

1. Can you elaborate on the barriers councils have experienced when trying to implement affordable housing contribution schemes? (Transcript, p 15)

a. Are there any changes to the guidelines, policy or planning system that would facilitate councils implementing affordable housing contribution schemes?

In 2021 SSROC, in association with Resilient Sydney, identified and examined a range of barriers for local councils that were considering implementing local affordable housing contribution schemes. A workshop for local councils was held and a report by Urbanista commissioned. The report sought to detail and document the key barriers and potential solutions. <https://ssroc.nsw.gov.au/wp-content/uploads/2023/03/AHCS-2022-Council-Engagement-Results15.pdf> These barriers eroded the confidence of councils wanting introduce local schemes. There had been a history of an arduous, costly establishment process for councils coupled with a slow assessment and approval process.

These barriers included:

- Local councils' lack of experience and knowledge of how to establish affordable housing contribution schemes. Council planning staff had limited experience and expertise in undertaking this specialist planning task. The DPHI Guideline for developing an affordable housing contribution scheme to assist councils was insufficiently detailed.
- The extremely long period of time a council needed to prepare a scheme (and related LEP changes), and then have them approved and adopted. The inability for councils to align the time taken to establish a contribution scheme with usually faster timing of up-zonings meant many opportunities for increasing affordable housing supply were foregone.
- The challenges and costs to council of demonstrating that their nominated contribution rate(s) were viable and feasible for developers to make. Tying contribution arrangements to individual precincts made the process of developing one-off precinct related schemes resource- and time-intensive.
- The need to provide up to date local housing needs analysis. The Guideline required detailed current housing needs analysis that was often unnecessary in a sustained and deep housing affordability crisis.
- Ambiguities about framing a contribution scheme for inclusion in the Council's LEP that would be acceptable to DPHI.
- Agreeing the scope and spatial coverage of the contribution scheme that was acceptable to DPHI.

There was a lack of consensus around good practice and an absence of guidance regarding delivering Affordable Housing outcomes at scale.

SSROC and Resilient Sydney attempted to address some of these barriers by preparing a set of resources and templates for councils to use to help guide councils to quickly establish their own local scheme. A copy of the template scheme and other resources can be found at [Resilient Sydney – Affordable housing contribution scheme – DRAFT template](#) along with a user guide for councils.

Timing is crucial for establishing Affordable Housing Contribution Schemes

The NSW Government under the current Guideline for developing Affordable Housing Contribution Schemes has made up-zoning of precincts the main opportunity for establishing affordable housing contribution schemes.

The success of such affordable housing contribution schemes rely on schemes being implemented at the same time as the rezoning (or preferably earlier), ahead of land price speculation. This enables the developer to predictably account for the contribution cost when purchasing the land and undertaking project feasibility studies.

If the timing is right, and the cost of the developer contribution can be taken into account by reducing the price paid to the landowner by the same amount. Therefore, there is no need to pass an additional cost onto to future housing purchasers. Accordingly, the financial viability and profitability of the housing project are not adversely affected.

Once the contribution requirement is known the market value of the up-zoned land broadly adjusts by the amount equivalent to the contribution.

When major rezonings are undertaken by the State Government, the timing issue for effective contribution schemes becomes highly problematic for councils as the establishment of a new scheme by the council may occur months and often years after the rezoning has been gazetted. Demonstrating a significant contribution rate for a new scheme while also demonstrating viable housing projects then becomes a major hurdle for a scheme's approval. In these circumstances developers will often say that they can not afford to pay the contribution because the land purchase has already been transacted.

An effective solution to this timing problem (and the other scheme barriers) were recently found by DPHI when in establishing the Accelerated Precincts, within the Tier 1 Transport Oriented Development (TOD) Program. These TODs were led by the State Government.

Affordable Housing Contribution Schemes have been successfully established across seven TOD precincts involving six councils. Potentially they provide an effective approach for establishing future contribution schemes.

The success factors of the Tier 1 TOD program¹, that overcame past barriers include:

- Working with local councils using existing local housing needs analysis and affordable housing feasibility data.
- Addressing the timing issue by:
 - flagging the need for mandatory affordable housing contributions at the announcement of the TOD program.
 - providing indicative contribution rates when the TOD precincts were placed on exhibition as part of the EIE consultations.
 - ensuring that the adopted developer contributions applied at the same time as the upzoning was enacted.
- Applying a consistent rigorous methodology for testing housing project viability to set contribution rates, was provided by a single consultancy (Atlas Consulting)² across diverse precincts and housing markets.

¹ The state-led rezonings TOD accelerated precincts of Bankstown, Bella Vista, Kellyville, Crows Nest, Hornsby and Macquarie Park have been finalised and new planning controls have been made.

² Atlas carried out a program-wide review of Affordable Housing contributions to support a consistent policy approach on Affordable Housing contribution rates that would apply in seven of the accelerated precincts. <https://www.strathfield.nsw.gov.au/files/assets/public/v/1/develop/homebush-tod-precinct/tod-rezoning-accelerated-precincts-review-of-affordable-housing-contributions-november-2024.pdf>

- Adopting standard LEP clauses, developed in consultation with Parliamentary Counsel to establish the contribution schemes³.
- Using standard format digital Precinct Boundary Maps in the LEP to detail the applicable contribution rate and the land parcels in the precinct to which contributions apply.

b. How will affordable housing contribution schemes help increase the supply of essential worker housing?

Firstly, it will be critical to accurately count essential workers living in affordable housing projects and schemes to understand their access to this housing supply.

At the moment the extent to which affordable housing contributions schemes are supporting essential worker housing provision is unknown. There is no reliable comprehensive data about who is housed in the schemes. Without reliable data on affordable housing tenants, the performance of schemes is not known. This knowledge gap constrains meaningful targeting, the design of future affordable housing projects and decisions about whether additional targeting is warranted in the current income eligibility based arrangement.

To remedy this knowledge gap SSROC proposes that a central state register of affordable rental housing is established, covering schemes and other means of producing affordable housing to give a comprehensive picture of supply.

The NSW Registrar of Community Housing could potentially undertake this role of publishing a list of affordable housing and their points of access for applicants, at a low administrative cost as part of its existing reporting regime with all registered CHPs. Secondly, it is recommended that the Registrar require registered CHPs to report annually with anonymised aggregate survey data on the number and type of essential workers (applying agreed definitions) and the other cohorts living in the affordable housing by household income. It will be important to define who is to be counted. This data collection will then provide a comprehensive picture of the essential workers living in affordable housing as a subset of all affordable housing tenants.

This would help to provide a regional picture that identifies spatial gaps in service provision for cohorts of essential workers and trends in service delivery levels over time relative to the numbers of essential workers living in market housing.

This information on essential workers housing at a local level is a prerequisite for better shaping scheme strategies to promote essential workers access and prioritise the need for more affordable housing to help meet particular workforce needs in local educational, health and hospitality and commercial precincts.

Once there is data on the current essential workers in an LGA including:

- current affordable housing supply;
- the essential workers resident in the affordable housing;
- housing trends of the essential workforce in the overall housing market;
- labour projections for types of essential workers locally and regionally.

Then an essential worker housing strategy can be devised.

This data will help create transparency, build social licence for effective developer contributions and start to provide insight into how affordable housing helps to co-create value for local businesses and services.

³ <https://legislation.nsw.gov.au/view/html/inforce/current/epi-2013-0115#sec.7.5>

It could also stimulate the involvement of superannuation funds and employers in affordable housing provision and the delivery of affordable home ownership options.

Increasing the scale of affordable housing

One of the largest determinants of increasing supply of affordable housing to essential workers is simply increasing the number of affordable housing dwellings so that affordable housing is delivered at scale.

The supply of affordable homes relative to the demand for this housing is clearly inadequate. More needs to be done to optimise the supply of affordable housing using contributions as a catalyst to producing affordable housing at scale. See the link to more information about the delivery of affordable housing at scale, <https://sydney.org.au/wp-content/uploads/2022/12/Committee-for-Sydney-Bringing-affordable-housing-to-scale-December-2022.pdf>

There is an opportunity for State Government's planning and housing policies to work closely together to clearly promote the use of Tier 1 and 2 CHPs to layer finance (such as the Housing Australia Future Fund) together with council monetary contributions and other sources and or land to increase and accelerate the amount of affordable rental housing that is produced.

A significantly larger affordable housing sector will be better able to accommodate both the housing needs of essential workers and other in need cohorts to help create stronger mixed income inclusive communities and neighbourhoods.

Targeting

As noted in our submission, the eligibility criteria in the EPA Act and the NSW Affordable Housing Ministerial Guidelines do not exclusively target essential workers. A degree of flexibility has its merits given that most workers will move in and out of jobs and industries over their lifetime.

There would, however, be a number of ways an individual contribution scheme could increase the supply of affordable housing to essential workers by using a variety of controls and mechanisms.

Ideally based on the evidence of local housing and employment strategies, through its adopted affordable housing program and/or agreements with the nominated CHP, a council could endorse allocation policies for a scheme's affordable housing to promote essential worker housing.

A graduated range of measures could be employed, depending on the desired outcomes:

- The promotion/advertising of affordable housing vacancies through industry and union media channels to certain cohorts of essential workers could be used to attract essential workers generally, or to target this housing opportunity to particular vocational niches.
- Making a connection to the area, such as employment within the precinct a criterion for prioritising applicants.
- Designating housing allocations to essential worker cohorts in specific affordable housing projects that are close by to e.g. health or educational employment precincts.