



NSW Department of Planning, Industry & Environment
Pymont Peninsula Place Strategy Place, Design and Public Space
4 Parramatta Square
12 Darcy Street, Parramatta

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SUBMISSION ON PYRMONT PENINSULA SUB-PRECINCT MASTER PLANS

City West Housing (CWH) welcomes the opportunity to provide input into the Pymont Peninsula sub-precinct master plans. Our submission focuses on the Affordable Housing Study created by Atlas Urban Economics.

About City West Housing

CWH has had a significant role in the re-development of the Pymont peninsula. In 1994, the NSW Government established CWH as an independent not-for-profit housing provider. The genesis for the establishment of City West Housing was the planned urban renewal of Ultimo and Pymont and a recognition of the need for a range of housing options in the area. Since its inception it has successfully delivered over 894 affordable housing units in the City of Sydney LGA and is now the largest owner of affordable rental housing in the area.

CWH's initial focus was on developing and delivering affordable rental housing as part of a mixed residential community in the Ultimo/Pymont area for people on very low to moderate incomes. As a result of its initial success and limited developable land available in Pymont/ Ultimo, CWH expanded its operations to Green Square and now owns and manages affordable rental housing across the City of Sydney. Today CWH is a Tier 1 registered community housing provider (CHP) with strong development capability and a commitment to service delivery.

One of CWH's unique characteristics is that we are invested in housing for the long-term. We develop and manage Affordable Rental Housing in the area and maintain it as affordable housing in perpetuity. This means that we have an interest in designing and developing housing that is high-quality, sustainable, and meets resident needs both now and into the future. As a long term land owner and landlord it also means we are committed to the communities in the areas in which we operate.

Our ongoing investment in the areas in which we operate, and the support we provide to our residents across a range of income groups to help them access the benefits of living close to jobs, supports, and other amenities, helps us contribute to inclusive communities and the functioning of our city. Our purpose is *"to build stronger communities and improve people's lives by providing affordable housing"*.

Our Observations

The Atlas report states *"The Study's core objective is to test capacity of development in the Peninsula to contribute to affordable housing outcomes"*. The flaw in this viability approach is that it focuses on a developer's profit margin and ignores the community requirements for current and future demand of affordable housing in the study area which exists regardless of development outcomes. Many consider affordable housing as a type of social infrastructure noting that no other type of infrastructure levy is subject to a viability test.

As affordable housing is a subsidised product, feasibility testing of this product always results in a development that is not viable unless a subsidy is provided for the development and/ or operating costs. If only a financial viability test was applied to affordable housing there would be no affordable housing. The study did not explore the opportunity cost or economic impacts of not providing affordable housing.

The affordable housing contributions, our rental surpluses and other forms of funding have enabled us to acquire land, develop, own and manage entire buildings for the purpose of affordable housing. Often a project requires multiple subsidies in order to be successful. We now own some 20 apartment buildings and 900 apartments across the local government area, with more than 50% of our apartments located in the Pyrmont peninsula.

Hurdle Rates

It is noted that the benchmark hurdle rates only have a notation that the market has re-set the expectations and lowered hurdle rates. The assumed hurdle rates of a project not being feasible at a Development Margin of <18% and with an IRR of <17% is a very high hurdle rate and it is widely known that developers often acquire sites with much lower hurdle rates even without the historic low interest rates.

The hurdle rates tested should include sensitivities based on the risk profile of a project (i.e. contaminated land, consent approval stage, market sentiment, etc.). This is important when reviewing the impact analysis across multiple sites and scenarios and noting that all the scenarios exceed the 17% hurdle, with the majority achieving the 18% hurdle.

Assumptions

Additionally, the study rightly identified that the cost of land is a critical variable to the feasibility of a development. The report states *"The impact testing assumes the price paid for land reflects the permitted development potential."* This approach ignores the fact that many developers will pay for land based on a proposal that exceeds the permitted development potential while also assuming escalation in sales revenues. The more accurate approach would be to use the land value for the permitted development potential rather than the cost of the land.

Considerations

Developable land in the peninsula is scarce and in high demand from developers, resulting in high land values. These high land costs leave little opportunity for Affordable Housing, with City West Housing unable to develop land in the area for over 10 years due to its inability to access suitable sites. There is a risk that, with further redevelopment and a metro station that acts as a catalyst for more market housing, affordable rental housing as a percentage of all residential housing in the area could decline, particularly if the requirement to provide a contribution to affordable housing is based on viability of a development feasibility that has many levers. Additional non-residential uses will also increase the demand for affordable housing and the workers require a place to live.

We support the following recommendations from the Affordable Housing Study by Atlas Urban Economics:

- requiring Tier 1 AH contributions pursuant to clause 7.13 of the LEP
- requiring Tier 2 AAH contributions (12%) applicable to additional residential GFA the result of a rezoning
- requiring Tier 2 AH contributions on additional commercial GFA the result of a planning uplift (or rezoning)

More broadly we commend the Department for its strategic approach to considering what the future of Pyrmont should look like and the recognition of the importance of a unified planning framework.

We look forward to working with the Department as the strategy for the area evolves.

Yours faithfully,



Lisa Sorrentino
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City West Housing