



Affordable Housing Program

Rhodes East

Draft

CONTENTS

1	introduction	3
1.1	The Rhodes East Affordable Housing Program	3
1.2	Purpose of the Program	5
1.3	Principles	5
1.4	Definitions	6
2	Affordable Housing Provisions.....	8
2.1	Land to which this Program applies	8
2.2	Affordable Housing contributions	8
2.3	Applying additional provisions on the same site	15
2.4	Indexation	15
3	How to make a contribution.....	17
3.1	Dedicating affordable housing dwellings.....	17
3.2	Paying a monetary contribution	17
4	Management of the Affordable Housing	Error! Bookmark not defined.

FIGURES

Figure 1:.....	8
----------------	---

Acknowledgement is made to the City of Sydney in the development of this Affordable Housing Program with reference to work they have undertaken on affordable housing, in particular the Green Square and Employment Lands Affordable Housing Programs

1 INTRODUCTION

1.1 The Rhodes East Affordable Housing Rental Program

The City of Canada Bay is committed to delivering an increased supply of affordable rental housing for key worker households. Over the last 20 years, the City of Canada Bay has increasingly seen the proportion of housing stock that is available for low income, key worker households, steadily declining. Council has developed an Evidence Report¹ to support its desire to deliver a 5% affordable rental housing target, for key workers within the Priority Precinct of Rhodes East.

The increasing lack of affordable rental housing in the City of Canada Bay has become a substantial issue for Council. The Reserve Bank of Australia's Bulletin, September Quarter, 2015 includes an article that outlines long-run trends in Australian housing price growth². The article concluded that since the mid-2000s, Australia has seen much higher net migration and consequently population growth has stepped up to a significantly higher rate. This occurred at the same time as a slightly higher natural increase in population which has also contributed to this growth. The latter, in conjunction with the shift towards a decrease in average household size has led to an increase in underlying demand exceeding the supply of new dwellings.³ This is particular true of the major capital cities like Sydney which are strong attractors for migrants.

In addition to the increase in population and lack of housing supply, is that the redevelopment of land, such as Rhodes East is likely to produce upward pressure on property values. This effect of urban renewal is highlighted in a report, Can you afford to live where you chose?, prepared by the University of Sydney. Unless there is intervention to support the provision of designated affordable housing, urban renewal is likely to push existing high purchase prices and rents further out of reach of very low to moderate income households⁴.

¹ HillPDA, March 2017, Evidence Report Rhodes East Affordable Housing

² Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. Reserve Bank Bulletin, September Quarter, 2015

³ Kohler, M & Van der Merwe, 2015, 'Long Run Trends in Housing Price Growth'. Reserve Bank Bulletin, September Quarter, 2015

⁴ Future Cities Collaborative, The United States Studies Centre, University of Sydney, 'Can you afford to live where you choose 2015

This lack of affordable rental housing has the effect of skewing the population of the City of Canada Bay whereby low income households are denied entry to living in the area. This has the knock on effect of reducing a socially diverse and healthy community and access to key workers. In addition this results in the following costs to business and the wider community⁵:

- Local industry will face additional costs with consequent impacts on competitiveness (e.g. job retention, recruitments costs etc.);
- Workers face additional costs in the form of transport or housing, resulting in a fall of disposable income;
- There is a significant net migration out of the area of younger people. This age cohort is leaving family, friends and community networks to move to areas with lower priced housing and better access to jobs, education and entertainment; and
- Workers may change their place of work to be closer to home, further reducing the labour force pool available to support the local economy and community.

Low paid key workers such as health care and child/aged care workers, hospitality staff, cleaners and bus drivers underpin and enable growth in key economic sectors.

The proportion of stock that is available for very low to moderate income households has been steadily decreasing in the City of Canada Bay. The available rental stock for lower income households fell from 89 in December 2011 to 73 in December 2015 or a change of -18%. In addition, the City of Canada Bay has a lower availability of affordable rental housing stock in comparison with surrounding LGAs⁶

The Rhodes East Affordable Housing Scheme is affected by the inclusionary zoning provisions in the City of Canada Bay Local Environmental Plan 2013, which are authorised under the Environmental Planning and Assessment Act 1979 and State Environmental Planning Policy No. 70 Affordable Housing (Revised Schemes). Under these provisions all residential development (unless excluded) is required to provide affordable housing contributions. This can be achieved by dedicating affordable housing dwellings on-site (which is preferred) or by a monetary contribution to be paid to Council. The Program also includes a methodology for the dedication

⁵ Affordable Housing Discussion Paper and Action Plan, Warringah Council, Nov 2015

⁶ Rental Bond Board Data, NSW Department of Family and Community Services, Centre for Affordable Housing, 2016

of land, however it is expected that this approach would only occur in exceptional circumstances. Dwellings dedicated or bought/built by Council (using monetary contributions) will be managed by a Tier 1 or 2 Community Housing Provider.

1.2 Purpose of the Program

This Program outlines additional provisions and information in relation to the Rhodes East Affordable Housing Scheme. The latter is implemented through the following legislation.

- The Environmental Planning and Assessment Act 1979 identifies the delivery of affordable housing as a function of Council and section 94 of the Act allows for the collection of affordable housing contributions.
- State Environmental Planning Policy No. 70 Affordable Housing (Revised Schemes) identifies that there is a need for affordable rental housing in the City of Canada Bay. Additionally the SEPP defines affordable housing for the purposes of the Schemes identified in the SEPP.
- City of Canada Bay Local Environmental Plan 2013 (LEP 13) provides the standards for calculation, provision and management of affordable housing contributions for development in Rhodes East. Excluded development is also set out in the LEP.

1.3 Principles

SEPP 70 contains a range of principles which are listed below and the Affordable Housing Program will be managed in accordance with these Principles:

1. Where any of the circumstances described in section 94F (1) (a), (b), (c) or (d) of the Act occur, and a regional environmental plan or local environmental plan authorises an affordable housing condition to be imposed, such a condition should be imposed so that mixed and balanced communities are created.
2. Affordable housing is to be created and managed so that a socially diverse residential population representative of all income groups is developed and maintained in a locality.
3. Affordable housing is to be made available to a mix of very low, low and moderate income households.

4. Affordable housing is to be rented to appropriately qualified tenants and at an appropriate rate of gross household income⁷.
5. Land provided for affordable housing is to be used for the purpose of the provision of affordable housing.
6. Buildings provided for affordable housing are to be managed so as to maintain their continued use for affordable housing.
7. Rental from affordable housing, after deduction of normal landlord's expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), is generally to be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing.
8. Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.
9. All contribution collected by Council under Section 94F of the Environmental Planning and Assessment Act 1979 and the proceeds from the sale of affordable housing properties in Rhodes East are to be used for the provision of further affordable housing in Rhodes East first and foremost, thereafter in the City of Canada Bay Council local government area.

1.4 Definitions

The following definitions apply for the purposes of this Evidence Report and the accompanying Affordable Housing Program and Policy.

Term	Definition
Affordable housing	As defined by Environmental Planning and Assessment Act 1979: "housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."
Affordable Rental Housing	Is affordable rental housing that is owned by the City of Canada Bay that is managed by a registered Community Housing Provider and rented to very low, low and moderate income households.

⁷ SEPP 70, Affordable Housing (Revised Schemes), Clause 8

Term	Definition
Contribution rate	The contribution rate that is used in the calculation of the monetary contribution for a relevant development and is annually adjusted to take into account indexation.
Dwelling in-kind	Dedication to the City of Canada Bay of affordable housing on-site
Gross floor area	<p>As defined by Canada Bay Local Environmental Plan 2013:</p> <p>The sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes:</p> <ul style="list-style-type: none"> a) the area of a mezzanine, and b) habitable rooms in a basement or an attic, and c) any shop, auditorium, cinema, and the like, in a basement or attic, but excludes: d) any area for common vertical circulation, such as lifts and stairs, and e) any basement: f) storage, and g) vehicular access, loading areas, garbage and services, and h) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and i) car parking to meet any requirements of the consent authority (including access to that car parking), and j) any space used for the loading or unloading of goods (including access to it), and k) terraces and balconies with outer walls less than 1.4 metres high, and l) voids above a floor at the level of a storey or storey above.
In-lieu contribution	Contribution rates for monetary contributions in lieu of affordable housing units
Land in-kind	Dedication to the City of Canada Bay of land for affordable housing
Low, very low & moderate income households	<p>From State Environmental Planning Policy 70 Affordable Housing (Revised Schemes) Very low to moderate incomes are those households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:</p> <p>Very low income household < 50%</p> <p>Low income household 50% or > but < 80%</p> <p>Moderate income household 80% or > but < 120%</p>
Registered Community Housing Provider	For the purposes of the Rhodes East Affordable Housing Program, Community Housing Providers include those classified as a Tier 1 or 2 provider under the National Regulatory Code.
Rhodes East Affordable Housing Levy Area	The City of Canada Bay 2013 defines the 'Rhodes East Levy Area' as xxxxx

2 AFFORDABLE HOUSING PROVISIONS

2.1 Land to which this Program applies

The Rhodes East Affordable Housing Scheme applies to development within the xxxxxxxxxxxxxx as shown in Figure 1 below.

Figure 1:

2.2 Affordable Housing contributions

All development within Rhodes East (other than development excluded by Canada Bay LEP 2013) is required to provide affordable housing. This requirement will be by way of a condition of development consent. There are three different ways to make the required affordable housing contribution. The first and preferred contribution is the dedication of affordable housing dwellings to Council. Secondly where it is not possible or practical for affordable housing to be dedicated an equivalent monetary contribution can be made. The third and least preferred is the dedication of land and is expected to apply in exceptional situations.

The rate of contribution required is established by the Canada Bay LEP 2013, Clause xxxxxx as:

5% of the total gross floor area that is to be used for residential uses.

Additionally:

- A contribution is to be calculated based on the total gross floor area of the whole development on the site. There are no savings or credits for floor space that may exist on the site, even if the building is being adapted or reused.
- If the contribution is less than 50sqm then it must be made as a monetary contribution.
- A contribution in some instances may comprise a combination of dedication and monetary contribution.
- Adaptable floor area (from existing commercial/industrial to residential) is calculated in the total residential gross floor area for the purpose of calculating an affordable housing contribution.
- In all instances Council will require evidence that that the condition of consent has been satisfied prior to the granting of a Construction Certificate.

2.2.1 Excluded development

Clause xxx of Canada Bay LEP 2013 excludes the following development from the affordable housing provisions (i.e. they are not required to make a contribution to affordable housing).

- a) non-residential floor space (unless identified as adaptable floor space under the Program);
- b) a dwelling house that results in the creation of less than 200sqm of residential floor space;
- c) alterations or additions to existing residential floor area that cost less than \$50,000;
- d) development that is for the purposes of residential accommodation that is used to provide social or affordable housing; and
- e) development for the purposes of community facilities, public roads or public utility undertakings.

2.2.2 Dedication of affordable housing dwellings on-site

The provisions here are taken from the City of Canada Bay LEP 2013:

- a) Unless specifically excluded by Clause xxx of Canada Bay LEP 2013, development in the area shown in Figure 1 is to provide and dedicated affordable housing dwellings at the rate of:
 - i) 5% of the total gross floor area that is to be used for residential uses.
- b) The total gross floor area must be greater than 50 square metres.
- c) If the affordable housing requirement under (a) is less than 50 square metres, then the contribution must be made by way of a monetary contribution, as outlined in section 2.2.3 below.
- d) Complete dwellings and land are to be dedicated to Council free of cost.
- e) Where affordable housing dwellings are to be provided on site they must be the satisfaction of Council. If they are not to Council's satisfaction Council may require an equivalent monetary contribution to be made instead.

Calculating the Contribution

Gross floor area x 5% = required affordable housing square metre provision.

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

= 8,000sqm x 5%

= 400sqm affordable housing GFA required to be dedicated

If the dedication of dwellings is in deficit of more than 1 sqm, the full balance of the GFA is paid as a monetary contribution using the methodology detailed in section 2.2.3.

If the dedication of dwellings by the developer exceeds the gross floor area required, the amount is not recoverable by the developer. Each affordable housing dwelling is required to have a gross floor area of 50sqm or greater.

Conditioning the contribution for dedicated affordable housing dwellings

The condition of consent must include the following information:

- a) The total gross floor area of the dwellings to be dedicated.
- b) The dedicated dwellings must be shown on the approved plans, and referenced in the affordable housing condition.
- c) The total residential gross floor area of the development that was used to calculate the contribution.
- d) The indexation period at the time of determination (for any monetary contributions).
- e) An agreement to transfer title to Council must be finalised and evidence provided to Council prior to the granting a Construction Certificate.
- f) The dedicated affordable housing is to be constructed to a standard which in the opinion of Council is consistent with other dwellings in the development.
- g) If a staged development, affordable housing must be provided at each stage.

2.2.3 Monetary Contribution in-lieu of dedication affordable housing dwellings

The equivalent unit cost is an indicative cost that Council would expect to pay for a new apartment in Rhodes East for affordable housing. This cost is \$11,500 per square metre of internal saleable area. This cost is supported by the market evidence provided in the Rhodes East Property Market Appraisal and Development Feasibility Report undertaken by HillPDA in July 2016.

To convert to a dollar per square metre rate of Gross Floor Area (GFA), HillPDA has assumed an efficiency ratio (internal saleable area to GFA) of 85%. The formula for calculating the monetary contribution affordable housing rate is:

Saleable rate (\$11,500) multiplied by efficiency ratio (85%) multiplied by affordable housing ratio (5%) equals the required affordable housing contribution per square metre of gross floor area.

$\$11,500 \times 85\% \times 5\% = \$488.75/\text{sqm}$.

Provisions under the Canada Bay LEP 2013

- a) Clause xxxxxxx of Canada Bay LEP 2013 allows Council to accept the equivalent of the affordable housing requirement as a monetary contribution where the dwellings are not dedicated on site.
- b) The current rate (valid for the period of xxxxxxx to xxxxxxx) for providing a monetary contribution in lieu of providing units on site is:
 - i) \$488.75 per square metre of total floor area for residential uses.
- c) The rate for the monetary contribution is to be indexed quarterly in accordance with section 4 of this Program.
- d) Council's website will include the current rate for this Affordable Housing Scheme as indexed quarterly.
- e) The applicant may make an affordable housing contribution using a combination of dedication of on-site dwellings and monetary contributions.
- f) Funds are to be used solely for the provision of affordable housing in accordance with this Program and the Evidence Report, April 2017.

Calculating the contribution

Residential development calculation:

Monetary contribution provision:

= Contribution rate multiplied by gross floor area

= CR (\$488.75) x GFA

Residential development example:

A development application for a new residential development comprising 8,000 square metres of GFA.

= \$488.75 x 8,000sqm

Total payable contribution = \$3,910,000.00

Mixed-use development calculation:

Subtract the non-residential gross floor area from the total building gross floor area to determine the residential gross floor area

Therefore: Total GFA - non-residential GFA = residential GFA

Monetary contribution provision:

= contribution rate x residential gross floor area

= CR x RGFA

Mixed-use development example:

A development application for a new 8,000sqm mixed use development comprising 7,000sqm of residential GFA and 1,000sqm of non-residential GFA.

= 8,000sqm - 1,000sqm = 7,000 Residential GFA

= 7,000sqm x \$488.75

Total payable contribution = \$3,421,250.00

Adaptable Use

A change of use of an existing non-residential use to a residential use would attract an affordable housing contribution.

Monetary contribution provision:

= contribution rate x converted residential gross floor area

= CR x RGFA

Adaptable use development example:

A development application for a conversion of a of an existing commercial/industrial space to residential GFA

1,000sqm of converted GFA

= 1,000sqm x \$488.75

Total payable contribution = \$488,7505.00

Conditioning the Contribution for a Monetary Contribution

The condition of consent must include the following information:

- a) The monetary contribution that is required.
- b) The total gross floor area of the residential component of the development that was used to calculate the contribution.
- c) The contribution rate that is current at the time of determination (the current contribution rate is available on Council's website).
- d) The indexation period at the time of determination.
- e) The method of adjustment to contribution rates
- f) A requirement that the condition be satisfied prior to the issue of the Construction Certificate.

2.2.4 Land dedication for affordable housing

Land dedication assessment would need to be undertaken on a site by site basis and would need to fulfil the suitability criteria for land dedication as outlined below and be subject to an independent valuation. Additionally, land value would vary dependent on the location and suitability of the site.

This is the least preferred method of contribution and expected to be used in exceptional circumstances.

Clause XXXXXXX of the Canada Bay LEP 2013 allows Council to accept land as an affordable housing contribution. The land value would need to be equivalent or more than the required affordable housing monetary contribution value. Therefore the monetary contribution methodology (outlined in Clause XXXXX of Canada Bay LEP2013) would need to be applied to calculate the equivalent land value.

- a) Step 1: calculate equivalent monetary contribution amount for relevant development, therefore: \$488.75 x total residential gross floor area.

- b) Step 2: seek independent valuation of land parcel nominated for dedication.
- c) Step 3: determine if nominated parcel meets the criteria outlined in **Clause XXXX** of Canada Bay LEP 2013).
- d) Step 4: determine if land value meets or exceeds monetary contribution amount.
- e) Step 5: if land is appropriate for dedication, it should be identified on a subdivision plan and approved by Council.
- f) Step 6: the land title can be transferred to Council following registration with the Land Titles Office.

If the land value is less than the equivalent monetary contribution, Council will either choose to not accept parcel of land or choose to accept the land parcel with an additional monetary contribution.

Where the land value exceeds the monetary contribution equivalent, the value exceeding the rate would not be provided back to the applicant.

Criteria for land dedication

The following criteria have been identified in **Clause XXXX** in Canada Bay LEP 2013 for determining land suitable for dedication for affordable housing. The land must:

- a) be greater than 1,000sqm.
- b) have a minimum dimension in any one direction of 20 metres.
- c) be no greater than 1:7 gradient.
- d) be within 400m of bus stop or 800m of rail station.
- e) not be contaminated or has been remediated to an extent that it is certified for residential development.
- f) be free of flood constraints.
- g) be a safe and accessible location for residents.
- h) have the capacity to be appropriately integrated into the community of Rhodes East.

Despite the Criteria for Land Dedication, Council reserves the right to not accept a contribution in the form of land.

Conditioning the contribution for the dedication of land

The condition of consent must include the following information:

- a) The equivalent monetary contribution amount for relevant development, therefore: \$488.75 x total residential gross floor area.

- b) The dedicated land must be shown on the approved plans, and referenced in the affordable housing condition.
- c) An agreement to transfer title must be finalised and evidence provided to Council prior to the granting a Construction Certificate.

2.3 Applying additional provisions on the same site

If an affordable housing contribution has been made under the Canada Bay Affordable Housing Program then a contribution is not required if:

- the gross floor area is the same, or because of the redevelopment of the site will replace an equivalent area:
- the same percentage of gross floor area has already been provided for use for affordable housing as required.

Where a development is larger than a previous development on site (for which an affordable housing contribution was made) then the consent authority must require a contribution for the difference in gross floor area. It does not matter whether the floor area for which the contribution was previously made is demolished or re-used as part of the new development.

Example:

A contribution was paid for a residential flat development with a total gross floor area of 8,000sqm.

A subsequent consent is sought to demolish the building and build a new RFB with a total gross floor area of 10,000sqm.

The applicant must pay a contribution which is calculated using the difference in total gross floor area which in this case equals 2,000sqm.

Contribution = 2,000sqm X \$488.75 = \$977,500

2.4 Indexation

Contribution rates are to be adjusted quarterly within one week of the first days of March, June, September and December, to ensure that the contributions reflect the costs associated with the provision of affordable housing over time.

Rates will be adjusted with reference to movement in the median price for strata dwellings in the City of Canada Bay LGA. The median strata price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

In the situation where the release of the Rent and Sales Report is delayed, rates will be updated as soon as possible.

The formula for the adjustment:

Next Quarter's Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The City of Canada Bay's website will display the current rates for the affordable housing program.

2.4.1 Adjustment of a monetary contribution on a development consent

Where a condition for an affordable housing contribution has been applied, the contribution amount must be adjusted over time. For example if a development consent is issued in December 2016 but the developer waits until February 2018 to enact the consent, then the contribution amount will need to be adjusted to the period in which it is paid.

Monetary contributions will be adjusted by Council and confirmed with the applicant prior to payment being made.

The formula for the adjustment:

Monetary Contribution = the Base Contribution Amount(MDP2/MDP1)

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rate at the time of determination of the development application.

MDP1 is the median strata dwelling price that applied at the time of consent.

MDP2 is the median strata dwelling price that applies at the time of payment.

3 HOW TO MAKE A CONTRIBUTION

In all instances Council will require evidence that the condition of development consent in relation to affordable housing will be satisfied prior to the granting of any Construction Certificate.

In circumstances where a construction certificate is not required, evidence that the condition of development consent in relation to affordable housing will be or has been satisfied will be required by Council before the commencement of construction and subsequently prior to the occupation of the development.

3.1 **Dedicating affordable housing dwellings**

Where affordable housing is proposed to be dedicated on site, the applicant must transfer the titles of the dwellings to Council. An agreement to transfer the titles must be made and evidence provided to Council prior to the granting of a Construction Certificate.

Council must be satisfied that the nominated dwellings achieve the affordable housing principles and design details as set out in this Program. Where appropriate Council will seek comment from the Community Housing Provider.

The affordable housing contribution will be satisfied when the title is transferred to Council prior to issue of an Occupancy Certificate.

3.2 **Paying a monetary contribution**

Where an applicant is to make a monetary contribution towards affordable housing the amount of the contribution will be specified in the condition of development consent. The contribution must be paid to Council prior to the issue of any Construction Certificate.

If the applicant is unable to pay the monetary contribution at Construction Certificate stage, evidence must be provided to Council to this effect and arrangements made for Council to secure payment such as a Bank Guarantee or equivalent at a later stage in the construction cycle.