

CANTERBURY BANKSTOWN

Draft Affordable Housing Strategy: Background Report

February 2020

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INTRODUCTION

1.0 INTRODUCTION

1.1 Background

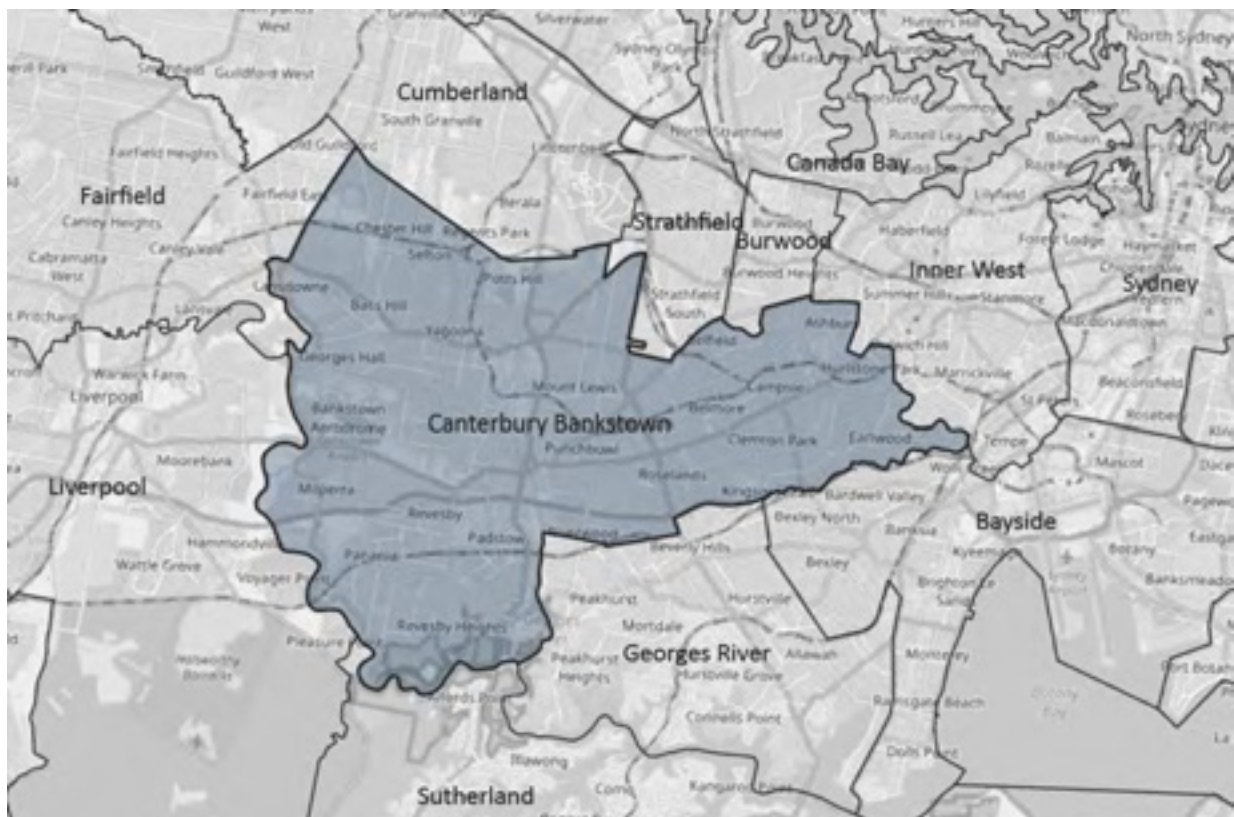
This background document sets out a definition and benchmarks for affordable housing in accordance with relevant legislation and summarises research and analysis from the Canterbury Bankstown Housing Strategy to support the Canterbury Bankstown Affordable Housing Strategy.

This background document demonstrates the need for implementing an affordable housing contribution scheme in Canterbury Bankstown and describes how and where the scheme should be applied. A separate strategy document provides key actions and directions.

1.2 The Canterbury Bankstown LGA

Canterbury Bankstown Local Government Area (LGA) is located in the south-western suburbs of Greater Sydney, sitting within the South District together with Sutherland and Georges River Council areas. It is bounded by nine Council's including Sutherland to the south, Georges River and Inner West to the east, Liverpool to the west and Burwood, Strathfield and Cumberland to the north. The LGA comprises an area of 72 square kilometres and, as at the 2016 Census, had a population of approximately 360,000, making it the largest LGA in terms of population in NSW. The LGA is planned to accommodate significant housing and employment growth in the next two decades.

Figure 1: Map of the Canterbury Bankstown LGA



CANTERBURY BANKSTOWN

DEMOGRAPHIC SNAPSHOT – 2016 CENSUS



360,000

Population



87,826

Families



121,319

Dwellings



6.3%

of the LGA is natural habitat

Top five ancestries



Fastest growing areas (people)

- +3,789** from 2011
Canterbury (South) – Campsie
- +2,831** from 2011
Punchbowl
- +2,672** from 2011
Yagoona – Birrong
- +1,799** from 2011
Chester Hill – Sefton
- +1,731** from 2011
Bass Hill – Georges Hall

26,748

Studying at a tertiary or technical institution

6.7%

Of the population report needing help in their core daily activities

2,344

People experiencing homelessness

68%

Of Canterbury Bankstown residents lived in the area 5 years ago

Industry of employment of residents



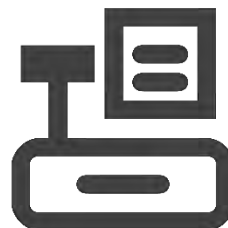
32,930 jobs

Knowledge intensive
+24% from 2006



25,004 jobs

Health and education
+48% from 2006



45,488 jobs

Population serving
+24% from 2006



25,739 jobs

Industrial
-17% from 2006

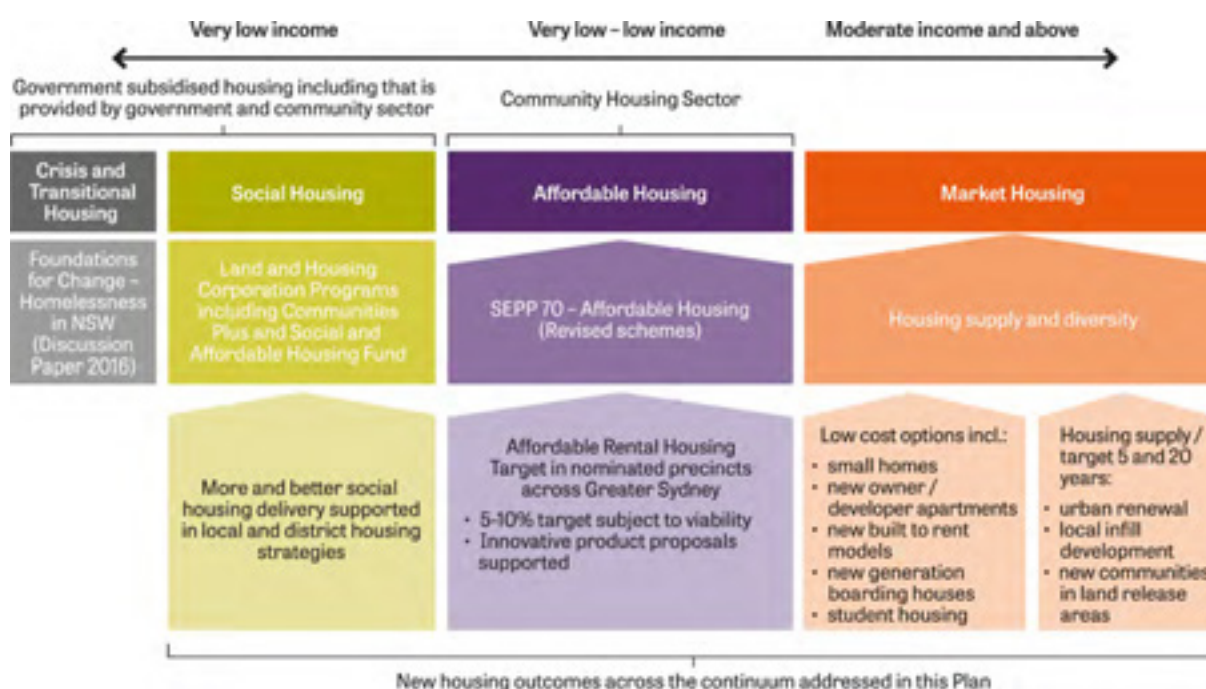
1.3 What is affordable housing?

An affordable housing policy encompasses the notion of providing housing for all.

Affordable housing includes housing that is affordable for very low, low and moderate income households as well as catering to the wide range of household types in the LGA including families, couples, seniors, people with disabilities, students, key workers, households in housing stress and the broader residential market.

Providing a diversity of housing across the housing continuum (Figure 2) recognises the fundamental importance of household income on the ability to access housing of different types, cost and tenure.

Figure 2: The Housing Continuum



Source: Greater Sydney Commission, A Metropolis of Three Cities, March 2018

Households on moderate, low or very low incomes, who spend more than 30 per cent of their income on housing, are impacted in their ability to pay for essential items like food, clothing, transport and utilities and are said to be “at-risk.” Affordable housing is targeted specifically to these income groups to assist these households to remain in the private housing market. The income groups are defined in Table 1.

Table 1: Affordable housing income and cost benchmarks

	Very low-income household	Low-income household	Moderate-income household
Income benchmark	<50% of Gross median household income for Greater Sydney	50% - 80% of Gross median household income for Greater Sydney	80% - 120% of Gross median household income for Greater Sydney
Income range (1)	<\$875 per week	\$876 - \$1,400 per week	\$1,401 - \$2,100 per week
Affordable rental benchmarks (2)	<\$262 per week	\$263 - \$420 per week	\$421 - \$630 per week

(1) Total weekly median household income as defined in the NSW Affordable Housing Ministerial Guidelines 2019-20

(2) Calculated as 30% of total household income

(3) Calculated using an ANZ loan repayment calculator, using 1 November 2019 interest rate (3.28%) and assuming a 20% deposit for a 30-year loan

This report adopts the definition of affordable housing from the NSW Family and Community Services 2019/20 NSW Affordable Housing Ministerial Guidelines. In this report, household income is the defining criteria for affordable housing eligibility, with the median income for Canterbury Bankstown used as a benchmark.

Table 2 identifies the 2019/20 median household income in Greater Sydney, according to the ABS. Based on this, estimated household income affordable housing thresholds have been calculated below.

Table 2: Household income thresholds in Greater Sydney

Category	Upper threshold of category	Household income	
		Weekly	Yearly
Median income in Greater Sydney		\$1,750	\$91,000
Very low household income in Greater Sydney	\$875	\$875	\$45,500
Low household income in Greater Sydney	\$1,400	\$1,400	\$72,800
Moderate income household in Greater Sydney	\$2,100	\$2,100	\$109,200

Source: NSW Affordable Housing Ministerial Guidelines 2019/20

1.4 Role of local government in affordable housing

The ongoing loss of affordable dwelling through redevelopment and gentrification, combined with increasing housing costs, is leading to a significant undersupply of affordable accommodation in Greater Sydney. Local governments can play a role in facilitating affordable housing delivery and promoting the provision/retention of affordable housing through strategic planning, the regulation of housing supply and its form, infrastructure planning and pricing policies, rate setting and community service delivery¹. Through careful planning, the application of these functions can create opportunities for additional housing, guide the form of housing in response to needs, and influence the cost of production and the availability of services.

Local government's mandate to take action on affordable housing is enshrined in the *Environmental Planning and Assessment Act 1979*. Section 5(a)(viii) identifies as an objective of the Act, the "maintenance and provision of affordable housing." Therefore, local government has a role and an obligation to both preserve and create more affordable housing through a number of policies and planning instruments for application at its discretion.

The Greater Sydney Commission's Greater Sydney Region Plan requires councils to address affordable housing through their strategic planning process. The Sydney Region Plan proposes that councils establish an affordable housing target of 5% to 10% of new residential floor space in defined precincts (subject to research and feasibility testing) as a mechanism to deliver an additional supply of affordable housing for very low- and low-income households.

Meeting the Greater Sydney Commission's affordable housing target and the housing needs of the Canterbury Bankstown LGA residents will require a strategic and balanced response from Council.

¹ AHURI 2020, 'What role can local government play in delivering affordable housing?' viewed at: <https://www.ahuri.edu.au/policy/ahuri-briefs/What-role-can-local-government-play-in-delivering-affordable-housing>

An aerial photograph of a city grid, likely New York City, showing a dense pattern of streets and buildings. A white rectangular frame is superimposed over the center of the image, containing the text.

NEED FOR AFFORDABLE HOUSING

2.0 THE NEED FOR AFFORDABLE HOUSING

2.1 Housing stress

Housing stress is defined using the NATSEM (National Centre for Social and Economic Modelling) model. Under this model households are identified as being in stress if they fall within the lowest 40 per cent of household incomes who are paying more than 30 per cent of their usual gross weekly income on mortgage or rent repayments. Mortgage stress and rental stress are defined using the same criteria but pertain only to households of those occupancy types.

In the Canterbury-Bankstown LGA, the overall proportion of households experiencing housing stress (either rental or mortgage stress) at the 2016 Census was higher than the average for Greater Sydney (11.8%), with 18.6 per cent of households earning in the lowest 40 per cent paying rent or housing repayments greater than 30 per cent of their household income. A breakdown of rental and mortgage stress in Canterbury Bankstown is below.



As of 2016, in Canterbury Bankstown there were 15,441 households that were **renters** experiencing rental stress. This represents 39.1% of renting households in the LGA (compared to 26.4% in Greater Sydney).

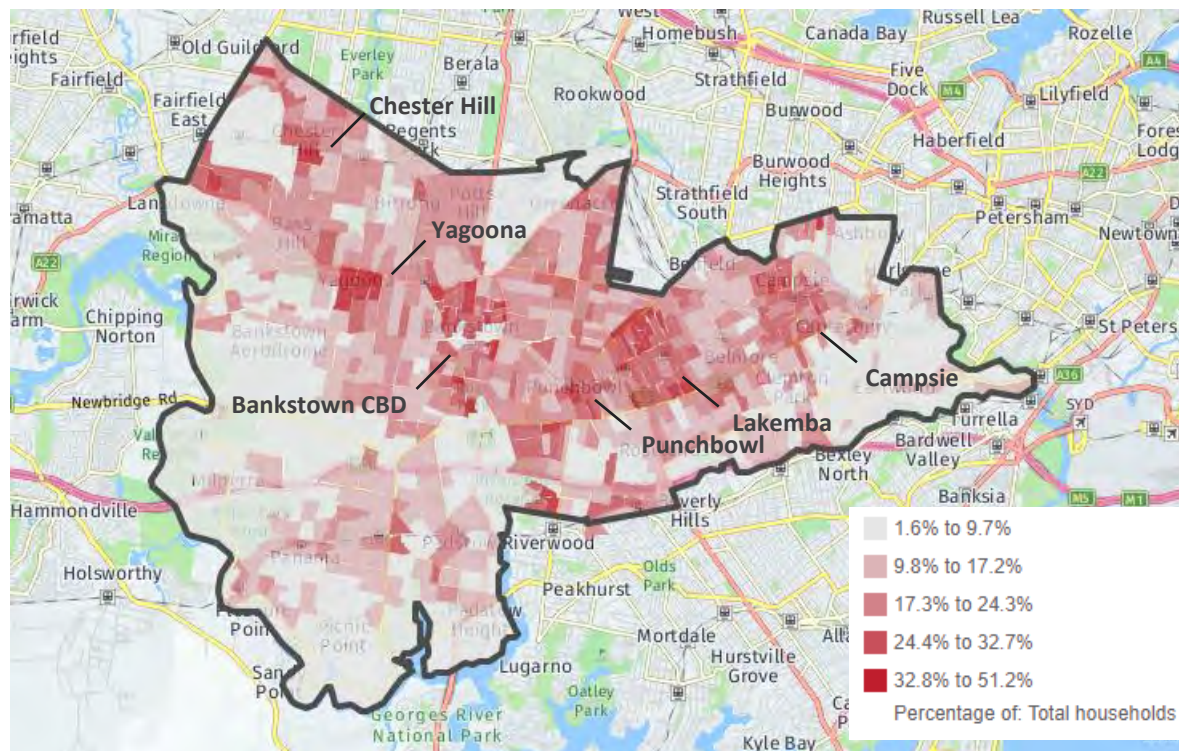
As of 2016, in Canterbury Bankstown there were 5,707 households that had **mortgages** and were experiencing mortgage stress. This represents 17.8% of households with a mortgage in the LGA (compared to 10.3% in Greater Sydney).

These figures indicate that renters experience housing stress more so than those households with a mortgage.

As seen in Figure 3, households that are experiencing overall housing stress are living in the suburbs of medium density. The southern suburbs of the LGA do not have as many households experiencing mortgage stress, which is consistent with those suburbs having higher levels of outright home ownership. This highlights a need to

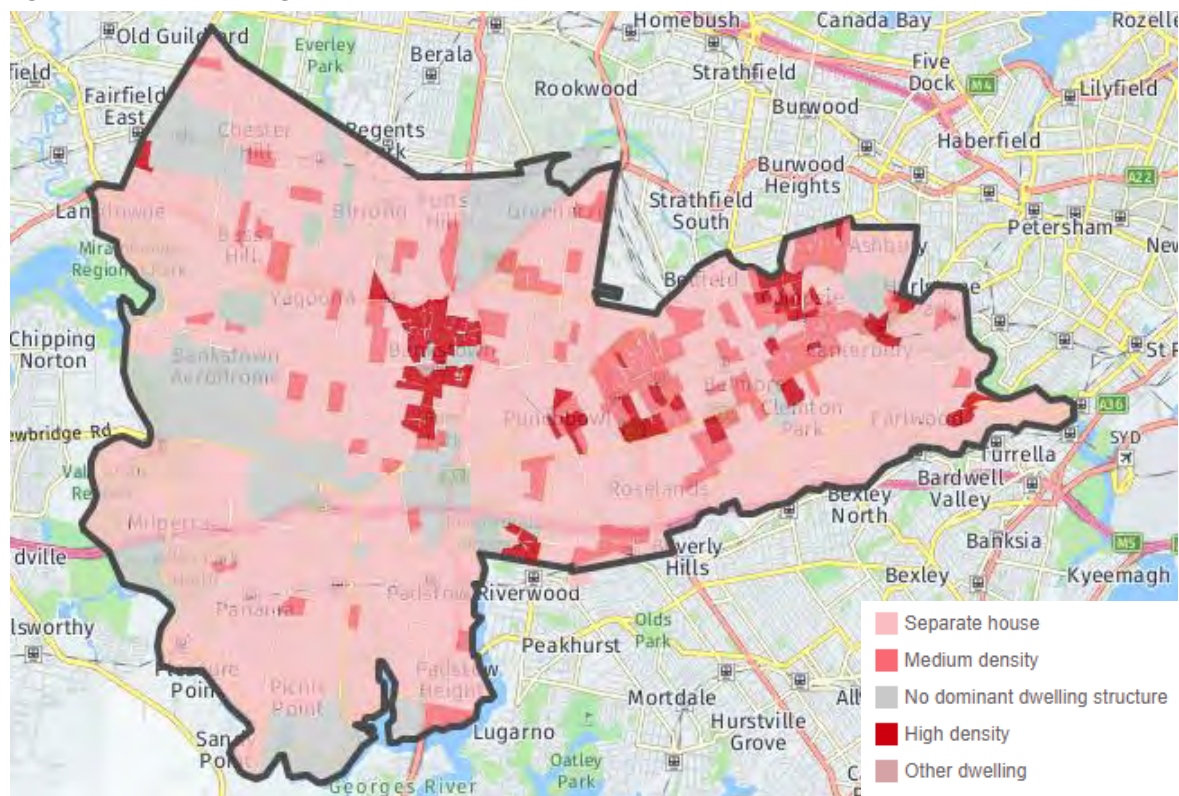
distribute affordable housing across the city as part of the mix of housing choice and typology available to current and future residents.

Figure 3: Households experiencing housing stress



Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

Figure 4: Dominant dwelling structure



Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

The dominant dwelling structure map seen in Figure 4 show that high density housing is clustered in Bankstown, Punchbowl, Lakemba, Campsie and Canterbury. This broadly matches with the level of housing stress, however housing stretches further into medium and low density areas, affecting areas such as Yagoona, Chester Hill, Bass Hill, Greenacre, Chullora and Belmore.

The top ten suburbs by greatest number of households experiencing overall housing stress is seen in Table 3.

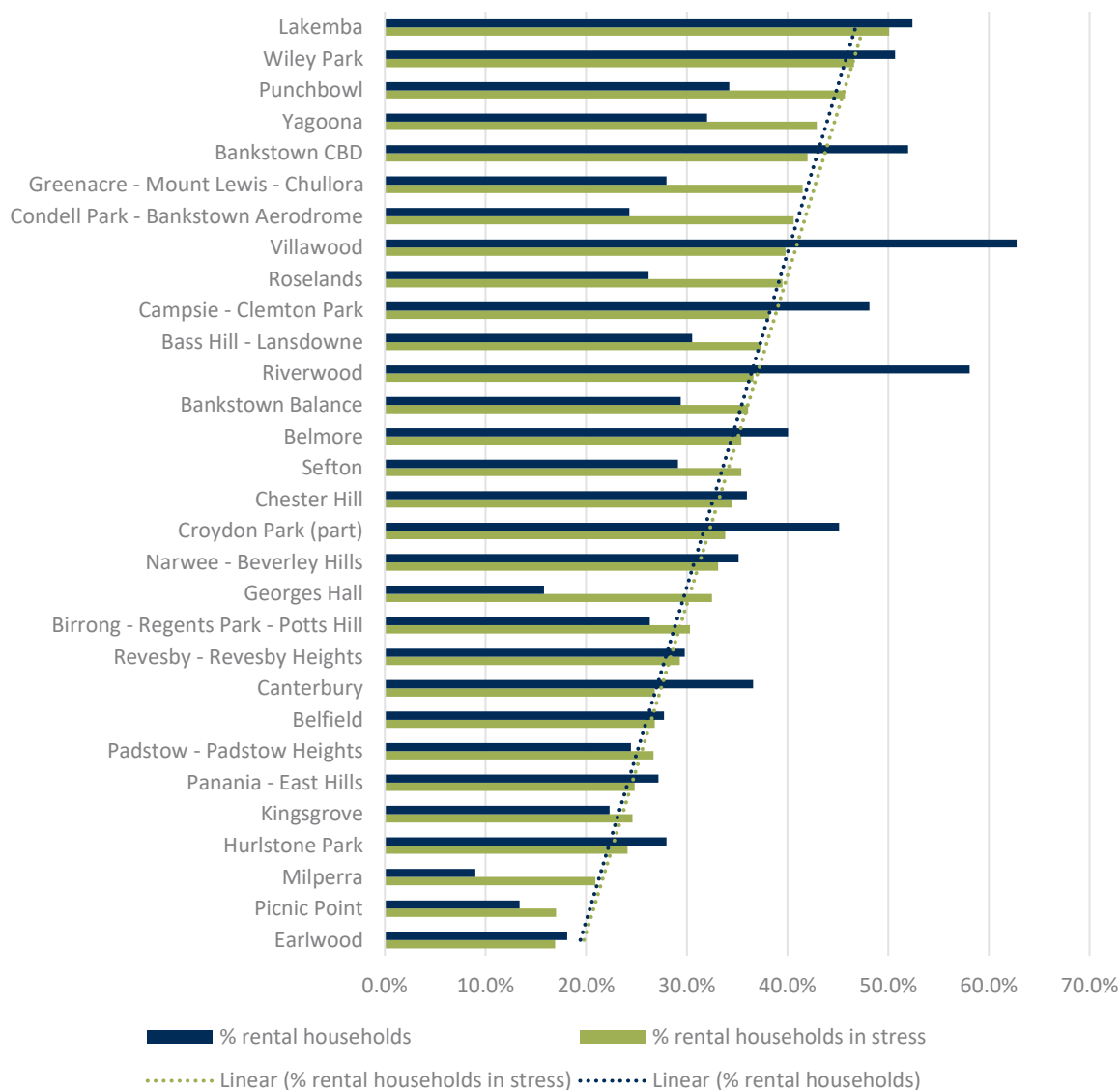
Table 3: Top ten suburbs – households experiencing housing stress

Area	Number of households in stress	Total number of households	Percentage of households in stress
Campsie - Clemton Park	2,136	8,858	24.1
Bankstown CBD	1,989	6,714	29.6
Lakemba	1,640	5,195	31.6
Greenacre - Mount Lewis - Chullora	1,441	6,946	20.8
Punchbowl	1,413	5,914	23.9
Yagoona	1,197	5,513	21.7
Wiley Park	949	3,335	28.5
Belmore	859	4,550	18.9
Chester Hill	783	3,761	20.8
Riverwood	703	2,627	26.8
Revesby - Revesby Heights	685	5,358	12.8

Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

Figure 5 below shows the proportion of rental households experiencing rental stress compared to the proportion of overall rental households in the suburb. Ranked from highest proportion of households in rental stress to least, the data suggests that the suburbs with a greater proportion of renters have proportionally more rental stress. This implies that housing stress is a growing issue for renters.

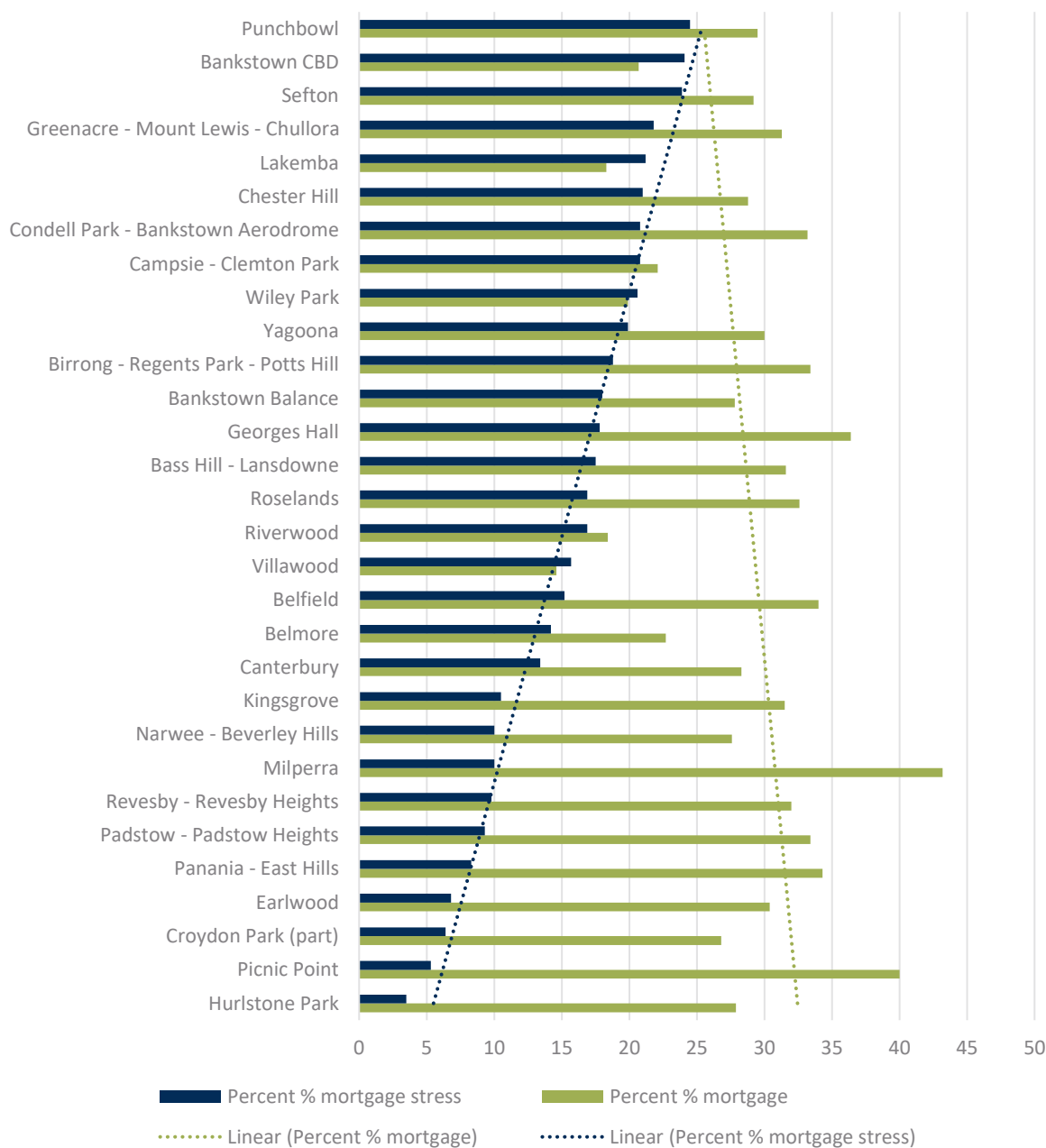
Figure 5: Rental stress across suburbs



Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

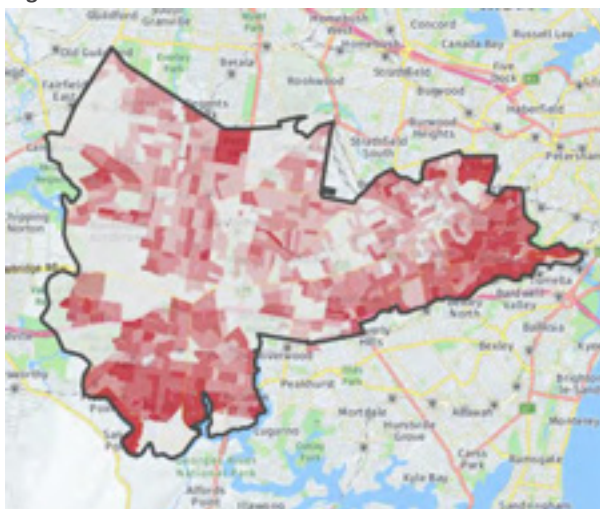
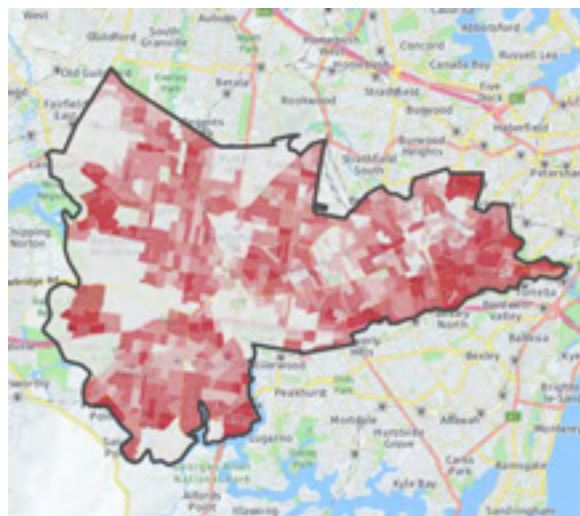
In the context of Canterbury Bankstown, rental stress is correlated to renting – with a higher proportion of stress in Lakemba, Wiley Park, Punchbowl, Yagoona, Bankstown, Greenacre and Mount Lewis. Rental assistance in form of affordable rental housing is suited to combatting overall housing stress.

In comparison, areas with a greater proportion of households in mortgage stress do not necessarily have a greater proportion of households with a mortgage. This is seen in Figure 6 below. Mortgage stress is correlated to other factors like locational preferences, market availability and personal financing.

Figure 6: Mortgage stress across suburbs

Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

Households that own their dwellings outright are at much lower risk of experiencing housing stress. The areas with higher proportion of homeowners are correlated with higher income, which further reduces susceptibility to housing stress. A heatmap of these are seen in Figure 7, showing that Earlwood, Clemton Park, Padstow, Revesby, Panania, East Hills and Milperra are the areas least susceptible to housing stress.

Figure 7: Income and homeowners across suburbs**High income households****Home owners**

Source: .id Social Atlas, Canterbury Bankstown; ABS Census 2016

In summary, the spatial distribution of household tenure types indicates that people live in dwellings in areas with better access to transport, jobs and services even though it will place them in mortgage or rental stress. Housing costs are a greater proportion of household income in those suburbs, because income is lower, and/or housing prices are high.

The levels of housing stress vary across the Canterbury Bankstown LGA. In all suburbs, households that rent have higher rates of rental stress. Lakemba, Wiley Park and Punchbowl are among the suburbs with the highest rates of rental stress. These suburbs also have higher density residential and higher rental rates, indicating that a large portion of the total population is experiencing rental stress.

Household income in Canterbury Bankstown

49% of households in Canterbury Bankstown are **very low** income

19% of households in Canterbury Bankstown are **very low to low** income

8% of households in Canterbury Bankstown are **low to moderate** income

Note: These figures are based on ABS Census 2016 Equivalised Household Income in Canterbury Bankstown

Very low-income household affordability against Canterbury Bankstown median

A very low-income household within Greater Sydney, that is, a household that earns up to 50% of the Greater Sydney median could afford to pay up to \$278/week² on rental repayments in 2019.

This was 68% of the median market rent for an apartment in Canterbury Bankstown and only 53% of market rent for a house.

In Q4 2019, there were approximately 55 out of 2,832 rental listings that were suitable for this group (RP Data, 2020).

For a very low-income household to pay market rent for a 2-bedroom apartment (\$405/week) they would need to apportion 44% of their income (\$48,200/annum) towards rent. Fifty-seven percent of their household income would be needed to pay market rent for a 3-bedroom house (\$525/week).

Low income household affordability against Canterbury Bankstown median

A low-income household within Greater Sydney, that is, a household that earns 80% of the Greater Sydney median could afford to pay up to \$445/week³ on rental repayments in 2019.

This was 109% of the median market rent for an apartment in Canterbury Bankstown and 85% of market rent for a house.

In Q4 2019, there were approximately 1,450 out of 2,832 rental listings that were suitable for this group (RP Data, 2020).

For a low-income household to pay market rent for a 2-bedroom apartment (\$405/week) they would need to apportion 22% of their income towards rent. Thirty-five per cent of their household income would be needed to pay market rent for a 3-bedroom house (\$525/week).

Moderate income household affordability against Canterbury Bankstown median

A moderate-income household within Canterbury Bankstown LGA, that is, a household that earns 120% of the Greater Sydney median could afford to pay up to \$667/week⁴ on rental repayments in 2019.

This was 165% of the median market rent for an apartment in Canterbury Bankstown and 127% of market rent for a house.

In Q4 2019, there were approximately 2,576 out of 2,832 rental listings that were suitable for this group (RP Data, 2020).

For a moderate-income household to pay market rent for a 2-bedroom apartment (\$405/week) they would need to apportion 18% of their income towards rent. Twenty-four per cent of their household income would be needed to pay market rent for a 3-bedroom house (\$525/week).

² 30% of annual income directed towards rental repayment

³ 30% of annual income directed towards rental repayment

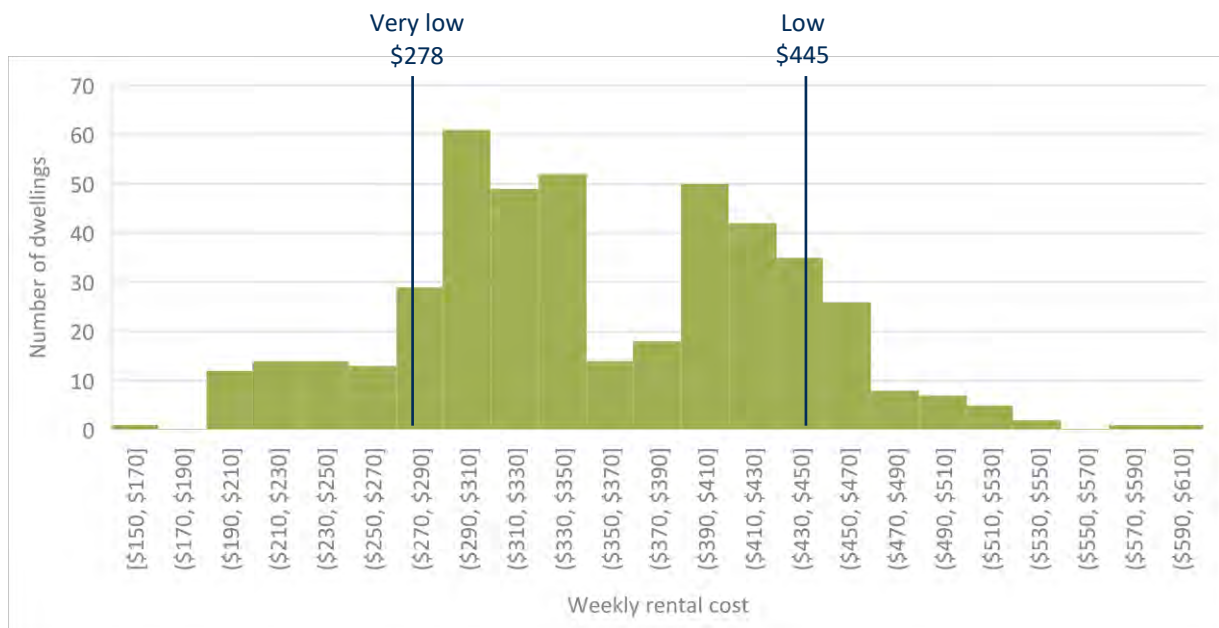
⁴ 30% of annual income directed towards rental repayment

2.2 Housing affordability – rental market availability

Figure 8, Figure 9 and

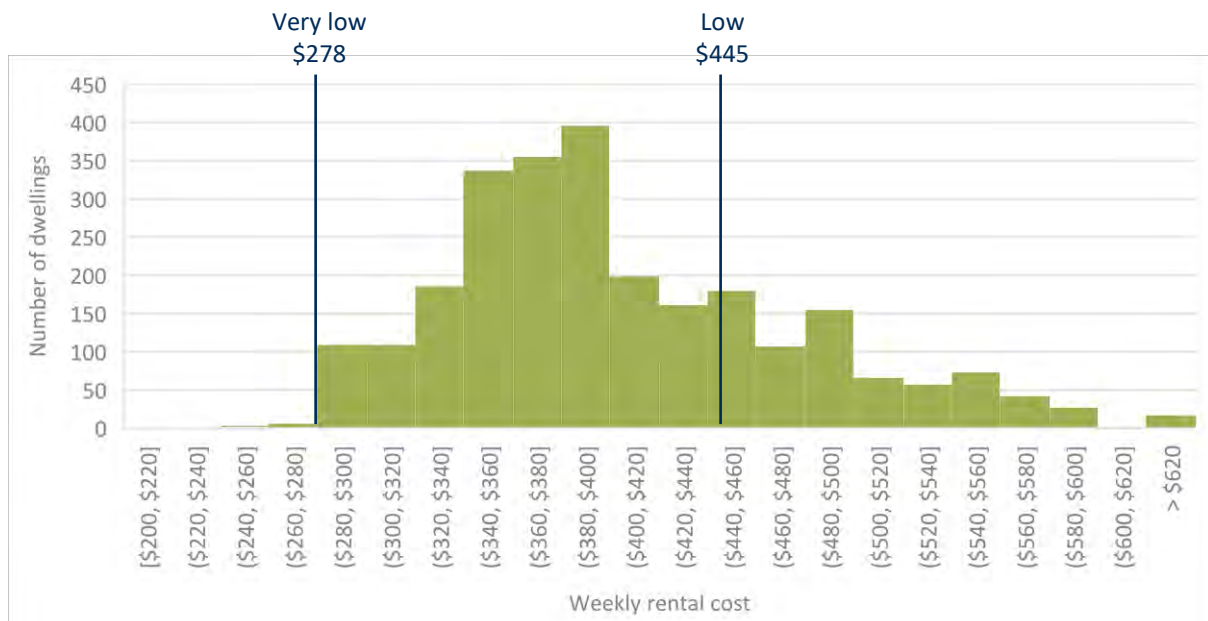
Figure 10 below show a count of rental sales across Canterbury Bankstown from the start of 2016 to October 2019. The data suggests that people on very low incomes (up to \$926 weekly) would struggle to enter the rental housing market without entering a state of rental stress or receiving rent assistance. Only 12% of the stock of one-bedroom units in Canterbury Bankstown is affordable for a very low-income household. Renting a three-bedroom house in Canterbury Bankstown would require a low-income household (up to \$1,038 weekly) to enter rental stress or receive rental assistance. Most of the housing stock in Canterbury Bankstown is affordable for a moderate-income household.

Figure 8: 1 Bedroom units – 2016 - 2019 rentals

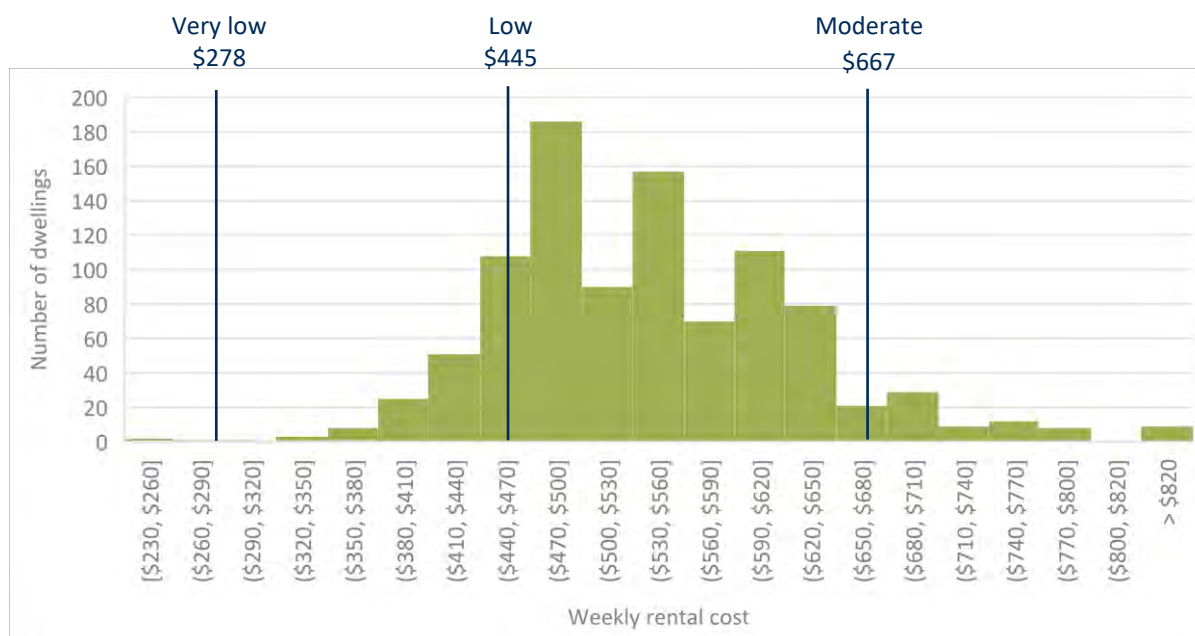


Source: RP Data

Figure 9: 2 Bedroom units – 2016 - 2019 rentals



Source: RP Data

Figure 10: 3 Bedroom houses – 2016 - 2019 rentals

For a low and moderate-income households in Greater Sydney, Canterbury Bankstown may be a more affordable option, although for very low-income households, there is only a small proportion of new rentals that are considered affordable (approximately 65 out of 4,024 or 1.6%). Dwellings that are affordable to the lower income households have a smaller number of bedrooms. The proportion of the rental market for one- and two-bedroom units and three-bedroom houses are seen below.

Very low-income

- A very low-income household could afford 13% of the stock of one-bedroom units in Canterbury Bankstown.
- A very low-income household could afford less than 1% of the stock of two-bedroom units in Canterbury Bankstown.
- A very low-income household could afford less than 1% of the stock of three-bedroom houses in Canterbury Bankstown.

Low-income

- A low-income household could afford 83% of the stock of one-bedroom units in Canterbury Bankstown.
- A low-income household could afford 72% of the stock of two-bedroom units in Canterbury Bankstown.
- A low-income household could afford 9% of the stock of three-bedroom houses in Canterbury Bankstown.

Moderate-income

- A moderate-income household could afford 100% of the stock of one-bedroom units in Canterbury Bankstown.
- A moderate-income household could afford 100% of the stock of two-bedroom units in Canterbury Bankstown.
- A moderate-income household could afford 91% of the stock of three-bedroom houses in Canterbury Bankstown.

Implications

Two and three bedroom dwellings are considered unaffordable for very-low income households. Low-income households could afford most of the stock of one and two-bedroom units in Canterbury Bankstown, however they are mostly priced out of three-bedroom houses. A moderate-income household could afford almost all the stock of one, two and three-bedroom dwellings.

Very low-income households have the smallest proportion of the market available to them for rent. This is specifically problematic in Canterbury Bankstown because approximately 49% of households in the LGA earn below 50% of Greater Sydney's median income and are considered to have a very low-income. Intervention is required to replenish the stock of dwellings at an affordable price point for very low and low-income households in the LGA, with a focus on locations where lower income households are paying over 30% of their income on rent. These include Bankstown, Lakemba, Wiley Park and Yagoona.

A portion of very low income households will seek housing in Land and Housing Corporation owned social housing dwellings through. Other households will continue to seek housing in the private market, often experiencing housing stress. Housing stress can cause labour and skill shortages as key demographics are pushed out of the area by unaffordable rents (see Section 2.7). A supply of low income housing that is not social housing can accommodate these groups (very low, low and moderate income households, key workers and students) that generate a wide employment base. Housing needs for key demographic groups are outlined below.

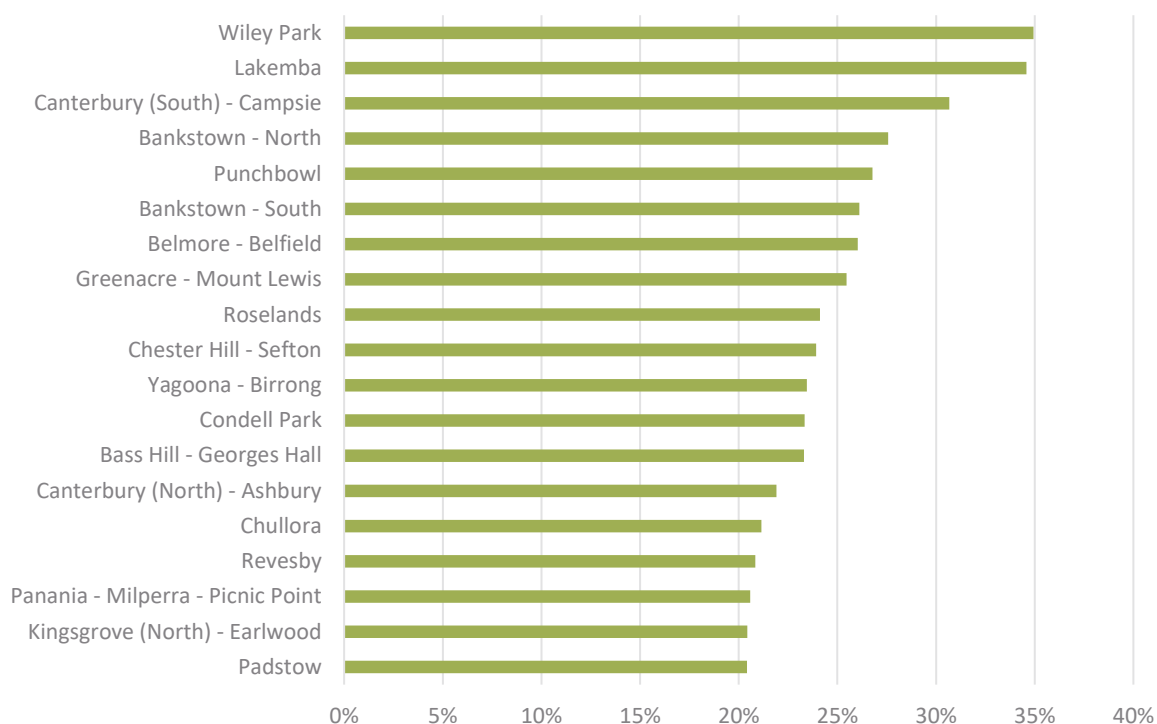
2.3 Key workers

Affordable housing is generally targeted to key workers. There is a wide range of literature describing approaches to the definition of key workers, sometimes also referred to as essential workers. The BankWest Curtin Economic Centre defines key workers as *"occupations which provide essential services to all Australians including teachers, nurses, police and ambulance officers and those in fire and emergency services"*⁵. The occupations of key workers defined by their ABS Census categories are:

- Defence Force Members, Fire Fighters and Police
- School Teachers
- Midwifery and Nursing Professionals
- Health and Welfare Support Workers
- Automobile, Bus and Rail Drivers
- Personal Carers and Assistants
- Child Carers
- Cleaners and Laundry Workers
- Sales Assistants and Salespersons
- Hospitality Workers.

Census data from 2016 reveals that 37.8 percent of key workers employed in the Canterbury Bankstown LGA also resided in the area, totalling 12,298 workers. The proportion of residents employed in key worker professions is seen across suburbs within the LGA in Figure 11.

⁵ (BankWest Curtin Economics Centre, 2016, p. 65)

Figure 11: Proportion of residents employed in key worker occupations by suburb

Source: HillPDA, adapted from ABS Census 2016 (TableBuilder Pro)

Overall, 25% of the total workforce of Canterbury Bankstown were employed in key worker occupations, with the south-western suburbs (Kingsgrove North, Earlwood, Revesby and Padstow) all having lower proportions of residents in key worker roles. Areas with higher incomes and lower levels of housing stress tend to have smaller proportions of key workers as residents.

The data suggests that key workers are living in areas such as Wiley Park, Lakemba, Canterbury, Campsie, Bankstown and Punchbowl even though there is a higher chance they are living in rental or mortgage stress, as seen in Section 2.1. Bankstown is identified as a key strategic centre and will emerge into a health, academic, research and training precinct which will require sufficient affordable housing to support growth in health and education sectors. Campsie is identified as a Health and Lifestyle Precinct based around the Hospital as a key employment generator. More affordable housing options are required for key workers to maintain a strong employment base.

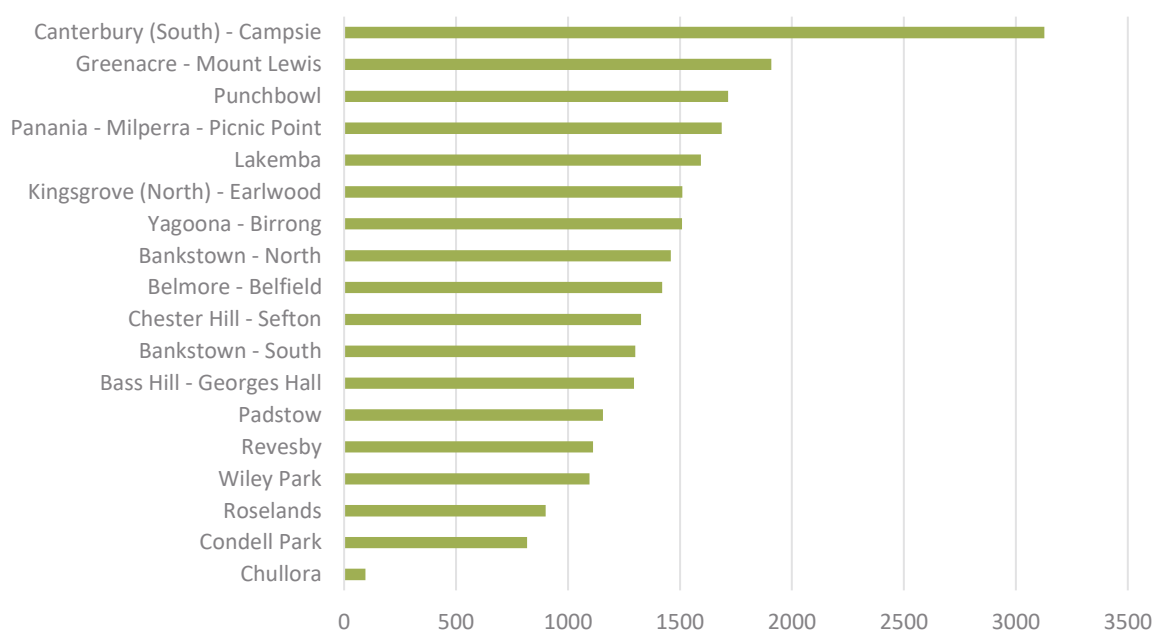
2.4 Students

In Canterbury-Bankstown, 32.8% of people were attending an educational institution. Of these, 26.3% were in primary school, 20.7% in secondary school and 23.6% in a tertiary or technical institution. The LGA has a growing proportion of university students. From 2011 to 2016, City of Canterbury Bankstown's population increased by 26,491 people, of which, 5,766 people were university students.

There are TAFEs located in Campsie, Chullora, Bankstown and Padstow. Western Sydney University (WSU) is a major tertiary institution with a campus in Milperra.

The number of students in each SA2 across the LGA is seen in Figure 12.

Figure 12: Number of students enrolled in University or TAFE



Source: ABS Census 2016 (TableBuilder Pro)

The largest portion of university and TAFE students live in Canterbury South - Campsie, with 3,127 students. University students are spread throughout the LGA, with clusters in Canterbury, Campsie, Greenacre, Punchbowl, Panania, Milperra and Picnic Point. There is no clear correlation between the location of students and location of education institutions.

There is only one purpose-built student accommodation facility in the LGA, which is attached to Western Sydney University's Milperra Campus. The University Village Bankstown has 290 student beds, with studios and three to five-bedroom apartments. This represents only a small portion of housing in the area; a majority of students live in private dwellings. Characteristics of WSU enrolments include:

- 86.7% of students at Western Sydney University are domestic (13.3% are international).
- 77.7% of domestic students come from Greater Western Sydney.
- 8.9% of total domestic students come from Bankstown.⁶

In the 2016 Census, 70.7% of university students in the LGA earned less than \$500/week, suggesting that renting students may be experiencing housing stress.

The WSU Milperra Campus is being relocated into the Bankstown City Campus in 2022 to support 10,000 students and 700 staff specialising in health, education, manufacturing and IT students. Bankstown Airport also plays an

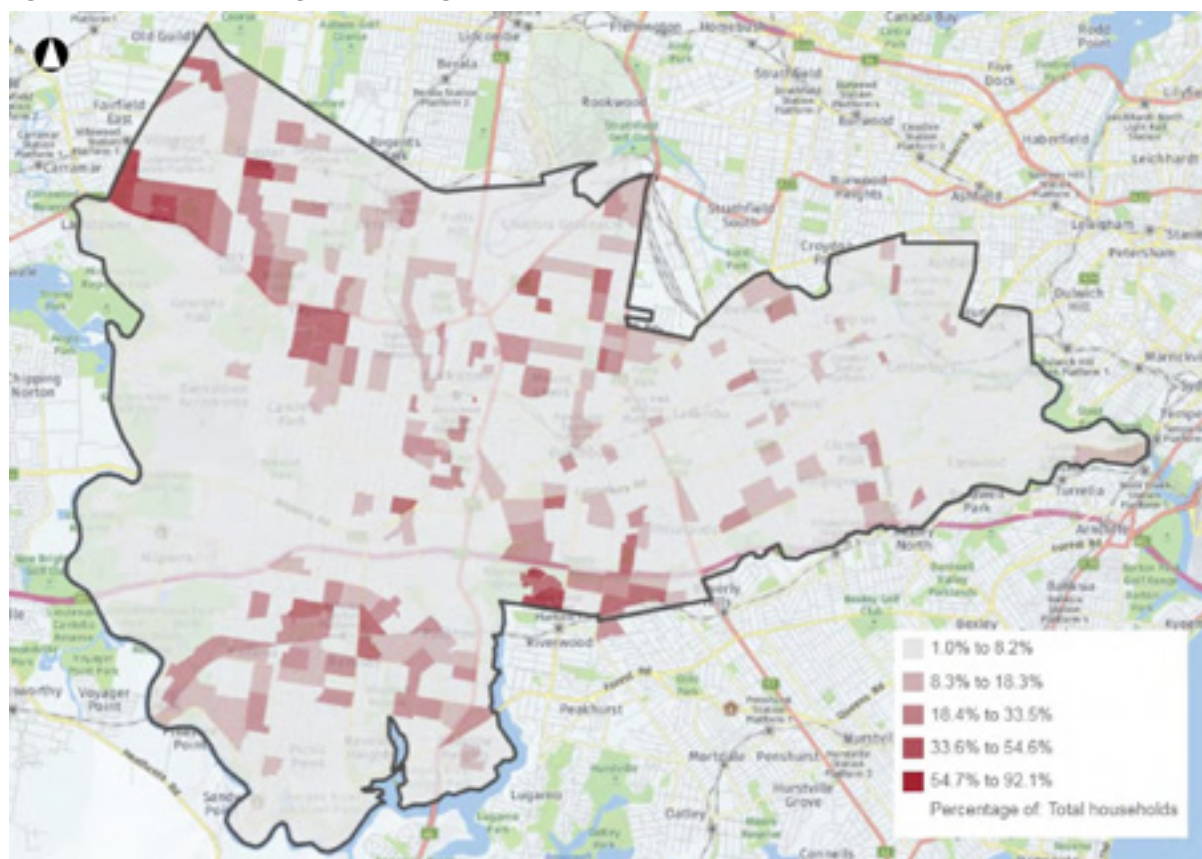
⁶ Western Sydney University, Pocket Profile 2018

important aviation training role with institutions such as UNSW and other flying schools. Affordable housing that includes some dwellings for students would support the education role of Bankstown and Bankstown Airport.

2.5 Social housing

Dwellings that are rented from the state housing authority are seen in Figure 13. While areas such as Lakemba, Wiley Park, Bankstown and Campsie have a higher number of renter households, these centres, however, do not have a higher level of social rented housing.

Figure 13: Households renting social housing



Source: Profile.id; ABS Census 2016

As of 30 June 2018, there were 48,337 people on the NSW housing register as general applicants, with an additional 4,595 people classified as priority applicants. There are two social housing zones within the Canterbury Bankstown as seen in Table 4.

Table 4: Social housing expected waiting times

	CS06 Canterbury zone	GW09 Bankstown zone
Number of general applicants	753	2,353
Number of priority applicants	94	115
Expected waiting time for studio/1 bedroom property	5 to 10 years	5 to 10 years
Expected waiting time for 2 bedroom property	10+ years	10+ years
Expected waiting time for 3 bedroom property	10+ years	10+ years
Expected waiting time for 4+ bedroom property	10+ years	10+ years

Source: Family and Community Services NSW

Bankstown has a considerably higher number of general applicants given the greater amount of existing social housing in the area. Waiting times for social housing across the LGA are over ten years, highlighting the need for affordable housing; the lack of available social housing suggests that social housing dwelling stock is not meeting the demand for applicants who are likely on very low and low incomes. This demand is not currently being met by the market stock either (as evidenced in Section 0).

The pipeline for social housing in Canterbury Bankstown (or in close proximity) led by Communities Plus includes the following projects:

- **Riverwood** – The Riverwood Renewal is a long-term project occurring in stages over the next 10 to 15 years. The existing 994 social housing dwellings will be redeveloped into a mixed tenure residential precinct with low, medium and high-rise buildings. No dwelling number has been set as of January 2020.
- **Padstow** – The Padstow project located at 10 Faraday Road is a proposed social housing development on a 3,000sqm site.
- **Villawood** – Kamira Court in Villawood is a residential site, approximately 14.8 ha in area. 400 dwellings are proposed for the site as part of the Villawood town centre redevelopment.
- **Arncliffe** – There are currently 142 social housing units on the site which, through the proposed rezoning, could make way for a mix of approximately 600 social, affordable and private dwellings in the future.

In addition to 3,106 general applicants for social housing, there are 209 priority applicants who are at imminent risk of homelessness. A pipeline for around 1,700 social housing dwellings (noting that around 1,000 of these are replacement of existing stock) is unlikely to deliver the housing needs of very-low income households in Canterbury Bankstown LGA. Therefore, additional affordable housing available to very-low income households is required.

A greater pipeline of social housing would accommodate for some very low-income households and better address the housing needs of that group.

Council will continue to advocate for more social housing that is located in centres with better access to jobs, transport and resources.

2.6 People experiencing homelessness

Canterbury Bankstown approximately 2,344 people experiencing homelessness (ABS, 2016). This represents 8% of the total number of people in Greater Sydney (28,995) who were experiencing homelessness in 2016. Homelessness is defined as people who are sleeping out, living in supported accommodation, staying temporarily with other households or living in overcrowded conditions. Most of those experiencing homelessness in Canterbury Bankstown are living in crowded or severely overcrowded conditions. The provision of affordable rental housing can support those very low income households and persons who might otherwise be at risk of homelessness.

2.7 Rationale for an affordable housing strategy

2.7.1 Rationale for affordable housing

Many residents of Australia's major cities are facing affordability problems. While some people who are on very low incomes live in social or public housing, other people are in circumstances where they struggle to pay for their housing in the private market. This can include, for example, a young person looking for accommodation close to their university or TAFE, a recently separated person with children who cannot meet their existing housing payments, or an older person on a reduced retirement income. Being priced out of areas or having to sacrifice other necessities to pay for housing have consequences that negatively affect quality of life.

Cities are not delivering the best mix of housing location and density given what people would prefer. It is becoming increasingly difficult for people to find housing close to the job that suits them best. The loss of workers in lower paid key professions can cause labour shortages for localised services like childcare, aged care, health, tourism, hospitality and emergency services. Major cities are increasingly geographically divided, so that people with less income are concentrated on the fringes of capital cities, often further from their work, shops, schools and recreation.

Table 5 below summarises the social and economic issues arising from the lack of housing diversity and affordability.

Table 5: Summary of economic and social issues for cities from poor housing diversity

Economic issues from poor housing affordability	Low income households forced out of market.
	Loss of talent, essential and professional workers.
	Skilled labour shortages
	Reduced productivity, creativity, innovation.
Social issues from poor housing affordability	Rising inequalities within cities
	Increasing social disadvantage
	Loss of engagement and participation between people in a mixed community - social cohesion
	Loss of cultural vitality - artists and musicians
	Loss of social bonds/links - i.e. stay in an area longer; variety/diverse housing offers options for different life stages.
	Less safety, needs more police, greater investment in mental health etc.

Source: HillPDA, 2015, A Study of Housing Diversity

By facilitating more affordable dwellings for lower income households in good locations, social stratification is lessened, and the employment base of an area is diversified.

2.7.2 Rationale for affordable housing in Canterbury Bankstown

A greater proportion of households in Canterbury Bankstown experience housing stress than in Greater Sydney, and this proportion has grown in the past decade. The Sydenham to Bankstown corridor is home to one of the largest concentrations of lower-income renters in Sydney and has a relatively younger population compared to the rest of Canterbury Bankstown. Planning intervention is required to secure the economic and social benefits that affordable housing offers existing and future residents and workers in growing mixed use centres.

The data above provides evidence that not enough affordable housing is provided through the market. Less than one percent of the rental market for two-bedroom apartments is considered affordable for a very low-income household. People on very low incomes are priced out of almost the entire rental market, and usually enter

housing stress, receive rental assistance or live in social housing to meet basic housing needs. In Canterbury Bankstown, 49% of households are considered to have a very low-income (less than 50% of Greater Sydney median income), which indicates that Canterbury Bankstown is significantly vulnerable to rising housing costs in the context of Greater Sydney.

In 2016, 72% of two-bedroom houses in Canterbury Bankstown were affordable for renters on a low-income. There is a scarcity of social housing in the LGA and the expected wait time for social housing is over ten years. Very low- and low-income households are also likely to be excluded from affordable purchases in Canterbury Bankstown LGA in the future, given increasing housing costs and only a small pipeline of social dwellings.

Moderate-income households have more options for rent, although this represents between 3 and 8 percent of the population. One hundred percent of the rental market for two-bedroom houses is affordable for medium income households and 91% of the market of three-bedroom houses are affordable for moderate income households.

As per the Draft Canterbury Bankstown Housing Strategy, the City will deliver 50,000 homes by 2036. The LSPS aims for 80% of this growth to be directed to activity centres, where there is a greater proportion of renters experiencing housing stress. Increasing the stock of studio, one and two-bedroom dwellings in the LGA is likely to provide dwellings at a more affordable price point for rent and purchase, however historically these are still unaffordable for very low and low income renters (a growing demographic).

Further increases to housing costs, disproportionate to income growth, is likely to maintain or increase levels of housing stress in the LGA. Stronger intervention is required to replace the stock of affordable dwellings in the area and achieve affordability for the relevant target groups of very low and low income households.

2.7.3 Rationale for capturing land value increment through relevant planning mechanisms

The NSW *Environmental Planning and Assessment Act 1979* (the Act) provides the legislative framework for the provision of affordable housing by local government. This involves capturing a reasonable and equitable share of land value uplift created through the planning and development approvals process.

Land value capture in the context of urban development involves a planning authority capturing public benefit from increased land value where the planning authority has increased the development potential of the land⁷. Land value capture mechanisms are already part of the NSW planning scheme, such as Section 7.11 contributions, where the cost of infrastructure is recovered through a levy to development. Planning agreements under Section 7.32 of the Act intend to capture a share of the unearned increase to private land values resulting from a rezoning.

The land value capture outlined as part of the affordable housing strategy are designed to gain a reasonable share of the increased land value on the basis that the *unearned increment* be shared by the planning authority whose planning activities (e.g. rezoning, maximum building height increase) resulted in land value uplift. It follows that a share of this unearned increment of land value uplift be used by the community as a public purpose.

The level of profit yielded from land sale and development varies based on a range of market forces and can differ by place. Therefore, value uplift must be calculated within a local market or submarket context.

A precinct-specific land value capture mechanism, which uses the unearned increment of land value uplift to address housing affordability issues, is required to address the varying types of housing stress across Canterbury Bankstown.

⁷ Taylor, L. 2016. 'Value Capture through Voluntary Planning Agreements Part 1, in In Focus, Lindsay Taylor Lawyers

2.8 Summary

Key findings:

- As is the case across much of Sydney, housing stress is an important issue in Canterbury Bankstown due to comparatively low income and high housing costs.
- Renters experience housing stress more so than households with a mortgage.
- The top suburbs by number of households experiencing housing stress are Campsie, Clemton Park, Bankstown CBD, Lakemba, Greenacre, Mount Lewis, Chullora and Punchbowl.
- Suburbs with a greater proportion of renters experience proportionally more rental stress, implying that housing stress is an issue for suburbs with more renters.
- Almost half of all households in Canterbury Bankstown are considered very low income.
- Very low income households can afford only a small portion of the available private rental market (13% of the stock of one bedroom apartments and less than one percent of larger dwellings) while moderate income households can afford 100% of the market for one and two bedroom apartments and 91% of three bedroom houses.
- Key workers are living in areas such as Wiley Park, Lakemba, Canterbury, Campsie, Bankstown and Punchbowl even though there is a higher chance they are living in rental or mortgage stress.
- There is a long waitlist for social housing and 1,295 homeless people in Canterbury Bankstown which indicates that social housing dwelling stock is not meeting demand for applicants who are likely on very low and low incomes.

Implications:

- Council has the ability to maintain and provide affordable housing for the Canterbury Bankstown community. This includes striving for the targets set by the GSC and in Council's strategic planning framework.
- The process of mandating for affordable housing and managing affordable dwellings is a responsibility of the Council.
- Planning intervention that generates affordable housing stock is required in Canterbury Bankstown to address social and economic inequality.
- Affordable housing should be prioritised in the centres of Bankstown, Campsie, Wiley Park, Lakemba and Punchbowl but also provided across the LGA to add to the mix and choice of housing available across the city.
- Affordable housing should be directed towards very low and low income households.
- Key worker housing should be prioritised in Bankstown and Campsie.

It is within Council's capacity to build policy that would grow a stock of affordable housing and ensure that it is managed with reference to the approaches outlined in this document.

It is the state government's role to assess proposed changes to the LEP that Council puts forward, including an affordable housing contributions scheme and planning agreements. The provision of social housing is the responsibility of the state government; however Council may advocate for social housing within the LGA.

The background of the entire page is a dark blue aerial photograph of a city grid, showing streets and building footprints. A white rectangular border is centered on the page, enclosing the title text.

MECHANISMS FOR AFFORDABLE HOUSING

3.0 MECHANISMS FOR AFFORDABLE HOUSING

This section sets out the statutory mechanisms available to Canterbury Bankstown to achieve affordable housing delivery. There are several statutory mechanisms of the Environmental Planning and Assessment Act 1979 through which Canterbury Bankstown Council will capture a proportion of the uplift from planning actions. The two main mechanisms include:

- **Section 7.1** – Council will enter into planning agreements which may include the provision of (or the recoupment of the cost of providing) affordable housing.
- **Section 7.32** – Council to introduce a levy for contributions under State Environmental Planning Policy 70. This requires introduction of an affordable housing contribution scheme in the LEP.

Section 3.1 of this chapter outlines the wider statutory context that is relevant to affordable housing development, and sections 3.2 and 3.3 describe the processes of entering voluntary planning agreements and implementing an affordable housing contributions scheme, respectively. Section 3.4 describes a Council-led option for developing affordable housing on Council-owned land. Section 3.5 provides an overview of mechanisms available.

3.1 Statutory context

State Environmental Planning Policies (SEPP) set out the standards by which affordable housing can be assessed and developed. There are two SEPPs which apply to all land in Canterbury Bankstown against which Council assesses proposals for a variety of affordable housing products. These are:

- State Environmental Planning Policy No 70 (SEPP 70) Affordable Housing (Revised Schemes)
- State Environmental Planning Policy (Affordable Rental Housing) 2009 (SEPP ARH)

The affordable housing products that are established by the SEPP (ARH) include infill affordable housing, secondary dwellings, boarding houses, supportive accommodation, group homes, and residential flat buildings developed by or on behalf of a public authority, social housing provider or the Land and Housing Corporation.

Council must assess applications for these affordable housing products on the standards of the SEPPs. Council may also actively develop and manage affordable housing in line with the standards outlined in both SEPPs. The SEPPs are described as follows.

State Environmental Planning Policy No 70 (SEPP 70) Affordable Housing (Revised Schemes)

Schedule 2 of the SEPP 70 sets the affordable housing principles:

- Where any of the circumstances described in Section 7.32 (1) (a), (b), (c) or (d) of the Act occur, and a regional environmental plan or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.
- Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
- Affordable housing is to be made available to a mix of very low, low and moderate income households.
- Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income.
- Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.
- Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
- Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.

- Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

State Environmental Planning Policy (Affordable Rental Housing) 2009

The State Environmental Planning Policy (Affordable Rental Housing) was introduced in 2009 to increase the supply and diversity of affordable rental and social housing throughout NSW. Under the SEPP (ARH), affordable rental housing is defined as housing for very low, low- and moderate-income earning households as follows:

6(1) In this Policy, a household is taken to be a very low income household, low income household or moderate income household if the household:

(a) has a gross income that is less than 120 percent of the median household income for the time being for the Greater Sydney (Greater Capital City Statistical Area) (according to the Australian Bureau of Statistics) and pays no more than 30 percent of that gross income in rent, or

(b) is eligible to occupy rental accommodation under the National Rental Affordability Scheme and pays no more rent than that which would be charged if the household were to occupy rental accommodation under that scheme.

(2) In this Policy, residential development is taken to be for the purposes of affordable housing if the development is on land owned by the Land and Housing Corporation.

Part two of the SEPP (ARH) outlines a suite of affordable housing products and the standards to which they must be developed. This provides the statutory framework in which developers and community housing providers deliver the affordable housing.

In-fill affordable housing

SEPP (ARH) promotes infill affordable rental housing in existing residential areas that are accessible by public transport. The policy allows additional floor space to a private proponent to develop dual occupancies, multi dwelling housing or residential flat buildings where a component is built to be affordable housing for a period of 10 years managed by a community housing provider. Requirements include:

- The use must be permitted with consent
- The site must not be a heritage item
- The site must be within 800m walking distance of a train station entrance or 400m of a bus stop
- The development must contain a percentage of affordable dwellings.

This form of affordable housing allows for new dwellings that are available as affordable rental housing for a 10-year period, managed by a community housing provider. In-fill affordable rental housing is intended to be provided anywhere within an LGA, consistent with leading practice of mixed tenure housing, to minimise the stigma of affordable housing and to reduce the impact on the housing market. The SEPP offers a market-led response already available to landowners within the Canterbury Bankstown LGA where the requirements are satisfied.

In Canterbury Bankstown, there are several local centres in land zoned R2 or R3 within 800m of a train station where a dual occupancy, multi dwelling or residential flat building is permissible with consent. In the Canterbury LEP, dual occupancies and multi dwellings are allowed within the R3 zone, and dual occupancy, multi dwelling and residential flat building are allowed within the R4 zone. This represents a large portion of land to which the Canterbury LEP applies and this mechanism will continue to generate a pipeline of affordable housing dwellings.

In the Bankstown LEP, there are fewer opportunities for infill affordable housing given the dominance of the R2 zone where dual occupancies are the only permitted affordable housing type, however other statutory mechanisms can support affordable housing development in key accessible locations in the Bankstown LEP area.

Boarding houses

The Canterbury Bankstown LGA currently has 38 boarding houses listed on Fair Trading's register. Boarding houses, including next generation boarding houses, provide an opportunity to deliver low cost rentals for a wide range of tenants, including singles, retirees, students and young couples.

The term 'boarding house,' as defined in the SEPP (ARH), relates to a building that:

- Is wholly or partly let in lodgings
- Provides lodgers with a principal place of residence for three months or more
- May have shared facilities, such as a communal living room, bathroom, kitchen or laundry
- Has rooms, some or all of which may have private kitchen and bathroom facilities, that accommodate one or more lodgers.

The term does not include backpackers' accommodation, group homes, serviced apartments, seniors housing or hotel or motel accommodation.

The delivery of boarding houses under the SEPP (ARH) is a market-led initiative however, Councils can encourage boarding houses, particularly as a way of providing medium-term affordable housing to people who may otherwise be priced out of the short-term housing market or be unable to commit to the longer lease periods. Such initiatives could include a floor space bonus, reduction in application fees or encouragement through the development control plan and through pre-lodgement advice. Some councils, including Canterbury Bankstown and others such as Inner West Council and the City of Sydney, have introduced their own design standards and other planning controls for boarding houses. Canterbury Bankstown Council recently applied minimum lot size and other site criteria for the development of boarding houses in the former Canterbury LGA to ensure such development occurs on appropriate sites and to improve design and amenity outcomes.

Case Study: Newtown Neighbourhood Centre Boarding House Good Practice Awards

The Newtown Neighbourhood Centre has been working with boarding house residents, owners and caretakers for many years to improve the standard and operational practices of boarding houses. The Boarding House Outreach Service is funded under the NSW Government's Specialist Homelessness Services program to work with residents of general boarding houses in the Inner West area.



The Boarding House Outreach Service team had the idea of organising and holding an awards process to celebrate good practice in boarding houses. The Boarding House Outreach Service team visits many boarding houses which are of poor standard. The idea was to recognise owners who were offering good boarding house accommodation and to encourage other boarding house owners to improve the standard of accommodation they provide.

The project also provides a chance to further engage with BH operators and caretakers, to offer public recognition of good practice and/or improved practice, and indirectly offer an incentive to operators. In 2017 a pilot Boarding House Good Practice Awards competition was held.

The 2017 Good Practice Awards were supported by the owners/ operators of boarding houses and relevant community agencies. The Awards Presentation dinner was extremely successful with considerable positive feedback and enthusiasm for future awards being expressed.

3.2 Planning agreements

Planning Agreements are entered into by council and a proponent of development to deliver public benefits as part of a development proposal or planning proposal. Planning agreements authorise development contributions for a variety of public purposes, including affordable housing. Planning agreements for affordable housing can include the dedication of land to council, monetary contributions, affordable housing, any other material public benefit or any combination of these. Housing that is delivered under a planning agreement as a dwelling-in-kind can be managed by the Council or by a community housing provider.

In March 2019, the Minister for Planning released a Ministerial Direction Environmental Planning and Assessment (Planning Agreements) Direction 2019 (the Direction) which specifies that a council seeking to negotiate a planning agreement for provision affordable housing, will need to prepare and publish a policy that sets out the circumstances in which it may seek out a planning agreement as follows:

- (2) *The council is to consider:*
 - (a) *whether the consent authority for the development application is authorised by a local environmental plan to impose an affordable housing condition on a grant of development consent to the application,*
 - (b) *whether it is proposed that the planning agreement provide for affordable housing (including by making a monetary contribution for that purpose) instead of local infrastructure contributions that may be imposed under section 7.11 or section 7.12 of the Act,*
 - (c) *whether the development application includes, or will include, development for the purpose of affordable housing,*
 - (d) *whether affordable housing (such as a hostel, boarding house or low-rental residential building) on the land subject to the development application will, or has been, demolished,*
 - (e) *the terms of any affordable housing contribution scheme for dedications or contributions set out in or adopted by a local environmental plan, and*
 - (f) *having regard to the above matters, whether it is reasonable for the planning agreement to include a contribution of the value proposed by the council for the purpose of affordable housing.*
- (3) *Before entering into a planning agreement in connection with the provision of affordable housing, **a council must prepare and publish, or otherwise make publicly available, a policy setting out the circumstances to which they may seek to negotiate a planning agreement** where the consent authority for development in a local government area is authorised to impose an affordable housing condition.*

Council may require unsolicited planning proposals seeking a rezoning or increased height or density to provide affordable housing via a planning agreement. A draft Planning Agreement Policy amendment will be exhibited with the Affordable Housing Strategy

Planning Agreements provide the opportunity to deliver affordable housing in the short term before an affordable housing contribution scheme takes effect. When the scheme does take effect, there is opportunity for both mechanisms to run in parallel, however Council should be cognisant of not 'double dipping'.

As way of example, City of Parramatta states a policy that 10% of land value uplift in all areas outside the Parramatta CBD will be captured by Council for the purpose of providing affordable rental housing. This is sought in planning agreements. Parramatta Council will accept monetary contributions towards affordable rental housing as part of a VPA where the agreed value of the contribution is less than the value of a single unit, or where there is a need to provide an

additional monetary payment on top of the dedication of the physical asset(s) to meet the agreed value of the contribution.

The Planning Agreement Policy and Affordable Housing Strategy will require the dedication or equivalent contribution of at least 5% of residential floor space uplift whereby a Planning Proposal seeks at least a 1,000 sqm residential GFA uplift.

Case Study: Waverley Affordable Housing Program

Waverley Affordable Housing Program (WAHP) provides quality rental apartments at reduced rents. It targets low- to moderate-income households who are in full or part-time work. 25 units across the LGA are currently in Council's affordable housing portfolio.

Council achieves this through Planning Agreements entered into by Council and a developer. Under the agreement, a developer agrees to provide or fund affordable housing. 10 percent of all planning agreement contributions form a monetary contribution to Waverley's Affordable Housing Program fund. This policy also allows for in-kind contributions (for example dedication of floor area) to be made to Waverley Council in lieu of monetary contributions.

Units dedicated or purchased through the Affordable Housing Fund are managed by a Community Housing Provider and are made available to Waverley residents with a household income of between \$57,486 - \$103,000 annually. The properties are a mix of one and two bedroom units in multi-unit blocks across the LGA. The rent of these properties is set at up to 35 percent off median market rent for a property in the Waverley LGA.



3.3 Affordable housing contributions scheme

This section considers the mechanics of how affordable housing can be delivered and managed through an affordable housing contributions scheme.

In March 2019, the NSW Government issued a new policy direction in the *Environmental Planning and Assessment Act 1979* that requires councils to have an Affordable Housing Contribution Scheme. Affordable housing contribution schemes apply to selected precincts, areas or developments where an uplift is created by revisions to planning controls. The scheme would typically target areas of urban renewal where an up-zoning will create sufficient uplift to make affordable housing delivery financially viable for developers. A reference to the scheme in a relevant LEP gives statutory weight to the Scheme, allowing the Council to, via a condition of development consent, require monetary or in-kind contributions for the provision of affordable housing where identified in the affordable housing contributions scheme.

This provides the opportunity for Canterbury Bankstown to address housing stress in targeted areas and for demographic groups outlined in Section 2 of this report. High growth areas, as outlined in the Housing Strategy are appropriate locations to apply the affordable housing scheme. To meet the housing targets, Council will be required to undertake a rezoning process to facilitate the additional capacity, which creates opportunity for value uplift. If possible, the scheme should be applied before the rezoning process occurs to maximise the opportunity for affordable housing delivery and minimise impact of development feasibility.

Key considerations for implementing value capture schemes, which could be considered as best practice in the development of this policy, include the following:

- **Justification** – Where the planning authority has or will increase the value of land through its actions, the community is entitled to a share of the resulting uplift
- **Entitlement** – A fundamental issue is the justification and extent of the planning authority’s entitlement to the value capture in any particular case, and regarding the community’s legitimate claim to a share of it
- **Calculation** – The planning authority should consider how the land value increase should be calculated for value capture purposes, noting that a residual land value analysis should generally apply
- **Development feasibility** – The implementation of value capture should not adversely impact on development feasibility by denying the proponent of development a reasonable share of development profit
- **Timing** – In consideration of reasonableness and equity, the value capture requirement should apply to land that is subject to a proposal for a rezoning or variation to planning controls where that application is received after the Policy is approved by Council. For applications that have been made or are under consideration prior to the Policy’s approval, this Policy will provide guidance as to the quantum of affordable housing contribution that is considered to be appropriate.⁸

3.3.1 Dedication of dwellings

Completed dwellings would be dedicated in favour of Council free of cost. The proposed dedicated dwellings would be to the satisfaction of Council in consultation with the community housing provider, where possible.

Council and the applicant would mutually agree on the location of dedicated dwellings within the development. Dwellings should be a mix of typologies and sizes and located throughout the building. The dwellings to be dedicated to the Canterbury Bankstown Council would be identified on the subdivision plan at DA stage. Upon registration of the strata plan, the developer transfers the dwellings to Council’s ownership. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

3.3.1.1 Conditions imposed

It is recommended that the following information be included in any condition of consent.

- The total gross floor area of the dwellings to be dedicated
- The dedicated dwellings must be shown on the approved plans, and referenced in the affordable housing condition
- The total residential gross floor area of the development that was used to calculate the contribution
- The indexation period at the time of determination (for any monetary contribution)
- An agreement to transfer title must be finalised and evidence provided to Council prior to granting a Construction Certificate
- The dedicated affordable housing is to be constructed to a standard which in the opinion of Council is consistent with other dwellings in the development
- If a staged development, affordable housing must be provided at each stage, or at an agreed stage.

⁸ Taylor, L. 2016. ‘Value Capture through Voluntary Planning Agreements Part 2, in In Focus, Lindsay Taylor Lawyers.

3.3.1.2 Procedures for receiving dwellings/Implementation

The dwellings to be dedicated to Canterbury Bankstown Council would be identified at the DA stage and on the subdivision plan for the relevant development. The affordable housing contribution would be satisfied when the title is transferred and the balance, if any, is paid as a monetary contribution.

Titles for the affordable housing dwelling(s) would be transferred to the Canterbury Bankstown Council following registration of the subdivision plans with the NSW Land Titles Office.

3.3.1.3 Location and amenity

To promote equity and avoid social stigma, affordable housing should ideally:

- Be located on all levels of buildings, not just ground/street level
- Have reasonable orientation, views and outlook i.e. not only south facing dwellings
- Have quality (including finishes and fixtures) that are commensurate with other dwellings in the building
- Access to all facilities within the development (e.g. gardens, BBQs, pools).

This is to ensure that the affordable dwellings are 'tenure blind', meaning that they should look no different to the private dwellings and all residents should be given access to facilities.

3.3.1.4 Dwelling size

It is suggested that the minimum size of affordable housing should be 50sqm, consistent to a 1-bedroom apartment under the Apartment Design Code. This is to ensure that reasonable, liveable sized apartments are delivered for rent.

City of Parramatta's affordable rental housing policy states that 'the make-up of dwelling sizes dedicated to Council as affordable rental housing must be proportionate to the dwelling sizes present in the overall development.' This is an explicit measure to ensure tenure blind allocation of dwellings.

3.3.1.5 Bedroom mix

Demand for affordable housing appears to be mostly for 1 and 2 bedroom apartments, although some supply of 3 bedroom apartments is necessary for larger households who meet the eligibility criteria. Historically the market has supplied a mix of bedrooms that responds to the demand from affordable housing residents, with more one-bedroom apartments becoming available in recent years to satisfy the growing number of lone person households.

It is suggested that Council liaise with and take guidance from local Community Housing Providers as to the requirements of their waiting list at any one time.

3.3.2 Monetary contributions

Contributions rates should be established as part of an Affordable Housing Program.

Indexation methodology

Contribution rates would be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates would be adjusted with reference to movement in the median price for strata dwellings in the Canterbury Bankstown LGA. The median strata price is published quarterly in the NSW Government's *Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata*.

In the situation where the release of the Rent and Sales Report is delayed, rates would be updated as soon as possible.

The 85% efficiency ratio is a standard rate applied by HillPDA in their modelling to support this study.

3.3.3 Preferred delivery mechanism

The preferred mechanism for delivering affordable housing would be the dedication of dwellings to Council. The main reasons for this are as follows:

- The completed affordable housing would be delivered in a reasonable timeframe after construction for immediate rental
- The affordable housing would be located throughout the Canterbury Bankstown LGA, maintaining a socially and economically diverse population
- As assets age a percentage of the portfolio can be sold for newer stock, provided they are used for the purpose of affordable housing
- The rent revenue can be managed to remain in slight surplus.

Council would still be able to (and should) take money contributions in situations where the affordable dwellings are considered to be unsuitable or where there is dedication of dwellings in deficit of more than 1sqm. The full balance of the gross floor area is paid as a monetary contribution. A proponent may also choose not to dedicate dwellings but pay a monetary contribution instead.

3.3.4 Management of the affordable housing portfolio

3.3.4.1 Community housing providers

It is recommended that the everyday management of the affordable housing portfolio be transferred to either a Tier 1 or 2 registered community housing provider. Community Housing Providers have the necessary skills and resources to efficiently and effectively manage affordable housing on behalf of Council. There is opportunity for Council to explore becoming a community housing provider subject to further investigation and analysis.

Council would register on the title a covenant ensuring the affordable housing dwellings are:

- Managed by a CHP, and
- Rented to very low, low and moderate income earners for no more than 30% of gross household income.

In order to ensure the financial sustainability of the housing portfolio, the following is recommended:

Rent Setting: The affordable housing would be rented out to very low, low or moderate income households, key workers that fit into the aforementioned household categories, or any combination of these, as specified under SEPP 70. As a general rule of thumb housing is considered affordable if it costs less than 30% of gross household income and rents could be set within this limit.

On-going Financial Management: The rents from the Affordable Housing Program fund the ongoing management and maintenance of the portfolio. In order to keep the Program unsubsidised it is recommended that:

- Council classify the dedicated dwellings as operational land within three months of land title registration. This is to ensure that dwellings can be effectively managed into the future. Dwellings can be sold if they are not suitable or becoming too expensive to manage and maintain
- Council will monitor the overall performance of its total affordable housing portfolio with regular budget forecasting (12 months or longer) to ensure there is enough income to cover all the property outgoings, including contingencies for long term maintenance and replacements
- Affordable housing monetary contributions and surplus rental funds should be placed in a reserve to fund ongoing maintenance and the purchase of new affordable housing
- Council should undertake an analysis to determine the optimum mix of tenancy bands to ensure long term financial viability of the affordable housing program that results in net revenue not less than 55% of market rent. For example, the tenant mix across City West Housing developments is around:
 - 26% very low
 - 44% low

- 30% Moderate

- Tenant mix across income bands is a fluid measure. Tenants may change income brackets during tenancy for example, a tenant may shift onto a lower pension income, or a tenant may secure higher paying employment. Maintaining a mix of tenants based on income should account for housing needs outlined in this report as well as housing financing considerations.
- Affordable housing should be owned in perpetuity however there will be flexibility for Council to dispose of properties and use those funds for ongoing maintenance and/or the purchase of new affordable housing.
- Council must use money gained from the sale of affordable housing stock for new affordable housing. Additionally, dwellings that are sold should be replaced within 12 months of sale to safeguard that the affordable portfolio is not substantially diminished.
- Council will wherever possible replace an affordable housing dwelling in the same location. If this is not possible Council should seek locations which are close to services, transport and employment within the LGA.

Under the provisions of the *Environmental Planning and Assessment Act 1979*, titles for dedicated affordable housing and/or monetary contributions are usually transferred to consent authorities. It is common practice for councils to outsource the day to day management of the properties.

Willoughby City Council, the City of Canada Bay and Randwick Council all retain ownership of their affordable housing dwellings which are then managed by Community Housing Providers (Link, Bridge and St George respectively).

Willoughby, for example has appointed Link Housing to manage their affordable housing portfolio. Council entered into contractual arrangements with Link for such matters as, tenant selection, and tenancy and asset management. These arrangements are often guided by an adopted council policy/program.

In the case of the City of Canada Bay the Affordable Housing Policy stipulates that tenants must work in the following industries: Healthcare, childcare, teachers, emergency services, public transport, retail, labourers, manufacturing and hospitality. Additionally, six of the affordable housing properties are to be available to staff from Concord Hospital.



3.3.4.2 Case studies

City of Sydney

The City of Sydney facilitates the delivery of affordable housing through the planning system but does not own or manage the stock. A non-profit housing organisation was set up by the State Government, known as City West Housing Pty Ltd to originally manage and deliver affordable housing in the Ultimo Pyrmont area and now for Green Square and elsewhere in the City. City West Housing is incorporated under the Corporation Law and is independent from, but still accountable to the Government. The Company has an expertise-based Board.

City West Housing is authorised to issue two classes of shares: ordinary shares and redeemable preferential shares. However, shares are not traded on the active market and therefore there is no trading policy. The Ordinary Shareholders (at the time of writing) are:

- NSW Minister for Social Housing
- NSW Treasurer

The Preferential Shareholders (City West Housing Annual Report 2016) are:

- Australian Chinese Community Association of NSW Inc
- Churches Housing Incorporated
- City of Sydney
- Lend Lease Development Party Ltd
- NSW Federation of Housing Association Pty Ltd
- Shelter NSW Incorporated
- Bridge Housing Ltd
- The Star Pty Ltd
- St George Bank
- The Uniting Church in Australia Property Trust (NSW)
- Australand Corporation (NSW) Pt Ltd
- Mirvac Projects Pty Ltd



Source: City West Housing
Zetland

The role of the ordinary and the preference shareholders is to evaluate the performance of City West's Board through the business planning process. Quarterly accountability reports are provided to shareholders and meetings are held quarterly. The State Government retains the ownership of the assets through the Treasurer and Minister of Housing as ordinary shareholders with the power to intervene or recall the assets in the event of a failure by the company to meet its objectives and performance criteria. City West Housing does not receive any ongoing funding from Government, nor does it receive or manage housing stock on behalf of LAHC and therefore relies on developer contributions to deliver affordable housing.

Developers can either provide their contribution through a cash contribution or in-kind.

Sustainable Sydney 2030 establishes an ambitious target that by 2030, 7.5% of all housing in the LGA will be social housing provided by government and community providers and 7.5% will be affordable housing delivered by not-for-profit or other providers. The aim is to deliver 8,000 new affordable and social dwellings.

The City of Sydney (CoS) has been active in affordable rental housing delivery for approximately 20 years from the redevelopment of the Ultimo/Pymont area. The CoS delivers the majority of its affordable housing program through SEPP 70 from the areas of Ultimo/Pymont, Green Square and Employment Lands. As part of the Harold Park redevelopment in Glebe, 80 dwellings will be built for low and moderate income earners by 2018.



Source: Wigram Road Forest Lodge
(Harold Park) City West Housing

The CoS has also sold land to community housing providers such as City West Housing; in Zetland 100 affordable dwellings will be built. City West Housing manages the affordable housing delivered from these programs and to date has delivered a total of 731 affordable dwellings⁹.

Two hundred 200 affordable dwellings have been delivered through the affordable housing program in Green Square, with the expectation that this will rise to 330 over the next 15 years.

⁹ City West Housing Annual General Report 2016

The CoS has three areas where inclusionary zoning applies:

- Ultimo/Pymont
- Green Square
- Employment Lands

A draft *Central Sydney Affordable Housing* program for the Sydney CBD area was recently placed on public exhibition and the CoS has recently reviewed its affordable housing program as a whole. A planning proposal has been prepared to amend their affordable housing programs (excepting draft Central Sydney), as well as expand the current schemes to include other land in the LGA, which is referred to as 'residual land'. The latter is land that will benefit from increased development capacity through a site specific planning proposal to change the planning controls.

The proposal also seeks to reduce the minimum size of an affordable housing dwelling from 50 sqm to 35sqm and to introduce a maximum dwelling size of 90sqm. The purpose of these changes is to deliver as much affordable housing floor area as possible. In addition, the proposal aims to amend the Sydney LEP 2012 to include additional development, such as a warehouse conversion to residential where no new floor area is being created.

In the City of Sydney LEP 2012, under Part 7, Division 3, Clause 7.13 the following affordable housing contributions presently apply in:

- **Green Square and Southern Employment Land residential development**
 - **On-site:** 3% of the total residential floor area must be provided as affordable housing.
- Non-residential development**
 - **On-site:** 1% of the total non-residential floor area must be provided as affordable housing.
- **Ultimo/Pymont residential development**
 - **On-site:** 0.8% of the total residential floor area must be provided as affordable housing.
- Non-residential development**
 - **On-site:** 1.1% of the total non-residential floor area must be provided as affordable housing.

The CoS has Affordable Housing Program documents for each of the areas where the inclusionary zoning applies. They provide the calculation of the monetary contributions, outlining how the individual programs operate and how the conditions of consent will apply. They also cover such matters as excluded development and indexation. The CoS takes both dedicated dwellings and monetary contributions.

Willoughby City Council

Willoughby City Council is also included in SEPP 70. The Willoughby Local Environmental Plan 2012, Part 6, Clause 6.8 sets out the provisions for delivering affordable housing in nominated areas within the LGA (identified on the Special Provisions Area Map). Developers must contribute 4% of accountable total floor space either as dedicated dwellings or an equivalent cash contribution. Accountable total floor space, under the Clause means the gross floor area of the residential component of the development to which the development application relates.

The amount of the contribution to be paid under a condition imposed on a development consent is the value of the gross floor area concerned calculated by reference to the market value of dwellings of a similar size to those proposed by the development application (clause 6.8 (4) Willoughby LEP 2012).

In addition, acting as an incentive, Willoughby LEP 2012 Clause 4.4 (2A)(b) excludes the floor space of affordable housing from the gross floor area in a calculation of floor space ratio. This acts as a floor space bonus for the contribution of affordable housing.

Twenty-one dwellings have been dedicated to Willoughby City Council to date, in St Leonards and Chatswood with more to follow in Artarmon. It is also understood that the Council has also collected monetary contributions in lieu of dedication which it will use to purchase more affordable housing. Link Housing manages the properties on behalf of Council.

City of Canada Bay

Since 2009 the City of Canada Bay has successfully acquired 26 affordable rental properties. The affordable housing has mainly been delivered through voluntary planning agreements (except for two purchases) between Council and various developers. The two purchases were made from retained earnings and assets from managing their affordable housing portfolio.

An application has been made to the Department of Planning and Environment (DPE) for the City of Canada Bay to be included in SEPP 70 so that their affordable housing program can be expanded. Council is seeking a 5% affordable housing target (on residential gross floor area) for the Rhodes East Priority Precinct which, (at the time of writing) is currently undergoing investigation for urban renewal.

Waverley Council

Waverley Council was one of the first Sydney Councils to adopt an affordable housing program using bonus floor space. The Program applies to all proposed new multi-unit residential development and mixed use development (comprising of a residential component), where a proposed development seeks to exceed the permissible floor space ratio (FSR).

In reality, the majority of the planning agreements have related to developments in the Bondi Junction and Bondi Beach Precincts where the majority of redevelopment is occurring. Council will only support additional FSR if the environmental impacts are acceptable and that the additional FSR proposed, provides an equal public and private benefit. Generally, the value of 50% of the increase in net value to the development, arising from an increase in FSR beyond the permitted provisions in Clause 4.4 of the Waverley LEP, is considered an appropriate contribution. Council has a comprehensive Voluntary Planning Agreements Policy 2014 which guides their VPA process.

The Waverley Affordable Housing Program seeks to assist households on low and moderate incomes, unable to secure local rental housing and who have lived in the Waverley LGA for at least the past three years or have lived or worked in Waverley for five of the last ten years. The Council has secured 28 dwellings in this manner which are managed by Bridge Housing.

Randwick Council

Randwick Council has had an Affordable Housing Strategy since 2007. To date, 20 dwellings have been delivered and are managed by St George Community Housing.

Council introduced master plan provisions for development sites exceeding 4,000 square metres in the (then) Randwick Local Environmental Plan 1998 which resulted in the provision of dwellings for affordable housing purposes. All negotiated outcomes, typically the dedication of 1% of total dwelling yield of the development site to affordable housing, were enshrined in an Agreement between the Council and the developer.

Clause 6.12 Development in Randwick LEP 2014, refers to land requiring the preparation of a development control plan (for sites over 10,000sqm) and includes a provision for affordable housing. The latter, however, is only enforceable through a VPA. In recent years there has been little, or no affordable housing delivered in the Randwick LGA, hence their application to be included in SEPP 70.

Late last year, Randwick Council received notification from then Minister of Planning and Environment that its application to be included in SEPP 70 was supported. This will allow the Kingsford to Kensington urban renewal project to have inclusionary zoning provisions with a target of between 3% - 5% for affordable housing. Approximately 200 dwellings are expected to be delivered through inclusionary zoning.

Inner West Council

The newly amalgamated Council on 28 March 2017, approved an Affordable Housing Policy prepared by Judith Stubbs and Associates, in November 2016.

The policy purpose is to support Council to acquire a fair share of the increase in land values resulting from planning decisions* in order to:

- increase affordable rental housing
- create more affordable housing on public land via a number of methods including:
 - changes to the planning system
 - a 15 % affordable housing target on large developments
 - an affordable housing target of 30% on government owned land in urban renewal areas such as The Bays Precinct.
 - Planning decisions/processes such as rezoning and Voluntary Planning Agreements with developers.



Source: Luna Apartments Lewisham of which 4 are for affordable rental. Inner West Council.

In relation to value capture Council will endeavour to gain a 50% share of the land value uplift to be negotiated through a voluntary planning agreement.

In addition, the Inner West Council will seek inclusion in SEPP 70 to permit inclusionary provisions in a LEP for ongoing delivery of affordable housing.

3.3.5 Lead in time

The introduction of this contributions should be advertised well in advance so that developers are made aware of the imposition of an additional cost and can factor this into the purchase price and the land and development returns. HillPDA notes that the DPIE proposes a lead in time of three years. A two-year lead in time for an affordable housing contributions scheme in Canterbury Bankstown is accepted given residential market conditions have improved as of January 2020, as informed by HillPDA's market research and feasibility testing.

A suggested timeframe to stagger the increases is provided below.

Table 6: Suggested lead in timeframes

Date of determination of development application	% of total gross floor area intended for residential floor area for affordable housing contribution
To December 2021 (year 1)	0%
1 January 2022 – 31 December 2022 (year 2)	2%
1 January 2023 – 31 December 2023 (year 3)	3%
1 January 2024 – 31 December 2024 (year 4)	4%
1 January 2025 – onwards (year 5 and beyond)	5%

3.3.6 Affordable housing target

Adopting an affordable housing target can provide guidance to Councils, CHPs and developers on the expected outcome of the policy over certain time periods. The Greater Sydney Commission has suggested that 5-10 per cent of new residential floor space should be dedicated as affordable housing. The Community Strategic Plan, *CBCity 2028* and Council's draft Local Strategic Planning Statement also set targets which are to be tested for feasibility and viability through the place-based master planning process for each centre. This testing will then confirm an affordable housing rate for each centre.

To develop an affordable housing target for Canterbury Bankstown, a contribution rate has been applied to projected dwelling growth. This provides more realistic projection of the LGA's capacity to deliver affordable housing dwellings.

- It is assumed that the majority of residential development, from which affordable housing may be leveraged, will be located in key growth centres. This is in line with the growth strategy set out in the LSPS and the Housing Strategy. These centres include Bankstown, Campsie, Canterbury, Belmore, Lakemba and more. It is not anticipated that there will be significant planning proposals seeking uplift outside these centres, and the SEPP ARH is appropriate to support affordable housing infill outside of the centres.
- It is assumed that an affordable housing contributions scheme is implemented with multiple one-year lead in times as seen in Section 3.3.5 above.

3.3.7 Affordable housing program

The City of Sydney has developed 'Programs' to assist with the operation of their affordable housing schemes. These provide valuable information (in one location) for staff, landowners and developers and would provide useful reference documents. Reference is made to the Programs in the Affordable Housing Clause in the Sydney LEP 2012. A similar Program was undertaken for Rhodes East in the Canada Bay Council area.

It is recommended that Council develop a Canterbury Bankstown Affordable Housing Program to provide additional provisions and more detailed information about the Program. It is envisaged this will include such matters (but not limited to):

- History, background and rationale for the Program
- The statutory framework for the Program
- Affordable Housing provisions; including the calculation of the contributions, indexation and excluded development
- How to make Affordable Housing contribution - dedication and monetary.

3.4 Development of affordable rental housing projects with a community housing provider or private partner, on land dedicated by council

Council's in NSW have successfully dedicated surplus land to an affordable rental housing project. Development can be undertaken by Council or in partnership with a private developer or government agency. The affordable rental housing resulting from the project is then be managed by a community housing provider. In some cases, Councils have sought deliver affordable rental housing targeted at a specific need, such as housing for older people. In this model the Council would dedicate land to provide purpose built secure affordable housing for people over 55 years. Typically, Council would undertake an asset strategy to identify suitable surplus sites as a first step.

3.5 Overview of the mechanisms for delivery of affordable housing

The following table outlines the pros and cons for each one of the most common mechanisms. Each mechanism has the potential to deliver affordable rental housing.

Table 7: Contribution Mechanism Overview

Contribution Mechanism	Pros	Cons
Dwelling in-kind	<ul style="list-style-type: none"> • Directly contributes to the delivery of affordable housing in the LGA • Dedicated free of cost to Council • Asset owned by Council • Likely to be more valuable than a monetary contribution taken at Construction Certificate stage in a rising market 	<ul style="list-style-type: none"> • There is potential that affordable housing provided in high-end buildings would incur expensive strata fees which may be unsustainable over the longer term • Management of the 'life-cycle' of dwellings so that assets remain suitable for their use • Distribution of affordable housing across multiple buildings can create management inefficiencies

Contribution Mechanism	Pros	Cons
	<ul style="list-style-type: none"> Still retains the flexibility to sell the asset if not appropriate or if strata premiums are considered too high Offers a range of housing choice across the LGA Less resource intensive as management is transferred to a CHP 	
Monetary contribution	<ul style="list-style-type: none"> Creates opportunity to buy affordable housing 'off the plan' in suitable developments e.g. where there may be cheaper strata fees Creates a pool of money which can be invested to for additional affordable housing Applicable for small developments where the percentage of affordable housing floor space would not meet the minimum 50m² requirement for dedication 	<ul style="list-style-type: none"> Does not directly contribute to Council's asset portfolio Delays in the delivery of affordable housing e.g. finding suitable accommodation, in the right location at the right price point The management of finance and expenditure of funds on suitable dwellings would be resource intensive In-house property management skills may be required
Planning Agreements	<ul style="list-style-type: none"> Responsive to change and site specific No nexus required under the EPAA 1979, although the Practice Notes (2015) recommend that the public benefits should have a relationship to the development A possible fall back mechanism should development parameters exceed the planning threshold at any point in time 	<ul style="list-style-type: none"> Can be administratively onerous Less reliable than inclusionary zoning targets Reliant on developer's willingness to volunteer an offer Industry/community resistance

4.0 FEASIBILITY ANALYSIS

Council commissioned HillPDA to prepare independent advice on the financial viability of the introduction of an affordable housing provision in the Canterbury-Bankstown LGA to inform Council's affordable housing strategy. This modelling and advice is to provide insight by providing an evidence based report to demonstrate whether the contribution rates can achieve the affordable housing objectives without unacceptable impacts on development feasibility.

The purpose of the feasibility analysis is to test the following options and provide recommendations on:

- The introduction of contribution rate(s) of 2% in the year 2022 and 5% in the year 2025 for inclusionary zoned areas in the Bankstown CBD
- Planning Agreements in areas outside of Bankstown CBD - where changes to the planning controls (rezoning or higher density) are negotiated in exchange for the provision of 5% of affordable housing.

The study areas

The study areas nominated by Council are Bankstown CBD and the following suburbs, considered to be representative of the distinct precincts within the Canterbury-Bankstown LGA; Canterbury, Campsie, Chester Hill and Padstow. The study areas are illustrated in Figure 14.

Figure 14: Study areas indicated



Source: Nearmaps, HillPDA Research 2019

4.1 Market commentary of study areas

4.1.1 Bankstown market commentary

Bankstown is an established mixed-use suburb that lies approximately 16 kilometres from the Sydney CBD. The suburb is a major commercial centre and provides retail amenities such as Bankstown Plaza, Bankstown Central Shopping Centre and ethnically diverse specialty retailing and café/restaurants.

According to CoreLogic, the dwelling structure within the suburb of Bankstown comprises 32% houses, 10% semi-detached, 51% units and 7% other. A total of 43% of residents rent their properties, 23% own their homes outright, and 28% own their house with a mortgage while the remaining 6% is made up of other tenures.

The residential property market in Bankstown had performed well in recent years, recording significant growth in median values and between 2014 and 2018 house prices increased by 29% while units increased by 21.7%.

Since the Hayne Royal Commission which resulted in the banks tightening the lending criteria, the Bankstown housing market has decreased in line with the rest of Australia. CoreLogic data revealed house prices decreased by 9.9% year on year to October 19 while unit prices decreased by 5.9%. The median price for a house in Bankstown is \$901,000 and the median unit price is \$510,000.

Over recent months and a result of the RBA easing interest rates, the median price for a house in Bankstown strengthened slightly to October 2019. This is in line with the strengthening in demand levels that has been witnessed across the Sydney Metropolitan area. However, the median unit price plateaued over the months to October 2019.

4.1.2 Canterbury market commentary

Canterbury is an established mixed-use suburb that lies approximately 11 kilometres from the Sydney CBD. Parts of Canterbury are located within the Sydney Metro corridor and it is anticipated that development activity will intensify as the Metro rolls out.

The main retail strip is along Canterbury Road is mainly dated and experiencing low patronage but over recent years new high-density mixed-use buildings are interspersed throughout.

According to CoreLogic, the dwelling structure within the suburb of Canterbury comprises 46% houses, 7% semi-detached, 38% units and 9% other. A total of 34% of residents rent their properties, 30% own their homes outright, and 31% own their house with a mortgage while the remaining 5% is made up of other tenures.

The residential property market in Canterbury had performed well in recent years, recording significant growth in median values and between 2014 and 2018 house prices increased by 48.29% while units increased by 26.4%.

The Canterbury housing market has strengthened year on year to October 19 by 4.7%, this is in contrast to the weakening market in the rest of Australia. While unit prices decreased by 9.1%. The median price for a house in Canterbury is \$1,235,000 and the median unit price is \$636,000.

4.1.3 Campsie market commentary

Campsie is an established mixed-use suburb that lies approximately 11 kilometres from the Sydney CBD. The suburb is a major commercial centre made up of retail and light industrial use properties. Parts of Campsie are located within the Sydney Metro corridor and it is anticipated that development activity will intensify as the Metro rolls out.

The suburb is popular with families with a Chinese background. The suburb is served by the main retail strip along Beamish Street, in close proximity to Campsie railway station that provides supermarkets, a discount department store, many specialty shops, cafes and a library.

According to CoreLogic, the dwelling structure within the suburb of Campsie comprises 25% houses, 11% semi-detached, 56% units and 8% other. A total of 46% of residents rent their properties, 23% own their homes outright, and 25% own their house with a mortgage while the remaining 6% is made up of other tenures.

The residential property market in Campsie had performed well in recent years, recording significant growth in median values and between 2014 and 2017 house prices increased by 30.8% while units increased by 23.7%.

Since the Hayne Royal Commission which resulted in the banks tightening the lending criteria, the Campsie housing market has decreased in line with the rest of Australia. CoreLogic data revealed house prices decreased by 20.3% year on year to October 19 while unit prices decreased by 14.5%, these fall in prices are higher than recorded drops in other areas and is unexpected as Campsie lies within the Sydenham to Bankstown Metro corridor. The median price for a house in Campsie is \$1,032,500 and the median unit price is \$542,000.

Over recent months and a result of the RBA easing interest rates, the median price for a house in Campsie continued to fall throughout 2019 till October 2019. This is not in line with strengthening in demand levels that has been witnessed across the Sydney Metropolitan area. The median unit price also continued to fall throughout 2019 to October 2019.

4.1.4 Chester Hill market commentary

Chester Hill is an established predominately residential suburb and lies approximately 7.5 kilometres from the Bankstown CBD.

The suburb is popular with families due to the mostly traditional sized residential allotments and its proximity to well-regarded schools. The suburb is served by Chester Hill Square which is the main shopping centre for the local catchment.

According to CoreLogic, the dwelling structure within the suburb of Chester Hill comprises 74% houses, 13% semi-detached, 7% units and 6% other. A total of 34% of residents rent their properties, 31% own their homes outright, and 30% own their house with a mortgage while the remaining 5% is made up of other tenures.

The residential property market in Chester Hill had performed well in recent years, recording significant growth in median values and between 2014 and 2017 house prices increased by 32.9% while units increased by 37.5%.

Since the Hayne Royal Commission which resulted in the banks tightening the lending criteria, the Chester Hill housing market has decreased in line with the rest of Australia. CoreLogic data revealed house prices decreased by 7.9% year on year to October 19 while unit prices only decreased by 0.55%. The median price for a house in Chester Hill is \$755,500 and the median unit price is \$450,000.

Over recent months and a result of the RBA easing interest rates, the median price for a house in Chester Hill has rebounded slightly in October 2019 although has not reached its peak median price in 2017 of \$860,000. This is in line with the slight strengthening in demand levels that has been witnessed across the Sydney Metropolitan area. Although the median unit price has plateaued throughout 2019 to October 2019.

4.1.5 Padstow market commentary

Padstow is an established predominately residential suburb and is a well-regarded suburb due to its proximity to Bankstown CBD and ease of access to the M5 South Western Motorway that navigates along the northern end of the suburb.

The suburb is popular with young families due to the mostly traditional sized residential allotments and its proximity to protected bush land around Salt Pan Creek that connects with the Georges River. The suburb is served by Padstow shopping centre located around Padstow railway station.

According to CoreLogic, the dwelling structure within the suburb of Padstow comprises 66% houses, 17% semi-detached, 10% units and 7% other. A total of 26% of residents rent their properties, 36% own their homes outright, and 33% own their house with a mortgage while the remaining 5% is made up of other tenures.

The residential property market in Padstow had performed well in recent years, recording significant growth in median values and between 2014 and 2017 house prices increased by 40% while units increased by 46%.

Since the Hayne Royal Commission which resulted in the banks tightening the lending criteria, the Padstow housing market has decreased in line with the rest of Australia. CoreLogic data revealed house prices decreased by 6.95% year

on year to October 2019 while unit prices only decreased by 0.8%. The median price for a house in Padstow is \$916,500 and the median unit price is \$665,500.

Over recent months and a result of the RBA easing interest rates, the median price for a house in Padstow has rebounded slightly in August 2019 although has not reached its peak median price in 2018 of \$1,010,000. This is in line with the slight strengthening in demand levels that has been witnessed across the Sydney Metropolitan area. Although the median unit price has plateaued in 2019 to date.

4.2 Market Research Overview

The following Chapter analyses trends and factors influencing the property market in the key study areas and the surrounding locality. It also investigates the sale prices of a range of uses including residential apartments, retail shops and development sites.

The research is based on our discussions with market and industry experts as well as a review of relevant property databases. These factors, in turn, inform the feasibility modelling discussed in Section 4.0.

4.2.1 'Off the plan' apartment sales

Tabulated below are a summary of 'off the plan' sales within the subject suburbs and surrounding locations and illustrated in Figure 15. As some suburbs did not have any off the plan sales, nearby suburbs and markets are considered. Further details of the specific project sales and are contained in Appendix A.

Table 8: Summary of 'Off the plan' sales

Suburb	Type	Sales range	Sales rate (\$/sqm NSA)
Panania	1 BR	\$550,000 - \$565,000	\$8,561 - \$8,871
	2 BR	\$720,000 - \$750,000	\$9,729 - \$9,740
Peakhurst	1 BR	\$545,000	\$10,682 - \$10,900
	2 BR	\$650,000 - \$690,000	\$8,214 - \$8,900
East Hills	1 BR	\$505,000 - \$510,000	\$9,182 - \$9,273
	2 BR	\$645,000 - \$675,000	\$6,979 - \$8,867
Belfield	2 BR	\$580,000 - \$700,000	\$7,188 - \$10,000
Lidcombe	1 BR	\$585,000 - \$660,000	\$11,700 - \$13,200
	2 BR	\$770,000 - \$1,030,000	\$10,267 - \$13,733
	3 BR	\$955,000 - \$1,205,000	\$10,611 - \$13,389
Canterbury	Studio	\$400,000	\$10,000
	1 BR	\$550,000 - \$570,000	\$10,000-\$10,364
	2 BR	\$690,000-\$730,000	\$8,118-\$8,588
	3 BR	\$840,000	\$8,400
Bankstown	Studio	\$360,000 - \$375,000	\$9,730-\$10,135
	1 BR	\$450,000 - \$548,000	\$8,036-\$8,431
	2 BR	\$615,000-\$723,000	\$7,688-\$8,216
	3 BR	\$850,000 (average)	\$7,265-\$8,854
Campsie	1 BR	\$440,000-\$570,000	\$8,000-\$10,364
	2 BR	\$630,000-\$850,000	\$7,412-\$10,000
	3 BR	\$790,000-\$898,000	\$8,316-\$9,453
Villawood	1 BR	\$430,000-\$475,000	\$8,113-\$8,482
	2 BR	\$495,000-\$600,000	\$6,600-\$6,742
	3 BR	\$600,000-\$695,000	\$5,042-\$5,840

Figure 15: 'Off the plan' sales rate maps - \$/sqm of NSA



Source: HillPDA Research, Near Maps 2019

4.2.2 Strata and freehold market evidence

Our sales evidence of relevant freehold commercial buildings indicates a sale rate range of \$3,816 to \$5,058/sqm of site area based on recent sale transactions. This sale evidence will be utilised to establish the nominated properties 'as is' value as a land purchase price input in our residual cash flow analysis.

HillPDA also undertook market research of strata titled retail and commercial properties in the Canterbury-Bankstown LGA that would be used as end sale revenue inputs in our feasibility modelling. Our sales evidence indicates that a rate range of \$4,714 to \$6,471/sqm of NLA was achieved based on recent sale evidence.

Further details on the retail and commercial sales are contained within Appendix C.

4.2.3 Development site sales

Figure 16 encapsulates our sales evidence of development sites by suburb within the Canterbury-Bankstown LGA.

Notable sales evidence shows a dollar per sqm of GFA value ranges from **\$1,292 to \$2,625/sqm of GFA or \$90,333 to \$252,444 per unit**. As the evidence shows there have been limited recent sales activity in Bankstown and the study areas, therefore we have also considered sale transactions in the surrounding locality. The GFA value ranges widely and this is attributable to the location, size and type of the project and DA status.

Our investigation of recent transactions of development sites shows a slightly higher rate per sqm of GFA than utilised on our assessment and this is due to a number of variables such as the size of the project (the larger the project the lower the rate due to economics of scale) and/or local developers accepting lower developer margins than typical in the industry.

Further details on the development site sales are contained within Appendix B.

Figure 16: \$/sqm of GFA and \$/unit Development site sales



4.2.4 Canterbury-Bankstown LGA Market Snapshot

The research has revealed the following:

Commercial strata

Strata titled retail and commercial properties in the Canterbury-Bankstown LGA shows a rate range of \$4,714 to \$6,471/sqm of NLA. The sales evidence comprise of established stock and is therefore considered to be inferior. We have adopted the following rates for brand new retail space.

- Bankstown (secondary commercial): \$7,000/sqm of NLA
- Canterbury (frontage to Canterbury Road): \$7,500/sqm of NLA
- Chester Hill: \$5,000/sqm of NLA

Commercial & residential freehold – ‘As is’ properties

Our sales evidence of relevant freehold commercial and residential indicates a sale rate range of \$3,816 to \$5,058/sqm of site area. In order to establish the ‘as is’ value to inform our feasibility testing, we have used the following dollar rate per sqm of site area:

- Bankstown (secondary commercial): \$4,500 to \$5,000/sqm of site area
- Canterbury (frontage to Canterbury Road): \$4,500/sqm of site area
- Chester Hill (secondary commercial): \$2,000 to \$3,000/sqm of site area
- Padstow (R4 High density residential): \$2,000 to \$2,500/sqm of site area
- Campsie (R4 High density residential): \$2,000 to \$2,500/sqm of site area

Residential ‘off the plan’

‘Off the plan’ sale prices in the Canterbury-Bankstown LGA vary between precincts, therefore the following rates were considered and adopted in our feasibility modelling.

Bankstown showed a sales range of \$7,265 to \$10,135 per sqm of NSA, therefore we have adopted a rate range of \$8,500 to \$8,750 per sqm of NSA.

Canterbury showed a sales range of \$8,118 to \$10,364 per sqm of NSA, therefore we have adopted a rate of \$9,500 per sqm of NSA.

There has been no activity in **Chester Hill**, therefore we have relied upon a project in Villawood which showed a sales range of \$5,042 to \$8,482 per sqm of NSA, therefore we have adopted a rate of \$7,250 per sqm of NSA.

There has been no activity in **Padstow**, therefore we have relied upon projects in Panania & East Hills which showed a sales range of \$6,979 to \$9,740 per sqm of NSA, therefore we have adopted a rate of \$8,250 per sqm of NSA.

Campsie showed a sales range of \$8,000 to \$10,364 per sqm of NSA, therefore we have adopted a rate of \$8,500 per sqm of NSA.

Development sites

- Conversations with selling agents have indicated that there is still demand for development sites, however developers are seeking realistic pricing and favourable settlement terms.
- The sales evidence suggests a dollar per sqm of GFA value ranges from \$873 to \$2,647/sqm of GFA or \$73,846 to \$252,444 per unit. As the evidence shows there has been a reasonable amount of development site sale transactions in the locality over the past three years, although there was limited activity within the study areas.
- For the purpose of this assessment, we would consider a rate of \$1,300 to \$2,000 per sqm of GFA would be reasonable for the key study areas.

This market research is based on HillPDA's understanding of the transaction, and while we understand the facts to be generally reliable, we are unable to guarantee the accuracy. As such, the results of our analysis may change should new information come to light.

4.3 Development Feasibility Testing

This Chapter outlines HillPDA's methodology in assessing whether development is viable if an affordable housing contribution is introduced. Areas of interest to Council include inclusionary zones in the Bankstown CBD and nominated suburbs considered to be representative of the LGA on the notion of a VPA scenario. The suburbs selected for our study are:

- Canterbury
- Chester Hill
- Campsie
- Padstow

The Chapter also outlines the assumptions for the modelling and the results.

4.3.1 Feasibility methodology

To undertake the feasibility modelling, we have used the proprietary software EstateMaster which is an industry benchmark used by developers, financiers and property valuers. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk.

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

A feasibility assessment is based on profit and risk factors. These two factors are subjective elements that determine the minimum level a developer is willing to purchase a site for, factoring in the risk associated with a proposed development. For the purpose of our hypothetical modelling, regard has been given to the following:

- **Project Internal Rate of Return (IRR):** is the actual return on the investment on an annualised basis and expressed as a percentage. This approach takes into account the cost of time in its calculation within cash flow and indicating average returns over a period of time. Typically, this is 12% (townhouse) to 16% (unit) p.a. as the primary indicator
- **Development Margin (DM):** it is the net profit expressed as a percentage of the development costs. Typically, a Development Margin (DM) of 14% to 18% pa townhouse, mixed-use and residential apartment buildings are applicable.
- **Residential Land Value:** is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates (such as an IRR) based on the highest and best use or optimal development option for the land.

In light of the criteria established above, the hypothetical development sites were assessed against a target **Development Margin of 18%** and **Project IRR of 16%**.

Table 9: Industry Standard Performance Indicators

Performance	Project IRR Units	Development Margin Units
Viable	> 16%	> 18%
Marginally feasible	14%-16%	16%-18%
Not viable	< 14%	< 16%

Source: HillPDA 2019

A critical input to the feasibility testing is the 'as is' value based on the current planning controls or recent purchase price (if transacted recently) may be adopted as the base case. Alternatively, the 'as is' value may be established by our market research as detailed in Section 4.2.2.

4.3.2 Feasibility testing options

The following development options were tested:

Bankstown CBD – Inclusionary zoning

1. The hypothetical development scheme will be based on current planning controls under the Bankstown Local Environmental Plan 2015 (BLEP) and Bankstown Development Control Plan 2015 (BDCP). This on the assumption that an Affordable housing (AFFORDABLE HOUSING) clause will be introduced in 2 years ('transition period') that specifies a provision for 2% of residential GFA to be dedicated to the Council. Variations to revenue assumptions include:
 - Current market values
 - Market values with a 1% p.a. real growth
2. An additional hypothetical development scheme will assume a variation to the Affordable housing (AFFORDABLE HOUSING) clause in 5 years to increase the provision of affordable housing to 5% of residential GFA to be dedicated to the Council on the assumption that the FSR in the CBD is increased to 4:1. Variations to revenue assumptions include:
 - Current market values
 - If the above variation is not viable, market values with a 1% p.a. real growth

VPA scenarios - Canterbury, Padstow, Chester Hill & Campsie

1. **Base Case** – Hypothetical development scheme have been based on the current planning controls with no affordable housing contribution payable
2. **Uplift Scenario (VPA)** – Hypothetical development scheme will be based on a FSR uplift (above base case) of 1 to 1.5:1 resulting in a residential GFA of >1,000sqm. This scenario would require an affordable housing contribution of 5% of total residential GFA to be tested.

To test the financial viability the above hurdle rates in Table 33 will be the basis of our assessment.

4.3.3 Hypothetical sites

Each hypothetical site has different development parameters, the sites have been selected on the basis that they vary in land size, location, existing improvements and number of lots required for amalgamation. Furthermore, the mix of sites were chosen to provide, a range of development options.

In addition, consideration to development sites that require lot amalgamation (i.e. single lot with limited development potential in isolation), it is common that a premium (20% above the existing market value) is paid to incentivise landowners to sell.

The five sites across the Canterbury-Bankstown LGA has been identified for feasibility testing which are representative of the different precincts in the LGA. The identified hypothetical sites, and the existing and proposed planning controls are as follows:

1. **Bankstown:** Mixed-use site of 1,606sqm with a permissible FSR of 3:1 and zoned 'B4 Mixed use'. Located in the commercial fringe and the current improvements comprise older style one or two storey commercial buildings.
2. **Canterbury:** Mixed-use site of 2,100sqm and zoned 'B5 Business Development'. Located outside of the Sydenham to Bankstown Corridor – Canterbury station precinct. The current improvements comprise older style one or two storey commercial buildings.

3. **Campsie:** Medium rise residential site of 1,682sqm and zoned 'R4 High Density Residential'. Located outside of the Sydenham to Bankstown Corridor – Campsie station precinct. The current improvements comprise older style residential dwellings.
4. **Chester Hill:** Mixed-use site of 2,200sqm and zoned 'B2 Local Centre'. Located on the commercial fringe and the current improvements comprise older style one or two storey commercial buildings.
5. **Padstow:** Medium rise residential site of 1,500sqm and zoned 'R4 High Density Residential'. Located on the fringe of the commercial precinct.

For the purpose of this exercise, we have assumed an uplift in FSR and height to allow for an increase (above the current planning controls) in FSR within the range of 1 to 1.5:1 in the study areas with the exception of the Bankstown CBD.

4.4 Bankstown CBD Site

4.4.1 Local planning controls

The Bankstown CBD is broadly made up of 'B3 Commercial Core' zoned land and is surrounded by R4 and R3 zoned land.

The Floor Space Ratio (FSR) within the Bankstown CBD ranges between 2 to 4.5:1 where the higher density is focused along Rickard Road, Featherstone Street, The Mall & The Appian Way.

The 'R4 High Density Residential' zoned land has an FSR that ranges between 1:1 and 2:1. Areas further from the CBD have an FSR of 0.5:1 and comprises of suburban residential.

The BLEP 2015 currently permits development height range of 17 to 53 metres (equivalent to 5 to 17 storeys) on lands within the Bankstown CBD. The higher permissible height correlates with the higher density.

Figure 17: Bankstown CBD – Zoning map



Figure 18: Bankstown CBD – FSR Map



Figure 19: Bankstown CBD – Building height map



4.4.2 Hypothetical site

The nominated property is a mixed-use site of 1,606sqm with a permissible FSR of 3:1 and zoned 'B4 Mixed use'. Located in the commercial fringe and the current improvements comprise older style one or two storey commercial buildings. For the purpose of this study, HillPDA has assumed the following planning controls are permitted over the following timespan and the proportion of affordable housing is enforceable for testing purposes only.

Figure 20: Projected timeframe and changes to affordable housing provision and FSR in the Bankstown CBD



4.4.3 Existing land value assumptions

Our market research shows that developers are paying a rate range of \$4,258 to \$11,967 per sqm of site area in Bankstown CBD. The dollar rate per sqm of site area vary widely and this is mainly due to the level of improvements on site which would determine the buyer profile. Developer's usually select an older building, where the residual land value is below the 'as is' value. Therefore, for the purpose of establishing a purchase price we consider the 'as is' value to be \$6,300,000, exclusive of GST, reflecting a rate of \$3,923/sqm of site area.

These rates do not take into account the potential uplift in land values in the scenario of a rezoning and uplift in FSR.

4.4.4 Hypothetical development scheme

Our feasibility testing is based on the below tabulated development schemes:

Table 10: Bankstown CBD - hypothetical development scheme

Site specifications	Base Case (current planning control)			Proposed FSR Uplift		
Projected timeframe	Year 2022			Year 2025		
Site Area	1,606sqm			1,606sqm		
Site shape	Regular			Regular		
FSR	3: 1			4: 1		
Building Height	27 metres			33 metres		
Building Storeys	9 storeys			11		
Proposed Land Use	Medium density mixed-use			Medium density mixed-use		
Proposed Project	Mixed-Use – 9 storeys Ground floor retail and 8 floors of residential.			Mixed-Use – 11 storeys Ground floor retail and 10 floors of residential.		
Building Areas	4,818sqm of GFA 4,095sqm of NSA			6,424sqm of GFA 5,461sqm of NSA		
Dwelling Mix	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR
Yield	6	28	6	8	39	8
Average Unit Size (NSA)	60sqm	85sqm	100sqm	60sqm	85sqm	100sqm
No. residential units	40			55		
affordable housing dedication	68sqm (equivalent to 1 unit)			239sqm (equivalent to 3 units)		
Retail ¹⁰	683sqm of NLA (equivalent to 9 units)			683sqm of NLA (equivalent to 9 units)		
Total Yield (after AFFORDABLE HOUSING)	48 equivalent units			61 equivalent units		
Car Spaces	60 basement car spaces. Over two basement levels.			75 basement car spaces. Over two basement levels		

¹⁰ Average retail shop of 75sqm

4.4.5 Results

Below are the outputs for our analysis for each scenario **IRR benchmark of 16%**:

Table 11: Bankstown site - results

Scenario		Base case	Base Case – Revenue 0% escalation	Base Case – Revenue 1% p.a. escalation	Proposed Uplift (VPA)
Land Use		9 storey mixed use	9 storey mixed use	9 storey mixed use	11 storey mixed use
FSR		3: 1	3: 1	3: 1	4:1
Height		27 metres	27 metres	27 metres	33 metres
Affordable housing contribution		Nil	68sqm (equivalent to 1 unit)	68sqm (equivalent to 1 unit)	239sqm (equivalent 3 units)
Equivalent units		49	48	48	61
Development margin		15.06%	13.18%	14.98%	18.38%
Internal rate of Return		17.02%	15.46%	16.95%	19.26%
Viability		Marginal	Marginal	Viable	Viable
Existing Value 'as is'		\$6,300,000	\$6,300,000	\$6,300,000	\$6,300,000
Residual land	16% IRR	\$6,527,570	\$6,181,292	\$6,510,821	\$7,215,528
	(+/-) to 'as is' value	\$227,570	-\$118,708	\$210,821	\$915,528
	\$/unit	\$133,216	\$128,777	\$135,642	\$118,287

What do the results mean?

The above results demonstrate that the introduction of an affordable housing provision that stipulates of a 2% of residential GFA in the year 2022 in conjunction with the existing planning controls and today's market prices would have an adverse effect on development activity in the Bankstown CBD. However, our sensitivity testing of this scenario show satisfactory development returns are achievable if a real growth rate of 1% p.a. to revenue is realised.

Our modelling also showed the proposed changes to increase the Bankston CBD FSR to 4:1 with the stipulation to also increase the affordable housing contribution to 5% of total residential GFA shows that redevelopment in the Bankstown CBD is viable.

4.5 Canterbury Site

4.5.1 Local planning controls

Part of Canterbury has been identified to be located in the Sydenham to Bankstown Corridor and has not been considered in this study.

The Canterbury Commercial Core is broadly made up of 'B2 Local Centre' zoned land and is located east of the Cooks River and largely focuses around the railway station and Canterbury Road. This commercial core is supported by 'B5 Business Development' and is located west of Cook River and is located along Canterbury Road. The commercial precinct is surrounded by R3 & R4 zoned land.

The Floor Space Ratio (FSR) within the Canterbury Commercial centre ranges between 2 to 3:1 where the higher density is focused between Cooks River and the railway station. The 'R4 High Density Residential' zoned land has an FSR that ranges between 0.9:1 and 2.75:1. The 'B5 Business Development' zoned land does not have a specified FSR.

The BLEP 2015 currently permits development height range of 11 to 27 metres (equivalent to 4 to 10 storeys) on lands within the Canterbury commercial lands. The higher permissible height correlates with the higher density.

Figure 21: Canterbury – Zoning map



Figure 22: Canterbury – FSR map



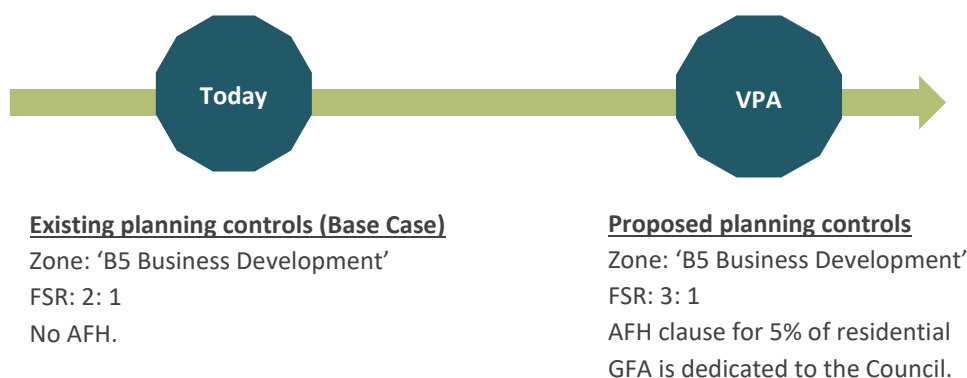
Figure 23: Canterbury – Building Height map

4.5.2 Hypothetical site

The nominated property is a mixed-use site of 2,100sqm comprising fragmented ownership, therefore site amalgamation is necessary. A premium of approximately 20% has been applied on the assumption that owner speculation will drive price expectations higher.

The land is zoned 'B5 Business Development' and the FSR is not specified. However, observation of surrounding new developments reveals that 6 storey mixed-use development with an FSR of approximately 2: 1 are being attained.

For the purpose of this study, HillPDA has assumed the following changes in the planning controls; current planning controls and an uplift in FSR by way of a VPA.

Figure 24: Projected changes to affordable housing provision and FSR in Canterbury

4.5.3 Existing land value assumptions

Our market research shows that developers are paying a rate range of \$4,258 to \$5,538 per sqm of site area in Canterbury. The dollar rate per sqm of site area vary and this is mainly due to the level of improvements on site and the buyer profile. Therefore, for the purpose of establishing a purchase price we consider the 'as is' value to be \$9,000,000, exclusive of GST, reflecting a rate of \$4,286/sqm of site area.

These rates do not take into account the potential uplift in land values in the scenario of a rezoning and uplift in FSR.

4.5.4 Hypothetical development scheme

Our feasibility testing is based on the below tabulated development schemes:

Table 12: Canterbury site - hypothetical development scheme

Site specifications	Base Case (Current planning control)			VPA FSR Uplift		
Site Area	2,100sqm			2,100sqm		
Site shape	Regular			Regular		
FSR	2: 1			3: 1		
Building Height	18 metres			27 metres		
Building Storeys	6 storeys			9 storeys		
Proposed Land Use	Medium density mixed-use			Medium density mixed-use		
Proposed Project	Mixed-Use – 6 storeys Ground floor retail and 5 floors of residential.			Mixed-Use – 9 storeys Ground floor retail and 8 floors of residential.		
Building Areas	4,200sqm of GFA 3,570sqm of NSA			6,300sqm of GFA 5,355sqm of NSA		
Dwelling Mix	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR
Yield	4	22	4	8	37	8
Average Unit Size (NSA)	60sqm	85sqm	100sqm	60sqm	85sqm	100sqm
No. residential units	30			53		
affordable housing dedication	Nil.			190sqm (equivalent to 2 units)		
Retail ¹¹	892sqm of NLA (equivalent to 11 units)			893sqm of NLA (equivalent to 11 units)		
Total Yield (after AFFORDABLE HOUSING)	41 equivalent units			62 equivalent units		
Car Spaces	56 basement car spaces. Over two basement levels.			79 basement car spaces. Over two basement levels		

4.5.5 Results

Below are the outputs for our analysis for each scenario **IRR benchmark of 16%**:

Table 13: Canterbury site - results

		Base Case No escalation	VPA FSR Uplift No escalation
Land Use		6 storey mixed use	9 storey mixed use
FSR		2:1	3:1
Height		18 metres	27 metres
Affordable housing contribution		Nil	190sqm (equivalent to 2 units)
Equivalent units		41	62
Development margin		11.62%	18.84%
Internal rate of Return		15.0%	18.82%
Viability		Marginal	Viable
Existing Value 'as is'		\$9,000,000	\$9,000,000
Residual land	16% IRR	\$8,786,780	\$9,911,807
	(+/-) to 'as is' value	-\$213,220	\$911,807
	\$/unit	\$214,312	\$162,489

¹¹ Average retail shop of 75sqm

What do the results mean?

The hypothetical development scheme based on the current planning controls referred to as the Base Case shows a marginal return. However, if real growth in the revenue is accounted for than more favourable results may be achieved.

The above results demonstrate that the introduction of an affordable housing provision that stipulates 5% of residential GFA dedication to Council in a VPA arrangement that proposes an uplift in FSR of 1:1 may not hinder development in Canterbury. These results are more favourable in comparison to the other suburbs and this is due to the stronger residential market in Canterbury.

However, we would recommend further testing of other development options to support this theory.

4.6 Chester Hill Site

4.6.1 Local planning controls

Chester Hill village centre is broadly made up of 'B2 Local Centre' zoned land and is surrounded by R4 and R3 zoned land.

The Floor Space Ratio (FSR) within the Chester Hill village centre ranges between 2.5 to 3:1 where the higher density is focused along Waldron Road. The 'R4 High Density Residential' zoned land has an FSR that ranges between 1:1 and 1.75:1.

The BLEP 2015 currently permits development height range of 13 to 36 metres (equivalent to 4 to 13 storeys) on lands within the Chester Hill village centre. The higher permissible height correlates with the higher density.

Figure 25: Chester Hill– Zoning map



Figure 26: Chester Hill– FSR map



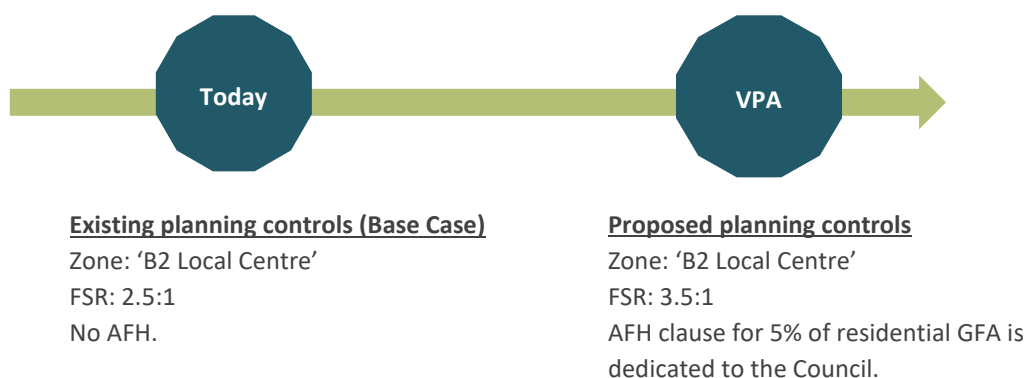
Figure 27: Chester Hill – Building Height map



4.6.2 Hypothetical site

The nominated property is a mixed-use site of 2,200sqm and is zoned 'B2 Local Centre'. Located on the commercial fringe and the current improvements comprise older style one or two storey commercial buildings. For the purpose of this study, HillPDA has assumed the following changes in the planning controls; current planning controls and an uplift in FSR by way of a VPA.

Figure 28: Projected changes to affordable housing provision and FSR in Chester Hill



4.6.3 Existing land value assumptions

Our market research shows that developers are paying a rate range of \$1,576 to \$2,182 per sqm of site area in Chester Hill and the surrounding suburbs. The dollar rate per sqm of site area vary and this is mainly due to the level of improvements on site and the buyer profile. Therefore, for the purpose of establishing a purchase price we consider the 'as is' value to be \$4,500,000, exclusive of GST, reflecting a rate of \$2,045/sqm of site area.

These rates do not take into account the potential uplift in land values in the scenario of a rezoning and uplift in FSR.

4.6.4 Hypothetical development scheme

Our feasibility testing is based on the below tabulated development schemes:

Table 14: Chester Hill site - hypothetical development scheme

Site specifications	Base Case (Current planning controls)			VPA FSR Uplift		
Site Area	2,100sqm			2,100sqm		
Site shape	Regular			Regular		
FSR	2.5: 1			4: 1		
Building Height	24 metres			30 metres		
Building Storeys	8 storeys			10 storeys		
Proposed Land Use	Medium density mixed-use			Medium density mixed-use		
Proposed Project	Mixed-Use – 8 storeys Ground floor retail and 7 floors of residential.			Mixed-Use – 10 storeys Ground floor retail and 9 floors of residential.		
Building Areas	5,500sqm of GFA 4,675sqm of NSA			8,800sqm of GFA 7,202sqm of NSA		
Dwelling Mix	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR
Yield	6	31	6	11	53	11
Average Unit Size (NSA)	55sqm	85sqm	100sqm	55sqm	85sqm	100sqm
No. residential units	43			75		
affordable housing dedication	Nil.			313sqm (equivalent to 4 units)		
Retail ¹²	935sqm of NLA (equivalent to 12 units)			935sqm of NLA (equivalent to 12 units)		
Total Yield (after AFFORDABLE HOUSING)	55 equivalent units			83 equivalent units		
Car Spaces	71 basement car spaces. Over two basement levels.			103 basement car spaces. Over two basement levels		

¹² Average retail shop of 75sqm

4.6.5 Results

Below are the outputs for our analysis for each scenario IRR benchmark of 16%:

Table 15: Chester Hill site - results

		Base Case No escalation	VPA FSR Uplift No escalation	VPA FSR Uplift 1% p.a. escalation to revenue
Land Use		8 storey mixed use	10 storey mixed use	10 storey mixed use
FSR		2.5:1	4:1	4:1
Height		24 metres	30 metres	30 metres
Affordable housing contribution		Nil	313sqm (equivalent to 3 units)	313sqm (equivalent to 3 units)
Equivalent units		55	83	83
Development margin		11.16%	9.23%	11.49%
Internal rate of Return		13.44%	12.13%	14.16%
Viability		Not Viable	Not Viable	Marginal
Existing Value 'as is'		\$4,500,000	\$4,500,000	\$4,500,000
Residual land	16% IRR	\$3,972,274	\$3,374,732	\$3,960,798
	(+/-) to 'as is' value	-\$827,726	-\$1,425,268	-\$839,202
\$/unit		\$72,223	\$40,659	\$47,720

What do the results mean?

The above results demonstrate that high density development in Chester Hill is currently not viable and this is observed by the lack of redevelopment in the commercial centre and the immediate surrounding locality. However, this lack of development activity is expected to improve in the medium term as local developers are land banking sites and planning proposals have been lodged with the Council.

Our modelling reveals that an uplift of greater than 1.5:1 FSR would be required to absorb the cost associated with the dedication of 5% of residential GFA to Council in a VPA arrangement.

It is notable that although there is a significant increase of GFA in our VPA scenario, the residual land value in the uplift scenario shows a lower RLV than the base case. This highlights the sensitivity of the financial viability owing to the affordable housing contribution levy in the Chester Hill market and this would impede development. We would recommend either a lower affordable housing contribution or permit a site by site open-book assessment in areas considered to be secondary residential locations. However, these results are likely to improve as the market recovers.

4.7 Campsie Site

4.7.1 Local planning controls

Campsie is broadly made up of 'B2 Local Centre' zoned land and is surrounded by R4 and R3 zoned land.

The FSR is not specified for 'B2 Local Centre' zoned land and surrounding R3 & R4 zoned land has a FSR range of 0.5 to 1.5:1. The higher density is focused in close proximity to the commercial fringe.

The BLEP 2015 currently permits development height range of 8.5 to 27 metres (equivalent to 3 to 10 storeys) on lands within Campsie. The higher permissible height correlates with the higher density.

Figure 29: Campsie – Zoning map



Figure 30: Campsie– FSR map

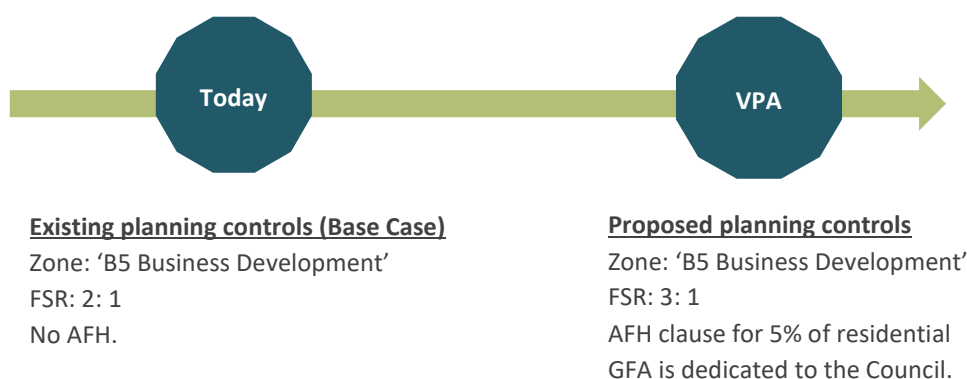


Figure 31: Canterbury – Building Height map

4.7.2 Hypothetical site

The nominated property is a medium rise residential site of 1,682sqm and is zoned 'R4 High Density Residential'. The site is located outside of the Sydenham to Bankstown Corridor – Campsie station precinct. The current improvements comprise older style residential dwellings

For the purpose of this study, HillPDA has assumed the following changes in the planning controls; current planning controls and an uplift in FSR by way of a VPA.

Figure 32: Projected changes to affordable housing provision and FSR in Campsie

4.7.3 Existing land value assumptions

Our market research shows that developers are paying a rate range of \$1,999 to \$2,705 per sqm of site area in Campsie fringe locations. The dollar rate per sqm of site area vary and this is mainly due to the level of improvements on site and the buyer profile. Therefore, for the purpose of establishing a purchase price we consider the 'as is' value to be \$5,000,000, exclusive of GST, reflecting a rate of \$2,973/sqm of site area.

These rates do not take into account the potential uplift in land values in the scenario of a rezoning and uplift in FSR.

4.7.4 Hypothetical development scheme

Our feasibility testing is based on the below tabulated development schemes:

Table 16: Campsie site - hypothetical development scenario

Site specifications	Base Case (current planning controls)			VPA FSR Uplift		
Site Area	1,682sqm			1,682sqm		
Site shape	Regular			Regular		
FSR	0.9:1			2.4: 1		
Building Height	6 metres			27 metres		
Building Storeys	2 storeys			8 storeys		
Proposed Land Use	Medium density mixed-use			Medium density mixed-use		
Proposed Project	Mixed-Use – 2 storeys Ground floor retail and 1 floor of residential.			Mixed-Use – 8 storeys Ground floor retail and 7 floors of residential.		
Building Areas	1,514sqm of GFA 1,287sqm of NSA			4,037sqm of GFA 3,431sqm of NSA		
Dwelling Mix	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR
Yield	2	11	2	6	28	6
Average Unit Size (NSA)	55sqm	85sqm	100sqm	55sqm	85sqm	100sqm
No. residential units	15			40		
affordable housing dedication	Nil.			170sqm (equivalent to 2 units)		
Retail ¹³	Nil.			Nil.		
Total Yield (after AFFORDABLE HOUSING)	15 equivalent units			38 equivalent units		
Car Spaces	15 basement car spaces. Over one basement level.			40 basement car spaces. Over one basement level		

¹³ Average retail shop of 75sqm

4.7.5 Results

Below are the outputs for our analysis for each scenario IRR benchmark of 16%:

Table 17: Campsie site - results

		Base Case No escalation	VPA FSR Uplift No escalation	VPA FSR Uplift 1% p.a. escalation to revenue
Land Use		2 storey mixed use	8 storey mixed use	8 storey mixed use
FSR		0.9:1	2.4:1	2.4:1
Height		6 metres	27 metres	27 metres
Affordable housing contribution		Nil	170sqm (equivalent to 2 units)	170sqm (equivalent to 2 units)
Equivalent units		15	38	38
Development margin		-12.70%	11.5%	13.59%
Internal rate of Return		-8.52%	14.13%	15.89%
Viability		Not Viable	Marginal	Viable
Existing Value 'as is'		\$5,000,000	\$5,000,000	\$5,000,000
Residual land	16% IRR	\$2,930,570	\$4,663,448	\$4,979,789
	(+/-) to 'as is' value	-\$2,069,430	-\$336,552	-\$20,211
\$ /unit		\$195,371	\$122,722	\$131,047

What do the results mean?

The above results demonstrate that high density development in Campsie's R4 zoned is currently not viable due to the current low permissible FSR. However, development activity is anticipated to improve as the Sydney Metro – Sydenham to Bankstown rolls out and demand for dwellings around a transport hub increases.

An increased in density of 1.5:1 FSR to allow for 2.4:1 FSR shows an uplift in residual land values. The results above show the uplift in FSR provides a marginal return but if real property growth in revenue of 1% p.a. is accounted for, this may be sufficient to absorb the affordable housing provision that stipulates the dedication of 5% of residential GFA and a VPA contribution.

4.8 Padstow Site

4.8.1 Local planning controls

Padstow is broadly made up of 'B2 Local Centre' zoned land and has a small portion of R4 zoned land in close proximity.

The Floor Space Ratio (FSR) within the Padstow village centre ranges between 1 to 2:1 where the higher density is focused along Cahors Road and Padstow Parade. The 'R4 High Density Residential' zoned land has an FSR of 0.6:1.

The BLEP 2015 currently permits development height range of 13 to 14 metres (equivalent to 4 to 5 storeys) on lands within the Padstow Village centre. The higher permissible height correlates with the higher density.

Figure 33: Padstow – Zoning map



Figure 34: Padstow – FSR map



Figure 35: Padstow – Building height map

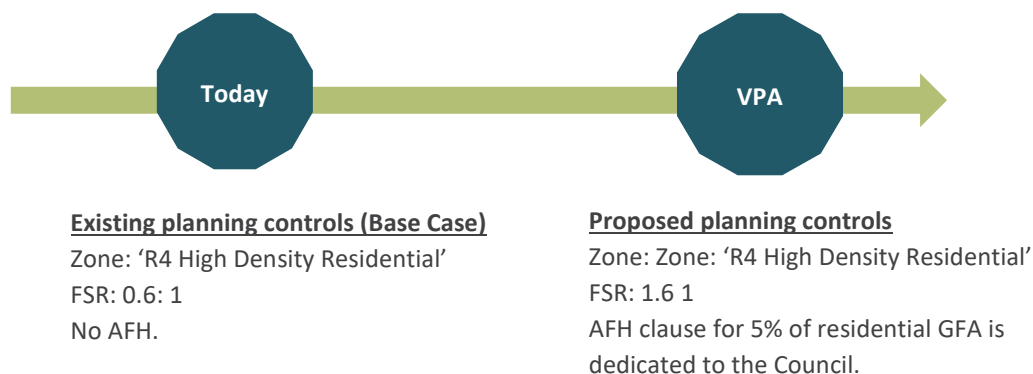


4.8.2 Hypothetical site

The nominated property is a medium rise residential site of 1,500sqm and is zoned 'R4 High Density Residential'. The property is located on the fringe of the commercial precinct.

For the purpose of this study, HillPDA has assumed the following changes in the planning controls; current planning controls and an uplift in FSR by way of a VPA.

Figure 36: Projected changes to affordable housing provision and FSR in Padstow



4.8.3 Existing land value assumptions

Our market research shows that buyers are paying a rate range of \$2,000 per sqm of site area in Padstow. The dollar rate per sqm of site area vary and this is mainly due to the level of improvements on site and the buyer profile. Therefore, for the purpose of establishing a purchase price we consider the 'as is' value to be \$3,000,000, exclusive of GST, reflecting a rate of \$2,000/sqm of site area.

These rates do not take into account the potential uplift in land values in the scenario of a rezoning and uplift in FSR.

4.8.4 Hypothetical development scheme

Our feasibility testing is based on the below tabulated development schemes:

Table 18: Padstow site - hypothetical development scheme

Site specifications	Base Case (Current planning controls)			VPA FSR Uplift		
Site Area	1,500sqm			1,500sqm		
Site shape	Regular			Regular		
FSR	0.6:1			1.5:1		
Building Height	6 metres			9 metres		
Building Storeys	2 storeys			3 storeys		
Proposed Land Use	Medium density residential			Medium density residential		
Proposed Project	Two floors of residential.			Three floors of residential.		
Building Areas	900sqm of GFA 765sqm of NSA			2,250sqm of GFA 1,912sqm of NSA		
Dwelling Mix	1 BR	2 BR	3 BR	1 BR	2 BR	3 BR
Yield	1	6	1	3	16	3
Average Unit Size (NSA)	55sqm	85sqm	100sqm	55sqm	85sqm	100sqm
No. residential units	8			22		
affordable housing dedication	Nil.			96sqm (equivalent to 1 unit)		
Retail ¹⁴	Nil.			Nil.		

¹⁴ Average retail shop of 75sqm

Site specifications	Base Case (Current planning controls)	VPA FSR Uplift
Total Yield (after AFFORDABLE HOUSING)	8 equivalent units	21 equivalent units
Car Spaces	8 basement car spaces. Over one basement level.	22 basement car spaces. Over one basement level

4.8.5 Results

Below are the outputs for our analysis for each scenario **IRR benchmark of 16%**:

Table 19: Padstow site - results

		Base Case No escalation	VPA FSR Uplift No escalation
Land Use		2 storey mixed use	3 storey mixed use
FSR		0.6:1	1.5:1
Height		6 metres	9 metres
Affordable housing contribution		Nil	96sqm (equivalent to 1 unit)
Equivalent units		8	21
Development margin		-17.18%	10.47%
Internal rate of Return		-13.20%	17.20%
Viability		Not viable	Viable
Existing Value 'as is'		\$3,000,000	\$3,000,000
Residual land	16% IRR	\$1,510,005	\$3,088,625
	(+/-) to 'as is' value	-\$1,489,995	\$88,625
	\$/unit	\$188,751	\$147,077

What do the results mean?

The above results demonstrate that high density development in Padstow's R4 zoned is currently not viable due to the current low permissible FSR.

However, an increase of density of 0.9:1 FSR to allow for 1.5:1 FSR shows an uplift in residual land values. This uplift in residual land values are adequate to absorb the affordable housing provision that stipulates 5% of residential GFA and a VPA contribution.

4.9 Feasibility test results

Below are the outputs for our analysis for each site and selected scenarios based on an **IRR benchmark of 16%**:

Table 20: Feasibility test results combined analysis

Site Option	Land Use	FSR	AFFORDABLE HOUSING Units	Equivalent units	Viability	Development Margin	Internal Rate of Return	Existing Value (mil)	Residual Land Value		
									16% IRR (mil)	(+/-) to existing value (mil)	\$/unit
Bankstown CBD											
Base Case (1)*	9 storey mixed use	3:1	-	49	Marginal	15.06%	17.02%	\$6,300,000	\$6,527,570	\$227,570	\$133,216
Base Case (2)#	9 storey mixed use	3:1	1 unit	48	Marginal	13.18%	15.46%	\$6,300,000	\$6,181,292	-\$118,708	\$128,777
Uplift	11 storey mixed use	4:1	2 units	61	Viable	18.38%	19.26%	\$6,300,000	\$7,215,528	\$915,528	\$118,287
Canterbury											
Base Case	6 storey mixed use	2:1	-	41	Marginal	11.62%	15.0%	\$9,000,000	\$8,786,780	-\$213,220	\$214,312
Uplift	9 storey mixed use	3:1	2 units	62	Viable	18.84%	18.82%	\$9,000,000	\$9,911,807	\$911,807	\$162,489
Chester Hill											
Base Case	8 storey mixed use	2.5:1	-	55	Not Viable	11.16%	13.44%	\$4,800,000	\$3,972,274	-\$827,726	\$72,223
Uplift	10 storey mixed use	4:1	3 units	83	Not Viable	9.23%	12.13%	\$4,800,000	\$3,374,732	-\$1,425,268	\$39,241
Campsie											
Base Case	2 storey mixed use	0.9:1	-	15	Not Viable	-12.70%	-8.52%	\$5,000,000	\$2,930,570	-\$2,069,430	\$195,371
Uplift	8 storey mixed use	2.4:1	2 units	38	Marginal	11.5%	14.13%	\$5,000,000	\$4,663,448	-\$336,552	\$122,722
Padstow											
Base Case	2 storey mixed use	0.6:1	-	8	Not viable	-17.18%	-13.20%	\$3,000,000	\$1,510,005	-\$1,489,995	\$188,751
Uplift	3 storey mixed use	1.5:1	1 unit	21	Viable	10.47%	17.20%	\$3,000,000	\$3,008,625	\$88,625	\$147,077

*Base Case (1) – Hypothetical development scheme based on current planning controls and no affordable housing contribution

Base Case (2) -- Hypothetical development scheme based on current planning controls and 2% affordable housing contribution

4.10 Key findings and recommendations

- The contribution rates may not be viable in all scenarios due to factors such as land purchase price, construction cost escalation and market absorption of the end products. It is likely that larger projects seeking higher uplifts have a greater capacity of absorbing an affordable housing contribution levy
- Our results revealed that areas with a strong residential market such as Bankstown and Canterbury show that development is not adversely affected if an affordable housing contribution provision is introduced. However, secondary markets such as Chester Hill show a sensitivity towards the affordable housing levy. We would recommend either a lower affordable housing contribution or permit a site by site open-book assessment in areas considered to be secondary residential locations.
- Our sensitivity analysis showed that as the residential unit market recovers to previous peak values, more favourable development margins are achievable, increasing a project's possibility of absorbing the contribution rate levy in the developer margin
- To ensure a wide acceptance to the concept of affordable housing, we would recommend the following:
 - Adequate transition period to ensure current DAs are not affected
 - Early communication to the industry to ensure the cost of providing affordable housing are priced into development site acquisition. This is to avoid unrealistic owner expectations.

4.11 Limitation to feasibility analysis

Hill PDA have identified the following limitations that should be highlighted that there are a number of risks associated with the analysis:

- We are of the opinion that development feasibility is a matter that should be considered on a site by site basis however for the purposes of this advice, the testing has been done on the basis of a general hypothetical development for each of the respective precincts. We have done our best endeavours to ensure costs and revenues are representative of a hypothetical development for the location but do not purport they apply evenly on all sites.
- The 'as is' value does not account for speculative land purchases where anticipated uplift in zoning, FSR or building height limits are anticipated which may result in unrealistic expectations by the owner
- Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.
- We are not an architect or town planner and the adopted unit yield is indicative only for the purpose of assessing the site value by way of a hypothetical residual cash flow analysis. Hence, the development scheme is notional only.
- It should be noted that in the case of advice provided in this report, which is of a projected nature, we must emphasise those specific assumptions have been made which appear reasonable based on current market sentiment and forecasts at the time. It follows that any one of the associated assumptions may change over time and no responsibility can be accepted in this event. The value performance indicated above is an assessment of the potential value trend and the indicated figures should not be reviewed as absolute certainty

5.0 SUMMARY OF FINDINGS

- Council has an obligation to provide and maintain affordable housing for the Canterbury Bankstown community. This includes striving for the target set by the GSC for 5 to 10% of new dwellings to be affordable housing dwellings.
- Canterbury Bankstown requires affordable housing to mitigate social and economic disparity.
 - 21,148 households in Canterbury Bankstown experience housing stress, or 18.6% compared to 11.8% in Greater Sydney.
 - The private housing market is not providing dwellings that are affordable for very low- and low-income households, while moderate income households can afford most private market rentals in Canterbury Bankstown.
 - Key workers are living in areas such as Wiley Park, Lakemba, Canterbury, Campsie, Bankstown and Punchbowl even though there is a higher chance they are living in rental or mortgage stress.
 - Social housing dwelling stock is not meeting demand for applicants who are likely on very low and low incomes.
- Affordable housing should be focused on key areas to support a strong employment base and social cohesion.
 - Affordable housing could be prioritised in the centres of Bankstown, Campsie, Wiley Park, Lakemba and Punchbowl where housing stress is most common.
 - Affordable housing should be directed towards very low and low income households.
 - Key worker housing should be prioritised in Bankstown and Campsie.
- Council-led planning intervention that generates affordable housing stock is required in Canterbury Bankstown to address social and economic inequality. This can include:
 - Leveraging affordable housing during voluntary planning agreements
 - Implementing an affordable housing contribution scheme to acquire new dwellings in value capture scenarios
 - Development of affordable rental housing projects with a community housing provider or private partner, on land dedicated by Council
- Council should establish a position as to when and where affordable housing is sought in voluntary planning agreements.
- Internal financing and land title procedures are required for Council to successfully acquire and manage a stock of affordable housing dwellings.
- Council requires administrative procedures that disperse information to developers about new requirements and how to dedicate dwellings or contribute money.
- The feasibility results for Bankstown show:
 - An affordable housing provision that stipulates the dedication of 2% of residential GFA in the year 2022 combined with the existing planning controls and today's market prices would have an adverse effect on development activity within the Bankstown CBD. However, our sensitivity testing that assumes real growth rate of 1% p.a. to revenue show satisfactory development returns.
 - Our modelling also showed that based on today's market prices and the proposed changes to increase the Bankstown CBD FSR to 4:1 with the stipulation to increase the affordable housing contribution to 5% of total residential GFA shows that redevelopment in the Bankstown CBD is viable.
- The feasibility results for Canterbury show:
 - An affordable housing provision that stipulates 5% of residential GFA dedication to Council in a VPA arrangement that proposes an uplift in FSR of 1:1 may not hinder development in Canterbury.
 - These results are more favourable in comparison to the other suburbs and this is due to Canterbury outperforming the other study areas indicating a stronger residential market.
 - However, we would recommend further testing of other development options to support this theory. This should be tested as part of future master planning of Canterbury.
- The feasibility results for Chester Hill show:

- An uplift of greater than 1.5:1 FSR (above the base case) would be required to absorb the cost associated with the dedication of 5% of residential GFA to Council in a VPA arrangement.
- It is notable that although there is a significant uplift of GFA in our VPA scenario, the residual land value in the uplift scenario shows a lower RLV than the base case. This highlights the sensitivity of the financial viability owing to the affordable housing contribution levy in the Chester Hill market and this would impede development.
- We would recommend either a lower affordable housing contribution or allow a site by site open-book assessment in areas considered to be secondary residential markets. Notwithstanding our earlier comments, these results are likely to improve as the property market recovers. This should be tested should controls of Chester Hill be reconsidered, and/or for site specific planning proposals.
- The feasibility results for Campsie show:
 - Development in Campsie's R4 zoned is currently not viable due to the existing low FSR.
 - An increase in density of 1.5:1 FSR to allow for 2.4:1 FSR shows an uplift in land values. The above results show the uplift in FSR provides a marginal return but if real property growth in revenue of 1% p.a. is accounted for, this may be sufficient to absorb the affordable housing provision that stipulates the dedication of 5% of residential GFA and a VPA contribution. This should be tested as part of future master planning of Campsie for implementation.
- The feasibility results for Padstow show:
 - Development in Padstow's R4 zoned is currently not viable due to the existing low FSR.
 - An increase of density of 0.9:1 FSR to allow for 1.5:1 FSR shows an uplift in land values. This uplift in land values are adequate to absorb the introduction of an affordable housing provision that stipulates 5% of residential GFA and a VPA contribution. This should be applied for site specific master plans and tested in detail for future master planning of Padstow.
- Based on these findings it is appropriate to formulate affordable housing contributions rates concurrent with determining built form planning controls as part of the master planning process to be undertaken for centres.

APPENDIX A: 'OFF THE PLAN' APARTMENT SALES

This section provides an assessment of 'off-the-plan' sales and resales of established residential apartments within the Canterbury Bankstown LGA and surrounding locality.

The information was obtained through various property data sources and confirmed through discussions with local agents.

Our research has revealed that there has been a consistent level of development activity occurring within the Canterbury Bankstown LGA and surrounding locality. We have also considered settled sales of second-hand stock.

The following the 8 residential projects were analysed:

- 'The Grove on Anderson', 35 Anderson Avenue, Panania
- 9-11 Peake Parade, Peakhurst
- 39-41 Trafalga Street, Peakhurst
- 'The Retreat', 11 Carter Street, Lidcombe
- 297-299 Canterbury Road & 41 Wonga Street, Canterbury
- 'Spring Square', 32 Kitchener Parade, Bankstown
- Emporia, 548-568 Canterbury Road & Elizabeth Street, Campsie
- 888 Woodville Road, Villawood



A.1 'The Grove on Anderson', 35 Anderson Avenue, Panania

Proposed development to comprise 4 storey mixed development comprising 28 residential units and 2 ground floor retail tenancies (100sqm). Over basement car parking over 2 levels for 44 vehicles.

Enquires with the selling agent has indicated that 9 out of 28 units (32%) had been sold to date since marketing commenced in mid-2017. Sales details are advised but not yet confirmed.

Date of completion is expected to be December 2019.

Table 21: Sale price range of The Grove on Anderson, 35 Anderson Avenue, Panania

'The Grove on Anderson', 35 Anderson Avenue, Panania			
 			
Type	Sale Price range	Internal Area	\$/sqm of NSA
One bedroom	\$550,000-\$565,000	62-66sqm	\$8,561- \$8,871
Two bedroom	\$720,000-\$750,000	74-77sqm	\$9,729 - \$9,740

Source: Selling agent, Cordell Connect and Domain website

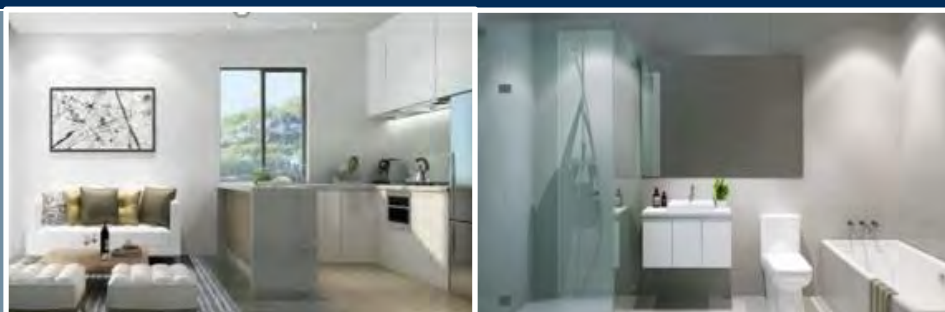
A.2 9-11 Peake Parade, Peakhurst

Proposed development of a 3 storey residential building comprising 11 x two & 1 x one bedroom units over basement car parking for 18 vehicles.

Located close to Peakhurst Park and Forest Road, approximately 1.9 kilometres from Riverwood railway station.

Table 22: Sales rate range of 9-11 Peake Parade, Peakhurst

9-11 Peake Parade, Peakhurst



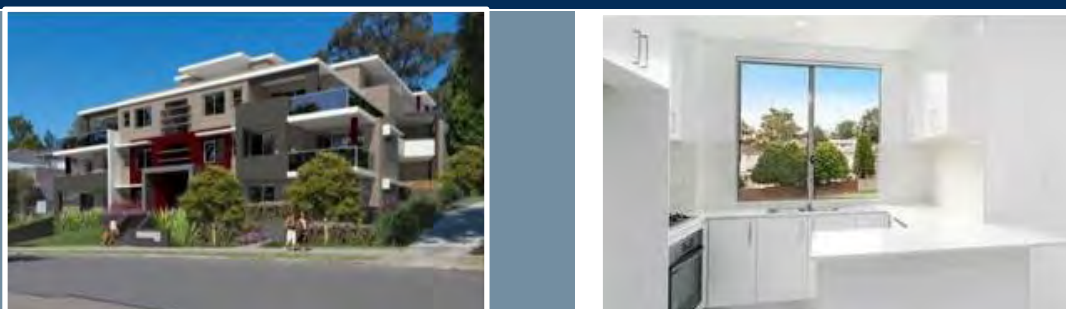
Type	Price range	Internal Area (sqm)	Indicative \$/sqm of NSA
One bedroom	\$545,000	51	\$10,682
Two bedroom	\$650,000 - \$690,000	76 - 84	\$8,214 - \$8,553

A.3 39-41 Trafalga Street, Peakhurst

Proposed development of a 3 storey residential unit building consisting of 4 x one, 11 x two & 1 x three bedroom units, with 232sqm of communal open space over basement car parking for 21 vehicles.

Table 23: Indicative sales rate range of 39-41 Trafalga Street, Peakhurst

39-41 Trafalga Street, Peakhurst



Type	Asking Price range	Internal Area (sqm)	Indicative \$/sqm of NSA
One bedroom	\$545,000 (average)	50	\$10,900
Two bedroom	\$669,000 (average)	75	\$8,900

A.4 'The Retreat', 11 Carter Street Lidcombe

Proposed development of 2 x 13 storey residential flat building towers over 3 storey podium comprising 385 units (91 x 1, 214 x 2 & 80 x 3 bedroom) and car parking for 542 vehicles & 417 bicycles.

Table 24: Indicative Sales rate range of 11 Carter Street Lidcombe

'The Retreat', 11 Carter Street Lidcombe



Type	Price range	Internal Area (sqm)	Indicative \$/sqm of SA
One bedroom	\$585,000-\$660,000	50 (average)	\$11,700-\$13,200
Two bedroom	\$770,000-\$1,030,000	75 (average)	\$10,267-\$13,733
Three bedroom	\$955,000-\$1,205,000	90 (average)	\$10,611-\$13,389

A.5 297-299 Canterbury Road & 41 Wonga Street, Canterbury

Proposed development for a 5-storey mixed use development with ground floor commercial tenancies of 145sqm & 20 residential units comprising 5 x 1, 10 x 2 & 5 x 3 bedroom units. Built over 3 levels of basement for 34 vehicles.



Table 25: Sales rate range of 297-299 Canterbury Road & 41 Wonga Street, Canterbury

297-299 Canterbury Road & 41 Wonga Street, Canterbury			
 			
Type	Asking Price range	Internal Area (sqm)	Indicative \$/sqm of NSA
Studio	\$400,000	40	\$10,000
One bedroom	\$550,000 - \$570,000	55	\$10,000-\$10,364
Two bedroom	\$690,000-\$730,000	85	\$8,118-\$8,588
Three bedroom	\$840,000	100	\$8,400

A.6 'Spring Square', 32 Kitchener Parade, Bankstown

Proposed development for 5 mixed use buildings ranging in height from 10 storeys to 14 storeys (including a 2 storey podium), containing ground & first floor retail & commercial tenancies, communal open space, and a total of 516 apartments across the 5 buildings. Over 2 levels of basement car parking & at grade for a total of 537 vehicles.

Table 26: Indicative Sales rate range of 32 Kitchener Parade, Bankstown

32 Kitchener Parade, Bankstown			
			
Type	Asking Price range	Internal Area (sqm)	Indicative \$/sqm of NSA
Studio	\$360,000 - \$375,000	37	\$9,730-\$10,135
One bedroom	\$450,000 - \$548,000	56-65	\$8,036-\$8,431
Two bedroom	\$615,000-\$723,000	80-88	\$7,688-\$8,216
Three bedroom	\$850,000 (average)	96-117	\$7,265-\$8,854

A.7 Emporia, 548-568 Canterbury Road & Elizabeth Street, Campsie

Proposed development for the construction of an 8 storey mixed use development comprising ground floor commercial/retail units, 332 residential units & 8 multi-dwelling housing units. Built over basement car parking over 3 levels for 498 vehicles & 65 bicycles.

Table 27: Sales rate range of Emporia, 548-568 Canterbury Road & Elizabeth Street, Campsie

Emporia, 548-568 Canterbury Road & Elizabeth Street, Campsie			
			
Type	Asking Price range	Internal Area (sqm)	Indicative \$/sqm of NSA
One bedroom	\$440,000-\$570,000	55	\$8,000-\$10,364
Two bedroom	\$630,000-\$850,000	85	\$7,412-\$10,000

Three bedroom

\$790,000-
\$898,000

95

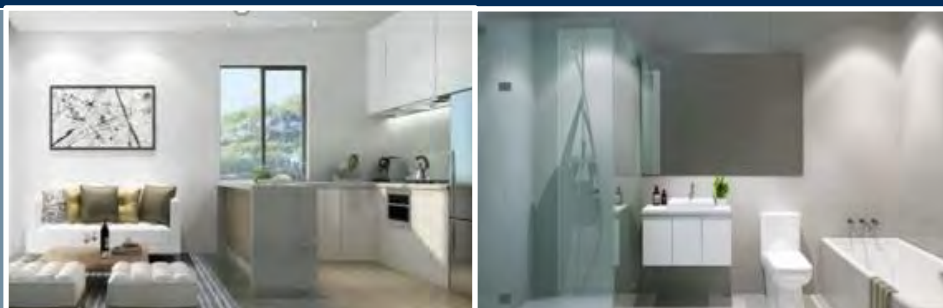
\$8,316-\$9,453

A.8 888 Woodville Road, Villawood

Proposed development for the construction of 9 storey mixed use development comprising 104 units, 9 x 1, 83 x 2 & 12 3 bedroom, and 7 ground floor shops 1,046sqm. Built over 2 levels & ground floor for 151 vehicles, 28 bicycles & 12 motorcycles.

Table 28: Sale price range of 888 Woodville Road, Villawood

888 Woodville Road, Villawood



Type	Price range	Internal (sqm)	Area	Indicative \$/sqm of NSA
One bedroom	\$430,000-\$475,000	53-56		\$8,113-\$8,482
Two bedroom	\$495,000-\$600,000	75-89		\$6,600-\$6,742
Three bedroom	\$600,000-\$695,000	119		\$5,042-\$5,840

A.9 Established sales

A.9.1 2A Cooks Avenue, Canterbury

Tabulated below are the most recent transactions in year 2019.

Type	No. sold	Sale price range	Unit size	Sale rate
One bedroom	1	\$520,000	55	\$9,455
Two bedroom	36	\$560,000 - \$700,000	80-90	\$6,944-\$7,778
Three bedroom	12	\$730,000-\$820,000	110-136	\$6,348-\$7,384

A.9.2 364 Canterbury Road, Canterbury

Tabulated below are the most recent transactions in year 2019.

Type	No. sold	Sale price range	Unit size	Sale rate
One bedroom	4	\$497,500-\$555,000	46-55	\$9,236-\$10,815
Two bedroom	6	\$645,000 - \$,000	80-90	\$6,598-\$9,348

APPENDIX B: DEVELOPMENT SITE SALES

Tabulated below are sales transactions of development sites within the Canterbury Bankstown LGA and surrounding locality.

Table 29: Development site sales

Address	Sale Price Date	Site Area (sqm)	Controls	DA Status	Analysis
80-82 Water Street, Belfield	\$2,610,000 September 2019	1,200	'R3 Medium Density Residential' FSR 0.9:1	Sold with development approval 4 storey residential building to comprise 11 x 2 bedroom and 2 x 3 bedroom apartments.	\$2,175/sqm (site) \$2,417/sqm (GFA) \$200,769/unit (13)
34-42 East Street, Granville	\$15,000,000 October 2019	1,577	'B4 Mixed Use' FSR 6:1	Sold with development approval Mixed use building to comprise 91 residential apartments	\$9,512/sqm (site) \$1,585/sqm (GFA) \$164,835/unit (91)
77-81 Auburn Road & 19 Neutral Avenue, Birrong	\$9,088,000 February 2019	2,308	'B1 Neighbourhood Centre' FSR 1.5:1	Sold without development approval. Three storey mixed use building to comprise 36 residential apartments and five ground floor commercial/retail tenancies.	\$3,938/sqm (site) \$2,625/sqm (GFA) \$252,444/unit (36)
27-35 Punchbowl Road, Belfield	\$15,000,000 March 2018	5,572	'R3 Medium Density Residential' FSR 0.5:1	Sold without development approval. 4/7 storey building containing a total of 111 units, 12 x 1, 90 x 2 & 9 x 3 bedroom & 470sqm commercial/retail floor area. GFA 11,660sqm	\$2,692/sqm (site) \$1,286/sqm (GFA) \$130,435/unit (115)
17-19 Weyland Street, Punchbowl	\$2,710,000 July 2018	1,040	'B5 Business Development'	Sold with development approval. Mortgagee sale. Construction of a 7 storey mixed use building comprising 2 commercial tenancies and 29 residential units above. GFA 2,097sqm	\$2,606/sqm (site) \$1,292/sqm (GFA) \$90,333/unit (30)
35-39 Leonard Street, Bankstown	\$6,600,000 September 2017	2,014	'R4 High Density Residential' FSR 1.75:1	Sold with development approval Construction of 6 storey residential flat building with 48 residential units.	\$3,277/sqm (site) \$1,873/sqm (GFA) \$137,500/unit (48)
41-43 Leonard Street, Bankstown	\$6,150,000 September 2016	2,029	'R4 High Density Residential' FSR 1.75:1	Sold without development approval. Construction of a 6 storey residential flat building comprising 44 units.	\$3,031/sqm (site) \$1,732/sqm (GFA) \$139,773/unit (44)

Address	Sale Price Date	Site Area (sqm)	Controls	DA Status	Analysis
35 Anderson Avenue, Panania	\$6,000,000 August 2016	1,050	'B2 Local Centre' FSR 2:1	Sold with development approval Construction of a 4 storey mixed development comprising 28 residential units & 2 ground floor retail tenancies.	\$5,714/sqm (site) \$2,647/sqm (GFA) \$206,897/unit (29)
229 Tower Street, Panania	\$7,000,000 September 2018	2,034	'B2 Local Centre' FSR 2:1	Construction of a 4 storey mixed use building comprising commercial/retail on the ground floor comprising 5 tenancies and 37 residential units. GFA 3,420sqm	\$3,441/sqm (site) \$2,047/sqm (GFA) \$175,000/unit (29)
24 Hillcrest Avenue, 112 Northcote Road & 225-241A Hume Hwy, Greenacre	\$18,000,000 October 2016	18,756	Part 'B6 Enterprise Corridor' and 'R2 Low Density Residential' FSR 2:1	Sold with development approval Construction of a retail, commercial and residential development including 177 residential apartments, 14 townhouses, basement and at-grade car parking. Proposed GFA: 19,319sqm	\$932/sqm (site) \$955/sqm (GFA) \$94,241/unit (191)
12-14 Fairmont Street, Lakemba	\$2,000,000 December 2016	1,266	'R4 High Density Residential' FSR 0.75:1	Sold without development approval.	\$1,579/sqm (site) \$2,106/sqm (GFA) \$181,818/unit (11)
32 Kitchener Parade, Bankstown	\$53,500,000 August 2017	13,200	'B4 Mixed Use' FSR 3:1	Sold without development approval. Proposed development of 5 mixed use buildings ranging in height from 10 storeys to 14 storeys (including a 2 storey podium), containing ground & first floor retail & commercial tenancies, communal open space, and a total of 516 apartments across the 5 buildings. Over 2 levels of basement car parking & at grade for a total of 537 vehicles. GFA 46,464sqm.	\$4,053/sqm (site) \$1,151/sqm (GFA) \$103,682/unit (516)
1258-1260 Canterbury Road, Roselands	\$1,400,000 Oct. 2018	442	'B2 Local Centre' FSR Not specified	Sold with development approval Proposed development of 14 units and retail shop. Approved GFA 1,150sqm (approx.). Mortgagee in possession sale.	\$3,167/sqm (site) \$1,217/sqm (GFA) \$93,333/unit (15)
6-8 Margaret Street, Belfield	\$4,550,000 Nov. 19	11,600	Part 'RE1 Public Recreation' and 'R3 Medium Density Residential' FSR 0.5:1	Sold without development approval. Permissible GFA 5,800sqm. Residential flat building is not a permissible use.	\$392/sqm (site) \$784/sqm (GFA)

Address	Sale Price Date	Site Area (sqm)	Controls	DA Status	Analysis
118 Duntroon Street & 36 Floss Street, Hurlstone Park	\$2,450,000 June 2019	1,112	'B2 Local Centre' FSR Not specified.	Sold without development approval. The purchaser has subsequently submitted an application for new 3 storey building to comprise boarding house with 8 single rooms & 25 double rooms & a ground level commercial space. GFA 1,700sqm (approx.).	\$2,203/sqm (site) \$1,441/sqm (GFA)
84 Clissold Parade, Campsie	\$2,275,000 Sept. 2018	841	'R3 Medium Density Residential' FSR 0.9:1	Sold without development approval. Identified within Campsie Station precinct - High rise and/or mixed (up to 12 storeys) in the Sydenham to Bankstown Corridor	\$2,705/sqm (site) \$728/sqm (proposed GFA)
211-215 Canterbury Road, Canterbury	\$10,000,000 August 2017	1,805	'B2 Local Centre' FSR 3:1	Sold with approval. Proposed development for the construction of a part 4/part 9 storey mixed use building comprising 82 residential units (46 x 1 & 36 x 2 bedroom unit) and 600sqm of commercial space over two levels of basement car parking for 96 vehicles. Approved GFA 5,863sqm.	\$5,540/sqm (site) \$1,706/sqm (GFA) \$120,482/unit (83)
297 – 299 Canterbury Road, Canterbury	\$4,120,000 June 2017	718	'B5 Business Development' FSR Not specified.	Sold with approval. Proposed development for the construction of a five storey mixed use development with ground floor commercial and 20 residential tenancies (5 x 1, 10 x 2 & 5 x 3 bedroom units) over three levels of basement car parking for 34 vehicles.	\$5,738/sqm (site) \$1,962/sqm (GFA) \$206,000/unit (20)
138 Campbell Hill Road, Chester Hill	\$4,800,000 August 2016	2,200	'B2 Local Centre' FSR 2.5:1	Sold without approval. Purchased by the adjoining owner operating a retirement village.	\$2,182/sqm (site) \$873/sqm (GFA) \$73,846/unit (65)





APPENDIX C: COMMERCIAL SALES

C.1 Freehold sale transactions




Tabulated below are sales evidence of freehold commercial building utilised to establish the nominated properties 'as is' value as an input in our residual cash flow analysis.


Our sales evidence indicates that a rate of \$3,816 to \$5,058/sqm of site area have been achieved based on sold prices.

Table 30: Commercial freehold sale transactions

	Address	Sale price Sale date	Site area	Analysis
	122 Cahors Road, Padstow	\$1,085,000 September 2018	221sqm	\$4,910/sqm site area
	Two storey freehold commercial building with residence above. Land is zoned B2 Local Centre with an FSR of 2:1. Located on the quieter end of the commercial precinct.			
	1 Padstow Parade, Padstow	\$1,750,000 September 2019	346sqm	\$5,058/sqm site area
	2 x Two storey freehold commercial buildings with ground floor retail and office accommodation above. Sold partially leased. Land is zoned B2 Local Centre with an FSR of 2:1. Located opposite the railway station.			
	38 Anderson Avenue, Panania	\$725,000 June 2018	190sqm	\$3,816/sqm site area
	Two storey freehold commercial building with residence above. Land is zoned B2 Local Centre with an FSR of 2:1. Located on the northern end of the commercial precinct.			
	38 Anderson Avenue, Panania	\$1,100,000 July 2019	232sqm	\$4,741/sqm site area
	Two storey freehold commercial building with residence above. Land is zoned B2 Local Centre with an FSR of 2:1. Located in close proximity to the railway station.			

	Address	Sale price Sale date	Site area	Analysis
	152 Waterloo Road, Greenacre	\$2,025,000 September 2018	481sqm	\$4,210/sqm site area
	2 x Two storey freehold commercial buildings with ground floor retail and office accommodation above. Land is zoned B2 Local Centre with an FSR of 2:1. Located in the middle of the main commercial precinct.			
	335 Waterloo Road, Greenacre	\$650,000 January 2019	158sqm	\$4,114/sqm site area
	Two storey freehold commercial building with residence above. Land is zoned 'B1 Neighbourhood Centre' with an FSR of 1.5:1. Located within a small neighbourhood commercial strip.			

	20 East Terrace, Bankstown	\$1,635,000 June 2018	778sqm	\$2,102/sqm site area
	Dated single storey dwelling located on the fringe of the Bankstown CBD. Land is zoned 'B4 Mixed Use' with an FSR of 3:1. The sale represents a rate of \$701/sqm of GFA.			
	304 Chapel Road, Bankstown	\$8,700,000 September 2018	727sqm	\$11,967/sqm site area
	Older style two storey commercial building sold as an investment. Located in a prime retail location within the Bankstown CBD and on the southern side of the railway corridor. Land is zoned 'B4 Mixed Use' with an FSR of 3:1. The sale represents a rate of \$5,983/sqm of GFA.			
	291 Canterbury Road, Canterbury	\$1,750,000 June 2018	411sqm	\$4,258/sqm site area
	Older style two storey commercial building. Located on the fringe of the Canterbury commercial precinct and off a major arterial road. Land is zoned 'B5 Business Development' with a non-specified FSR. The sale represents a rate of \$2,129/sqm of potential GFA.			

	Address	Sale price Sale date	Site area	Analysis
	260 South Terrace, Bankstown	\$3,150,000 September 2018	803sqm	\$3,923/sqm site area
	Two storey freehold commercial building and located on the quieter end of the Bankstown CBD. Land is zoned B2 Local Centre with an FSR of 3:1. The sale represents a rate of \$1,307/sqm of GFA.			

C.2 Strata sale transactions

Tabulated below are sales evidence of strata retail and commercial properties.

Our sales evidence indicates that a rate of \$4,714 to \$6,471/sqm of NLA are achieved based on sold prices.

Table 31: Strata sale transactions

Address	Type	Sale price Sale date	Int. area (sqm)	Analysis
2/203 Birdwood Road, Georges Hall	Retail	\$625,000 September 2017	97	\$6,443/sqm int. area
8/4 Macarthur Avenue, Revesby	Retail	\$1,480,000 June 2018	243	\$6,090/sqm int. area
Shop 9, 52 Restwell Street, Bankstown	Retail	\$1,650,000 February 2017	350	\$4,714/sqm int. area
4/43 Chapel Street, Bankstown	Retail	\$550,000 October 2019	85	\$6,471/sqm int. area
53/2 Messiter Street, Campsie	Retail	\$293,700 April 2018	56	\$5,245/sqm int. area
42/99-101 Clapham Road, Sefton	Retail	\$434,500 March 2018	82	\$5,299/sqm int. area
4/443 Chapel Street, Bankstown	Retail	\$550,000 Oct. 2019	100	\$5,500/sqm int. area
Lot 1 & 2, 465 Chapel Street, Bankstown	Retail	\$1,710,000	277	\$6,173/sqm int. area

APPENDIX D: FEASIBILITY INPUT AND ASSUMPTIONS

Construction cost and time estimates have been estimated by means of Rawlinsons Construction Handbook and our professional experience and are summarised as follows:

Table 32: Feasibility input and assumptions

Category	
Revenue Assumptions	
End Sale Revenues	Residential average sales values (\$ per sqm of NSA) Bankstown: \$8,500 to \$8,750/sqm of NSA Canterbury: \$9,500/sqm of NSA Campsie: \$8,500/sqm of NSA Padstow: \$8,250/sqm of NSA Chester Hill: \$7,250/sqm of NSA Retail: (\$/sqm of NLA) Bankstown: \$7,000/sqm of NLA (new build) Canterbury: \$7,500/sqm of NLA (new build) Chester Hill: \$5,000/sqm of NLA (new build)
Rate of sale	60% assumed pre-completion residential sales 40% assumed post-construction residential sales Up to 6 month selling period post-completion for the retail component
Project timeframe	<ul style="list-style-type: none"> We have assumed a conforming scheme have been approved six months from purchase with a marketing campaign commencing during CC and spanning until 60% pre-commitment occurs 1 months for demolition due to existing level of improvements has been factored into the models A single-stage 15-18 month construction period is anticipated depending on the option
Construction costs	
Professional Fees	Design 3% of Construction costs Consultants 3% of Construction costs Development Management 2% of project costs (excluding land, finance & tax)
Escalation	Construction cost escalation of 0% p.a. Sale revenue escalation of 0% to 1% p.a.
Construction Costs	As per Rawlinson's we have adopted the following rates: Demolition: \$100 per sqm of site area Residential unit construction: \$2,100/sqm to \$2,500 /sqm of GFA Retail/Commercial construction: \$1,850/sqm of GFA Basement car parking: \$50,000/bay
Construction Period	15-18 month construction period. We have allowed a 6 month lead-in period for development approval and to achieve the required level of pre-sales prior to construction.
Contingency	5% of Construction Costs

Category	
Statutory Fees	DA & CC set at 0.35% of Construction Cost. Long Service Levy of 0.35% of Construction Cost. Bankstown Development Contributions Plan 2019: 1BR: \$8,363 per unit 2BR: \$14,336 per unit 3BR: \$20,000 per unit Canterbury Development Contribution Plan 2013 (as amended): 1BR: \$8,426 per unit 2BR: \$13,156 per unit 3BR: \$18,120 per unit
State Infrastructure Contributions (SIC)	Nil assumed in the models.
Affordable housing	Bankstown (inclusionary zone): 2% of residential GFA Other areas (VPA scenario): 5% of residential GFA
Selling Costs	Sales Commissions: Residential: 2% of Gross Revenue Retail/commercial: 1.75% of Gross Revenue Other Costs: Marketing 0.75% of Gross Sales Legal \$1,500 per unit
Land Holding Costs	Statutory costs (Council rates, water rates and land tax) to be paid diminishing with settlements based on a Statutory Land Value. Land tax is paid annually with council and water rates are paid quarterly in the cash flow.
Financing	
Equity	Assuming 20% of Net Cash Flow to be Funded by the developer.
Loan	6.5% per annum compounded.
Project Hurdle Rates	16% Target IRR and 18% Developer's Margin was used for projections.

HillPDA has undertaken feasibility testing to demonstrate whether the affordable housing (AFFORDABLE HOUSING) contributions can be achieved without unacceptable impacts on development feasibility. The purpose of the analysis was to test the following options and provide recommendations on:

- The introduction of contribution rate(s) of 2% in the year 2022 and 5% in the year 2025 for inclusionary zoned areas in the Bankstown CBD
- Voluntary Planning Agreements in areas outside of the Bankstown CBD - where changes to the planning controls (rezoning or higher density) are negotiated in exchange for the provision of 5% of affordable housing.

D.1 The approach to the study

Areas of interest to Council include inclusionary zones in the Bankstown CBD and nominated suburbs considered to be representative of the LGA on the notion of a VPA scenario. The suburbs selected for our study are:

- Canterbury
- Chester Hill
- Campsie
- Padstow

HillPDA will model development options of five hypothetical sites which are representative of the distinct precincts within the Canterbury-Bankstown LGA to test the impact of providing a 2% or 5% affordable housing component.

D.2 Feasibility methodology

To undertake the feasibility modelling, we have used the proprietary software EstateMaster which is an industry benchmark used by developers, financiers and property valuers. This method calculates the residual land value by subtracting from the anticipated net sales revenue, the anticipated costs of development plus a margin for its profit and risk.

Any unpredicted change, such as an increase in developer contributions or development costs in the short term could have a notable effect on development feasibility unless it could be absorbed by either making allowances in the project contingency or increases in market sale values for the developed product.

A feasibility assessment is based on profit and risk factors. These two factors are subjective elements that determine the minimum level a developer is willing to purchase a site for, factoring in the risk associated with a proposed development. For the purpose of our hypothetical modelling, regard has been given to the following:

- **Project Internal Rate of Return (IRR):** is the actual return on the investment on an annualised basis and expressed as a percentage. This approach takes into account the cost of time in its calculation within cash flow and indicating average returns over a period of time. Typically, this is 12% (townhouse) to 16% (unit) p.a. as the primary indicator
- **Development Margin (DM):** it is the net profit expressed as a percentage of the development costs. Typically, a Development Margin (DM) of 14% to 18% pa townhouse, mixed-use and residential apartment buildings are applicable.
- **Residential Land Value:** is the maximum price that a hypothetical developer would pay for the land to achieve acceptable hurdle rates (such as an IRR) based on the highest and best use or optimal development option for the land.

In light of the criteria established above, the hypothetical development sites were assessed against a target **Development Margin of 18%** and **Project IRR of 16%**.

Table 33: Industry Standard Performance Indicators

Performance	Project IRR	Development Margin
	Units	Units
Viable	> 16%	> 18%
Marginally feasible	14%-16%	16%-18%
Not viable	< 14%	< 16%

Source: HillPDA 2019

D.3 Development options

To test the financial viability of an affordable housing contribution, HillPDA have tested the following options:

Bankstown CBD – Inclusionary zoning

- The hypothetical development scheme will be based on current planning controls under the Bankstown Local Environmental Plan 2015 (BLEP) and Bankstown Development Control Plan 2015 (BDGP). This is on the assumption that an Affordable housing (AFFORDABLE HOUSING) clause will be introduced in 2 years ('transition period') that specifies a provision for 2% of residential GFA to be dedicated to the Council. Variations to revenue assumptions include:
 - Current market values
 - Market values with a 1% p.a. real growth over the period of the project.
- An additional hypothetical development scheme will assume a variation to the Affordable housing (AFFORDABLE HOUSING) clause in 5 years to increase the provision of affordable housing to 5% of residential GFA to be dedicated to the Council on the assumption that the FSR in the CBD is increased to 4:1. Variations to revenue assumptions include:
 - Current market values

– If the above variation is not viable, market values with a 1% p.a. real growth over the period of the project.

VPA scenarios - Canterbury, Padstow, Chester Hill & Campsie

8. **Base Case** – Hypothetical development scheme have been based on the current planning controls with no affordable housing contribution payable
9. **Uplift Scenario (VPA)** – Hypothetical development scheme will be based on a FSR uplift (above base case) of 1 to 1.5:1 resulting in a residential GFA of >1,000sqm. This scenario would require an affordable housing contribution of 5% of total residential GFA to be tested.

D.4 Hypothetical sites

Each hypothetical site has different development parameters, the sites have been selected on the basis that they vary in land size, location, existing improvements and number of lots required for amalgamation. Furthermore, the mix of sites were chosen to provide, a range of development options.

In addition, consideration to development sites that require lot amalgamation (i.e. single lot with limited development potential in isolation), it is common that a premium (20% above the existing market value) is paid to incentivise landowners to sell.

The five sites across the Canterbury-Bankstown LGA has been identified for feasibility testing which are representative of the different precincts in the LGA. The identified hypothetical sites, and the existing and proposed planning controls are as follows:

- **Bankstown:** Mixed-use site of 1,606sqm with a permissible FSR of 3:1 and zoned 'B4 Mixed use'. Located in the commercial fringe and the current improvements comprise older style one or two storey commercial buildings.
- **Canterbury:** Mixed-use site of 2,100sqm and zoned 'B5 Business Development'. Located outside of the Sydenham to Bankstown Corridor – Canterbury station precinct. The current improvements comprise older style one or two storey commercial buildings.
- **Campsie:** Medium rise residential site of 1,682sqm and zoned 'R4 High Density Residential'. Located outside of the Sydenham to Bankstown Corridor – Campsie station precinct. The current improvements comprise older style residential dwellings.
- **Chester Hill:** Mixed-use site of 2,200sqm and zoned 'B2 Local Centre'. Located on the commercial fringe and the current improvements comprise older style one or two storey commercial buildings.
- **Padstow:** Medium rise residential site of 1,500sqm and zoned 'R4 High Density Residential'. Located on the fringe of the commercial precinct.

For the purpose of this exercise, we have assumed an uplift in FSR and height to allow for an increase (above the current planning controls) in FSR within the range of 1 to 1.5:1 in the study areas with the exception of the Bankstown CBD.

D.5 Summary of results

Below are the outputs for our analysis for each site and selected scenarios based on an **IRR benchmark of 16%**:

Site Option	Land Use	FSR	AFFORDABLE HOUSING Units	Equivalent units	Viability
Bankstown CBD					
Base Case (1)*	9 storey mixed use	3:1	-	49	Marginal
Base Case (2)#	9 storey mixed use	3:1	1 unit	48	Marginal
Uplift	11 storey mixed use	4:1	2 units	61	Viable
Canterbury					
Base Case	6 storey mixed use	2:1	-	41	Marginal
Uplift	9 storey mixed use	3:1	2 units	62	Viable
Chester Hill					
Base Case	8 storey mixed use	2.5:1	-	55	Not Viable
Uplift	10 storey mixed use	4:1	3 units	83	Not Viable

Campsie					
Base Case	2 storey mixed use	0.9:1	-	15	Not Viable
Uplift	8 storey mixed use	2.4:1	2 units	38	Marginal
Padstow					
Base Case	2 storey mixed use	0.6:1	-	8	Not viable
Uplift	3 storey mixed use	1.5:1	1 unit	21	Viable

*Base Case (1) – Hypothetical development scheme based on current planning controls and no affordable housing contribution

Base Case (2) - – Hypothetical development scheme based on current planning controls and 2% affordable housing contribution

The hypothetical development sites were assessed against a target **Development Margin of 18%** and **Project IRR of 16%** and the results are categorised as per **Table 33: Industry Standard Performance Indicators**.



WHERE
INTERESTING
HAPPENS