



NSLPP MEETING HELD ON 03/08/2022

SUPPLEMENTARY REPORT TO LPP01

Attachments:

7. Ethos Urban – Affordable Housing Response

ADDRESS/WARD: 2 Sutherland Street, Cremorne

APPLICATION No: DA 432/21

PROPOSAL: Demolition of an existing residential flat building and construction of a part 4, part 5 storey residential flat building containing 11 apartments with basement parking for 18 vehicles, and landscaping works.

OWNER: Mike and Shan Pty Ltd

APPLICANT: Platform Project Services

AUTHOR: Michael Stephens, Senior Assessment Officer

DATE OF REPORT: 25 July 2022

DATE OF SUPPLEMENTARY REPORT: 01 August 2022

DATE LODGED: 8 December 2021

RECOMMENDATION: Approval (Deferred Commencement)

PURPOSE OF SUPPLEMENTARY REPORT

On 25 July 2022, after the assessment report had been finalised, the applicant requested that further consideration be given to additional information submitted regarding SEPP (Housing) 2021. The additional information prepared by Ethos Urban (**ATT_7**) was supplementary to the original response to Council's preliminary assessment prepared by GYDE Consulting dated 7 June 2022, a copy of which is attached to the assessment report (**ATT_5**).

The assessment report, dated 25 July 2022, provides an assessment against Part 3 Retention of Affordable Housing of SEPP Housing 2021. The assessment concluded that there would be a loss of affordable housing and therefore condition C23 was recommended, requiring the payment of a **\$1,071,300.00** contribution under s7.32 of the Act to mitigate the reduction of affordable housing.

Applicant's Information Submitted

The applicant provided additional rental data for 2019, 2020 and 2021 that previously had not been provided because the advice from GYDE had accepted that as of 2016 all of the dwellings within the building were considered *low-rental dwellings*.

The applicant also requested that the following matters be considered:

1. The rental data for studio apartments (bedsits) which is available between September 2017 and December 2021 during the *relevant period*.
2. Acknowledgement of the discounted rental rate for the caretaker's residence (Unit 14) on the basis that a discounted rental rate was provided in lieu of labour undertaken.
3. The 'definition' of affordable housing under the *National Rental Affordability Scheme Act 2008*.

Each matter is addressed below:

1. Rental Data including studio or bedsit data

SEPP (Housing) 2021 provides the following definition for low-rental dwelling:

low-rental dwelling means a dwelling that was let at a rental level no greater than the median rental level, as specified in the Rent and Sales Report, during the relevant period in relation to a dwelling:-

- (a) of the same type, and
- (b) with the same number of bedrooms, and
- (c) in the same local government area.

The applicant originally submitted rental data from 2016, when FACS Rent and Sales report data did not include studio apartments and had accepted that the building would contain *low-rental dwellings*.

The additional information submitted 25 July 2022 included rental data from 2019, 2020 and 2021 which has been tabulated below and compared to the average median rental rate for each year. For an Applicant to claim that a dwelling is not a *low-rental dwelling*, where there is doubt, rental data should be provided for each year within the *relevant period*. Section 45 of the Housing SEPP defines the *relevant period* as meaning the period commencing 5 years before the day on which the development application involving the building is lodged (13 December 2022) and ending on that day.

Rental rates compared with Median Rental Rates published in the FACS Rent and Sales reports										
2 Sutherland Unit No.	Dwelling	2016 Rental Rate	2016 Median Rate		2019 Rental Rate	2019 Median Rate	2020 Rental Rate	2020 Median Rate	2021 Rental Rate	2021 Median Rate
Unit 1	studio	\$340	\$516		\$395	\$420	\$350	\$341	\$350	\$316
Unit 2	studio	\$380	\$516		\$395	\$420	\$350	\$341	\$350	\$316
Unit 3	studio	\$350	\$516		\$375	\$420	\$379	\$341	\$375	\$316
Unit 4	studio	\$340	\$516		\$375	\$420	\$379	\$341	\$375	\$316
Unit 5	studio	\$340	\$516		\$395	\$420	\$395	\$341	\$350	\$316
Unit 6	studio	\$340	\$516		\$360	\$420	\$350	\$341	\$350	\$316
Unit 7	studio	\$340	\$516		\$375	\$420	\$379	\$341	\$375	\$316
Unit 8	studio	\$370	\$516		\$380	\$420	\$375	\$341	\$350	\$316
Unit 9	studio	\$340	\$516		\$375	\$420	\$379	\$341	\$350	\$316
Unit 10	studio	\$340	\$516		\$375	\$420	\$379	\$341	\$375	\$316
Unit 11	studio	\$375	\$516		\$380	\$420	\$350	\$341	\$355	\$316
Unit 12	studio	\$340	\$516		\$375	\$420	\$375	\$341	\$375	\$316
Unit 13 - does not exist										
Unit 14	two-bed	\$340	\$680		\$175	\$678	\$380	\$631	\$175	\$676
Unit 15	studio	\$175	\$516		\$375	\$420	\$365	\$341	\$295	\$316
Unit 16	studio	\$340	\$516		\$375	\$420	\$375	\$341	\$350	\$316
Unit 17	two-bed	\$585	\$680		\$585	\$678	\$585	\$631	\$585	\$676
Unit 18	studio	\$340	\$516		\$375	\$420	\$375	\$341	\$375	\$316
Unit 19	studio	\$375	\$516		\$400	\$420	\$350	\$341	\$350	\$316
Unit 20	two-bed	\$510	\$680		\$550	\$678	\$550	\$631	\$350	\$676
Unit 21	studio	\$375	\$516		\$385	\$420	\$375	\$341	\$350	\$316
Unit 22	studio	\$340	\$516		\$390	\$420	\$390	\$341	\$350	\$316

In the table above, the "Year 20% < Median" column has been derived from the yearly average median rental rates for studio (one bedroom in 2016) and two-bedroom units in the FACS Rent and Sales quarterly reports, less 20% as suggested by the applicant.

The rental rates highlighted in red were below the yearly average median rental rate for dwellings of the same type, size and location. Even ignoring the 2016 data where the median rental data is incomplete for studio apartments, all dwellings within the subject building were rented below the median rental rate in 2019, being during the *relevant period*, and therefore were *low-rental dwellings* in accordance with the definition in [Section 45 of the Housing SEPP](#). It is likely that the dwellings were also rented below the median rental rate in 2017 and 2018.

2. Caretaker Residence – Unit 14

The applicant suggests that an informal arrangement had been made between the previous property owners and the tenant of Unit 14 for a reduced rental rate on the basis that caretaker tasks be undertaken. The applicant suggests this was up to 20 hours per week. The work included mowing lawns, gardening, replaces broken lightbulbs, and general maintenance etc. Whilst it is likely that some arrangement or special consideration was in place for this tenant, the applicant is not able to furnish any formal agreement of the arrangement and therefore the consent authority has little scope to consider the reduced rental rate. Regardless, it is likely that the market rental rate for the caretaker's unit (unit 14) would be comparable to the other two-bedroom apartments within the building (unit 17 and unit 20) and therefore would otherwise have also constituted a *low-rental dwelling*.

3A. Application of the *National Rental Affordability Scheme Act 2008*.

Firstly, the Commonwealth legislation bears no relevance to the application of the Environmental Planning and Assessment Act 1979. Section 4.15(1) of the EP&A Act provides the relevant matters for consideration, including, at ss4.15(1)(a)(i) the consideration of the relevant environmental planning instruments, which in this instance is SEPP Housing 2021. The EP&A Act and the Housing SEPP provide clear definitions which are to be utilised in the assessment of the subject application.

The EP&A Act provides the following definition of affordable housing:

***affordable housing** means housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.*

SEPP (Housing) 2021 provides the following definition of *low-rental housing*:

***low-rental dwelling** means a dwelling that was let at a rental level no greater than the median rental level, as specified in the Rent and Sales Report, during the relevant period in relation to a dwelling:-*

- (a) *of the same type, and*
- (b) *with the same number of bedrooms, and*
- (c) *in the same local government area.*

As outlined above, taking into consideration the applicant's additional rental data from 2019-2020, it remains evident that the subject building is a *low-rental residential building* and contains 21 *low-rental dwellings*.

Any assessment must rely upon the definitions in Section 45 of the Housing SEPP, being the relevant environmental planning instrument under the EP&A Act. Alternate meanings or definitions from different legislation are not applicable, particularly where these are drafted to achieve different purposes. In accordance with [section 6 of the Interpretation Act 1987](#), "*definitions that occur in an Act or instrument apply to the construction of the Act or instrument...*" it is therefore not open to interpretation to utilise a definition under another Act, given would bear no relevance to the context in which it was originally constructed.

Secondly, should consideration be given to the *NRAS Act*, it must be noted that contrary to the assertion provided by Ethos Urban, the *NRAS Act* does not provide a definition for affordable housing. Instead, the applicant has extracted a reference to “20% less than the market value rent for the dwelling” from [section 7\(2\)\(a\)\(ii\) of the NRAS Act](#). However, this reference is made only in relation a threshold for an investor to access an incentive under the *National Rental Affordability Scheme*, whether that be a tax offset or amount payable. The 20% discounted rental rate also relates to the market rate for the specific dwelling that the investor is seeking to leased and not the median rental rate in the FACS Rent and Sales reports and therefore again is not a comparable measure.

It should also be noted that this incentive only applies to new dwellings or dwellings that have been renovated during the incentive period to encourage additional rental stock and must also be rented to an eligible tenant (capped annual income). The object of the *NRAS Act* is to “encourage large-scale investment in housing by offering an incentive to participants in the *National Rental Affordability Scheme* so as to (a) increase the supply of affordable rental dwellings; and (b) reduce rental costs for low and moderate income households” and does not relate to the retention of existing affordable housing within the market.

For completeness, [section 7\(2\) of NRAS Act](#) is reproduced below (emphasis added):

- (2) *The conditions are that:*
 - (a) *either:*
 - (i) *the rental dwelling has not been lived in as a residence at any time before the first day of the incentive period; or*
 - (ii) *the rental dwelling was unfit for anyone to live in, and since the day on which it has been made fit for living in, it has not been lived in as a residence between that day and the first day of the incentive period; and*
 - (b) *to the extent that the rental dwelling is rented during an NRAS year that falls within the incentive period—both:*
 - (i) *the rental dwelling is rented to a tenant or tenants of a kind prescribed by the regulations; and*
 - (ii) *each charge of rent for the rental dwelling during the year is **at least 20% less than the market value rent for the dwelling**; and*

It is evident that this is not a definition for affordable housing, nevertheless, should the “20% less than” derived definition be applied as suggested by the Applicant, the following assessment is provided on a non-prejudice basis.

The Applicant’s assessment (Table 2 of the Ethos Urban Advice **ATT_7**) unhelpfully averages the data, however, the table below provides the data average yearly rather than over the five year period. It is noted that the applicant has failed to provide rental data between 2017 and 2018.

Rental rates compared to Applicant's "20% less than market" methodology										
2 Sutherland Unit No.	Dwelling	2016 Rental Rate	2016 20% < Median		2019 Rental Rate	2019 20% < Median	2020 Rental Rate	2020 20% < Median	2021 Rental Rate	2021 20% < Median
Unit 1	studio	\$340	\$413		\$395	\$336	\$350	\$273	\$350	\$253
Unit 2	studio	\$380	\$413		\$395	\$336	\$350	\$273	\$350	\$253
Unit 3	studio	\$350	\$413		\$375	\$336	\$379	\$273	\$375	\$253
Unit 4	studio	\$340	\$413		\$375	\$336	\$379	\$273	\$375	\$253
Unit 5	studio	\$340	\$413		\$395	\$336	\$395	\$273	\$350	\$253
Unit 6	studio	\$340	\$413		\$360	\$336	\$350	\$273	\$350	\$253
Unit 7	studio	\$340	\$413		\$375	\$336	\$379	\$273	\$375	\$253
Unit 8	studio	\$370	\$413		\$380	\$336	\$375	\$273	\$350	\$253
Unit 9	studio	\$340	\$413		\$375	\$336	\$379	\$273	\$350	\$253
Unit 10	studio	\$340	\$413		\$375	\$336	\$379	\$273	\$375	\$253
Unit 11	studio	\$375	\$413		\$380	\$336	\$350	\$273	\$355	\$253
Unit 12	studio	\$340	\$413		\$375	\$336	\$375	\$273	\$375	\$253
Unit 13 - does not exist										
Unit 14	two-bed	\$340	\$544		\$175	\$542	\$380	\$505	\$175	\$541
Unit 15	studio	\$175	\$413		\$375	\$336	\$365	\$273	\$295	\$253
Unit 16	studio	\$340	\$413		\$375	\$336	\$375	\$273	\$350	\$253
Unit 17	two-bed	\$585	\$544		\$585	\$542	\$585	\$505	\$585	\$541
Unit 18	studio	\$340	\$413		\$375	\$336	\$375	\$273	\$375	\$253
Unit 19	studio	\$375	\$413		\$400	\$336	\$350	\$273	\$350	\$253
Unit 20	two-bed	\$510	\$544		\$550	\$542	\$550	\$505	\$350	\$541
Unit 21	studio	\$375	\$413		\$385	\$336	\$375	\$273	\$350	\$253
Unit 22	studio	\$340	\$413		\$390	\$336	\$390	\$273	\$350	\$253

In the table above, the "Year 20% < Median" column has been derived from the yearly average median rental rates for studio (one bedroom in 2016) and two-bedroom units in the FACS Rent and Sales reports, less 20% as suggested by the applicant.

Should the above methodology be applied as suggested by the applicant, only the following units would be considered *low-rental dwellings*:

- Unit 14 (2-bedroom) – caretaker's unit
- Unit 18 (Studio)
- Unit 20 (2-bedroom)

The reduced contribution calculated would be as follows:

$$C = L \times R \times 0.05$$

$$L = 2\text{-bedrooms (Unit 14)} + 1(\text{studio}) (\text{Unit 18}) + 2\text{-bedrooms (Unit 20)} \\ = 5 \text{ bedrooms}$$

$$R = \$892,750 \text{ (as outlined in the assessment report and agreed by the applicant)}$$

$$C = 5 \times \$892,750 \times 0.05$$

$$C = \$223,187.50$$

Should the applicant's methodology be accepted, the contribution would be reduced to \$223,187.50 and condition C23 would be required to be amended accordingly. This calculation would also be reduced further if the caretaker's unit is also excluded.

However, for the reasons outlined above this methodology cannot not be adopted as it is inconsistent with the Housing SEPP. The practical implication of the applicant’s methodology is also explored below which further demonstrates the flawed methodology.

3B. Practical implication of Applicant’s implied “20% less than market rate” affordable housing definition in comparison to the FACS rental data

Should the applicant’s derived definition for affordable housing be applied, a review of the rental rates for studio (bedsit) apartments in the North Sydney LGA during the prescribed period would reveal that it is likely that next to no dwellings would meet this threshold to be considered affordable. The 20% discounted rental rate is significantly below even the first quartile rental rates.

Without full access to the rental data, it is difficult to pinpoint exactly how many dwellings were rented for at least 20% below the market rate, however, given an assumed normal distribution, i.e., a bell curve, it is likely that the portion would be miniscule. Part 3 *Retention of Affordable Housing* of the Housing SEPP would serve no practical purpose should the Applicant’s derived definition be applied given that next to no dwellings within the locality would meet this threshold.

North Sydney LGA – Studio Rental Statistics for Studios only			
Year (Average of 4 quarters)	20% < Median Market Rate	First Quartile (Yearly Average)	Median (Yearly Average)
2021	\$282.00	\$316	\$353
2020	\$306.60	\$341	\$383
2019	\$336.00	\$381	\$420
2018	\$354.00	\$399	\$443
2017*	\$347.20	\$398	\$434
2016 December Qtr	No data		

**Incomplete data – September 2017 and December 2017 quarters only.*

A review of the current rental listings within the North Sydney LGA on the largest online real estate platform reveals that there are currently no self-contained studio apartments listed for rent for less than \$370 per week, with the majority being within the \$400-500 range which is consistent with the median rates during the 2017-2019 pre COVID period. Despite this, the applicant argues that the existing studio apartments rented for between \$350-375 do not provide affordable housing within the LGA.

The same exercise is undertaken below for two-bedroom apartments within the North Sydney LGA.

North Sydney LGA – Studio Rental Statistics for Two Bedroom Dwellings only			
Year (Average of 4 quarters)	20% < Median Market Rate	First Quartile (Yearly Average)	Median (Yearly Average)
2021	\$510	\$548	\$676
2020	\$505	\$558	\$631
2019	\$542	\$596	\$678
2018	\$552	\$611	\$690
2017	\$553	\$605	\$691
2016 December Qtr	\$544	\$600	\$680

A review of the current rental listings within the North Sydney LGA reveals that there are currently only a few two-bedroom apartments listed for rent for less than \$650 per week (without parking), with the majority being within the \$650-900 range.

Given that there are no studios or two bedroom apartments for rent at 20% less than market rate, it provides further evidence that this methodology bears no relevance to the practical retention of affordable housing within the North Sydney LGA. Properties rented for 20% less than the median market rate are likely to be units rented from approved social housing providers and do not reflect the real rental market.

Conclusion

The applicant has erroneously sought to equate the provision of new (predominantly government) incentivised affordable housing for eligible persons with *low-rental dwellings* provided in the free market. The purpose of SEPP (Housing) 2021 is to maintain existing low-rental housing within the locality.

Condition C23 as originally recommended, requiring a contribution of \$1,071,300.00, remains an accurate assessment and must be imposed pursuant to [subsection 47\(2\)\(g\) of the Housing SEPP](#). The condition is calculated strictly in accordance with [section 48 of the Housing SEPP](#) and the consent authority can be satisfied that the development will, or is likely to, reduce the availability of affordable housing in the area in accordance with [subsection 48\(1\)\(a\) of the Housing SEPP](#), as it is evident that the demolition of the existing building would result in a loss of affordable rental housing for low very low income households, low income households or moderate income households within the LGA.

Whilst it is acknowledged that the contribution is sizeable, it must be considered that the development would result in the loss of 21 dwellings, and given a replacement cost of \$892,750, the contribution would only go part of the way to mitigate the loss of affordable housing.

Furthermore, the contribution is consistent with the matters for consideration in [section 7.32 of the EP&A Act](#). The condition, as demonstrated above, is consistent with the objects of the Housing SEPP and the EP&A Act.

The Panel must also consider the following matters before imposing the condition.

15 Requirement for imposition of conditions—the Act, s 7.32(3)(a)

Before imposing a condition under the Act, section 7.32, the consent authority must consider the following:-

- (a) affordable housing must aim to create mixed and balanced communities,*
- (b) affordable housing must be created and managed so that a socially diverse residential population, representative of all income groups, is developed and maintained in a locality,*
- (c) affordable housing must be made available to very low, low and moderate income households, or a combination of the households,*
- (d) affordable housing must be rented to appropriately qualified tenants and at an appropriate rate of gross household income,*
- (e) land provided for affordable housing must be used for the purposes of the provision of affordable housing,*
- (f) buildings provided for affordable housing must be managed to maintain their continued use for affordable housing,*
- (g) affordable housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the area.*

As the condition recommended to be imposed under section 7.32 of the Act relates to a monetary contribution the Panel can be satisfied that the Department of Housing would utilise this funding to provide affordable housing consistent with (a) – (g) inclusive above.

Miscellaneous Issues

The following matters have also arisen from additional documentation submitted by the applicant on or after 25 July 2022.

Unit 22A – The applicant has also advised Council that the previous owner had converted a storeroom and was collecting rent. It is not suggested that the contribution be charged regarding the loss of this dwelling as, regardless as to whether the application is approved, this unit was never approved and should be decommissioned. The matter may be referred to Council's Compliance Staff should the applicant not be approved.

Resident Relocation Plan - The applicant has advised that there are currently five vacant dwellings with the remaining units being occupied.

RECOMMENDATION:

The recommendation of the assessment dated 25 July 2022, including conditions C23 and C24, be endorsed by the Panel.

Michael Stephens
SENIOR ASSESSMENT OFFICER

Robyn Pearson
TEAM LEADER (ASSESSMENTS)

Stephen Beattie
MANAGER OF DEVELOPMENT SERVICES



25 July 2022

Mr Robert Emerson
Acting General Manager
North Sydney Council
200 Miller Street
North Sydney, NSW, 2060

Attention: Mr Michael Stephens

Dear Mr Stephens,

DA/432/21 - Request for Additional Information 2 Sutherland Street, Cremorne

This letter has been prepared by Ethos Urban on behalf of AP Development No 1 Pty Ltd (the Applicant) in relation to DA/432/21 which was submitted to North Sydney Council (Council) on 13 December 2021. The proposal seeks the redevelopment of the site to contain eleven (11) new residential apartments. Following lodgement, Council issued a Request for Additional Information (RFI), as set out below:

"In accordance with Part 3 of Chapter 2 in SEPP (Housing) 2021 it should be demonstrated that the existing residential flat building does not meet the definition of a low-rental residential building within the relevant period under the SEPP to confirm that the proposed demolition of the existing building would not cause a loss of affordable housing within the locality. Sufficient documentation is to be provided to demonstrate the requirements of the SEPP".

This analysis includes a review of *State Environmental Planning Policy (Housing) 2021* (SEPP Housing) and the proposed DA documentation, including existing rental data provided by the Applicant in relation to the existing 21 dwellings within the residential flat building proposed to be demolished. As per SEPP Housing, this rental data has been compared with rental data from the NSW Government (Family and Community Services) Rent and Sales Report to determine if the proposal results in the loss of any affordable low rental dwellings and therefore should be subject to affordable housing contributions under Part 3, Clause 48 of SEPP Housing.

In summary this analysis finds that:

- The existing residential flat building contains a total of 21 dwellings comprising 3 x 2-Bedroom units (including one caretaker unit) and 18 x Studio units.
- Affordable rental housing is defined by the Australian Government as rental housing that is at least 20% below market value rent, consistent with the *National Rental Affordability Scheme Act 2008*.
- Median rental levels for Bedsitter units (studios) and 2-Bedroom units within the North Sydney LGA have been extracted from the Family and Community Services Rent and Sales Report over the available period between December 2021 to September 2017.
- Applying the 20% affordable housing rate to the market rents averaged across the abovementioned timeframe the following are considered lost affordable low rental housing stock:
 - Bedsitter units below \$323 / week; and
 - 2-Bedroom units below \$530 / week.
- On this basis there are two existing units considered affordable low rental housing on site, including:
 - Unit 15, Studio; and
 - Unit 20, 2-Bedroom.
- In the circumstances of the existing development including a caretakers' unit priced according to labour in lieu, the proposed contribution equates to \$133,913.

1.0 Existing Development

The existing residential flat building contains a total of 21 dwellings, comprising a total of 24 bedrooms, as set out below:

- 3 x 2-Beds (including one caretaker unit) = 6 bedrooms; and
- 18 x Studios = 18 bedrooms.

1.1 Does the existing development contain low rental dwellings?

Part 3, Clause 45 of SEPP Housing defines a **low rental dwelling** as:

*A dwelling that was let at a rental level no greater than the median rental level, as specified in the **Rent and Sales Report**, during the **relevant period** in relation to a dwelling—*

- (a) of the same type, and*
- (b) with the same number of bedrooms, and*
- (c) in the same local government area.*

Of relevance to this analysis:

Rent and Sales Report means the Rent and Sales Report published by Services Australia or a publication issued in place of the publication by or on behalf of the Australian Government.

Relevant period means the period commencing 5 years before the day on which the development application involving the building is lodged and ending on that day.

Further to this, The National Rental Affordability Scheme (NRAS) given force by the *National Rental Affordability Scheme Act 2008* prescribes the following conditions for affordable rental dwellings:

...

The rental dwelling is rented to a tenant or tenants of a kind prescribed by the regulations; and

*Each charge of rent for the rental dwelling during the year is at least **20% less than the market value rent** for the dwelling.*

...

The subject DA was lodged in December 2021, as such the **relevant period** in this case extends to December 2016. In accordance with SEPP Housing, Ethos Urban has extracted the available rental data for the North Sydney LGA from the Rent and Sales Report produced by Family and Community Services (FACS). This data extends back to September 2017, noting that prior to the September 2017 quarter, different procedures were applied to calculate rent and sales, resulting in a series break. In consequence, FACS has advised that comparisons with quarter earlier than September 2017 may not be valid. Furthermore, from the September 2017 quarter, FACS has introduced additional bedroom typologies such as the 'Bedsitter' category which commonly represents Studio dwellings. In this regard, it is considered more appropriate to apply December 2021 to September 2017 as the **relevant period**.

Table 1 below includes rental data relating to Bedsitters and 2-Bedroom units.

Table 1: Rent and Sales Report Rental Data, September 2017-December 2021

North Sydney LGA	Bedsitter (studio)	2-Bedroom
Dec 2021	\$360	\$650
Sep 2021	\$350	\$650
Jun 2021	\$350	\$650
Mar 2021	\$350	\$600
Dec 2020	\$350	\$600
Sep 2020	\$375	\$625
Jun 2020	\$393	\$620
Mar 2020	\$415	\$680
Dec 2019	\$400	\$675
Sep 2019	\$400	\$670
Jun 2019	\$440	\$680
Mar 2019	\$440	\$685
Dec 2018	\$435	\$675
Sep 2018	\$435	\$685
Jun 2018	\$450	\$700
Mar 2018	\$450	\$700
Dec 2017	\$428	\$690
Sep 2017	\$440	\$680
last four quarter average	\$353	\$638
Affordable rental price (80%)	\$282	\$510
average for entire period	\$403	\$662
Affordable rental price (80%)	\$323	\$530

Source: Ethos Urban extracted from Rent and Sales Report, FACS, September 2017 to December 2021

Table 1 highlights the material differential between median rents across each relevant bedroom category. It is appropriate to then interpret the loss of affordable low rental dwellings as units that are valued 20% below the median market rate in the locality. As detailed in **Section 1.1** above, Affordable rental housing is defined by the Australian Government as rental housing that is at least 20% below market value rent, consistent with the National Rental Affordability Scheme (NRAS) and enforced by the *National Rental Affordability Scheme Act 2008*. The summary at the bottom of **Table 1** factors in this affordable housing rate.

In accordance with **Table 1** above, any studios units below \$323 / week or 2-Bedroom units below \$530 / week, are considered to be affordable low rental housing stock. **Table 2** below contains existing rental data provided to Ethos Urban by the Applicant. Ethos Urban has not been provided with individual existing lease agreements over the relevant period, however this information can be sought upon request.

Table 2 Sutherland Street, Cremorne Rents

Unit	Bedrooms	Rent 2016	Rent 2019	Rent 2020	Rent 2021	Average
1	Studio	\$340	\$395	\$350	\$350	\$359
2	Studio	\$380	\$395	\$350	\$350	\$369
3	Studio	\$350	\$375	\$379	\$375	\$370
4	Studio	\$340	\$375	\$379	\$375	\$367
5	Studio	\$340	\$395	\$395	\$350	\$370
6	Studio	\$340	\$360	\$350	\$350	\$350
7	Studio	\$340	\$375	\$379	\$375	\$367
8	Studio	\$370	\$380	\$375	\$350	\$369
9	Studio	\$340	\$375	\$379	\$350	\$361
10	Studio	\$340	\$375	\$379	\$375	\$367
11	Studio	\$375	\$380	\$350	\$355	\$365
12	Studio	\$340	\$375	\$375	\$375	\$366
13	No data	No data	No data	No data	No data	No data
14	2 bedroom	\$340	\$175	\$380	\$175	\$268*
15	Studio	\$175	\$375	\$365	\$295	\$303
16	Studio	\$340	\$375	\$375	\$350	\$360
17	2 bedroom	\$585	\$585	\$585	\$585	\$585
18	Studio	\$340	\$375	\$375	\$375	\$366
19	Studio	\$375	\$400	\$350	\$350	\$369
20	2 bedroom	\$510	\$550	\$550	\$350	\$490
21	Studio	\$375	\$385	\$375	\$350	\$371
22	Studio	\$340	\$390	\$390	\$350	\$368

Source: Platform Project Services extracted from RP Data

The Rent and Sales Reports also provide sales data. This data is used to calculate the **replacement cost** of the contribution payable. **Replacement Cost** is calculated as the average value of the first quartile of sales of strata properties. **Table 3** below presents first quartile of data across different property titles within North Sydney for the last four quarters. The average is then used in the contribution formula, as set out under **Section 1.2**.

Table 3: North Sydney Sales Data, first quartile, December 2020 – September 2021

Sales Quarter	Strata	Non-Strata
Sep 2021	\$970,000	\$2,407,000
Jun 2021	\$850,000	\$2,893,000
Mar 2021	\$868,000	\$2,400,000
Dec 2020	\$883,000	\$2,100,000
Average	\$892,750	\$2,450,000

Source: Ethos Urban extracted from Rent and Sales Report, FACS, December 2020 to September 2021

1.2 Calculating Loss of Low Rental Dwellings

As detailed within **Table 2** above, the following units represent lost affordable housing with rents averaged over the relevant period:

- Unit 14, 2-Bedroom (caretaker unit*): \$268
- Unit 15, Studio Unit: \$303
- Unit 20, 2-Bedroom: \$490

Note: A total of 5 bedrooms

Pursuant to Part 3, Clause 48 of SEPP Housing, where imposing a contribution, the consent authority must be satisfied the development will, or is likely to, reduce the availability of affordable housing in the area. The amount of the contribution must be calculated in accordance with the following formula:

$$C = L \times R \times 0.05$$

where—

C is the contribution payable.

L is the total number of bedrooms in a low-rental dwelling and boarding rooms that will be lost by the proposed development.

R is the replacement cost calculated as the average value of the first quartile of sales of strata properties in the local government area in which the development is to take place, as specified in the 4 most recent editions of the Rent and Sales Report.

$$C = 5 \times 892,750 \times 0.05$$

Accordingly, the resulting affordable housing contribution is **\$223,188**, however refer to further discussion below.



Caretaker Dwelling - Unit 14, 2- Bedroom

The caretaker unit should not be considered as low cost accommodation for the purposes of calculating the offset.

Within the existing development, rent paid for the caretakers' unit (Unit 14) reflects a discount applied in lieu of labour. Labour (hourly rate, priced at minimum wage) x 20 hours/ week = effective discount \$21.38 x 2 = \$427.60 (effective discount). If this effective discount was added to the rent being paid for this 2-Bedroom unit, the actual market rent for the dwelling would be as follows:

- Discounted rent charged for the caretakers' dwelling + discount applied for labour = actual market rent
- \$340 + \$427.60 = **\$767.60**

In this regard, Unit 14 is not rented at below 20% of the average market rental price, because the value of the discount in lieu of labour must be taken into account. Pricing in this discount to accurately assess whether the dwelling is priced at 20% below market (in terms of rent paid in cash or in the form of labour), indicates that the dwelling is not low cost accommodation. On this basis, we propose that the value of 'L' discounts the caretaker unit and therefore represents three bedrooms, as opposed to five bedrooms.

$$C = 3 \times 892,750 \times 0.05$$

In the proposed case considering the nature of the caretakers' unit, the proposed contribution is **\$133,913**.

2.0 Conclusion

This letter has been prepared by Ethos Urban on behalf of AP Development No 1 Pty Ltd in relation to DA/432/21 which was submitted to North Sydney Council (Council) on 13 December 2021. In response to an RFI issued by North Sydney Council, Ethos Urban has reviewed of *State Environmental Planning Policy (Housing) 2021 (SEPP Housing)* and the proposed DA documentation, to determine if the proposal results in the loss of any affordable low rental dwellings and should therefore be subject to affordable housing contributions under Part 4, Clause 38 of SEPP Housing.

This letter considers that in the circumstances of the site (acknowledging the nature of the caretakers' unit) the Applicant is required to pay an affordable housing contribution of **\$133,913** pursuant to Part 3, Clause 48 of SEPP Housing. This contribution is considered an appropriate condition on any development consent.

Should you have any additional queries or require any further information, please do not hesitate to contact the undersigned.

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