



**Resilient Sydney
Collaboration**

**AFFORDABLE HOUSING
CONTRIBUTION SCHEMES**

Directions Paper

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Urbanista



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on the lands of the Gadigal people of the Eora Nation



TABLE OF CONTENTS

Part 1: Context, Scope and Objectives.....	2
1.1 Introduction	2
1.2 Background	2
1.3 Project Objectives and Scope.....	3
1.4 Outline of Report	3
Part 2: Consultation and Engagement	4
2.1 Approach.....	4
2.2 Agencies and Experts	4
2.3 Local Government.....	4
Part 3: Overview of Progress Preparing Schemes.....	6
Part 4: Barriers to Developing Schemes.....	10
4.1 Common Themes	10
4.2 Local Government Perspectives.....	10
Exploration of Barriers	10
Addressing Current Constraints	12
4.3 State Agencies and Peak Bodies	15
Department of Planning and Environment.....	15
Other State Agencies and Peak Bodies	15
4.4 Observations and Concluding Comments.....	16
Part 5: Improvement Opportunities.....	18
5.1 Improved Settings, Processes, Guidance & Tools.....	18
5.3 Streamlining Steps in the Current Process.....	21
Part 6: Recommendations for Stage 2	27
Appendix A: Consultation	28
Appendix B: Council Survey Questionnaire.....	29
Appendix C: Council Progress Implementing Housing Strategies and Initiatives	33
Appendix D: Statutory Basis for Guideline Steps	41

PART 1: CONTEXT, SCOPE AND OBJECTIVES

1.1 INTRODUCTION

This Directions Paper has been prepared by Urbanista to guide areas where effort will be focused to propose enhanced processes, guidance and tools to help councils establish affordable housing contribution schemes that are compliant with state government requirements, increase the number and effectiveness of Affordable Housing Contribution Schemes (AHCS) in place across Greater Sydney Region and deliver more affordable housing.

In line with the project brief, the first stage of the project has focused on consulting with key stakeholders to understand the barriers to developing schemes and to inform decisions on the approaches to be developed in the next stage of the project.

Our findings also highlight potential for more substantive changes, beyond what is possible under the current legislative framework and therefore not within the scope of this project. Opportunities identified through Urbanista's investigations and from engagement with local government and other stakeholders, have been captured for further consideration in a separate paper entitled ***"Affordable Housing Contribution Scheme: Wider Improvement and Intervention Opportunities"***.

1.2 BACKGROUND

This project is sponsored by the Resilient Sydney Diverse & Affordable Housing Steering Committee (Steering Committee). The Committee was first convened in March 2021 to work together to identify solutions to Sydney's housing affordability crisis, with a particular focus on increasing the amount of affordable housing. The Steering Group is chaired by Monica Barone, City of Sydney and has representatives from:

- Department of Planning and Environment (DPE or the Department)
- Greater Cities Commission (GCC)
- City of Sydney
- Cumberland City Council
- SSROC.

The Steering Committee hosted a workshop, inviting participation from all councils in the Sydney metropolitan area on 30 April 2021. The purpose of the workshop was to ask councils about their experiences in developing affordable housing policy and delivering affordable housing dwellings, within current policy setting in their local areas.

The workshop was attended by over 40 people, representing 24 councils who together identified several barriers to the delivery of affordable housing. Following that workshop, the Steering Committee identified three areas for immediate focus, including:

- assisting councils in the implementation of State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes) (SEPP 70) – now incorporated in Housing SEPP
- improving the availability of housing related data to assist councils in developing appropriate policy settings, and
- demonstration projects and innovative delivery models.

This project arises in response to the first of these priorities. Initiatives under the other two, will offer opportunities to further or reinforce this work.

1.3 PROJECT OBJECTIVES AND SCOPE

The key objectives of the project are to:

- Demystify and simplify the process for individual councils seeking to implement Affordable Housing Contribution Schemes (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.

The project brief specifies that in achieving the objectives, the approach should also:

- **Align with and build on existing planning policies and the strategic planning approach** provided through SEPP 70, the Greater Sydney Region Plan, the NSW Housing 2041 and Action Plan, the Affordable Housing Guide and Local Housing Strategies
- **Find solutions to barriers** for local government in utilising SEPP 70 (Housing SEPP)
- **Minimise the resource demand on councils** developing and implementing AHCS by identifying the most effective procedures and approval processes to fast-track the preparation and adoption of compliant AHCS so that schemes can be readily established when planning proposals involving development uplift are submitted to Gateway
- **Provide an alternative to site-specific voluntary planning agreements** in association with site-specific and precinct-wide rezonings where 'new' floor space is being created
- **Enable consistent and efficient assessment** of proposed AHCS by the Department, so providing more certainty for councils
- **Promote general consistency** in approach and process, while providing some **flexibility** for councils to respond to local issues
- **Endeavour to increase certainty for developers** about AHCS and how they will be applied
- **Help to demonstrate** to NSW Treasury and other parts of government that AHCSs can be effective and efficient.

1.4 OUTLINE OF REPORT

This report is ordered in six sections:

- 1: Context, Scope and Objectives
- 2: Consultation and Engagement
- 3: Overview of Progress in Preparing AHCSs
- 4: Barriers to Developing Schemes
- 5: Improvement Opportunities
- 6: Recommendations

PART 2: CONSULTATION AND ENGAGEMENT

2.1 APPROACH

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, we developed a focused consultation strategy to engage with critical stakeholders. We met with key state government agencies, peak bodies and with experts and practitioners.

To ensure we captured a deep understanding of the barriers for councils we held a series of workshops and conducted a short survey of councils. All 33 Sydney councils were invited to attend one of three workshops. The three workshops were drawn from inner and middle areas, middle to outer areas and Western Sydney respectively to capture differences in perspectives and experience across the metropolitan area and to encourage a community of interest. The workshops also included (as far as possible) councils with a scheme in place, those progressing a scheme or councils that had not yet developed a scheme.

Further details on the organisations and individuals consulted is at Appendix A.

2.2 AGENCIES AND EXPERTS

An important focus of consultation was engagement with teams within the Department of Planning and Environment that are responsible for approval of local housing strategies, overseeing and providing guidance on the feasibility tool and the regional team that has approved a number of council schemes.

Other state agencies such as the Greater Cities Commission, Department of Communities and Justice, the Registrar of Community Housing and Western Sydney Planning Partnership provided feedback and discussions with peak bodies, Community Housing Industry Association NSW and Shelter NSW as well as City West Housing provided unique perspectives and practical insights. Dr Nicole Gurran who has undertaken extensive research on affordable housing also shared her thoughts.

2.3 LOCAL GOVERNMENT

In addition to encouraging a community of interest it was also hoped that the commonality of experience and smaller groupings of councils meant participants were more receptive to sharing and learning from each other's experience and more open to looking at how a regional approach could assist.

Of the 33 councils invited, 24 attended the working groups as indicated in the table below. As the table reflects there was strong interest from Western Sydney councils.

WORKSHOP ATTENDANCE

WORKSHOP 1 - INNER/MIDDLE (8 councils)	WORKSHOP 2 – MIDDLE/OUTER (7 councils)	WORKSHOP 3 – WESTERN SYDNEY (9 councils)
Canterbury Bankstown	Burwood*	Blacktown
Inner West	Canada Bay	Camden*
North Sydney	Hornsby	Campbelltown
Randwick	Ku-ring-gai	Cumberland
City of Sydney	Lane Cove	Hawkesbury
The Hills	Northern Beaches	Liverpool
Waverley	Sutherland	Parramatta
Woollahra		Penrith
		Wollondilly

*No survey response received.

Councils attending the workshops were also invited to complete a short survey. The survey provided an opportunity to gather views and perspectives on the barriers councils face in developing AHCS, aspects that can be streamlined and tools and guidance that can help. The responses were further discussed in the workshops. An overview of results is provided in Section 3 C. Refer to Appendix B for a copy of the survey.

PART 3: OVERVIEW OF PROGRESS PREPARING SCHEMES

To gain an appreciation of how far individual councils have progressed in addressing housing issues, a review was undertaken of the steps each of the Sydney Metropolitan councils have taken to develop and implement housing initiatives. Information for this was drawn from the 22 survey responses of councils attending the workshops. For other councils, we conducted a desktop analysis.

Our overview includes:

- the status of Local Housing Strategies (LHS);
- if the LHS proposes development of an AHCS;
- if there is an Affordable Housing Policy/Strategy;
- if there is an Implementation or Delivery Plan in an LHS;
- if there is an AHCS in place;
- if there are other affordable housing initiatives.

A snapshot of council progress based on this analysis is provided below. A more detailed table is included at Appendix C.

Table 3.1 HOUSING STRATEGIES, POLICIES AND SCHEMES BY LGA

REGION/LGA	LOCAL HOUSING STRATEGY (LHS)	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	DELIVERY PLAN IN LHS	AHCS OR SEPP 70 APPLIES	OTHER INITIATIVES
WESTERN PARKLAND CITY						
Blue Mountains	Yes	No	No	No	No	In Progress
Camden	Yes	Yes	Partial	Yes	Proposed	Yes
Campbelltown*	Yes	Yes	Proposed	Yes	Proposed	Yes
Fairfield	Pending Approval	No	Partial	Yes	No	Yes
Hawkesbury *	Yes	No	Yes	Yes	No	No
Liverpool*	Yes	No	No	Yes	No	Yes
Penrith *	Yes	Yes	Yes	Yes	In Progress	Yes
Wollondilly*	Yes	No	Partial	Yes	No	No
CENTRAL RIVER CITY						
Blacktown*	Yes	No	Proposed	Yes	No	No
Cumberland*	Yes	No	Yes	Yes	No	Yes
Parramatta*	Yes	Yes	Yes	Yes	In Progress	Yes
The Hills*	Yes	No	In Progress	Yes	No	No

REGION/LGA	LOCAL HOUSING STRATEGY (LHS)	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	DELIVERY PLAN IN LHS	AHCS OR SEPP 70 APPLIES	OTHER INITIATIVES
EASTERN HARBOUR CITY						
Bayside	Yes	Yes	Proposed	Yes	In Progress	Proposed
Burwood	Yes	Yes	No	Partial	Proposed	Yes
Canada Bay*	Yes	Yes	Yes	No	Yes	Yes
City of Sydney*	Yes	Yes	Yes	Yes	Yes	Yes
Inner West*	Yes	Yes	Yes	Yes	In Progress	Yes
Randwick*	Yes	Yes	Yes	Yes	In Progress	Yes
Strathfield	Yes	Yes	Proposed	Yes	Proposed	No
Waverley*	Yes	Yes	No	Yes	Pending Approval	Yes
Woollahra*	Yes	Yes	No	Yes	No	No
NORTH DISTRICT						
Ryde	Yes	Yes	Yes	Yes	In Progress	No
Hornsby*	Yes	Yes	Partial	Yes	No	No
Hunters Hill	Yes	No	No	Yes	No	Yes
Ku-ring-gai *	Yes	No	In Progress	Yes	No	No
Lane Cove *	Yes	Yes	No	Yes	No	Yes
Mosman	Yes	No	No	Yes	No	No
North Sydney *	Yes	Yes	Yes	Yes	No	Yes
Northern Beaches*	Yes	Yes	Yes	Yes	Yes	Yes
Willoughby	Yes	No	Yes	Yes	Yes	Yes
SOUTH DISTRICT						
Canterbury-Bankstown*	Yes	Yes	In Progress	Yes	In Progress	Yes
Georges River	Yes	Yes	Yes	Yes	No	Yes
Sutherland*	Yes	No	No	No	No	No

Table 3.2 CURRENT STATUS - AFFORDABLE HOUSING CONTRIBUTION SCHEMES

Status	LGAs	No.
Scheme established	Canada Bay; City of Sydney; Northern Beaches; Randwick; Willoughby.	5
Pending approval	Waverley.	1
In progress	Bayside; Canterbury/ Bankstown; Inner West; Parramatta; Penrith; Ryde.	6
Proposed	Burwood; Camden; Campbelltown; Strathfield.	4
No Scheme	Blacktown; Blue Mountains; Cumberland; Fairfield; Georges River; Hawkesbury; Hornsby; Hunters Hill; Ku-ring-gai; Lane Cove; Liverpool; Mosman; North Sydney; Sutherland; The Hills; Woollahra; Wollondilly.	17

Almost half of the 33 councils in the Greater Sydney Region either do not have an AHCS in place or have made no progress towards implementing a scheme. There are currently five councils with an AHCS in place - City of Sydney, Willoughby, Canada Bay, Northern Beaches and Randwick. Waverley's scheme is 'pending approval'. A further six councils have a scheme 'in progress', with Canterbury/Bankstown well advanced with a Planning Proposal due to be lodged with DPE following exhibition. Another four councils propose to implement a scheme, as illustrated on the map below.

While the number of AHCSs is limited, it is interesting to note that many more councils have implemented 'other initiatives', including Voluntary Planning Agreements (VPAs) for affordable housing.

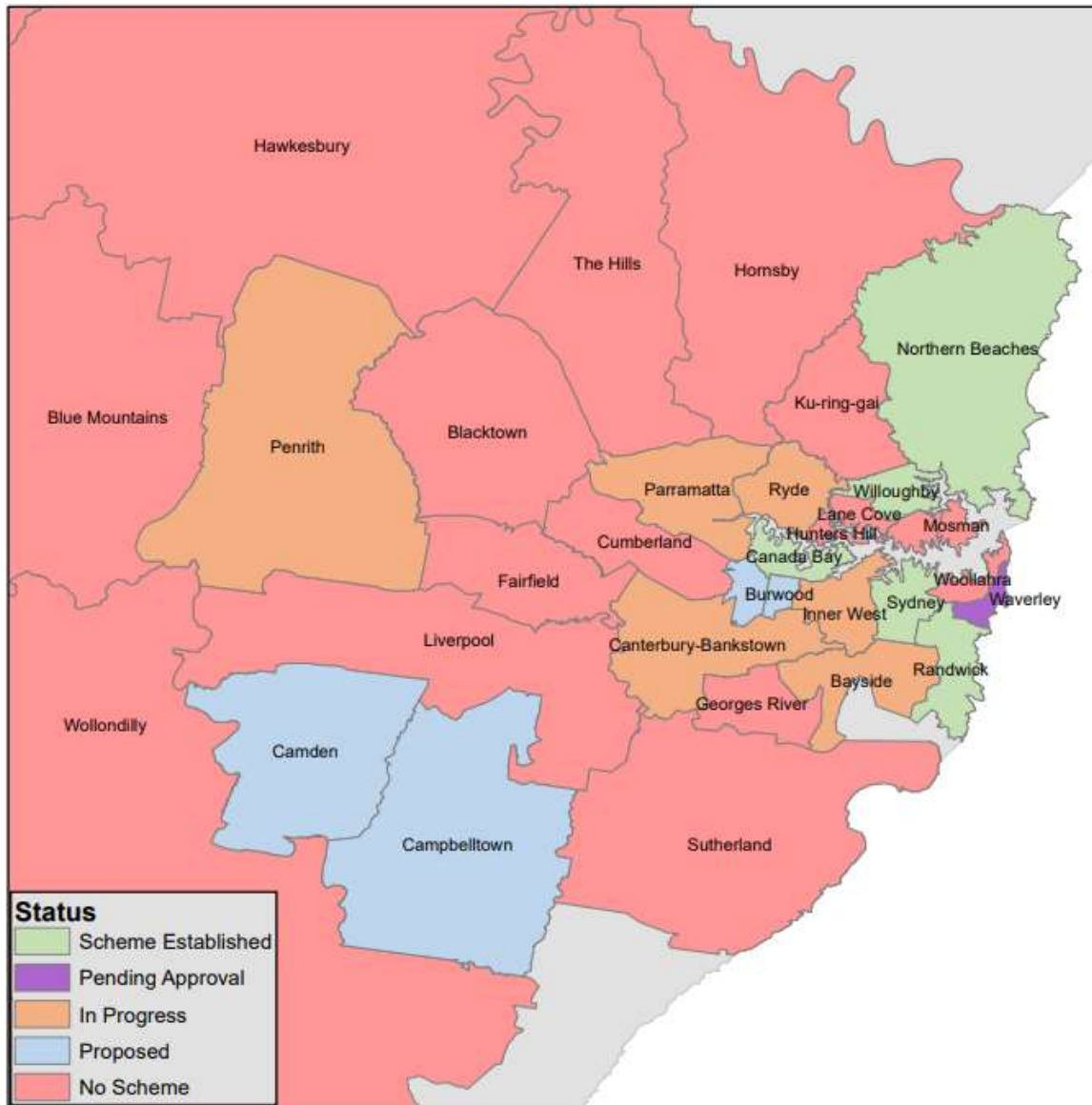


FIGURE 1. CURRENT STATUS DEVELOPING AFFORDABLE HOUSING CONTRIBUTION SCHEMES

PART 4: BARRIERS TO DEVELOPING SCHEMES

4.1 COMMON THEMES

Engagement with stakeholders confirmed the concerns identified in the previous Resilient Sydney workshop that prompted the commissioning of this project. Barriers and difficulties were noted by all stakeholders. Common themes were:

- The process for implementing AHCS is more difficult than it needed to be and could be more streamlined.
- The requirement and approach to demonstrate feasibility on a case by case basis is time-consuming, resource intensive and impedes implementation.
- Limiting schemes to precincts that are to be rezoned is a disincentive for many councils who have already rezoned town centres and key precincts.
- Despite the *Guideline for Developing an Affordable Housing Contribution Scheme*, the small number of schemes in place means there is a limited knowledge base at both state and local level of the detailed steps and system changes required for councils to get schemes up – “they don’t know what they don’t know”.
- Gaps in awareness and knowledge of the relative merits of different models of ownership and management of affordable housing generated by a scheme further add to uncertainty.
- Concern about the lack of resources in councils given the type of work involved and other strategic planning priorities.

Notwithstanding these common themes, there were important differences across councils and perspectives from other stakeholders also highlighted opportunities to improve and streamline the process for developing schemes.

4.2 LOCAL GOVERNMENT PERSPECTIVES

Exploration of Barriers

The workshops with councils explored council views on the following key barriers:

- Lack of elected council support
- Community opposition
- Limited opportunities to apply a scheme
- Land values unlikely to support viability
- Onerous process for gaining scheme approval
- Difficulty understanding/using the DPE feasibility tool
- Higher priority/competing strategic planning priorities
- Resourcing constraints (e.g staff, funding for studies)

Councils that participated in the workshops agreed that each was a barrier to developing schemes. The most significant barriers were seen to be land values unlikely to support viability and limited opportunities to apply a scheme. Resourcing constraints also featured as a significant barrier for many respondents. There were however important differences and perspectives across the workshop groups, as shown in the table below.

Table 4.1 Identified Barriers

Barriers	Inner/Middle (8)		Middle/Outer (6)		Western Sydney (8)	
	No.	%	No.	%	No.	%
Lack of elected council support	2	25	3	50	3	37
Community opposition	0	0	3	50	0	0
Limited opportunities to apply a scheme	5	62	3	50	5	62
Land values unlikely to support viability	4	50	2	33	7	87
Onerous process for gaining scheme approval	5	62	1	16	4	50
Difficulty understanding/using the DPE feasibility tool	4	50	2	33	1	12
Higher priority/competing strategic planning priorities	3	37.5	0	0	3	37
Resourcing constraints (e.g staff, funding for studies)	4	50	2	33	6	75
Other	3	37.5	1	16	3	43

Lack of elected council support was a significant barrier for some of the middle and outer ring councils, less so in the inner/middle groups where more councils have schemes in place. **Community opposition** was highest for this group of councils as well. Very few other councils identified community opposition as a barrier, likely because very few have progressed schemes and as such have not been able to test the views of their community.

While **limited opportunities to apply a scheme** was a barrier identified across all the workshop groups, the reasons for this varied across areas. In the inner/middle group, some councils noted that existing dense urban form meant limited opportunities for rezoning, whilst in some middle and outer and Western Sydney councils, town centres had already been rezoned.

A particular concern for Western Sydney councils, informed by the findings of jointly commissioned research, was that **land values do not support viability of a scheme**. The relatively lower underlying land values in Western Sydney are seen as a significant barrier and some commented that the current (SEPP 70/Housing SEPP) model is not appropriate for the region. Based on feedback from these councils, it appears that there is limited support for affordable housing contribution schemes

at both elected council and officer-level. Council officers referred to the affordability of housing in the region relative to other areas of Sydney, the high proportion of social and affordable housing in the area (“they have their fair share”) and the responsibility of other levels of government to supply social and affordable housing.

Notably, the inner and middle councils where a higher proportion of councils have a scheme in place, identified the **onerous process for gaining scheme approval** as a key barrier. All councils who had a scheme in place and some who were progressing a scheme also agreed that **difficulty understanding/using the DPE feasibility tool** was a barrier to implementing a scheme.

Council responses to the question about which was the **greatest barrier or challenge** frequently identified demonstrating feasibility and the current limitation – that schemes can only be applied to land that is rezoned or upzoned - of the current policy framework. The potential for the state government to play a stronger role in facilitating take-up of schemes and the resource constraints of councils were also noted in responses.

Councils that were implementing schemes also highlighted that there were resource impacts beyond getting the scheme approved. This included setting up administrative processes and costs associated with adjusting IT systems. In addition, councils with schemes in place had established their own approach to ownership and management of affordable housing. This varied from transferring both assets and tenancy management to registered community housing providers to retaining ownership of assets and contracting tenancy management to community housing providers. Those yet to develop schemes noted that councils were not set up to manage assets or tenancies and did not have the relevant expertise. This seemed to indicate a limited understanding of the skills and capacity of the community housing sector and the extent to which community housing providers are accountable through the Registrar of Community Housing and the [Community Housing Providers \(Adoption of National Law\) Act 2012 \(NSW\)](#) for effective management of social and affordable housing.

Addressing Current Constraints

As part of the survey, we sought council views on potential solutions to addressing the barriers they identified. Those suggested were:

- Simplifying and streamlining requirements for establishing a scheme
- A more standardised approach to feasibility assessment
- Tools and guidance, eg. templates, standard LEP clauses, conditions of consent
- DPE prioritising development of schemes
- Greater alignment between AHCSs and other processes (eg. LEP making Guidelines, Local Housing Strategy Guideline), and
- Additional resourcing

The survey results are shown in the next table.

Table 4.2 Addressing Current Constraints: Preferred Options

Potential Solutions	Inner/Middle		Middle/Outer		West.Sydney	
	No.	%	No.	%	No.	%
Simplifying and streamlining requirements for establishing a Scheme	5	62	1	16	2	25
A more standardised approach to feasibility assessment	6	75	3	50	5	62
Tools and guidance eg. templates, standard LEP clauses, conditions of consent etc.	5	62	4	66	3	37
DPE prioritising development of AHCSs	4	50	3	50	6	75
Greater alignment between AHCSs and other processes (eg. LEP Making Guideline, Local Housing Strategy Guideline)	1	12	2	33	4	50
Additional resourcing	2	25	2	33	5	62

A **more standardised approach to feasibility** was the solution most frequently identified across all workshop groups. However, as with barriers, there were varying perspectives across workshop groups in relation to other solutions. Inner/Middle councils saw **simplifying and streamlining requirements for establishing a scheme** as well as **tools and guidance** as solutions to addressing current constraints. At least half of Middle/Outer councils also identified that tools and guidance would assist in addressing the barriers.

At least half of the participants in all workshop groups identified that **DPE prioritising development of AHCSs** would facilitate development of schemes. A high proportion of Western Sydney councils also identified **additional resourcing** as a solution to addressing barriers.

To help inform the next stage of this project, workshop participants were asked to identify which of the tools and templates identified in the brief for this project, would be helpful for councils. (Note. Councils were not limited to a choice but asked to identify which they considered would be most beneficial). The results are set out below in line with the steps for developing a scheme contained in the Department's Guideline and shows most assistance is needed at Step C - establishing an affordable housing contribution rate and Step D - producing a scheme.

Table 4.3 Preferred Options Mapped to Relevant Step in Guideline

Current Guideline Steps	Templates and Tools	Council preferences*		
		Inner/Middle	Middle/Outer	Western Sydney
Step A: Establish an evidence base				
Step B: Identify areas for rezoning				
Step C: Establish an affordable housing contribution rate	C1. Methodology for establishing monetary contribution rates	3	2	5
	C2. A template consultancy brief that could be used in lieu of the Department's Feasibility Tool)	3	0	2
	C3. Guidance on applying rates to non-residential floor space	1	1	3
Step D: Produce scheme using template	D1. A template affordable housing program including: <ul style="list-style-type: none"> <i>Guidance on phasing in rates to support feasibility and optimise contributions</i> <i>Options for ownership and ongoing management responsibilities</i> 	4	4	4
Implementation	I1. A template planning proposal	1	0	0
	I2. A non-mandatory model LEP clause to require an affordable housing contribution of variable rates on sites to be identified in the future.	2	0	2
	I3. A guideline for standard conditions of consent for implementation of affordable housing contributions schemes	0	0	2

*Number of council officers who selected the tool/guidance.

A **template affordable housing program** and a **methodology for establishing monetary contribution rates** were more frequently identified than other tools. Tools associated with implementation (beyond the steps to have a scheme approved) such as a non-mandatory model LEP clause and a guideline for standard conditions of consent were not identified by many councils.

4.3 STATE AGENCIES AND PEAK BODIES

Department of Planning and Environment

Within DPE there were a range of perspectives. The view was put that councils had been slow to act and that this could be attributed to unwillingness for councils to upzone areas and lack of support from elected councillors. DPE has now instructed most councils to develop schemes as a condition of approval of their Local Housing Strategies.

An important clarification from the Department was that the Guidelines do not prohibit councils from developing a scheme if they did not have an area identified for upzoning even though this is in variance with Step B of the Guidelines which requires areas for rezoning to be identified. In contrast, by having a scheme in place in advance, councils would be able to incorporate ad hoc planning proposals.

Turning to experiences in approving schemes, the Department acknowledged that its feasibility tool is not “user friendly” and demonstrating feasibility is complicated. Most councils (with approved schemes) had not used the tool, engaging consultants to undertake the feasibility assessment needed to demonstrate that an affordable housing contribution is viable. The varying approaches to testing feasibility, together with councils not adhering to the template provided in the Guidelines, added complexity to the Department’s approval process.

The Department also acknowledged that varying land values and development opportunities across local government areas means that the viability of an AHCS will differ across the Metropolitan area and over time. More guidance and tools may be needed to understand and respond to this, for example, by facilitating the phasing in of rates over time.

It was also noted that other planning system changes and priorities, including reforms to infrastructure contributions may have implications for any changes to the approach to AHCS.

Other State Agencies and Peak Bodies

Other stakeholders observed that while SEPP 70 had been expanded to include all councils, and the Guideline developed, there is a lack of transparency and consistency in the government’s approach to affordable housing. It was noted that incorporation of affordable housing contributions in State Significant Precincts and other state-led precinct planning was variable.

The setting of targets of 5-10% by the Greater Sydney Commission in the District Plans was seen as a positive step, however there was a significant gap in state government guidance and resourcing to support implementation of initiatives to achieve the target. Failure to achieve the targets was seen as resulting in significant lost opportunities.

There was general agreement that the current policy settings and processes were cumbersome and make it difficult for councils to develop and implement schemes. The limitations placed on existing schemes has meant that even where schemes have been in place for some time, the amount of affordable housing delivered has been limited, further reinforcing doubts about the merits of introducing a scheme.

It was also noted that the lack of tracking and inability to understand what has been delivered under the former ARHSEPP and SEPP 70 provisions has contributed to the lack of transparency and inhibited effective policy review.

4.4 OBSERVATIONS AND CONCLUDING COMMENTS

All stakeholders agreed that many of the current policy settings are barriers to developing schemes and the process overall is onerous and resource intensive. The requirement to demonstrate site-specific feasibility to determine contribution rates was highlighted as a significant barrier. It is seen as overly complicated by councils that have implemented a scheme and also by the Department who has responsibility for approving them. Councils yet to develop a scheme also identified it as a major barrier, particularly since many see feasibility assessment as a 'new' or 'unknown' planning task in which they have limited expertise and experience.

Councils also identified the need for guidance on setting contribution rates. The current Guideline provides some parameters for feasibility assessment (see Appendix D) but these are more requirements than guidance on undertaking feasibility modelling. There is a guide accompanying the Department's Feasibility Tool but this is not tailored to developing rates for AHCSs.

While the focus of this project is to assist councils to utilise the current framework for AHCSs, there would be significant benefit from review of policy settings, particularly those relating to feasibility. As well as being an unduly complex assessment, the requirement to undertake precinct specific feasibility to set a rate for affordable housing is impractical and inefficient for both councils and developers. The feedback from councils that a levy is often found not to be feasible (even in higher value locations) raises questions about the assumptions on which feasibility is tested. Other more streamlined models, such as the system in the ACT, indicate that there is scope for an alternative approach.

Management of affordable housing delivered through schemes was not a central focus of consultation, however discussions with councils and others highlighted a limited understanding of this aspect. To help councils deal with this in an efficient way and make informed decisions, further guidance on the different models for holding and managing Affordable Housing and the relative merits of each could be developed or a more standardised approach be formulated for councils to adopt. As one of the concerns raised by stakeholders is the limited number of affordable housing dwellings that can be delivered under schemes (relative to housing need), the ability of community housing providers to leverage additional funds from the assets to deliver more affordable housing is important to communicate.

Even with a simplified process, it is important to acknowledge the variable support for establishing schemes across councils. Improving the policy framework, providing clearer guidance for councils and demonstrating the outcomes that can be achieved may help overcome the reticence in some councils. Nevertheless, firmer requirements by DPE compelling councils to complete a scheme may be needed for some councils to prioritise this.

Tracking of the affordable housing delivered under AHCSs is critical for assessing the effectiveness of the framework, ensuring compliance and supporting implementation. There is currently no readily available source of data on affordable housing opportunities or funds generated by schemes (and other elements of the Housing SEPP). If changes are being made to increase the take-up of schemes developing a tracking system to monitor and ensure compliance is critical.

The Registrar of Community Housing indicated that, if assets and management are transferred to community housing providers, its systems could be adjusted to provide for a tracking of how contributions from AHCSs are utilised to enable councils to report on the outcomes from their schemes.

In summary, the key to a greater take-up of schemes is to consider opportunities to streamline and standardise much of the framework, particularly requirements relating to feasibility assessment, contribution rates and indexing and arrangements for ownership and management of affordable housing.

To respond effectively to the current barriers, we are of the view that there would be significant benefit in considering more fundamental changes to the current framework, particularly requirements for demonstrating feasibility of contributions, setting contribution rates and prioritising or mandating the preparation of schemes. A number of suggestions came through in engagement on this project, others through our research, which involve a more broad-ranging review than is within the scope of this project. So as to contain this paper to its core purpose of seeking direction on work to be undertaken in the next stage of the current project, thinking on these further opportunities has been captured in a short supplementary paper entitled “***Affordable Housing Contribution Scheme: Wider Improvement and Intervention Opportunities***”.

PART 5: IMPROVEMENT OPPORTUNITIES

5.1 IMPROVED SETTINGS, PROCESSES, GUIDANCE & TOOLS

While, as mentioned, the consultation and review undertaken in the first stage of this project points to the need for a more broadly-based review of the framework for developing AHCSs, there are nonetheless important opportunities to streamline the current process and provide improved guidance and tools. By facilitating the preparation of schemes and demonstrating how successful schemes can be created, these steps would also provide a strong foundation more broad ranging reform in the future. Importantly, the faster streamlining and support for schemes under the current framework is put in place, the fewer opportunities for affordable housing will be lost.

The table below sets out improvement opportunities available under the current framework for addressing each of the barriers identified in Part 4.

Table 5.1 Overview of Options

Streamline the process for developing schemes
<p>Amend and simplify current steps in the <i>Guideline for Developing AHCSs</i></p> <p>Simplify steps and streamline the current process for developing schemes set out in the Guideline by simplifying the requirements for developing the evidence base, removing the requirement for land being rezoned prior to development of a scheme and developing components of the standardised template for schemes (also discussed below).</p>
<p>Responds to barriers:</p> <ul style="list-style-type: none"> ◆ Onerous process for developing schemes ◆ Resourcing constraints
<p>Impact:</p> <p>As many councils identified the process for developing schemes is onerous in terms of time and resources (staff time and consultants), streamlining the approach would reduce the complexity and resources required and time taken for councils to develop schemes.</p>
Develop a Standard LEP Clause
<p>Help simplify the process by developing a standard LEP Clause</p> <p>Develop a standard LEP clause and amend the Guideline to reflect this.</p>
<p>Responds to barriers:</p> <ul style="list-style-type: none"> ◆ Onerous process for developing schemes ◆ Resourcing constraints
<p>Impact:</p> <p>While developing a standard LEP clause would streamline the process for councils, this was not considered to be a priority by councils and would have a limited impact on addressing the barriers identified.</p>

Facilitate Feasibility Assessment

Improve current guidance and tools for feasibility assessment.

Improve current guidance on feasibility by:

- I. Improve guidance and training around the current tool
- II. Develop a template consultancy brief for councils for this work
- III. Separately scope approach to developing a simplified and streamlined methodology.

Responds to barriers:

- ◆ Difficulties understanding and or/using DPE feasibility tool.
- ◆ Limited viability for schemes

Impact:

While feasibility emerged as a significant barrier, addressing this requires more fundamental changes than the modifications i and ii above which could be undertaken as part of this project.

As such these options (improving guidance and training) and developing a template consultancy brief) would be of limited benefit to councils.

As feasibility assessment is such a significant barrier we strongly recommend alternative approaches to assessing feasibility be explored as proposed in sub-option iii.

Urbanista could scope this as a supplement to this work drawing on the feedback we have received and our understanding of the issues.

Further develop the standard template

Develop a template with pre-populated standard components

While the current Guideline includes a template for developing schemes, many of the sections would be common across councils. These parts could be developed in a more detailed template reducing the requirement for each council “to reinvent the wheel”.

The current template provides a skeleton outline for councils to populate. Sections such as objectives of a scheme, principles and the legislative basis for schemes could be developed for councils to insert in their schemes.

Responds to barriers:

- ◆ Onerous process for developing schemes
- ◆ Resourcing constraints

Impact:

This would simplify the preparation of schemes by councils allowing them to focus on those aspects unique to their scheme. It would bring consistency to schemes and having sections ‘pre-approved’ by their inclusion in the template would help streamline the Department’s assessment of schemes.

For this project we consider that the changes that would be of most benefit to councils working within the current framework would be Options 2 and 3 - simplify and streamline a number of steps in the current process set out in the *Guideline for Developing an Affordable Housing Contribution Scheme* including a more developed template for preparing schemes. Together these changes would reduce the amount of work required by councils, support consistency in approach needed for approval by the Department (with an appropriate level of flexibility for local circumstances) while ensuring that statutory requirements are met. Further detail on how the steps could be streamlined is provided below.

5.3 STREAMLINING STEPS IN THE CURRENT PROCESS

There is considerable scope to streamline the process for developing schemes. This has the greatest potential to improve the current framework to and support councils and the Department develop and administer them. The changes to policies and guidance proposed are intended to simplify and support each of the steps set out in the *Guideline for Developing an Affordable Housing Contribution Scheme* are worked through below.



Source: Guideline for Developing an Affordable Housing Contribution Scheme February 2019 (p13)

For reference the statutory provisions relevant to each of these steps are set out in Appendix D.

Step A: Establish an evidence base

The requirements identified in the AHCS Guideline go beyond what is strictly needed to implement the legislative framework to allow the levying of affordable housing contributions and so make the process more onerous than necessary. The Guideline also duplicates steps in the preparation of a local housing strategy.

For example, rather than identifying when updating of data is needed or identifying the specific evidence that is required over and above what is set out in the LHS Guideline in order to satisfy the legislative requirements of Division 7.2 of the Act and Chapter 2 of the Housing SEPP, the AHCS Guideline repeats many of the same requirements.

Section of 7.32(3) of the Act requires that contributions are reasonable having regard to the extent of need in the area, the scale of the proposed development and other contributions under section 7.11, with only the first of these relating specifically to Step A: Establish an evidence base.¹

If a Local Housing Strategy has been prepared by council and submitted to DPE for review, any shortfalls in gap analysis should have been identified at the time of review. If further specific analysis is considered necessary to support an AHCS, this needs to be more clearly identified and consideration should be given to whether this would be more efficiently provided through a central data set.

To meet the further SEPP requirement that the affordable housing must aim to create mixed and balanced communities and, closely linked to this, enable socially diverse communities, evidence needs to demonstrate that there is insufficient housing affordable to lower income households

¹ Section 7.32(c) requirement that a condition seeking an affordable housing contribution is reasonable having regard to the scale of the proposed development and other contributions under section 7.11 is covered under Step C.

relative to the supply of housing affordable to higher income groups and that contributions towards affordable housing will assist in addressing this imbalance.

Both the requirement under the Act that contributions are reasonable having regard to the extent of need in the area and the SEPP requirement that affordable housing contribute to balanced communities can be established fairly readily through an analysis of the housing stock available for rent or purchase by the very low to moderate income cohorts to determine if supply is not proportionate to need. Detailed breakdown of need and supply is not necessary to establish this and at any rate this information should be available in Council's Local Housing Strategy.

ALTERNATIVE APPROACHES

Remove the need for each council to establish an evidence base.

(7) In place of this, to satisfy section 7.32(3) requirements in relation to the extent of need and the SEPP requirements for consideration of the imperative to create balanced and diverse communities and to ensure consistency and reduce resources required for producing and updating data alternatives, either DPE (or DCJ) publish and periodically update indicators of affordable housing need on an LGA or regional basis to establish the shortfall and lack of diversity in affordable housing supply;*

or

(ii) Accept adoption within the last 3 years of a LHS that identifies a significant shortfall in housing for very low to moderate income households as a group or for specific household types as evidence of the need for affordable housing in an LGA or region; or where the LHS was adopted more than 3 years previously enable updating through a centralised data set;

or

(iii) If a LHS alone not considered adequate, identify the specific evidence requirements to be met over and above the LHS Guidelines eg assessment of proportion of housing affordable to very low, low and moderate income and support with a centralised data set.

* If State Government production of a central data not achievable, capacity to produce data through the Resilient Sydney Data Project could be examined.

Step B: Identify area(s) for rezoning

There is no statutory basis for this step and there are clear benefits in removing this as a precondition for the adoption of an AHCS.

As well as making the process simpler and faster, adopting an AHCS in advance of site identification gives the market notice of the intention to levy a contribution as and when sites are rezoned or upzoned. This in turn assists in containing speculative increases in land values. Having a scheme prepared allows for councils to respond to opportunities that arise from planning proposals and other changes.

Discussion with DPE has indicated that the need for this step is no longer seen as a critical requirement for the introduction of a scheme but this is not reflected in the Guideline.

ALTERNATIVE APPROACH

Remove requirement under Step B of the AHCS Guideline that areas for rezoning be identified in advance as prescribed and instead introduce a standard LEP clause to enable an approved AHCS to apply to specific sites as and when they are rezoned or upzoned thus satisfying the requirement of 7.32(1).

Step C: Develop an affordable housing contributions rate

Councils have indicated that they are particularly challenged meeting the requirements under this step due to lack of experience and expertise. Being on unfamiliar ground, many councils engage the services of expert consultants, adding considerably to the costs and time involved in preparing a scheme.

Compounding these difficulties, a perceived need for site specific viability testing not only adds exponentially to costs, it constrains the introduction of additional sites under an AHCS and can place councils in the position where they are forced to defend site specific assessments directly with a landowner or developer.

The DPE's Feasibility Tool is available for use by councils to assist in undertaking feasibility assessment however the Tool is not commonly used. The reasons given for this are twofold:

- it is complex to use and requires a lot of input data; and
- Council officers do not feel they have the expertise necessary to use the Tool effectively.

The process seems much more complicated than approaches in other jurisdictions. For example, the ACT which has been charging for uplift for many years, has a much more streamlined process. The charges are based on either the increases in dwelling yield using a standard value or capturing a set fraction of the increase in the land value as a result of the planning change.

In view of these not inconsiderable difficulties and constraints, consideration has been given to alternative approaches to meeting the requirement under section 7.32(c) of the Act that a condition requiring a contribution be reasonable. These are discussed further below.

Another element to consider is capacity to phase in contributions and increase rates in line with improving viability. In general, feasibility assessment is being undertaken at a point in time and, based on this, a decision made about whether development feasibility is sufficient to support a contribution and, if so, at what level. However, feasibility varies over time with market fluctuations, augmentation of infrastructure, local factors and as existing development ages. While forward looking feasibility assessment is particularly difficult given the unknowns, it is nonetheless important to link contributions to changing conditions so that contribution levels can be optimised. A framework that puts the market on notice of future proposed increases in contribution rates, gives developers transparency while also containing land speculation.

ALTERNATIVE APPROACHES

Determine standardised contribution rates based on:

(i) feasibility assessment of typical development scenarios determined with reference to precinct features, current building form and future potential;

or

(ii) an agreed percentage, say 75%, of any increase in the value of land arising from an upzoning.

Translate above rates to standard per square metre rates set with reference to location and proposed zoning, with a mechanism for updating rates to keep pace with cost increases.

Enable and support phasing in of rate increases linked to projected improvements in development feasibility.

Step D: Produce scheme using the template

Section 7.32(3(b) of the Act provides that a condition to levy an affordable housing contribution must be in accordance with a scheme either set out in the LEP or referred to in an LEP.

The current Guideline provides an outline of the components of a scheme and includes a skeleton “Template” in keeping with this. However, the content of the latter is quite minimal, specifying “what” rather than “how”, and requires extensive work by councils to populate it.

While the recommendations above would simplify the requirements for a Scheme, there would be significant benefit for councils if a template scheme was developed which councils could readily adopt, adjusting only those aspects specific to their LGA.

A template could for example include a summary of housing need (based on data provided by DPE as indicated in the alternative approach to Step A), the legislative basis for the scheme, model (adaptable) affordable housing principles, common definitions, standardised approaches to feasibility assessment and for indexing contributions, and options (or an approach) to ownership and management of affordable housing.

The availability of a AHCS template was nominated as one of the preferred tools by many of the councils in workshops.

As well as saving time and resources for councils, a standardised template would facilitate the approval process by the state government as many aspects included in the template would be pre-approved. It would significantly simplify DPE’s task in reviewing schemes both through a streamlining of content and through the greater consistency this approach would provide. Furthermore, it could support the development of regional schemes where individual councils can choose to opt-in as and when they are ready to participate.

ALTERNATIVE APPROACH

Prepare a framework for a Template Scheme which councils can adopt, adding local details and information, with capacity to further adjust where required in response to local or regional variations. See further overleaf.

TEMPLATE SCHEME – COMPONENTS AND PROPOSED APPROACH

A standard template could be prepared by developing those components of schemes that can be standardised so that councils are not required to “reinvent the wheel” each time a scheme is developed. In reviewing the skeleton template within the current Guideline we have identified those sections which could be pre-populated for councils or require only minor adjustments for differing local circumstances. This is set out below.

Guideline Component	Approach
Section 1 – Strategic context and background	
1.1 Objectives of the affordable housing contribution scheme	Model objectives with capacity for customisation by councils as appropriate.
1.2 Where does the affordable housing contribution scheme apply?	[To be either LGA specific or addressed as proposed under Step B above.]
1.3 What types of development does the scheme apply to?	[To be either LGA specific or addressed as proposed under Step B above.]
1.4 Overview - Affordable housing need	General introduction to housing affordability needs to be addressed through AHCS with provision for location specific information to be added drawing on approach agreed under Step A above.
1.5 Legislative basis for affordable housing contributions	General documentation for use in all schemes.
1.6 Relationship to other affordable housing provisions in the LGA	[For LGA specific input]
1.7 Affordable housing principles	Model principals with capacity for customisation on an LGA or regional basis.
1.8 Definitions	Model definitions
Section 2 – Affordable housing contributions	
2.1 Contribution rates	[To be either LGA specific or addressed as proposed under Step C above.]
2.2 Dedication of dwellings	[Address under 3.4 below.]
2.3 Equivalent monetary contribution	[To be either LGA specific or addressed as proposed under Step C above.]
2.4 Development that is exempt from the affordable housing contribution scheme	[To be either LGA specific or addressed as proposed under Step C above.]
2.5 Conditions of consent for affordable housing	[Dependent on standardisation of other elements of the framework.]

Guideline Component	Approach
Section 3 – Administration and implementation	
3.1 How to make a contribution	Standard framework
3.2 Indexing of payments	[To be addressed as proposed under Step C above.]
3.3 Processes for the distribution and management of funds	Scope further work to develop a standard framework or standard options for ownership and management of affordable housing (to be undertaken as a discrete project).
3.4 Registered community housing providers and delivery program	
3.5 Monitoring and review of scheme	[See Step D above.]
Appendix A – Local housing needs assessment	[To be either LGA specific or addressed as proposed under Step A above.]
Appendix B – Viability assessment	[To be either LGA specific or addressed as proposed under Step C above.]
Appendix C - Information Sources	Standard sources with capacity for councils to add.

PART 6: RECOMMENDATIONS FOR STAGE 2

Step A: Establish an evidence base

R1: LIAISE WITH DPE TO DEVELOP A PREFERRED APPROACH TO ESTABLISH AN EVIDENCE BASE to replace current requirements with:

- ◆ a centralised, regularly updated data set; or
- ◆ acceptance of adoption of a local housing strategy within previous 3 years and for strategies over 3 years enable updating through specified evidence requirements supported by a centralised data set; or
- ◆ acceptance of a local housing strategy as above together with specified additional data supported by a centralised data set.

Step B: Identify area(s) for rezoning

R2: IN CONSULTATION WITH DPE AND PARLIAMENTARY COUNSEL, DEVELOP A STANDARD LEP CLAUSE to enable an approved AHCS to apply to specific sites as and when they are rezoned or upzoned thus satisfying the requirement of 7.32(1).

Step C: Develop an affordable housing contributions rate

R3: SCOPE FURTHER ACTION AND INVESTIGATIONS REQUIRED, AS A DISCRETE PROJECT IN ADDITION TO CURRENT WORK, TO ESTABLISH A MORE STANDARDISED APPROACH FOR SETTING AND UPDATING CONTRIBUTION RATES including:

- ◆ Assessment of alternative methodologies detailed in this paper;
- ◆ Conversion to standardised contribution rates set with reference 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.
- ◆ Tools and resources to support above.

Step D: Produce scheme using the template

R4: PREPARE A FRAMEWORK FOR A TEMPLATE SCHEME which councils can adopt, adding local details and information, with capacity to further adjust where required in response to local or regional variations.

The table on page 25 sets out the components of a Template Scheme with reference to the requirements set out in the template provided in the Guideline. Some aspects will be dependent on the outputs of the work outlined above or may require more detailed development. Those proposed to be progressed in the current project are identified by shading in the table.

R5: LIAISE WITH DPE TO DEVELOP RECOMMENDATIONS FOR CENTRALISED TRACKING OF CONTRIBUTIONS AND AFFORDABLE HOUSING OUTCOMES.

APPENDIX A: CONSULTATION

Agencies

- Dept of Planning and Environment, including Housing Policy team, District teams, Local Strategies & Plan Making team & Legal team
- Department of Communities and Justice
- Greater Cities Commission

Viability Assessment

- DPE Team – Wayne Williamson, James Gilchrist
- Sutherland Shire Council – users of DPE Viability Tool

Community Housing

- NSW Registrar of Community Housing
- CHIA NSW
- CEO City West Housing

Housing Experts

- Helen O’Loughlin - formerly GSC Social Commissioner
- Stacey Miers - Principal Planning Officer, Shelter NSW
- Nicole Gurran - Prof of Planning, Member Western Sydney Planning Panel

Local Government

Western Sydney Planning Partnership - Luke Nicholls

Workshops – all Sydney Councils invited, those attended listed below.

Workshop 1 – Inner/Middle	Workshop 2 – Middle/Outer	Workshop 3 -Western Sydney
Canterbury Bankstown	Burwood	Blacktown
Inner West	Canada Bay	Camden*
North Sydney	Hornsby	Campbelltown
Randwick	Ku-ring-gai	Cumberland
Sydney City	Lane Cove	Hawkesbury
The Hills	Northern Beaches	Liverpool
Waverley	Sutherland	Parramatta
Woollahra		Penrith
		Wollondilly

APPENDIX B: COUNCIL SURVEY QUESTIONNAIRE

Resilient Sydney Diverse and Affordable Housing Project

Council Workshops

Pre-Workshop Survey

The purpose of the Resilient Sydney Diverse and Affordable Housing Project is to develop a suite of practical tools to guide and assist implementation of Affordable Housing Contribution Schemes.

The information from this survey will inform structured discussion in the workshops to help identify the practical steps and tools needed to streamline and improve the current framework.

*** 1. Does your council have an Affordable Housing Contribution Scheme?**

☐ Yes

☐ No

If yes, how long has your Scheme been in place?

*** 2. Does your council implement other affordable housing initiatives (eg. VPA's, policy initiatives)?**

☐ Yes

☐ No

If yes, please describe.

*** 3. Does your Local Housing Strategy propose responses to affordable housing issues?**

☐ Yes

☐ No

If yes, please describe and outline status.

*** 4. Has your council considered implementing an Affordable Housing Contribution Scheme?**

- ☐ Yes
- ☐ No

If yes, please outline status, eg. background studies, council resolution etc.

If no, please outline reason/s.

*** 5. What do you see as the barriers in your area to developing an Affordable Housing Contribution Scheme in accordance with the *Guideline for Developing an Affordable Housing Contribution Scheme*?**

- ☐ Lack of elected council support
- ☐ Community opposition
- ☐ Limited opportunities to apply a Scheme
- ☐ Land values unlikely to support viability of a levy
- ☐ Onerous process for gaining Scheme approval (eg demonstrating need, determining the levy etc.)
- ☐ Difficulty understanding/using the DPE feasibility tool
- ☐ Higher priority/competing strategic planning priorities
- ☐ Resourcing constraints (eg. staff, funding for studies)
- ☐ Other (please specify)

*** 6. What do you consider to be the biggest challenge or greatest barrier?**

*** 7. How do you think current constraints could be addressed?**

- ☐ Simplifying and streamlining requirements for establishing a Scheme
- ☐ A more standardised approach to feasibility assessment
- ☐ Tools and guidance eg. templates, standard LEP clauses, conditions of consent etc.
- ☐ DPE prioritising development of Affordable Housing Contribution Schemes
- ☐ Greater alignment between Affordable Housing Contribution Schemes and other processes (eg. LEP Making Guideline, Local Housing Strategy Guideline)
- ☐ Additional resourcing
- ☐ Other, please specify

* 8. Are there any issues you think should be discussed in the upcoming council workshop?

* 9. Please provide your contact details.

Name	
Position	
Council	
Email Address	

Thank you for completing the survey.

APPENDIX C: COUNCIL PROGRESS IMPLEMENTING HOUSING STRATEGIES AND INITIATIVES

Glossary

- AH – Affordable Housing
- AHCS – Affordable Housing Contribution Scheme
- CHP – Community Housing Provider
- LAHC – Land and Housing Corporation
- LHS – Local Housing Strategy
- LSPS – Local Strategic Planning Statement
- SEPP 70 - State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes)
- VPA – Voluntary Planning Agreement
- WSPP – Western Sydney Planning Partnership

Legend

Yes – Council has implemented initiative	No – Council has not implemented initiative	Partial – Council has partially implemented initiative	In Progress – Council is progressing initiative	Proposed – Council has proposed initiative	Pending Approval – Council has prepared unapproved initiative
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* All information current as of March 2022

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
WESTERN PARKLAND CITY						
Blue Mountains City Council Local Housing Strategy & LSPS	Yes	No	No	No	No	In Progress – LSPS includes future goal to Local Housing Affordability Review to investigate affordable housing including SEPP 70.
Camden Council Local Housing Strategy	Yes	Yes	Partial – LHS commitment to prepare Western Sydney Affordable Housing Strategy in collaboration with WSPP Councils.	Yes – LHS includes Implementation and Delivery Plan.	Proposed	Yes – VPAs.

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
Campbelltown City Council Local Housing Strategy	Yes	Yes	Proposed	Yes – LHS includes Implementation and Delivery Plan.	Proposed – undertaking work with Western City Planning Partnership.	Yes – VPAs for broad scale single owner / government development. City-wide contribution plan for development of all small holdings. Menangle Park suburb-specific contributions plan with VPA that applies to single developer with control of 90% of the land.
Fairfield City Council Draft Local Housing Strategy	Pending Approval	No	Partial – LHS commitment to prepare Western Sydney Affordable Housing Strategy in collaboration with WSPP Councils.	Yes – LHS includes Implementation and Delivery Plan.	No	Yes – VPA Policy.
Hawkesbury City Council Local Housing Strategy	Yes	No	Yes	Yes – LHS includes Implementation and Delivery Plan.	No – to be investigated following finalisation of LEP work and S7.11 & S7.12 Contributions reviewed.	No
Liverpool City Council Draft Local Housing Strategy	Yes	No – references removed through Council resolution.	No	Yes – LHS includes Implementation and Delivery Plan.	No	Yes – VPA Policy and proposed joint redevelopment of estates with LAHC / CHPs to increase social & AH.

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
Penrith City Council Local Housing Strategy	Yes	Yes	Yes – Draft Western Sydney District Affordable Housing Strategy.	Yes – LHS includes Implementation and Delivery Plan.	In Progress – commenced consultant-led investigations into a SEPP 70 scheme for greenfield areas.	Yes – VPAs. 3% AH Policy (note, not detailed and 12 years old).
Wollondilly Shire Council Local Housing Strategy	Yes	No – identifies need for AH but no mechanism.	Partial – LHS commitment to prepare Western Sydney Affordable Housing Strategy in collaboration with WSPP Councils.	Yes – LHS includes Implementation and Delivery Plan.	No	No
Central River City						
Blacktown City Council Local Housing Strategy	Yes	No	Proposed – LHS identifies preparation of an Affordable Housing Strategy as a short term (5 year) action.	Yes – LHS includes Implementation and Delivery Plan.	No	No – Council contributed to the WSPP Affordable Housing Strategy including options / economic viability of AH across study area.
Cumberland City Council Local Housing Strategy and Affordable Housing Study	Yes	No	Yes	Yes – LHS includes Implementation and Delivery Plan.	No	Yes – VPAs and other policy initiatives
City of Parramatta Local Housing Strategy	Yes	Yes	Yes	Yes – LHS includes Implementation and Delivery Plan.	In Progress – LHS provides high-level guidance for a future AHCS.	Yes – VPAs

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
					Council has a formal resolution to prepare an application for inclusion in SEPP 70.	
The Hills Shire LSPS and Local Housing Strategy	Yes	No	In Progress – Demand for affordable housing and options for improving affordability are being pursued	Yes – LHS includes Implementation and Delivery Plan.	No	No
Eastern Harbour City						
Bayside Council Local Housing Strategy	Yes	Yes	Proposed – LHS proposes Affordable Housing Strategy.	Yes – LHS includes Implementation and Delivery Plan.	In Progress	Proposed – VPA Policy under investigation.
Burwood Council LSPS Local Housing Strategy	Yes	Yes	No	Partial – Action Table	Proposed	Yes – VPA Policy.
City of Canada Bay Local Housing Strategy	Yes	Yes – continued implementation / update of AHCS.	Yes	No	Yes	Yes – VPAs on case-by-case basis.
City of Sydney Local Housing Strategy Affordable Rental Housing Strategy	Yes	Yes – continuation / improvement of current practices.	Yes	Yes	Yes – Scheme introduced 1994 has been updated over time.	Yes – preferential zoning, subsidised land sales and grants.

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
Inner West Council Local Housing Strategy	Yes	Yes – AHCS to be investigated when considering uplift. Included in Draft Planning Proposal for Parramatta Road uplift area. Feasibility testing and draft AHCS complete.	Yes	Yes	In Progress	Yes – VPA Policy requires affordable housing to be considered
Randwick City Council Local Housing Strategy	Yes	Yes	Yes	Yes	Yes	Yes – 2007 Citywide scheme via a VPA 2019 for Kensington to Kingsford Town Centre
Strathfield Council Local Housing Strategy	Yes	Yes	Proposed – LHS proposes Affordable Housing Strategy.	Yes	Proposed	No
Waverley Council Local Housing Strategy	Yes	Yes – 10% AH requirement to sites that receive uplift and 1% for all other apartment developments that don't receive uplift.	No	Yes	Pending Approval – Council endorsed AHCS not yet endorsed by DPIE.	Yes – VPAs negotiated for DAs / PPs to include 25% of funds towards AH. Waverley Affordable Housing Program (WAHP).
Woollahra Municipal Council Local Housing Strategy	Yes	Yes – includes short term action / scheme to accompany uplift in the Edgecliff Commercial Centre.	No	Yes	No	No
North District						

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
City of Ryde Local Housing Strategy	Yes	Yes	Yes	Yes	In Progress	No
Hornsby Shire Council Local Housing Strategy	Yes	Yes	Partial - Affordable Housing Discussion Paper	Yes	No	No
Hunters Hill Council Local Housing Strategy	Yes	No	No	Yes	No	Yes – VPA Policy.
Ku-ring-gai Council Local Housing Strategy	Yes	No	In Progress - LHS includes action to prepare Housing Affordability Study to inform AHCS. Timeframe 2021-2026.	Yes	No	No
Lane Cove Council Local Housing Strategy	Yes	Yes	No – identified as action under LHS.	Yes	No	Yes – VPAs and LEP Clause requiring AH in renewal precinct.
Mosman Council Local Housing Strategy	Yes	No	No	Yes	No	No
North Sydney Council Local Housing Strategy	Yes	Yes	Yes	Yes	No	Yes – VPA associated with site-specific PPs. Local contributions.

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
Northern Beaches Council Local Housing Strategy	Yes	Yes	Yes	Yes	Yes – scheme adopted by Council in 2020. AHCS to commence on 1 June 2022 with amendment to Warringah LEP via SEPP	Yes – AHP requires 10% of all land upzoned for residential purposes to be dedicated to Council for affordable housing. LHS includes target of 1,880 affordable dwellings to 236 and proposes AHS to achieve target
Willoughby City Council Local Housing Strategy	Yes	No	Yes - Draft Housing Strategy and Willoughby Housing Position Statement.	Yes	Yes	Yes - 7.11 and 7.12 Local Infrastructure Contributions Plan & Draft Planning Agreements Policy. Before resolving to rezone land, Council considers the inclusion of the subject land as an Affordable Housing Precinct
South District						
City of Canterbury-Bankstown Local Housing Strategy	Yes	Yes	In Progress	Yes	In Progress – draft AHCS adopted by Council in 2021. PP to be lodged with DPIE followed by exhibition.	Yes – VPA Policy
Georges River Council	Yes	Yes	Yes	Yes	No	Yes - six Section 94 Development

Location	LHS	LHS PROPOSES AHCS	AFFORDABLE HOUSING STRATEGY / POLICY	IMPLEMENTATION & DELIVERY PLAN INCLUDED IN LHS	AHCS (SEPP 70)	OTHER INITIATIVES
Local Housing Strategy						Contributions Plans for Georges River Council LGA and one Section 94A Plan
Sutherland Shire Council Local Housing Strategy	Yes	No	No	No	No	No

APPENDIX D: STATUTORY BASIS FOR GUIDELINE STEPS

Division 7.2 of the Environmental Planning and Assessment Act (1979) and the State Environmental Planning Policy (SEPP) Housing 2021 provide the statutory basis for levying contributions under Affordable Housing Contribution Schemes (AHCSs).

As discussed in the body of this report, the Guideline for Developing for an Affordable Housing Contribution Scheme sets out four steps to enable levying of affordable housing contributions.



Source: Guideline for Developing an Affordable Housing Contribution Scheme February 2019 (p13)

The statutory basis for each of these steps is set out below. In general, the Guidelines are more expansive than required by the Act or by the SEPP.

Step A. Establish an evidence base

APPLICABLE STATUTORY REQUIREMENTS

EPA Act:

Section 7.32(3)(c)(i) – the condition requires a reasonable contribution having regard to the extent of the need in the area for affordable housing

SEPP:

Clause 15 - Before imposing a condition, 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

GUIDELINE REQUIREMENTS

Establish and analyse evidence base to identify affordable housing needs including

- Demographic analysis
- Affordable housing supply
- Affordable housing demand
- Affordable housing gaps

Wide range of considerations are identified including factors beyond the LGA eg work travel and migration, employment profiles and anticipated changes over time.

Step B: Identify area(s) for rezoning

APPLICABLE STATUTORY REQUIREMENTS

EPA Act:

Application of conditions requiring affordable housing contributions under Division 7.2
Section 7.32(1)(c) - Conditions can be applied where the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site; or

Where 7.32(1)(a), (b) or (d) is satisfied which will not generally be the case in respect of a AHCSs.

SEPP: No relevant requirements

GUIDELINE REQUIREMENTS

Identify areas for upzoning – either a change of zone to enable residential development or a change of planning controls enabling greater density.

Test affordable housing contribution rates for identified areas.

Step C: Develop an affordable housing contributions rate

APPLICABLE STATUTORY REQUIREMENTS

EPA Act:

Section 7.32(3)(c) – the condition requires a **reasonable contribution** having regard to the extent of the need in the area for affordable housing

- (ii) the scale of the proposed development; and
- (iii) any other dedication or contribution required to be made by the applicant under this section or section 7.11

SEPP: No relevant requirements.

GUIDELINE REQUIREMENTS

While the Guidelines do not lay down a specific approach to establishing contribution rates, they do provide that:-

The residual land value approach to valuing land for redevelopment is the preferred method (pp 18 and 33) but that in the alternative for the base site value comparable sales data can be used (p 34).

- Contribution rates be tested over a range of sites where there is a noted difference in planning controls (p33).
- Contribution rates be tested as a percentage of gross floor area that the developer would be required to contribute to affordable housing units (and only then equivalised as a monetary contribution) (p 34)².
- First the viability of development of the sample sites be assessed for the proposed change in planning controls and then, if development proves viable, contribution rates are tested to determine if development continues to be viable (p 34).
- A single scheme may apply to multiple areas within an LGA, as long as the viability analysis supporting each area specifically addresses each one (p 20).

Step D: Produce scheme using the template

APPLICABLE STATUTORY REQUIREMENTS

EPA Act: Application of conditions requiring affordable housing contributions under Division 7.2 Section 7.32(3)(b) - Conditions can be applied only where authorised to be imposed by a local environmental plan, and is in accordance with a scheme for dedications or contributions set out in or adopted by such a plan.

GUIDELINE REQUIREMENTS

Refer Table in Part 6.

² The rationale for testing contributions as a percentage of gross floor space is unclear.



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