

ITEM 4. AFFORDABLE HOUSING PLANNING PROVISIONS IN CITY PLAN – CAPTURING BETTERMENT AS A RESULT OF UPZONING**FILE NO: S062694****SUMMARY**

Sustainable Sydney 2030 establishes an ambitious target that, by 2030, 7.5% of all housing in the City will be social housing, and 7.5% will be affordable housing delivered by 'not-for-profit' or other providers. Achieving this target requires that of the 44,000 dwellings to be built in the City by 2030, 7,959 of these would be affordable rental dwellings and 653 social housing dwellings.

The *Draft City of Sydney Affordable Rental Housing Strategy* proposes that the City take a direct role in facilitating 2,959 affordable housing dwellings as part of its commitment towards achieving targets in *Sustainable Sydney 2030*.

This report outlines how planning provisions may be included in City Plan to 'capture' a proportion of any increase in site value as a result of 'up-zoning'. This would also provide a tool for Council to utilise in future amendments of City Plan where increased development potential on land is sought.

The City is exploring a range of measures to increase the amount of affordable housing in the Local Government Area (LGA). This report will be progressed concurrently with a report recommending an affordable housing levy for inclusion in City Plan.

RECOMMENDATION

It is resolved that Council:

- (A) engage in further consultation with stakeholders with regard to the inclusion of affordable housing planning provision in City Plan; and
- (B) commence negotiations with the Department of Planning with regard to the inclusion of affordable housing provisions in City Plan.

ATTACHMENTS

Nil.

BACKGROUND

1. The City recognises that access to secure, appropriate and affordable housing is not only a basic requirement for all people, but also an essential component of an inclusive, dynamic and sustainable city. The need for increased levels of affordable housing has been recognised in the following policy documents:
 - (a) NSW State Plan;
 - (b) Sydney Metropolitan Strategy;
 - (c) Draft Sydney City Subregional Strategy;
 - (d) Sustainable Sydney 2030;
 - (e) Council of Capital City Lord Mayors Affordable Housing Policy;
 - (f) City of Sydney Social Plan; and
 - (g) Draft City of Sydney Affordable Rental Housing Strategy.

2. Council’s targets for affordable housing are detailed in the City’s recently adopted strategic document, *Sustainable Sydney 2030*. *Sustainable Sydney 2030* establishes an ambitious target that, by 2030, of all housing in the City 7.5% will be social housing, and 7.5% will be affordable housing delivered by ‘not-for-profit’ or other providers.

3. Achieving targets requires that 7,959 affordable rental dwellings and 653 social housing dwellings be provided to 2030 (see Table 1).

Table 1 City of Sydney Affordable Housing Targets

City of Sydney Affordable Housing Targets			
	2006	2030	Growth to 2030
Total dwellings	90,000	134,000	44,000
Social Housing	9,397	10,050	653 (1% of growth)
Affordable Housing	2,091	10,050	7,959 (18% of growth)

4. While achieving this target will depend, to a significant extent, on the policies of other levels of government to increase the capacity of the not-for-profit sector and entice the investment of the private sector in affordable housing, the *Draft City of Sydney Affordable Rental Housing Strategy* proposes that the City take a direct role in facilitating 2,959 affordable housing dwellings as part of its commitment towards achieving targets in *Sustainable Sydney 2030*.

5. While it has been proposed that the majority of the *City's* target (2,959 affordable housing dwellings) would be achieved by way of an affordable housing levy, this report proposes a second tier of planning provisions for inclusion in City Plan where Council would 'capture' betterment on specific sites for the purposes of affordable housing. This provision would also provide an improved planning mechanism for capturing betterment as a result of up-zoning which would go towards the provision of affordable housing.
6. It should be noted that this report will be progressed concurrently with a report recommending an affordable housing levy for inclusion in City Plan.

Facilitating affordable housing in planning instruments

7. Where land is to experience a significant increase in value, for example, through up-zoning, Council may act to capture a proportion of this 'betterment' for affordable housing.
8. For example, by identifying specific sites that will receive a significant increase in value as a result of the introduction of City Plan, Council can act to include those sites on a schedule within City Plan where affordable housing contributions would be sought prior to the approval of any development application on the site.
9. A schedule identifying sites within City Plan where a contribution to affordable housing would be sought would provide Council with an ongoing tool by which it could include sites that are subject to future 'up-zoning' amendments to City Plan. This is of benefit given that, currently, should Council wish to 'capture' affordable housing in any 'up-zoning' it would require a voluntary planning agreement (VPA) whereby a proponent may initiate negotiations with Council to provide affordable housing. This process is often time consuming, expensive, lacking in transparency and not generally ideal for the collection of affordable housing. In addition, once the site is up-zoned, owners are free to sell the site at its increased value whereby the site may be developed by a new owner to its full potential using an alternative scheme with no requirement to provide the affordable housing originally negotiated using the VPA.
10. It is proposed that an independent valuation is undertaken on sites seeking up-zoning to determine a 'dollar value' of betterment. Council could then choose to capture part of that value for affordable housing either as a parcel of land for the purpose of developing affordable housing, monetary contribution or 'in-kind' contribution.
11. Recent New Jersey legislation is a recent international example of planning provisions that act to capture some of the land value increase associated with rezoning or up-zonings. The legislation mandates that "every residential development 'resulting from a zoning change made to a previously non-residentially zoned property ...' contain a set-aside of housing affordable to low and moderate income households." This empowers local government to set an appropriate rate of capture based on "economic feasibility with consideration for the proposed density of the development." *Source: Inclusionary Housing, Incentives, and Land Value Recapture.* January 2009. Land Lines. Lincoln Institute of Land Policy.

Affordable housing provisions in City Plan

12. It is proposed that planning provisions be included in City Plan (LEP) to facilitate affordable housing on specific sites that have received an increase in value due to an up-zoning. Such provisions would:
 - (a) have a requirement that contributions, above those required as part of the affordable housing levy (if implemented), be made in accordance with the affordable housing schedule; and
 - (b) include an affordable housing schedule detailing specific sites and the 'capture' rate applying to each of those sites (rates to be determined based on individual valuations).
13. It should be noted that introducing an affordable housing provision within Local Environmental Plans is not possible in the existing legislative framework. Council currently has no planning mechanism available to it that would mandate the provision of affordable housing in areas outside of Green Square or Ultimo/Pyrmont. In order to introduce the abovementioned schedule, it is likely that an amendment to the existing *State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes)* would be necessary. This can only be amended by the NSW Minister for Planning.
14. Should Council endorse the recommendations of this report, the City will enter into discussions with the Department of Planning to determine if and/or how affordable housing provisions might be applied within the City of Sydney.

KEY IMPLICATIONS**Social**

15. The City has undertaken comprehensive housing research to guide the development of its *Draft Affordable Rental Housing Strategy*. Research found that:
 - (a) over the last decade the City has experienced a sustained loss of low to moderate income households;
 - (b) as middle income households leave the City, the community becomes more polarised, retaining its poorest and wealthiest households in different areas of the City;
 - (c) middle income households would typically contain unskilled and semi-skilled workers operating in jobs vital to the efficient functioning of the local economy. The loss of 'key workers' therefore represents a clear risk not only to the social cohesion of the community but also to the City's economy;
 - (d) the City is losing low cost rental accommodation; and
 - (e) affordable rental housing and social housing is shrinking as a proportion of total dwelling stock in the City.
16. Where Council does not act to facilitate affordable housing by including planning provisions within its planning instruments, the City will become more reliant on other levels of government to achieve targets articulated in *Sustainable Sydney 2030*.

RELEVANT LEGISLATION

17. *Environmental Planning and Assessment Act 1979*
18. *Environmental Planning and Assessment Regulation 2000*
19. *State Environmental Planning Policy 70 – Affordable Housing (Revised Scheme)*

CRITICAL DATES / TIME FRAMES

20. Affordable housing provisions are to be included in City Plan.

PUBLIC CONSULTATION

21. A workshop was held with a range of key stakeholders in February 2008 to assist in the development of the *draft City of Sydney Affordable Rental Housing Strategy*.
22. Should Council endorse the recommendations of this report, Council officers will enter into consultation with stakeholders regarding the inclusion of affordable housing provisions in City Plan.
23. Should Council endorse the recommendations of this report, Council officers will enter into further discussions with the Department of Planning regarding the inclusion of affordable housing provisions in City Plan.

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