

AFFORDABLE HOUSING CONTRIBUTION
SCHEMES **RESILIENT SYDNEY PROJECT**

OVERVIEW AND RECOMMENDATIONS

Urbanista



Urbanista Australia Pty Ltd 2023

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on the lands of the Gadigal people
of the Eora Nation

1. Context and Introduction

This paper introduces the suite of resources developed by Urbanista through the Resilient Sydney Affordable Housing Contribution Scheme (AHCS) Project to enhance the quality, effectiveness and take-up of AHCSs by councils.

Project Purpose and Objectives

The purpose of the project is to facilitate and streamline the introduction of soundly based Affordable Housing Contribution Schemes and in so doing improve effectiveness, reduce lead times and free up scarce resources in order to improve affordable housing outcomes.

The key objectives of the project are to:

- Demystify and simplify the process for individual councils seeking to implement AHCS;
- Build local council capacity to establish and expeditiously implement their own AHCS;
- Provide a package of practical resources and tools for council officers;
- Encourage the implementation of AHCS to increase the number of affordable housing rental dwellings for very low to moderate income households across metropolitan Sydney.

Project Scope

The project was focused on enhanced processes, guidance and tools to help councils establish affordable housing contribution schemes that are compliant with the current state government framework regulating the preparation of AHCSs.

Whilst the resources provided in this project cover substantial parts of the process for developing a Scheme as set out the Department of Planning and Environment (DPE) [‘Guideline for Developing an Affordable Housing Contribution Scheme’](#) (the AHCS Guideline), they do not cover every aspect in detail. For example, detailed guidance on feasibility assessment and setting contribution rates is not currently included. It is anticipated that the suite of resources will be augmented over time.

Resilient Sydney has prepared an overarching implementation guide to assist councils to navigate the process and to utilise the tools and resources most effectively.

Approach

The first stage of this project focused on consulting with key stakeholders to understand the barriers to developing schemes and to inform decisions on the priorities for the next stage of the project.

To determine the changes to policy settings and tools that would help to streamline the process for developing schemes and increase the number of schemes approved, Urbanista developed a focused consultation strategy to engage with critical stakeholders. With the support of project sponsor Southern Sydney Regional Organisation of Councils (SSROC), three workshops were conducted to which all Sydney councils were invited, drawing attendance from across 24 LGAs.

Feedback from councils is documented in an overview entitled “**AHCS 2022 Council Engagement Results**”. The Team also met with key state government agencies, peak bodies and with experts and practitioners.

Council and other stakeholder input and analysis by Urbanista informed the preparation of a “**AHCS Directions Paper**” to guide areas where effort was focused in the second stage of the project and ensure that work was targeted to the priority areas identified through the workshops, surveys and engagement with councils and others, as agreed by the Steering Committee. The Directions Paper identified a range of opportunities to address the barriers to the development of AHCSs identified through the program of engagement. Following considering by the Steering Committee, it was agreed to focus work on developing selected tools that would be of most assistance to councils and others to address the barriers having regard to the project resources and timeframe for the work.

Resource Package

The resource package developed in response to the priorities identified through the program of engagement and Urbanista’s analysis comprises:

- **Evidence base** – Set of core metrics to demonstrate the need for a Scheme to local communities and stakeholders.
- **Standard LEP clause** – A standard clause that can be adapted by councils for inclusion in their LEP to activate their AHCS to streamline preparation and to minimise risk of a challenge to the validity of affordable housing requirements.
- **AHCS Template** – A structured, partially prepopulated framework for an AHCS, with explanatory notes to guide preparation of a scheme.
- **AHCS Compendium** – Practical examples and other guidance to support the preparation of a Scheme, including advice on partnering with a community housing provider (CHP) or providers.
- **AHCS Resources** – LEP and AHCS provisions in use for current schemes.

Section 2 – Provides an overview of the components of this resource package:

Section 3 – Maps the resources to the steps for developing an AHCS set out in the DPE Guideline.

Opportunities to further support council to prepare AHCSs

One critical area that is not extensively covered in the tools provided through this project, is streamlining the assessment of feasibility and the determination of contribution rates. While detailed work on this was beyond the scope of this project, further work required to facilitate more efficient and streamlined approaches has been documented for consideration by the project sponsors.

In addition to these resources, Urbanista’s work for Resilient Sydney also explored and documented:

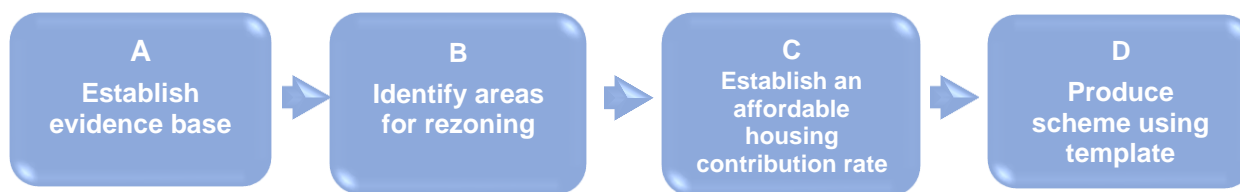
- Opportunities for government to further support the preparation of the evidence base for individual AHCSs and the potential for centralised data to facilitate this;
- A framework for a standard clause to capture land as and when it is rezoned or upzoned;
- Enhancements to the Planning Portal to support the tracking of affordable housing contributions and affordable housing outcomes.

Urbanista’s work also revealed potential for more substantive changes, beyond what is possible under the current legislative framework or which would require adjustments to the legislative framework or Regional/District Plans, and which therefore are not within the scope of this project. These opportunities identified through Urbanista’s investigations and from engagement with local government and other stakeholders, were captured for further consideration in a separate paper entitled “**AHCS Wider Intervention Opportunities**”.

2. Components of AHCS Resource Package

<p>Evidence base</p> <p>Set of core metrics designed to demonstrate the need for an AHCS</p>	<p>Provides a set of baseline metrics to demonstrate housing needs in support of the establishment of an AHCS. The Evidence Base is structured to respond to three key questions:</p> <ul style="list-style-type: none"> Q Is there a current need for affordable housing? Q What are the dimensions and influences of housing need? Q What are the housing market constraints? <p>The Evidence Base sets out the data fields needed to respond to these questions, together with the data source and the geographic level at which is available.</p>
<p>Standard LEP clause</p> <p>Standard clause that can be adapted by councils for inclusion in their LEP to activate their AHCS</p>	<p>Draws on existing clauses in place for current schemes to provide the base provisions required for legal implementation of an AHCS.</p> <p>To avoid the need to periodically update the provisions of the LEP clause, the approach used is to streamline the clause itself with the AHCS to provide details such as the areas to which it applies, the contribution rate, process for collecting and using contributions. However, there is nothing to prevent councils choosing to include some details in the clause instead.</p>
<p>AHCS Template</p> <p>A structured, partially prepopulated framework for an AHCS, with explanatory notes to guide preparation of a scheme.</p>	<p>Designed to simplify and demystify the preparation of a Scheme, the template provides a structured, partially prepopulated framework for an AHCS comprising standard provisions for councils to include in their AHCSs, together with explanatory notes for additional guidance for developing customised local provisions or where locally relevant data is required.</p> <p>Formatted in keeping with the structure set out in the DPE’s AHCS Guideline, the Template provides standard text for fields where common wording can be used across AHCS. Where locally based or area specific content is required, the Template provides guidance on satisfying requirements and links to examples in the ACHS Compendium.</p>
<p>AHCS Compendium</p> <p>Practical examples and other guidance to support the preparation of an AHCS</p>	<p>To be used in conjunction with the Template provides:</p> <p>Examples of approaches used in current schemes including in relation to:</p> <ul style="list-style-type: none"> - legislative basis for scheme - relationship to other housing initiatives - contribution rates - conditions of consent <p>Implementation tools to assist councils in:</p> <ul style="list-style-type: none"> - structuring implementation frameworks - managing contributions and affordable housing assets - partnering with Community Housing Providers
<p>AHCS Resources</p> <p>Examples of provisions in use</p>	<p>Compilation of some practical examples of:</p> <ul style="list-style-type: none"> - LEP affordable housing contribution provisions - AHCS provisions

3. Resources mapped to AHCS Guideline



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The suite of resources developed by Urbanista are based around the steps that councils are required to follow under the DPE’s AHCS Guideline. The table below summarises where each fits under the four steps set out in the current Guideline. As noted, the resources do not comprehensively cover all aspects, rather they are designed to assist councils overcoming the main areas of challenge experienced by councils in preparing a Scheme.

The final column of the table identifies proposals developed or recommended under this project that could further simplify or enhance the steps in preparing an AHCS. These are detailed further in **Section 4 ‘Related Initiatives and Recommendations’**. These proposals have been identified for consideration by the Steering Committee, not for immediate use as part of the package of tools for councils.

Guideline Step	Tools	Resources	Related initiatives
Step A: Establish an evidence base	AHCS Evidence Base provides a set of core baseline metrics to demonstrate housing needs in support of the establishment of an AHCS.	Accompanying tables set out the data fields to satisfy the identified metrics, geographic level at which relevant data is available, the data source and hyper-links.	Proposal for a centralised data base with functionality to generate a standard report which could satisfy requirements of Step A.
Step B: Identify areas for rezoning	Standard LEP Clause for use by councils when introducing an AHCS	AHCS Template provides explanatory notes regarding identification of where the scheme applies. AHCS Resources provides examples of LEP provisions used for existing AHCSs.	Proposal for a standard clause to capture land as and when it is rezoned or upzoned.
Step C: Establish an affordable housing contribution rate	AHCS Template provides explanatory notes to assist councils incorporating contribution rates. Note the Template does not provide advice about assessing viability or determining contribution rates.	AHCS Compendium provides examples of contribution rate frameworks used in some existing schemes. AHCS Resources provides examples of LEP and AHCS provisions for contribution rates.	Scoping of further work to examine more standardised/streamlined approach to assessing feasibility and determining rates.

Guideline Step	Tools	Resources	Related initiatives
<p>Step D: Produce scheme using template</p>	<p>AHCS Template provides standard provisions for councils to include in their AHCSs, together with explanatory notes for additional guidance on developing customised local provisions or where locally relevant data is required.</p>	<p>AHCS Compendium designed to be used in conjunction with the Template, provides examples of approaches used in current schemes and guidance on partnering with a community housing provider (CHP).</p> <p>AHCS Resources documents examples of provisions from some existing schemes.</p>	<p>Proposal that current constraints on the introduction of an AHCS for a group of councils, on a regional or district basis for example, be examined and addressed.</p>
<p>Implementation</p>		<p>AHCS Compendium provides guidance on partnering with a community housing provider (CHP) in the delivery of affordable housing and examples of:</p> <ul style="list-style-type: none"> - Contribution collection process mapping and instructions - A contribution Calculator - A standard housing transfer deed. 	<p>Recommendations for enhancements to the Planning Portal to support tracking of affordable housing contributions and affordable housing outcomes.</p>

4. Related Initiatives and Recommendations

While the focus of the project has been on the development of tools and resources to support the current AHCS framework, in the process of engaging with councils and other stakeholders and investigating possible approaches, some options for further enhancing how the effectiveness and take-up of schemes have been identified.

Set out below are recommendations and initiatives aimed at simplifying or enhancing the preparation of AHCSs working within the current legislative provisions governing the levying of contributions for affordable housing, but in some cases going beyond the current framework as set out in the guidelines.

Step A: Establish an evidence base

To support a streamlined and resource efficient approach to establishing an evidence base to satisfy the requirements of Step A of the DPE's AHCS Guideline, it is recommended that:

- ◆ DPE endorse the Evidence Base framework as proposed as sufficient to satisfy the requirements of Step A;
- ◆ A central data hub be created at a state level with functionality to generate a standard report for use by councils in support of their schemes; and
- ◆ A robust and consistent method of assessing the impact of short term rental accommodation (STRA) be developed in view of the impact this form of letting has on certain housing markets.

Step B: Identify areas for rezoning

In addition to the standard clause developed for the introduction of a contribution framework for identified sites, a draft LEP clause has been prepared to also capture additional land as and when it is rezoned or upzoned. It does this by identifying 'Future Affordable Housing Contribution Areas' where contributions will be required in the event land is rezoned or upzoned through a Council or proponent led planning proposal. The clause links to a framework for determining rates for future rezonings, thus flagging these to the market in advance of rezoning.

Step C: Establish an affordable housing contribution rate

AHCS Scoping for Standard Method for Setting Contribution Rates provides a scope of works for exploration of a more standardised approach for setting and updating contribution rates including:

- ◆ Assessment of alternative methodologies identified through Urbanista work or elsewhere;
- ◆ Conversion to standardised contribution rates set with reference for example to precinct characteristics, market conditions, current and proposed building form;
- ◆ Mechanisms for:
 - updating rates to keep pace with cost and land value increases;
 - adjusting rates in response to projected improvements in development feasibility;
 - enabling tailored rates where circumstances do not support the standardised approach.
- ◆ Supporting tools and resources.

Step D: Produce scheme using template Implementation - Regional or district schemes

To support councils seeking to develop collective schemes on a regional or district basis, it is recommended that:

- ◆ Current constraints on the introduction of an AHCS for a group of councils be examined and addressed; and
- ◆ Consideration be given to supporting collective schemes which allow individual councils to opt in as and when they have local support.

Implementation

To ensure that affordable housing contributions are secured in accordance with requirements and that outcomes of schemes can be demonstrated, a paper on **AHCS Tracking of Contributions and Outcomes** proposes:

- ◆ **Tracking and collection of contributions** - To support councils in securing contributions under AHCSs, it is recommended that the Planning Portal be enhanced to provide a common framework for tracking and collecting affordable housing contributions.
- ◆ **Monitoring Housing Outcomes** – To demonstrate to stakeholders that AHCSs are delivering on their objectives and to enable monitoring of the success of schemes, it is recommended that a standard reporting framework, based on the draft format developed by Urbanista, be introduced through the Planning Portal, for councils to report on the affordable housing outcomes delivered through their schemes.