

Greater Sydney Commission Information Note 4

AFFORDABLE RENTAL HOUSING TARGETS

(Revised October 2017)

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This information note is not to be construed as legal advice, does not form part of the draft plans and does not have statutory weight under the *Environmental Planning and Assessment Act 1979*. 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.

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The Greater Sydney Commission is recommending to the NSW Government the introduction of Affordable Rental Housing Targets (Targets). The Targets are not currently NSW Government policy. Affordable Rental Housing Targets are one component of the set of measures across the housing continuum proposed by the Greater Sydney Commission to address the housing affordability challenge facing Greater Sydney.

Need for Affordable Rental Housing Targets

Greater Sydney has been identified as one of the least affordable housing markets globally and is the least affordable Australian city – with challenges for both purchasing and renting. This has been exacerbated in the past five years by rapid price growth. Other factors that contribute to housing affordability challenges include:

- the limited availability of smaller dwellings to meet the growing proportion of small households
- a relatively poor choice of rental housing options, with short and insecure rental agreements for tenants against a backdrop of an increasing trend to rent rather than buy
- the growing distance between areas where housing is affordable and the location of employment and education opportunities.

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. Their research also 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.

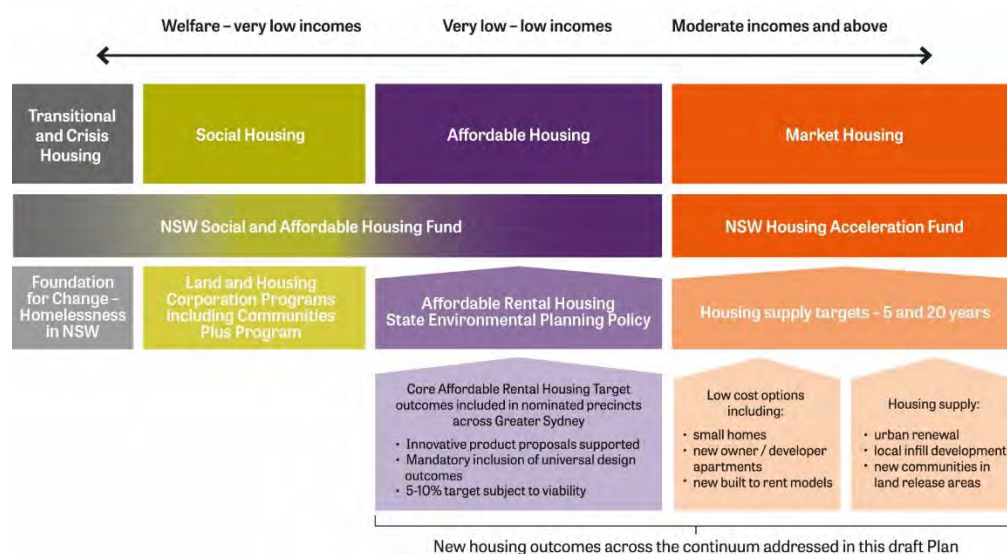


Figure: Housing continuum and relevant programs

Application of the Affordable Rental Housing Target

The draft *Greater Sydney Region Plan* and revised draft District Plans (October 2017) propose an Affordable Rental Housing Target in the range of 5-10% across Greater Sydney, subject to viability.

The Commission is proposing that Affordable Rental Housing Targets apply under the following conditions:

- apply to land that is the subject of upzoning — a change of land use to residential or an increase in permissible residential development density
- vary by precinct according to the local development viability
- apply only to new areas nominated by the relevant planning authority; conversely not apply retrospectively to rezoned land
- be announced prior to rezoning to give the market certainty about the amount of affordable housing to be provided, and so that it can be factored into underlying land prices
- 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
- 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.

The Commission may propose a minimum dwelling threshold above which the Target would apply. It may also be considered appropriate for developments of a smaller scale to pay a financial contribution in-lieu of providing affordable housing dwellings. The Commission will also investigate whether there are other exceptional circumstances in which an in-lieu contribution might be appropriate.

Viability testing

The identification of a Target will be subject to a consistent approach to development feasibility testing across a nominated area. This will ensure that the Target does not impede the economic viability of projects delivering new housing. Details on viability testing assumptions and parameters will be agreed in partnership with the NSW Department of Planning and Environment.

The viability testing will consider the feasibility of residential development, with a normal risk/return margin, including the cumulative costs of local, and where appropriate State contributions.

The relevant planning authority responsible for the urban renewal or land release area, including a council, the NSW Department of Planning and Environment or the Commission, will determine an appropriate and viable Target.

The viability test will be transparent and robust. Where required, the Commission will independently verify the viability of a recommended Target and advise the government on where exceptions may be granted if it is clear a Target would financially hinder delivery of a critical or major component of city-making infrastructure. An independent panel may be created for this purpose in partnership with the NSW Department of Planning and Environment.

Eligibility for Affordable Rental Housing

Affordable housing is defined under the *Environmental Planning and Assessment Act 1979* as housing for very-low income households, low-income households or moderate-income households.

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 (November 2016) and the revised draft District Plans (October 2017) identify the most vulnerable households (the low to very low income households) as eligible for housing secured by Affordable Rental Housing Targets as defined by the ranges in the table below with rent to be set at 30% of gross household income.

Specific income ranges by household type are provided by the NSW Department of Family and Community Services and available at www.housing.nsw.gov.au/centre-for-affordable-housing/

Household Income	Percentage 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

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 in cities such as London, New York, Vancouver, San Francisco and Singapore. In many of these cities the proportion of affordable housing required exceeds the Commission's proposed 5 to 10 per cent.

While these cities consistently use inclusionary zoning to secure affordable housing, there are differences in the definition of affordable housing, 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.

The Commission's approach has been designed to consider the dynamics of local areas in Greater Sydney so as not to hinder housing supply outcomes that, in turn, contribute to addressing the housing affordability challenge.

Other Matters

The proposed approach outlined in the draft *Greater Sydney Region Plan* and revised draft District Plans (October 2017) 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".

Other recent examples of a target-based approach have been indicated as part of the Parramatta Road Urban Transformation Strategy and Central to Eveleigh Transformation Strategy, which tested and confirmed the viability of a 5 per cent Affordable Rental Housing Target across the transformation area.

Next Steps

The Commission's proposed approach has been recommended to the NSW Government following testing and engagement with a cross section of stakeholders. If the approach is adopted further delivery detail will be provided with the finalisation of the *Greater Sydney Region Plan* and District Plans.