

November 2020

Public release of the SEPP 70 Affordable Housing Contributions Scheme Viability Tool

This document answers frequently asked question regarding the SEPP70 Tool and its public release.

What is a SEPP 70 affordable housing contributions Scheme?

Affordable housing contribution schemes are council-led policies which set out how, where, and at what rate development contributions can be collected by councils for affordable housing.

The Greater Sydney Commission has set affordable housing targets of 5 to 10 per cent new residential floor space for affordable housing in the Greater Sydney Metropolitan Area. SEPP 70 allows councils to propose affordable housing contribution schemes which achieves the desired target in their LGA. Affordable housing contribution schemes give local communities greater clarity about the affordable rental housing planned for in their areas, and provide developers greater certainty and transparency about how affordable rental housing contributions will be determined, and the contribution rate that will be applied in a condition of consent.

Does every Council have a SEPP 70 scheme?

SEPP 70 allows all NSW councils to investigate and propose an affordable housing contribution scheme. However, the implementation of an affordable housing contribution scheme is not a mandatory requirement.

SEPP 70 enables a council to seek to amend its local environmental plan (LEP) to include reference to an affordable rental housing contribution scheme and to levy affordable housing contributions in accordance with that scheme.

If a council wishes to impose an affordable housing contribution rate it must follow due process which includes undertaking the following steps:

1. investigate the affordable housing need in their LGA
2. identify the areas to which an affordable housing contribution scheme will apply
3. determine a viable affordable housing contribution rate
4. prepare an affordable housing contribution scheme
5. amend their LEP via a planning proposal to reference their affordable housing contribution scheme.

The Department of Planning, Industry and Environment's SEPP 70 Affordable Housing Viability Tool (the SEPP 70 Tool) can assist councils with determining the viability of a proposed affordable housing contribution rate (i.e. Step 3).

What is the SEPP 70 Tool and how does it work?

The SEPP 70 Tool is a bespoke property development feasibility model which allows the user to test scenarios and viability of an affordable housing contribution rate for an increased residential density development scenario.

The Tool serves to determine a viable affordable housing contribution rate for new residential floor space associated with development in planned precincts in line with the GSC's 5 to 10 per cent affordable housing targets.

The SEPP70 Tool is based on a residual land value model which seeks to utilise real world data inputs including construction costs, construction timeframes, marketing costs, selling costs, current market pricing for similar products etc. to arrive at an affordable housing contribution rate after all costs and profits are removed from a project with potential uplift.

Residual land value is the value of the land that remains after any and all deductions associated with the cost of developing, maintaining or reselling the land and an allowance for a developer profit are deducted from the Net Realisation Value.

Who will use the SEPP 70 Tool?

The SEPP70 Tool has been developed for council only use to test the viability of Affordable Housing Contributions schemes.

The release of the SEPP 70 Tool is for transparency purposes. The Tool does not serve to speculate on land pricing or development feasibility. The SEPP 70 Tool will not be capable of being used for the purposes of securing investment financing or for making financial decisions. The authors make no guarantee on current or future market conditions for future development projects.

Council inputs to determine the viability of the SEPP 70 contribution rate will not be published with the public release of the SEPP 70 Tool.

There is an assumed level of basic knowledge around feasibility analysis for anyone using the Viability Tool.

When do SEPP 70 Contributions come into effect?

There is no set timeframe for when an affordable housing contribution scheme must be made.

Affordable housing contribution schemes will be informed by a council's residential strategy, including Local Housing Strategies being prepared by Greater Sydney councils. A council would prepare a planning proposal to amend its LEP to reference an affordable housing contribution scheme that would be submitted to the Department of Planning, Industry and Environment for approval.

Greater Sydney councils are currently finalising their Local Housing Strategies which will be used to further guide any proposed affordable housing contribution schemes. Information regarding the preparation of an affordable housing contribution scheme in your area should be addressed to your local council.

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