

LGNSW Submission on the Amendment to State Environmental Planning Policy No 70 – Affordable Housing (Revised Schemes) Explanation of Intended Effect (EIE)

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Opening

Local Government NSW (LGNSW) is the peak body for local government in NSW, representing all NSW general purpose councils and related entities. LGNSW facilitates the development of an effective community based system of local government in the State.

LGNSW welcomes the opportunity to make a submission to the Department of Planning and Environment's (DP&E's) *Amendment to State Environmental Planning Policy No 70 (SEPP 70) – Affordable Housing (Revised Schemes) Explanation of Intended Effect (EIE)*.

Introduction

The EIE proposes an amendment to SEPP 70 to identify five additional local government areas (LGAs) with an identified need for affordable housing. The EIE¹ notes that the proposed change to SEPP 70 will:

- “expand the application of the existing provisions within the SEPP to identify Randwick, Inner West, Northern Beaches, Ryde and Canada Bay as local government areas with a need for affordable housing”.
- “meet the requirement of section 94F(1) of the *Environmental Planning and Assessment (EP&A) Act 1979* that a SEPP must identify that there is a need for affordable housing within an area in order for a requirement for affordable housing contributions to be applied when granting consent for a development application (DA)”.

Each of these councils was required to do an extensive analysis of the need for affordable housing within their area to support their application for inclusion in SEPP 70. The time, resources and costs involved in undertaking the analysis and producing the supporting reports were considerable. LGNSW commends these councils for the detailed work that underpins their proposals.

LGNSW also acknowledges the commitment of these and other NSW councils to the delivery of affordable housing.

The proposed expansion of SEPP 70 is only the first step. The five councils will now need to prepare and submit planning proposals to insert the appropriate provisions in their local environmental plans (LEPs). They will also have to prepare an affordable housing contribution scheme to support each new planning proposal². The process involves further time and resources, but this is an important issue for many councils and they recognise the critical need to provide affordable housing within their communities while maintaining the viability of development and increasing overall housing supply.

LGNSW comments

1. Expansion of SEPP 70

i. *Expansion of SEPP 70 to include 5 additional councils – Supported*

LGNSW supports the proposed amendment to SEPP 70 (outlined in the EIE) to include the following five nominated local government areas (LGAs):

¹ *Amendment to SEPP No 70 - Affordable Housing (Revise Schemes) EIE*, December 2017, p 6

² *Amendment to SEPP No 70 - Affordable Housing (Revise Schemes) EIE*, December 2017, p 10

- Randwick City Council;
- Inner West Council;
- Northern Beaches Council;
- City of Ryde Council; and
- City of Canada Bay.

Councils have the weight of expectation on them to deliver housing choice, diversity and affordability goals set out in the Draft Greater Sydney Region Plan and the five Draft District Plans³. Many Sydney councils have been calling for SEPP 70 to be broadened for a long time and the proposed expansion of SEPP 70 to include an extra five councils is a positive first step.

ii. Wider application of SEPP 70 across Greater Sydney Region for consistency and extending it as an option for all regional areas with affordable housing needs - Recommended

LGNSW believes SEPP 70 should be expanded so that all LGAs within the Greater Sydney Region have the option of being included and that this should not be contingent on each council having to demonstrate an identified affordable housing need in their LGA. There will not be a consistent approach to providing affordable housing across the Sydney region unless SEPP 70 applies to all LGAs.

This position is supported by the following arguments:

- It would make it easier for councils to deliver affordable housing in line with the objectives of the *Draft Greater Sydney Region Plan*⁴. It is critical that local councils be able to use the provisions of section 94F and 94G of the EP&A Act to seek contributions for affordable housing as a condition of development approval.

As outlined in the supporting information in the FAQs, councils have had to rely on Voluntary Planning Agreements (VPAs) to boost the number of affordable rental homes in their area on an ad-hoc basis. According to the FAQs, “the current system provides little consistency or certainty for developers, the community and councils...inclusion in SEPP 70 will simplify the process for development in these LGAs, meaning there is a consistent approach to providing affordable rental homes. It will make the requirements clear to landowners and proponents early in the planning and development process”⁵. LGNSW would argue that this is the case across the entire Greater Sydney Region.

- It would remove the costly and time-consuming bureaucratic requirement for councils to prove there is an identified need for affordable housing in their LGA area before they can be included in SEPP 70. LGNSW questions the rationale for this. The evidence of the need for affordable housing is already compelling, as identified in a number of the State’s current strategic planning documents. For example:
 - *Draft Greater Sydney Region Plan* – “Sydney requires an estimated 4,000–8,000 additional affordable dwellings per annum to meet the needs of lower income groups”⁶.

³ The Greater Sydney Commission placed these draft plans on exhibition in November 2017.

⁴ *Draft Greater Sydney Region Plan* (October 2017) Objective 11: Housing is more diverse and affordable.

⁵ *SEPP No 70 - Affordable Housing (Revise Schemes) Frequently Asked Questions*, December 2017, p 1-2

⁶ *Draft Greater Sydney Region Plan* (October 2017), p 57

- *Draft District Plan Information Note 4 Affordable Rental Housing Targets*: “The Greater Sydney housing market is commonly recognised as one of the least affordable in the world. In the last decade alone, the ratio of house prices to incomes has continued to grow while median rents have increased in real terms. Our stakeholder engagement identified housing affordability as a key challenge for Greater Sydney”⁷.
- NSW Family and Community Services – Centre for Affordable Housing – Identifies LGAs across NSW with high, moderate-high and moderate levels of need for affordable rental housing (<http://www.housing.nsw.gov.au/centre-for-affordable-housing/for-planners-of-affordable-housing/where-do-we-need-affordable-housing>).
- *Parramatta Road Corridor Urban Transformation Strategy* – Includes an action requiring DP&E to “Amend State Environmental Planning Policy No 70 – Affordable Housing (Revised Scheme) to identify that there is a need for affordable housing in all local government areas in the Corridor”⁸ and on councils to “Provide a minimum of 5% of new housing as Affordable Housing, or in-line with Government policy of the day”⁹.

The housing affordability problem is not just restricted to the Sydney Region. According to the most recent *Demographia* report¹⁰, for example, Wingecarribee and Tweed Heads LGAs were ranked seventh and eighth most-unaffordable housing markets respectively, while Melbourne came in at tenth. The application of SEPP 70 should therefore extend to being an option for all regional areas with affordable housing needs.

Giving all LGAs within the Greater Sydney Region and all other regional areas with a housing affordability problem the option of SEPP 70 would demonstrate the NSW Government’s commitment to addressing critical concerns about housing affordability.¹¹

2. Policy Guidance and practice notes

iii. Preparation of policy guidance and practice notes – Recommended

LGNSW recommends that the DP&E develop a Practice Note to assist councils to prepare their Affordable Housing Contribution Schemes. This would contain guidance on what councils need to include to support their affordable housing contribution schemes, such as what feasibility/financial modelling is required to test/demonstrate the viability of such schemes. Development of a Model Clause for affordable housing for inclusion in LEPs would also be beneficial.

3. Review of future applications for SEPP 70

iv. Timely review of future applications by councils for SEPP 70 – Recommended

The administrative processes involved to get to this point, where the DP&E is proposing to expand SEPP 70 by an additional five councils, has been unnecessarily onerous and lengthy. In the absence of SEPP 70, councils that are seeking to secure and deliver

⁷ *Draft District Plan Information Note 4 Affordable Rental Housing Targets*, November 2016, p 2

⁸ *Parramatta Road Corridor Urban Transformation Strategy*, UrbanGrowth NSW, November 2016, p 45

⁹ Ibid.

¹⁰ 14th Annual Demographia International Housing Affordability Survey: 2018, Rating Middle-Income Housing Affordability, <http://demographia.com/dhi.pdf>

¹¹ “Gladys Berejiklian declares housing affordability ‘the biggest issue’”, Sydney Morning Herald, 23 January 2017

affordable housing as part of new precinct developments are having to pursue other options (e.g. use of VPAs) to achieve the provision of affordable housing.

Should DP&E decide to maintain the current practice of adding councils to SEPP 70 in a piecemeal fashion, LGNSW urges the Department to fast-track its process for reviewing councils' proposals and ensure any further proposed updates to the SEPP are placed on exhibition as soon as practicable.

4. Affordable housing targets

v. *Clear affordable housing targets for Greater Sydney Region - Recommended*

LGNSW supports the Greater Sydney Commission's (GSC's) inclusion of an affordable housing target in the Draft Greater Sydney Region Plan and Draft District Plans. These plans set an affordable housing target of 5% to 10% of all new floorspace in land release and urban renewal areas (subject to viability).¹² This target is a welcome start. Councils have been calling for tangible policy mechanisms that will facilitate delivery of affordable rental housing at least to the minimum target level proposed in these plans.

Some councils are of the view that the GSC's targets do not go far enough and have proposed higher targets. Affordable housing targets should be determined in consultation with councils at the same time the overall housing targets for a district, region or sub-region are being determined.

The NSW Federation of Housing Associations notes that "targets are of tremendous practical and symbolic significance in focusing attention on achieving desired outcomes".¹³ In the context of affordable housing, targets would help to articulate and deliver councils' affordable housing objectives. The publication of targets would have the secondary benefit of indicating to private industry a council's commitment to affordable housing, allowing developers and community housing providers to plan future projects with more certainty and confidence.

Councils will be under tremendous pressure to review their areas and identify how they intend to deliver affordable housing. The DP&E and GSC should work proactively and collaboratively with LGNSW, councils and the relevant State agencies and housing bodies to agree on affordable housing targets and how these can be delivered at a district, regional, sub-regional and local level.

Conclusion

LGNSW welcomes the move to expand SEPP 70. Many Sydney councils have been calling for SEPP 70 to be broadened and the proposed expansion of SEPP 70 to include an extra five councils is a positive first step.

This submission has presented the view that, while there is already a need identified for affordable housing across the entire Greater Sydney Region, the expansion of SEPP 70 to include more council areas would facilitate the delivery of affordable housing within the region. LGNSW questions the logic of councils having to demonstrate an identified need for affordable

¹² *Draft District Plans*, October 2017, Chapter 3 Liveability: "The Commission's testing reaffirms that across Greater Sydney targets generally in the range of 5–10 per cent of new residential floor space are viable."

¹³ NSW Federation of Housing Associations & Urbanista, *Affordable housing through the planning system: industry strategy paper*, September 2015, p 17

housing, and the DP&E having to prepare a new EIE and amending SEPP 70 each time an additional council or group of councils seeks to be included. For this reason, we have recommended widening SEPP 70 to include all councils in the Greater Sydney Region and extending it as an option to all other regional areas with a housing affordability problem. We also recommend the DP&E prepare guidance material for councils as soon as possible to assist them in preparing their affordable housing contribution schemes.

In summary, LGNSW's position is as follows:

- i. Expansion of SEPP 70 to include 5 additional councils – Supported
- ii. Wider application of SEPP 70 across Greater Sydney Region for consistency and extending it as an option for all regional areas with affordable housing needs.– Recommended
- iii. Preparation of policy guidance and practice notes – Recommended
- iv. Timely review of future applications by councils for SEPP 70 – Recommended
- v. Clear affordable housing targets for Greater Sydney Region - Recommended

Councils have the weight of expectation on them to deliver housing choice, diversity and affordability goals set out in the Draft Greater Sydney Region Plan and the five Draft District Plans. In the local government sphere, the planning proposal (rezoning) and development approval processes provide the greatest opportunity to deliver affordable housing initiatives.

For further information in relation to this submission, please contact Jane Partridge, Senior Policy Officer Planning, on 02 9242 4093 or jane.partridge@lgnsw.org.au.