

ITEM 2. AFFORDABLE AND DIVERSE HOUSING FUND CRITERIA**FILE NO: S124769****SUMMARY**

The provision of a diverse range of affordable housing options in the City of Sydney Local Government Area (LGA) has been a key strategic priority for Council over many years. 'Housing for a Diverse Population' is one of the ten strategic directions identified in *Sustainable Sydney 2030*.

While the provision of social housing is primarily the responsibility of the NSW Government, Council has been very active in supporting housing diversity especially in the areas of policy, advocacy and specific projects. Council has increased the supply of affordable housing through the use of levies, Voluntary Planning Agreements, amendments to planning controls, and the sale of land at discounted prices to Community Housing Providers.

The sale of land at Harold Park for \$10.3 million created an opportunity to establish an Affordable and Diverse Housing Fund. In June 2015, Council resolved to quarantine the money from the land sale in a separate dedicated affordable housing fund. Council also resolved that protocols and criteria be prepared determining the management of this fund.

The purpose of this report is for Council to consider the draft assessment criteria, eligibility and conditions for the Affordable and Diverse Housing Fund. The primary focus of the criteria is to maximise the multiplier effect of the available funds by seeding the projects that are most relevant, in terms of community need, and most feasible, in terms of value for money and levels of investment from other partners. The criteria also aim to enhance the capacity of the affordable housing sector by increasing the diversity of community housing providers and delivery models.

The criteria for the Affordable and Diverse Housing Fund has been developed to include all forms of subsidised housing that are being developed within the city. This enables the fund to operate most effectively, in the context of the broader housing agenda being pursued across Government and by not-for-profit organisations. The draft criteria will enable the City to leverage new projects across the spectrum of affordable, social and supported housing. This approach will best support the diversity and social sustainability of the city.

The recommended objectives, assessment and eligibility criteria and conditions of grant are detailed in Attachment A.

RECOMMENDATION

It is resolved that Council approve the Objectives, Assessment and Eligibility Criteria and Conditions of Grant for the Affordable and Diverse Housing Fund, as shown in Attachment A to the subject report.

ATTACHMENTS

Attachment A: Affordable and Diverse Housing Fund: Objectives, Assessment and Eligibility Criteria and Conditions of Grant

BACKGROUND

1. On 25 August 2014, Council resolved to reserve proceeds of the sale of the land at Harold Park for the creation or funding of further affordable housing opportunities within the City LGA.
2. On 29 June 2015, Council resolved to endorse the sale of land at Harold Park for \$10.3 million and quarantine the money from the land sale in a separate dedicated affordable housing fund.
3. The purpose of this report is for Council to consider the draft objectives, assessment criteria, eligibility and conditions for the Affordable and Diverse Housing Fund. This action meets the requirement of Council's resolution of 29 June 2015.
4. The primary focus of the criteria is to maximise the multiplier effect of the available funds by seeding the projects that are most relevant, in terms of community need, and most feasible, in terms of value for money and levels of investment from other partners.
5. On 26 October 2015, Council resolved to provide financial assistance to the Salvation Army in the amount of \$250,000 for the development of 166 crisis and affordable housing units in Surry Hills. This project is an example of the type of project that is able to be funded through the Affordable and Diverse Housing Fund, in which a comparatively small amount of funding by Council facilitated a much larger \$50 million project to proceed.
6. The criteria for the Affordable and Diverse Housing Fund has been drafted in the context of the broader housing agenda being pursued across Government and by not-for-profit organisations. It is considered appropriate to include all forms of subsidised housing which are being developed within the City LGA. In this way, the City can contribute with the aim of leveraging new projects across the spectrum of affordable, social and supported housing that contribute to the diversity and social sustainability of the city.
7. 'Subsidised' housing means all forms of short and long term rental accommodation offered at below market rates, including: affordable housing, social housing, assisted living, aged and respite care, crisis housing and boarding houses.
8. The Affordable and Diverse Housing Fund has a number of key objectives to which the criteria relate, including:
 - (a) maximising the quantum of subsidised housing within the City LGA;
 - (b) the leveraging of additional funds from sources external to the City and its programs, including private debt finance, charitable donations and grants from State and Federal Government;
 - (c) encouraging a broad range of community housing providers to invest in and operate diverse housing within the City LGA;
 - (d) ensuring the continued use of funded projects as subsidised housing;
 - (e) ongoing management in accordance with the applicable regulatory requirements, such as NSW Affordable Housing Guidelines;

- (f) achieving timely delivery utilising appropriately experienced and capable principals and contractors; and
 - (g) sufficient financial capacity of the grantee.
9. Applications for potential projects can be made to the Affordable and Diverse Housing Fund on an ongoing basis. Applicants are required to submit an application which addresses the assessment and eligibility criteria and grant conditions as approved by Council. Each grant will be reported to Council for approval following an assessment process, consistent with the Grants and Sponsorship Policy. Any proposal awarded a grant will require Development Approval and be subject to compliance with the City's planning controls and approval processes.
10. It is expected that the total amount of funding for any individual project will not exceed \$3 million. This will enable a number of initiatives to be leveraged while not limiting grants which exceed this figure if outcomes warrant it.
11. The City proposes the following assessment and eligibility criteria and conditions of grant for adoption:
- (a) Assessment Criteria:
 - (i) quantum, nature and location of subsidised housing and any other uses being delivered;
 - (ii) proportion of total project cost which is requested as City funding (including cash, value-in-kind and land);
 - (iii) proportion of total project cost which is funded by the grantee and other sources;
 - (iv) property development experience, expertise and capability of the grantee/deliverer;
 - (v) experience in the operation and management of the type of housing by the grantee/manager in compliance with applicable regulatory requirements; and
 - (vi) financial capacity of the grantee;
 - (b) Eligibility and Conditions:
 - (i) funds must only be used for capital expenditures on new subsidised housing development;
 - (ii) the City's financial contribution must generally not exceed 30 per cent of the total cost of the subsidised housing and the City may seek to secure its contribution through a mortgage or other mechanism;
 - (iii) the City may seek to secure the use provided through a registered positive covenant on the land used for the project;
 - (iv) the City may require the funds to be repaid if the project completion date is not met, the project is terminated, the recipient becomes insolvent, or the project description changes materially;

- (v) the grantee is required to operate the facility in accordance with Federal, State and Local Government regulatory requirements; and
- (vi) the facility must generally be completed within three years of funding approval.

To be eligible for funding, an applicant must be:

- (i) an incorporated entity, and
- (ii) a provider of community housing as:
 - a. a not-for-profit organisation, or
 - b. a for-profit business.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

12. *Sustainable Sydney 2030* is a vision for the sustainable development of the city to 2030 and beyond. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This grant is aligned with the following strategic directions and objectives:
- (a) Direction 8 - Housing for a Diverse Population – the grant will support achievement of targets for affordable and social housing.
 - (b) Direction 10 - Implementation through Effective Governance and Partnerships – the criteria will create transparency in the distribution of funds for subsidised housing.

Social / Cultural / Community

13. Grants will support the draft Social Sustainability Policy for diverse affordable housing in the city.

Economic

14. A key objective of the grant is to leverage additional funds from sources beyond those already available to the City, such as affordable housing programs, to achieve greater provision of subsidised housing within the city.

BUDGET IMPLICATIONS

15. The grants are paid from a reserve fund, only to be spent on subsidised housing, as determined under the assessment and eligibility criteria and approved by Council. Funds will not generally be budgeted unless the payment date is known and therefore will need to be paid from Council's General Contingency Fund as approved by Council at the time, in the absence of other identified savings.

RELEVANT LEGISLATION

16. Section 356(1) of the Local Government Act states that a council may, in accordance with a resolution of the council, contribute money or otherwise grant financial assistance to persons for the purpose of exercising its functions.

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