
PLANNING PROPOSAL DESCRIPTION	Planning Proposal – Affordable Housing Contribution Scheme
DATE OF LPP MEETING	Wednesday 22 June 2022
PANEL MEMBERS	Jason Perica (Chair) Chris Hallam (Expert) John Brunton (Expert) Geoff Martin (Community Representative)
APOLOGY	
DECLARATIONS OF INTEREST	

Executive Summary

The purpose of this report is to present a Planning Proposal for Penrith City Council's (Council) Affordable Housing Contribution Scheme which proposes to introduce a new clause in the Penrith Local Environmental Plan (LEP) 2010 to collect affordable housing development contributions for the delivery of affordable housing in the Penrith Local Government Area (LGA). This LEP clause will apply to nominated urban release areas of Glenmore Park Stage 3 and Orchard Hills North which are currently subject to two separate Planning Proposals.

The Local Planning Panel's advice on the Planning Proposal is sought in accordance with the requirements of Section 2.19 of the *Environmental Planning and Assessment Act 1979*. It is recommended that the Planning Proposal generally be supported and progressed through the next steps in the Gateway process.

It is intended that the Planning Proposal will be reported to an upcoming Council meeting for consideration, with a recommendation to endorse and forward the Planning Proposal to the Minister for Planning and Public Spaces requesting a Gateway Determination to enable public exhibition.

Background

Housing affordability has risen as a central issue across much of Australia's east coast over the past two decades. Significant and sustained price growth in property values has outpaced wage rises, resulting in declining housing affordability and growing public debate around the need to improve accessibility to the housing market.

Affordable housing is housing for very low, low and moderate income households as defined by the *State Environmental Planning Policy (Housing) 2021*, Chapter 2 – Affordable Housing (the Housing SEPP) and the *Environmental Planning and Assessment Act 1979* (the Act). The social costs associated with deteriorating housing affordability are significant. Households on very low, low and moderate incomes can be displaced from local areas, resulting in poor community diversity and social cohesion. Furthermore, displacement of 'key workers' can result in a reduced labour force of those workers who are essential to local economies.

The need for affordable housing in the Penrith LGA is based on evidence in both the draft *Western Sydney Affordable Housing Strategy* (WSAHS) and the draft *Penrith Local Housing Strategy*.

To inform the preparation of this Planning Proposal, Council engaged Atlas Urban Economics to prepare a *Draft Affordable Housing Contribution Scheme* (the Scheme). Atlas Urban Economics built on the work in the draft WSAHS to prepare the draft Scheme to specifically apply to Glenmore Park Stage 3 and Orchard Hills North precincts. Atlas Urban Economics also undertook a feasibility assessment that examined the capacity of development to tolerate affordable housing contributions within the nominated urban release areas. This is provided as Appendix 1 to the Planning Proposal.

The sites included in the nominated area are two developments where land is proposed to be rezoned for residential development resulting in significant uplift and increase in land value. It is through this value increase that development can contribute to affordable housing contributions.

This Planning Proposal builds on the work prepared by Atlas Urban Economics and aims to facilitate the delivery of affordable housing in Penrith through the planning framework.

Planning Proposal

The Planning Proposal seeks to introduce a new provision in Penrith LEP 2010 to collect affordable housing development contributions for the delivery of affordable housing in the Penrith LGA.

The intended outcomes of this Planning Proposal are to:

- Provide for the delivery of affordable housing through the planning system, recognising its role as a vital economic and social infrastructure.
- Ensure Penrith LGA provides affordability advantages and remains an attractive and inclusive location for a range of residents.
- Provide a transparent framework for development to make equitable affordable housing contributions.
- Provide certainty and clarity for landowners and developers seeking to develop land in the Penrith LGA.
- Achieve the actions within the Penrith LSPS and Local Housing Strategy to provide affordable housing on land with significant residential uplift and where development viability can be maintained.

The Planning Proposal and appendices are provided as Attachment 1 to this report.

The LEP clause is proposed to apply within the nominated urban release areas of Glenmore Park Stage 3 and Orchard Hills North initially, with potential to expand across other residential growth areas of Penrith LGA. Affordable housing development contributions will apply where land is proposed to be rezoned for residential development.

The draft LEP clause excludes:

- Developments which do not result in at least one additional dwelling being created.
- Exempt development.
- Secondary dwellings.
- Development solely for the purpose of social and/or affordable housing.
- Boarding houses.
- All non-residential development is exempt from the draft Scheme.

The objective of this Planning Proposal is to increase the amount of affordable housing within Penrith. It provides a comprehensive and transparent framework which gives local communities greater clarity about the affordable housing planned for in their areas. Affordable housing contribution schemes also 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.

Affordable housing contributions rates provided in the draft Scheme are in addition to other contributions across the LGA, including local infrastructure contributions (s7.11 or s7.12), state and regional infrastructure contributions. As a condition of development consent, all eligible development in the nominated urban release areas must contribute to affordable housing according to the rates provided in the draft Scheme. The draft Scheme will replace the need to negotiate separate VPAs for affordable housing in these areas, unless proponents seek to deliver over and above the Scheme.

As a condition of development consent, all land to which the draft Scheme applies is required to provide contributions for affordable housing according to the rates provided. A monetary contribution required to be made under the Scheme is to be paid at the time specified in the condition. The contribution rate is derived from the draft WSHAS, which recommends that an affordable housing contribution rate be based on a percentage of the Gross Realisation Value (GRV) of development. The GRV is proposed to be set at **\$7,596,658 per/ha NDA**. Feasibility testing has determined that this approach is viable. The viability assessment is included as Appendix 1 of the Planning Proposal.

Two contribution rates are proposed to be applied in Glenmore Park Stage 3 and Orchard Hills North, a specified rate (base rate) and an inclusionary rate.

1. Specified (base) contribution rates

Area	Year of commencement	Contribution Rate (% GRV)	Contribution per ha NDA
Orchard Hills North	2024	-	-
Glenmore Park Stage 3	2024	2%	\$151,933

2. Inclusionary contribution rates (in addition to the specified contribution rates)

Year of commencement	Contribution Rate (% GRV)	Contribution per ha NDA
2024	1%	\$75,967
2027	2%	\$151,933

Contributions can be made as a monetary contribution or in-kind as land or dwellings for the purpose of affordable housing. A monetary contribution is required within urban release areas as it is not practical to provide affordable housing within these areas. Community Housing Providers have advised affordable housing that is near railway stations and city centres closer to services and facilities is preferred.

Collected contributions will be pooled and affordable housing can then be provided in areas close to transport and access to services. A policy framework on how Council will collect and use Affordable Housing Contributions will be prepared, with input from Council's Property and City Activation Community and Place teams will be prepared.

Key considerations

Relationship to strategic planning framework

The proposal demonstrates consistency with a number of strategic policies:

Penrith Local Strategic Planning Statement (LSPS)

- The Planning Proposal responds to Planning Priority 4: Improve the affordability of housing and Action 4.1 Develop an Affordable Housing Policy. This Planning Proposal achieves both the planning priority and action.
- The LSPS also acknowledges, under Planning Priority 3: Provide new homes to meet the diverse needs of our growing community, that a sufficient supply of well located and services land for new homes will deliver a range of benefits. This includes providing homes close to jobs, shops and services.

The Planning Proposal is consistent with the *Greater Sydney Region Plan 'A Metropolis of Three Cities'* by responding to Objective 10: Greater Housing Supply and Objective 11: Housing is more diverse and affordable. The Planning Proposal is also consistent with the *Western City District Plan* by responding to Planning Priority W5: Providing housing supply, choice and affordability, with access to jobs, services and public transport. The Planning Proposal supports these plans by facilitating the delivery of affordable housing in Penrith through the planning framework.

Draft Penrith Local Housing Strategy - One of the key themes of this strategy is housing affordability. This document identifies a need for additional affordable housing supply across the Penrith LGA.

Sustainability Blue Print for Urban Release Areas 2005 - Under Principle 3 of the Blueprint, social infrastructure requirements for new development are identified. This document specifically identifies affordable housing as an item of social infrastructure which should be incorporated into the development of new residential release areas.

Western Sydney Affordable Housing Strategy 2021 establishes a strategic direction for the provision of affordable housing within the Western City District, providing a broader policy vision and set of policy objectives relating to affordable housing.

Social and Economic Considerations

The socio-economic profile of Penrith indicates a clear and critical need to provide affordable housing for very low to moderate income households in Penrith LGA. Significant and sustained price growth in property values has outpaced wage rises, resulting in declining housing affordability and growing debate around the need to improve accessibility to the housing market. Households on very low, low and moderate incomes can be displaced from local areas, resulting in poor community diversity and social cohesion.

Less affordable housing negatively impacts individuals, the community and the local economy. Approximately 17.4% of Penrith residents were in housing stress in 2016, with 18.3% projected to be in housing stress by 2041. In 2016, there were some 2,411 and 5,726 low to moderate income households experiencing mortgage and rental stress respectively.

A critical consideration in introducing new contribution requirements in the Penrith LEP 2010 is the impact on development viability. To understand the economic impacts of the proposed affordable housing contribution rates, independent work was undertaken to test the local housing needs of Penrith and assessed the feasibility that examined the capacity of development to tolerate affordable housing contributions within the urban release areas of Glenmore Park Stage 3 and Orchard Hills North.

The Planning Proposal addresses these social and economic effects by proposing a local provision to collect affordable housing development contributions for the delivery of affordable housing in the Penrith LGA and the proposed contribution rates have been tested to ensure development viability.

By seeking to progress to public exhibition, there will be an opportunity to identify and assess any additional social and economic effects of the Planning Proposal from a range of stakeholders including business and industry, state agencies, as well as the community.

Need for and approach to a new LEP provision

As part of its justification, the Planning Proposal should demonstrate that the proposed approach is the best, most efficient and most time effective approach to delivering the desired outcome.

The Planning Proposal is to facilitate a new affordable housing contribution scheme within Penrith. This Planning Proposal is the only way to achieve this and provides a transparent framework for development to make equitable affordable housing contributions and, provides certainty and clarity for landowners and developers seeking to develop land in the Penrith LGA.

Section 7.32 of the Act allows for the collection of development contributions for the purpose of affordable housing provision by NSW councils. This can occur where a need is identified within a planning instrument and where:

- The consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- The consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or

-
- The proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
 - The regulations provide for this section to apply to the application.

Development, where affordable housing contributions are imposed as a condition of consent, is levied on the basis that:

- Redevelopment and renewal of areas where additional development capacity is provided will reduce the availability of affordable private rental stock in these locations. As these locations are typically endowed with good access to infrastructure, employment and amenities, there is a strong case for the provision of affordable housing alongside private market development.
- As growth and renewal occur across the Penrith LGA, the proportion of dwellings available at affordable rates, either via social/affordable housing or private market rental, will reduce if intervention does not occur. Therefore, the proportion of households living in housing stress is also highly likely to increase. This provides justification for the imposition of affordable housing contributions as an inclusionary development standard across the Penrith LGA.

The Housing SEPP identifies that there is a need for affordable housing across NSW. The Housing SEPP is the mechanism through which Council can mandate a contribution to affordable housing from new development. Once approved by the Department of Planning and Environment (DPE), and subsequently included within the Penrith LEP 2010, Council will have a sound framework to collect contributions for affordable housing for greenfield areas. For other areas contributions towards affordable housing where residential uplift is proposed would still be subject to negotiation through VPAs, however Council would have a sound basis to enter into those negotiations.

Next Steps

It is intended that the Planning Proposal will be reported to an upcoming Council meeting for consideration. The report proposes to seek Council's endorsement to forward the Planning Proposal to the Minister for Planning and Public Spaces with a request to issue a Gateway Determination to enable public exhibition.

Panel's Advice

In accordance with the requirements of Section 2.19 of the Act, the Planning Proposal is referred to the Penrith Local Planning Panel for advice.

A record of the Panel's advice will be included in the report seeking Council's decision on the Planning Proposal and provided to the Department of Planning and Environment.

Conclusion

This report outlines Council's Planning Proposal for a new provision in the Penrith LEP 2010 to collect affordable housing development contributions for the delivery of affordable housing in the Penrith LGA.

This LEP clause will allow a condition of consent to be included on future development applications to collect contributions within the nominated urban release areas of Glenmore Park Stage 3 and Orchard Hills North.

RECOMMENDATION

It is recommended that the Planning Proposal generally be supported and progressed through the next steps in the Gateway process.

ATTACHMENTS

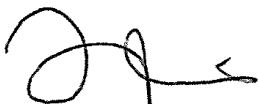


Attachment 1 - Planning Proposal for Affordable Housing Contribution Scheme.

PLANNING PROPOSAL DESCRIPTION	Planning Proposal – Affordable Housing Contribution Scheme
DATE OF LPP MEETING	Wednesday 22 June 2022
PANEL MEMBERS	Jason Perica (Chair) Chris Hallam (Expert) John Brunton (Expert) Geoff Martin (Community Representative)
APOLOGY	
DECLARATIONS OF INTEREST	

Panel Advice provided pursuant to Section 2.19 of the EP&A Act 1979

The Panel has considered the Planning Proposal and the preliminary assessment prepared by Council officers and provides the following advice:

1. The Planning Proposal for the Affordable Housing Contribution Scheme is supported in principle, including the approach of considering viability, subject to the following matters being considered at the appropriate time:
 - a) Making it clear the scheme supports Affordable Rental Housing, including considering appropriate naming and explanation;
 - b) Opportunities to simplify the contribution rate operations should be explored;
 - c) A scheme for Penrith City alone would seem more practical than seeking an agreed district wide approach, at least in the short term;
 - d) Council's staff intention for wider implementation of an Affordable Rental Housing Contribution Scheme be explained in the report to Council;
 - e) Given some complexity in the analysis done, suitable explanatory documentation be provided during public exhibition, in plain English;
 - f) The proposed policy to implement the scheme be finalised prior to gazettal.
2. It is recommended that the Planning Proposal be progressed through the next steps in the Gateway process.

Jason Perica - Chair Person 	John Brunton – Expert 
Chris Hallam - Expert 	Geoff Martin – Community Representative 