0.6
Two bedroom	1.1	1.2	1.1	1.1
Three bedroom	1.6	1.5	1.4	1.4
<b>Medium density</b>				
One bedroom	0.7	0.7	0.8	0.7
Two bedroom	1.1	1.1	1.2	1.0
Three bedroom	1.5	1.6	1.6	1.4

Source: JSA 2022, based on data from ABS (2021) Census of Population and Housing

**Adequate height** should be provided to ensure that FSR can be fully used. In a number of cases assessed (Corrimal B2 and R3 zones; Warrawong B3 zone; Dapto B2 zone, B4 and R3 zone; Oak Flats B2 zone; Kiama B2 zone; and Ulladulla B3 zone) it is **unlikely that the allowable FSR can be fully utilised within the available height and setbacks**, especially if parking is provided either in a parking station or as at grade or undercroft parking.

Some DCPs in the Region contain **architectural controls** on Residential flat buildings and Shop top housing that are **more onerous** than those contained in the Apartment Design Guide (ADG). The ADG itself is quite restrictive, effectively preventing construction of traditional forms of low cost Residential flat buildings such as three storey brick and tile walk-ups on amalgamated suburban lots due to set back requirements.

The ability of planning controls to quarantine land from further development due to redevelopment within existing controls is also noted. For example, an area containing older housing on larger lots is likely to be developed for dual occupancies or lots to be subdivided, and so if such areas are later rezoned for higher uses (such as Residential flat buildings with increased height and FSR) there are likely to be few developable lots available.

The viability of development of Greenfields sites has not been assessed here, and is not considered necessary as the market is currently delivering land in all LGAs, with the exception of Kiama. However, the development of higher density housing such as Multi dwelling housing, Row housing and Residential flat buildings on **vacant land will generally be more feasible** than redevelopment, and so planning controls, including master plans, should allow for larger lots suitable for Multi

dwelling housing and Residential flat buildings, and for smaller lots suitable for Row housing or similar, e.g. 150m<sup>2</sup>.

**SEPP (Housing) 2021** also provides a number of opportunities to increase yield on land zoned for Residential flat buildings through the market. Of these, the most likely to be taken up is the **FSR bonus for Seniors Housing**, as this bonus also allows for additional height of one storey, and so can be taken up by the private sector in all regional markets. Take up of the bonus is subject to the development meeting accessibility requirements under the SEPP. **Take up will increase yield and viability in all centres and should be actively promoted.**

SEPP (Housing) 2021 also provides **bonus FSR for Co living housing**. The economic viability of such development is low, but might suit an investor looking for a low-risk investment. The bonus FSR does not come with additional height and so cannot be taken up in all markets assessed. Those where the bonus is likely to be accessible are Wollongong B3 zoning, parts of the Warrawong B3 zone, Dapto B3 zone, Dapto B2 zone and Shellharbour R3 zone.

#### 4.2.2 Other Factors Affecting Purchase Affordability from Regression Analysis on EAC Red Square Data Base

**Section 6.6.3** of *Background Paper* reports on a detailed analysis of the affordability of different housing purchase products by Postcode area across the Region, and indicates the highly unaffordable market in virtually all areas.

A linear regression analysis of this Red Square sales data has also been conducted to find out what effect things like suburb, number of bedrooms, number of bathrooms, parking and lot size have on the price of different types of dwellings in different areas. This assists in understanding what actions through the market or the planning system could be beneficial in reducing cost, and increasing affordability, noting that reducing the purchase price of housing and making certain dwelling types more viable would be expected to flow on to decreasing rental costs with sufficient supply.

In summary, the analysis finds that adding bedrooms, bathrooms, and car spaces to dwellings made them more expensive. Adding extra land to non-strata properties made them more expensive. Controlling for other factors, such as dwelling amenity and parking, certain localities attracted premium prices.

- In **Wollongong LGA**, prices were higher for all types of properties in the suburbs north of Bulli, and lower in suburbs like Dapto, Avondale, and Cringila.
- In **Shellharbour LGA**, prices were higher in Shellharbour suburb and Shell Cove, and lower in Albion Park and Albion Park Rail.
- In **Kiama LGA**, prices were high across the whole LGA, and were particularly high in Gerroa and Kiama Heights.
- In **Shoalhaven LGA**, prices were highly dependent on location, being higher in certain seaside suburbs and in Berry, and much lower around the Nowra area including Bomaderry and Worrigeer.



As such, **creating housing in non-premium areas, particularly smaller, more diverse housing**, is more likely to add to the stock of lower cost, if not always affordable, housing for a longer time period than in an area which is already expensive and rapidly appreciating.

The table below provides a summary of factors in the regression at **Appendix 6** that have a statistically significant relationship with reducing the cost, and improving the potential affordability of strata and non-strata dwellings and vacant land.

It can be seen that there are large effects for number of bedrooms, particularly in Kiama, where each additional bedroom in a strata dwelling, for example, in Kiama adds \$356,000 to the cost of a dwellings, as does each additional bathroom, particularly in Wollongong (+\$165,000).

There was also a large significant effect for additional bathrooms in separate houses, particularly in Kiama, although the very large effect is likely a proxy for amenity, or other factor. Reducing the size of lots would be expected to have a positive impact on purchase price, and potentially affordability in all areas apart from Kiama, where cost is more related to its premium location.

Table 4.2: Summary of regression analysis of Red Square sales by LGA or selected suburb

Property type	Variable	Wollongong LGA	Shellharbour LGA	Kiama LGA	Shoalhaven LGA
Strata	Bedroom	\$179,000	\$83,000	\$356,000	\$128,000
	Bathroom	\$165,000	\$99,000	NSS	\$88,000
	Car space	\$63,000	NSS (1)	NSS	NSS
Non-strata	Bedroom	\$66,000	\$56,000	\$167,000	\$39,000
	Bathroom	\$137,000	\$119,000	\$419,000	\$224,000
	Car space	\$32,000	\$24,000	-\$165,000	NSS
	Lot size (per m <sup>2</sup> )	\$444	\$519	NSS	\$490
Vacant land	Lot size (per m <sup>2</sup> )	NSS	\$495 (2)	NSS	\$548

Source: JSA 2022, based on EAC Red Square database.

**Table Notes:** (1) NSS - Not statistically significant (2) Land in Calderwood Suburb only

In terms of **vacant land**, there was a statistically significant relationship between size and reduced cost in a few localities in Shellharbour and Shoalhaven LGAs, but not in Kiama or Wollongong.

- In **Calderwood in Shellharbour LGA**, each extra square metre of land adds \$495, controlling for other factors. Reducing the size to 150m<sup>2</sup> would drop the price to \$311,000, which would make the lot with a dwelling, at \$521,000 in total, affordable to the top 13% of moderate income households.



- In **Shoalhaven LGA**, lot area was a statistically significant predictor of price, with each extra square metre of land adding \$548 to the price of a lot. In areas such as South Nowra, Sanctuary Point, or Sussex Inlet, reducing the size to 150m<sup>2</sup> would drop the price to \$226,000, which would make the lot with a dwelling, at \$436,000 in total, affordable to 55% of moderate income households.

Similarly, reducing the lot size for non-strata dwellings (houses), or providing opportunities for smaller lots through villas, townhouses and the like, in cheaper areas such as Dapto, Albion Park Rail, Nowra, Bomaderry and Worrigeer, and providing smaller (two and three bedroom) entry level homes with one bathroom and one parking space can open up affordable purchase to many moderate income households, and in the case of Worrigeer, to low income purchasers.

See **Appendix 6: Red Square Purchase Affordability Analysis** for detailed modelling and analysis.

## 4.3 Actively Facilitating Lower Cost Housing Types

### 4.3.1 Smaller strata dwellings

The strategies and mechanisms outlined above are likely to assist in facilitating an increase in smaller strata dwellings, and should be implemented by each local Council to the greatest extent practicable in their local planning schemes.

### 4.3.2 Boarding Houses

As discussed in **Section 6.7** of the *Background Report*, Boarding Houses developed under the Housing SEPP are providing an important source of flexible, lower cost (and in some areas) affordable accommodation for low income key workers and other groups that are more vulnerable in the housing market.

The most common industry and occupational groups currently housed in regional Boarding Houses include labourers, technicians and trades workers, and community and personal service workers, accommodation and food services, manufacturing, health care and social assistance, agriculture and retail trade.

Likewise, it is likely that Co-Living Housing would also provide for lower cost, flexible accommodation for low and moderate income smaller working households, particularly in lower cost areas.

*A local Illawarra developer interviewed for this research has set an ambitious goal, to be the largest provider of affordable housing in Australia. Since 2016, his company has delivered a range of smaller, more diverse housing projects including eight boarding houses providing 127 units of lower cost accommodation in the Region. He is also in the process of setting up a registered Community Housing provider to manage Boarding Houses created under the Housing SEPP.*

*After learning about the House in Multiple Occupation (HMO) style of shared accommodation while living and working in the UK, working for years as a property manager in southwest Sydney and undertaking a number of owner-builder projects, this developer has a unique sense of what housing style is required and what*

*will work to both deliver lower cost housing that is affordable for lower income households and deliver returns that can be put back into the company to both maintain the housing it retains and to deliver more housing.*

*The model for delivery is based on a series of joint-venture partnerships on different sites, with project planning and development delivered by one entity, an in-house building company that keeps building costs down to wholesale, a recently registered CHP arm that will ensure high quality tenancy and asset management of properties retained for social and affordable rental housing, and other housing assets created sold and/or retained for longer-term investment to continue to deliver more lower cost and affordable housing.*

*Their approach is perhaps no different to other types of developers, it is just that few have chosen to specialise in the delivery of this type of housing product, particularly boarding houses and co-living properties. By putting together and going through the assessment process for multiple applications for these types of development, they have been able to refine their offering and work out a ‘goldilocks’ style of boarding house/co-living facility that is not too big, not too small but just right to meet the affordability and amenity needs of future residents and neighbours and importantly be less likely to result in significant community opposition that could derail an application’s prospects.*



Figure 4-1: Artist impression of proposed boarding house at 82 Jervis Street, Nowra

Source: brett taylor + associates, architectural plans, 18/1/21, Drawing No. A17

As noted in **Section 4.3** of this report, the developer has had a range of delays through the planning and approvals system that have significantly slowed some of these developments. It is important that local Council’s proactively facilitate such low cost and often affordable development wherever possible to fast track one of the only forms of accommodation genuinely affordable to low income key workers in most of the Region.

### 4.3.3 Caravan Parks

#### Rationale

As discussed in **Section 6.8** of *Background Report*, permanent residential sites and lower cost park-owned cabins are also providing an important source of flexible, lower cost and affordable accommodation for low income key workers and older people on pensions and benefits.

The most common occupations were labourers, machinery operators and drivers, technicians and trades workers, community and personal service workers, and those working in accommodation and food services, health care and social assistance, retail trade and construction.

However, there has been an ongoing loss of permanent residency in lower cost caravan parks across NSW for at least the past three decades through ongoing conversion to more profitable tourist sites and to up market lifestyle MHEs, which generally include factors that increase cost, including exclusive supply arrangements and restrictions in what type of dwellings can be placed on the park or estate.<sup>46</sup>

Kiama Council-owned parks are a case in point, noting that all five Council-owned parks have tourist only uses, have a 27-day stay limit, with the weekly tariff on a cabin of around \$1,800. This represents a significant lost opportunity to accommodate low income key workers employed in local aged care, cafes, pre-school and the like in one of the Region's most expensive housing markets.

There is an urgent need to **increase the number of permanent sites in caravan parks**, and lower cost MHEs, and to ensure that **existing permanent sites are protected** through the use of mechanisms such as Council's requiring a social impact assessment and appropriate mitigation under s 4.15 of the Act.

There is also a need to ensure that there is **liberal zone permissibility** for residential caravan parks throughout the Region's LGAs, and to proactively identify additional sites for caravan parks on private and council-owned land as discussed elsewhere.

This can also take the form of a '**meantime use**' on rural land in the case, for example, of major infrastructure projects that result in an influx of often higher paid itinerant workers that can outcompete the local renting population.

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<sup>46</sup> Stubbs, J. 2003. Battle for the Right to the City, PhD Thesis, School of Town Planning and Social Science, RMIT.

## 5 ‘Mandatory’ Mechanisms

### 5.1 Overview of Findings and Recommendations

This section provides a summary of key findings and recommendations from Sections 5.2 to 5.4 below in relation to mandatory strategies and mechanisms to create affordable rental housing in perpetuity through the planning system.

As noted, given the deep subsidies required to create genuinely affordable housing in the local and regional housing context, and the fact that the market will generally not be able to provide for the needs of most of the relevant target groups, such mandatory strategies (and direct creation, discussed in Section 6 below) are the main ways that affordable rental housing will be created.

The support and actions of local Councils, [as well as State Government](#), are crucial in this regard.

#### 5.1.1 Mandate Contribution to Affordable Housing (see Section 5.2)

##### Rationale

The provisions of section 7.32 of the *Environmental Planning and Assessment Act 1979 (NSW)* now cover all of the State, and allow the development of an Affordable Housing Contribution Scheme by all NSW Councils, provided the Council can demonstrate economic viability bases of land value uplift from rezoning, or significant up-zoning, and affordable housing need.

JSA has undertaken preliminary economic modelling using the DPE Viability Tool and related modelling on rezoning of greenfield sites to model potential uplift in indicative redevelopment sites, and has applied the same methodology to understand the likely uplift from rezoning of rural to residential land.

In relation to a change of zoning from rural to residential in greenfield sites, the preliminary analysis finds that:

- There is sufficient land value uplift to provide for an affordable housing contribution of at least 15% in perpetuity (in cash, land or dwellings) in all rural to residential rezonings modelled in the four LGAs;

Modelling of indicative scenarios involving up-zoning in major urban centres also indicates that it would likely be worth pursuing an Affordable Housing Contribution Scheme:

- In Wollongong City Centre, supported by an increase in residential FSR, with a preliminary contribution of around 6% of GFA; and
- In Kiama B2 zone, supported by additional Height of 3.0 metres, with an affordable housing contribution of 9% likely to be viable on preliminary modelling.

## Byron Shire Council Case Study

The methodology for greenfield sites and the Affordable Housing Contribution Scheme, developed by Judith Stubbs & Associates, has recently been approved by DPE for urban release areas in Byron Shire, where three precincts (Byron, Mullumbimby and Bangalow) will be subject to an affordable housing contribution of 20% of developable land to create affordable rental housing in perpetuity.

A link to the Scheme is provided below, followed by a Scheme map for Mullumbimby precinct.

file:///C:/Users/judy/Downloads/Affordable-housing-contribution-scheme-adopted-by-Council-11-August-2022-26.2020.2.1.pdf



**Figure 5-1: One Site in Mullumbimby Precinct from Coolamon Scenic Drive**

Source: Byron Shire Council, Affordable Housing Contribution Scheme, August 2022.



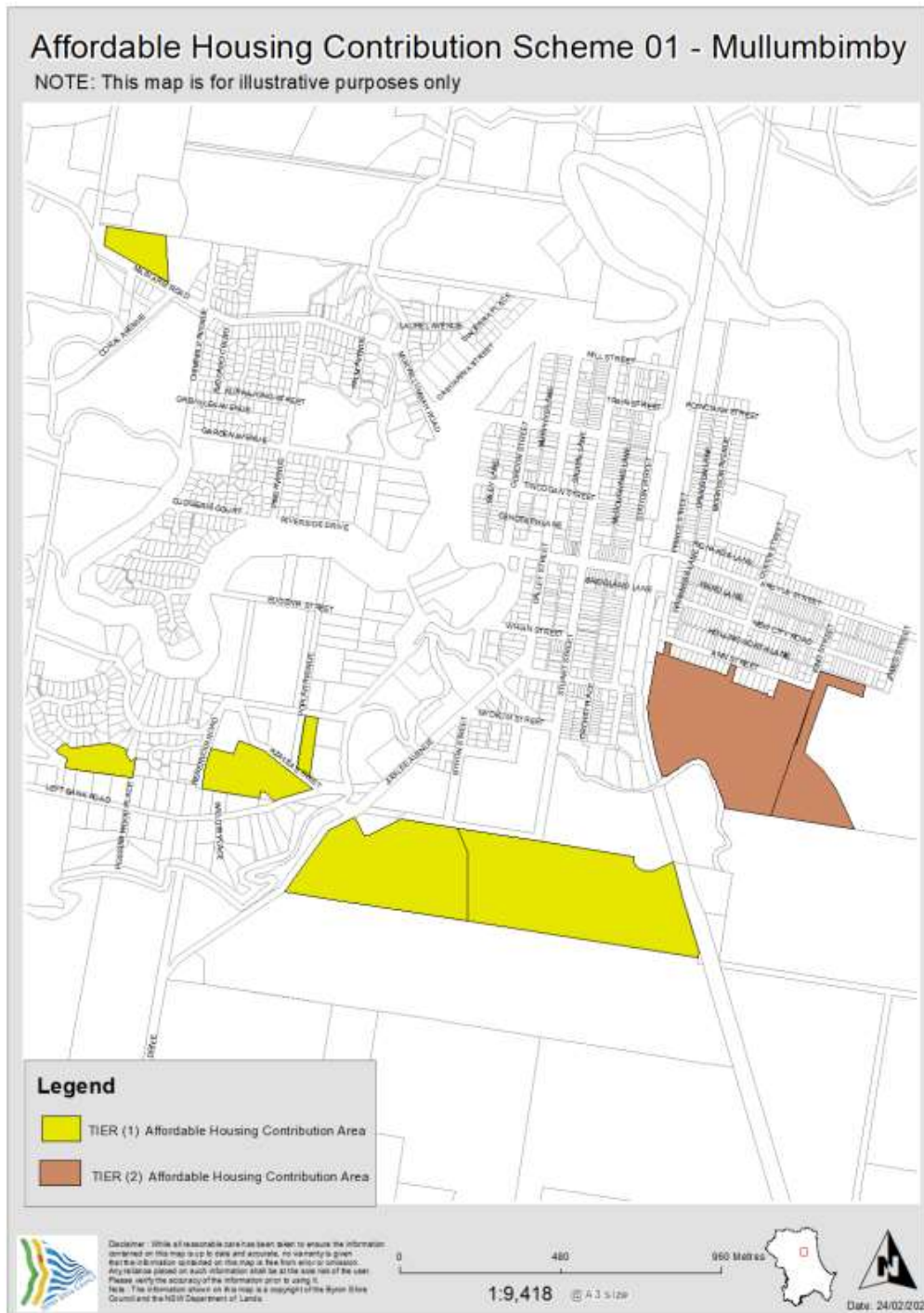


Figure 5-2: Affordable Housing Contribution Scheme – Mullumbimby Precinct

Source: Byron Shire Council, Affordable Housing Contribution Scheme, August 2022.

## Recommended Strategies and Actions

It is recommended that:

- Wollongong, Shellharbour, Kiama and Shoalhaven Councils note preliminary findings from modelling and analysis that it is **likely to be worth pursuing** the development of an

Affordable Housing Contributions Scheme in rezoning of greenfield sites to residential uses, in advance of any rezonings;

- Wollongong and Kiama Councils note the likely economic viability of an Affordable Housing Contributions Scheme in Wollongong City Centre and Kiama B2 zone, with appropriate amendments to controls to provide for sufficient land value uplift.

## 5.1.2 Mandate Smaller Dwellings

### Rationale

It is unlikely that any new build strata product in any of the LGAs will provide affordable purchase housing. However, 50% of apartments and 35% of Multi dwelling housing enters the private rental market, so that smaller studio, one and two bedroom strata dwellings will provide affordable rental accommodation in a number of areas to moderate income households, and in a few areas to the upper ends of low income households in lower value areas.

Reducing the size, number of bathrooms and parking will also reduce cost of purchase, and likely flow on to rents due to requirements for low rates of return, as well as an increase in supply more generally. It would therefore be beneficial to mandate smaller strata dwellings, as well as lots that provide for lower cost dwelling types and greater diversity through local planning instruments.

This is unlikely to be an impost on the profitability of the development, and could be done, for example, using a locality based DCP approach to desired dwelling type/mix in specific precincts and/or more generic provisions relating to required dwellings mix in the DCP for Residential flat buildings and Multi dwelling housing.

### Recommended Strategies and Actions

It is recommended that regional Councils [consider](#):

- **Mandating a proportion of studio apartments** of no more than 40 m<sup>2</sup> and one bedroom, one bathroom dwellings with a maximum floor area of 55 m<sup>2</sup> in Multi dwelling housing developments, Shop top housing developments and Residential flat developments in areas within 400 metres of town centres (for example, one dwelling in five or 20% of dwellings); and
- **Mandating a proportion of two bedroom**, one bathroom dwellings with a maximum floor area of 75 m<sup>2</sup> in multi dwelling housing developments and residential flat developments in areas within 400 metres of town centres (for example, two in five or 40% of dwellings).

It is further recommended that regional Councils consider:

- A adopting a masterplan DCP approach to Greenfield developments and include the following types of requirements:
  - Allocating a proportion of lots to be Multi dwelling housing (for example, 10% of lots), with mandatory provisions for smaller one and two bedroom dwellings (i.e. with one bathroom and a maximum floor area of 50 m<sup>2</sup> and 70m<sup>2</sup> respectively).
  - Providing for a proportion of houses on small lots (for example, 20%).



## 5.1.3 Social Impact Assessment

### Rationale

In the current regional and local affordable housing crisis, it is important to properly assess and mitigate the social and economic impacts of employment generating projects, in the short- and long-term, under section 4.15(b) of the *Environmental Planning and Assessment Act 1979*. This includes relatively well-paid itinerant construction workers on major infrastructure projects, who can more effectively compete in the local housing market, as well as from large employment generating projects, such as new hospitals, aged care and large education facilities, which employ large numbers of low paid key workers.

### Recommended Strategies and Actions

It is recommended that all regional Councils:

- Consider strengthening their social impact assessment requirements under section 4.15(b) of the Act to ensure that major construction and other projects likely to increase workers/demand for local rental housing are properly considered, and mitigations built into conditions of consent/project approvals, including the inclusion of worker housing as part of essential infrastructure;
- Seek to conduct thorough peer review of relevant socio-economic studies conducted during the preparation of an EIS or similar, and seeks to have input to the approvals process where serious adverse potential impacts are identified, including when consulted on SEARs or similar;
- Fully consider the social and economic impacts of large employment generating projects, such as new hospitals, aged care and large education facilities, which employ large numbers of low paid key workers, and ensure that such projects include a reasonable component of key worker accommodation as part of appropriate mitigation.

This is looked at in more detail in **Sections 5.2 to 5.4 below**.

## 5.2 Mandate Contribution to Affordable Housing

### 5.2.1 Overview

As noted above, the provisions of section 7.32 of the *Environmental Planning and Assessment Act 1979 (NSW)* now covers all of the State, and allows mandatory contributions toward affordable housing where contributions do not affect the viability of development, and a need for affordable housing in accordance with DPE Guidelines can be demonstrated.

JSA has undertaken preliminary economic modelling using the DPE Viability Tool<sup>47</sup> to model potential uplift in indicative redevelopment sites, and has applied the same methodology to understand the likely uplift from rezoning of rural to residential land. This is to understand whether

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<sup>47</sup> DPE (2019) Guidelines for Developing an Affordable Housing Contribution Scheme

it may be worth pursuing the development of an Affordable Housing Contributions Scheme in indicative areas of the Region.

In summary, the preliminary analysis finds that:

- There is sufficient land value uplift to provide for an affordable housing contribution of at least 15% in perpetuity (in cash, land or dwellings) in all rural to residential rezonings modelled in the four LGAs;

Modelling of indicative scenarios involving up-zoning in major urban centres also indicates that it would likely be worth pursuing an Affordable Housing Contribution Scheme:

- in Wollongong City Centre, supported by an increase in residential FSR, with a preliminary contribution of around 6% of GFA; and
- in Kiama B2 zone, supported by additional Height of 3.0 metres, with an affordable housing contribution of 9% likely to be viable on preliminary modelling.

This is looked at in more detail below.

### 5.2.2 Greenfield Sites

The modelling below estimates the likely value uplift from rezoning of rural land to residential uses in selected areas across the four LGAs. Development costs have been estimated at \$123,000 per lot. Land cost has been based on a recent sale in the precinct. The number of lots is based on use of 50% of the site, and taking the median lot size for recent sales in the precinct. Sales income is taken as median sales price less 4% for cost of sales and 10% for GST.

It can be seen that significant development uplift is associated with rezoning of rural land, and any such rezoning is likely to provide opportunities for an Affordable Housing Contribution Scheme. In urban release areas in the Region, an affordable housing contribution of 15% of developable land area, or the equivalent in cash or dwellings, would not be unreasonable based on this preliminary analysis.

Table 5-1: Preliminary assessment of uplift associated with rezoning of rural land

Area	Development Cost/lot	No lots	Land Cost \$'000	Total Cost \$'000	Median sales per lot \$'000	Income \$'000	Maximum affordable housing contribution
West Dapto <sup>48</sup>	\$123,000	79	\$4,600	\$14,317	\$388	\$26,483	54%
West Albion Park <sup>49</sup>	\$123,000	453	\$34,500	\$90,219	\$388	\$175,764	51%
Kiama and surrounds <sup>50</sup>	\$123,000	322	\$7,600	\$47,206	\$904	\$251,500	81%
Nowra and surrounds <sup>51</sup>	\$123,000	455	\$2,710	\$55,965	\$283	\$128,765	57%
Bay and Basin <sup>52</sup>	\$123,000	642	\$3,928	\$82,894	\$340	\$218,280	62%
Ulladulla and surrounds <sup>53</sup>	\$123,000	179	\$2,400	\$24,417	\$408	\$73,032	67%

Source: EAC Red Square data base; JSA calculation 2022.

### 5.2.3 Up-zoning of Urban Land

The (then) NSW Department of Planning, Industry and Environment has published an affordable housing Viability Tool to assess the viability of an affordable housing contribution from the rezoning of residential land. Opportunities for uplift have been considered in each LGA.

Currently the residential FSR in the **Wollongong City Centre** is 3.5:1, with that for commercial 6.0:1. By inspection, the commercial FSR is not being taken up, and the residential FSR can be increased in the B3 zone within the available height of buildings. An increase of residential FSR from 3.5:1 to 4.0:1 has been modelled using the viability tool, and shows that an affordable housing contribution of 5.7% of dwellings would be viable.

<sup>48</sup> Recent land sales of newly developed land in suburbs in West Dapto had median area 460 m<sup>2</sup> and median cost of \$388,000. Lot C DP397366 with an area of 7.25 ha sold for \$4.6 million on 30 July 2021.

<sup>49</sup> Recent land sales of newly developed land in West Albion Park area had median area of 460 m<sup>2</sup> and median cost of \$388,000. Lot 100 DP1251724 with an area of 41.7 ha sold for \$34.5 million on 23 December 2021.

<sup>50</sup> Recent land sales of vacant land in Kiama LGA had median area of 569 m<sup>2</sup> and median cost of \$904,000. Lot 156 DP751279 with an area of 36.6 ha sold for \$7.6 million on 15 June 2021.

<sup>51</sup> Recent land sales of newly developed land in Nowra and surrounding suburbs had median area of 534 m<sup>2</sup> and median cost of \$283,000. Lot 185 DP861191 with an area of 48.6 ha sold for \$2.7 million on 30 November 2021.

<sup>52</sup> Recent land sales of newly developed land in Bay and Basin had median area of 576 m<sup>2</sup> and median cost of \$340,000. Lot 22 DP1270620 with an area of 74.0 ha sold for \$3.9 million on 15 March 2022.

<sup>53</sup> Recent land sales of newly developed land in Ulladulla and surrounding suburbs had median area of 680 m<sup>2</sup> and median cost of \$408,000. Lot 15 DP605477 with an area of 24.3 ha sold for \$2.4 million on 12 May 2021.

The Viability Tool has also been used to assess the viability of an affordable housing contribution from rezoning of land in Blackbutt adjacent to **Shellharbour City Centre** from R2 to R3 with FSR of 0.7:1. Using these assumptions, the tool finds that redevelopment is not viable, and an FSR of 1.1:1 or more would be required for viability. There does not appear to be sufficient uplift in the area to support redevelopment or an affordable housing contribution.

There is little opportunity for uplift using FSR in the **Kiama B2 zone** as there is generally insufficient height to utilise the available FSR of 1.5:1. Therefore, the provision of an **additional 3.0 metres of height across the zone has been modelled** to assess uplift. This modelling assumes the extra height is equivalent to an additional FSR of 0.3:1. Modelling has not been carried out for uplift from rezoning R2 land to R3, as modelling done elsewhere in this study suggests the viability of such development is likely to be marginal. Under these assumptions, an affordable housing contribution of 9.3% would be viable in the Kiama B2 zone, supported by additional Height of 3 metres.

Based on modelling done elsewhere in this report, redevelopment in **Nowra suburb** is unlikely to be viable, consequently the Viability Tool has not been applied. This is further complicated by the lack of FSR controls generally in Shoalhaven LGA.

## 5.3 Mandate Smaller Dwellings

### 5.3.1 Existing areas

As set out in Section 6.5 of the *Background Report*, it is unlikely that any new build strata product in any of the LGAs will provide affordable purchase housing. However, a high proportion of strata dwellings enter the private rental market, and studio, one and two bedroom strata dwellings will provide affordable rental accommodation in all areas to moderate income households and possibly to some low income households in lower value areas.

**One bedroom strata dwellings** are likely to be affordable to some moderate income smaller households, with studio apartments likely affordable to some low income households, and would provide an important source of rental accommodation in general.

Councils could consider **mandating a proportion** of studio apartments of no more than 40 m<sup>2</sup> and one bedroom, one bathroom dwellings with a maximum floor area of 55 m<sup>2</sup> in Multi dwelling housing developments, Shop top housing developments and Residential flat developments in areas within 400 metres of town centres (for example, one dwelling in five or 20% of dwellings). This is unlikely to be an impost on the profitability of the development. This could be done, for example, using a locality based DCP approach to desired dwelling type/mix in specific precincts and/or more generic provisions relating to required dwellings mix in the DCP for Residential flat buildings and Multi dwelling housing.

Councils could also consider **mandating a proportion** of two bedroom, one bathroom dwellings with a maximum floor area of 75 m<sup>2</sup> in multi dwelling housing developments and residential flat developments in areas within 400 metres of town centres (for example, two in five or 40% of dwellings).

### 5.3.2 Greenfield sites

Councils could **adopt a masterplan DCP approach to Greenfield developments** and include the following types of requirements:

- A proportion of lots to be allocated to Multi dwelling housing (for example, 10% of lots), with mandatory provisions for smaller one and two bedroom dwellings (i.e. with one bathroom and a maximum floor area of 50m<sup>2</sup> and 70m<sup>2</sup> respectively).
- A proportion of houses on small lots (for example, 20%).

## 5.4 Social Impact Assessment

### 5.4.1 Rationale for Social Impact Assessment

The likely social impacts of major construction projects, such as the Nowra Bridge Project being undertaken by Fulton Hogan on behalf of the NSW State Government, bring significant numbers of relatively high paid itinerant workers to the Region, who are then able to compete more effectively in the local rental market, or may alternately struggle to find anywhere to live. It is noted that a review of project documents did not include proper consideration of the impacts of such projects on the local housing market, nor any mitigations regarding provision of worker accommodation by the employing company or State Government.

Likewise, major employment generating projects (both at construction and operations stage), such as major health and education facilities, have a significant impact upon the local and regional housing market, so that the social impacts of such projects in the short and long-term should be properly assessed under section 4.15(b) of the *Environmental Planning and Assessment Act 1979*, and appropriate mitigations such as short-term construction worker and permanent key worker accommodation be factored into project approvals in conditions of consent.

In the current regional and local affordable housing crisis, this need to be included as part of the project budget as part of infrastructure to support the project, as is the case in large mining projects, and has historically been the case in nurses' quarters, teacher accommodation and the like.

Opportunities for land to accommodate worker accommodation should be investigated, including the potential to use better amenity areas of the project site area (such as parts of the road reserve), or lease of Council or Crown land, where relocatable homes could be located and/or progressively moved as the construction project progresses. Incorporating key worker accommodation into new hospitals, adjacent to schools and universities, etc is also discussed elsewhere.

## 6 ‘Direct Creation’ of Affordable Housing

### 6.1 Overview

Around 85-90% of future affordable (including social) housing need in the Region is unlikely to be met through the market, with the greatest need for affordable rental accommodation among **very low and low income renters**, including key workers, retired people with limited capital and people on pensions and benefits, who often require deep subsidies for their housing to be affordable.

The main way that very low and low income renting households can be affordably accommodated is through the direct creation of affordable (including social) rental housing through government funding; the use of Council and other publicly owned land for affordable housing developments/management partnerships with a Registered Community Housing Provider (CHP); and the more efficient use of existing social housing through selective redevelopment of older houses on large lots to provide increased diversity and address underoccupancy and long waiting times for smaller dwellings, *provided* such redevelopment increases the amount social housing stock.

This section provides a summary of findings and recommendations from **Sections 6.2 to 6.9 below**, and relevant appendices.

#### 6.1.1 Affordable Housing Partnerships on Council-Owned Land (see Sections 6.2 to 6.4 below)

##### Rationale

JSA has identified a number of indicative **Council-owned sites** that would be suitable for affordable housing developments in partnership with a Registered Community Housing Provider. These sites were selected to provide **examples of what could be achieved** on these, or similar site, with regard to rate of return, economic viability, and affordable housing yield, and are not proposed as sites *per se*, although some would likely be worth pursuing if Councils chose to do so.

Various development scenarios were modelled by JSA in a preliminary way, including for development as multi tenure (a combination of sales, social housing and affordable rental or ‘key worker’ housing), including for the following uses (or combination of these in one development).

- Residential Caravan Park / MHE
- Residential flat building
- Boarding House
- Seniors’ development

Preliminary modelling suggests development will be **viable for each of these types of development**, or a combination of these uses. All potential partnership developments modelled had good yield, and were able to provide a positive rate of return at year one. This indicates that further investigation is warranted, including preliminary design and more detailed financial modelling if a regional Council makes an in principle decision to dedicate land to this purpose. This would then



involve more detailed modelling and feasibility analysis based on architectural drawing, and other inquiries as necessary.

**Section 6.2 and 6.4** below provide examples of case studies of affordable housing partnership developments on council or other public land, and **Section 6.3 below** provides a summary of modelling.

More detailed site assessment on indicative council and other publicly owned sites is provided in **Confidential Appendix 5: Modelling on Potential Affordable Housing Partnership Sites**. This appendix is confidential due to the sensitivity around some sites, the preliminary nature of assessment, considerations of commercial confidentiality, and advice from councils that some may not be suitable or available.

## Recommended Strategies and Actions

It is recommended that Business Illawarra work with regional Councils to:

- Secure in principal dedication of **at least two council-owned** sites in each of Wollongong, Shellharbour, Kiama and Shoalhaven LGAs for use as affordable housing demonstration projects in partnership with a Registered CHP, noting the preliminary assessment of a range of indicative sites in **Confidential Appendix 5: Modelling on Potential Affordable Housing Partnership Sites**.
- **Broker relationships** between a Community Housing Provider (CHP) as operator and relevant public land owners to obtain in principle agreement to a commitment of sites for affordable housing, including identification of a donor site for replacement parking if the site is a parking lot, and replacement on site is not possible or will markedly reduce yield.
- Following in principal commitment by Councils, **advocate for funding** for Council or a Community Housing Provider to undertake an initial assessment of feasibility through preparation of preliminary architectural plans to understand yield, and detailed cost planning to understand the economics of the proposal, including for both Residential flat building, Boarding houses/Co-living developments and Caravan Park sites.
- Following initial assessment of feasibility, broker relationships between land owners, operators (Community Housing Providers), funders and builders to provide **delivery vehicles** for affordable housing projects.
- Investigate opportunities for grant funding to support **Caravan Park development**, where returns on such development are, at this stage, more marginal.

### 6.1.2 Selective Redevelopment of Social Housing

#### Rationale

There is an urgent need to increase the supply of social housing and diversify stock to meet projected needs. However, as discussed in **Section 6.5 below**, there are a number of barriers to redevelopment that could be undertaken by a registered Community Housing Provider, who can act as beneficial partners in relation to redeveloping stock to leverage increased yield and diversity in older, low density public housing areas.

Opening up opportunities for increased participation of CHPs is vital, including providing them with the certainty and viability required.

## Recommended Strategies and Actions

It is recommended that:

- There is strong, co-ordinated lobbying that seeks to ensure that there is **no further loss of social housing in the Illawarra Shoalhaven Region** through sale or redevelopment of existing dwellings, and that any social housing transfers or redevelopment be guaranteed to result in a net gain in social housing dwellings;
- There is the progressive funding of **at least an additional 3,925 social housing dwellings** by 2041 by NSW State Government to maintain regional rate of such housing in the context of growing need for such accommodation in each LGA;
- That Business Illawarra and the regional Councils advocate to the NSW Land and Housing Corporation (LAHC) to support Community Housing Providers in the Region in their negotiations with LAHC to provide **greater certainty and viability** in the selective redevelopment of to increase yield and diversity, including that LAHC:
- Provides either **title transfer or long-term (35-50 year) leases** to increase CHP capacity for raising finance;
- **Sets out the comparator** to be used for determining an appropriate return on investment, and to provides clear policy direction regarding the inclusion of the non-financial value of community housing to the community and the inclusion of reduced ongoing maintenance liabilities in the calculation of return on investment;
- **Increase borrowing limits** from 50% to 80% of the value of land and buildings with this restriction imposed by LAHC to increase the ability of CHPs to appropriately leverage their assets, and increase the quantum of affordable housing that can be delivered against a particular asset base.

### 6.1.3 Use of Other Government Land for Affordable Housing Developments

#### Rationale

Preliminary modelling conducted on indicative sites owned by other public authorities with the potential for affordable housing partnership developments also indicates that such developments are likely to be feasible under a range of development scenarios, and would likely be feasible on other sites in similar locations, and/or with similar opportunities and constraints profiles. These opportunities should also be explored as a matter of urgency as one of the most important ways of increasing the supply of affordable rental housing in perpetuity in the regional housing market context (see **Section 6.6** below).

#### Recommended Strategies and Actions

It is recommended that Business Illawarra, local CHPs and regional Councils advocate for:

- A thorough **audit of the Government Property Index** in order to identify appropriate partnerships sites and meantime use opportunities, accompanied by modelling on potential affordable housing yield, required planning controls, appropriate partnership arrangements, etc;
- The **former Bulli Hospital site be used as a demonstration project** on what can be achieved in a well-located site immediately adjacent to a large number of lower paid key worker jobs, including the following:
  - Landcom provide a minimum of 30% affordable housing at the former Bulli hospital site as per its stated future goal for regional projects. The proportion that is **affordable rental housing** should be maximized, as affordable purchase of a dwelling in the local housing market without restrictions or covenants to ensure future sales are likewise affordable in perpetuity, will likely only benefit one household;
  - Wollongong City Council be informed of the unique opportunity to create key worker housing in a well-located site directly across the road from hundreds of key workers jobs in cleaning, age and personal care, nursing, allied health, hospitality and the like, and seek to ensure that the site is developed at sufficient density to allow for at least 30% key worker housing;
  - Wollongong City Council be requested to undertake a community education campaign regarding the need for key worker accommodation in this locality, and the unique opportunity provided by this site.

#### 6.1.4 Incorporating Key Worker Housing into Health & Education Precincts

##### Rationale

As discussed in **Section 6.7** below, it is important that there be adequate key worker housing provided as part of major employment generating projects, including those related to new hospitals, aged care facilities and educational institutions in the Region.

Major opportunities are currently related to the planning for the new Shellharbour Hospital and the expanded Shoalhaven Hospital, and this provides an important window of opportunity to develop a model for all such future developments in the Region.

##### Recommended Strategies and Actions

It is recommended that:

- Shellharbour and Shoalhaven Council seek to ensure that there is an adequate component of key worker housing for very low and low income key workers constructed as part of the new Shellharbour and Shoalhaven Hospitals as a matter of urgency, and if there is the opportunity to do so;
- That Shellharbour and Shoalhaven Council (as well as other regional Councils) seek to ensure that the social impacts of such projects on the local rental housing market are properly considered as part of the planning and approvals process, and seek to have key worker accommodation included as part of project mitigations;

- That all ISR Councils ensure that major infrastructure projects also consider the short-term impacts of construction on the local rental housing market, including the greater ability of higher paid construction workers coming to the Region to out-compete local people in the rental market, and that such projects factor in an increase in worker accommodation as part of mitigation of such adverse impacts.

### 6.1.5 Innovative Funding Models (see Section 6.8 below)

#### Rationale

As discussed in Section 6.8 below, there is a growing interest and involvement from institutional investors and philanthropic trusts in investing in affordable housing. These provide important opportunities for the Region that should be further explored and developed.

#### Recommended Strategies and Actions

It is recommended that:

- Business Illawarra **note** the increasing interest of institutional investors in ethically sound, low risk and low return developments, including recent activity to directly invest in and/or facilitate finance for affordable housing projects.
- **Advocate** for, and where appropriate **broker** relationships between, affordable housing developers (CHPs and others) and institutional investment partners to facilitate access to financing opportunities for affordable housing developments in the ISR, including on potential local Council and other publicly owned potential partnership sites.
- **Advocate** for affordable housing developers (CHPs and others) to access public financing opportunities through NHFIC and any future schemes available through the federal government's Housing Future Fund, including on potential local Council and other publicly owned potential partnership sites.

### 6.1.6 Shared Equity schemes (see Section 6.9 below)

#### Rationale

A range of examples of recent and proposed initiatives that are broadly related to subsidised purchase, or shared equity type schemes, are outlined at Section 6.9 below. These would be beneficial to moderate income home purchasers in particular, and may also benefit some on low incomes provided they meet eligibility criteria.

#### Recommended Strategies and Actions

It is recommended that the following strategies be pursued by Business Illawarra in partnership with ISR Councils, and community and private sector stakeholders:

- Advocate for eligible first home buyers to make use of Shared Equity Schemes provided at Federal (NHFIC schemes) and State levels (two-year trial proposed by NSW Government) including key target groups of the NSW trial scheme of single parents with dependent

child/ren, single people over the age of 50 and key workers who are nurses, teachers or police.

- Advocate for NSW Government to develop an online platform similar to South Australia’s HomeSeeker SA to improve access to information and affordable home purchase opportunities.
- Support the work of LALCs and other Aboriginal organisations should they decide to explore options to develop their landholdings for affordable housing through a Community Land Trust model, the Aboriginal Lands SEPP or by other methods.
- Advocate for the region to be included in the NSW Government’s pilot rent-to-buy program to be delivered by LAHC and CHPs. Local CHPs and development industry partners could identify existing projects in the development pipeline that may be suitable pilot sites.
- Advocate for mandatory inclusion of affordable housing (combination rent and purchase including shared equity and build to rent to buy options) as proportion of new dwellings created on ‘significant sites’ and identified in planning instruments, similar to what is done in SA, such as on government land, major redevelopment sites and greenfields urban expansion areas. ISR Councils have identified release areas to 2040 that could be included.

## 6.2 Affordable Housing Partnerships on Council-Owned Land

### 6.2.1 Overview

Many local councils in various jurisdictions have used their land and resources to enter into a long term development and/or management partnerships to directly create affordable housing, particularly where the private market is unable to provide affordable housing for key target groups.

The development and management partner is generally a registered community housing provider (CHP), with demonstrated capacity in the development and management of such projects. to develop Council-owned land as part of affordable housing demonstration projects. This can be where the CHP has ‘preferred partner’ status on all land to be developed via, for example, some pre-qualification process. Alternately, Council may decide to enter into a partnership on a case-by-case basis, subject to a competitive tendering or EOI process for each development.

Different councils have also taken varying approaches to partnering arrangements, ranging from making land available at no cost or at a discount rate, for long-term lease, to the direct funding, construction and ownership of the development themselves, with a range of options between these positions available.

Examples of a few different approaches taken by councils that are active in the direct development of affordable housing, and with which JSA has worked, are provided below. At one end of the spectrum is **City of Perth**, which provided both land and financing for an affordable housing (mainly ‘key worker’) development on an under-utilised CBD Council car park, took all of the risk on the project, and engaged a local community housing provider to manage the development after its completion.



Using two different approaches, in 2010, **Shoalhaven City Council** sold land at a very low cost to a local CHP, (the then) Southern Cross Community Housing (SCCH). SCCH then partnered with another CHP with extensive development experience, capital resources and access to Federal funding to develop a low density affordable and social rental housing development at **Worrige**. A further partnership development is currently underway at **Bomaderry**. This project involved active partnership between Council take and (the now) Southern Cross Housing to create a mixed tenure development on well-located Council-owned land.

In these two approaches by Shoalhaven City Council, we also see its growing engagement with an increasingly serious local issue, noting that in late 2017 Council unanimously adopted its first Affordable Housing Strategy that includes the dedication of several sites for the purpose of affordable housing partnerships, including the land at Bomaderry.

The final example below is from **North Sydney Council**, which has been active in the affordable housing space for more than three decades, and has undertaken a range of affordable housing developments with its CHP partner, Link Housing, including the redevelopment of an underoccupied Council-owned cottage as a purpose built seven bedroom Boarding House under the former SEPP ARH (now the Housing SEPP).

A range of partnering arrangements is possible, depending on a council's preference, asset base, desired rate of return, and appetite for risk.

## 6.2.2 City of Perth Case Study

In 2009, City of Perth adopted its first *Affordable Housing Strategy*, which included a commitment to proactively develop well-located affordable housing on under-utilised Council land. The research for the *Strategy* had identified 16 Council car parks with the potential for mixed use development, including commercial or community uses, affordable housing and replacement of car parking spaces. Council resolved to dedicate three of these high value, but financially under-utilised assets, to affordable housing.



Figure 6-1 City of Perth Affordable Housing Development, managed by Access Housing

In 2012/13, it undertook the redevelopment of the first of these car parks to construct 48 units of affordable housing, mainly allocated to locally-employed 'key workers' at discount market rent (around 70% of market rent for that precinct). Four of these units were initially allocated to social



housing, where very low income households pay around 25% of their income in rent, with more units planned to be dedicated to social housing as debt is retired.

In this case, Council used its own resources to construct the housing in anticipation of short-term cash flow and longer-term return on capital. As well as income and other criteria applied to tenancies, there is a time limit on the occupancy period for the 'affordable housing' units so as to provide a 'stepping stone' for workers into the private market. Access Housing Australia was successful in a competitive EOI process as the housing/tenancy manager, and looks after all maintenance and tenancy issues on a fee-for-service basis



Figure 6-2 A City of Perth Car Park identified for a future Affordable Housing Development

### 6.2.3 SCCH Social and Affordable Housing Development at Worrigea

In 2009, Shoalhaven City Council sold land at a very low cost to a local CHP, (the then) Southern Cross Community Housing (SCCH) for the purpose of a low to medium density affordable and social housing development at Worrigea on the outskirts of East Nowra, and opposite a relatively new private development. However, the development application process was not easy. The proposed development received very strong opposition from local private residents, who were angry at the loss of the lightly wooded open space area on which the development would be built, as well as fears about devaluation of their properties and the 'type of people' who would move into their community. Despite having sold SCCH the land, Council refused the development.

SCCH appealed Council's refusal in the NSW Land and Environment Court, which upheld the appeal in 2010.<sup>54</sup> The development was completed in 2014, and provides homes to around 50 diverse people who are working parents, families with young children, aged couples and people living with a disability who meet the affordable or social housing eligibility criteria. The Worrigea development (pictured below) has since gained a high degree of community acceptance and support from Council, and is reported to have a high level of satisfaction among tenants.

SCCH also engaged BlueCHP, a community housing association with considerable experience in construction of affordable housing and capital raising capacity, to construct the development. The development was also supported by NRAS credits from the Federal Government. The development

<sup>54</sup> Southern Cross Community Housing Ltd v Shoalhaven City Council [2010] NSWLEC 1306.

includes 26 dwellings including 21 freestanding homes, 1 cluster-housing group of 3 dwellings and 1 dual occupancy. Most dwellings are two bedroom, single storey with a single garage and a driveway, with a few larger family homes. SCCH is the tenancy manager for the development.



Figure 6-3 Affordable (including Social) Rental and Market Housing in Worrigee

## 6.2.4 Shoalhaven City Council & SCH Future Affordable Housing Development at Bomaderry

### Affordable Housing Partnership at 44-52 Coomea Street, Bomaderry

- Development of 39 units including 25 social dwellings, 8 affordable dwellings and 5 short-term transitional dwellings (mix of 1, 2 and 3 bedroom properties).
- \$14m budget funded through Southern Cross Housing (SCH) financing, \$2.2m gifted land from Shoalhaven City Council, and \$4.8m NSW Community Housing Innovation Fund (CHIF) capital grant.<sup>55</sup>
- Gift of Council land to SCH made possible by creating separate agreements with DCJ and charge on land attached to title requiring permission from Department Secretary prior to endearing / taking ownership of the land.
- As at November 2022, the project assessment phase is complete, Construction Certificate is finalised with construction of the development to go to tender in early 2023. Estimated completion December 2024.<sup>56</sup>
- SCH has since used same mechanism to undertake similar agreement with Bega Valley Shire Council and DCJ.

In late 2017, Shoalhaven City Council unanimously adopted its first *Affordable Housing Strategy* that includes the dedication of a number of Council sites for the purpose of affordable housing partnerships. The direct creation of affordable and social housing was found to be one of the most effective strategies that Council could pursue given the nature of need and the ability of the market to respond.

<sup>55</sup> Southern Cross Housing, 2020-21 Annual Report, Pg 16.

<sup>56</sup> Information provided by SCH CEO, 29/11/2022.

A land audit of suitable Council sites was conducted based on a number of key criteria, including the size and zoning of the site, its proximity to transport and services, existing uses on the site, and whether there were any significant environmental or heritage constraints. On this basis, a range of sites were short-listed and assessed by JSA. In close consultation with Council, a number of these sites were subjected to financial feasibility analysis based on several development scenarios that sought to maximise yield without ‘over-developing’ the site.

The *Affordable Housing Strategy* identified existing Council-owned land at Coomea Street, Bomaderry as a preferred site for direct market intervention and creation of new affordable housing. The site is well located in close walking distance to Bomaderry Railway Station, IGA grocery store, other shops and services. As part of its commitment through the *Affordable Housing Strategy*, SCC resolved to **gift this land** for new affordable housing.

SCH already managed the three cottages on the existing Council-owned land for social housing. SCC purchased two adjoining sites to provide a more optimal site for a new affordable housing development.



Figure 6-4 Council Sites at Coomea St Bomaderry for Affordable Housing Redevelopment

Council’s development and management partner for the project is **Southern Cross Housing (SCH)** a Tier 1 CHP with offices in Nowra, Bomaderry, Ulladulla, Batemans Bay, Cooma, Bega and Bowral. SCH is the largest CHP in South East NSW with 2,300 owned and managed dwellings providing crisis, transitional, social rental, affordable rental and key worker accommodation across a service delivery area that runs from Wollongong to Eden and west to Cooma and Jindabyne.<sup>57</sup>

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<sup>57</sup> Southern Cross Housing, <https://scch.org.au/about-us/>, accessed 29/11/2022.





Figure 6-5: Location of 44-52 Coomea Street Bomaderry

Source: JSA 2022, Google Maps 2022

Under the *Local Government Act*, SCC **could not directly gift** the land to SCH. SCC would have to develop a public-private-partnership or undertake an open-tender process to allow any CHP or other entity to deliver affordable housing on the site. Acknowledging SCH’s strong presence in the Shoalhaven (managing nearly all social housing in the LGA), its capability and track-record of investment in the community, SCC resolved to find a less direct way to gift the land to SCH.

Separate agreements were developed between SCC and the NSW Government Department of Communities and Justice (DCJ) and between DCJ and SCH, which **gives DCJ a charge on the land** so that prior to endearing or taking ownership of the property permission must be given by the Department Secretary. These agreements provided SCC with a level of comfort that SCH could not obtain the land, sell it and do something else with the money because DCJ retains a charge over the land. From SCH’s perspective, this approach or mechanism for transferring title from a Council to a CHP through DCJ is sensible without over complicating things. CHPs like SCH that receive any capital funding from NSW Government already have a contractual framework in place for reporting to DCJ. The mechanism for creating the charge on the properties utilises this existing contractual framework.

As a first experience for SCC and SCH regarding the gifting of Council land, the process to develop the agreements with DCJ took about **two years**.

In July 2022, SCH lodged a development application to create two residential flat buildings containing 39 units of affordable housing and associated parking on the site. The \$2.2m gift of land, plus \$4.8m NSW Government Community Housing Innovation Fund grant plus SCH’s own financing will deliver the \$14m project for the Shoalhaven community.<sup>58</sup>

<sup>58</sup> Southern Cross Housing, 2020-21 Annual Report, Pg 17.



Figure 6-6: Artist's impression of 44-52 Coomea Street, Bomaderry

Source: Southern Cross Community Housing, <https://dev.sch.org.au/bomaderry-affordable-housing-development/>, accessed 29/11/2022.

SCH recently replicated this mechanism with Bega Valley Shire Council (BVSC) over 10 Council-owned units that Council wanted to divest from. Instead of Council wishing to gift land, in this case it was a gift of cash. SCH agreed that it would purchase the ten units of accommodation if BVSC agreed to gift the funds paid back to SCH which it would then hold and re-invest in a new affordable housing project elsewhere in the LGA whilst taking over ownership and management of the 10 units of accommodation for social housing. Again, separate agreements were made with DCJ which created a charge over the 10 units that prior to any sale permission is required from the Department Secretary. BVSC was comforted again by the charge DCJ would hold over the land, and that SCH had utilised the mechanism successfully with SCC. With the previous experience, the process to establish the agreements between SCH, BVSC and DCJ was much quicker!

### 6.2.5 Wollstonecraft Boarding House Development (North Sydney Council and Link Housing Partnership)

The development of the Wollstonecraft 'New Generation' Boarding House is an example of a strong partnership between a community housing provider, Link Housing, with a proved track record in the local area, and North Sydney Council, a local government authority with a long-term commitment to maintaining at least some affordable housing and income diversity in one of Sydney's most expensive housing markets.

Once the home of many very low and low income people, including in more than 100 older boarding houses, North Sydney has been gentrifying for many years. It has lost most of its low cost flat buildings and all but 20 of its low cost boarding houses over the past two decades, despite the provisions of SEPP 10 (now the Housing SEPP) that aims to protect such stock. Amid this serious decline, Council has been able to expand the amount of stock it owns that is dedicated to affordable and social housing through a range of strategies and its strong commitment and leadership.

The site of the new Wollstonecraft Boarding House previously contained an older two-storey single family home that was part of Council's affordable housing portfolio (pictured below). The cottage had been rented to social housing tenants, and managed by Link Housing, for many years. North

Sydney Council identified the site as a good place to grow the local supply of affordable housing and increase the efficient use of land under its *Strategic Asset Management Plan* by replacing the house with something that would meet the needs of more than just one household. This approach was also supported by Council’s *North Sydney Council Affordable Housing Strategy 2008 and 2015*.<sup>59</sup>



Figure 6-7 Former site of Wollstonecraft Boarding House

Council utilised provisions in the former SEPPARH to develop the new two-storey Boarding House. As part of the planning and design process, North Sydney Council and Link Housing **pro-actively engaged with neighbours**, providing information on the project prior to lodging the application and an opportunity to comment early on the design.

Once the DA was lodged and a few concerns were raised by neighbours about overlooking and privacy, the proponents took these concerns on board and found an architectural solution to the problem. When Link Housing fielded a few calls from neighbours with concerns about *“who might be living there?”*, neighbours were satisfied when Link Housing advised that the new tenants would be *“people similar to those who have been renting the home previously”*.

In 2016, Link Housing and North Sydney Council successfully completed the **seven-room Boarding House**. Up to fourteen very low income tenants can now call this Boarding House home, with some employed and others on disability support pensions.

The strong partnership between Link Housing and North Sydney Council has made the growth of quality affordable housing for very low income households in an exceptionally unaffordable part of Sydney a reality.

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<sup>59</sup> North Sydney Council, Affordable Housing Strategic Options Report and Reports, [https://www.northsydney.nsw.gov.au/Building\\_Development/Other\\_Planning\\_Documents/Affordable\\_Housing\\_SEPP](https://www.northsydney.nsw.gov.au/Building_Development/Other_Planning_Documents/Affordable_Housing_SEPP), accessed 02/12/2022.





Figure 6-8 New Generation Boarding House developed by North Sydney Council and Link Housing on a Council-owned site in 2016 (2<sup>nd</sup> from the right)

## 6.3 Potential Partnership Developments in ISR

### 6.3.1 Summary of Findings of Modelling on Council-Owned Sites

A number of **potential affordable housing demonstration projects** have been identified and modelled in a preliminary way by JSA across the four LGAs. These are summarised in the table below, along with an assessment of their likely viability, location and yield. Typically, development is funded by the sale of 50% of apartments on the private market, and modelling has assumed that land is obtained for the cost of replacing current uses, such as existing car parking.

Twelve sites were assessed across the four LGAs for their ability to deliver an affordable housing project, including likely economic viability and yield. It is noted that modelling on these indicative sites would also likely apply to similarly located Council- or publicly-owned sites in the four LGAs, and has been conducted to show in a preliminary way **what could be done if Councils wanted to become involved in the direct creation of affordable rental housing in perpetuity in partnership with a registered community housing provider (CHP).**

Of the sites considered, the best options for Residential flat buildings in terms of viability and yield were four council owned car park sites in Wollongong City Centre and a council owned site in Shellharbour City Centre. The highest yield and return from development were on a large car park in Wollongong City Centre, expected to provide more than 300 affordable dwellings. Preliminary evaluation shows that development of any of these sites can be self-funding, with funding obtained from a combination of private sales and rental income, and allowing for an economic return to Council through replacement of lost parking. **Any of these, or other similar, sites would warrant further investigation.**

Other feasible sites for Residential flat buildings include railway land at Oak Flats, a council owned car park in Kiama, and railway land at Kiama, with these sites have either lower yield or lower profitability.

Two RE2 zoned sites were also modelled in an indicative way in Shellharbour and Shoalhaven LGAs, although further investigation indicates that these sites are not available or suitable for an affordable housing project. Nonetheless, the modelling on these sites provides indicative results for the construction of an affordable Caravan Park incorporating manufactured housing. Modelling indicates that costs were slightly higher than income, and such an approach warrants further investigation as a Caravan Park, noting that this could deliver affordable housing for an initial investment of around one seventh of the cost of delivery in a Residential flat building, and that affordable housing could be delivered on these sites relatively quickly.

Finally, a car park site in Nowra has been identified, noting that this site will require a subsidy of some kind, such as external funding, loss of parking, or variations to planning controls in order to improve viability.

The following table provides a summary of results of preliminary modelling in **Confidential Appendix 5**, whilst the case studies that following provide for examples from this table. Note that sites have been de-identified, as they are preliminary and indicative in nature, as noted above, and that modelling would likely apply to other similar sites in a similar location. The appendix is confidential as the sites have been modelled in an indicative and preliminary way to investigate what could be done, it is understood that there are likely competing uses for the sites, and there are also some commercial in confidence issues.

Table 6.1: Summary Potential Affordable Housing Partnership Demonstration Projects

Site	Proposal	Comments	Preliminary Project Cost	Economic Viability (est return) <sup>60</sup>	Expected no. of affordable dwellings	Accessibility	SEPP (Housing) 2021 bonuses used
Large CBD Carpark, Wollongong (B3, Council owned)	Mixed tenure Shop top housing development incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$148 million	High (2.52)	332	Accessible area in Wollongong CBD	Affordable Housing FSR & parking bonus, Boarding House FSR and parking bonus, Seniors Housing FSR and parking bonus
Large CBD Carpark, Wollongong (B3, Council owned)	Mixed tenure Shop top housing development incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$62 million	High (2.26)	138	Accessible area in Wollongong CBD	Affordable Housing FSR & parking bonus, Boarding House FSR and parking bonus, Seniors Housing FSR and parking bonus
Vacant Land, Shellharbour City Centre (B4, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains vacant land	\$66 million	High (2.17)	156	Accessible area near Shellharbour City Centre CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus
Large CBD Carpark, Wollongong (B4, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$56 million	High (2.22)	108	Accessible area in Wollongong CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus
Large CBD Carpark, Wollongong (B4, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes	\$37 million	High (2.37)	72	Accessible area in Wollongong CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus

<sup>60</sup> Estimated returns are based on a range of assumptions, and are best considered to be comparative across options. A full analysis would require preliminary architectural drawings, followed by detailed economic modelling and in depth research regarding sales prices, rent and operating costs.

Site	Proposal	Comments	Preliminary Project Cost	Economic Viability (est return) <sup>60</sup>	Expected no. of affordable dwellings	Accessibility	SEPP (Housing) 2021 bonuses used
		replacement of parking					
Railway Car Park, Kiama (B2, State Government owned)	Mixed tenure Shop top housing development incorporating boarding house component	Site currently contains an at grade car park and vacant land	\$17 million	High (6.30)	36	Accessible area in Kiama CBD adjacent to railway station	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus
CBD Carpark, Kiama (B2, former Council owned site)	Mixed tenure Shop top housing development incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$26 million	High (2.02)	47	Accessible area in Kiama CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus
Railway Car Park, Oak Flats Station (B4, State Government owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$109 million	Moderate (1.18)	224	Accessible area adjacent to Oak Flats Railway Station	Affordable Housing FSR and parking bonus, Boarding House FSR and parking bonus, Seniors Housing FSR, height and parking bonus
Car Park, Ulladulla CBD (B3, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$51 million	Needs subsidy including higher level of sales (0.84)	64	Within Ulladulla CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus
Car Park, Nowra CBD (B3, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$82 million	Needs subsidy including higher level of sales (0.73)	73	Adjacent to Nowra CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus

Site	Proposal	Comments	Preliminary Project Cost	Economic Viability (est return) <sup>60</sup>	Expected no. of affordable dwellings	Accessibility	SEPP (Housing) 2021 bonuses used
Car Park adjacent to Nowra CBD (B4, Council owned)	Mixed tenure Residential flat building incorporating boarding house component	Site currently contains an at grade car park, modelling assumes replacement of parking	\$39 million	Needs subsidy including higher level of sales (0.62)	73	Adjacent to Nowra CBD	Affordable Housing parking bonus, Boarding House parking bonus, Seniors Housing height and parking bonus

Source: ISA 2022

**Table Notes:**

- (1) Modelling contains a number of assumptions that need be confirmed on further investigation. Yields on development will need to be confirmed by preliminary architectural design. Application of additional height available under SEPP (Housing) 2021 for Seniors development will require preliminary assessment as to whether the site meets the various accessibility criteria in the SEPP.
- (2) Rents and sales are based on median and third quartiles in the locality, and may vary with amenity of the particular site. While reduced parking has been assumed in accordance with SEPP (Housing) 2021, this may lead to reduced sales prices, and reduced yield and increased parking may provide better returns. Market conditions for sale of housing, rent and construction are changing rapidly at the time of writing, and will need to be further evaluated.
- (3) Modelling has assumed apartments split 50:50 between one and two bedrooms, and with a boarding house component, however the proportion of two bedroom apartments could be increased with the boarding house component likely to be a cost effective way of providing self contained accommodation to small households, due to the smaller room size.
- (4) **Target Groups:** Modelling is based on providing accommodation to the following target groups, noting that much of this demand will be met through discount market rents of 75%:
  - 20% of dwellings affordable to very low income households, including 20% of two bedroom dwellings, with weekly rent of \$227 or less based on the Very Low Income threshold of \$755 per week;
  - 50% of dwellings affordable to low income households, including 50% of two bedroom dwellings, with weekly rent of \$300 or less based on an income of \$900 per week, reflecting median incomes in the Aged Care Sector;
  - 30% of dwellings affordable to moderate income households, including 30% of two bedroom dwellings, with weekly rent of \$500 or less based on an income of \$1,500 per week, reflecting the centre of the moderate income band.

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Maximum rents are set at 75% of comparable market rent, as footnoted.



## 6.3.2 Examples of Potential Partnership Sites

### Wollongong LGA – Large CBD Council-Owned Car Park

JSA modelling of a mixed tenure Shop top housing development incorporating residential flats (Shop top housing) above ground floor commercial including also development a boarding house and independent living units component has:

- Preliminary project cost of **\$148 million**
- **High (2.52)** Economic Viability (estimated return) value
- Expected yield of 332 affordable dwellings

The approximately 6,000 m<sup>2</sup> site owned by Wollongong City Council currently provides 200 spaces of at-grade parking within walking distance to Wollongong Railway Station and the Wollongong CBD. Allowable relevant uses include Shop top housing. Available bonuses under SEPP (Housing) 2021 include additional FSR under In-fill affordable housing, Boarding houses, Co-living housing and Seniors housing.

Preliminary modelling suggests that income from such a development would exceed costs by a factor of around 6 for the residential component, with most of the construction cost is recovered in sales, meaning that there are opportunities to provide higher proportions of rental or to further discount rents to provide additional accommodation for very low and low income households. It is possible that sales could provide opportunities for a component of shared equity for low income workers.

When considered as an overall project, the modelled development provides 332 affordable rental dwellings - 14% of dwellings affordable to smaller very low income households, 6% of dwellings affordable to larger very low income households, 36% of dwellings affordable to smaller low income households, 14% of dwellings affordable to larger low income households, 21% of dwellings affordable to smaller moderate income households and 8% of dwellings affordable to larger moderate income households.

### Shellharbour LGA – Oak Flats (Rail Corporation-owned land)

JSA modelling of a mixed tenure residential flat building incorporating a boarding house and seniors housing component housing development has:

- Preliminary project cost of **\$109 million**
- **Moderate (1.18)** Economic Viability (estimated return) value
- Expected yield of 224 affordable dwellings



Figure 6-9: Oak Flats Rail Corp-owned land, Stanford Drive Oak Flats

Source: Google Maps, 2022

The 13,800 m<sup>2</sup> site owned by Rail Corporation New South Wales currently provides 390 spaces of at-grade parking within 150 metres walking distance to Oak Flats Railway Station. Current controls include B4 Mixed Use, FSR 1.0:1, HOB 15 metres. Allowable relevant uses include boarding houses and residential flat buildings. Available bonuses under SEPP (Housing) 2021 include additional FSR under In-fill affordable housing, Boarding houses, Co-living housing and Seniors housing.

When considered as an overall project, the modelled development provides 224 affordable dwellings - 14% of dwellings affordable to smaller very low income households, 5% of dwellings affordable to larger very low income households, 36% of dwellings affordable to smaller low income households, 14% of dwellings affordable to larger low income households, 22% of dwellings affordable to smaller moderate income households and 8% of dwellings affordable to larger moderate income households.

### Kiama LGA – Bong Bong Street - NSW State Govt-Owned Railway Car Park

JSA modelling of a mixed tenure Shop top housing development incorporating a boarding house component has:

- Preliminary project cost of **\$17 million**
- **High (6.30)** Economic Viability (estimated return) value
- Expected yield of 36 affordable dwellings

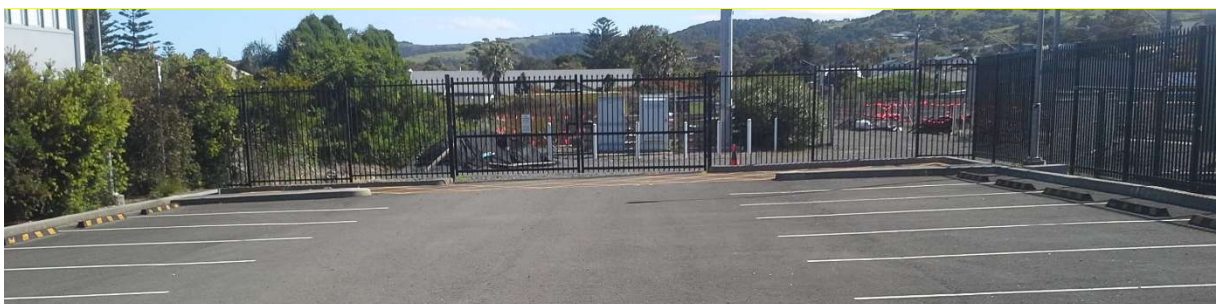


Figure 6-10: Bong Bong St Railway Car Park, Kiama

Source: JSA, 2022

The 2,400 m<sup>2</sup> site owned by Transport Asset Holding Entity of New South Wales currently provides 41 spaces of at-grade parking and vacant land adjacent to Kiama CBD and within 200 metres walking distance to Kiama Railway Station. Current controls include B2 Local Centre, FSR 2.0:1, Height of Buildings 11 metres. Allowable relevant uses include shop top housing. Available

bonuses under SEPP (Housing) 2021 include additional FSR and reduced parking under In-fill affordable housing, Boarding houses, Co-living housing and Seniors housing.

When considered as an overall project, the modelled development provides for 36 of the dwelling created to be affordable rental housing - 14% of dwellings affordable to smaller very low income households, 6% of dwellings affordable to larger very low income households, 36% of dwellings affordable to smaller low income households, 14% of dwellings affordable to larger low income households, 22% of dwellings affordable to smaller moderate income households and 8% of dwellings affordable to larger moderate income households.

## Shoalhaven LGA – CBD Council-Owned Car Park Ulladulla

JSA modelling of a mixed tenure Shop top housing incorporating a Boarding house component housing development has:

- Preliminary project cost of **\$51 million**
- Marginal Economic Viability (084) (estimated return)
- Viability increased by additional subsidy from higher level of sales, government funding, borrowing on rent etc from partnering with CHP
- Expected yield of 64 affordable dwellings



Figure 6-11: CBD Car Park Ulladulla

Source: Google Maps, 2023

The 12,000 m<sup>2</sup> site owned by Shoalhaven City Council currently provides at-grade car parking for 264 cars within Ulladulla CBD. Current controls include B3 Commercial Core, FSR of 2.0:1.0, and Height of Buildings 14.0 metres. Allowable relevant uses include Boarding houses, Residential Flat Building (Under SEPP Housing), Co-Living Housing (under SEPP Housing), Seniors housing, Shop top housing, Car parks (Innominate use).

Available bonuses under SEPP (Housing) 2021 include additional FSR and reduced parking under In-fill affordable housing, Boarding houses, Co-living housing and Seniors housing and additional, height for Seniors housing.

Modelling assumed development of 50% of the site, with the remainder used to provide replacement parking. Relevant SEPP (Housing) 2021 bonuses have been assumed. Ground floor commercial development is assumed in accordance with Shop top housing.

The Shop top housing development was assumed to provide 64 dwellings in accordance with site constraints with 50% sales and 50% rental. Parking was assumed to be in accordance with DCP requirements. Modelling assumed that rents were affordable to very low, low and moderate income households.

## 6.4 Proposed Mixed tenure village for the Shoalhaven by Southern Cross Housing

As noted above, Southern Cross Housing (SCH) is active developer of new social and affordable housing, both in partnership and on its own. Several recent development projects in Bomaderry highlight SCH's substantial contribution and commitment to meeting housing need, improving lives and creating a community for all in the Shoalhaven. This includes the following.

- SCH purchased 8.7 ha site with intent to develop a mixed tenure village at 25 Moss Vale Road, Bomaderry
- 250 dwellings, flagship SCH office and commercial spaces for social enterprises (café, hairdresser/barber/beautician, preschool, etc) that will provide training and employment opportunities and affordable services for new residents.
- Village will deliver a full suite of housing products including short-term transitional dwellings, social rental, affordable rental for key workers and others, affordable purchase through shared equity and private market homes for sale.
- As at November 2022, SCH is awaiting conditional approval from SCC of its Master Plan prior to final settlement of the sale.

In 2022, SCH used its own funds to purchase 8.7 hectare B4 zoned site in Bomaderry with a delayed settlement with the intention to develop the site into a master planned mixed tenure village community that will include a flagship office for SCH, retail spaces and 250 dwellings including and some 200 affordable and social housing dwellings. Final settlement of the sale will depend on conditional approval of a Development Application that SCH submitted to SCC after a significant due diligence process.

The vision for the site includes a preschool predominantly dedicated to assisting SCH employees, commercial shops dedicated for social enterprise training facilities such as hair and beauty, café, convenience store, furniture restoration, and a fruit and vegetable store supplied by on-site gardens. These businesses will not only provide training and employment opportunities, but will also provide low-cost goods and cost-recovery services to future residents. Medical consulting rooms are also planned.<sup>61</sup>

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<sup>61</sup> Southern Cross Housing, 2020-21 Annual Report, Pg 17.





Figure 6-12: Concept of SCH’s master planned, mixed tenure community at Bomaderry

Source: SCH Annual Report 2020-21, Pg 16.

EG Fund Managers have signed on as a partner in the project that will bring in institutional investors to either invest in the product and/or provide/facilitate finance.<sup>62</sup> This type of partnership is a first for SCH, with their aim to retain as much of the social and affordable dwellings created within its own ownership portfolio.<sup>63</sup>

SCH is developing a shared equity model, that it cannot yet disclose, to provide the opportunity for affordable home ownership.

Pending approval of the master plan, SCH hopes that in 18 months civil works will be completed, road ways will be established and detailed design work will be completed and on their way to approvals to allow for construction to begin.

## 6.5 Selective Redevelopment of Social Housing

### 6.5.1 Example of Opportunities and Issues

As discussed elsewhere in this report, around 5,000 dwellings, or 4% of social housing stock has been lost over the last eight years through sale, redevelopment and non-replacement, with losses across the Region, and particularly heavy losses in Shoalhaven LGA (8% loss of dwellings).<sup>64</sup> Nonetheless, the NSW Land and Housing Corporation (LAHC) continues to hold extensive stocks of land and housing, with significant ongoing liabilities regarding maintenance of older stock.

<sup>62</sup> EG enters social housing to make a difference, 1 September 2022, <https://www.australianpropertyjournal.com.au/2022/09/01/eg-enters-social-housing-to-make-a-difference/>, accessed 29/11/2022.

<sup>63</sup> Information provided by SCH CEO, 29/11/2022.

<sup>64</sup> Legislative Council, Portfolio Committee No 4 – Industry, *Budget Estimates 2020-21: Supplementary Questions*

There is a projected need for an additional 3,925 social housing dwellings by 2041 to maintain regional rate of such housing, and certainly the need to ensure that no further stock is lost amid growing need among very low income renters in the Region.

One opportunity to increase the supply and diversity of social housing is through the redevelopment of LAHC assets. To date this has typically been carried out using a competitive tender approach across large existing estates, such as the Bonnyrigg whole of suburb redevelopment in Southwestern Sydney, or the Argyle Estate in Coffs Harbour. Such redevelopment projects typically increase the overall supply of housing and provide newly built social housing, but do not generally lead to a material net increase in the supply of social housing.

Another model is for the delivery of smaller scale projects, such as redevelopment of two adjacent land parcels with older, low density houses. Such projects can be carried out by a Community Housing Provider, with the Provider holding a long term lease over the property as security. To facilitate such redevelopment, LAHC has adopted a revised *Community Housing Provider Direct Dealing Policy* (June 2022). Redevelopment is further controlled by the *Asset Securitisation Policy 2021* which LAHC requires in addition to the security required by financiers.

We are advised that no such projects have been approved to date, and the community housing sector continues to have concerns with aspects of the policies, and is continuing to negotiate with LAHC.<sup>65</sup> The two main concerns are the requirement for LAHC to deliver a market return on investment from sub-market housing, and uncertainty about the Community Housing Providers' ability to be adequately rewarded for the development risk and increase equity to be used as security for future borrowing.

With regard to borrowing restrictions, a Community Housing Provider needs to be given the opportunity to borrow against any property that it holds title over in order to appropriately leverage itself and provide funding for further growth. LAHC must have a clear policy that it will support the leveraging of any assets held by a CHP (but with LAHC interest on title) without restriction as long as it leads to no net loss of social housing.

The Housing Trust has carried out a preliminary investigation of NSW LAHC sites under its management and has identified a number of sites which could be redeveloped. The examples provided are based on high level assessment and would require detailed modelling and design prior to undergoing the relevant approval processes with both LAHC and Council.

Two examples include the following.

**An indicative site in Kiama Downs** - the site currently contains two 3 bedroom fibro cottages with a projected 20 year maintenance cost of \$395,000 (includes capital upgrade for both homes). Preliminary assessment indicates that the site could be redeveloped to provide six dwellings at an estimated cost of \$2.4 million. This would be of enormous benefit in Kiama LGA given both the projected aging of the population, and the fact that only 1% of dwellings are currently social housing.

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<sup>65</sup> Interview and email Correspondence, CEO The Housing Trust, 29 November 2022



**An indicative site in Koonawarra** - the site currently contains one 3 bedroom and one 4 bedroom cottage with a projected 20 year maintenance cost of \$238,000 (includes minor capital upgrade for both properties). Preliminary assessment indicates that the site could be redeveloped to provide six dwellings at an estimated cost of \$2.3 million.



Figure 8.5: Older low density social housing in a public housing estate in Wollongong LGA

Source: GoogleEarth accessed 31 March 2023.

**Such approaches are possible across a range of older, low density public housing properties in order to increase housing diversity and yield, and can also result in both social housing and a component discount market rental housing for very low and low income key workers.**

## 6.5.2 Recommendations

It is recommended that:

- There be no further loss of social housing in the Illawarra Shoalhaven Region through sale or redevelopment of existing dwellings, and that any social housing transfers or redevelopment be guaranteed to result in a net gain in social housing dwellings;
- There is the progressive funding of at least an additional 3,925 social housing dwellings by 2041 by NSW State Government to maintain regional rate of such housing in the context of growing need for such accommodation in each LGA;
- That regional Councils advocate to the NSW Land and Housing Corporation (LAHC) to support Community Housing Providers in the Region in their negotiations with LAHC to provide greater certainty and viability in the selective redevelopment of to increase yield and diversity, including that LAHC:
  - Provides either title transfer or long-term (35-50 year) leases to increase CHP capacity for raising finance;
  - Sets out the comparator to be used for determining an appropriate return on investment, and to provides clear policy direction regarding the inclusion of the non-financial value of community housing to the community and the inclusion of reduced ongoing maintenance liabilities in the calculation of return on investment;

- Increase borrowing limits from 50% to 80% of the value of land and buildings with this restriction imposed by LAHC to increase the ability of CHPs to appropriately to leverage their assets, and increase the quantum of affordable housing that can be delivered against a particular asset base.

## 6.6 Use of Other Government Land for Affordable Housing Developments

### 6.6.1 Overview

Other public authorities also have important resources in terms of vacant and under-utilised land and buildings that can be used for affordable housing partnerships, as well as for ‘meantime use’ where properties are identified for eventual redevelopment.

The NSW Government has made data on some government-owned properties publicly available through the Government Property Index.<sup>66</sup> The Government Property Index provides basic information (Lot/Section/Plan, address, area, zoning and Local Government Area) on NSW Government-owned properties, but does not include properties owned by State Owned Corporations (like LAHC) or ‘sensitive’ properties where publication could result in safety, security or individual privacy concerns. The data also does not include the existing land use for each property, such as school or hospital, nor controls, environmental constraints or other important data.

It is beyond the scope of this research to undertake an audit of land listed in this Index for suitability of sites, or to undertake economic modelling on feasibility of development. However, it is likely that the modelling conducted in **Confidential Appendix 5** in relation to council-owned sites in the Region would be applicable to other government land that is proximate to these council sites. **A thorough interrogation of this government data base to identify appropriate partnerships sites and meantime use opportunities is an important area of work that should be pursued by local councils, CHPs and peak industry bodies as part of the future strategic action.**

Importantly, the Greater Sydney Commission has set an aspiration that the ‘City Plans will set a target of up to 30 per cent for the proportion of social and affordable housing in residential developments on government land’.<sup>67</sup> This is an important aspiration, and one that will require a strong commitment on the part of government, as well as appropriate zoning and controls.

It is also an area where there is a role for both local government in raising public awareness of the need for affordable (including social) housing as part of all development of government (including

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<sup>66</sup> <https://pp.planningportal.nsw.gov.au/government-property-index-list>

<sup>67</sup> Greater Cities Commission (September 2022) *The Six Cities Region Discussion Paper: Delivering global competitiveness and local liveability*, p 42.

Council-owned) land to **overcome community resistance to such development**, particularly as suitable government land will often be within or adjacent to established residential areas.

The former **Bulli Hospital site**, discussed below, is a case in point.

## 6.6.2 Former Bulli Hospital site

The former Bulli Hospital site (2.44 ha) at 29 Hospital Road, Bulli was acquired by Landcom from NSW Health in May 2022.<sup>68</sup> Landcom is the NSW Government’s land and property development organisation, a State Owned Corporation. Landcom has commenced the planning and application process with Wollongong City Council for the transformation and redevelopment of the R2 Low Density Residential zoned site for new housing.



Figure 6-13: Former Bulli Hospital Site

Source: GoogleEarth accessed 25 November 2022.

The site is located opposite the newly constructed Bulli Hospital and Aged Care Centre (22 Hospital Road, opened August 2020) which replaced and expanded the services delivered at the former hospital site. The new Centre provides inpatient, outpatient and allied health services, an Urgent Care Centre to treat minor health issues and injuries<sup>69</sup> and the NSW Ambulance, Bulli Ambulance Station.<sup>70</sup> The site was designed to also include a 60-suite Residential Aged Care Facility.

<sup>68</sup>Landcom, Places - Bulli, community consultation information boards, <https://www.landcom.com.au/places/bulli#msdyntrid=Ee6hRZdvvYXeAy4CqCBfODkBJu9lApBcKQBEjdF2XL0>, accessed 09/11/2022.

<sup>69</sup> NSW Health, Illawarra Shoalhaven Local Health District, Bulli Hospital and Aged Care Centre, <https://www.islhd.health.nsw.gov.au/hospitals/bulli-hospital-aged-care-centre>, accessed 09/11/2022.

<sup>70</sup> NSW Ambulance, List of all Stations – April 2022, [https://www.ambulance.nsw.gov.au/\\_data/assets/pdf\\_file/0008/509264/DE222-NSW-Ambulance-List-of-all-Stations\\_V7.pdf](https://www.ambulance.nsw.gov.au/_data/assets/pdf_file/0008/509264/DE222-NSW-Ambulance-List-of-all-Stations_V7.pdf), accessed 09/11/2022.





Figure 6-14: New Bulli Hospital and Aged Care Centre

Source: GoogleEarth accessed 25 November 2022.

The site is also within walking distance to a range of key worker employment opportunities, services, shops and transport options including the KU Bulli Preschool, Fire and Rescue NSW Bulli Fire Station, Woolworths Bulli and the Bulli railway station.<sup>71</sup> The suburbs of the northern Illawarra have become increasingly unaffordable. As for the June 2022 quarter, in the 2516 postcode (which includes the Bulli suburb) the median rental for all dwellings is \$730, a cost affordable to higher income households only.<sup>72</sup>

Landcom advises that the site could provide a mix of lot sizes and smaller housing options (between **50 to 70 dwellings** with building heights between one to three storeys) to suit a range of household types and income groups including first home buyers, older households and people living alone.<sup>73</sup> In accordance with its policies, Landcom intends to provide “**a minimum of**”:

- 10% affordable housing for low to moderate income households
- 15% diverse housing that could include terraces, townhouses, low-rise apartments and small-lot housing
- 30% universal housing to accommodate people of a range of ages and abilities

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<sup>71</sup> Google Maps, pedestrian direction distances.

<sup>72</sup> DCJ Rent and Sales, Report No 140, June Quarter 2022, Rent Tables by Postcode.

<sup>73</sup> LandcomPlacesBulli,

<https://www.landcom.com.au/places/bulli#msdyntrid=Ee6hRZdvvYXeAy4CqCBfODkBJu9lApBcKQBEjdF2XL0>, accessed 09/11/2022.

As at November 2022, Landcom reports that its Housing Policy “is currently being updated to reflect the new Statement of Priorities” which includes raising the target of affordable housing, including rental and freehold sale, to at least 20% across Landcom’s portfolio of regional projects by 2025, with a goal of 30% in regional NSW beyond that date, subject to market conditions. With the 20% target including a minimum of 5% affordable rental housing with the remaining 15% in regional areas a mix of affordable rental housing and “any other affordable housing products which improve housing affordability more generally (for example, affordable market housing or fractional ownership)”.<sup>74</sup>

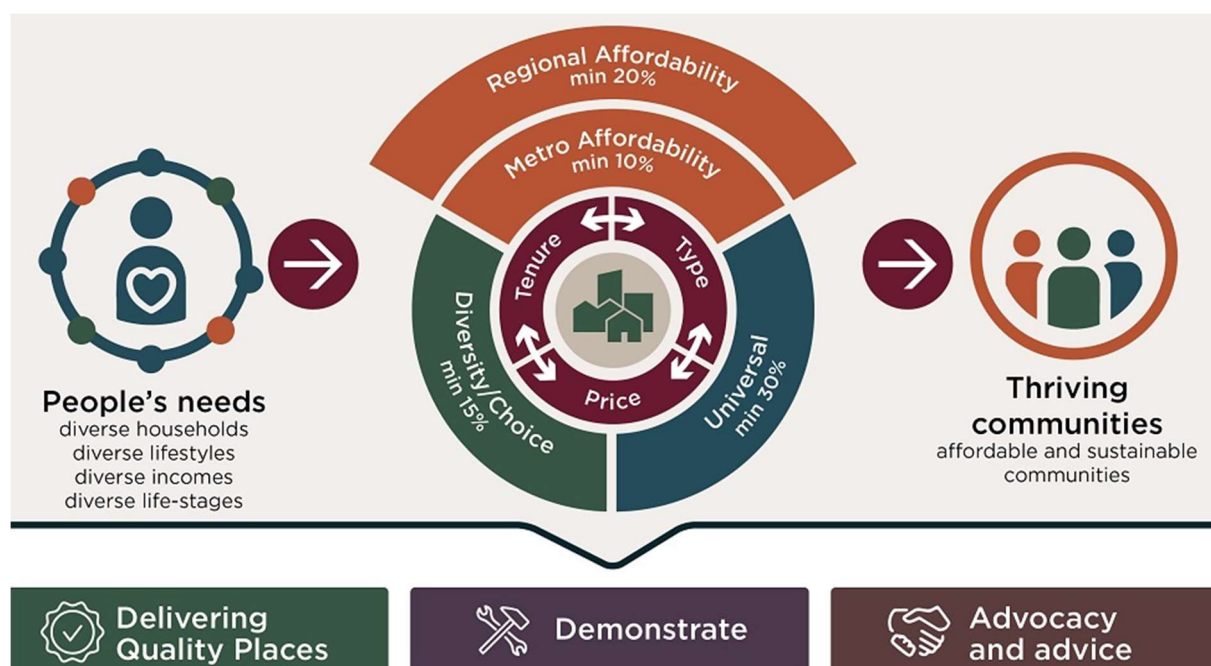


Figure 6-15: Landcom Housing Policy diagram

Source: Landcom, <https://www.landcom.com.au/approach/housing/>, accessed 26/11/2022.

Community concerns were raised about the future of the former Bulli Hospital site during construction of the new Bulli hospital complex and prior to the sale of site regarding the heritage value of the former hospital site<sup>75</sup> and the future of the site.<sup>76</sup>

After the land was acquired by Landcom and its intention to redevelop the site for housing was announced in 2022, community concerns have again been raised about the future of the site particularly the impact of the proposed development on local traffic, road safety and parking.<sup>77</sup>

<sup>74</sup>Landcom, Our commitment to affordable housing, <https://www.landcom.com.au/approach/housing/what-is-affordable-housing/>, accessed 26/11/2022.

<sup>75</sup> Ryan Park MP Member for Keira (2018) Bulli Hospital heritage importance..., Facebook video 30 October 2018, <https://www.facebook.com/RyanParkMPMemberforKeira/videos/bulli-hospital-heritage-importance/188456492043537/>, accessed 09/11/2022.

<sup>76</sup> Roberts, M (2022) Future of old Bulli Hospital site unsure, as heritage significance questioned, The Bulli & Clifton Times, 22 February, <https://thebullitimes.com/2020/02/22/future-of-old-bulli-hospital-site-unsure-as-heritage-significance-questioned/>, accessed 09/11/2022.

<sup>77</sup> Pearce, Connor (2022) Bulli residents to push back on plans to redevelop hospital site. Illawarra Mercury, 14 September; Reid, J (2022) Historic Bulli Cottage Hospital re-development faces criticism, UOWTV, May 25, <https://www.uowtv.com/2022/05/25/historic-bulli-cottage-hospital-re-development-faces-criticism/>, accessed 09/11/2022.



There have also been concerns raised about the provision of affordable housing on the site, with some concerned that the proposal does not include enough affordable housing while others are concerned about its inclusion. The Housing Trust is calling for 30% of the housing to be affordable rental housing.<sup>78</sup>

The former Bulli Hospital site provides an opportunity to develop high quality, affordable housing key workers in the health and caring industries, early childhood/preschool teaching and others in an area with rapidly deteriorating affordability that must not be squandered.

## 6.7 Incorporating Key Worker Housing into Health & Education Precincts

### 6.7.1 Overview

The NSW Government is undertaking significant health infrastructure projects in the Illawarra Shoalhaven Local Health District, including construction of a new hospital in Shellharbour and extensive redevelopment of the Shoalhaven Hospital.<sup>79</sup>

As described in the discussion on ‘meanwhile use’ of the existing Shellharbour Hospital site, these new hospital developments may also provide **opportunities for ‘meanwhile use’ and/or permanent accommodation for key workers** in the health and hospital system, particularly where zoning and allowable uses would facilitate its inclusion.

**Health Infrastructure NSW has committed to deliver key worker accommodation in other regional Local Health Districts. Similar consideration and support for such projects should be given to the Illawarra Shoalhaven Local Health District given the significant investment in health services planned and the affordability context of the region, particularly where there is interest and potential partnerships with private, community and local government partners to deliver such housing.**

### 6.7.2 Health Infrastructure NSW is delivering Key Worker Accommodation in other LHDs

The NSW Government, through Health Infrastructure, has committed **\$45.3 million to deliver accommodation for health workers in Far West, Murrumbidgee and Southern NSW Local Health Districts**. The project aims to support these regions to attract and retain staff in rural communities. As at November 2022, planning is underway to confirm accommodation priorities, scopes and locations. Southern NSW LHD has identified **Cooma** as a priority area for this accommodation. Additional locations for staff accommodation in the Southern NSW,

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<sup>78</sup> <https://www.abc.net.au/news/2022-05-23/bulli-hospital-illawarra-region-landcom-converted-new-homes/101091838>, accessed 09/11/2022.

<sup>79</sup> [https://www.health.nsw.gov.au/news/Pages/20220624\\_00.aspx](https://www.health.nsw.gov.au/news/Pages/20220624_00.aspx), accessed 18/11/2022.

Murrumbidgee and Far West LHDs will be identified and announced.<sup>80</sup> **The Illawarra Shoalhaven is not currently included in this important initiative.**

### 6.7.3 New Shellharbour Hospital site at Dunmore

The NSW Government has announced that it has acquired a greenfields site at Dunmore Road, Dunmore for the development of a new Shellharbour Hospital complex. The site is located in close proximity to Shellharbour Rail Station with access to the M1/A1 motorway.

At the time of writing (November 2022) there is little information about the new hospital in the public domain. There is no project listed on the DPE Major Projects State Significant Projects website for the development of the new Shellharbour Hospital at Dunmore. However, NSW Government has advised that it intends for work to begin before March 2023.<sup>81</sup> A 30 November 2022 media release from the NSW Minister for Health announced three pop-up consultations to be held during the next week to present the concept plan and artist's impressions for the new Shellharbour Hospital at Dunmore.

The new hospital will include expanded emergency and surgical departments, critical care, mental health, medical imaging, rehabilitation and ambulatory care. The Parliamentary Secretary for Wollongong and the Illawarra states that the new Shellharbour Hospital development will **'provide a huge jobs boost for the region'** during construction, through new traineeships and by attracting 'the best and brightest to work in the hospital when complete'.<sup>82</sup>



Figure 6-16: Artist's impression of new Shellharbour Hospital at Dunmore

Source: NSW Health, [https://www.health.nsw.gov.au/news/Pages/20221130\\_00.aspx](https://www.health.nsw.gov.au/news/Pages/20221130_00.aspx), accessed 01/12/2022.

<sup>80</sup> NSW Health Infrastructure, Key Worker Accommodation, <https://www.hinfra.health.nsw.gov.au/projects/project-search/key-worker-accomodation>, accessed 17/11/2022.

<sup>81</sup> Illawarra Shoalhaven Local Health District, The New Shellharbour Hospital Services Project, <https://www.islhd.health.nsw.gov.au/about-us/hospital-and-facility-upgrades/new-shellharbour-hospital-and-integrated-services-project>, accessed 18/11/2022.

<sup>82</sup> 30 November 2022, Minister for Health Brad Hazzard, Media Release: First Look at New Shellharbour Hospital Designs, [https://www.health.nsw.gov.au/news/Pages/20221130\\_00.aspx](https://www.health.nsw.gov.au/news/Pages/20221130_00.aspx), accessed 01/12/2022.

With plans still unclear, **planning for development of this new hospital provides an important opportunity to include key worker accommodation within the complex for lower paid staff working onsite. It is a crucial opportunity that should not be missed, and would provide a model for the provision of key worker accommodation as part of other large, key worker generating projects in the Region in the future**, noting that nurses' quarters used to be provided regularly as part of hospital development in regional areas.

It is also noted that SP2 – Infrastructure (Health Services Facility) zoning would include as allowable ancillary facilities to a hospital '**accommodation for nurses or other health care workers**', so that such accommodation is clearly envisaged as part of such a development.

#### 6.7.4 Expansion and redevelopment of Shoalhaven Hospital

The NSW Government has also committed \$438 million to redevelop the existing Shoalhaven District Memorial Hospital at Scenic Drive, Nowra. The DPE exhibition of the environmental impact statement (EIS) for the State Significant Development - Shoalhaven Hospital Redevelopment (SSD-35999468) ended on 27 October 2022. The project is currently in a Response to Submissions phase with the DPE requesting that Health Infrastructure NSW prepare a response to submissions report.<sup>83</sup>

Housing for the expanded workforce is not an impact considered in the SIA for the Shoalhaven Hospital redevelopment EIS, however the SIA does note that consultations with community did raise the "**concern that new doctors and healthcare workers who move to the area cannot afford to buy/rent in the area**".<sup>84</sup> Shoalhaven City Council's submission to the EIS did not raise housing or the provision of affordable housing to accommodate the increasing hospital workforce.<sup>85</sup>

The DPE recently exhibited<sup>86</sup> an explanation of intended effect (EIE) for a proposed site-specific State Environmental Planning Policy (SEPP) to **rezone** adjoining land from RE1 – Public Recreation and SP2 – Infrastructure (Educational Establishment) to **SP2 – Infrastructure (Health Services Facility)** to facilitate the expansion of the Shoalhaven District Memorial Hospital.<sup>87</sup> The current and proposed rezoning maps as exhibited in the EIE are displayed in the figure below.

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<sup>83</sup> Response to Submissions letter, 1 November 2022, <https://www.planningportal.nsw.gov.au/major-projects/projects/shoalhaven-hospital-redevelopment>, accessed 18/11/2022.

<sup>84</sup> Ethos Urban, Social Impact Assessment: Pg 30.

<sup>85</sup> Shoalhaven City Council, Submission SSD 35999468 - Shoalhaven Hospital Redevelopment, 1 November 2022, Contact - Lachlan Jones, <https://www.planningportal.nsw.gov.au/major-projects/projects/shoalhaven-hospital-redevelopment>, accessed 18/11/2022.

<sup>86</sup> The exhibition period closed 27 October 2022, with submissions under consideration as at November 2022.

<sup>87</sup> DPE (2022) Frequently Asked Questions: Explanation of Intended Effect (EIE) Shoalhaven Hospital Redevelopment, September, <https://pp.planningportal.nsw.gov.au/shoalhaven-hospital-EIE>, accessed 18/11/2022.

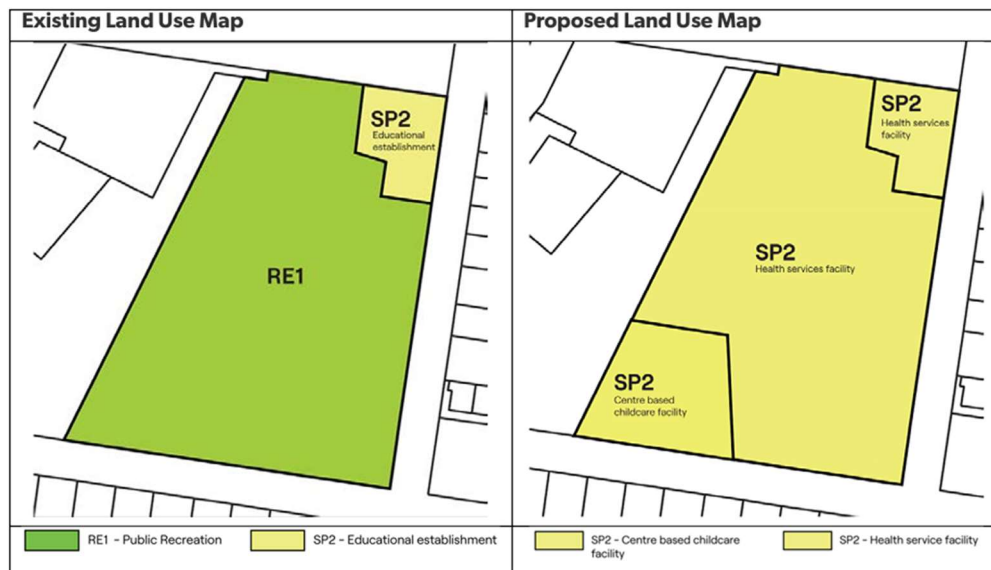


Figure 2: Current and proposed zoning

Figure 6-17: Current and proposed zoning as exhibited in EIE, Shoalhaven Hospital Redevelopment

Source: DPE 2022, Pg. 19

The EIE notes the proposal will enable expansion of critical infrastructure, providing short term (construction) and long-term (high skilled and service sector) employment opportunities positioned near planned urban released areas in Bomaderry, South Nowra, as well as new housing within the Nowra City Centre.<sup>88</sup>

As per the discussion on ‘meanwhile use’ of the existing Shellharbour Hospital site, the rezoning to SP2 – Infrastructure (Health Services Facility) and use as a **hospital** with allowable ancillary facilities including ‘**accommodation for nurses or other health care workers**’ may provide **opportunities for ‘meanwhile use’ and/or permanent accommodation for key workers** in the health and hospital system to be included in the hospital redevelopment project.

## 6.8 Innovative Funding Models

### 6.8.1 Institutional Investors

There is increasing interest from institutional investors to fund affordable housing projects. St George Community Housing (SGCH) has recently announced two such projects, where SGCH provides operational expertise for the project, funding is from an institutional investor, and design and construction is by a larger builder. This is a model that has been used for the delivery of public infrastructure (such as expressways and sewage and water infrastructure) in NSW for many years.

In the first of these schemes, SGCH has partnered with Lighthouse Infrastructure who will provide \$61 million in funding to purchase 76 apartments in Parramatta, Western Sydney for low-income

<sup>88</sup> DPE (2022) Explanation of Intended Effect, Proposed State Environmental Planning Policy – Shoalhaven District Memorial Hospital, September, Pg 10.

key workers.<sup>89</sup> Lighthouse Infrastructure an independent, sustainable infrastructure fund manager, that combines innovation and experience to deliver high quality investment outcomes to institutional investors.<sup>90</sup> While details of the source of funding is not available, it is likely that Lighthouse Infrastructure has acted as a middleman between a number of institutional investors and SGCH in order to raise the necessary funds. The success of this funding approach shows that there is a market for investment in ethically sound, low risk and low return developments.

In the second of these schemes, SGCH as operator has partnered with NSW developer and builder Deicorp as a builder, and National Housing and Finance Investment Corporation (NHFIC) and AXA IM Alts as financiers.<sup>91</sup> NHFIC is a bond aggregator scheme, and issues its own bonds into the wholesale capital market, obtaining financing at or near the government bond rate. Funds are then lent to registered community housing providers (CHPs) to support the provision of more social and affordable housing.<sup>92</sup> The advantage of this approach is the availability of capital at below commercial rates, with low risk appearing to be underwritten by government.

AXA IM Alts is an international firm of investment managers and aims to bring together private capital, entrepreneurial talent and technology to deliver solutions that advance social equality and ensure the environment can sustain us now and into the future.<sup>93</sup> Similar to Lighthouse Infrastructure, AXA IM Alts likely acts as a middleman between institutional and private investors and SGCH to raise funding.

These case studies demonstrate that community housing providers increasingly have access to lower cost funding, apart from traditional sources such as banks, and that there is considerable expertise developing in this area. Furthermore, it is evident that the return and risk profile of investment in affordable housing projects is attractive the private financing market and to institutional investors.

## 6.8.2 Philanthropic Trusts

The Halloran Trust is a philanthropic trust with extensive land holdings in Shoalhaven LGA, including land at West Culburra, east of Nowra. The Halloran Trust exists solely for charitable purposes and was established in 2012 by the late Warren Halloran to reflect his vision for high quality development and conservation. Warren was an interested supporter of and generous benefactor to many interests in the Shoalhaven.

In late 2021 the trust obtained approval for a Development Application to develop a residential sub-division at West Culburra. One of the conditions of consent was a requirement to prepare an Affordable Housing Strategy. The condition states that:

*The Applicant must prepare an Affordable Housing Strategy for the Concept Proposal to ensure the design of the Concept Proposal can accommodate a balance of affordable housing. The*

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<sup>89</sup> <https://www.sgch.com.au/news/sgch-and-lighthouse-scale-up-to-120million-institutional-investment-to-support-affordable-key-worker-housing/> accessed 27/11/2022.

<sup>90</sup> <https://lighthouseinfrastructure.com/> accessed 27/11/2022.

<sup>91</sup> <https://www.sgch.com.au/news/axa-im-altsgch-nhfc/> accessed 27/11/2022.

<sup>92</sup> <https://www.nhfc.gov.au/what-we-do/affordable-housing-bond-aggregator/> accessed 27/11/2022.

<sup>93</sup> <https://alts.axa-im.com/investment-expertise/private-equity-and-infrastructure> accessed 27/11/2022.



*Affordable Housing Strategy must be implemented at the applicable stage or stages. The Affordable Housing Strategy must be prepared in consultation with Council.*

The Halloran Trust is currently in the process of preparing that Affordable Housing Strategy, and outcomes are likely to include the gifting of land to a Registered Community Housing Provider (CHP); first purchase options on land for the construction of Affordable Housing projects within the West Culburra development by a CHP, so that they can use this land as part of funding applications to government; and consideration of a ‘quick win’ in terms of the meantime use of some land owned by the Trust for a ‘tiny home’ development.

This is different to other methods of delivery, such as an Affordable Housing Contribution Scheme (which would accompany a Planning Proposal for rezoning), in that the delivery of affordable housing in the project is some extent discretionary, and relies on the good will and philanthropic interest of the developer, as the land was already zoned for residential purposes.

## 6.9 Shared Equity schemes

### 6.9.1 Overview

The federal and NSW State governments will be delivering Shared Equity schemes to facilitate affordable home purchase for low and moderate income households. These schemes join well-established state-based home equity schemes operating in Victoria, Western Australia, South Australia, Tasmania and the ACT.<sup>94</sup> Shared equity schemes offer the opportunity of homeownership at a reduced cost by sharing the capital cost of purchasing a home between a homebuyer and an equity partner. AHURI (2022) advises that shared equity schemes generally operate in one of two ways<sup>95</sup>:

- **‘Individual equity’** models, most prevalent in Australia operated by Australian state (and now federal) governments, where the homebuyer takes out a loan on a proportion (typically 70% or more) of the full cost of the property, while the equity partner provides the rest of the capital. The equity partner could be a bank, other type of financial institution or government. During the loan period the homebuyer can buy more equity in the property as a stepping stone to full ownership. At the time of sale (or refinancing), the partner recoups their equity loan plus a share of capital gains. There are generally no restrictions on re-sale within these schemes.
- **‘Community equity’** models, where the homebuyer buys a proportion of a property with a subsidy from the equity partner, usually a form of ‘not-for-profit’ trust or housing association. The equity partner retains a large proportion of ownership and has an ongoing interest in the property. Community Land Trusts (CLTs), which exist in the USA and the UK, are examples of this model. There are generally restrictions on re-sale of CLT homes to ensure that access to affordability is in perpetuity.

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<sup>94</sup> AHURI (2022) What is a shared equity scheme? Sharing the costs of purchasing a home can help low income homebuyers, 02 May, <https://www.ahuri.edu.au/research/brief/what-shared-equity-scheme>, accessed 30/11/2022.

<sup>95</sup> AHURI (2022) Ibid.

The following provides an overview of new ‘individual equity’ schemes offered by the federal and NSW governments, shared equity in South Australia that is bolstered by requirements that all new significant developments within designated areas in the state’s Planning and Design Code should provide 15% affordable housing<sup>96</sup> and the ‘community equity’ shared equity scheme of a CLT with an example of its application in Australia.

### 6.9.2 New federal and NSW government shared equity schemes

The federal government’s Home Guarantee Scheme (HGS) is administered through NHFIC. Under the HGS, part of an eligible home buyer’s home loan from one of 32 authorised Participating Lenders will be guaranteed by NHFIC. Eligible home buyers will require a deposit of 2-5% depending on the type of Guarantee. Three different types of guarantees are available, each targeting different groups including all first homebuyers, **regional** first home buyers and homebuyers who are **single parents** with at least one dependent child. 50,000 places for eligible applicants will be available each financial year from 2022/23 including 35,000 first home buyer, 10,000 regional home buyer and 5,000 single-parent homebuyer.<sup>97</sup>

The NSW Government will provide an equity contribution of up to 40% of the purchase price for new homes and up to 30% of the purchase price for existing dwellings, with caps on purchase price based on metropolitan or regional location of the home. Purchasers must have a minimum 2% of purchase price deposit. Importantly, the NSW scheme is limited to specific target groups of first home buyers who are **single parents** of a child or children under 18 years of age, single people aged **50 years and over** and **key workers who are nurses, teachers or police**. The two-year scheme will begin 2023, with 3,000 places for eligible applicants each financial year.<sup>98</sup>

### 6.9.3 Shared equity in South Australia

There is a well-established ‘individual equity’ model of shared equity in South Australia.

In 1989, the South Australia Government established its own housing finance company, HomeStart, to provide home loans for South Australians. HomeStart is SA government organisation and not a bank. HomeStart offers a range of home loan products including Shared Equity finance, which it has offered since 2007. HomeStart’s current Shared Equity Option allows a prospective home buyer to borrow between 5% and 25% of the purchase price valuation, whichever is lower up to a maximum of \$200,000. No interest or repayments are payable, with HomeStart sharing in the gain or loss in property value when the home is sold. Eligibility requirements apply.<sup>99</sup> HomeStart’s shared equity option is an example of an ‘individual equity’ model.

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<sup>96</sup> SA Government, Developer responsibilities for affordable housing, accessed <https://www.sa.gov.au/topics/business-and-trade/building-industry/planning-professionals/developer-responsibilities-for-affordable-housing>, accessed 30/11/2022.

<sup>97</sup> <https://www.nhfic.gov.au/what-we-do/support-to-buy-a-home/>, accessed 30/11/2022.

<sup>98</sup> NSW Government, Shared equity scheme, <https://www.nsw.gov.au/housing-and-construction/shared-equity-scheme>, accessed 20/11/2022.

<sup>99</sup> <https://www.homestart.com.au/home-loans/borrowing-boost-loans/shared-equity-option>, accessed 30/11/2022.

Shared equity finance is one way to facilitate affordable home purchase for lower income households. In South Australia, the demand for shared equity finance products like what is offered by HomeStart is bolstered by legislative requirements that all new **significant developments** should provide 15% affordable housing if they are located within an affordable housing overlay designated in the state's Planning and Design Code.<sup>100</sup>

In this context, significant developments include those on government land, major developments, land sold by government and private developments bound by the planning policy for affordable housing.<sup>101</sup> Affordable housing is priced to cost no more than 30% of gross income for those on low or moderate incomes and can include a mix of homes for purchase or rental.

HomeSeeker SA is a website set up by the SA government to provide prospective affordable home buyers with information and access to homes available for affordable purchase made possible through the planning scheme.<sup>102</sup>

### Lot 3, 478 Morphett Road, **Warradale**



**Exclusive Offer  
with Shared Equity**

Register Your Interest

Save

Contact Sales Agent

Figure 6.18: Example of home for sale in SA with shared equity option advertised through HomeSeeker SA (state government initiative)

Source: HomeSeeker SA, Homes for Sale, <https://homeseeker.sa.gov.au/homes-for-sale/lot-3-478-morphett-road-warradale>, 30/11/2022.

<sup>100</sup> Plan SA, Planning and Design Code, Part 3 – Overlays, Affordable Housing Overlay, [https://code.plan.sa.gov.au/home/browse\\_the\\_planning\\_and\\_design\\_code?code=browse](https://code.plan.sa.gov.au/home/browse_the_planning_and_design_code?code=browse), accessed 30/11/2022.

<sup>101</sup> SA Government, Developer responsibilities for affordable housing, <https://www.sa.gov.au/topics/business-and-trade/building-industry/planning-professionals/developer-responsibilities-for-affordable-housing>, accessed 30/11/2022.

<sup>102</sup> <https://homeseeker.sa.gov.au/>, accessed 30/11/2022.

## 6.9.4 Community Land Trust

A Community Land Trust (CLT) is a form of shared ownership of property, where the land component of a residential property is owned by a community based, not-for-profit legal entity and the actual building is owned (or leased long-term) by an individual household.<sup>103</sup>

CLTs offer affordably-priced homes to households on lower incomes by reducing the purchase price of housing and then restricting its resale value. When a household decides to sell their interest in a CLT home, the home is resold or re-leased at an affordable price to another household with a limited income.<sup>104</sup>

In 2015, AHURI published research exploring the opportunity of CLTs for Indigenous communities in NSW and the Northern Territory. Results from investigations in NSW showed that communities were interested in home ownership schemes that a CLT model could offer, at the time there were a number of concerns and constraints that would need to be worked through to enable CLT models to occur. The NSW feasibility study favoured a long-term leasehold model using a 99-year lease that would restart at sale or inheritance, allowing for equity input or withdrawal if required. Outcomes of the research included activities and tools for policy-makers interested in implementing CLTs at the local level.<sup>105</sup>

Despite decades of successful operation in other countries, CLTs are relatively rare and remain an under-utilised tool in Australia.

The Walanmarra Artists and other community members in the Blue Mountains are working to co-design a CLT that aims to explore how to Care for Country through the built environment and how to build resilient and sustainable communities that are inclusive of all.<sup>106</sup> In August 2022, the Member for Blue Mountains Trish Doyle spoke passionately in the NSW Parliament about the housing and homelessness crisis in the Blue Mountains recognising the efforts the Walanmarra Artists and those in the Blue Mountains seeking to adapt and replicate many successful CLTs operating in Canada, the USA and the UK that provide affordable rental and purchase through models that are centred on local community needs, voice and governance.<sup>107</sup>

## 6.9.5 Build to Rent to Buy scheme examples

The two Build to Rent to Buy schemes described below are examples of a shared equity scheme undertaken in partnership between a developer, public or private institutional investment

<sup>103</sup> AHURI (2018) What is a community land trust? <https://www.ahuri.edu.au/research/brief/what-community-land-trust>, accessed 30/11/2022.

<sup>104</sup> Crabtree L et al. (2013) The Australian Community Land Trust Manual, Published by the University of Western Sydney, Pg 16, [https://www.westernsydney.edu.au/ics/research/impact/community\\_land\\_trusts](https://www.westernsydney.edu.au/ics/research/impact/community_land_trusts), accessed 30/11/2022.

<sup>105</sup> AHURI (2015) Community Land Trusts and Indigenous communities: from strategies to outcomes, <https://apo.org.au/node/54107>, accessed 30/11/2022.

<sup>106</sup> Blue Mountains Community Land Trust, Homes, Community and Country,

<sup>107</sup> NSW Parliament, Legislative Assembly Hansard, 09 August 2022, Blue Mountains Electorate Social and Affordable Housing, Ms Trish Doyle, <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardResult.aspx#/docid/HANSARD-1323879322-126525/link/123>, accessed 30/11/2022.



organisation and a CHP to facilitate affordable home purchase for eligible lower income households.

## Ginninderry (ACT)

The National Housing Finance and Investment Corporation (NHFIC) is developing a Build-to-Rent-to-Buy (BtRtB) model to give at-risk and vulnerable women affordable pathways to home ownership in the new development area of Ginninderry in the ACT.<sup>108</sup> NHFIC is partnering with Ginninderry, a joint venture between the ACT government, Riverview Developments and Community Housing Canberra (CHC), to deliver the scheme.

Unlike a Build-to-Rent model where properties constructed by a developer who then owns the building, a BtRtB model would offer the renter the opportunity to purchase the home over time.<sup>109</sup> The model being investigated would involve the tenant paying affordable rent (at 74.9 per cent the market rate) to CHC over a 10-year period, which during that time ‘could benefit from a savings plan that is funded by the savings generated by the community housing provider and the cheaper finance NHFIC provides as a Commonwealth entity. After 10 years, the woman could buy the home with the final cost adjusted to factor in her share in any capital growth while making use of the accumulated savings over the previous decade.’<sup>110</sup>



Figure 6-19: Ginninderry, ACT

Source: <https://ginninderry.com/>, accessed 26/11/2022.

<sup>108</sup> <https://ginninderry.com/>, accessed 26/11/2022.

<sup>109</sup> <https://ginninderry.com/inspire-post/creating-homes-for-women-at-risk/>, accessed 26/11/2022.

<sup>110</sup> NHFIC, Innovative Build-to-Rent-to-Buy model to help at-risk and vulnerable women become homeowners, <https://www.nhfic.gov.au/media-resources/media-releases/new-partnership-to-explore-build-to-rent-to-buy-solutions-for-at-risk-and-vulnerable-women/>, accessed 26/11/2022; <https://probonoaustralia.com.au/news/2022/01/the-new-partnership-examining-an-innovative-womens-housing-solution/>, accessed 17/11/2022.



## B Apartments (Adelaide)

Community housing provider CHL partnered with Investec Australia to deliver a mixed-tenure housing project, B Apartments, in the Adelaide suburb of Bowden. B Apartments includes 86 apartments over seven levels including 32 (37%) that are rent to buy properties for key workers and 54 (63%) market stock properties.

The B apartments project is within the Bowden urban renewal precinct, the SA government's first higher density urban infill project located 2.5 kilometres from Adelaide's CBD on 16 hectares of land bordered by parklands. A 'significant site' under the SA planning system, with a mandatory inclusion of at least 15% affordable housing (combination rent and purchase).<sup>111</sup>

The 'rent then buy' program was developed to provide a pathway to home ownership for 'key workers' including teachers, health care professionals, police officers, social workers, bank workers, local government workers and HR workers. Eligible key workers pay rent at 75% of market rent and progress to purchase at a 17% discount market value for the apartments. CHL managed the eligibility assessment, tenant placement, leasing to eligible applicants and working with tenants to get them 'home loan ready'. In less than 12 months, 29/32 key worker apartments had progressed to ownership.<sup>112</sup>

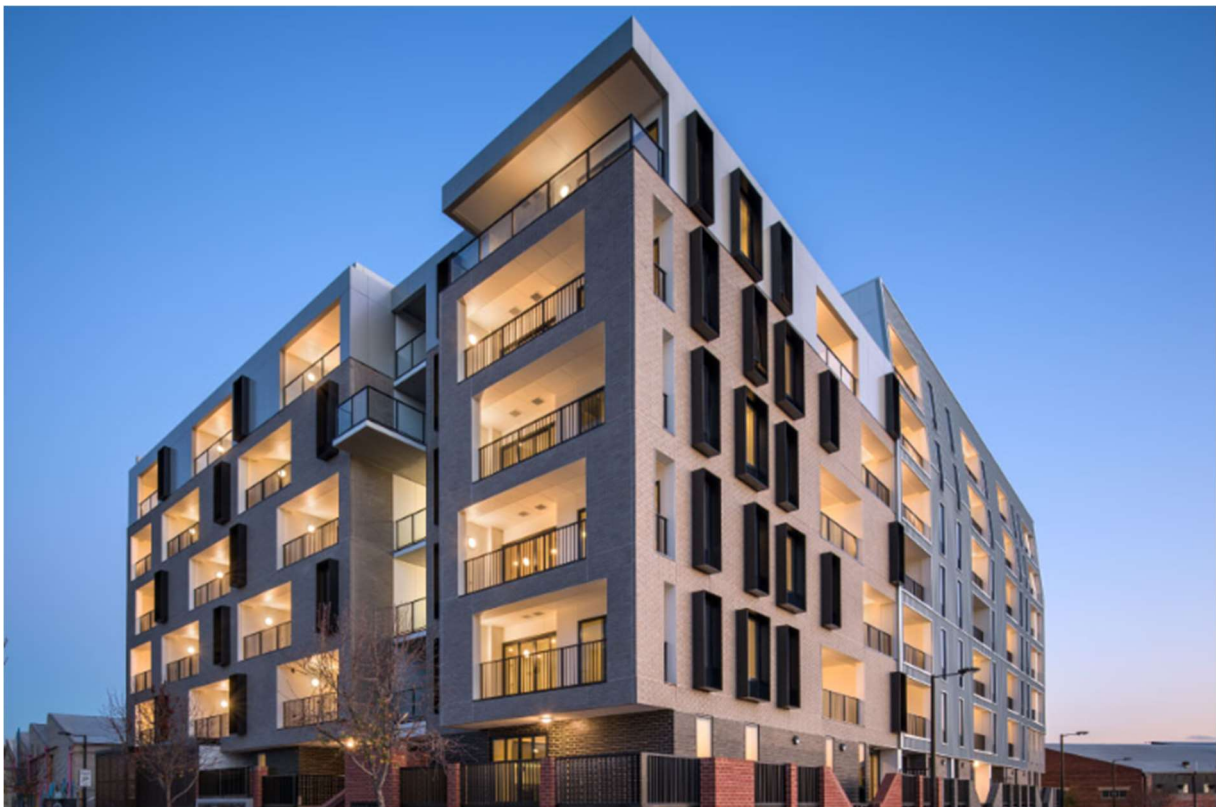


Figure 6-20: B Apartments, Bowden SA

Source: Hindmarsh, <https://hindmarsh.com.au/project/b-apartments-bowden-sa/>, accessed 26/11/2022

<sup>111</sup> <https://renewalsa.sa.gov.au/projects/bowden/>, accessed 01/12/2022.

<sup>112</sup> <https://chl.org.au/about/our-people-say/innovative-rent-then-buy-program/>, accessed 26/11/2022.