

## Place, Design and Public Spaces

### Gateway determination report

<b>LGA</b>	Ryde
<b>PPA</b>	City of Ryde Council
<b>NAME</b>	Affordable Housing
<b>NUMBER</b>	PP_2017_RYDEC_005_00
<b>LEP TO BE AMENDED</b>	Ryde Local Environmental Plan 2014
<b>ADDRESS</b>	Ryde local government area
<b>DESCRIPTION</b>	Planning proposal to include or refer to an affordable housing contribution scheme in Ryde Local Environmental Plan 2014, in order to collect development contributions for affordable housing.
<b>RECEIVED</b>	22 September 2017
<b>FILE NO.</b>	IRF20/4583
<b>POLITICAL DONATIONS</b>	There are no donations or gifts to disclose and a political donation disclosure is not required.
<b>LOBBYIST CODE OF CONDUCT</b>	There have been no meetings or communications with registered lobbyists with respect to this proposal.

## 1. INTRODUCTION

### 1.1 Description of planning proposal

The planning proposal (**Attachment A**) has been prepared in response to City of Ryde Council's Affordable Housing Policy 2016-2031 (adopted 12 April 2016) which identifies a number of projects to be delivered, including introducing affordable housing provisions in land use planning controls.

The planning proposal seeks to amend Ryde Local Environmental Plan 2014 ('Ryde LEP') to introduce an affordable housing contributions clause. The intent of the proposed new clause is to allow Council to collect development contributions for affordable housing. The mechanism for doing so will be through imposing a condition requiring a contribution towards affordable housing, at the time Council grants consent to a development application for residential purposes.

Where the affordable housing contribution levy results in part of a dwelling being required, Council may, at its discretion, accept a monetary contribution.

The planning proposal seeks to increase the amount of affordable housing in the Ryde local government area (LGA) to achieve Council's adopted Affordable Housing Policy: 5% of new homes delivered by 2031 will be affordable housing (note: delivery is guided by feasibility).

## 1.2 Site description

The planning proposal applies to Ryde LGA (**Figure 1**), except for land identified as “deferred matter” on the Ryde LEP Land Application Map.

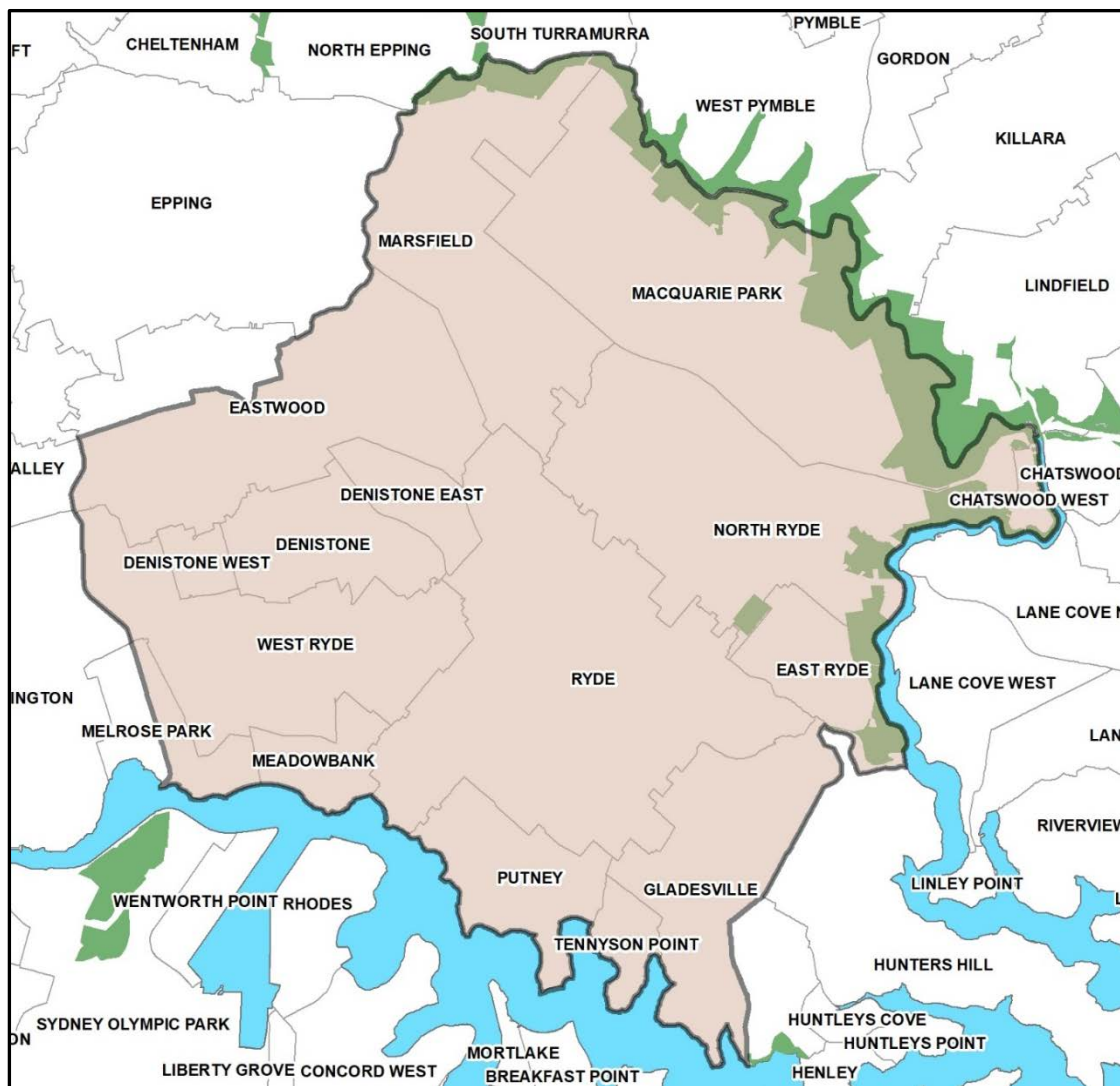


Figure 1: Ryde local government area with suburbs identified (Source: DPIE 2020)

## 1.3 Existing planning controls

Ryde LEP 2014 does not include any existing planning controls to require affordable housing.

## 1.4 Background

On 22 August 2017, Ryde Council considered the planning proposal for affordable housing and resolved to support the planning proposal being forwarded to the then Minister for Planning requesting a Gateway determination.

At this same meeting, Council resolved to request that the Minister include Ryde LGA in *State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)* ('SEPP 70').

SEPP 70 identifies LGAs as having a need for affordable housing and provides the mechanism for councils to develop schemes and levy development contributions for affordable housing. When SEPP 70 commenced on 1 June 2002, it applied to former City of South Sydney, City of Sydney, City of Willoughby and former Leichhardt LGAs.

On 20 April 2018, City of Ryde Council was included under clause 9 of *State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes)* ('SEPP 70'), having demonstrated that there is a need for affordable housing in the Ryde LGA. As part of this amendment, SEPP 70 included a further four additional LGAs – City of Randwick, Inner West, Northern Beaches and City of Canada Bay.

Since February 2019, the operation of SEPP 70 has been expanded to include all LGAs across the State.

### **1.5 Summary of recommendation**

The Department acknowledges that Council has demonstrated a need for affordable rental housing in the Ryde LGA through a series of Council initiated affordable housing studies and policies. However, the assessment of the planning proposal has found the proposal cannot be supported due to inconsistencies with the Greater Sydney Commission's policy on Affordable Rental Housing Targets as set out in the *Greater Sydney Region Plan* (March 2018), and the Department of Planning, Industry and Environment's policy in the *Guideline for Developing an Affordable Housing Contribution Scheme* (February 2019).

Key issues identified include:

- the proposal seeks to introduce a clause to levy development contributions for affordable housing that:
  - is not tied to upzonings (that result in an increase in land value);
  - is not applied to defined areas identified for growth;
  - does not demonstrate the proposed contribution rate is viable and will not impact feasibility and overall housing supply in the defined areas identified for uplift; and
  - is not supported by a draft scheme using the template in Appendix 3 of the Department's Guideline.
- the proposed mandatory affordable housing contribution levy for development applications for new residential and mixed-use buildings is contrary to the Greater Sydney Commission's affordable rental housing policy;
- the proposed affordable housing contribution rates do not have regard to the Greater Sydney Plan's key parameters for Affordable Housing Rental Targets, which include:
  - the uplift in land value created as a result of a rezoning decision, which should be measured using a consistent viability test and core assumptions;
  - the inclusion of other government development charges for essential local and state infrastructure so that communities do not forgo local amenity and services from Section 7.11 development contributions, Special Infrastructure Contributions and voluntary planning agreements;

- the necessary allowance for an increase in land value for vendors so that land is willingly sold into development projects that create housing supply;
- the necessary allowance for development companies to achieve a normal profit margin on the capital invested and risk taken on projects; and
- the requirement to have a separate approach for land release areas and urban infill areas given the differing circumstances in relation to development costs, development processes and land acquisition.

Accordingly, the proposal is recommended not to proceed.

## **2. PROPOSAL**

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### **2.1 Objectives or intended outcomes**

The planning proposal states that the objectives of the proposed LEP changes are to:

- give effect to the intent for the draft North District Plan to provide affordable housing;
- increase the amount of affordable housing in the LGA to achieve the Ryde's affordable housing targets;
- ensure affordable housing contribution rates do not impact on development viability; and
- increase certainty for landowners and developers seeking to develop land in the LGA.

The planning proposal states that the intended outcome of the planning proposal is to:

- require the provision of affordable housing in the City of Ryde; and
- provide a transparent framework for development to make equitable affordable housing contributions.

The Department considers the planning proposal's objectives and intended outcomes are adequately explained.

### **2.2 Explanation of provisions**

The planning proposal states that an affordable housing contributions clause is proposed to be introduced to Ryde LEP.

The clause would require developers to provide affordable housing, or an equivalent monetary contribution, at the following rates:

- 2% of the total gross floor area that is to be used for residential purposes where the development is located in the R3 Medium Density Residential zone, R4 High Density Residential zone and/or a Town Centre identified on Ryde LEP Centres Map [note: applies where there is no increase in residential floor space through an amendment to Ryde LEP]; and
- 7% of the total gross floor area that is to be used for residential purposes where the development is a result of an amendment to Ryde LEP that creates additional residential floor space [note: applies across the entire Ryde LGA].

The consent authority may impose a condition to levy development contributions for affordable housing at the time of granting development consent based on the above circumstances. In the case of a planning proposal to amend the zoning and/or height/FSR controls in Ryde LEP, the planning proposal states that the amount of floor area to be developed for residential purposes will be calculated at the time of the amendment to Ryde LEP and confirmed at the development application stage.

It is also proposed that if a developer wishes to provide more affordable housing than the minimum requirement, Council may, at its discretion, exclude floor space used for affordable housing from the gross floor area calculation of the development. It is noted that this outcome is slightly different to Council's resolution of 22 August 2017 which says:

“the consent authority may, when granting consent to a development, exclude from floor space ratio calculations the gross floor area of the affordable housing to be dedicated to Council”.

It is recommended that any future planning proposal clarifies whether floor space used for affordable housing is to be excluded from calculations (as per Council's resolution) or whether the exclusion would only be applied in circumstances where the minimum requirements have been exceeded. Council may wish to consider whether there would be limit as to what is considered a reasonable exceedance.

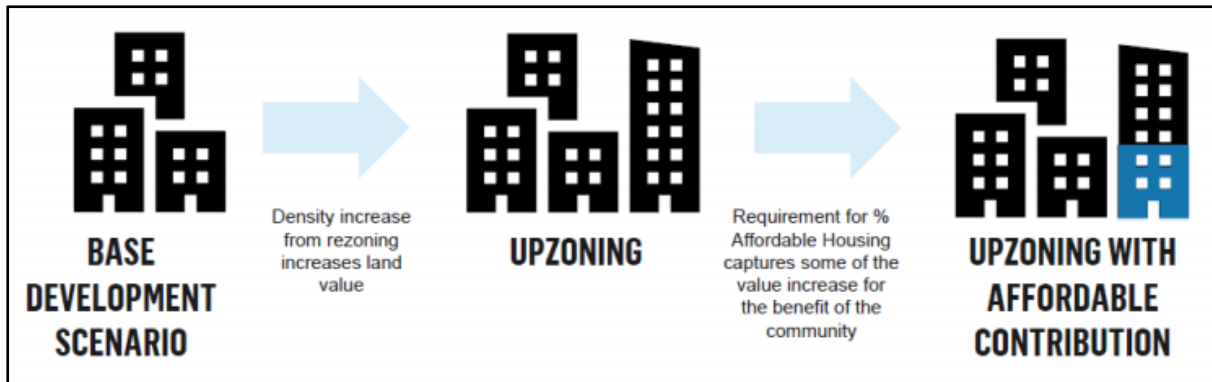
The explanation of provisions includes a table summarising when an affordable housing contribution applies and a draft clause.

The proposed clause also notes that a financial contribution will be required in accordance with 'Development Control Plan 2014 Part 3.6 Affordable Housing' when the required affordable housing contribution levy results in part of a dwelling being required.

### **Department comment**

#### *Consistency with the Greater Sydney Region Plan*

The Greater Sydney Region Plan (Greater Sydney Commission, 2018) states that “Affordable Rental Housing Targets would be applied in defined precincts prior to rezoning.” Furthermore, the Department's *Guideline for Developing an Affordable Housing Contributions Scheme* (February 2019) states that “Affordable Rental Housing Targets are to be applied in areas where an uplift of land value is created.” In essence, it is the Greater Sydney Commission's policy, and that of the Department, that affordable housing contribution schemes are to be applied to developments in defined areas that are facilitated by an upzoning, which results in an increase in land value (**Figure 2**).



**Figure 2:** Application of affordable housing contribution schemes

The planning proposal is inconsistent with the Greater Sydney Region Plan and the Department's *Guideline for Developing an Affordable Housing Contribution Scheme* (February 2019) ('the Guideline') because the proposal seeks to introduce a clause to levy development contributions for affordable housing that:

- is not tied to upzonings (that result in an increase in land value);
- is not applied to defined areas identified for growth;
- does not demonstrate the proposed contribution rate is viable and will not impact feasibility and overall housing supply in the defined areas identified for uplift; and
- is not supported by a draft scheme using the template in Appendix 3 of the Guideline.

Affordable housing contribution schemes apply to developments that are facilitated by upzoning. As stated in the Guideline, upzoning is a change of zone to enable residential development or a change of planning controls (such as floor space ratio) which enables greater residential density on site. This ensures contributions are drawn from the increase in land value generated by the upzoning and are consistent with the affordable housing targets established in the Greater Sydney Commission's District Plans.

A critical focus of the Region Plan is that any mechanism that is introduced to secure affordable housing should be cognisant of the impact on development viability. The following key parameters are identified in the Region Plan for successful implementation of affordable rental housing targets:

- the uplift in land value created as a result of a rezoning decision, which should be measured using a consistent viability test and core assumptions;
- the inclusion of other government development charges for essential local and state infrastructure (known as Section 7.11 Development Contribution and Special Infrastructure Contribution charges) and scope of any VPA is essential to accurately reflect the viability so that communities do not forgo local amenity and services;
- the necessary allowance for an increase in value for land vendors so that land is willingly sold into development projects that create housing supply; and
- the necessary allowance for development companies to achieve a normal profit margin on the capital invested and risk taken on projects.



The planning proposal's proposed affordable housing contribution rates do not have regard to the Greater Sydney Plan's key parameters for Affordable Housing Rental Targets.

#### Affordable Housing Contributions Scheme

While it is noted that the planning proposal is accompanied by City of Ryde Development Control Plan 2015 – Draft Part 3.6 Affordable Housing which provides some operational details of the Affordable Housing Program, the planning proposal must be supported by a draft Affordable Housing Contribution Scheme in accordance with the Department's *Guideline for Developing an Affordable Housing Scheme* (February 2019) (see Appendix 3 of the Guideline).

A draft scheme sets out how, where and at what rate development contributions can be collected by Council for affordable housing. Preparation of an affordable housing contribution scheme fulfils the requirements of section 7.32(3)(b) of the EP&A Act and also gives the local community greater clarity about the affordable rental housing planned for in their areas. In addition, a scheme will provide developers certainty and transparency about how affordable housing contributions will be determined, and the contribution rate that will be applied in a condition of consent.

The Department requires all schemes to be included in or referred to in an LEP so those schemes and associated affordable housing contribution rates cannot be changed without seeking an amendment to the LEP first.

#### Calculation method for the additional residential floor area

It is noted in the planning proposal that it is Council's intention to provide a distinction between how an affordable housing contribution rate is applied that involves an upzoning as a result of a change in land zoning compared to an upzoning as a result of a change in the maximum building height and floor space ratio controls set out in Ryde LEP.

It is understood that a 7% contribution rate would apply to newly permissible residential floor area introduced through a rezoning. However, the planning proposal does not clearly define what is meant by "additional residential" and clarification is required as to whether this refers to a net increase in the existing residential floor area or the permitted residential floor area.

It should also be clarified as to how the additional residential floor area would be calculated in situations where there is no defined permitted gross floor area for residential development, such as the B4 mixed use zone, or sites involving existing use rights.

Furthermore, it would be useful to understand under what circumstances development is considered to be exempt from affordable housing contributions, for example, refurbishment or repair of a building that results in additional residential floor space that is considered to be of a minor nature or development for the purposes of affordable housing or social housing delivered by a community housing provider or by or on behalf of a public authority.

#### Operational details

City of Ryde Development Control Plan 2015 – Draft Part 3.6 Affordable Housing accompanies the planning proposal. It provides the operational details of the

Affordable Housing Program, guidelines for imposing conditions of consent, design requirements and a financial contribution calculator.

The amount of floor area to be developed for residential purposes is proposed to be calculated at the time of the amendment to Ryde LEP 2014 and confirmed at the development application stage.

The affordable housing contributions are proposed to be provided to Council as works-in-kind, in the form of dwellings. Council would accept a financial contribution where the levy results in part of a dwelling being required.

All monetary contributions in relation to affordable housing made under the provisions of the LEP would be dedicated to future affordable housing delivery. The affordable housing property portfolio would also be utilised to leverage the delivery of new affordable housing. A governance structure would be prepared to manage the delivery program.

Any future planning proposal should clarify the proposed use of the dwellings i.e. whether they are to be used for affordable rental housing, whether a restriction would be registered against the title of each property and whether the properties would be classified as operational land under the *Local Government Act 1993*. Clarification should also be provided regarding the intended community housing provider who would operate the dwellings.

#### Plain English explanation

In accordance with the Department's Guide to Preparing Planning Proposals (DPIE, December 2018) the explanation of provisions should be drafted using plain English descriptions, to ensure the community understands what amendments are being proposed. This will also assist the legal drafting of the amending LEP, at that stage of the process. It is therefore recommended that any future planning proposal does not include a draft clause and instead relies on a plain English explanation.

### **2.3 Mapping**

There are no proposed amendments to the Ryde LEP 2014 maps as part of this planning proposal.

A draft Affordable Housing Contribution Scheme to accompany any future planning proposal must show the proposed areas within the LGA that the affordable housing contribution scheme covers. It must also provide maps with sufficient detail to identify specific lots to which the affordable housing contribution scheme applies.

## **3. NEED FOR THE PLANNING PROPOSAL**

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The planning proposal is a result of a number of background reports and studies initiated by City of Ryde Council.

The below table (**Table 1**) provides a timeline of Council's key initiatives in relation to affordable housing.



**Table 1 | Summary of Council's key affordable housing initiatives**

Year	Month	
2017	September	Planning proposal for affordable housing lodged with the Department of Planning, Industry and Environment seeking a Gateway determination following Council resolution of 22 August 2017.
2017	August	<p>Council's Affordable Housing Study (Hill PDA) is published to provide further affordable housing policy insight and economic modeling capability to enable Ryde Council to attain its affordable housing delivery targets.</p> <p>The Hill PDA study provides an evidence base for the affordable housing contribution rates proposed in the planning proposal for affordable housing.</p>
2016	April	<p>Council adopts an interim policy position in relation to the delivery of affordable housing as part of the development and planning process as follows:</p> <ul style="list-style-type: none"> <li>• 2 % of dwellings in new residential and mixed use developments be affordable housing.</li> <li>• 4 % of dwellings constructed on land to be rezoned to permit residential / mixed use development be affordable housing.</li> </ul> <p>This has been implemented where possible and appropriate through Voluntary Planning Agreements in relation to planning proposals (for a change to the zoning or additional height or floor space ratio) or where a development application proposes to exceed the development standards specified in Ryde LEP. This has been done by negotiation with developers as the interim policy is voluntary and not enforceable.</p>
2016	April	<p>Council adopts its Affordable Housing Policy 2016-2031 with a vision that by 2031, Ryde Council will be a leading council in Sydney in the provision of affordable housing and an increasing number of key workers in the local economy will live locally.</p> <p>The Affordable Housing Policy is supported through 3 goals:</p> <ol style="list-style-type: none"> <li>1) By 2031, 5% of all new dwellings in Ryde LGA will be affordable housing for key worker households on very low to moderate incomes.</li> <li>2) By 2031, Council and stakeholders will be operating under a clear and transparent framework to deliver affordable housing outcomes.</li> <li>3) By 2031, Council will have well established partnerships with the NSW Government, community housing providers and other relevant stakeholders that help to deliver the vision.</li> </ol>
2014	November	The Ryde Housing Affordability Summit was held to discuss an affordable housing plan for Ryde. Council endorsed the findings of the summit in May 2015 and resolved to prepare a Ryde Housing Affordability Policy to guide and facilitate the delivery of affordable housing in Ryde LGA.
2009	November	Council considered the preliminary draft Affordable Housing Strategy: Stage 2 Report 2009. The report's recommendation to include references to affordable housing in Ryde's comprehensive Standard Instrument LEP did not proceed.
2008	October	City of Ryde Affordable Housing Strategy: Stage 1 Final Background Report (Judith Stubbs & Associates) published which identified a lack of affordable housing for rental / purchase for low to moderate income households. The report was endorsed by Council on 2 December 2008.

The Department supports Council's objective to levy contributions for affordable housing; however, this must be consistent with the Greater Sydney Commission's Policy and the Department's *Guideline for Developing an Affordable Housing Contribution Scheme* (February, 2019).

The planning proposal acknowledges affordable housing can be achieved through Voluntary Planning Agreements, however an affordable housing provision in Ryde LEP with an accompanying Affordable Housing Contribution Scheme will provide greater transparency and certainty for developers and the community.

The Department considers a planning proposal is the best means for achieving the intended outcomes.

## **4. STRATEGIC ASSESSMENT**

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### **4.1 Greater Sydney Region Plan**

The Greater Sydney Region Plan *A Metropolis of Three Cities* was released by the Greater Sydney Commission on 18 March 2018. It sets a 40-year vision (to 2056) and established a 20-year plan to manage growth and change for Greater Sydney in the context of social, economic and environmental matters.

The Greater Sydney Region Plan (Region Plan) supports the development of affordable housing contribution schemes as a mechanism to implement the Commission's housing related objectives.

The Region Plan recommends Affordable Rental Housing Targets as a mechanism to deliver an additional supply of affordable housing for very low to low-income households in Greater Sydney. The Region Plan identifies targets are generally in the range of 5–10 per cent of new residential floor space, subject to viability.

Affordable Rental Housing Targets are to be applied in future defined areas or precincts that are entering the rezoning process, so as not to limit the development of projects already underway with land transactions largely in place. Contribution rates must be viable and not impact on development feasibility and overall housing supply.

As discussed in Section 2.2 above, the planning proposal is inconsistent with the Greater Sydney Plan and is not supported to proceed.

### **4.2 North District Plan**

The North District Plan was released by the Greater Sydney Commission in March 2018. The District Plan is a 20-year plan to manage growth in the context of economic, social and environmental matters to achieve the 40-year vision for Greater Sydney. It is a guide for implementing the Greater Sydney Region Plan at a district level and is a bridge between regional and local planning.

The North District covers Hornsby, Hunter's Hill, Ku-ring-gai, Lane Cove, Mosman, North Sydney, Northern Beaches, Ryde and Willoughby local government areas.

The planning proposal is consistent with the North District Plan's Action 18 under 'Planning Priority N5 - Providing housing supply, choice and affordability, with access to jobs, services and public transport', which encourages Council's and other planning authorities to prepare Affordable Rental Housing Schemes following the development of implementation arrangements by the Department and the GSC.

### **4.3 Local**

#### **City of Ryde Local Strategic Planning Statement**

On 31 March 2020, the Greater Sydney Commission confirmed it supports the City of Ryde's Local Strategic Planning Statement (LSPS) (March 2020) as being consistent with the Greater Sydney Region Plan and North District Plan under Section 3.9(3A) of the EP&A Act.

Ryde's LSPS is a 20-year plan setting out Council's vision and planning priorities for the Ryde LGA, and the actions Council will take to achieve them. It also bridges the space between the Community Strategic Plan and the local planning framework.

The planning proposal is consistent with Council's LSPS housing vision:

*The housing needs and expectations of the City of Ryde community will be met through the provision of a range of housing types including affordable housing.*

The LSPS refers to Council's adopted Affordable Housing Policy, being, five per cent of new homes delivered by 2031 will be affordable housing. It also refers to the Department's *Guideline for Developing an Affordable Housing Contribution Scheme*, and acknowledges that given the Guideline has been published, it will require an update to Council's proposed LEP amendments.

The planning proposal responds to Action H4.1 in Council's LSPS which is to "implement Council's Affordable Housing Policy and pursue amendments to the LEP in consultation with the Department of Planning, Industry and Environment".

It is considered the planning proposal is consistent with Council's Local Strategic Planning Statement.

#### City of Ryde draft Local Housing Strategy

Ryde's draft Local Housing Strategy (LHS) (Hill PDA, February 2020) sets out a plan for delivery of new housing in the LGA for the next 10 to 20 years. It has informed the development of the Ryde Local Strategic Planning Statement (LSPS) and supports Council's vision to align housing growth with provision of infrastructure, services and community facilities.

A Strategic direction and key actions identified in Ryde's draft LHS that are relevant to the planning proposal include:

<b>Strategic direction</b>		<b>Key action</b>
Mandate affordable housing	⇒	<ul style="list-style-type: none"> <li>• Continue to implement Ryde Affordable Housing Policy</li> <li>• Determine affordable housing contribution rates using feasibility testing in areas to undergo uplift</li> <li>• Monitor the delivery of affordable housing through these mechanisms</li> </ul>

It is considered the planning proposal is consistent with relevant strategic directions and key actions in Council's draft LHS.

#### **4.4 Section 9.1 Ministerial Directions**

The proposal is consistent with the following applicable section 9.1 Ministerial Directions:

<b>Direction</b>	<b>Comment</b>
1.1 Business and Industrial Zones	<p>The planning proposal would be applicable to Zone B4 Mixed Use as residential accommodation is permitted with consent in this zone.</p> <p>The planning proposal does not contain provisions that contradict or would hinder the application of this direction.</p>
2.3 Heritage Conservation	This proposal does not detract from the heritage protection provisions which already exist within the Ryde LEP.
3.1 Residential Zones	The planning proposal does not contain provisions that contradict or would hinder the application of this direction.

3.3 Home occupations	The planning proposal does not contain provisions that contradict or would hinder the application of this direction.
3.4 Integrating Land Use and Transport	Subject to Council's Affordable Housing Contribution Scheme identifying distinct areas anticipated for future growth and rezoning where there is good access to public transport, the planning proposal is considered to be consistent with the aims, objectives and principles of <i>Improving Transport Choice</i> and <i>The Right Place of Business and Services</i> .
4.1 Acid Sulfate Soils	Ryde LEP 2014 contains existing provisions to ensure the consideration of acid sulphate soils (ASS). This direction will be further considered at the time areas identified in Council's Affordable Housing Contribution Scheme are proposed for rezoning to intensify land uses.
4.3 Flood Prone Land	Ryde LEP 2014 contains existing provisions and a Flood Planning Map that give effect to and are consistent with the NSW Flood Prone Land Policy and the principles of the <i>Floodplain Development Manual 2005</i> (including the Guideline on Development Controls on Low Flood Risk Areas). This direction will be further considered at the time areas identified in Council's draft Affordable Housing Contribution Scheme are proposed for rezoning.
6.1 Approval and Referral Requirements	The planning proposal does not include concurrence, consultation or referral provisions or identify any developments as designated development.
6.3 Site Specific Provisions	The planning proposal does not contain provisions that contradict or would hinder the application of this direction.

#### 4.5 State environmental planning policies (SEPPs)

SEPPs relevant to the planning proposal include the following:

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

Section 7.32 of the EP&A Act allows Council to levy contributions for affordable housing if a State Environmental Planning Policy (SEPP) identifies a need for affordable housing in the LGA.

In April 2018, SEPP 70 was amended to apply to the City of Ryde Council. In February 2019, SEPP 70 was amended so that it now applies to all Councils in the Greater Sydney Region.

Under Section 7.32(3)(b) of the EP&A Act, any condition imposed on a development consent must be authorised by a Local Environmental Plan (LEP) and be in accordance with an affordable housing contribution scheme for dedications or contributions set out in, or adopted by, the LEP.

Any future planning proposal should address SEPP 70's relevant to the planning proposal, as well as the Affordable Housing Principles set out in Schedule 2 of the SEPP. It is noted that at the time the planning proposal was lodged under former section 56 of the EP&A Act, SEPP 70 did not apply to the City of Ryde.

##### State Environmental Planning Policy (Affordable Rental Housing) 2009

The intent of the Affordable Rental Housing SEPP is to increase the supply and diversity of affordable rental housing by providing a range of planning incentives to encourage the development of new affordable rental housing. The SEPP applies to the entire state and covers housing types including in-fill affordable housing, along with secondary dwellings (granny flats), boarding houses, group homes, social housing and supportive accommodation.

The Affordable Rental Housing SEPP applies both to developments by Land and Housing Corporation and the private sector with the assistance of community housing providers. Under the SEPP, private developments are required to allocate a proportion of the new dwellings to social housing for a minimum of 10 years.

This model differs to the approach taken by the planning proposal which aims to levy affordable housing contributions as either a percentage of floor space that can equate to a completed affordable rental unit, which can be dedicated to Council in perpetuity, or a monetary contribution rate, or any combination of the two.

The planning proposal will not limit the potential for other affordable housing under the SEPP elsewhere in the LGA.

## **5. SITE-SPECIFIC ASSESSMENT**

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### **5.1 Social**

The planning proposal is supported by the *City of Ryde Affordable Housing Policy: Stage 1 Background Report* (Judith Stubbs & Associates, 2 October 2015) (Background Report).

The Background Report acknowledges Ryde is well located with regard to services and key employment centres in the Greater Sydney Region. However, it is an increasingly unaffordable area for very low, low and moderate income households. There is a high level of unmet demand for key worker housing based on high levels of housing stress among very low, low and moderate workers, and commuting and migration patterns.

The Background Report provides evidence that, without intervention, the market would cater to virtually none of the affordable housing needs of very low, low and moderate income households. Research is provided that identifies the growing lack of affordable housing both to rent and purchase in the Ryde LGA.

#### Rental Affordability:

The Background Report analysed data from Housing NSW Rent and Sales Report (March Quarter 2015) which indicated that recent rentals are affordable to a very narrow range of households that would be considered as eligible for affordable housing. The market is thus not supplying affordable housing for most members of key target groups. The Report concludes that the rental situation is problematic for virtually all very low and low income households, and most moderate income families with children needing a larger strata dwelling or separate house.

The planning proposal aims to implement affordable housing contributions to enable Council to meet its target: that 5% of new dwellings built between 2016 to 2031 in Ryde will be affordable housing dwellings for key worker households on very low to moderate incomes. The 5% target equates to 750 additional affordable housing dwellings by 2031. Of these, Council anticipates:

- 500 will be delivered by the NSW Government on government owned land and through the development approval process (equating to 33 new affordable housing dwellings a year); and
- 250 will be delivered by City of Ryde Council, equating to 17 new affordable housing dwellings a year.

Any future planning proposal should clarify what assurances there are for the NSW Government to deliver the 500 dwellings, and if this is not possible, the proposal should discuss whether the private sector can meet the demand shortfall.

#### Housing Stress:

A household is typically described as being in 'housing stress' when a very low, low or moderate income household is paying more than 30% of its gross income on its housing costs, and 'severe housing stress' when such a household is paying more than 50% of its income on rental or mortgage repayments.

The Background Report states that Ryde LGA has a similar rate of housing stress to NSW and Greater Sydney. For example, in Ryde LGA 39% of renting households were in housing stress in 2011 compared with 40% for NSW and 39% for Greater Sydney. In 2011, 68% of very low income renting households were in rental stress, as were 56% of low income renting households and 16% of moderate income renting households. In terms of household type, rates of rental stress were higher for family and other households (44%) compared to smaller households (lone persons and couples without children) (35%).

The Background Report 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 the Ryde LGA, their choices are constrained if they need a two-bedroom apartment.

The planning proposal to address housing affordability for essential key workers in Ryde LGA aims to lessen the negative impacts that housing stress is having across the community.

#### Key worker housing:

Key workers – such as teachers, nurses, ambulance officers, fire/emergency workers, and police – play an essential role in Sydney's economy and social fabric. Also referred to as essential workers, key workers are people whose occupations are considered essential to the functioning of cities, but who are typically on fixed, low to moderate, wages.

The Background Report identified the forecast need for affordable housing by 2031 in Ryde LGA is around 11,000 dwellings, with around 50% very low income, 30% low income and 20% moderate income households, and around 70% renters. Key worker households are across all of these income bands. These workers are vital to the local economy and a primary target group for affordable housing.

*City of Ryde's Affordable Housing Policy 2016-2031* highlights that during 2011 – 2015 only six affordable housing dwellings were approved (but not yet built) in Ryde LGA – an average of 1.2 dwellings a year.

The lack of affordable housing for young families and workers in lower paid essential service jobs can adversely affect local economies, and is contributing to labour shortages in some areas of metropolitan Sydney. The planning proposal aims to increase the quantum of affordable housing (in perpetuity) in Ryde in order to ease the high level of unmet demand for key worker housing.



## 5.2 Environmental

The planning proposal will not affect any critical habitat or threatened species, populations or ecological communities or their habitats nor is it expected to have any adverse environmental impacts.

## 5.3 Economic

### Impact on development feasibility

Council's Affordable Housing Study (Hill PDA, August 2017) provides a market appraisal and feasibility analysis of the impacts of affordable housing contributions on development feasibility within the LGA.

Feasibility modelling was undertaken using Estate Master software, with testing based on four sites within the following suburbs that are experiencing development pressure: Macquarie Park, Ryde, West Ryde and Gladesville.

The Affordable Housing Study prepared by Hill PDA showed that an affordable housing contribution rate between a minimum of 5% to a maximum of up to 12% could be applied on the:

- total proposed residential floor space on land with a zoning that currently prohibits residential
- bonus residential floor space in the case of land currently zoned residential but where the density (height and/or FSR) is proposed to be increased.

The Study provides that in order for Council to ensure achievement of Council's target that 5% of all new dwellings will be affordable rental housing by 2031, it was considered that a contribution levy of 7% would be appropriate.

The Study states that Council's 2% affordable housing contribution levy on permitted new residential and mixed use development applications is considered feasible providing it is introduced over time. Notwithstanding, the proposed mandatory affordable housing contribution levy for development applications for new residential and mixed use buildings is contrary to the Greater Sydney Commission's affordable housing policy and is not supported. Council may wish to factor in the removal of this contribution rate on their affordable housing delivery projections as part of any future planning proposal.

The feasibility analysis provided indicates there is significant variance in areas within the Ryde LGA. Variable rates should therefore be considered to remove cross subsidy between precincts. Council should consider the merits of variable rates for different areas as opposed to a standard flat rate across the whole Ryde LGA.

It is recommended that any future planning proposal should be supported by evidence that an affordable housing contribution rate is viable. Viability testing must demonstrate consistency with the Department's *Guideline for Developing an Affordable Housing Contribution Scheme* (February 2019) and have regard to the key parameters set out in the *Greater Sydney Region Plan* in relation to viability testing. As outlined in the Guideline, the preferred method for determining a viable affordable housing contribution rate is using the residual land value method (RLV).

To ensure that the recommended contribution rates remain relevant and appropriate, the Affordable Housing Study recommends that rates be subject to full market review every three years or at Council's discretion. This has not been addressed in the

planning proposal, and any future planning proposal should address this recommendation. Any revision to contribution rates following a full market review would require a further planning proposal should Council wish amend their scheme. Timing of any future planning proposal should also be factored into any review Council undertakes.

It is noted that the Affordable Housing Study recommends quarterly indexation of the financial contribution rates, which is detailed in the provided draft Part 3.6 of Council's DCP.

#### **5.4 Infrastructure**

The proposal does not impact on infrastructure services.

### **6. SAVINGS AND TRANSITIONAL PROVISIONS**

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Any future planning proposal should include a savings and transitional clause to ensure any development applications lodged and not determined are not adversely impacted by the proposed changes.

### **7. CONSULTATION**

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#### **7.1 Community**

The planning proposal is not supported to proceed to public exhibition.

#### **7.2 Agencies**

The planning proposal is not supported; and therefore, no agency consultation is required.

### **8. TIME FRAME**

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No timeframe is required as the proposal is recommended not to proceed.

### **9. LOCAL PLAN-MAKING AUTHORITY**

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There is no requirement to appoint a local plan-making authority as the proposal is recommended not to proceed.

### **10. CONCLUSION**

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Since the planning proposal was lodged, there have been several significant developments that are integral to Council's proposal. Firstly, in March 2018, the Greater Sydney Commission released the Greater Sydney Region Plan *A Metropolis of Three Cities*, which recommends Affordable Rental Housing Targets as a mechanism to deliver an additional supply of affordable housing for very low to low-income households in Greater Sydney.

In late April 2018, City of Ryde was included in SEPP 70, having demonstrated that there is a need for affordable housing in the Ryde LGA. In February 2019, the Department of Planning, Industry and Environment published a *Guideline for*

*Developing an Affordable Housing Contribution Scheme* ('Guideline') to assist councils with the preparation of affordable housing contributions schemes and thereby fulfil legislative requirements of the *Environmental Planning and Assessment Act 1979*.

The Department acknowledges that Council has demonstrated a need for affordable rental housing in the Ryde LGA through a series of comprehensive background studies and initiatives undertaken by Council since 2008.

However, the assessment of the planning proposal has found the proposal cannot be supported due to inconsistencies with the Greater Sydney Commission's policy on Affordable Rental Housing Targets as set out in the *Greater Sydney Region Plan* (March 2018), and the Department of Planning, Industry and Environment's policy in the Guideline.

Key issues identified include:

- the proposal seeks to introduce a clause to levy development contributions for affordable housing that:
  - is not tied to upzonings (that result in an increase in land value);
  - is not applied to defined areas identified for growth;
  - does not demonstrate the proposed contribution rate is viable and will not impact feasibility and overall housing supply in the defined areas identified for uplift; and
  - is not supported by a draft scheme using the template in Appendix 3 of the Guideline;
- the proposed mandatory affordable housing contribution levy for development applications for new residential and mixed use buildings is contrary to the Greater Sydney Commission's affordable rental housing policy;
- the proposed affordable housing contribution rates do not have regard to the Greater Sydney Plan's key parameters for Affordable Housing Rental Targets, which include:
  - the uplift in land value created as a result of a rezoning decision, which should be measured using a consistent viability test and core assumptions;
  - the inclusion of other government development charges for essential local and state infrastructure so that communities do not forgo local amenity and services from Section 7.11 development contributions, Special Infrastructure Contributions and voluntary planning agreements;
  - the necessary allowance for an increase in land value for vendors so that land is willingly sold into development projects that create housing supply;
  - the necessary allowance for development companies to achieve a normal profit margin on the capital invested and risk taken on projects; and
  - the requirement to have a separate approach for land release areas and urban infill areas given the differing circumstances in relation to development costs, development processes and land acquisition.

Accordingly, the proposal is recommended not to proceed.

## **11. RECOMMENDATION**

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It is recommended that the delegate of the Minister for Planning and Public Spaces determine that the planning proposal should not proceed for the reasons stated in this Gateway Determination Report.



8 Oct 2020

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