Amendment to State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)

Explanation of Intended Effect
December 2017
Disclaimer

While every reasonable effort has been made to ensure this document is correct at time of printing, the State of NSW, its agents and employees, disclaim any and all liability to any person in respect of anything or the consequences of anything done or omitted to be done in reliance or upon the whole or any part of this document.

Copyright notice

In keeping with the NSW Government’s commitment to encourage the availability of information, you are welcome to reproduce the material that appears in Amendment to State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes) Explanation of Intended Effect. This material is licensed under the Creative Commons Attribution 4.0 International (CC BY 4.0). You are required to comply with the terms of CC BY 4.0 and the requirements of the Department of Planning and Environment. More information can be found at: http://www.planning.nsw.gov.au/Copyright-and-Disclaimer.
Contents

Explanation of Intended Effect 4
State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes) 4

Executive summary 5

Planning context and objectives 6
Planning context 6
State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes) 6
Key policy changes 7
Proposed change 10
Explanation of Intended Effect

State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)

This Explanation of Intended Effect (EIE) has been prepared for the purposes of Section 38 of the Environmental Planning and Assessment Act, 1979 (the Act) to explain the intended effect of an amendment to State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) (SEPP70).
Executive summary

As Sydney’s population continues to grow the delivery of housing becomes an imperative for Government at all levels. Providing accessible, well designed and affordable housing ensures the continued success of local economies and communities at large.

Some areas within the Greater Sydney metropolitan region, especially those with ready access to employment, transport and desirable amenities have felt increased pressure on housing prices, and the associated impact of a reduction in the availability of housing for workers on very low, low and moderate incomes. Randwick, Inner West, Northern Beaches, Ryde and Canada Bay local government areas have been susceptible to these pressures.

These Councils have identified concern that the private rental market in their local government areas cannot respond to the housing needs of very low, low, and moderate income families at affordable levels. Issues such as gentrification and the consequential displacement of lower income households have significant social and economic implications for the growth, future investment opportunities and the effective functioning of the City.

The Councils are seeking inclusion within SEPP70 to enable them to require contributions for affordable housing in association with development proposals in areas where this housing is needed. The Councils have prepared the following reports to support their inclusion in SEPP70:

- The Randwick City Affordable Rental Housing Needs Analysis 2016,
- The Inner West Council Affordable Housing Policy Paper 2016 and Affordable Housing Background Paper 2016,
- The Northern Beaches Affordable Housing Needs Analysis December 2016,
- The City of Ryde Affordable Housing Policy 2016-2031, and
- The City of Canada Bay Affordable Rental Housing Evidence Report September 2017.

The reports demonstrate a need for affordable housing in the respective local government areas. The reports have been reviewed by the Department of Planning and Environment and it is considered that they meet the requirement under section 94F(1) of the Environmental Planning and Assessment Act 1979 to demonstrate a need for affordable housing within the local government areas.

As a result, this Explanation of Intended Effect proposes an amendment to SEPP70 to identify the Randwick, Inner West, Northern Beaches, Ryde and Canada Bay as local government areas with a need for affordable housing.
Planning context and objectives

Planning context

The amendment to State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) will expand the application of the existing provisions within the SEPP to identify Randwick, Inner West, Northern Beaches, Ryde and Canada Bay as local government areas with a need for affordable housing. Affordable housing is defined in the Environmental Planning and Assessment Act 1979 as housing for very low income households, low income households or moderate income households with the income brackets prescribed within SEPP70.

The amendment to SEPP70 will meet the requirement of section 94F(1) of the Environmental Planning and Assessment Act 1979 that a state environmental planning policy must identify that there is a need for affordable housing within an area in order for a requirement for affordable housing contributions to be applied when granting consent for a development application.

In order to impose a condition of consent councils are required to have appropriate provisions within their local environmental plans and ensure the condition is in accordance with a scheme for dedications or contributions. Amendments to local environmental plans will follow the existing gateway process while proposed contribution schemes will be reviewed by the Department of Planning and Environment, with a determination made by the Minister for Planning. This process will ensure new contribution schemes maintain the viability of development in NSW and do not unduly impact on broader housing delivery.

State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)

Background

State Environmental Planning Policy No 70 Affordable Housing (Revised Schemes) (SEPP70) commenced on 1 June 2002. The policy identifies that there is a need for affordable housing in a local government area, describes the kinds of households that affordable housing may be provided for and provides the mechanism for the imposition of affordable housing provisions.

Broadly, the policy provides the link between section 94F of the Environmental Planning and Assessment Act 1979 (EP&A Act) and collection of affordable housing contributions or dedication of affordable dwellings. SEPP70 currently applies to the City of Sydney and Willoughby City Council areas.
Key policy changes

Identifying a need for affordable housing in the Inner West Council Local Government Area

The proposed amendment to State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) will include the Inner West Council in the list of councils identified as having a need for affordable housing within their local government area.

The Inner West Council Affordable Housing Policy Paper 2016 and Affordable Housing Background Paper 2016 provide a comprehensive analysis of housing conditions within the local government area and identify a need for greater affordable housing. The reports outline the changing social and economic profile of the area over the past decades, and the rapid gentrification of suburbs including Leichhardt, Petersham and Marrickville. This is highlighted by the increase in median weekly household incomes in Marrickville and Leichhardt, of 25% and 35% respectively, compared with an increase of 10% for Greater Sydney.

The gentrification of the inner west has been coupled with a reduction in houses available to very low and low income households. This has led to an increase in housing stress among these households, paying a disproportionate amount of their weekly income on rent and thus at risk of having insufficient income to pay for other necessities such as healthy food, education, transport and health care.

In 2011, 81% of very low income, 69% of low income and 26% of moderate income households were in housing stress in the Inner West LGA, with rates trending upwards for low and moderate income households.

The findings of the analysis undertaken by the Inner West Council are supported, and it is proposed that the Council is included in SEPP70.

Identifying a need for affordable housing in Randwick Local Government Area

The proposed amendments to State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) will include Randwick City Council in the list of councils identified as having a need for affordable housing within their local government area.

The Randwick City Affordable Rental Housing Needs Analysis 2016, prepared by Randwick City Council, states that in 2011, 20.5% of Randwick City’s renting households were experiencing rental stress. The report further notes that Randwick has lost affordable housing stock since 2011, with the proportion of affordable rental stock in Randwick declining significantly for very low to low income households from December 2011 to December 2014, by more than 77% and 58% respectively. This loss coupled with a projected increase in population of an additional 36,500 people by 2031 will lead to a significant deficit in affordable housing in the area.

The report also notes the importance of the two largest employment centres within the local government area, being the Education Precinct surrounding the University of New South Wales and the Health precinct surrounding Prince of Wales Hospital, Royal Hospital for Women and the Children’s Hospital, Neuroscience Research Australia and the Lowy Cancer Centre.

1 Households paying 30% or more of their income on housing costs (mainly rent) are defined as being in housing stress. Under those circumstances the cost of housing is affecting a household’s ability to pay for other primary needs including food, power and water, health services, travel and transport, education and household goods. ` Amendment to State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes) | December 2017
The report further notes that employment forecasts for these precincts project an additional 3,920 jobs will be created by 2031 or an increase of 26%. Both the Children’s Hospital and the Royal Hospital for Women have noted the difficulty in filling job vacancies for specialist nurses (such as pediatric and neonatology nurses) who are highly desirable in terms of international competition for their skills and being priced out of living in the area. Growth within these precincts will generate demand for services typically staffed by lower income earners.

The report is comprehensive in its analysis of the existing housing stock within the Randwick local government area, as well as its analysis of population, income, employment, rental and purchasing trends and housing stress. It concludes that without the provision of more affordable housing through policy intervention, the market is expected to continue to produce more expensive housing in the area, so that housing will only be affordable to households on relatively high incomes.

The findings of the analysis undertaken by Randwick City Council are supported, and it is proposed that the Council is included in SEPP70.

**Identifying a need for affordable housing in Northern Beaches Local Government Area**

The proposed amendments to State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) will include Northern Beaches Council in the list of councils identified as having a need for affordable housing within their local government area.

The Northern Beaches Affordable Housing Needs Analysis, December 2016 demonstrates that the supply of affordable housing to rent or buy within the Northern Beaches is at historically low levels, and is significantly below the Sydney average. Analysis of stocks of rental properties across the Northern Beaches which would be considered affordable (i.e. less than 30% household disposable income) at June 2015 found that: for very low income households only 1% would be affordable, compared to 3% for Sydney average; for low income households only 3% of rental properties in Manly, 5% in Warringah and 7% in Pittwater are considered affordable, compared to 18% for Sydney average; and for moderate income households only 26% of rental properties in Manly were considered affordable, increasing to 30% in Pittwater and 40% in Warringah, compared to 60% of all rental properties for Sydney region. This is despite strong new supply of dwellings in recent years, with 1,648 new dwellings built between 2012 and 2015 across the Northern Beaches (82% of which were multi-unit dwellings).

The Northern Beaches Affordable Housing Needs Analysis further identifies that 6,847 very low, low or moderate income households renting across the Northern Beaches, were experiencing housing stress according to 2011 Census data.

The report provides a comprehensive analysis of the need for affordable housing with the Northern Beaches local government area, demonstrates the inability for the private rental market to facilitate housing for very low, low and moderate income households and makes a sound argument for the need for policy intervention. The findings of the analysis undertaken by Northern Beaches Council are supported, and it is proposed that the Council is included in SEPP70.
Identifying a need for affordable housing in the City of Ryde Council Local Government Area

The proposed amendment to State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) will include the City of Ryde Council in the list of councils identified as having a need for affordable housing within its local government area.

The City of Ryde: Affordable Housing Policy 2016 – 2031 provides a comprehensive analysis of housing conditions within the local government area and identifies a need for greater affordable housing. The report outlines the changing social and economic profile of the area over the past decades identifying that in 2011, 68% of very low-income households were in rental stress, as were 56% of low income households and 16% of moderate income households. In terms of household type, rates of rental stress were higher for families and other households (44%) compared to smaller households (lone persons and couples without children) (35%).

The City of Ryde: Affordable Housing Policy 2016 – 2031 found that low income households renting through the private market have virtually no option but to live in housing stress, apart from those at the top of the income band wishing to rent a one-bedroom apartment. While smaller households in the top half of the moderate income band can generally afford to rent a one-bedroom apartment in Ryde LGA, their choices are constrained if they need a two bedroom apartment.

The report further noted that with a limited supply of affordable housing for very low, low and moderate-income key worker households in the market, the requirements for key worker households will increase. In 2011, 7,450 key worker households in Ryde LGA were in need of affordable priced housing; it is estimated that by 2031, Ryde LGA will need 10,700 affordable housing dwellings for key workers. This equates a required supply of 40 affordable housing dwellings on average each year, yet in the five years from 2011 to 2015, only six affordable housing dwellings (1.2 per year on average) were approved (but not built) in the LGA.

The findings of the analysis undertaken by the City of Ryde Council are supported, and it is proposed that the Council is included in SEPP70.

Identifying a need for affordable housing in the City of Canada Bay Local Government Area

The proposed amendments to State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) will include City of Canada Bay Council in the list of councils identified as having a need for affordable housing within their local government area.

The City of Canada Bay Evidence Report Affordable Rental Housing September 2017, prepared by HillPDA Consulting, found that 4,249 households or 42% of households renting were experiencing housing stress. That is, they were paying 30% or more of their household income on their rental repayments.

The report identifies that 56 affordable units have been approved in the LGA since 2009. These units are only held as affordable units for 10 years after which they can be sold or rented at market rent. This number is well below what is required to accommodate a population that is expected to grow by a further 42,850 people between 2011-2036.

The report is comprehensive in its analysis of the existing housing stock in the Canada Bay local government area, as well as its analysis of population, income, employment, rental and purchasing trends and housing stress.
It concludes that without policy intervention, facilitated by inclusion in SEPP70, the deficit between existing affordable housing and the demand for affordable housing will increase.

The findings of the analysis undertaken by City of Canada Bay Council are supported, and it is proposed that the Council is included in SEPP70.

**Preparation of Affordable Housing Contribution Schemes**

The inclusion of Randwick, Inner West, Northern Beaches, Ryde and Canada Bay Councils in State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) satisfies only one of the requirements of s94F of the EP&A Act. The Councils will each be required to prepare a planning proposal to insert appropriate provisions in their Local Environmental Plans for contributions to be required in accordance with an approved scheme.

The Councils will need to prepare an affordable housing contribution scheme to support each new planning proposal where contributions for affordable housing will be required. The scheme will be assessed by the Department of Planning and Environment and approved by the Minister for Planning.

**Proposed change**

Clause 9  **Identification of need for affordable housing**

Randwick, Inner West, Northern Beaches, Ryde and Canada Bay Councils will be listed under section 9 of State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) as local government areas with an identified need for affordable housing.