

Affordable Housing Opportunity - City Owned Land

File No: X034484.004

Summary

Affordable rental housing is critical social infrastructure necessary to support a diverse and well-functioning city. Increasing the amount of affordable rental housing available for lower income households is an urgent priority for the City. Sustainable Sydney 2030 aims for a "wider range of housing so people who provide vital city services can afford to live in the city". It has a target of 7.5 per cent of all private dwelling stock to be affordable (rental) housing and 7.5 per cent to be social housing.

The City has been investigating and implementing opportunities for promoting the development of affordable and diverse housing. Initiatives implemented include planning agreements, development agreements, rezoning, affordable housing levy programs, development on its own surplus land, establishing the Affordable and Diverse Housing Fund and making direct financial contributions.

On 14 December 2020, Council resolved to commit to work to ensure affordable housing developed from City-owned land or from land provided to affordable housing providers with in-kind support from the City of Sydney, delivers ten per cent Aboriginal Affordable Housing.

The City has a strong commitment to affordable housing and over the last 10 years has divested of several properties that were identified as surplus to the City's service needs or were transferred to the City through voluntary planning agreements.

The City's recent property divestments to increase the supply of affordable housing include the former Redfern Depot site and surplus sites along the Green Square to Ashmore Connector. At Redfern, St George Community Housing is currently constructing 160 affordable and social housing units for delivery in mid-2021. At Green Square, negotiations are being finalised with City West Housing for delivery of approximately 200 units, whilst St George Community Housing is planning to delivery of approximately 106 units by late 2022.

The City's ongoing review of its property portfolio as part of its Strategic Asset Management objectives tests the suitability of individual properties to meet the City's core service delivery objectives.

Properties identified as possible sites for affordable housing are tested to determine if they present viable opportunities to increase the supply of affordable housing within the local area.

Where viable opportunities are identified, the City's principal objective is to expedite the delivery of affordable housing into the market which it achieves through:

- (a) pricing reflecting a substantial reduction from market value;
- (b) selecting well-funded, highly experienced development and management partners with a strong track record in construction delivery, design quality and sustainability, coupled with an ongoing management of the building and residents; and
- (c) a caveat registered on title that legally requires the land to be used for affordable and social housing in perpetuity.

This report identifies a surplus site, being part of a site at 44-54 Bourke Road, Alexandria, which is suitable for affordable housing development within proximity to Green Square Station. The City has been approached by Bridge Housing Pty Limited to acquire and develop this surplus parcel to assist in meeting the need for affordable housing.

This report recommends entering negotiations with Bridge Housing Pty Limited for the sale, development and ongoing management of this property for affordable housing in perpetuity.

Recommendation

It is resolved that:

- (A) Council endorse the sale and transfer of the property identified herein as proposed Lot 3 in unregistered plan (being part of 44-54 Bourke Road, Alexandria) to Bridge Housing Pty Limited to be developed and managed as affordable housing in perpetuity;
- (B) Council endorse that at the time of sale the property will be subject to registration of a restriction on the title to the land to ensure the land is used in perpetuity for affordable housing;
- (C) Council note that 10 per cent of dwellings developed are to be for Aboriginal Affordable Housing;
- (D) Council endorse the initial price for the property to be negotiated at market value as supported by valuation and to contract at an adjusted market value reflecting a reduction of 50 per cent of the market value, noting the comments within this report and within Confidential Attachment B to the subject report;
- (E) authority be delegated to the Chief Executive Officer to negotiate, execute and administer the contract of sale and all relevant documentation relating to the sale and development of the property, including registration of a restriction on the title to the land to ensure this property is used in perpetuity for affordable housing;
- (F) Council endorse the allocation of sale proceeds to be placed into the Commercial Properties Reserve to allow for future reinvestment in commercial property, further supplementing the City's non-rate-based income; and
- (G) Council note the subsidy of 50 per cent of the market value as the City's contribution to affordable housing within the Local Government Area.

Attachments

- Attachment A.** Identification Plans
- Attachment B.** Commercial Considerations (Confidential)
- Attachment C.** Expression of Interest - Bridge Housing (Confidential)

Background

1. Affordable rental housing is critical social infrastructure necessary to support a diverse and well-functioning city. Increasing the amount of affordable rental housing available for lower income households is an urgent priority for the City. Sustainable Sydney 2030 Direction 8 – Housing for a Diverse Population– aims for a "wider range of housing so people who provide vital city services can afford to live in the city". It has a target of 7.5 per cent of all private dwelling stock to be affordable (rental) housing and 7.5 per cent to be social housing.
2. The City's Local Housing Strategy – Housing for All – adopted by Council in February 2020, establishes a 20-year vision for housing. It seeks to increase the diversity and number of homes available for low-income households and maintains the Sustainable Sydney 2030 social and affordable housing targets. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable rental dwellings are required to achieve the City's target. A substantial increase in the number of affordable housing dwellings is required.
3. The City has been investigating and implementing opportunities for promoting the development of affordable and diverse housing. Initiatives implemented include: planning agreements, development agreements, rezoning, affordable housing levy programs, development on City of Sydney-owned surplus land, establishing the Affordable and Diverse Housing Fund and direct financial contributions.
4. As a result, the City of Sydney will have directly, or indirectly, contributed to affordable and diverse housing projects which include: 68 Bay Street and 14 Cowper Street in Glebe; 895 Bourke Street, Waterloo; 74 Botany Road, Alexandria; Common Ground, Camperdown; South Sydney Hospital site; Harold Park; Hammond Care, Darlinghurst; and 11 Gibbons Street, Redfern.
5. These projects account for more than 1,000 dwellings. Other projects underway include the development of the surplus lands along the Green Square to Ashmore Connector Road at Green Square.
6. The City uses its planning powers to facilitate the delivery of affordable rental housing. Three affordable rental housing contribution schemes currently operate in the city, including at:
 - (a) Ultimo/Pymont, introduced in 1996, which requires that 0.8 percent of residential floor area and 1.1 percent of commercial floor area be provided as affordable rental housing;
 - (b) Green Square, introduced in 1999, which requires that three per cent of residential floor area and one per cent of commercial floor area be provided as affordable rental housing; and
 - (c) Southern Enterprise Area (called the Southern Employment Lands in the Sydney Local Environmental Plan 2012), introduced in 2015, which requires that three per cent of residential floor area and one per cent of commercial floor area be provided as affordable rental housing.
7. In September 2018, Council approved a contribution scheme across the local area that will apply to land outside Green Square, Ultimo and Pymont or the Southern Employment Lands. The scheme will facilitate over 1,000 additional affordable rental dwellings if approved by the NSW Government.

8. The City also introduced preferential zoning for affordable rental housing on land zoned B7 – Business Park, where residential development is not otherwise permitted. This keeps land affordable for community housing providers and government who are seeking to purchase land in these areas to develop affordable rental housing. The property subject of this report benefits from this zoning.
9. The City uses planning agreements for affordable rental housing outcomes when changes are being made to planning controls, for example in Harold Park when it was rezoned in 2009 and for Bay Street, Glebe in 2014.
10. In addition to using the planning framework to encourage affordable rental housing, the City also materially supports the provision of affordable rental housing and has contributed approximately \$27.5 million over the last 10 years. This has included grants to non-government organisations, as well as granting or selling land below cost to community housing providers.
11. As at December 2020, the following affordable rental dwellings are estimated:
 - (a) 1070 affordable housing dwellings have been built since 1995, of which 859 are owned and managed by City West Housing;
 - (b) 629 affordable rental housing dwellings are in the pipeline, including developments where a development application has been lodged or has been approved, or where the development is under construction; and
 - (c) 1,925 affordable rental housing dwellings are projected under exiting planning controls or planning controls currently under consideration by the NSW Government.
12. Altogether, 3,624 affordable rental dwellings are built, in the pipeline or projected. This equates to 30 percent of the 7.5 percent affordable rental dwelling target (12,000 dwellings) for 2036.

The Property: Proposed Lot 3 Part 44-54 Bourke Road, Alexandria

13. The property identified is residual surplus land from the acquisition of property to form the Green Square to Ashmore Connector Road extending from Botany Road across O'Riordan Street to Bourke Road.
14. The surplus land is a prominent irregular shaped parcel of approximately 803 square metres with frontage to Bourke Road and adjoining the Green Square to Ashmore Connector Road along its southern boundary and the City-owned community facility at 32-42 Bourke Road to the north.
15. The property is within walking distance of Green Square Station and the Town Centre, local amenities and recreational facilities.
16. The property lies to the west of surplus lands between Botany Road and O'Riordan Street that are being developed as affordable housing by St George Community Housing and City West Housing.
17. Further detail including indicative values is captured in Attachment B - Commercial Considerations (Confidential).

Asset Disposal for Affordable Housing - Key Objectives

18. The City's principal strategic objective in the sale of surplus or undeveloped land for affordable housing is the expeditious delivery of quality affordable housing.
19. The City's criteria in this respect is driven by achieving a financial outcome relative to the primary objective of increasing stock and ensuring its longevity.
20. The criteria applied to determining a delivery and managing partner to meet the City's strategic objectives are:
 - (a) experience delivering affordable and/or social housing developments on both high and low density and complex sites;
 - (b) the operating model for affordable and/or social housing, including target group(s), proposed rentals, dwelling types and number, and proposed commercial strategy;
 - (c) demonstrated capacity to deliver and implement expeditiously to high standards;
 - (d) demonstrated design quality on previous projects and strategy to achieve design excellence and ecologically sustainable outcomes; and
 - (e) capability of the project team, including previous partners, consultants and contractors used.

Bridge Housing

21. Bridge Housing Pty Limited (Bridge Housing) is a leading Tier 1 registered Community Housing Provider (CHP) under the National Regulatory System, with a proven capacity to develop and manage housing to the highest standard.
22. Bridge Housing currently manages 3,400 properties across Sydney, housing over 5,000 people with over 450 of these properties within the City's local government area.
23. Bridge Housing has actively participated in previous Expressions of Interest for development and management of affordable housing on City-owned land.
24. Bridge Housing has previously successfully demonstrated its capacity to meet the City's criteria. Further details of the prospective purchaser's funding capacity are provided in Attachment B - Commercial Considerations (Confidential).

Key Implications

Strategic Alignment - Sustainable Sydney 2030

25. 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 report is aligned with the following strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City - the City of Sydney aims to achieve an affordable housing development well located near existing and future services. These developments will provide low cost accommodation for the key workers who are essential to the efficient functioning of the city.
 - (b) Direction 6 - Vibrant Local Communities and Economies - the City of Sydney is seeking to contribute to housing diversity, providing low cost accommodation to ensure a mix of people can live in the city, not only the very wealthy.
 - (a) Direction 8 - Housing for a Diverse Population - the City of Sydney is seeking to provide affordable housing for a diverse population on low incomes. The proposed sale and transfer of the City's properties for development and management of social and affordable housing in perpetuity will contribute to increase the stock of rental housing.
 - (b) Direction 10 - Implementation through Effective Governance and Partnerships - the City of Sydney works to identify well-funded, highly experienced and reputable development and operational partners to ensure this much needed affordable housing stock is delivered expeditiously into the market.

Organisational Impact

26. There is limited impact on service, staffing and facilities with the sale and development of this property for affordable housing in perpetuity.

Risks

27. The City mitigates delivery risk by selecting partners that have a strong track record in development and management with demonstrated funding and acceptance of the City's covenant requiring the use in perpetuity as affordable housing.

Social / Cultural / Community

28. Redevelopment of these sites for affordable housing will create valuable new stock in the City's local area for a diverse range of residents.
29. Council has committed to work to ensure affordable housing developed from City-owned land or land provided to affordable housing providers with in-kind support from the City of Sydney, delivers ten per cent Aboriginal Affordable Housing. Bridge Housing shares the City's values and this initiative will be a contractual obligation forming part of the proposed sale to Bridge Housing.

Environmental

30. Bridge Housing shares the City's commitment to environmental sustainability, actively implementing initiatives to reduce environmental impact, carbon emissions and resource impact across all areas of its business.
31. Bridge Housing's sustainability focus is embedded in the Bridge Housing Design Guidelines which go beyond minimum BASIX compliance and aim to achieve an average NatHERS rating of seven stars across all developments.

Financial Implications

32. This property is identified as surplus to the City's needs.
33. The discount on disposal from full market value, as part of this transaction, represents a further contribution by the City to affordable housing.
34. The proceeds from the disposal of this surplus property will be dedicated to the City's Commercial Property Reserve to allow future investment in commercial property, further supplementing the City's non rate-based income.

Relevant Legislation

35. The proposed Lot 3 forms part of land that is classified as operational under the Local Government Act 1993 (the Act) and as such there is no legislative impediment to Council endorsing the sale.
36. Under section 377 of the Act (which contains the general power of a council to delegate), a council may, by resolution, delegate certain functions, but not the function to sell land or other property.
37. Section 55(3)(d) of the Act provides that Council does not have to invite tenders before selling land. Council can choose not to sell by tender, auction or similar public process.
38. The contract documentation will be prepared in accordance with the Conveyancing Act 1919.
39. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
40. Attachments B and C contain confidential information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom the City is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.

Critical Dates / Time Frames

41. Bridge Housing have confirmed secured funding for the acquisition and development of this property. Design works and planning approvals are expected to take around two years, with construction commencing thereafter.
42. Bridge Housing will provide a detailed project program subject to endorsement of the recommendation.

Options

43. The City's approach in Expressions of Interest for its most recent transactions has been to nominate the price therefore ensuring applicants are focused on demonstrating funding capacity, sustainability, delivery experience and management quality.
44. Whilst the affordable housing market is maturing, the City's risk management requires the highest level of certainty around the funding and delivery capacity of proponents. The most recent Expressions of Interest in 2017 identified a handful of top tier community housing providers (including Bridge Housing) that meet the criteria required to limit the City's exposure to financial and delivery risk. The proposal by Bridge Housing provides an opportunity to engage with an alternate Community Housing Provider.

Public Consultation

45. The disposal of property does not require public consultation in the form of exhibition or notification.

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