PIA NSW SUPPORTS AFFORDABLE HOUSING TARGETS & MODEL CODE FOR INCLUSIONARY ZONING

The Planning Institute of Australia (PIA) regard the delivery of affordable housing as a key component of our housing stock and as essential infrastructure for a productive and fair Sydney.

However, PIA acknowledges that while planning initiatives have an important role for the supply of housing at the affordable end of the spectrum, demand side factors including capital gains tax exemptions and negative gearing can have a major distorting impact on the cost of housing.

Good planning not only enables housing to be built, but generates spillover benefits reflected in the quality of a place and an increase in the value of land. Some of this increase can be shared among the owner and the community in ways that enable appropriate development to remain feasible while allowing for a contribution towards justified housing outcomes. Analysis of local housing demand and development feasibility is needed to identify the housing outcomes sought and set the contribution rates.

Having a diversity of housing available in accessible locations for very low through to moderate income earners is essential to drive the Sydney and NSW economy. As well as catering to vulnerable members of the community, affordable housing in close proximity to jobs and public transport provides greater job opportunities and offers industry better access to skilled human capital. Among the low to moderate income earners are young people establishing their careers as well as key workers in industries that are essential to sustain the local economy.

The lack of affordable housing also has a productivity dimension where a significant portion of a city’s labour market is isolated from the job rich core by transport constraints or a lack of affordable housing near job concentrations. Spiller regards affordable housing policy as critical to building the best quality labour force for a 21st century economy.

PIA’s National Housing Statement sets out the wider planning, design and taxation dimensions for improving housing affordability. PIA NSW has identified three specific priorities and urge the State Government via the Greater Sydney Commission to:

1. set affordable housing targets on government land development and for private development projects via the District Plans at between 10-20% of all new housing;

2. enable councils and the development industry to access planning policies that support affordable housing provision, including a model code for inclusionary zoning; and

3. identify urban renewal precincts as areas where voluntary planning agreements can deliver affordable housing, set aside land for affordable housing provision or offer cash in lieu - as the community’s share of value uplift.

PIA supports an expanded role for community housing providers in a much larger market, to sustain stock and establish the financial models necessary to channel investment into the sector.

Affordable Housing Targets

Rationale: Without targets set for districts, LGAs and Priority Precincts, there would be no measurable benchmark for which state and local government are accountable. The targets would provide an incentive for specific policy interventions and investment in key locations.
Evidence: Targets are acknowledged as a fundamental driver of affordable housing delivery innovation internationally and in Australia.

<table>
<thead>
<tr>
<th>Location</th>
<th>Rate</th>
<th>Location</th>
<th>Rate</th>
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</thead>
<tbody>
<tr>
<td>Sydney: Green Sq</td>
<td>3%</td>
<td>Adelaide</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>London</td>
<td>30% on-site 60% off-site</td>
</tr>
<tr>
<td></td>
<td></td>
<td>San Francisco</td>
<td>12% on-site 20% off-site</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New York</td>
<td>20-30% on-site 25-35% off-site</td>
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Proposition: An overarching target of 10-20% of all new housing in a district to be affordable requires interpretation:

- The District Plans should set an overarching target of between 10 and 20% for each Sydney District based on the level of affordability of existing stock and proximity to services such as public transport, open space and schools. The target should be expressed for each LGA and Priority Precinct according to the need, market conditions and potential for delivery of new affordable housing supply.

- The target should apply to both government development and private development above a nominated scale (eg. >10 units). The target for development on government land should be at the higher end of the range (20%).

- Within each District, LGA and Priority Precinct, the achievement of the target should be shared via subsidiary targets for rental and purchase dwellings (market and non-market) across different very low, low and moderate income categories. The target should also reference the amount of supply that should be secured for affordable rental housing both for a fixed period and in perpetuity.

- The District Plan should set out the desired housing products and mix to achieve the targets relevant to the strategic objectives of the District Plan. This is likely to recognise the demand for stock serving one and two person households.

- The District Plans should adopt a framework for Councils and State Government to monitor and publish reports both on the achievement of targets and the methods to achieve them.

Model Code for Inclusionary Zoning

Rationale: The premise is that without inclusionary requirements for affordable housing stock at the rezoning stage, the future environment of a housing development is not socially or economically sustainable. This concept is distinct (and additive) from a user charge or impact fee collected via development contributions.

Evidence: Inclusionary zoning practice is widespread ranging from modest local schemes to more substantial reliance in London for affordable housing supply.
NSW POLICY STATEMENT
1 November 2016

Model Code for Inclusionary Zoning (Examples*)

<table>
<thead>
<tr>
<th>Location</th>
<th>Sydney: Green Square</th>
<th>Adelaide</th>
<th>London</th>
<th>San Francisco</th>
<th>New York</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Conditions</td>
<td>Option to make a monetary contrib. ($206 / m² of total resi floor area) instead of providing on-site dwellings.</td>
<td>On all new significant developments.</td>
<td>On developments with potential &gt;10 units. If not providing housing on-site the rate doubles to 60%.</td>
<td>If not providing housing on-site the rate increases by 8%</td>
<td></td>
</tr>
</tbody>
</table>

Proposition: Because there are market conditions where a perverse result may arise from a blanket mandatory adoption of inclusionary zoning (IZ) provisions, PIA proposes that:

- District Plans should nominate LGAs and Priority Precincts where inclusionary zoning provisions are mandatory based on demand and market feasibility. Individual councils should be empowered to opt-in to apply the model code based on justifications included in their community strategic plan.

- IZ provisions should be included in a Model Code in the revised Housing SEPP / Standard Instrument LEP

- The IZ Model Code should either be based on an extension of SEPP 70* or new legislation incorporating local experience (eg Green Square, Ultimo Pyrmont, Waverly, RWA) and international best practice to determine appropriate rates (and types) of provision according to the need and market circumstances.

Voluntary Planning Agreements for Affordable Housing

Rationale: The community are justified in sharing a significant component (typically 20-50%) of the windfall uplift in land value created by rezoning or the granting of planning approvals. This is especially the case where the uplift is related to Government investment in infrastructure and place making. The hypothecation of part of this share towards affordable housing demand recognises that that both the provision of social housing and affordable housing delivery are key elements of infrastructure for fair and productive cities.

The ability for Councils / State Agencies and developers / land owners to enter agreements to fund or deliver affordable housing can enable innovative and flexible solutions. The dedication of land for affordable housing up front can have a significant outcome with less impact on project feasibility.

While VPAs as having an important role in achieving affordable housing outcomes, PIA is concerned that strong probity and planning principles apply in all negotiations and PIA offers a VPA policy framework and community benefit test in our position paper. VPAs cannot be interpreted as planning approvals being for sale.
The capture of funds (or land) should be proportional to the amount of uplift and enable desired development outcomes to be feasible.

**Evidence:** Voluntary Planning Agreement application for affordable housing provision is becoming more common in Sydney, however each participating council is preparing a slightly different approach and incurring substantial administrative and legal costs.

<table>
<thead>
<tr>
<th>Voluntary Planning Agreements for Affordable Housing (Examples*)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td><strong>Waverley</strong></td>
</tr>
<tr>
<td><strong>Rate and arrangement</strong></td>
<td>Approx. 50% of the value of additional floor space granted in VPA</td>
</tr>
</tbody>
</table>

**Proposition:** The District Plans should include a policy framework for the use of VPAs in concert with other development funding tools for affordable housing provision. The framework would cover:

- Description of the scope of strategic outcomes VPAs may be undertaken to achieve – especially focusing on opportunities for the dedication of land for affordable housing uses;
- Identifying the non-negotiable planning principles that underpin strategic outcomes for a District Plan;
- Description of the basis for valuation uplift based on the principle of the differential in residual land value with and without negotiated bonuses (Quantification of potential uplift based on additional FSR is possible, refer Georges River Council VPA policy approach as a good practice example*);
- Outlining the acceptable range of affordable housing mechanisms, management approaches and governance arrangements sought;
- Applying a transparent community benefit test for VPAs.

In addition, PIA has separately advocated the need for the Department of Planning and Environment to update their VPA guidelines with respect to probity and transparency requirements including satisfying on a community benefit test for each VPA. Each Council is urged to adopt a VPA policy consistent with this approach based on best practice principles highlighted in PIA’s VPA position paper.

**PIA Contact**

PIA is available to discuss the implications of this position statement via **NSW President, Marjorie Ferguson** via Marjorie.ferguson@planning.org.au.
References and End Notes

1 Definition: affordable housing: Housing is generally considered to be ‘affordable’ when very low, low and moderate income households are able to meet their housing costs (rental or mortgage) and still have sufficient income to pay for other basic needs such as food, clothing, transport, medical care and education. This is generally accepted to be where such households pay less than 30% of their gross household income on housing costs, although other factors such as cost of transport and access to services are also important considerations (Stubbs J (2016) Background Report Housing SSROC). It is important that housing choices are available right across the continuum of incomes (SGS (2013) Understanding the affordability challenge as a continuum, Urbec Vol 1 2013).


12 Where a Special Infrastructure Contribution (SIC) is levied by NSW Govt in Priority Precincts the SEPP70 mechanism is not available.


