

Draft District Plan Information Note 4

AFFORDABLE RENTAL HOUSING TARGETS

This Information Note is part of a series that provide supporting information on the draft District Plans released by the Greater Sydney Commission. For more information or to access the other information notes in this series please visit www.greater.sydney

Affordable Rental Housing in the draft District Plans

The Greater Sydney Commission's approach to affordable rental housing draws from Action 2.3.3 of *A Plan for Growing Sydney* that requires State and local governments to create affordable housing within government-led urban renewal projects.

Our approach seeks to give greater clarity to councils and the development industry as to how to implement Action 2.3.3. Specifically, the draft District Plans nominate an Affordable Rental Housing Target of 5% to 10%, subject to viability, in urban renewal and land release areas.

The Target has been designed to support the needs of an existing and growing group of low and very low income earners. These households are the most vulnerable to housing stress and are often unable to afford suitable housing at market rents. Support for these households across Greater Sydney not only underpins Greater Sydney's liveable but its productivity.

The concept of Affordable Rental Housing Targets is not new to Greater Sydney, having been implemented in areas such as Sydney Olympic Park, Rouse Hill, Redfern and Green Square. However, the approach across these areas has not been consistent nor has there been a consistent approach across Greater Sydney.

Our approach gives greater market certainty and encourages housing supply. It provides an incentive to development through upzoning at the same time as requiring a proportion of development as affordable rental housing.

The 5 to 10% Target will be flexible enough to account for the local characteristics and urban economics of an area. The range has been identified based on feasibility testing undertaken in urban renewal and land release areas across Greater Sydney.

The Affordable Rental Housing Target is part of our overall plan to create a more equitable, productive, liveable and sustainable Greater Sydney. We will collaborate with stakeholders and the community to implement the Target and deliver affordable housing outcomes for the most vulnerable households.

This Information Note sets out our proposed approach to the Affordable Rental Housing Target. Further information will be provided in a subsequent formal Guidance Note that we will prepare with the Department of Planning and Environment and in consultation with local government, State agencies, community housing providers, the private sector and the community.

GSC INFORMATION NOTE 2016 (4)

IMPORTANT NOTE: The purpose of this information note is to provide guidance about the application of draft District Plans released on 21 November 2016. This information note is not to be construed as legal advice, does not form part of the draft District Plans and does not have statutory weight under the Environmental Planning and Assessment Act. Users are advised to seek professional advice and refer to the relevant legislation, as necessary, before taking action in relation to any matters covered by this information note.

Draft District Plan Information Note 4

AFFORDABLE RENTAL HOUSING TARGETS

Need for Affordable Rental Housing

The Greater Sydney housing market is commonly recognised as one of the least affordable in the world. In the last decade alone, the ratio of house prices to incomes has continued to grow while median rents have increased in real terms. Our stakeholder engagement identified housing affordability as a key challenge for Greater Sydney.

The affordability challenge is particularly acute in established areas undergoing urban renewal and gentrification, but is also increasingly evident in land release areas. Greater Sydney is experiencing greater social displacement as a consequence of development that is providing additional housing but not necessarily housing that is affordable to existing lower income households.

Recent research by the Australian Housing and Urban Research Institute found that the group of households most likely to be in long-term housing stress are couples with children (particularly those aged 35 - 54) and households with a family member with a disability. Other research estimates that Greater Sydney requires at least 4,000 to 8,000 additional affordable dwellings per annum to meet the needs of low and very low income households.

Application of the Affordable Rental Housing Target

The Affordable Rental Housing Target will apply to land that is the subject of upzoning (a change of land use to residential or an increase in permissible residential development density). The Target will not be applied retrospectively to rezoning that has already occurred; only for new areas nominated by the relevant planning authority.

To give the market certainty about the amount of affordable housing to be provided, and so that it can be factored into the development equation, the Target must be announced prior to, or at the time of, rezoning.

The Target will apply to land within new urban renewal or land release areas (both government and private) identified via a local or district housing strategy, or another form of appropriate research that illustrates a current or future need for affordable rental housing.

The Target will be calculated as a proportion of all residential floor space above the base floor space ratio (that is, the residential floor space ratio that was permissible before the upzoning within the nominated area).

Our approach does not propose a minimum dwelling threshold above which the Target would apply. Our work to prepare a Guidance Note during 2017 will however investigate whether it would be appropriate for developments of a smaller scale to pay a financial contribution in-lieu of providing affordable housing dwellings. Similarly, we will investigate whether there are other exceptional circumstances in which an in-lieu contribution might be acceptable. For example, this might occur where it would result in an overall improvement in the supply or location of affordable rental housing.

Draft District Plan Information Note 4

AFFORDABLE RENTAL HOUSING TARGETS

Viability Test Must Occur

The identification of an appropriate Target will be subject to development feasibility testing across the nominated area. This will ensure that the Target will not make continued supply of market housing economically unviable. Further details on viability testing assumptions and parameters will be provided in the Guidance Note.

We expect viability testing to give due consideration to development feasibility for a reasonable residential development in the nominated area including the reasonable costs of local, and where appropriate State, contributions.

Work to determine an appropriate and viable target for a nominated area is to be undertaken by the relevant planning authority responsible for the urban renewal or land release area (i.e. the relevant council, the Department of Planning and Environment or the Commission).

Any assessment of a viable target must be transparent and robust. Where required, the Commission will act independently to verify the development feasibility of a recommended target and provide advice to government to determine where exceptions may be granted if it is clear it would financially hinder delivery of a critical or major component of city-making infrastructure.

Eligibility for Affordable Rental Housing

Low and very low income households are the most vulnerable to housing stress because, proportionally, they have less money for living costs once they have paid their housing costs.

The draft District Plans identify the most vulnerable households as eligible for housing secured by the Target and defined by the income groups in the table below.



Household income	Proportion of median Sydney income	2016/17 income range
Very low	50%	< \$42,300 per annum or \$813 per week
Low	50% - 80%	up to \$67,600 per annum or \$1,300 per week

Draft District Plan Information Note 4

AFFORDABLE RENTAL HOUSING TARGETS

Management of Affordable Rental Housing

The Affordable Rental Housing dwellings will be secured by the relevant planning authority and may be passed onto a registered Community Housing Provider to manage, further developing this emerging sector of the economy.

Comparison with global cities

Affordable rental housing targets are common practice in global cities such as London, New York, Vancouver, San Francisco and Singapore. In many of these cities the proportion of affordable housing required exceeds our proposed 5% to 10%, subject to viability.

While these cities consistently use inclusionary zoning to secure affordable housing, there are differences in the tenure of housing secured and the circumstances and approach to supplementary funding. These differences mean cities such as London can reasonably require a higher proportion of affordable housing across a mix of tenures in comparison to Greater Sydney.

Our approach does not preclude the layering of funding within individual developments to increase the proportion of affordable housing provided. Our approach has also been designed to consider the local dynamics of an area so as not to hinder housing supply outcomes that, in turn, contribute to addressing the housing affordability challenge.

Other Matters

The draft District Plan approach is consistent with that announced in the Greater Parramatta and the Olympic Peninsula (GPOP) Vision that adopts *"a 5-10% (subject to viability) affordable rental housing target for nominated urban renewal areas for very low to low income households."*

Another recent example is the approach taken by the NSW Government as part of the Parramatta Road Urban Transformation Strategy, which tested and confirmed the viability of a 5% Affordable Rental Housing Target across the transformation area.

Our approach does not preclude councils from negotiating additional affordable housing for moderate income households, nor does it affect existing planning mechanisms that secure affordable housing across the full income range, such as those in the City of Sydney or Willoughby.

Next Steps

Our proposed approach to the Affordable Rental Housing Target will be:

- subject to further testing and discussion via our engagement with industry, local government, State agencies and the community, resulting in a more detailed Guidance Note
- informed by a strategic needs assessment for affordable rental housing across Greater Sydney to be undertaken by the Commission in accordance with the draft District Plans.