

July 10 2024

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RE: UDIA Submission to Wollongong Draft Affordable Housing Policy and Procedures

Dear Linda

The Urban Development Institute of Australia NSW (UDIA) is the peak industry body representing the leading participants in urban development across NSW. UDIA invests in evidence-based research that informs our advocacy to state, federal and local government, so that development policies and critical investment are directed to where they are needed the most. Together with our over 450 member organisations, we shape the places and cities where people will live for generations to come.

UDIA also has active Regional Chapters across the Greater Sydney Megaregion, in Western Sydney, the Hunter, Central Coast, and the Illawarra-Shoalhaven.

UDIA would like to commend Wollongong City Council (WCC) for the delivery of their Draft Affordable Housing Policy & Affordable Housing Procedures. The exhibited materials present a balanced and well considered approach to policy and incorporate many of the elements that UDIA has long advocated for in times where industry is being mandated to operate in a certain way. In relation to these exhibited materials, UDIA would like to commend WCC for providing:

- Sufficient warning ahead of the policy's anticipated implementation.
- A gradual phase-in period (that starts from a reasonable base of 3%) which allows industry to adjust their feasibilities and their approach to land acquisition to cater for the mandatory provision of Affordable Housing in the future.
- Flexibility and specifically allowing developers to meet their obligations through a monetary contribution which will be especially useful where the floor space contribution required is less than a single unit.
- Measures that avoid double dipping through the application of both state and local requirements.
- A sensible application of the Policy to future rezonings at West Dapto that exempts existing area of residential zoned land from the scheme.

Industry is aware of the ongoing pressures facing the rental market in Wollongong, and WCC is commended for exploring ways to implement more Affordable Housing requirements in a way that is workable given current feasibility pressures on the development market.

UDIA has made a number of recommendations and outlined some areas for clarification that we believe could help improve the Policy to ensure it has heightened uptake within industry. These are covered through the rest of this submission.

UDIA appreciates and welcomes the plan to transfer contributions that are collected to Community Housing Providers (CHP). However, feedback from CHPs within the UDIA member base has confirmed that \$1 million will not provide enough impetus for them to make material investments into Affordable Housing. To provide greater certainty, UDIA would recommend that WCC increase the Asset threshold to at least \$5 million. We recommend that this should be informed by an analysis of the time that WCC believes it will take to reach \$1 million interval milestones.

UDIA Recommendation: *Increase the Restricted Asset threshold for Affordable Housing Contributions from \$1 million to at least \$5 million.*

Industry is yet to grasp the total impact of the Draft Policy and Procedures given that the mechanism that WCC will be using for collecting, disbursing and using the contributions is not yet known. UDIA would urge WCC to finalise and present the supporting Affordable Housing Contributions Scheme in a timely manner to ensure the Policy's operation can be fully understood upon implementation.

UDIA Recommendation: *Progress the finalisation of the Affordable Housing Contributions Scheme as a matter of priority.*

One of the driving objectives of this Draft Policy is to encourage the provision of a diverse range of Affordable Housing. There are limited examples across our industry where developers have been able to add to the supply of Affordable Housing without the utilisation of incentives. The process is difficult and with the current economic challenges making the development of market housing incredibly challenging, the delivery of affordable housing stock is becoming even more of a challenge.

Industry has therefore welcomed recent announcements from State Government around bonuses for developments that apportion 10–15% of their product to Affordable Housing. When policy incentives are clear on what is required from developers from a cost and time perspective, it can serve a powerful role in incentivising uptake. UDIA was a strong supporter of the NSW Government's Affordable Housing bonus and believes it could lead to a marked increase in the delivery of Affordable Housing.

Therefore, industry encourages WCC to build off this positive draft Policy, and current State policies, by continuing to explore a wider range of incentives for developers who will deliver affordable housing in excess of the requirements of the WCC policy. One suggestion that UDIA would like to canvas is a fixed (and agreed to) offset in local contributions that are payable on market products for those providers that offer to provide Affordable Housing in excess of what has been required by Council. This does not markedly differ to existing WCC policies, for example WCC's Development Contributions Plans, which provides several exemptions for Affordable Housing providers.

Given the potential impact on local contribution revenue, UDIA would welcome the opportunity to work up this concept with WCC to ensure there are no adverse impacts. Future iterations of the incentive could be reviewed at regular intervals based on take up.

UDIA Recommendation: *Continue to explore innovative pathways to incentivise Affordable Housing delivery in Wollongong, such as exemptions or discounts on development contributions for providers of Affordable Rental Housing in excess of local legislative requirements.*

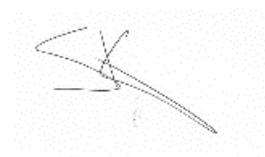
Additionally, UDIA would like to query a number of inconsistencies in the documents exhibited and would appreciate clarity on the following matters during the post-exhibition phase.

1. *Clarification of the 'start date' for Procedure 2 – Affordable Housing Dwellings.* Both January 2026 and July 2026 are provided as start dates throughout the exhibited materials. UDIA recommends that July 2026 be adopted to align with Financial Year budgets.
2. *Confirming that the option to meet Affordable Housing obligations through a monetary contribution is available through all scenarios related to the Policy.*
3. *Whether the proportional Development Application fee waivers (as per Procedure 1) are only available to CHPs, or whether it also applies to non-CHPs that deliver Affordable Housing.* If the intention is the waiver is only available to CHPs, UDIA would request that WCC justifies the exclusion of non-CHPs.
4. *Confirming how the monetary contribution is calculated.* Procedure 2 implies that the contribution is based on 'residential sales price per sqm.' This number can change from sale to sale in a building and may not be clear at the time of required payment.

UDIA Recommendation: *WCC to clarify the above items during the post-exhibition phase.*

We congratulate Wollongong City Council on this important first step to increasing the supply of Affordable Housing in Wollongong and encourage keeping an open dialogue with UDIA on future implications of this Strategy. Should you wish to discuss this submission with us, I encourage you to reach out to Nathan Boulous, UDIA's Southern Regional & Research Manager at nboulous@udiansw.com.au.

Kind regards,



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Illawarra Chapter Chair
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