

# Report

<b>Subject</b>	<b>Planning Proposal for an Affordable Housing Contribution Scheme</b>
<b>TRIM Record No</b>	BP24/147:EF22/135
<b>Prepared by</b>	Strategic Planner
<b>Reason</b>	The report recommends lodging a Planning Proposal with the Department of Planning, Housing and Infrastructure for a Gateway Consideration. The intent of the Planning Proposal is to introduce an Affordable Housing Contribution Scheme into the Lismore LEP 2012.
<b>Strategic Theme</b>	An inclusive and healthy community
<b>Strategy</b>	Our community is a desirable place to live, an easy place to work and a welcoming place to visit.
<b>Action</b>	Create liveable communities for all.

## Executive Summary

This report outlines the legislative basis and the process taken for the preparation of an Affordable Housing Contributions Scheme (AHCS). Economic modelling has been undertaken that demonstrates an AHCS can feasibly be applied to a number of sites within the Lismore local government area (LGA) (as shown in Map 5) and it is recommended the process of adopting an AHCS be continued.

The report is seeking a resolution for a Planning Proposal to introduce and embed the AHCS into the Lismore Local Environmental Plan (LEP) 2012 be supported and submitted to the Department of Planning, Housing and Infrastructure for a Gateway Determination and then to public exhibition before being reported back to Council for final consideration.

## Recommendation

That:

1. Council supports the Planning Proposal to introduce an Affordable Housing Contribution Scheme into the Lismore LEP 2012 and applies it to the various parcels as outlined in this report
2. the General Manager submit the Planning Proposal to the Department of Planning, Housing and Infrastructure with a request for a Gateway Determination
3. in line with conditions of the Gateway Determination, the General Manager place the Planning Proposal and the Affordable Housing Contribution Scheme on public exhibition and consult with Government agencies
4. following the close of the public and agency consultation, the General Manager report back to Council

## Background

An Affordable Housing Contribution Scheme (AHCS) is a defined scheme enabled and guided by the NSW Department of Planning, Housing and Infrastructure (DPHI). It can be applied **only when** an uplift in land value occurs due to a change in planning controls and that the future development of the land is determined to be viable with the proposed contribution. The intent is that some of the uplift in the land

value is captured by Council, either in the form of land or the equivalent monetary value and utilised by a Community Housing Provider to provide affordable rental housing in perpetuity.

For Lismore, this means it can be applied only to land identified in the Growth & Realignment Strategy that will go through a land rezoning that awards the landowner with a sufficient increase in land values — for example changing from an agricultural to a residential zone.

The introduction of an AHCS would allow Council to develop an ongoing portfolio of land and/or money to be utilised specifically for the creation of new affordable housing stock.

The proposed amendment to the LEP and associated scheme provides a signal to the market that such a contribution is required so that it can be factored in the costs of future development on the identified sites.

The introduction of an Affordable Housing Contribution Scheme (AHCS) is the result of:

- detailed analysis of Lismore's housing market, including its pressures and opportunities, carried out as part of the recently adopted Lismore Affordable and Diverse Housing Strategy 2023;
- viability testing carried out by Judith Stubbs & Associates on behalf of Lismore City Council; and
- review of the NSW Planning legislation, specifically Division 7.2 of the *Environmental Planning and Assessment Act 1979* (the Act) and the State Environmental Planning Policy (SEPP) (Housing) 2021.

## Alignment with NSW Planning Legislation

**Section 7.32(1)** of the Act outlines the circumstances under which conditions can be imposed on a development consent requiring land or money for affordable housing, these being that the land that the development application relates to must be located in an area identified as having a 'need for affordable housing' in a SEPP. The relevant State Environmental Planning Policy for the purpose of identifying an area as having a 'need' for affordable housing is State Environmental Planning Policy (Housing) 2021 (SEPP Housing), which identifies that there is a need for affordable housing in the Local Government Area of Lismore.

**Section 7.32(2)** of the Act enables the consent authority to grant consent to a development application subject to a condition requiring the dedication of part of the land, or other land of the applicant, free of cost to be used for the purpose of providing affordable housing (**s7.32(2)(a)**); the payment of a monetary contribution to be used for the purpose of providing affordable housing (**s7.32(2)(b)**); or both.

**Section 7.32(3)** requires that a condition may be imposed only if that condition is authorised to be imposed by a Local Environmental Plan (LEP) and is in accordance with a contributions scheme set out in or adopted by such a plan. The section also requires a reasonable dedication or contribution having regard to the extent of affordable housing need, the scale of the proposed development, and any other contributions required to be made by the applicant.

## Alignment with Lismore City Council and Regional Strategies

The implementation of an AHCS accords with the Imagine Lismore Community Strategic Plan (CSP), which was adopted by Council in accordance with the *Local Government Act 1993*. The plan identifies the main priorities and aspirations for the future of the LGA for a period of 10 years. The implementation of an AHCS contributes to the achievement of D4 'Our Community has a diversity of affordable housing options'.

Furthermore, an AHCS is specifically supported by Council's *Inspire Lismore 2040 Local Strategic Planning Statement* (LSPS), the *Lismore Growth & Realignment Strategy 2022* and the *Lismore Affordable and Diverse Housing Strategy 2023*.

The LSPS was adopted by Council on 14 July 2020 and endorsed by the Department of Planning, Housing, and Infrastructure (formerly known as the Department of Planning and Environment DPE) on 20 August 2020. The introduction of an AHCS specifically aligns with Priority 1 and Priority 2 of the LSPS which seek to enable sufficient residential development, investigate merits of an AHCS and increase the ability for affordable housing to be delivered within the LGA. The LSPS called for updating the Lismore Housing Strategy (then 2012) to investigate the merits of an Affordable Housing Contribution Scheme and associated LEP amendments (Action A1.2).

As a result, in March 2023, Council adopted the *Affordable and Diverse Housing Strategy*. Action 14 of this Strategy is to develop an AHCS. The strategy itself provides the evidence base required to initiate the AHCS process and sets a target that 15% of all new housing will be affordable to households in the very low to moderate income categories by 2033.

The Growth & Realignment Strategy 2022 was adopted by Council on 13 December 2022 and conditionally approved by DPE on 22 June 2023. It identified the land to which viability testing would be applied to for a future AHCS.

Additionally, an AHCS contributes to the achievement of objective two of the North Coast Regional Plan 2041 (NCRP). Objective 2 of the NCRP is to 'Provide for more affordable and low cost housing'. It seeks to improve the affordability of housing in the north coast and notes the challenges of the housing market in the region.

The AHCS aligns also with objective 1 of the Lismore Regional City Action Plan 2036 (LRCAP). Objective 1 of the LRCAP is to 'Support community aspirations for greater housing diversity and choice'. Actions 1.1 and 1.2 within this objective specifically relate to affordable housing:

- 1.1 Encourage housing options that support social inclusion, including crisis accommodation, housing for seniors and persons with a disability, lone-person households and affordable living,
- 1.2 Form partnerships to develop proposals that facilitate an increase in affordable and smaller forms of housing, higher density and community living options.

## AHCS Investigation

In accordance with Lismore City Council's strategic direction as outlined above, Council officers have investigated the merits of implementing an AHCS. Through the awarding of a Department of Planning, Housing and Infrastructure grant, Lismore City Council engaged a planning and economic consultancy (Judith Stubbs & Associates) to investigate the feasibility of implementing an AHCS in relation to all land included in the Growth and Realignment Strategy (GRS).

The economic testing found that applying an affordable housing contribution scheme would make development on most of the GRS sites unviable. Specifically, expansion of village areas and greater density provisions within existing urban areas was found not to be viable with the inclusion of an AHCS. Therefore, it is not recommended that the AHCS be applied to all sites identified within the GRS.

However, economic viability testing on new greenfield and urban fringe sites within the GRS would be capable of comfortably making an affordable housing contribution, with development still being viable and developers and landowners still receiving sufficient profit.

The investigations, and preparation of the AHCS, was carried out in accordance with the legislation as stepped out above and the *Guideline for Development an Affordable Housing Contribution Scheme* published by the Department of Planning, Housing, and Infrastructure (DPHI). The DPHI's Manager of Planning for the Northern Region provided support to Lismore City Council and the consultants throughout the process.

## Proposed sites and rates for implementing an AHCS

Viability testing was undertaken in relation to precincts where geographies, characteristics and housing market trends were found to be similar across the specific sites within the precinct. This approach was tested with and approved by the DPHI.

Viability testing for all precincts included a range of sensitivities to ensure the calculations were conservative, these include but are not limited to:

- 22% profit margin for the developer
- 30% land premium, enabling the developer to buy the land from the landowner at a higher rate
- most recent construction costs

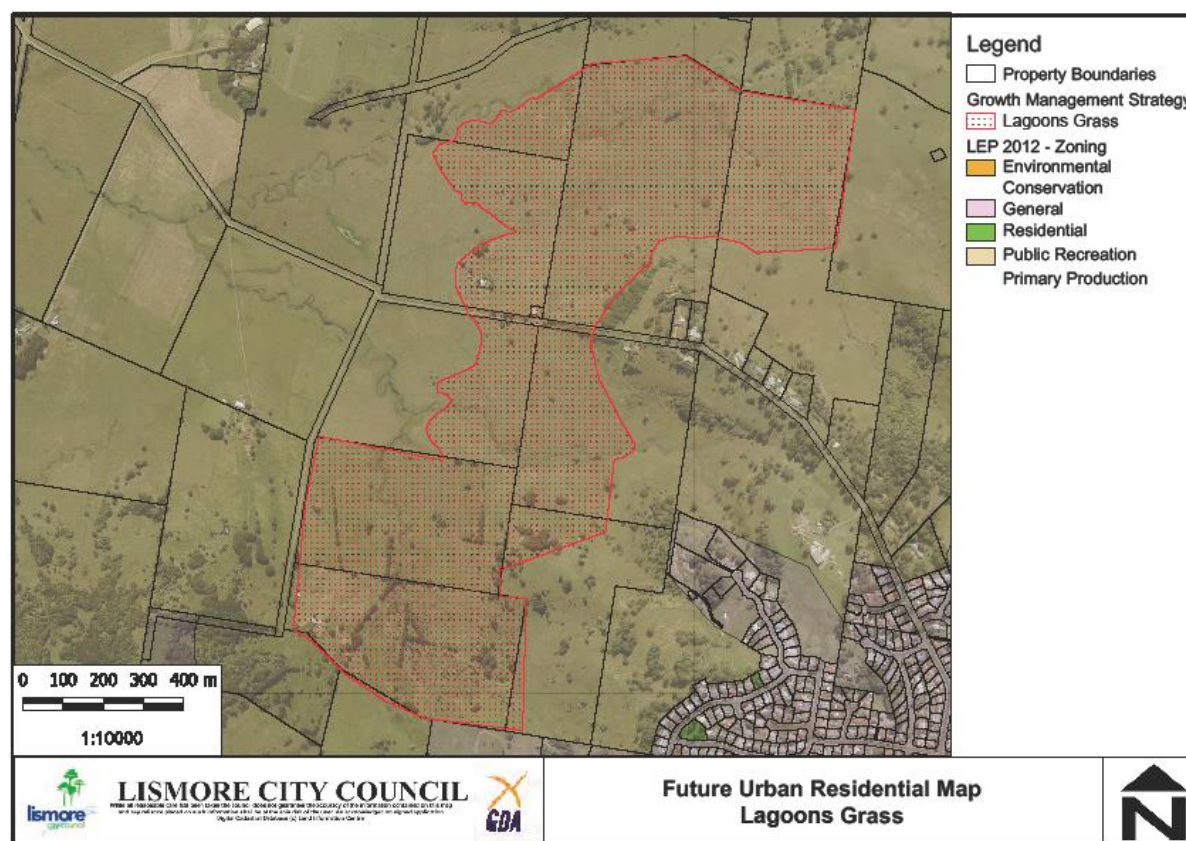
### Precinct 1 – Greenfield Land in Goonellabah

This precinct includes sites known locally as Trinity Drive and Lagoon Grass.

The assessment shows that development of the site for a residential subdivision will be viable with an affordable housing contribution equivalent to 53% of lots. Sensitivity testing assuming a 30% premium for lot purchase showed development would be viable with an affordable housing contribution of 52% of lots.

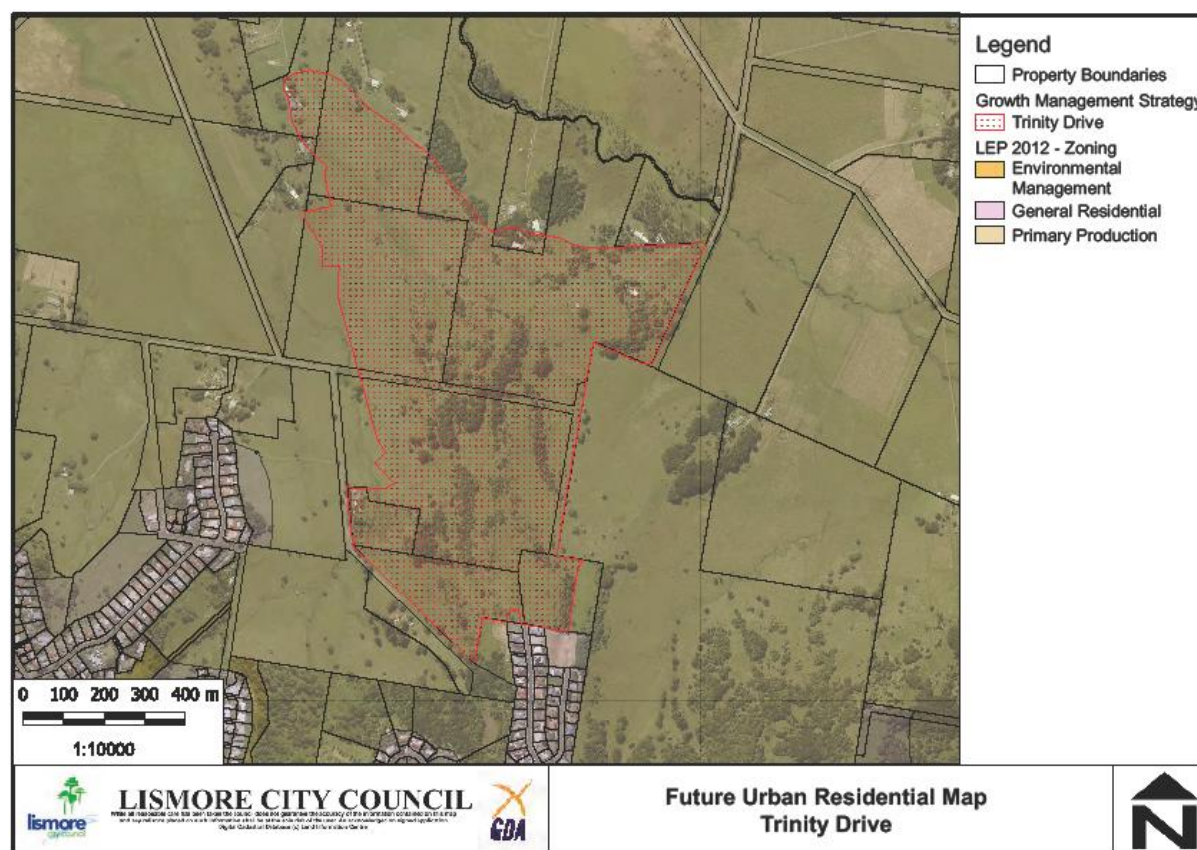
**It is recommended that a 10% contribution rate be set for these two sites.**

Map 1 - Lagoon Grass





Map 2 - Trinity Drive



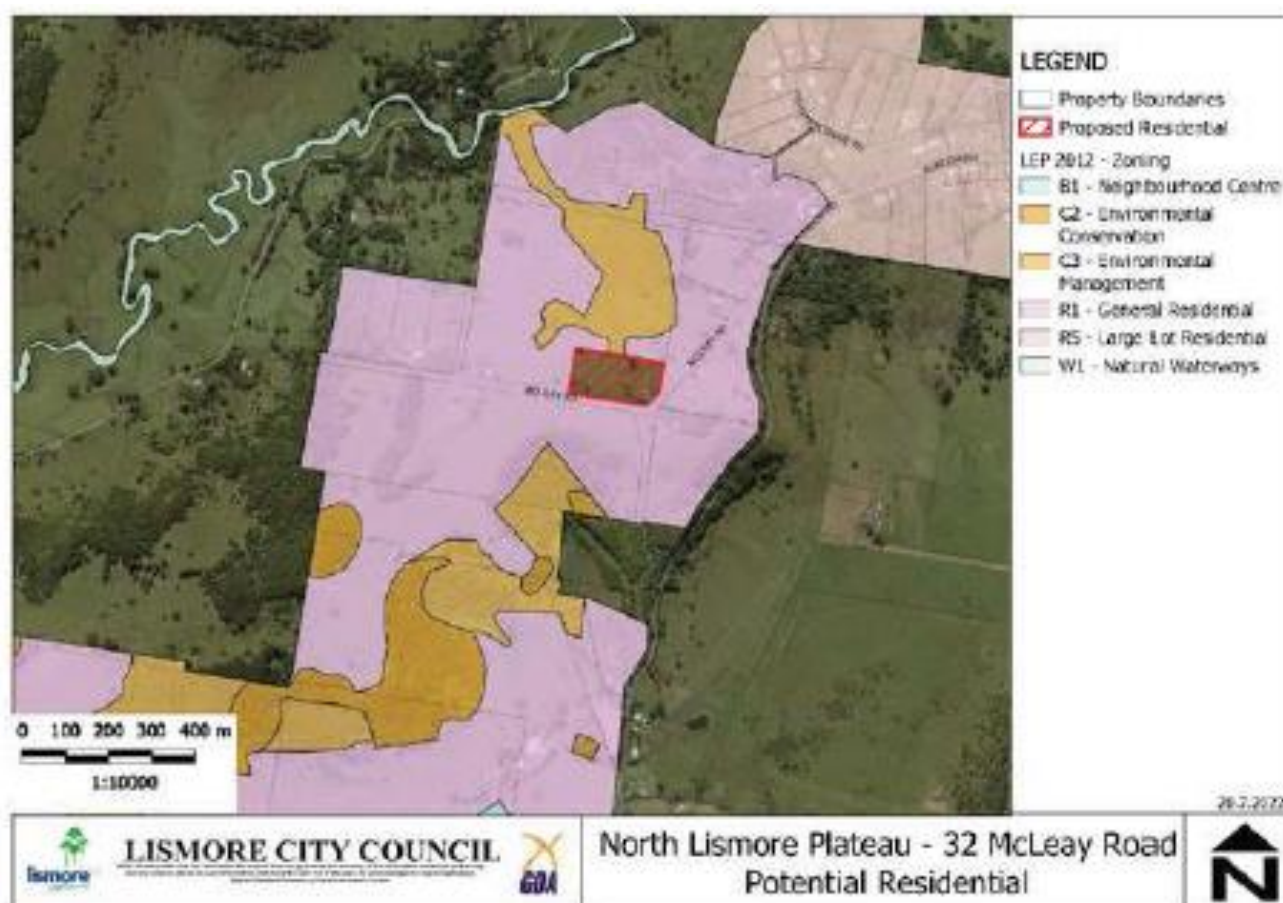
### **Precinct 2 – 32 McLeary Road, North Lismore Plateau**

This precinct includes just the one 2ha site at 32 McLeary Road, North Lismore Plateau. This is one single parcel contained within the existing residentially zoned area known as North Lismore Plateau, that for historical reasons was not rezoned at the same time as the surrounding land.

The assessment shows that development of the site for a residential subdivision will be viable with an affordable housing contribution equivalent to 15% of lots. Sensitivity testing assuming a 30% premium for lot purchase showed development would be viable with an affordable housing contribution of 7% of lots.

**It is recommended that a 7% contribution rate be set for this site.**

Map 3 - 32 McLeay Road, North Lismore Plateau



### **Precinct 3 – infill parcels around East Lismore and Goonellabah**

This precinct includes various sites on the existing urban fringe of East Lismore and Goonellabah. Due to the assessment uncovering some slight differences in land prices between the two suburbs, two assessments were carried out – one for the western East Lismore area and one for the eastern Goonellabah area.

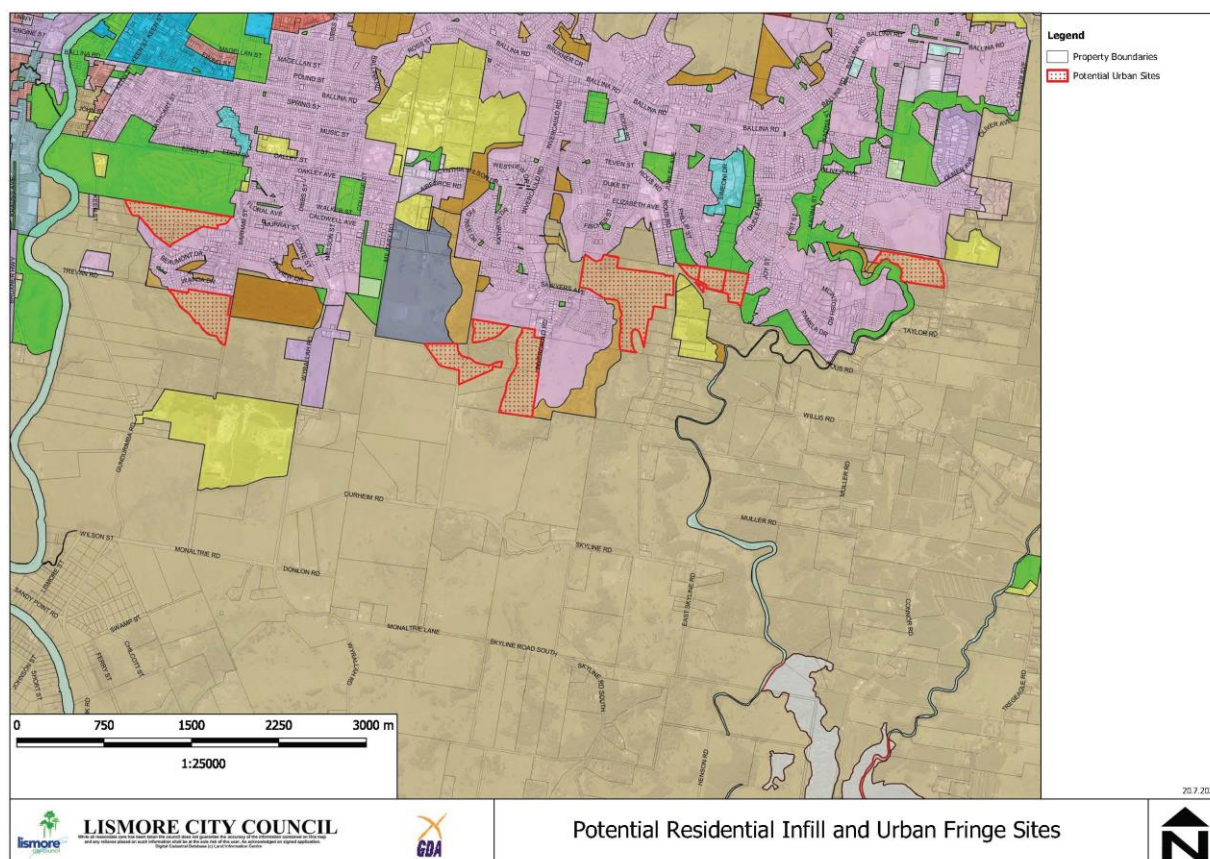
For the western end of the precinct (assessment 3a), the assessment shows that development of the site for a residential subdivision will be viable with an affordable housing contribution equivalent to 46% of lots. Sensitivity testing assuming a 30% premium for lot purchase showed development would be viable with an affordable housing contribution of 44% of lots.

For the eastern end of the precinct (assessment 3b), the assessment shows that development of the site for a residential subdivision will be viable with an affordable housing contribution equivalent to 57% of lots. Sensitivity testing assuming a 30% premium for lot purchase showed development would be viable with an affordable housing contribution of 56% of lots.

**It is recommended that a 10% contribution rate be set for all sites within this precinct.**



Map 4 - Infill parcels in East Lismore and Goonellabah



**Note:** part of the land identified on this map at 389 Keen St, East Lismore has already been zoned for residential use and therefore will not be subject to the Affordable Housing Contribution Scheme.

### Proposed changes to the Lismore Local Environmental Plan 2012

In accordance with Section 7.32 of the *EP&A Act*, an AHCS must be implemented through a Local Environmental Plan (LEP). Amendments to a LEP must be actioned through a Planning Proposal.

Therefore, the attached Planning Proposal seeks to include a new clause within Part 6 Additional Local Provisions of the Lismore LEP 2012. The proposed clause is set out below.

#### 6.12 Affordable housing contributions

- (1) The objectives of this clause are as follows—
  - (a) to capture increases in land value when rezoning of the land enables an increase in housing density,
  - (b) to enable the imposition of conditions relating to the provision of affordable housing,
  - (c) to deliver housing that promotes and retains a socially diverse residential population.
- (2) This clause applies to development for residential purposes on land identified as “affordable housing contribution area” on the Affordable Housing Contribution Scheme Map with the exception of:
  - (a) Public housing as defined in section 3 of the *Housing Act 2001*;
  - (b) Community housing as defined in section 3 of the *Housing Act 2001*; or
  - (c) Development on land zoned as R5 Large Lot Residential.
- (3) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring an affordable housing contribution.
- (4) The contribution must be calculated in accordance with the *Lismore Affordable Housing Contributions Scheme* adopted by the Council on [insert date].



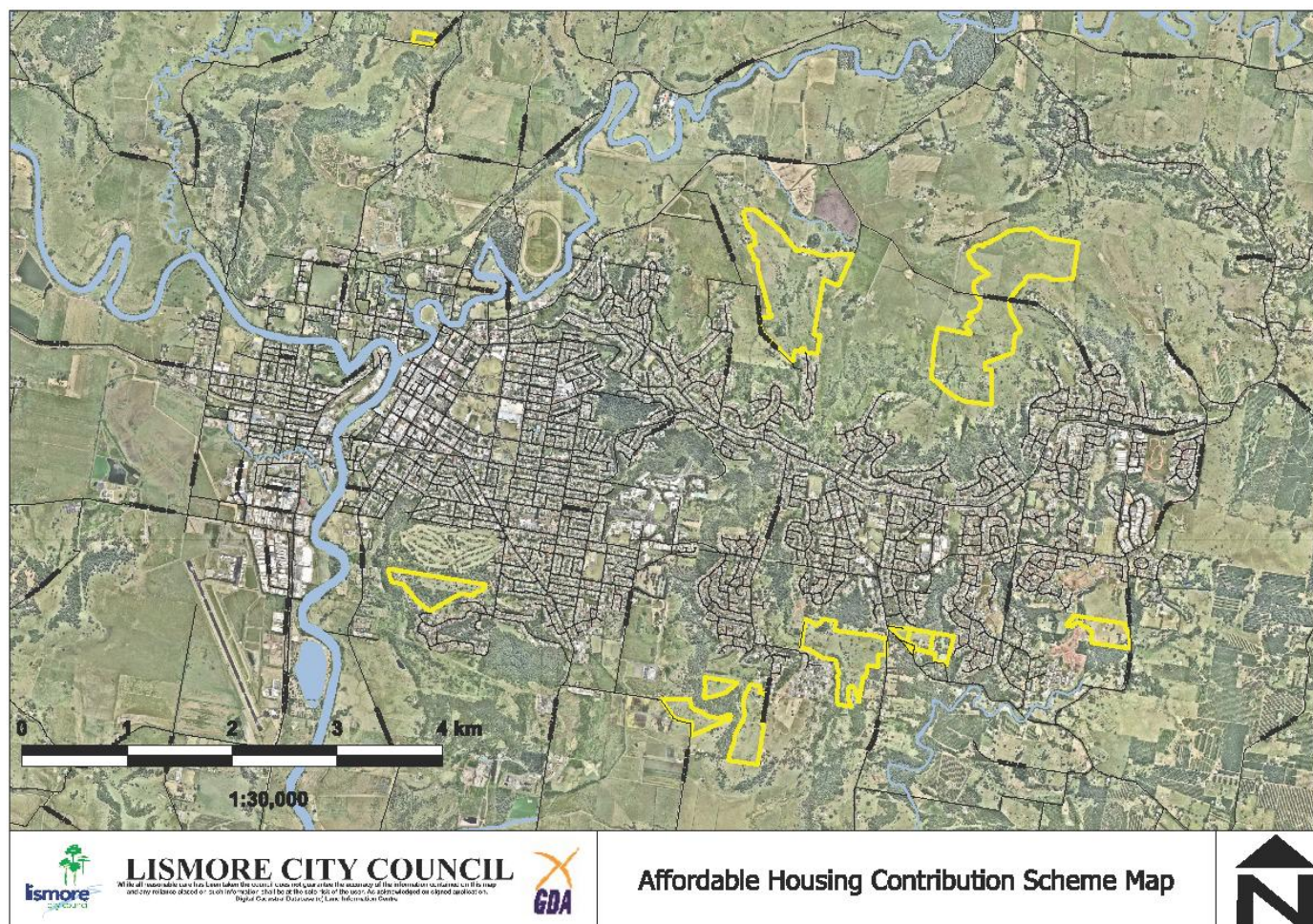
(5) In this clause —

**affordable housing contribution area** means the Lismore Local Environmental Plan 2012 Affordable Housing Contribution Scheme Map:

**Lismore Affordable Housing Contribution Scheme** means the Affordable Housing Contribution Scheme adopted by the Council on [insert date].

The Planning Proposal also seeks to introduce a new map to identify the areas where the Affordable Housing Contribution clause will apply. This will be titled Affordable Housing Contribution Scheme Map and will include new map sheets that identify the sites as shown in Map 5.

Map 5 - Land to which the AHCS will apply



## Overview of the Planning Proposal

The assessment provided in the previous sections of the report show that a rezoning planning proposal can be supported. Table 1 below provides an overview of the planning proposal structured in accordance with the Department of Planning and Environment guidelines for planning proposals. The detailed Planning Proposal report is provided as attachment 1 to this report.

REQUIREMENT	JUSTIFICATION
<b>Section A – Need for the Planning Proposal</b>	
<i>Is the planning proposal a result of an endorsed LSPS, strategic study or report?</i>	Yes. The AHCS is supported and identified within the LSPS, the Lismore Growth and Realignment Strategy 2022 and the Lismore Affordable and Diverse Housing Strategy 2023.



REQUIREMENT	JUSTIFICATION
<i>Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?</i>	A Planning Proposal is only way to implement an AHCS and therefore is the best means of achieving the objectives of enabling greater affordable housing in Lismore.
<b>Section B – Relationship to Strategic Planning Framework</b>	
<i>Will the planning proposal give effect to the objectives and actions of the applicable regional or district plan or strategy (including any exhibited draft plans or strategies)?</i>	Yes. The plan contributes to the achievement of objective two of the North Coast Regional Plan 2041 (NCRP). Objective 2 of the NCRP is to 'Provide for more affordable and low cost housing'. It seeks to improve the affordability of housing in the north coast and notes the challenges of the housing market in the region.
<i>Is the planning proposal consistent with a council LSPS that has been endorsed by the Planning Secretary or GSC, or another endorsed local strategy or strategic plan?</i>	Yes, the Planning Proposal is consistent with the LSPS and the Community Strategic Plan, specifically Priority 1 and 2 of the LSPS. This Planning Proposal also contributes to the achievement of D4 'Our Community has a diversity of affordable housing options' of Lismore's Community Strategic Plan.
<i>Is the planning proposal consistent with any other applicable State and regional studies or strategies?</i>	Yes, the Proposal is consistent and will positively contribute to the NSW Housing Strategy, Housing 2041. The NSW Housing Strategy sets out a 20 year vision for housing in NSW. It sets out the government's goals and ambitions for future housing that meets the current needs of residents. Its vision is set around four pillars; supply; diversity; affordability; and resilience.
<i>Is the planning proposal consistent with applicable SEPPs?</i>	
<i>Is the Planning Proposal consistent with applicable s9.1 Ministerial Directions?</i>	Yes, the Planning Proposal is consistent with the SEPPS and Ministerial Directions.
<b>Section C – Environment, Social and Economic Impact</b>	
<i>Is there any likelihood that critical habitat of threatened species, populations or ecological communities or their habitats, will be adversely affected because of the proposal?</i>	The proposal is in addition to planning controls and will not affect land use.
<i>Are there any other likely environmental effects of the Planning Proposal and how are they proposed to be managed?</i>	Economic modelling demonstrates that the proposed affordable housing contribution will be viable due to value uplift as a result of changes in planning controls. It will have a positive social impact with regard to increasing the supply of affordable rental housing appropriate to the needs of very low and low income households, the retention of historical populations in danger of being displaced through gentrification, reduce the increasing incidence of homelessness, and contribute to local and regional economic development through accommodating key workers close to their places of employment.
<i>Has the Planning Proposal adequately addressed any social and economic effects?</i>	
<b>Section D – Infrastructure (Local, State and Commonwealth)</b>	
<i>Is there adequate public infrastructure for the Planning Proposal?</i>	The proposal is in addition to planning controls and will not further affect demand for public infrastructure. The sites are within well-located areas in terms of transport and services.
<i>What are the views of State and Commonwealth public authorities consulted in accordance with the Gateway Determination?</i>	DPHI have been involved in the preparation of the AHCS. Consultation with other state agencies will take place in accordance with the conditions of the Gateway Determination.

## Comments

### Finance

The recommendation is supported as printed.

## Public consultation

Preliminary engagement with affected landowners was also undertaken by Council on 26 October 2023.

Formal stakeholder and community consultation, including consultation with public agencies, will be undertaken by Council in accordance with the legislative requirements of the EP&A Act 1979 and any additional conditions as imposed in a Gateway Determination.

A 28 day public exhibition is recommended. The Gateway determination will confirm the public consultation requirements.

## Conclusion

Lismore City Council has engaged a planning and economic specialist to investigate the feasibility of introducing an AHCS to the Lismore LEP, applying to a number of land parcels that are proposed and supported for future rezoning. The rezoning of these parcels is expected to enable a sufficient uplift in land values. Economic viability testing has found that these parcels (as shown in Map 5) can viably make a contribution to Lismore City Council for the purposes of delivering new affordable housing. Economic testing has confirmed that for these sites, development will still be viable if the contribution is applied, with existing landowners still benefiting from a significant uplift in their value and developers still making a 22% profit margin. If adopted, the introduction of an AHCS would allow Council to develop an ongoing portfolio of land and/or money to be utilised specifically for the creation of new affordable housing stock.

## Attachment/s

1. Planning Proposal to introduce an AHCS (Over 7 pages)
2. DRAFT Affordable Housing Contribution Scheme (Over 7 pages)