



Final Draft Western Sydney Affordable Housing Strategy

Western Sydney Planning Partnership

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Executive summary

Plan on a page

 <p>VISION</p>	<ul style="list-style-type: none"> • Housing provision will ensure there are affordable living opportunities across the District for moderate, low and very low-income households • Safe, secure and affordable housing will be suitable to meet the needs for youth, families and key workers, and will allow people age within their communities • An affordable housing target that ensures 10 per cent of all new dwellings in the District are affordable will be achieved • The three levels of government will collaborate, through the City Deal and other mechanisms, to deliver social and affordable housing in partnership with the community housing sector
<p>OUTCOMES</p> 	<ul style="list-style-type: none"> • Better housing diversity to suit needs of low and moderate income households • Increased affordable rental housing supply • Greater government investment and leadership • More effective partnership arrangements with community housing providers
 <p>REGIONAL PRIORITIES</p>	<ul style="list-style-type: none"> • An affordable rental housing target • Direct investment in affordable rental housing • Affordable housing contributions through the planning system • Change in the State Environmental Planning Policy for more low-cost private market housing • Provision of 10 per cent of new dwellings as affordable rental housing in the Aerotropolis and Metro growth corridor
<p>IMPLEMENTATION</p> 	<ul style="list-style-type: none"> • Local councils to adopt the Western Sydney Affordable Housing Strategy & SEPP 70 contributions scheme • Staged implementation of affordable housing contribution rates for new development, and review rates on a 3 year review cycle • Establish regional approach for local government to delivery and management of affordable housing • Delivery and management of affordable housing contributions in partnership with community housing sector to leverage its financing opportunities, capacity and specialist expertise

Background

This Affordable Housing Strategy has been prepared for the Western Sydney Planning Partnership on behalf of the Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith, Wollondilly and Blacktown local government areas.

The Strategy is to provide a regional and common basis for each of the councils to prepare their own local affordable housing plans, and affordable housing contribution schemes. These schemes are required and anticipated by the Greater Sydney Region Plan and the Western City District Plan.

The study area for the strategy is Western Sydney, a region comprised of the local government areas in the Western Parkland City District of Greater Sydney, as well as Blacktown City.

The need for social and affordable housing in Western Sydney is acute. In 2016, while **6 per cent** of the total private dwellings in the region were social and affordable housing, the modelling undertaken for the strategy suggests that **18.9 per cent** of dwellings in Western Sydney were in housing stress in 2016.

What is affordable housing?

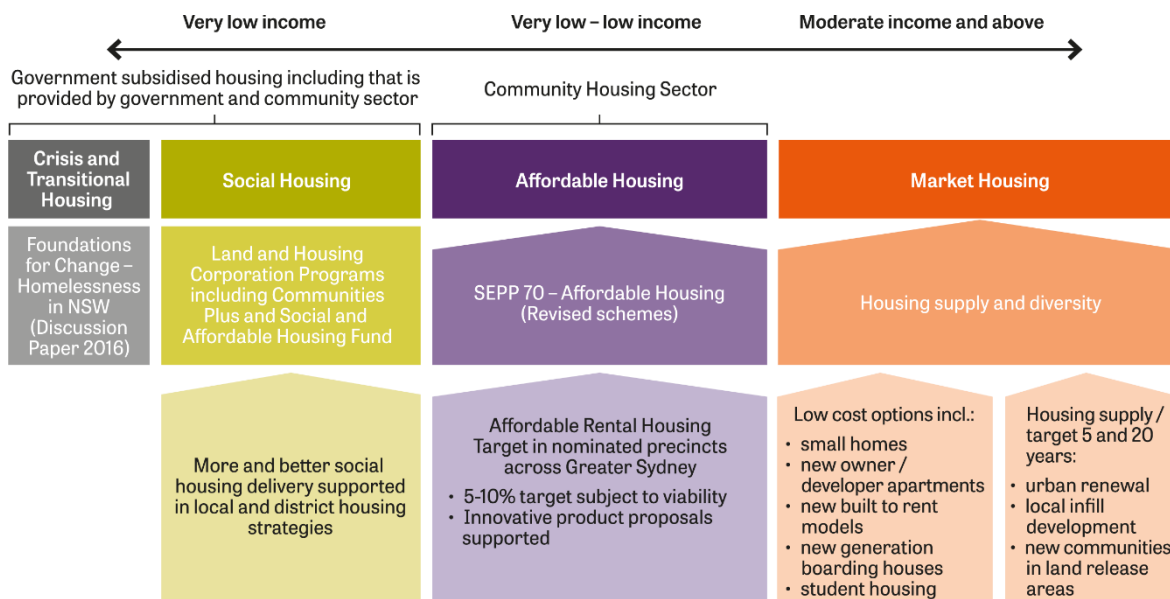
The affordability of housing depends on the relationship between household incomes and housing costs. A household devoting an increasing share of its income to housing costs and struggling to meet these costs or foregoing other necessities such as food, healthcare and education, may be said to be in 'housing stress'

The NSW Affordable Housing Ministerial Guidelines defines housing stress and eligibility for affordable housing based on median household income thresholds. Very low-income households earn less than 50 per cent of the median household income, low-income households 50-80 per cent, and moderate-income households 80-120 per cent.

Affordable housing is housing that is priced for the needs of very low, low and moderate-income households i.e. that the cost of housing is no more than 30 per cent of household income.

As anticipated in the District Plan, this Affordable Housing Strategy focuses on affordable rental housing for the very low- to low-income households as shown on the housing continuum below. Opportunities and options for expanding lower-cost private market housing to provide more affordable housing for low- and particularly moderate-income households are also included.

HOUSING CONTINUUM



Source: Greater Sydney Commission, Greater Sydney Region Plan, 2018

Why provide affordable housing in Western Sydney?

The lack of affordable housing given high levels of need is socially and economically corrosive. For individuals and households lack of access to affordable housing can limit the security of people's living arrangements, prevent households from living independently and engaging fully in the community and economy and therefore add to financial, mental and physical health stresses. Where compounded across a region like Western Sydney such impacts will lead to increased social and health costs for governments and represent a drag on economic and social progress.

Western Sydney has traditionally been a more affordable area for housing in Greater Sydney, including hosting significant social housing stock, typically owned and managed by the NSW Government and developed mostly in the post war period. However, rising prices and rents (particularly since 2006) have outpaced rises in household incomes, making Western Sydney's housing increasingly less affordable in real terms.

The stock of affordable private-sector rental dwellings has been relatively significant but new rental stock is typically more expensive, so the supply of relatively affordable privately rental housing is unlikely to increase. New private market housing for home-owners is not affordable for very low-income and low-income households.

As the private housing stock has grown, and in the absence of new investment, social housing's share of the total in Western Sydney has declined since the 1990s. This decline will continue without intervention, further exacerbating the affordability problem.

Future projected need for affordable housing

The SGS Housing Assistance Demand Model measures the number of households in need of affordable housing by geographic area, considering incomes and rents, household types, and the measured incidence of social housing and homelessness. It also generates projections of need based on expected population growth, demographic shifts, changes in household incomes, and the evolution of rental rates. For this strategy, the model was used to estimate housing unaffordability through rental stress.

There are approximately 29,900 social housing and 2,300 dedicated affordable rental housing dwellings (32,217 in total) provided by community housing in Western Sydney,¹ while the number of households in housing stress estimated at 89,000, leaving a **large gap in the need for social and affordable housing of 56,800 dwellings**. The NSW Government currently forecasts that an additional 428,100 dwellings will be needed in Western Sydney in 2041 and the social and affordable housing gap is **expected to grow by 84,900 to 141,700 dwellings**.

SUPPLY AND DEMAND GAP 2016 AND 2041

	Experiencing homelessness	Households in social housing	Very low-income in rental stress	Low-income in rental stress	Moderate-income in rental stress	Total in housing stress or SAH	Gap in provision of SAH
2016	7,200	30,800	31,000	15,200	4,800	89,000	56,800
2041 base case	15,600	60,900	87,700	29,300	10,500	173,900	141,700
Difference	8,400	30,100	26,700	14,100	5,600	84,900	84,900

Source: SGS Economics and Planning, 2020

All Western Sydney LGAs have experienced some level of housing stress. Fairfield, Campbelltown, Liverpool, and Blacktown LGAs have the highest proportions of households in stress (around 20 per cent or more in each case). When existing social housing stock is not considered, Penrith also has relatively high levels of stress.

The peri-urban areas of Wollondilly, Hawkesbury, and Blue Mountains have lower levels of overall housing stress, although still feature many households in severe stress.

¹ ABS Census, 'Counting Dwellings', in *Place of Enumeration*, 2016

Metropolitan planning for affordable housing

The **Greater Sydney Region Plan** sets a 40-year vision to manage growth and change for Greater Sydney. A key element in effective management of this growth is the provision of affordable rental housing to assist very low to low-income households. This is recognised through the introduction of Affordable Rental Housing Targets. The Region Plan states that targets 'are generally in the range of 5 to 10 per cent of new residential floor space subject to viability'.

The **Western City District Plan** bridges the gap between the Greater Sydney Plan and individual local council strategic plans. One of the actions in the District Plan is that local councils are to prepare Affordable Rental Housing Schemes following development of implementation arrangements (which is a reference to the SEPP70 mechanism mentioned below).

Section 7.32 of the Environmental Planning and Assessment Act 1979 (EP & A Act 1979) identifies the provision of affordable housing as a function of Council and enables development contributions to be collected for affordable housing.

SEPP 70 enables all councils in NSW to develop affordable housing contribution schemes and collect development contributions for affordable housing.

The Guideline for Developing an Affordable Housing Contribution Scheme (August 2019) aims to assist councils prepare affordable housing contribution schemes and ensure a consistent approach across LGAs, provide the evidence and analysis to enable them to proceed under SEPP70, and provide clarity to communities and developers.

The Guideline identifies that affordable housing targets and contributions are to:

'apply to developments that are facilitated by upzoning...an 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 in site. This ensures contributions are drawn from the increase in land value generated by the rezoning...'

Contributions can be fulfilled by dedicating completed affordable rental dwellings or by provision of an equivalent monetary contribution to be provided instead of a floor space (dwelling) contribution if an affordable housing contribution scheme includes this option.

Challenges and opportunities in Western Sydney

The nine local government areas comprising Western Sydney each have their unique attributes – however, they also share some common challenges and opportunities when it comes to providing affordable rental housing. The key challenges are:

- Financial stress from housing costs and homelessness is projected to nearly double to 2041
- Overcrowding of housing stock
- Limited affordable rental housing opportunities in private market low-income households
- Potential displacement of existing private affordable rentals by new redevelopment
- Decline proportionally of social and affordable housing provision in Western Sydney
- Existing social and affordable housing is not evenly distributed for the Western Parkland City

- Potential displacement of relatively affordable rental housing by holiday rental properties
- State and local development contributions for infrastructure may limit the viability of using the planning system to provide affordable housing.

Despite these challenges, there are opportunities for the provision of affordable rental housing and diverse housing types in Western Sydney. The key opportunities are:

- The proposed (draft) Housing Diversity SEPP provides an opportunity for introducing a wider range of affordable housing requirements
- The development of 5-10 per cent affordable housing targets has been identified as an action in the District Plan
- The Western Sydney Aerotropolis is a catalyst that will drive growth in Western Sydney and potentially enable a mix of affordable housing to be provided.

What can councils do to assist the provision of affordable rental housing?

Traditionally, the task of financing and supplying social and affordable housing has been borne by Commonwealth and State Governments. They are best placed to continue to make the primary contribution due to their revenue raising powers, ability to take on debt, legislative and planning powers, and asset and property ownership capacity.

Local councils in Western Sydney can play a role to assist in addressing housing affordability through advocacy and facilitation, but also through their key role in local planning and development regulation functions and utilising the planning system where possible to seek contributions from development to deliver affordable housing supply.

Development contributions for affordable housing have traditionally taken two conceptually distinct forms.

- **Value sharing** operates on the basis that the community should share in the land value uplift which is created when planning regulations allow for additional or increased development. Value sharing contributions can be dedicated to a range of public benefit infrastructure or services including affordable housing. Currently, many Councils receive value sharing contributions through VPA negotiations with Waverley Council being a prominent example in Sydney. It dedicates these VPA contributions to its affordable housing program, currently with 25 units².
- **An inclusionary approach** considers affordable and social housing in the same way as contributions to open space, parking, water-cycle infrastructure, and heritage conservation are considered essential requirements for sustainable neighbourhoods. In the same way we would expect a minimum and prescribed amount of open space or car parking to be provided in any redevelopment, the rate of social and affordable housing provision can also be prescribed, by

² 'Waverley's Planning Agreement Policy 2014 has been successfully utilised to negotiate and draft planning agreements accompanying Development Applications seeking a Clause 4.6 variation to Clause 4.4 Floor space ratio for up to an additional 15% of floorspace', see discussion in September 15 2020 documents linked to <https://haveyoursay.waverley.nsw.gov.au/affordable-housing-contributions-policy>, viewed 18/2/21

reference to appropriate benchmarks or need. Inclusionary zones can apply broadly across a large precinct or whole LGA.

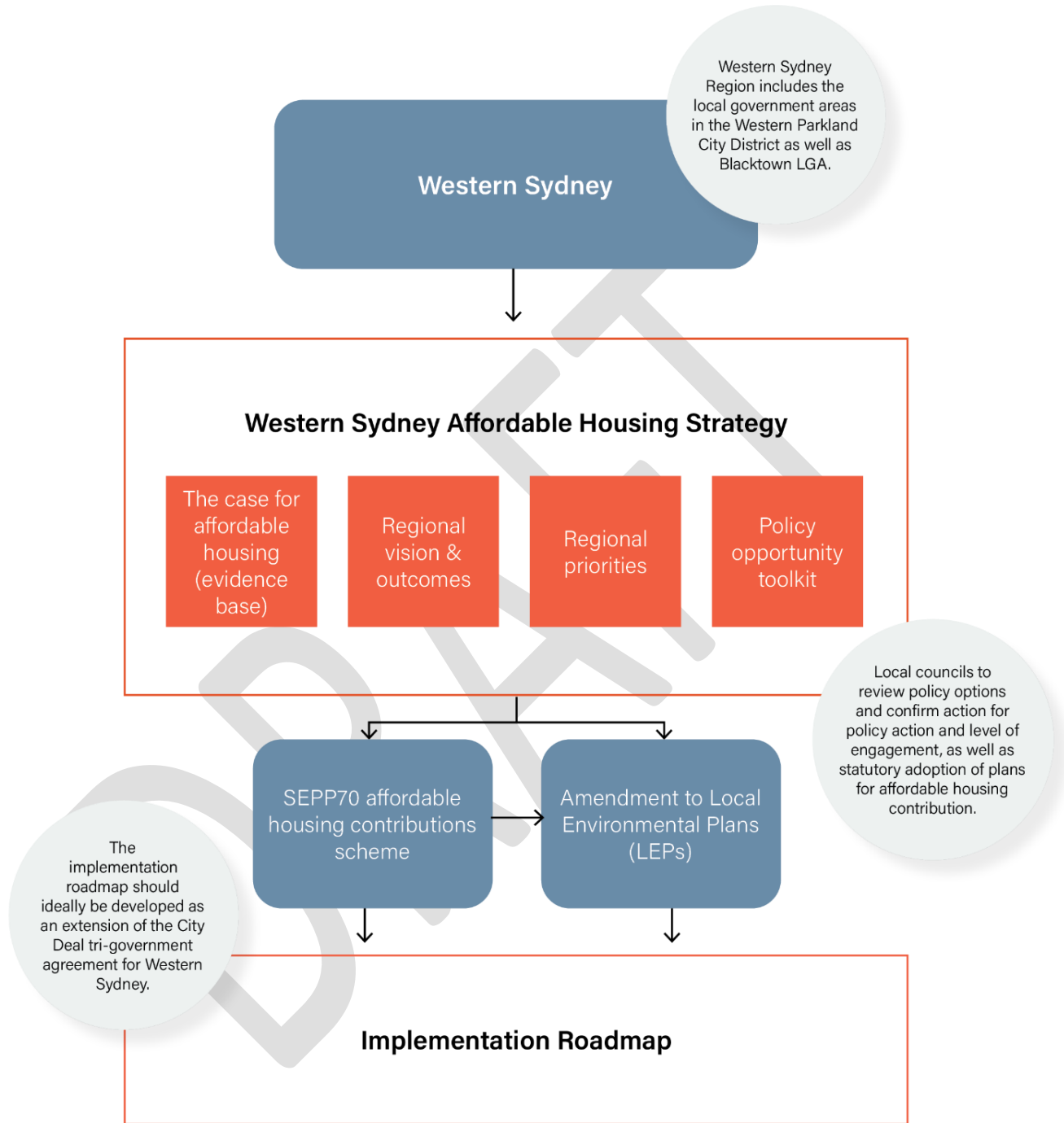
Value sharing and inclusionary approaches are not mutually exclusive. They are conceptually distinct and can apply together. In areas where there is incremental development and not significant rezoning enabling more intense development (as is the case in many parts of Western Sydney), the value sharing approach implied by the *SEPP70 Guideline for Developing an Affordable Housing Contribution Scheme* may not generate a significant affordable housing yield. An inclusionary approach, applying at a modest rate more broadly, is likely to generate greater affordable housing contributions. Its impact on viability will be negligible if signalled early and introduced on a staged basis, such that is readily able to be accommodated within the 'background' increase in land values.

Developing an Affordable Housing Strategy

The Affordable Housing Strategy is for the entire Western Sydney Region. This includes a regional vision, definition of the outcomes that are to be achieved, regional priorities for policy action, and a toolkit of policy opportunities that can be considered by individual local governments to inform how they will contribute to achieving the regional strategy.

Local governments will confirm their individual approaches, as well as implementing the statutory instruments necessary for the region-wide affordable housing contribution. This is explained in the diagram below.

STRUCTURE OF THE AFFORDABLE HOUSING STRATEGY



What is the vision for affordable housing?

The overarching affordable housing vision for Western Sydney is guided by the Greater Sydney Region Plan, the Western City District Plan, and Councils' Local Strategic Planning Statements and Housing Strategies.

Housing provision in the Western Parkland City and Blacktown LGA will ensure there are affordable living opportunities across the District for moderate, low and very low-income households.

Safe, secure and affordable housing will be suitable to meet the needs for youth, families and key workers, and will allow people age within their communities – as an essential ingredient to build a liveable, equitable and productive Western Parkland City.

An affordable housing target that ensures 10 per cent of all new dwellings in the District are affordable for very low-, low- and moderate-income households will be achieved.

The three levels of government will collaborate, through the City Deal and other mechanisms, to deliver social and affordable housing in partnership with the community housing sector.

Regional outcomes & priorities

This Strategy focuses on local government's contribution to achieving this vision, while advocating to other levels of government to make additional commitments that will assist addressing affordable housing challenges.

The Strategy seeks to deliver the following outcomes:

- R1 Better housing diversity that suits community needs.
- R2 Increased affordable housing supply.
- R3 Greater government investment and leadership.
- R4 More effective partnership arrangements with community housing providers.

Regional priorities that will be critical to achieve the affordable housing vision have also been identified. These should be progressed as a partnership between Commonwealth, State and Local governments.

- **Priority 1** – Set an **Affordable Rental Housing Target Equivalent to 10 per cent of all new dwellings** for the whole of Western Sydney region and Blacktown LGA.³
- **Priority 2** – Seek agreement through the City Deal tri-government mechanisms with **State and Commonwealth Government for direct investment** to assist in the delivery of the affordable rental target.
- **Priority 3** – Establish **Affordable Housing Contributions through the planning system** to provide a District-wide, consistent approach to affordable housing contributions for new residential

³ A 5 to 10 per cent affordable housing target was proposed by the Greater Sydney Commission for nominated precincts in the Region Plan. This Strategy seeks to set a 10 per cent target for the whole of Western Sydney and Blacktown LGA due to the significant needs of affordable housing.

development. This will use the growth of the District to deliver additional affordable rental housing supply. This scheme, established as per SEPP 70, will include:

- Contributions based on the increase in land value generated by rezoning, where viable:
 - in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location) and
 - in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location).
- Contributions based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased in a further increment of 1% in 2027, so that property markets factor in the contribution rate and development viability is not impacted. Exemptions for the scheme include developments which do not result in at least one additional dwelling being created, exempt development (as per the standard template LEP), secondary dwellings, development solely for the purpose of social and/or affordable housing, build-to-rent projects and boarding houses.
- The above contribution rates have been identified based on viability modelling undertaken by Savills in nine local government areas that are covered by this Strategy. The Guideline for Developing an Affordable Housing Contribution Scheme requires councils to prepare and provide evidence that affordable housing contribution rates are 'viable'. The intention is to ensure that the rates will not impact on development feasibility and overall housing supply.
- Given housing projections, it is estimated that the value sharing rate would yield perhaps 500 dwellings over the 20 years from 2021 to 2041. An inclusionary contribution would yield an estimated 5,000-7,000 dwellings in this period.
- **Priority 4** – Seek a **State Environmental Planning Policy Change** that will encourage low-cost affordable private market housing forms, suitable for Western Sydney, as part of the proposed Housing Diversity SEPP.
- **Priority 5** – Investigate further, and adopt mechanisms suitable for, the **provision of 10 per cent of new dwellings as affordable rental housing within the Aerotropolis** and associated Western Sydney Airport Metro Corridor.

Delivery through a policy opportunity toolkit

While a regional vision and priorities have been established, there is the need for local governments (and other stakeholders) to develop their own plans that assist in its delivery.

As a result, the Affordable Housing Strategy is supported by a policy opportunity toolkit, based on a three-tiered approach that identifies policy opportunities to achieve the vision for the provision of affordable housing. Tier 1 requires a base level of potential local council involvement, while Tier 3 requires the highest amount of engagement and investment. The three-tier framework allows local governments to choose their level of involvement based on their local conditions, capacity and needs for affordable housing.

All the policy opportunities proposed could contribute in a meaningful way to addressing affordable housing needs, and individual councils may choose the opportunities most suitable for them to implement. The opportunities vary in their impacts on affordable housing. A high impact opportunity is likely to have a large positive impact on the provision of affordable housing and housing diversity. Each of the opportunities have different 'degrees of difficulty' in terms of implementation. An opportunity with a low degree of difficulty is relatively easy to carry out with minimum resources from Council. An opportunity with a high degree of difficulty may require institutional changes and be dependent on the actions of other stakeholders such as the State Government.

POLICY OPPORTUNITY EVALUATION

Tiers	Policy opportunities	Impact	Difficulty
1.1	Encourage private market housing diversity	Medium	Low
1.2	Act as a broker to facilitate partnerships between CHPs, developers, government, and other relevant stakeholders	High	Medium
1.3	Advocate for State and Commonwealth Government investment in the growth and supply of social and affordable housing in the Aerotropolis and around proposed new metro station precincts	Low	Medium
1.4	Facilitate community education and awareness of the needs for social and affordable housing	High	Medium
2.1	Establish an affordable housing contribution rate based on the increase in land value generated by rezoning from 2021: <ul style="list-style-type: none"> in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location depending on viability) and in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location). 	Medium	Medium
2.2	Establish an affordable housing contribution based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased to 2 per cent in 2027	High	Medium
2.3	Establish strategic procurement processes regionally with Community Housing Providers for management and delivery of affordable housing	High	Low
2.4	Transfer ownership of affordable housing to Community Housing providers, including contribution funding for CHP affordable housing delivery	Medium	Low

Tiers	Policy opportunities	Impact	Difficulty
3.1	Partner with CHPs, developers and/ or State Government to build demonstration projects	High	High
3.2	Agreement for direct Commonwealth and State affordable housing contributions including on State-government owned lands, and where possible utilising local council property	High	High
3.3	Establishing a Regional Housing Trust to own and disburse monetary affordable housing contributions on behalf of local councils	High	High

DRAFT

1. Introduction

SGS Economics and Planning (SGS) and partners have been commissioned to assist Western Parkland City councils and Blacktown City Council in the preparation of an affordable housing strategy. This strategy sets out context for affordable rental housing in Western Sydney, the need for affordable rental housing, and the toolkit of policy opportunities local governments may pursue to address the need.

1.1 Context – the Western Parkland City

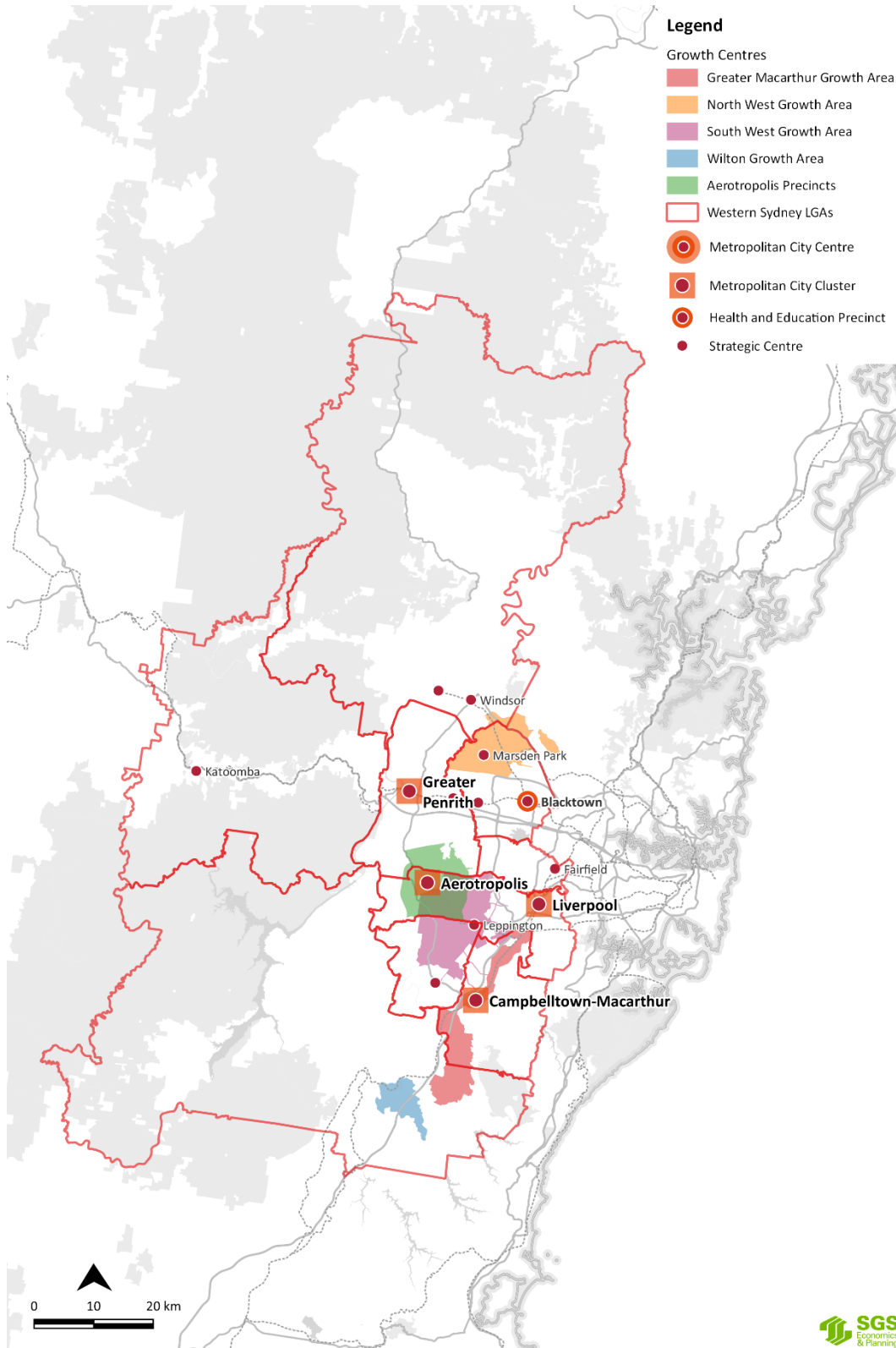
The Western Parkland City District of Greater Sydney includes the Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith, and Wollondilly local government areas. Blacktown local government area, which directly adjoins the Western City District is also included in this Strategy – see Figure 1.

These local government areas are the frontline in managing the long-term growth of Greater Sydney and include key growth precincts such as the Aerotropolis, established urban areas and major centres that are experiencing renewal, as well as the sensitive peri-urban natural and rural environments, including the Blue Mountains World Heritage Area extending across the Blue Mountains, Hawkesbury and Wollondilly LGAs. Housing in the District has traditionally been more affordable than other parts of Greater Sydney, but the scale of expected growth will inevitably place pressure on housing affordability which is already a challenge for low and very low-income households.

Western Sydney is expected to experience large growth in both population and employment. Five growth areas are covered by this Strategy including Greater Macarthur Growth Area, North West Growth Area, South West Growth Area, Wilton Growth Area, and the Aerotropolis Precincts. These areas are in different stages of the planning process, and it is important to consider the provision of affordable housing as these centres grow to avoid the displacement of residents and to meet the diverse housing needs of the community.

The growth of the region is an opportunity to use the planning system to contribute to the provision of affordable housing.

FIGURE 1: STRATEGIC CONTEXT



Source: SGS Economics and Planning, 2021

1.2 Overview of this Strategy

This Affordable Housing Strategy at the District level represents the Western Sydney Planning Partnership working collaboratively with the local governments of Western Sydney to coordinate their approach to achieving the District Plan's planning priority for housing, and to achieve the affordable rental housing targets. Complementing a focus on affordable rental housing contributions, this Strategy also provides insights for achieving better housing diversity and alternative and more affordable housing forms. The strategy is structured as follows:

- **Chapter 1 Introduction** sets out context for affordable rental housing in Western Sydney.
- **Chapter 2 Planning for affordable housing in Western Sydney** outlines the strategic context, relevant policy and guideline for the planning of affordable housing. It also summaries the key challenges and opportunities in Western Sydney and council's role in the provision of affordable housing.
- **Chapter 3 The case for affordable housing** explores the supply and demand for social and affordable housing in Western Sydney and Blacktown LGA.
- **Chapter 4 Affordable housing strategy** outlines a district-wide strategy focusing on a common affordable housing vision, regional outcomes, and priorities.
- **Chapter 5 Toolkit of policy opportunities** introduces the toolkit of policy opportunities that councils could consider in achieving the regional priorities.
- **Chapter 6 Details about the policy opportunities** explores the policy opportunities in more details and recommends actions to carry out the policy opportunities.
- **Chapter 7 Implementation and roadmap** outlines the roadmap to implement the strategy and the affordable housing contribution scheme.

1.3 Key terms and definitions

A glossary of commonly used terms and acronyms through the report is provided below:

- **ABS:** Australian Bureau of Statistics
- **Affordable housing:** Housing for very low-income households, low-income households, or moderate-income households, being those households as are prescribed by the regulations or as are provided for in an environmental planning instrument.
- **Boarding houses:** Buildings that provide multiple rooms for rent with generally shared communal facilities.
- **BTR:** Build to rent: Large-scale, purpose-built rental housing that is held in single ownership and professionally managed
- **CHPs:** Community housing providers
- **Cohousing:** A horizontal property management model where people live in a community and share common facilities and basic services
- **DCP:** Development control plan – sets out detailed rules for development within LGAs

- DPIE: Department of Planning, Industry and Environment
- EP & A Act 1979: Environmental Planning and Assessment Act 1979
- GFA: Gross floor area - the sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building.
- GRV: Gross realisable value - the maximum potential value of development upon completion
- GSC: Greater Sydney Commission
- HART: Housing Access Rating Tool
- LAHC: NSW Land and Housing Corporation
- LHS: Local housing strategy – sets out a vision for housing in an LGA
- LEP: Local Environmental Plans
- LGA: Local Government Area
- LSPS: Local Strategic Planning Statement
- NSW: New South Wales
- Private market housing: Housing owned or rented through the private market without government subsidy
- RLV: Residual land value - the value of development rights on a site, calculated as gross realisable value takes away costs and contributions
- SAH: Social and Affordable Housing – includes public housing, community housing and affordable rental housing, targeted to very low-, low- and moderate-income households.
- Secondary dwellings: Self-contained dwellings established in conjunction with another dwelling on the same lot of land, which can be attached to or separate from the principal dwelling.
- SEPP 70: State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes)
- Sydney: Greater Sydney
- Western Sydney: For the purpose of this strategy, Western Sydney includes Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly.

2. Planning for affordable housing in Western Sydney

Planning for affordable housing in Western Sydney is guided by the Greater Sydney Region Plan and District Plan. This section outlines the strategic context, relevant policy and guideline for the planning of affordable housing. It also summaries the key challenges and opportunities in Western Sydney and council's role in the provision of affordable housing.

2.1 Metropolitan planning for affordable housing

Greater Sydney Region Plan and Western Parkland City District Plan

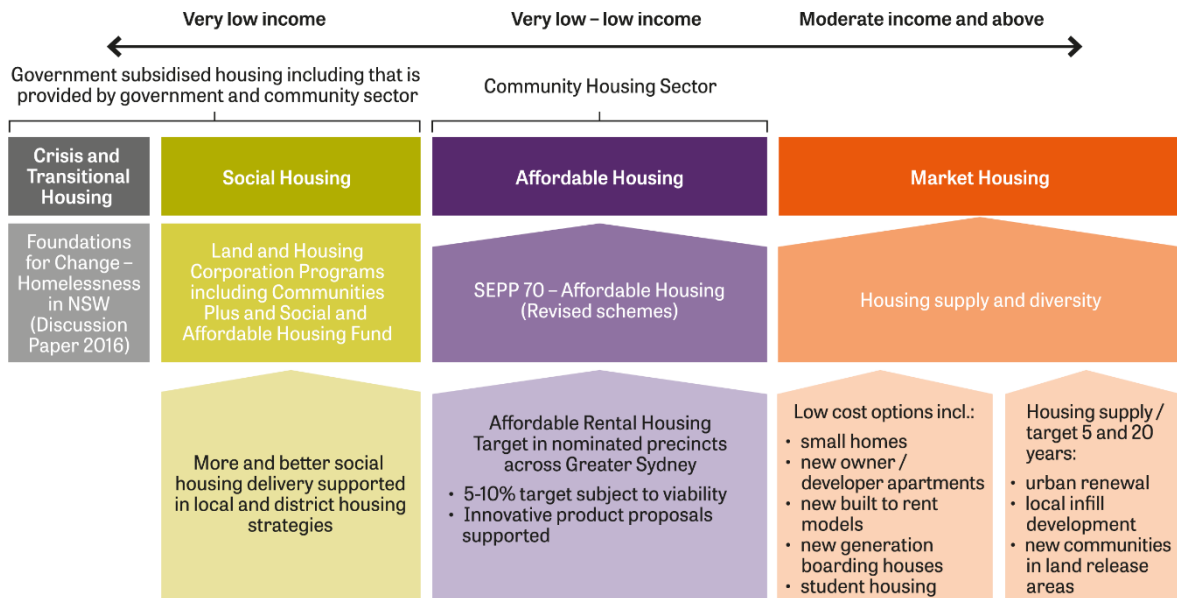
The Greater Sydney Region Plan sets a 40-year vision to manage growth and change for Greater Sydney. A key element in effective management of this growth is the provision of affordable rental housing to assist very low to low-income households in Greater Sydney who may be experiencing financial stress due to the costs of renting in the private housing market. This is recognised through the introduction of Affordable Rental Housing Targets. The Region Plan states that targets 'are generally in the range of 5 to 10 per cent of new residential floor space subject to viability'.

The Western Parkland City District Plan bridges the gap between the Greater Sydney Plan and individual local council strategic plans. One of the actions in the District Plan is that local councils are to prepare Affordable Rental Housing Schemes following development of implementation arrangements (which is a reference to the SEPP70 mechanism mentioned below).

The District Plan also sets out planning priorities to 2036. These include '*providing housing supply, choice and affordability, with access to jobs, services and public transport*'. To achieve this priority, each council has prepared, or is in the process of preparing, a Local Housing Strategy. All nine local governments working with Western Sydney Planning Partnership (WSPP) have identified affordable rental housing as a need in either their Local Housing Strategy or their Local Strategic Planning Statement (LSPS) and have recognised the benefits of having a coordinated approach to affordable rental housing for the District.

This Affordable Housing Strategy focuses on affordable rental housing for the very low- to low-income households as illustrated in Figure 2. The Strategy complements this with initiatives that facilitate lower-cost private market housing forms, as they can provide additional options for low and also moderate-income households.

FIGURE 2: HOUSING CONTINUUM



Source: Greater Sydney Commission, Greater Sydney Region Plan, 2018

Section 7.32 of the EP & A Act 1979 and State Environmental Planning Policy 70

Section 7.32 of the Environmental Planning and Assessment Act 1979 (EP & A Act 1979) identifies the provision of affordable housing as a function of Council and enables development contributions to be collected for affordable housing. It states:

(1) This section applies with respect to a development application for consent to carry out development within an area if a State environmental planning policy identifies that there is a need for affordable housing within the area and—

(a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or

(b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or

(c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or

(d) the regulations provide for this section to apply to the application.

SEPP 70 enables all councils in NSW to develop affordable housing contribution schemes and collect development contributions for affordable housing.

Since the SEPP 70 was extended to cover all councils in NSW in 2019, only Randwick Council has so far set up a contribution levy under SEPP 70. The City of Canada Bay has a draft affordable housing contribution scheme.

Guideline for Developing an Affordable Housing Contribution Scheme

The Guideline for Developing an Affordable Housing Contribution Scheme was released by the NSW Government in August 2019. The Guideline aims to assist councils prepare affordable housing contributions schemes and ensure a consistent approach across LGAs, provide the evidence and analysis to enable them to proceed under SEPP70, and provide clarity to communities and developers.

Councils are required to provide the evidence and the assumptions used to determine the affordable housing contributions rate. This is to ensure rates are viable and would not impact on development feasibility. This evidence base is to include demographic analysis, affordable housing supply, affordable housing demand and affordable housing gaps.

FIGURE 3: PROCESS FOR PREPARING AN AFFORDABLE HOUSING CONTRIBUTIONS SCHEME



Source: Department of Planning and Environment, Guideline for Developing an Affordable Housing Contribution Scheme, 2019.

The Guideline identifies that affordable housing targets and contributions are to:

'apply to developments that are facilitated by upzoning...an 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 in site. This ensures contributions are drawn from the increase in land value generated by the rezoning...'

Contributions can be fulfilled by dedicating completed affordable rental dwellings or by provision of an equivalent monetary contribution to be provided instead of a floor space (dwelling) contribution, if an affordable housing contribution scheme includes this option.

The Guideline also points out that there are other mechanisms for establishing affordable housing contributions including through negotiated Voluntary Planning Agreements, and (where a SEPP70 scheme doesn't apply) Special Infrastructure Contributions which are established by the State Government. Alternative options to support the delivery of affordable housing are identified including State Environmental Planning Policy (Affordable Rental Housing) 2009 (ARH SEPP) and Local Environmental Plans. The ARHSEPP provides incentives for the development of new affordable rental housing; facilitates the retention and mitigates the loss of existing affordable rental housing; and facilitates an expanded role for not-for-profit-providers of affordable rental housing. Under the ARHSEPP, additional affordable housing options including boarding houses, in fill development and secondary dwellings provide alternative affordable housing options.

2.2 Challenges and opportunities in Western Sydney

The nine local government areas comprising Western Sydney each have their unique attributes – however, they also share some common challenges and opportunities when it comes to providing affordable rental housing. The key challenges are:

- **Financial stress from housing costs and homelessness is projected to nearly double to 2041** – The number of households in housing stress could rise from 89,000 in 2016 to 170,000 households in 2041, with housing-related financial stress most commonly experienced by lone-person and single-parent households.
- **Overcrowding of housing stock** – Severe overcrowding of housing is being experienced in some established areas of the region by households in the private rental market, including in the Blacktown, Fairfield, and Liverpool LGAs.
- **Limited affordable rental housing opportunities in private market low-income households** – Western Sydney is perceived as more affordable than other regions of Sydney, however market rents of apartment, townhouses, and detached houses remain unaffordable for very low- and low-income households.
- **Potential displacement of existing private affordable rentals by new redevelopment** – Areas of more affordable rental housing are also established areas that may experience redevelopment over the next 20 years, resulting in less affordable dwelling stock. This is particularly the case in areas surrounding the key employment centres of Penrith, Liverpool, Blacktown, and Campbelltown.
- **Decline proportionally of social and affordable housing provision in Western Sydney** – Social and affordable rental housing has declined as proportion of total dwellings in the region between 2006 and 2016.⁴ In 2016, only 5.9 per cent of all dwellings were social and affordable housing, and without interventions or investments to increase the stock this share is likely to decline further as total dwelling numbers grow.
- **Existing social and affordable housing is not evenly distributed for the Western Parkland City** – Social and affordable housing is not evenly distributed across the region. It is concentrated in a few LGAs, including higher levels in Campbelltown, Fairfield, Blacktown, and Liverpool.
- **Potential displacement of relatively affordable rental housing by holiday rental properties** – Holiday or short-term rental properties are important for the tourism sector; however, they could have a negative impact on the opportunities available that are affordable on the private rental market. This issue is most pronounced in the Blue Mountains, as it has the second highest rate of dwellings being either vacant or occupied by visitors of any LGA in Greater Sydney. This rate is similar to the size of the traditional rental market.
- **Levels of development contributions that limit the viability of using the planning system to provide affordable housing** – With the use of development contributions for both local infrastructure and state infrastructure, growth areas such as the Aerotropolis that have a significant state level infrastructure contribution may have limited potential for additional affordable housing contributions, if the viability test is applied.

⁴ ABS (Australian Bureau of Statistics) 2006-2016. Census of population and housing, TableBuilder.

Despite these challenges, there are opportunities for the provision of affordable rental housing and diverse housing types in Western Sydney. The key opportunities are:

- **The proposed (draft) Housing Diversity SEPP provides an opportunity for introducing a wider range of affordable housing requirements** – Currently, there are no specific affordable housing requirements for secondary dwellings, build-to-rent, and boarding houses. The proposed Housing Diversity SEPP being revised by the State Government presents an opportunity for affordable housing requirements to be incorporated more explicitly in the planning system.
- **The development of 5-10 per cent affordable housing targets has been identified as an action in the District Plan** – Greater Sydney Commission and State agencies have recognised that there is a need to provide more affordable housing and suggested an affordable housing target of 5 to 10 per cent of new floorspace. Although this target is subject to viability testing, it suggests there is opportunity to seek support from the State Government on mechanisms that would achieve this key objective for the delivery of affordable housing. It also suggests that if there are viability constraints on this affordable housing contribution in Western Sydney, other mechanisms and approaches would need to be considered by the State Government to achieve its target.
- **The Western Sydney Aerotropolis is a catalyst that will drive growth in Western Sydney and potentially enable a mix of affordable housing to be provided** – The Aerotropolis is anticipated to become a thriving economic centre in the Western Parkland City, which is likely to support growth in its surrounding areas. With substantial infrastructure planned in the area, land values are likely to increase over time, which will provide an opportunity for the provision of affordable rental housing as an essential part of the social infrastructure for this new community, provided intent is signalled early. Opportunities within the Aerotropolis for dedication of State Government land close to the rail stations for affordable housing by the community housing sector may also be a key opportunity.

2.3 What can councils do to assist the provision of affordable rental housing?

Traditionally, the task of financing and supplying social and affordable housing has been borne by Commonwealth and State Governments. They are best placed to continue to make the primary contribution due to their revenue raising powers, ability to take on debt, legislative and planning powers, and asset and property ownership capacity.

The development and strengthening of a community housing sector to manage and deliver affordable rental, with financial support from governments (including through the activities of the National Housing Finance and Investment Corporation established in 2018) has also added opportunities and expertise for additional supply to be provided.

The *Environmental Planning and Assessment Act 1979* enables NSW local government to levy contributions for affordable housing. The 2019 amendment to the SEPP 70 for Affordable Housing means that all councils can now prepare affordable housing contribution schemes and amend their Local Environmental Plans to require the dedication of contributions. In recent years some councils have negotiated contributions for affordable housing through Voluntary Planning Agreements related to specific sites as they are rezoned.

Given this context local councils in Western Sydney can play a role to assist in addressing housing affordability through advocacy and facilitation, but also through their key role in local planning and

development regulation functions and utilising the planning system where possible to seek contributions from development to deliver affordable housing supply.

This use of the NSW planning system to enable contributions from development for affordable housing is supported by the Western Parkland City District Plan that nominates Affordable Rental Housing Targets generally in the range of 5-10 per cent of new residential floorspace subject to viability. Councils can also complement such a mechanism through investigation and facilitation of lower cost housing forms that can be provided by the private and not-for-profit development sectors, particularly through suggestions of changes to State planning policies.

Potential roles for local governments in the provision of affordable housing are as follows:

- **Regulation** – Includes various planning and development mechanisms available to local governments under the *Planning and Environment Act*. For the purposes of this document, this includes planning system measures (including zoning and development standards) to facilitate efficient housing markets, and measures to facilitate development contributions for affordable housing via inclusionary zoning or value capture / value sharing approaches (see box below).
- **Facilitation and partnership** – Opportunities through which local governments could work with private or community sector proponents to help them achieve affordable and social housing outcomes. Examples include brokerage of partnerships between private developers and registered community housing providers where the former are self-motivated to include affordable housing in their projects. Local government also has a role to play in providing useful information on the community housing sector to developers and interested parties. Partnerships with the community housing sector for the delivery and ongoing management of affordable housing dwellings will also be important for the success of potential programs.
- **Advocacy** – Local governments will continue to advocate, for example, for the introduction of mandatory inclusionary zoning approaches (whereby most or all development in a nominated area would be required to make an on-site or in-kind contribution of social and affordable housing), and greater State Government involvement and direct investment in the provision of affordable housing. The Western Sydney Planning Partnership is a platform where local governments have an opportunity to collectively develop and identify potential solutions.
- **Direct investment** – The three levels of government could collaborate under the City Deal agreement to identify and use surplus State and Federal government-owned lands for the provision of affordable housing. They could commit to a target for social and affordable housing for the region and invest in critical areas such as the Aerotropolis. Individual local governments, where they have the resources, may also consider providing grants to community housing providers and not-for-profit organisations to assist them in the delivery of affordable housing.

Value sharing versus inclusionary affordable housing contributions and the SEPP70 Guideline

Development contributions for affordable housing have traditionally taken two conceptually distinct forms.

Value sharing operates on the basis that the community should share in the land value uplift which is created when planning regulations allow for additional or increased development. Value

sharing contributions can be dedicated to a range of public benefit infrastructure or services including affordable housing. Currently, many Councils receive value sharing contributions through VPA negotiations with Waverley Council being a prominent example in Sydney. It dedicates these VPA contributions to its affordable housing program, currently with 25 units⁵.

An **inclusionary** approach considers affordable and social housing in the same way as contributions to open space, parking, water-cycle infrastructure and heritage conservation are considered essential requirements for sustainable neighbourhoods. In the same way we would expect a minimum and prescribed amount of open space or car parking to be provided in any redevelopment, the rate of social and affordable housing provision can also be prescribed, by reference to appropriate benchmarks or need. Inclusionary zones can apply broadly across a large precinct or whole LGA.

Inclusionary housing or inclusionary zoning for affordable housing has a long history in the USA, Canada and other jurisdictions⁶ and is the basis for the long-standing affordable housing contributions been required from development in Pyrmont-Ultimo⁷. Inclusionary zoning contributions as defined here are not linked to rezonings or the granting of additional development rights, they are about ensuring a social mix for sustainable communities as they grow. While rates in some overseas jurisdictions are as high as 10% or 20% (or more) of floorspace it has been argued that in Australia they should be based on sustaining at least the current share of social housing (lower than 1% but up to 8% in LGAs in Sydney, and 4.6% across the metropolitan area).

Using these definitions the NSW Government Guideline for Developing an Affordable Housing Contribution Scheme (under SEPP70) proposes only a **value sharing contribution** (remembering that it says 'contributions are drawn from the increase in land value generated by the rezoning..'). By not also contemplating an inclusionary zone able to apply more widely, the potential of the SEPP70 contribution mechanism to generate significant affordable housing is limited. This is particularly the case in areas where significant rezoning has already occurred and not much is contemplated in future.

The value sharing approach suggested by the Guideline might be confused with an inclusionary approach because the ultimate contribution rate might be described as applying to all floorspace in a precinct being upzoned, even though it has been calculated by feasibility analysis of pre- and post-rezoning land values. This can be illustrated in the case of Randwick Council's endorsed proposal for a 3% contribution rate (graduating to 5% over time) for the Kensington to Kingsford (K2K) corridor, based on viability testing of the uplift potential on different sites.

⁵ 'Waverley's Planning Agreement Policy 2014 has been successfully utilised to negotiate and draft planning agreements accompanying Development Applications seeking a Clause 4.6 variation to Clause 4.4 Floor space ratio for up to an additional 15% of floorspace', see discussion in September 15 2020 documents linked to <https://haveyoursay.waverley.nsw.gov.au/affordable-housing-contributions-policy>, viewed 18/2/21

⁶ See for example Inclusionary Housing in the US and Europe at http://www.isocarp.net/Data/case_studies/737.pdf, viewed 18/2/21

⁷ Currently 0.8% of the total floor area for residential uses and 1.1% of the total floor area for non-residential uses, see <https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/city-west-affordable-housing-program>, viewed 8/2/21

The conventional test of development viability is to compare the estimated residual land value (RLV) of a site based on its upzoned development potential, with the site's current value. RLV is calculated by deducting all development costs, including the developer's margin for profit and risk, from all revenues. Where the future estimate of RLV is greater than the existing value the development is notionally viable, and the gap is the 'value uplift', a share of which might be dedicated to affordable housing.

It should be noted that viability calculations are sensitive to numerous assumptions, in particular the chosen pre-rezoning land value, and any premium on this value. Conventional valuations will look to market precedents to identify the pre-rezoning or base values but these may be and often are affected by expectations of future development potential for the site in question, particularly in a growing region such as Western Sydney. This will tend to inflate the 'starting' or base value and therefore narrow the scope for post-rezoning value uplift, and in turn reduce the potential for a reasonable affordable housing contribution rate.

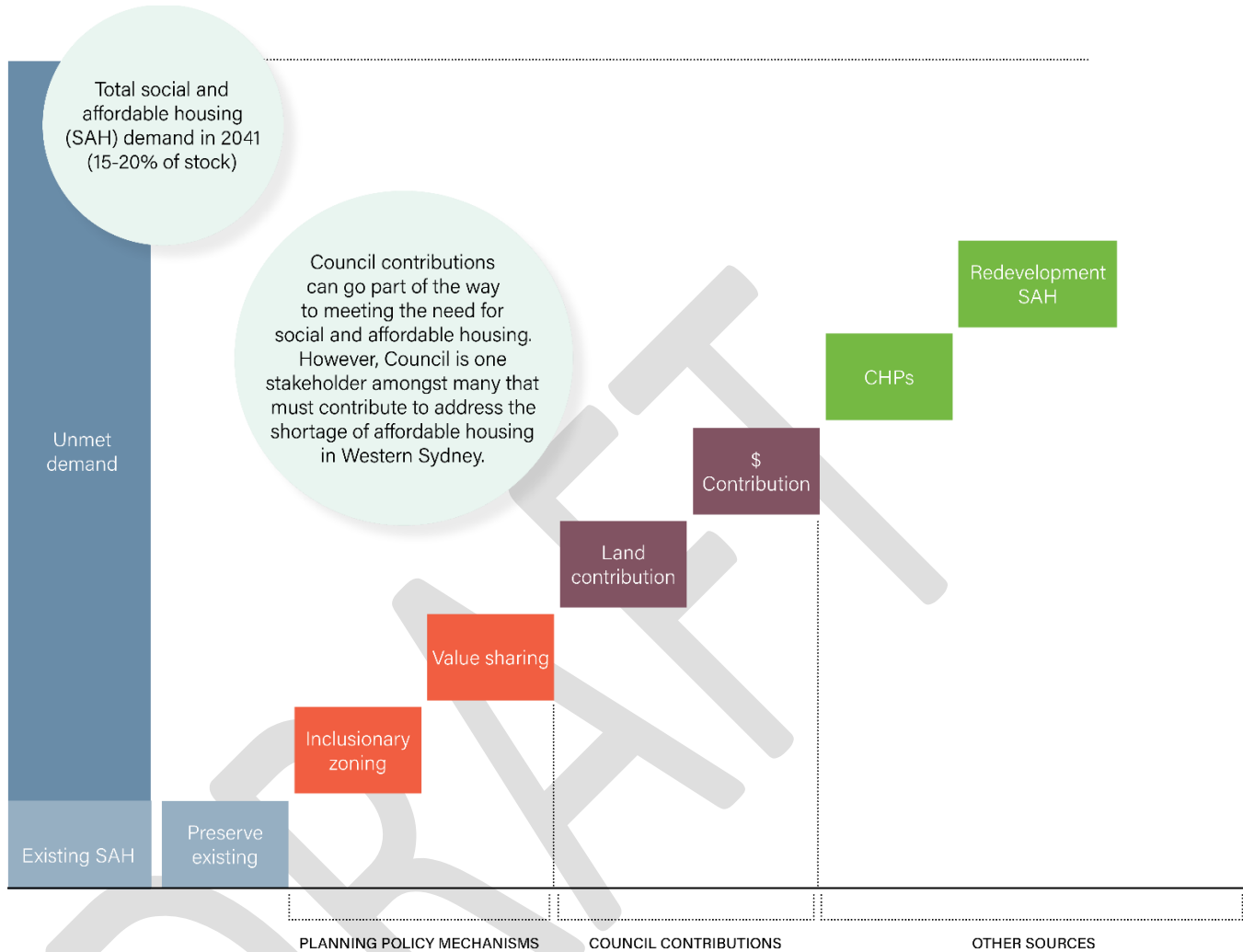
This value uplift and potential for value sharing will narrow further if a premium is applied to the base or starting value. This is often done in modelling to ensure there is value 'left' for a land owner, as incentive to sell the site. In London the potential for uncertainty in these viability calculations is reduced (and the likely identified uplift greater) by adopting Existing Use Value (EUV) as the starting or base value and specifying that while premiums will vary on a case by case basis, they should typically be 10-30%.⁸ The EUV is independent of the proposed development and should be fully justified based on the income generating capacity of the existing use with reference to comparable evidence on rents, which excludes any hope [or speculative] value.

Value sharing and inclusionary approaches are not mutually exclusive. They are conceptually distinct and can apply together. In areas where there is incremental development and not significant rezoning enabling more intense development (as is the case in many parts of Western Sydney), the value sharing approach implied by the SEPP70 Guideline for Developing an Affordable Housing Contribution Scheme may not generate a significant affordable housing yield. An inclusionary approach, applying at a modest rate more broadly, is likely to generate greater affordable housing contributions. Its impact on viability will be negligible if signaled early and introduced on a staged basis, such that is readily able to be accommodated within the 'background' increase in land values.

Whilst local governments can play a role in (partially) addressing affordable housing supply using the planning system, the major role to address social and affordable housing need remains with the Commonwealth and State Governments, and local councils should advocate – possibly through the City Deal agreement – for contributions by these governments (see Figure 4 for a conceptual view on how the unmet demand for affordable housing might be addressed using different mechanisms and with contributions from all three levels of government).

⁸ See https://www.london.gov.uk/sites/default/files/ah_viability_spg_20170816.pdf, viewed 18/2/21

FIGURE 4: HOW CAN UNMET DEMAND BE ADDRESSED BY THE THREE LEVELS OF GOVERNMENT?



Source: SGS Economics and Planning 2020

3. The case for affordable housing

The need for affordable housing in Western Sydney can be understood by considering how many households are experiencing housing stress, and how many more social and affordable housing dwellings are needed. This section explores the supply and demand for social and affordable housing in Western Sydney and Blacktown LGA.

3.1 What housing is affordable?

The affordability of housing depends on the income of a household. When housing costs are too high, relative to income, a household can find themselves in housing stress. Housing stress is a situation in which a household's rental or housing related payments are so high that they struggle to pay for other necessities. Very low-income households are likely to be in severe rental housing stress or need housing assistance. These households are most likely to need subsidised social housing where tenants typically pay rents equivalent to 30 per cent of their income. Low-income households are less likely to be in housing stress than very low-income households, although a significant portion are still in severe or moderate housing stress in Western Sydney. Although moderate-income households are relatively less likely to be in severe stress, they could still be in moderate housing stress depending on their individual circumstances (for example where they live, whether they have dependents or their particular medical or other needs).

The NSW Affordable Housing Ministerial Guidelines define income thresholds for affordable housing based on a percentage of the current median income, in accordance with Section 1.4(1) of the *Environmental Planning and Assessment Act 1979* and ministerial guidelines:

- A very low-income household earns less than 50 per cent of the relevant median household income for Sydney or rest of NSW, as applicable.
- A low-income household earns between 50 and 80 per cent of the relevant median household income for Sydney or rest of NSW, as applicable.
- A moderate-income household earns between 80 and 120 per cent of the relevant median household income for Sydney or rest of NSW, as applicable.

Affordable housing is housing that is priced for the needs of very low- to low-income households (i.e. that the cost of housing is no more than 30 per cent of household income), so that these households are also able to better meet other basic living costs such as food, clothing, transport, medical care, and education.

3.2 Why do we need affordable housing?

The lack of affordable housing given high levels of need is socially and economically corrosive. For individuals and households lack of access to affordable housing can limit the security of people's living

arrangements, prevent households from living independently and engaging fully in the community and economy and therefore add to financial, mental and physical health stresses. Where compounded across a region like Western Sydney such impacts will lead to increased social and health costs for governments and represent a drag on economic and social progress.

Despite providing lower average housing costs than other parts of Sydney, research by Wentworth Community Housing notes that 33 per cent of renting households in Western Sydney are in rental stress. In recent years, the costs of buying and renting in Western Sydney have increased at a faster rate than household incomes. Furthermore, homelessness has also increased significantly in Western Sydney since 2011, at a significantly greater rate than the state and national increases.

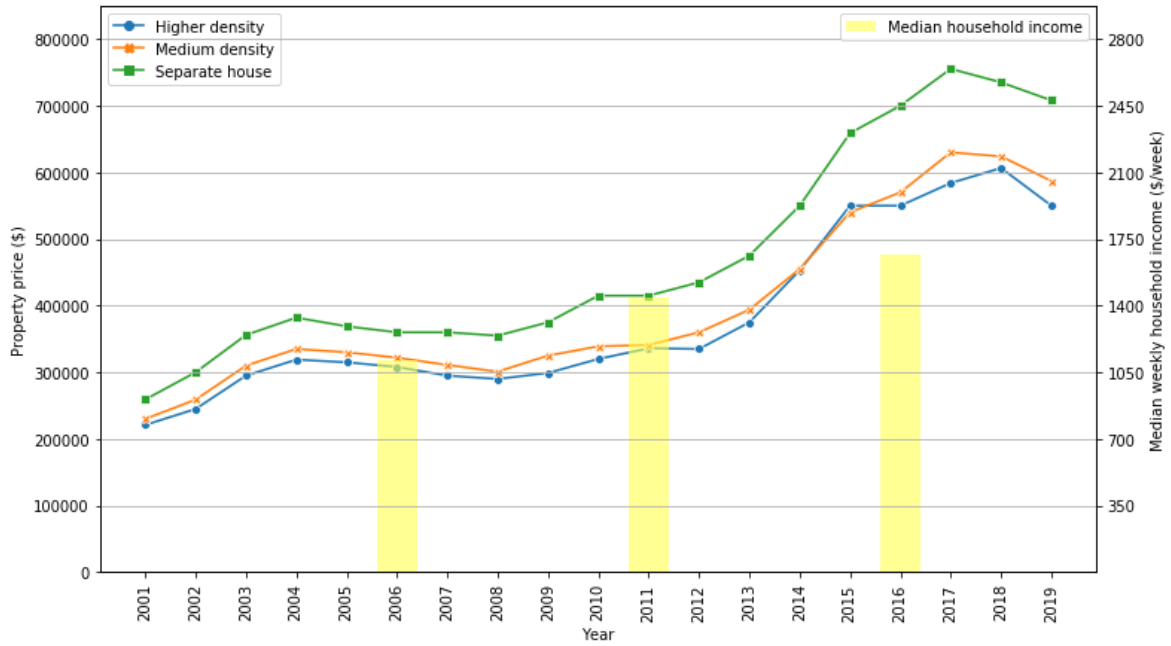
“Depriving people of dignity ... the system that we have in place now really compels people to points of desperation to helplessness and hopelessness and pushes them into further cycles of debilitating decisions that create more crises for them. We see more people ending up in emergency accommodation, temporary accommodation, being evicted, lots of financial challenges, lots of legal challenges, suicidal attempts.” – *Western Sydney focus-group participant 2020*

There is clear social and economic value in ensuring that people have safe and secure places to live. Social and affordable housing is viewed as a part of the ‘social net’, which avoids social costs associated with higher incidences of health issues and, in some cases, criminal activity. Social and affordable housing is also vital social infrastructure as it allows economic improvements in productivity, and for social mobility to occur. Where housing affordability for lower-income households is an issue, workers are likely to be pushed to less connected urban locations where cheaper rents might be found, however it may also lead to reduced opportunities for employment and education. Provision of well-located affordable housing can remedy this issue and provide improved access to economic opportunity.

Housing affordability in Western Sydney?

In Western Sydney, if the home ownership market is considered, rises in purchase prices for housing have outpaced growth in household incomes. Housing prices for all kinds of dwellings in Western Sydney generally increased rapidly in recent years, particularly between 2011-2017 (see Figure 5). Although these prices have tailed off (and even decreased) since 2017 they are still much higher than before the recent boom. Rises in housing prices and rents outpaced rises in incomes between 2006 and 2016, making housing less affordable in real terms. This problem is particularly bad for separate houses.

FIGURE 5: INCREASE IN PROPERTY PRICE COMPARED TO MEDIAN WEEKLY HOUSEHOLD INCOME

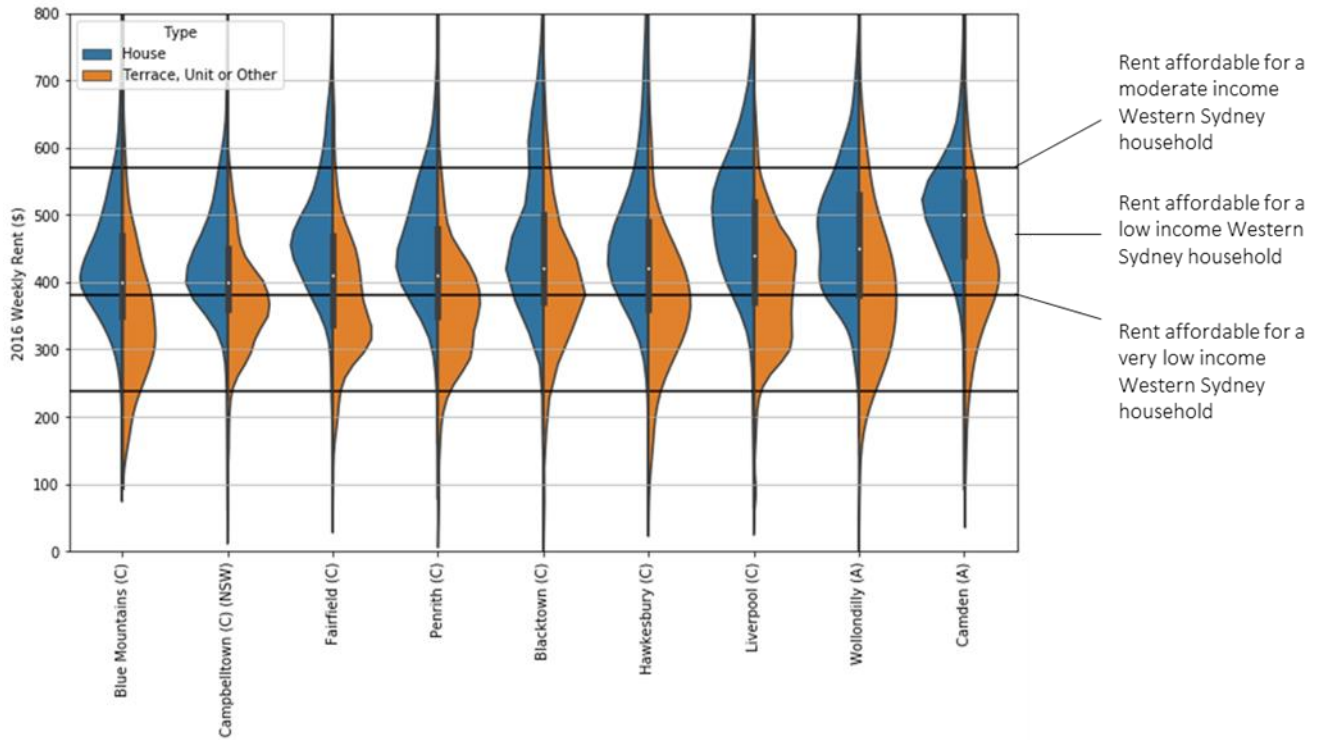


Source: SGS Economics & Planning, 2020, ABS Census 2006, 2011, 2016, Valuer General NSW Bulk Property Sales Information

There are limited affordable housing opportunities in the private rental market. Houses are the least affordable kind of dwelling in the private rental market. As a result, large households (for example, families with several children) on low incomes may struggle to find affordable rental housing. Flats, units and other dwellings are relatively more affordable, with units available that would be affordable to households on low incomes, but very few would be affordable for those on very low incomes.

While there are private rental dwellings affordable to households on low or moderate incomes, new rental stock is typically more expensive, so supply of relatively affordable rental housing is unlikely to increase substantially. Figure 6 below shows the distribution of rental prices for housing in Western Sydney by LGA. Only a very small part of Western Sydney’s rental housing would be affordable to a very low-income household, while some dwellings (but few separate houses) would be affordable to a low-income household. Most rental housing would be available to a moderate-income household. This would suggest targeting very low- and low-income household needs for affordable housing should be the focus in a Western Sydney Affordable Housing Strategy.

FIGURE 6: WEEKLY RENT ACROSS WESTERN SYDNEY



Source: SGS Economics & Planning, 2020, ABS Census 2016, NSW Fair Trading Rental Bond Data

Furthermore, the supply of social and affordable housing has declined in recent years (see Table 1). This decline is likely to continue in the future if the rate of additional supply of social housing construction does not increase significantly. There is no data which has been made available for this study that shows the pipeline of social and affordable housing, but unless past trends change, development is not likely to keep pace with increasing need. This will place further pressure on the affordable options in the private rental market.

TABLE 1: HISTORICAL SUPPLY OF SOCIAL AND AFFORDABLE HOUSING

	2006	2011	2016	Change
Public housing	6.6%	6.1%	5.4%	-1.2% points
Community housing	0.4%	0.5%	0.5%	+0.1% points
Total social and affordable housing	7.0%	6.7%	5.9%	-1.1% points

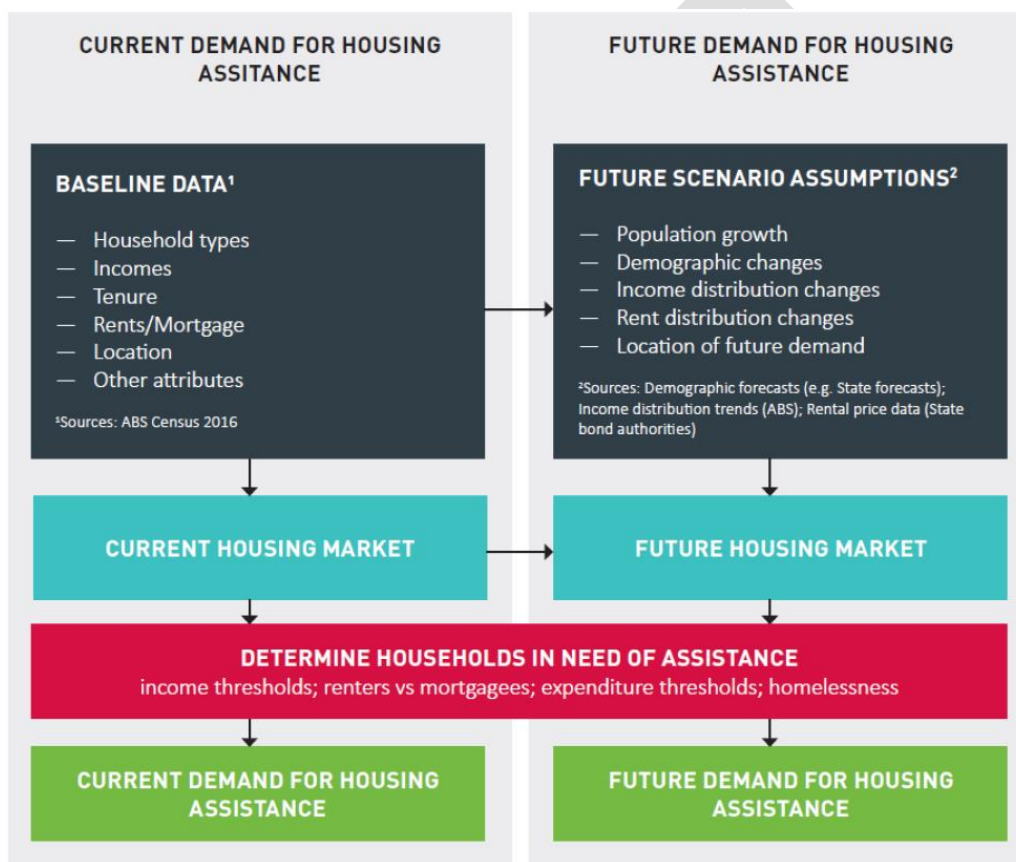
Source: ABS Census 2016

3.3 The affordable housing gap – or how ‘much’ do we need?

Housing Assistance Demand Model

The SGS Housing Assistance Demand Model measures the number of households who currently need affordable housing, segmented by demographic and spatial variables. The model forecasts the evolution of this need subject to factors, such as: expected population growth, demographic shifts, changes in household incomes, and the evolution of rental rates. For the purpose of this strategy, the model is used to estimate housing unaffordability through rental stress. Figure 7 below illustrates the baseline data and future scenario assumptions used in the demand model.

FIGURE 7: HOUSING ASSISTANCE DEMAND MODEL OVERVIEW



Source: SGS Economics and Planning, 2020

Defining levels of housing stress

The following categories are used in defining housing stress and likely need:

- Moderate rental stress – Households which spend 30-50 per cent of their income on rent.
- Severe rental stress – Households which spend over 50 per cent of their income on rent.
- Homeless – While homeless people are not experiencing rental stress, they are in acute need of housing assistance. The ABS defines this as people in highly overcrowded dwellings, staying

temporarily with others without a fixed address, and those living in boarding houses as well as people sleeping rough.⁹

- Social housing – This includes households in public and community housing provided by community housing organisations. Households in social housing pay lower than 30 per cent of their income on rent and so are not technically in housing stress. However, they do need housing assistance and would most likely be in housing stress without social housing services, and so are included in this section as contributing to social and affordable housing demand.

Defining eligible household income levels

The SGS Housing Assistance Demand Model uses the median income for Greater Sydney consistent with Section 1.4(1) of the *Environmental Planning and Assessment Act 1979* and Ministerial guidelines. The income ranges are based on 2016 figures to align with the data source (ABS Census 2016) used in the model. Table 2 illustrates the income ranges used in the model:

TABLE 2: INCOME RANGES FOR SOCIAL AND AFFORDABLE HOUSING IN GREATER SYDNEY

Household	Very Low-Income	Low-Income	Moderate-Income
Couple family with children	Up to \$52,064	\$52,064 to \$83,302	\$83,302 to \$124,853
Couple family without children	Up to \$39,436	\$39,436 to \$63,098	\$63,098 to \$92,547
One-parent family	Up to \$38,260	\$38,260 to \$61,216	\$61,216 to \$91,724
Other family	Up to \$78,587	\$78,587 to \$125,739	\$125,739 to \$188,508
Group household	Up to \$43,186	\$43,186 to \$69,098	\$69,098 to \$103,547
Lone person	Up to \$25,000	\$25,000 to \$40,000	\$40,000 to \$59,900

Source: SGS Economics and Planning, 2020

The social and affordable housing gap in Western Sydney

In 2016, only **6 per cent** of the total private dwellings in Western Sydney were social and affordable housing. SGS's Housing Assistance Demand Model suggests that **18.9 per cent** of dwellings in Western Sydney were in housing stress in 2016.

There are approximately 29,900 social housing and 2,300 dedicated affordable rental housing (32,217 in total) provided by community housing in Western Sydney,¹⁰ leaving a large gap in the provision of social

⁹ ABS typically undercount the prevalence of homelessness.

¹⁰ ABS Census, 'Counting Dwellings', in *Place of Enumeration*, 2016

and affordable housing (56,800 dwellings). This gap is expected to grow by 84,900 to 141,700 by 2041 (see Table 3 below).

The NSW Government currently forecasts that an additional 428,100 dwellings will be needed in Western Sydney in 2041 compared to 2016. To meet the demand, 32 per cent of new dwelling stock would need to be social or affordable housing to accommodate the number of people forecast to be in housing stress, whereas 19 per cent would need to be social or affordable housing to house the forecast growth in households in housing stress.

The size of the growing gap requires a whole of government approach where all three tiers of government work together to deliver social and affordable housing. This is particularly relevant as State and Federal government have a key role in this policy area. Section 4 of this Strategy will outline local government’s role in the provision of affordable rental housing in more detail, as a key part of setting up an achievable Strategy.

TABLE 3: SUPPLY AND DEMAND GAP

	Experiencing homelessness	Households in social housing	Very low-income in rental stress	Low-income in rental stress	Moderate-income in rental stress	Total in housing stress or SAH	Gap in provision of SAH
2016	7,200	30,800	31,000	15,200	4,800	89,000	56,800
2041 base case	15,600	60,900	87,700	29,300	10,500	173,900	141,700
Change 2016 to 2041	8,400	30,100	26,700	14,100	5,600	84,900	84,900

Source: SGS Economics and Planning, 2020

Housing stress by local government areas (LGAs)

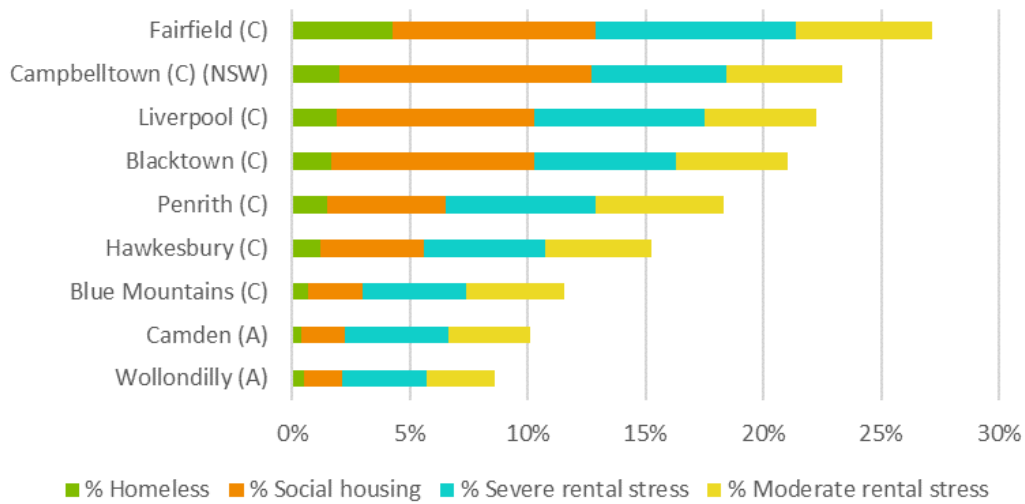
All Western Sydney LGAs have experienced some level of housing stress. Blacktown and Fairfield LGAs have the highest overall numbers of households in stress, although these LGAs also have large populations.

Fairfield, Campbelltown, Liverpool and Blacktown LGAs have the highest proportions of households in stress (around 20 per cent or more in each case), as shown in Figure 8 below. When existing social housing stocks are not considered, Fairfield LGA still has the highest proportion of people in housing stress compared to other LGAs. Campbelltown, Liverpool, Blacktown and Penrith also have relatively high levels of stress when existing social housing stock is not considered.

The peri-urban LGAs of Wollondilly, Hawkesbury and Blue Mountains have lower levels of overall housing stress, although many individual people are in severe stress. Much of the housing in Camden was developed relatively recently (in the last 20 years) catering to households buying a new house on

Sydney's fringe. As home ownership is high, levels of overall rental stress are relatively low. (See Table 11 in Appendix A for a more detailed breakdown of housing stress.)

FIGURE 8: PROPORTION OF HOUSEHOLDS IN HOUSING STRESS BY LGAS 2016



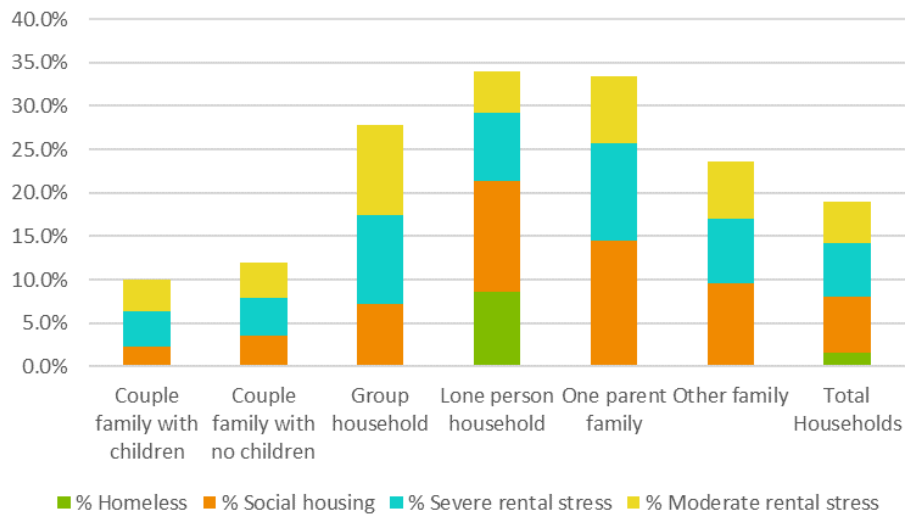
Source: SGS Economics and Planning, 2020

3.4 Who needs affordable housing?

Household types

All kinds of household's experience housing stress in Western Sydney. Lone-person households are most commonly in housing stress, followed by one parent families and couple families with children. One parent family households are more likely to experience severe rental stress (11.1 per cent of all one parent family households), whereas group households are more likely to experience moderate rental stress (10.3 per cent of all group households), see Figure 9.

FIGURE 9: PROPORTION OF HOUSEHOLDS IN HOUSING STRESS BY HOUSEHOLD TYPE 2016



Source: SGS Economics and Planning, 2020

In the future, it is expected that lone-person households, one parent households, and couples with children will still be the most common households in stress by 2041 (see Table 4). Furthermore, lone-person households are likely to experience the highest growth in housing stress, due to growth in this household type as for example an aging of the population occurs, followed by one parent families.

TABLE 4: FORECAST HOUSEHOLDS IN RENTAL STRESS BY HOUSEHOLD TYPE 2041

Household Type	Total Households in housing stress	% Households in housing stress	Additional households in housing stress (2016-2041)
Couple family with children	32,300	9.6%	12,600
Couple family with no children	21,600	11.7%	10,800
Group household	4,500	27.7%	2,000
Lone person household	64,900	33.6%	36,400
One parent family	41,400	33.2%	19,100
Other family	9,200	23.2%	3,900
Total Households	173,900	19.4%	84,800

Source: SGS Economics and Planning, 2020

Groups most in need of affordable rental housing

Households who are likely to be in need of affordable rental housing can be grouped into three broad categories as suggested by previous research¹¹ and engagement with focus groups:

Low-income households with multiple disadvantages

People that are in poor economic situations, with limited social support, have chronic conditions or disabilities are likely to require ongoing housing assistance and other support services. They need affordable rental housing that are adequately designed to suit their needs such as adaptable or accessible designs.

As reported by participants from the focus groups, there is significant need for affordable rental housing for vulnerable groups, including women who experienced domestic violence, women over 50, newly arrived migrants and refugees. Housing stability is especially important for people with traumatic experiences, as it provides a sense of belonging and safety.

“It doesn't have to be a long-term thing for certain people, especially for refugees who are very capable, but they just need that initial boost or stability, in that sense”.

Source: Cred Consulting 2020

Low-income households

Many people face a housing affordability problem because they have low incomes. This group includes people who are temporarily unemployed, as well as key workers with low salaries.

Affordable housing is critical for the ‘working poor’, those that earn higher than the social housing income eligibility limits, however, spend a large proportion of their income on housing. Some focus group participants identified that their clients were paying anywhere between 40 to 70 per cent of their income on rent at a time when over 30 per cent of income spent on rent would be considered in housing stress.

“I made contact when I saw on Facebook, they were advertising a new development in Southwest Sydney and the rents were 20 per cent less than the market rate... I could not believe how beautiful the development is. It is bright and spacious. There is a roof garden and barbecue areas and I like the security cameras and secure lock up garage...”

Marlene is a single mother in her 40's who lives with Alex, her 14-year-old son. Marlene works as a medical receptionist and earns a low income. Her low income, coupled with increasing property prices, meant she could not find an appropriate house to live in. Without the support

¹¹ Milligan, V (2005) "Directions for Affordable Housing Policy in Australia: Outcomes of a Stakeholder Forum". Background Report for Collaborative Research Venture, 'Housing Affordability for Lower Income Australians'. AHURI, Melbourne: NHS (National Housing Strategy) (1991) "The Affordability of Australian Housing", Issues Paper 2, AGPS, Canberra

of the community housing provider and the provision of affordable housing, Marlene and her son Alex would be living in a home that they were “too embarrassing to invite anyone over”.

Source: Cred Consulting 2020

The recent and ongoing COVID-19 pandemic has resulted in many job losses and potentially, ongoing underemployment and casual employment. Across Western Sydney there are a high proportion of people working in these vulnerable industries. Most people in Western Sydney work in the Health Care and Social Assistance sector¹² which has a median weekly income of \$1,000. The second most popular industry is Retail Trade, which has a median weekly income of \$700.¹³ People working in these sectors are likely to experience housing stress, as the average weekly rent in Western Sydney is approximately \$413.¹⁴

With a weekly wage of \$1,000, 41 per cent of the person’s income would need to be spent on rent if they are a lone household or are a single income earner. People working in Accommodation and Food Services have the lowest median weekly income at just \$500 per week, and account for 6.2 per cent of Western Sydney’s residential population. People working in Health Care and Social Assistance are considered ‘key workers’ as they provide essential services to the community and yet some of them are likely to be struggling to pay for their rents.

Moderate-income households

Moderate-income households have relatively higher incomes (80-120 per cent of the median income); however, they may require housing assistance in higher cost locations or locations close to major employment opportunities. Forms of assistance could include incentives that support a diverse housing market, assisted home ownership, or shared home ownership.

3.5 Where best to locate affordable housing?

For this strategy, a Housing Access Rating Tool (HART) analysis has been completed. This showed that most town centres around railway stations have moderate or good accessibility. An increase in mass transit availability – for example, due to the metro being established between Western Sydney Airport and the strategic centre of St Marys – would further change this picture, and dramatically improve the accessibility of any housing located in this area.

Using the Housing Access Rating Tool (HART), SGS has measured the suitability for housing intensification and assessed the accessibility of each part of Western Sydney based on the proximity of each Mesh Block (MB) to the following destinations and facilities, using the road network:

- Train stations
- Other public transport stops
- Open space

¹² ABS Census, ‘Industry of Employment’ in *Counting Persons Place of Usual Residence*, 2016

¹³ ABS Census, ‘Characteristics of Employment’, Australia, 2019

¹⁴ ABS Census, ‘Rent (weekly) dollar values by LGA’ in *Counting Dwellings Place of Enumeration*, 2016

- Primary schools
- Secondary schools
- Libraries and community facilities.

The scoring criteria targets affordable housing tenants as it prioritises social services that tenants may need and excludes consumptive amenities less essential such as bars and restaurants, and private gyms. By weighting and combining each attribute, an overall proximity score was produced reflecting accessibility for housing intensification. The overall proximity scores range from very high to extremely low, where very high means the area is very accessible to public transports and amenities and is therefore an ideal location for affordable housing; extremely low means the area is not suitable for affordable housing. The scores calculated for overall accessibility are strongly linked to proximity to public transport.

Besides rents, there are other costs associated with housing including energy and water costs, as well as transport costs. The location of affordable rental housing can have a negative or positive impact on related housing costs and will be important to consider in locating additional affordable housing dwellings. Most of Greater Sydney is unaffordable to significant proportions of the renting population, especially very low- and low-income households. The average household generally must travel at least 15-40 km from the Sydney CBD to areas such as Western Sydney to find more moderate housing costs, forcing first-home buyers into the outer suburbs of Sydney. Whilst the Greater Sydney Regional Plan seeks to establish major employment opportunities in Western Sydney, this will likely increase housing costs in areas with good access to this employment.

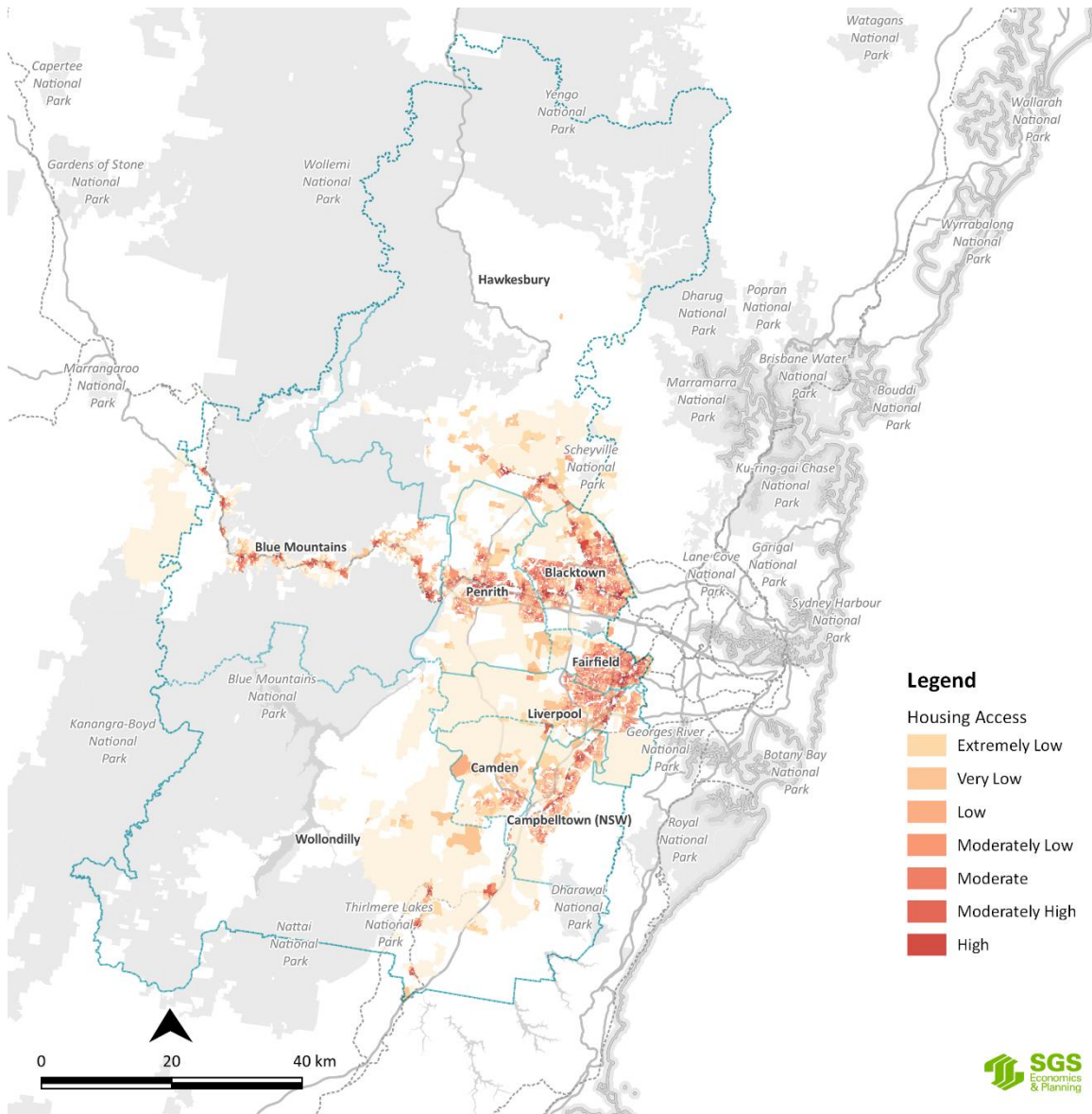
In term of transport costs, households in Sydney's inner-city suburbs experience the lowest transport costs as they have better transport access to jobs and amenities. Households further from the Greater Sydney Commission-defined Central City, notably in the Western Parkland City areas, experience higher transport costs given the need for more and longer private vehicle trips, fewer public transport connections and longer trips to shops, education, and employment. Research has shown that average commuting burdens comprise 8.6 per cent of annual income for low-income renters in Sydney.¹⁵

Therefore, development of dedicated affordable housing should be prioritised in locations accessible to areas with a higher concentration of low-moderate income jobs, such as service centres, 'key-worker' precincts (e.g. hospitals), or major employment zones. Affordable housing should also be targeted in areas well-serviced by public transport where possible, as this is a significantly lower cost burden associated with commuting compared to using a private vehicle.

Figure 10 illustrates the HART analysis results for each of the LGAs in Western Sydney. It is recommended that affordable housing be located in areas with moderate to very high proximity scores and restrict development in areas with moderately low to extremely low scores, as these areas lack accessibility to public transport and essential amenities. Living in these areas would also lead to higher housing costs due to longer commutes to destinations.

¹⁵ AHURI, 'Commuting burden and housing affordability for low-income renters', viewed on 10 October 2020, https://www.ahuri.edu.au/__data/assets/pdf_file/0018/64710/AHURI-Final-Report-335-Commuting-burden-and-housing-affordability-for-low-income-renters.pdf.

FIGURE 10: HART ANALYSIS



Source: SGS Economics and Planning, HART Model 2020

3.6 What are the issues with low-cost private market housing?

Low-cost private market housing refers to housing provisions in the private market that are relatively cheaper than houses or apartments – for example, smaller dwellings or purpose-built dwellings such as build-to-rent or boarding houses.

Overcrowded dwellings

Overcrowding is one result of housing unaffordability, as people are forced to live in smaller dwellings (such as secondary dwellings) as they cannot afford a larger one. Nearly three-quarters of overcrowded

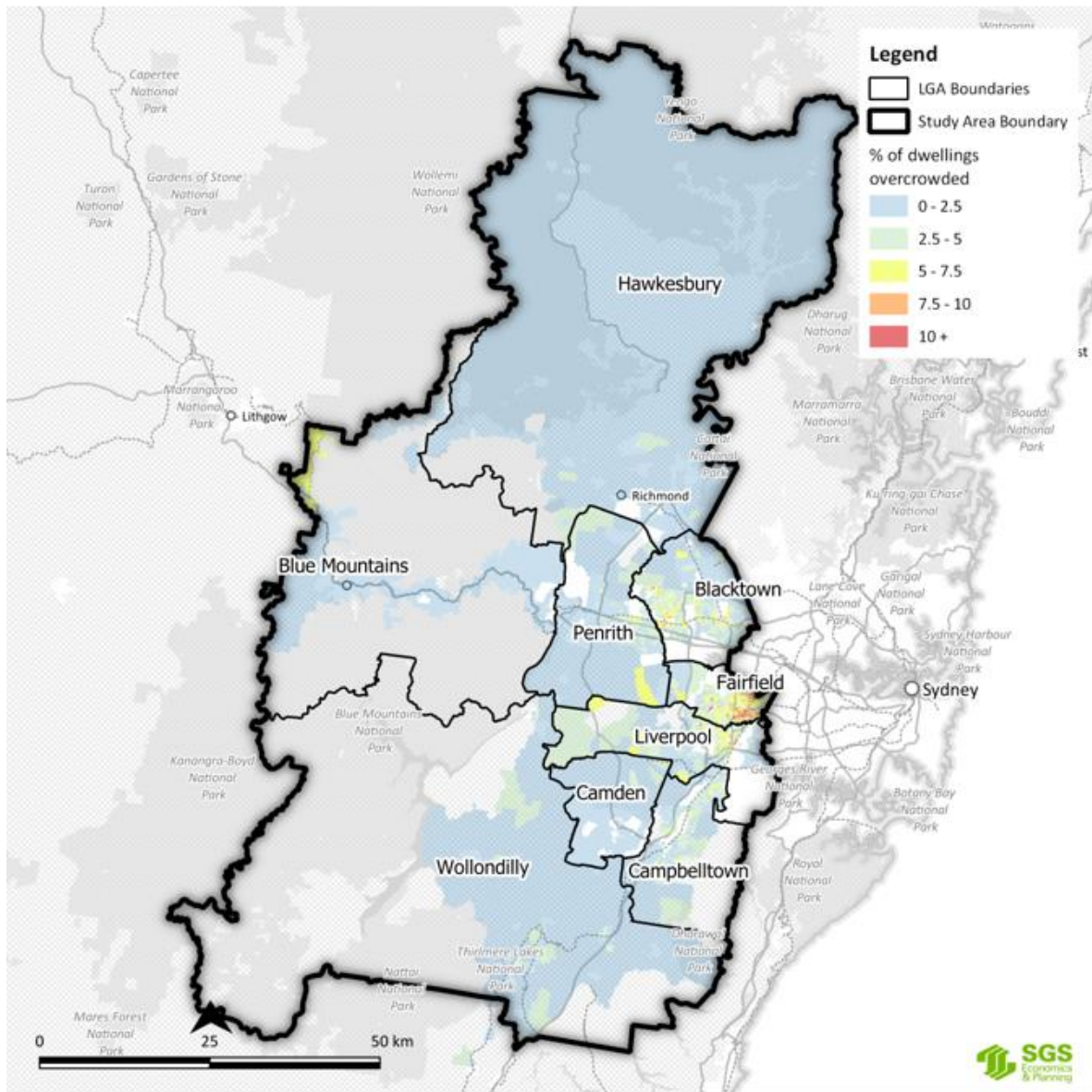
dwellings are detached houses, with the remainder evenly split between semi-detached houses and apartments.

Overcrowded dwellings are identified as households which require one or more additional bedrooms to accommodate the household.¹⁶ Severely overcrowded dwellings are those which require four or more additional bedrooms. Most areas in Western Sydney have a small percentage of dwellings which are overcrowded – however, there are some clusters with up to 15 per cent of total dwellings being overcrowded. Figure 11 illustrates that there are clusters of overcrowded dwellings in Fairfield, Liverpool and Blacktown.

At the local level, the highest rate of overcrowding is in Fairfield, where 1 in 9 dwellings has some overcrowding, and 1 in 100 dwellings are severely overcrowded. Overall, Western Sydney's overcrowding average is 5.5 per cent. Blacktown, Liverpool and Campbelltown have average or above-average rates of overcrowding, whereas the Blue Mountains, Wollondilly, Camden, Hawkesbury and Penrith have below-average rates of overcrowding.

¹⁶ The overcrowded dwelling data was taken from ABS Census, and it is likely the data has underestimated the actual occupation rates.

FIGURE 11: CLUSTERS OF OVERCROWDED DWELLINGS



Source: SGS Economics and Planning 2020, ABS Census 2016

Affordability and design of secondary dwellings and boarding houses

Secondary dwellings are often viewed as providing relatively affordable accommodation. Research has, however, shown that while rents for secondary dwellings are typically lower, they remain unaffordable for low-income households.¹⁷

Historically, there have been many concerns from local councils with boarding housing and secondary dwellings administered under the Affordable Rental Housing SEPP (ARHSEPP). Some of the concerns

¹⁷ SSROC, Secondary Dwellings in Central and Southern Sydney, 2020

from local governments in Western Sydney about boarding houses and secondary dwellings are: low quality, unsuitable location, inadequate controls for design and regulation of illegal structures, impacts on neighbouring amenity in low density areas, impacts on street parking, no affordability requirements, and boarding houses being constructed as studio apartments and subsequently used as short-term holiday rentals (this is specifically related to secondary dwellings). Under the new draft Housing Diversity SEPP, boarding houses must be delivered and operated by community housing providers (CHPs) which should address some issues, but there are no major improvements planned for secondary dwellings in design or approach. Furthermore, there are currently no sustainability requirements for secondary dwellings and boarding houses which could impact on housing costs to ensure they are affordable alternate housing forms.

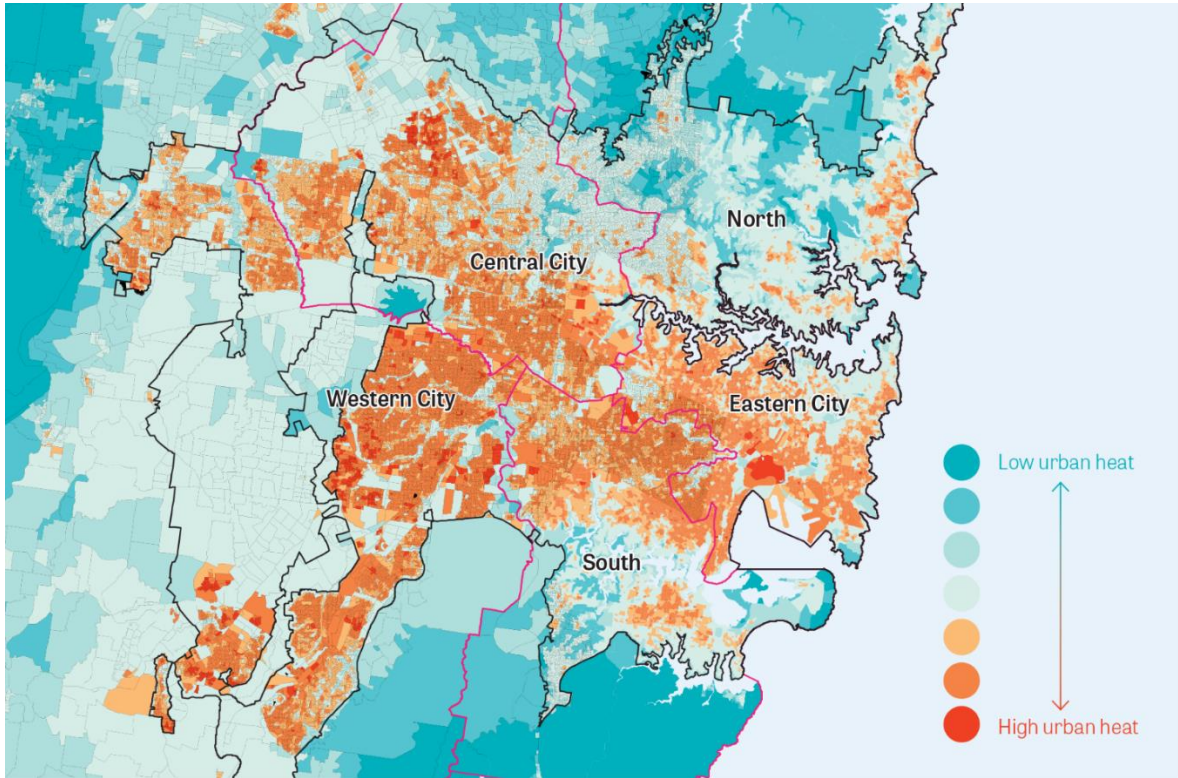
Urban heat effect across Western Sydney makes sustainable building design important

While there is limited spatial information available for utility costs, suburbs and towns within Western Sydney spend moderate expenditure levels on utilities, whereas generally households in Sydney's inner-city suburbs spend less on average on utilities. A few factors could influence utility spend, such as indoor temperature (with Western Sydney experiencing high temperature), hours working or studying at home, and the number of people living together. Western Sydney has the highest level of urban heat island effect (localised warming caused by factors such as the presence of buildings, roads and other hard surfaces that absorb and store heat) which means that people living there are likely to spend money on cooling (see Figure 12 below). During the summer of 2018-2019, Western Sydney experienced 37 days with maximum temperatures over 35 degrees Celsius.¹⁸

Western Sydney in particular needs a focus on sustainable building design, such as passive heating and cooling, wastewater treatment and reuse, energy-efficient features and smart lighting could reduce utility costs, if incorporated into affordable housing. Sustainable building design should be considered as part of the Strategy when designing for social and affordable housing to reduce housing costs.

¹⁸ Bureau of Meteorology, 2019

FIGURE 12: GREATER SYDNEY AND DISTRICT URBAN HEAT ISLAND 2016



Source: Greater Sydney Commission and NSW Department of Planning, Industry and Environment 2016

3.7 Key local issues

Poor-quality housing and the lack of affordable rental housing are common issues among the nine LGAs – Table 5 highlights the key local issues specific to each. The next section will provide ways to address these issues.

TABLE 5: KEY ISSUES

LGA	Key issues
Blacktown	<p>Developing approaches for affordable housing in greenfield areas around centres.</p> <p>Poor-quality housing opportunities in unsuitable locations currently provided by secondary dwellings and boarding houses.</p>
Blue Mountains	<p>The crowding out of affordable housing opportunities by demand for short term holiday rental accommodation.</p> <p>Poor-quality housing opportunities currently provided by secondary dwellings.</p>

LGA	Key issues
Camden Council	Developing approaches for affordable housing in greenfield areas around centres.
Campbelltown	Poor-quality housing opportunities in unsuitable locations currently provided by secondary dwellings and boarding houses.
Fairfield	The overcrowding and poor-quality housing opportunities currently provided by secondary dwellings, whether legal or illegal.
Hawkesbury	The need for affordable housing options for peri-urban locations, including temporary housing options.
Liverpool	<p>Need to invest affordable options in the Aerotropolis and surrounding growth corridors.</p> <p>Developing approaches for affordable housing in greenfield areas in and around centres.</p> <p>Poor-quality housing opportunities currently provided by secondary dwellings and boarding houses</p>
Penrith	<p>The opportunity for transition into home ownership should be a key part of the strategy, for people in affordable rental housing.</p> <p>Developing approaches for affordable housing in greenfield in and around centres.</p> <p>Need to invest affordable options in the Aerotropolis and surrounding growth corridors.</p>
Wollondilly Shire Council	Suitable housing in peri-urban locations.

4. Affordable housing strategy

There is a strong case, supported by Greater Sydney and District strategic plans, for all three tiers of government to take action to better plan for and deliver affordable housing in Western Sydney. This section outlines a district-wide strategy focusing on achieving a common affordable housing vision, regional outcomes, and priorities that recognises that it will be primarily Commonwealth and State Government actions that are required to address this significant issue. Despite this, local governments can assist in areas such as development regulation, partnership, potential investment, and advocacy.

4.1 What is the vision for affordable housing?

The overarching affordable housing vision for Western Sydney is guided by the Greater Sydney Region Plan, the Western City District Plan, and Councils' Local Strategic Planning Statements and Housing Strategies.

Housing provision in the Western Parkland City and Blacktown LGA will ensure there are affordable living opportunities across the District for moderate, low and very low-income households.

Safe, secure and affordable housing will be suitable to meet the needs for youth, families and key workers, and will allow people age within their communities – as an essential ingredient to build a liveable, equitable and productive Western Parkland City.

An affordable housing target that ensures 10 per cent of all new dwellings in the District are affordable for very low-, low- and moderate-income households will be achieved.

The three levels of government will collaborate, through the City Deal and other mechanisms, to deliver social and affordable housing in partnership with the community housing sector.

The framework guiding this Strategy focuses on local government's contribution to achieving this vision, while advocating to other levels of government to make additional commitments that will assist address affordable housing challenges.

4.2 Regional outcomes

The Strategy aims to achieve the following regional outcomes:

- **R1 Better housing diversity that suits community needs** – Facilitating and promoting greater diversity and accessibility of affordable forms of private market dwellings. As the demand for affordable housing is unlikely to be met by the public sector alone, it is important for the private sector to also contribute to the provision of affordable forms of market dwellings.

- **R2 Increased affordable housing supply** – Increasing the supply of affordable rental housing in accessible locations and maintaining and expanding existing affordable housing opportunities, to contribute to achieving target of 10 per cent of all new residential dwellings being affordable housing. This would, however, not meet future need for affordable housing that is projected to grow to 15-20 per cent of households. Traditionally, the task of supplying social and affordable housing has been borne by the broad-based tax systems operated by Commonwealth and State Governments. Where possible, Commonwealth and State Governments should continue to contribute to the supply for affordable housing.
- **R3 Greater government investment and leadership** – Advocating within the City Deal for greater State and Commonwealth Government leadership in increasing the supply of social and affordable housing as essential for diverse and successful communities.
- **R4 More effective partnership arrangements with community housing providers** – Establishing strategic partnerships, and procurement frameworks to work with community housing providers and promote innovative affordable housing models.

4.3 Regional priorities

Regional priorities have been identified, that will be critical at the regional level to achieve the affordable housing vision. These should be progressed as a partnership between Commonwealth, State and Local governments.

Priority 1 – Set an **Affordable Rental Housing Target Equivalent to 10 per cent of all new dwellings** for the whole of Western Sydney region and Blacktown LGA, based on the projected high levels of need for social and affordable housing¹⁹. A range of mechanisms will be needed to meet this target, including (but not limited to) affordable housing contribution.

Priority 2 – Seek agreement through the City Deal tri-government mechanisms with **State and Commonwealth Government for direct investment** to assist in the delivery of the affordable rental target. This will be required due to the limited opportunity to use affordable housing contributions to achieve this target in Western Sydney (closer to 1-2 per cent), due to potential impacts on development viability. The Victorian Social Housing Growth Fund demonstrates how this could occur.

Example - Victorian Social Housing Growth Fund

The Victorian Government has established a dedicated fund to support innovative partnerships between the Victorian Government and consortia including the community housing, private, not-for-profit and local government sectors.

Following years of underinvestment in social and affordable housing, this fund provides a long-term financial commitment to supporting a pipeline of housing development projects on non-

¹⁹ A 5 to 10 per cent affordable housing target was proposed by the Greater Sydney Commission for nominated precincts in the Region Plan. This Strategy seeks to set a 10 per cent target for the whole of Western Sydney and Blacktown LGA based on high level projected for future need.

Victorian Government land and through a program of leasing properties from the private market.

The Fund has been set-up using seed capital provided by the Victorian Government, reaching \$1 billion in the 2019-20 financial year. The Fund will be jointly administered by the Treasurer and the Minister for Housing. Participating registered community housing organizations will be required to participate in the single Victorian Housing Register (VHR), which also requires that 75 per cent of targeted social housing vacancies will be from the priority access category of the VHR.

Source: Victoria State Government, 2020

Priority 3 – Establish Affordable Housing Contributions through the planning system to provide a District-wide, consistent approach to affordable housing contributions for new residential development. This will use the growth of the District to deliver additional affordable rental housing supply. This scheme, established as per SEPP 70, will include:

- Contributions based on the increase in land value generated by rezoning, where viable:
 - in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location) and
 - in ‘greenfield’ areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location).
- Contributions based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased in a further increment of 1% in 2027, so that property markets factor in the contribution rate and development viability is not impacted. Exemptions for the scheme include developments which do not result in at least one additional dwelling being created, exempt development (as per the standard template LEP), secondary dwellings, development solely for the purpose of social and/or affordable housing, build-to-rent projects and boarding houses.

Viability analysis

The *Guideline for Developing an Affordable Housing Contribution Scheme* requires councils to prepare and provide evidence that affordable housing contribution rates are ‘viable’. The intention is to ensure that the rates will not impact on development feasibility and overall housing supply. Savills was engaged to undertake viability analysis in nine local government areas that are covered by this Strategy.

The Guideline notes Affordable Housing Targets may be applied in areas where an uplift of land value is created. Savills prepared a hypothetical development feasibility, including Residual Land Value calculations, for selected town centres, infill areas and greenfield areas (see the supporting report *Western Sydney Affordable Housing Strategy – Financial Feasibility – Part 1 and Part 2* for more details). Clearly it is not realistic to undertake feasibility analysis in every precinct in Western Sydney where rezoning might be contemplated or occur in future. The

Savills analysis is specific to many potential locations where rezoning and value uplift might occur in future but 'like for like' extrapolations have also been necessary to establish a region wide approach. In addition, the feasibility analysis may be conservative in those areas where some speculative value is included in the chosen base (pre-rezoning) land values.

Overall developer margins across the nine council areas appear to be modest on average. For town centres, it is feasible to capture 75 per cent of land value uplift (assuming the remaining 25% is applied as a 'premium' to base pre-zoning land values to incentivise owners to sell and release land for development) in Blacktown, Edmondson Park, Liverpool, and Penrith under the up-zoning scenarios (which doubles the notional FSR of the existing allowable residential development). Under the rezoning scenario (rezoning to residential), the same four town centres and Leppington are showing to be viable for affordable housing contributions. For medium density developments in infill areas, only Blacktown and Blue Mountains LGAs are viable for affordable housing contributions. For already rezoned greenfield areas, affordable housing contributions could be collected viably in Hawkesbury, Liverpool and Penrith LGAs. For greenfield areas not yet rezoned, Blacktown, Camden, Hawkesbury, Liverpool, Penrith and Wollondilly LGAs are viable for affordable housing contributions. The viable rates in nominated locations are between 0% and 3.64% of total gross floor space.

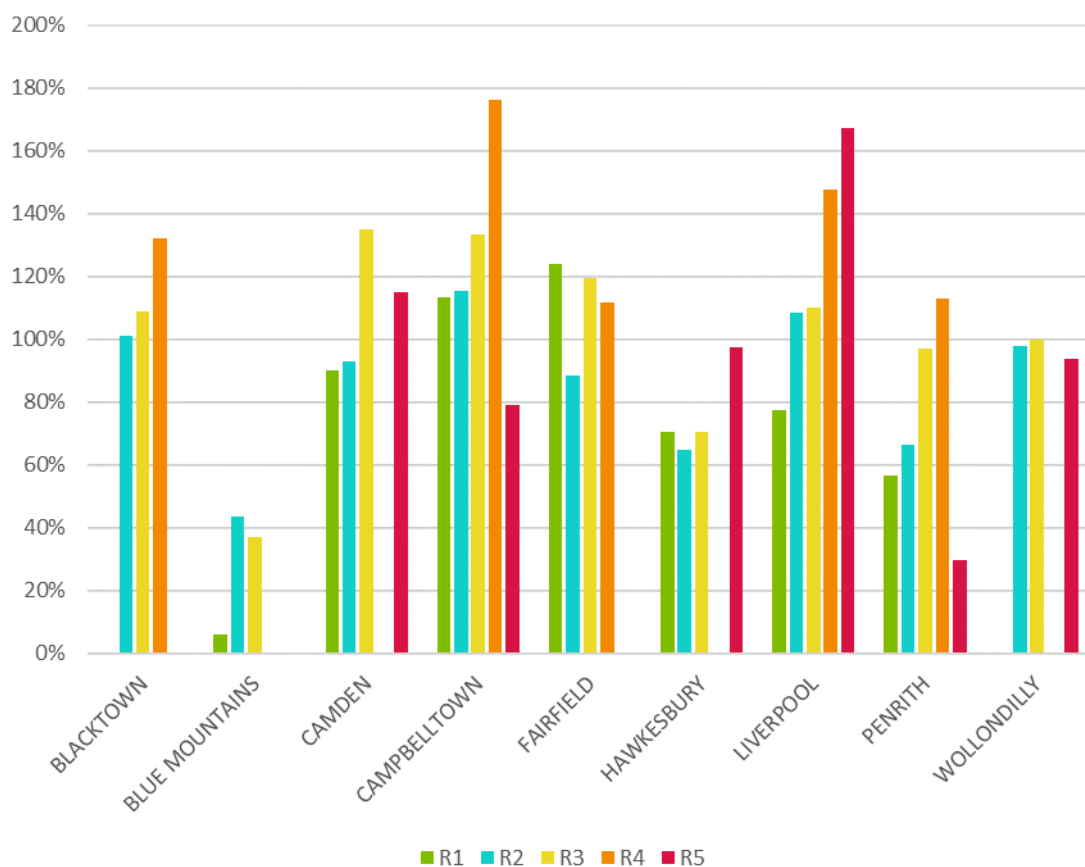
These relatively modest contribution rates in the identified areas imply limited short to medium term potential for generating affordable housing. Given housing projections it is estimated that these contributions would yield perhaps 500 dwellings over the 20 years from 2021 to 2041. As demonstrated, need and demand for affordable housing is significant (56,800 dwellings required in 2016 and almost tripling without intervention by 2041) and an Affordable Rental Housing Target Equivalent to 10 per cent of all new dwellings is proposed. If Councils in Western Sydney are to begin to make even small contributions to address this need, as expected by the Western City District Plan and their own stated aspirations, the complementary measure of inclusionary or broad based contributions is critical.

It is therefore proposed that in 2024, an additional 1 per cent would be applied to all new residential development, regardless of upzoning or rezoning. In 2027, the rate would increase to 2 per cent. Savills has tested the impacts of a 1%, 2 % and 3% affordable housing contribution on land values and found that a 1% or 2% contribution will reduce land values by 3% to 17% (which vary by location). It is expected that markets will adjust to accommodate this impact over time.

Residential land values have increased by between 6 per cent and 176 per cent between 2013 and 2017 **Error! Reference source not found.** shows that the average increase in land values across the nine council areas was 97 per cent in four years, see Figure 13. With the development of Western Sydney Aerotropolis and other growth areas, it is expected that the nine council areas will continue to grow. The inclusionary affordable housing contribution is likely to result in a reduction in residual land value as it increases development costs, however if foreshadowed well in advance, the development industry and land markets would adjust such that any impacts of land value are absorbed by rising land values.

An inclusionary contribution would yield an estimated 5,000-7,000 dwellings over the 20 years from 2021 to 2041.

FIGURE 13: RESIDENTIAL LAND VALUE HISTORICAL GROWTH 2013-2017



Source: NSW Valuer General, 2013-2017

Priority 4 – Seek a **State Environmental Planning Policy Change** that will encourage low-cost affordable private market housing forms, suitable for Western Sydney, as part of the proposed Housing Diversity SEPP.

Priority 5 – Investigate further, and adopt mechanisms suitable for, the **provision of 10 per cent of new dwellings as affordable rental housing within the Aerotropolis** and associated Western Sydney Airport Metro Corridor. This is a key growth area and with opportunity for including social and affordable housing. The approach for the Aerotropolis could seek to utilise government land, particularly adjoining proposed Metro Rail Stations.

These regional priorities will be discussed in more details in the toolkit.

4.4 Delivery through use of a policy opportunity toolkit

While a regional vision and priorities have been established, there is the need for local governments (and other stakeholders) to develop their own plans that assist in its delivery.

As a result, the Affordable Housing Strategy is supported by a policy opportunity toolkit, based on a three-tiered approach that identifies policy opportunities to achieve the vision for the provision of affordable housing. Tier 1 requires a base level of potential local council involvement, while Tier 3 requires the highest amount of engagement and investment. The three-tier framework allows local governments to choose their level of involvement based on their local conditions, capacity and needs for affordable housing.

As each LGA has its own unique challenges and opportunities, the policy toolkit is designed as a flexible range of opportunities for local governments to explore and investigate in greater detail. It is expected that all three tiers will need to combine to achieve a significant impact on the provision of affordable housing, particularly with regulatory actions by State and Local governments, and direct investment actions by Commonwealth and State governments. The City Deal mechanisms will be able to be utilised to establish the basis for this investment. Section 4 introduces the policy opportunity toolkit.

4.5 Plan on a page

FIGURE 14: REGIONAL VISION, OUTCOMES, PRIORITIES AND KEY IMPLEMENTATION ACTIONS

 <p>VISION</p>	<ul style="list-style-type: none"> • Housing provision will ensure there are affordable living opportunities across the District for moderate, low and very low-income households • Safe, secure and affordable housing will be suitable to meet the needs for youth, families and key workers, and will allow people age within their communities • An affordable housing target that ensures 10 per cent of all new dwellings in the District are affordable will be achieved • The three levels of government will collaborate, through the City Deal and other mechanisms, to deliver social and affordable housing in partnership with the community housing sector
<p>OUTCOMES</p> 	<ul style="list-style-type: none"> • Better housing diversity to suit needs of low and moderate income households • Increased affordable rental housing supply • Greater government investment and leadership • More effective partnership arrangements with community housing providers
 <p>REGIONAL PRIORITIES</p>	<ul style="list-style-type: none"> • An affordable rental housing target • Direct investment in affordable rental housing • Affordable housing contributions through the planning system • Change in the State Environmental Planning Policy for more low-cost private market housing • Provision of 10 per cent of new dwellings as affordable rental housing in the Aerotropolis and Metro growth corridor
<p>IMPLEMENTATION</p> 	<ul style="list-style-type: none"> • Local councils to adopt the Western Sydney Affordable Housing Strategy & SEPP 70 contributions scheme • Staged implementation of affordable housing contribution rates for new development, and review rates on a 3 year review cycle • Establish regional approach for local government to delivery and management of affordable housing • Delivery and management of affordable housing contributions in partnership with community housing sector to leverage its financing opportunities, capacity and specialist expertise

5. Toolkit of policy opportunities

This section introduces the toolkit of policy opportunities that councils could consider in achieving the regional priorities.

5.1 Why do we have a toolkit?

The toolkit outlines potential policy opportunities for local governments to deliver the regional vision for social and affordable housing. This provides the basis for councils to develop their own affordable housing plans, whilst considering the areas of action they will focus on, and the level of engagement (tiers) that is appropriate for their local area and circumstances.

5.2 Toolkit of policy opportunities

Policy opportunities have been identified for the 4 pillars of potential local government action – regulate, partner, advocate and invest, and for tier or level of engagement (see Table 6 for the policy opportunities).

TABLE 6: TOOLKIT OF POLICY OPPORTUNITIES

Tiers	Policy opportunities	Council's role	Responsibility
1.1	Encourage private market housing diversity	Regulate	Regional
1.2	Act as a broker to facilitate partnerships between CHPs, developers, government, and other relevant stakeholders	Partner	Local
1.3	Advocate for State and Commonwealth Government investment in the growth and supply of social and affordable housing in the Aerotropolis and around proposed new metro station precincts	Advocate	Regional
1.4	Facilitate community education and awareness of the needs for social and affordable housing	Advocate	Local

Tiers	Policy opportunities	Council's role	Responsibility
2.1	<p>Establish an affordable housing contribution rate based on the increase in land value generated by rezoning from 2021:</p> <ul style="list-style-type: none"> ▪ in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location depending on viability) and ▪ in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location). 	Regulate	Regional
2.2	Establish an affordable housing contribution based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased to 2 per cent in 2027	Regulate	Regional
2.3	Establish strategic procurement processes regionally with Community Housing Providers for management and delivery of affordable housing	Partner	Regional
2.4	Transfer ownership of affordable housing to Community Housing providers, including contribution funding for CHP affordable housing delivery	Partner	Local
3.1	Partner with CHPs, developers and/ or State Government to build demonstration projects	Partner	Local
3.2	Agreement for direct Commonwealth and State affordable housing contributions including on State-government owned lands, and where possible utilising local council property	Invest	Local
3.3	Establishing a Regional Housing Trust to own and disburse monetary affordable housing contributions on behalf of local councils	Invest	Regional

5.3 Evaluating the policy opportunities

All the policy opportunities proposed could contribute in a meaningful way to addressing affordable housing needs, and individual councils may choose the opportunities most suitable for them to implement. The opportunities vary in their impacts on affordable housing. A high impact opportunity is likely to have a large positive impact on the provision of affordable housing and housing diversity. Each of the opportunities have different 'degrees of difficulty' in terms of implementation (see Table 7).

An opportunity with a low degree of difficulty is relatively easy to carry out with minimum resources from Council. An opportunity with a high degree of difficulty may require institutional changes and be dependent on the actions of other stakeholders such as the State Government.

Levels of involvement/investment

The potential levels of engagement and investment have been set up in three tiers:

Tier 1 requires a **base level of Council engagement** and works within existing legislative frameworks. It could set the foundations for future Tier 2 and 3 actions to occur. Tier 1 focuses on regulating the private market, facilitating partnership between CHPs and developers, and advocating for more State and Federal government involvement. This approach is suitable for all council areas and has already been carried out to various extents.

Tier 2 requires **moderate Council engagement** and the implementation of a SEPP 70 scheme, with establishment of a new statutory framework. It involves delivering through affordable housing contributions (SEPP 70), advocating for base inclusionary requirements for contributions, establishing strategic procurement with CHPs to manage and administer on-site and in-kind cash contributions, and investigating opportunities to establish regional pooling of funds where some local governments have a more gradual flow of affordable housing contributions. Value sharing on the uplift in land values from rezoning would apply only to areas where rezoning or standards allow increased development while a base inclusionary affordable housing requirement could apply to all development (or all residential development) staged over time. The base inclusionary requirement will need support from the State Government as it is an evolution of the current SEPP 70 approach implied by the State Government Guideline.

Tier 3 requires a **higher level of Council engagement** and a deeper relationship with CHPs, developers, and State Government (and potentially a Regional Housing Trust) to own affordable housing dwellings, develop stronger capacity to facilitate and partner, and to set up monetary contributions for delivery by community housing providers. A Tier 3 engagement involves partnering with CHPs, other developers and the State Government to develop demonstration projects and identifying a portfolio of using government-owned lands that can be used to leverage additional affordable housing provision. This portfolio of lands for affordable housing delivery could be particularly important in the Aerotropolis and around new metro rail stations to establish affordable housing in accessible locations in the Western Parkland City.

TABLE 7: POLICY OPPORTUNITY EVALUATION

Tiers	Policy opportunities	Impact	Difficulty
1.1	Encourage private market housing diversity	Medium	Low
1.2	Act as a broker to facilitate partnerships between CHPs, developers, government, and other relevant stakeholders	High	Medium
1.3	Advocate for State and Commonwealth Government investment in the growth and supply of social and affordable housing in the Aerotropolis and around proposed new metro station precincts	Low	Medium
1.4	Facilitate community education and awareness of the needs for social and affordable housing	High	Medium

Tiers	Policy opportunities	Impact	Difficulty
2.1	<p>Establish an affordable housing contribution rate based on the increase in land value generated by rezoning from 2021:</p> <ul style="list-style-type: none"> in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location depending on viability) and in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location). 	Medium	Medium
2.2	Establish an affordable housing contribution based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased to 2 per cent in 2027	High	Medium
2.3	Establish strategic procurement processes regionally with Community Housing Providers for management and delivery of affordable housing	High	Low
2.4	Transfer ownership of affordable housing to Community Housing providers, including contribution funding for CHP affordable housing delivery	Medium	Low
3.1	Partner with CHPs, developers and/ or State Government to build demonstration projects	High	High
3.2	Agreement for direct Commonwealth and State affordable housing contributions including on State-government owned lands, and where possible utilising local council property	High	High
3.3	Establishing a Regional Housing Trust to own and disburse monetary affordable housing contributions on behalf of local councils	High	High

6. Details about the policy opportunities

This section explores the policy opportunities in more details and recommends actions to carry out the policy opportunities.

6.1 Tier 1 policy opportunities

Pillar	Regional outcome	Policy opportunities
REGULATE & PARTNER	R1 Better housing diversity that suits community needs	1.1 Encourage private market housing diversity

Recommended actions:

- 1.1.1 Work with the State Government to advocate for changes to the Affordable Rental Housing SEPP (ARHSEPP) to require all development under the Division 6A Build-to-rent housing provisions to deliver a minimum 20 per cent of affordable housing gross floor area²⁰
- 1.1.2 Review and update local government controls through LEPs and DCPs (or SEPP if required) to improve design standards for complying development, with potential for larger secondary dwellings to have more detailed design guidelines
- 1.1.3 Review and update local government controls through LEPs and DCPS to improve integration with neighbourhood, internal amenity and size, and require sustainability benefits for boarding houses and secondary dwellings
- 1.1.4 Review and update DCP controls to support opportunities for greater mix of housing size including smaller size units
- 1.1.5 Facilitate a pilot project with a CHP for affordable BTR on surplus government/ council land, i.e. Integration onto a joint use of a public car park or on land adjoining proposed Metro stations
- 1.1.6 Facilitate and participate in CHP 'open days' of existing boarding houses to improve community understanding and minimise concerns
- 1.1.7 Establish a proactive compliance program to investigate unapproved conversions to non-compliant dwellings, e.g. garages, studios, and outbuildings

²⁰ This requirement is in line with the changes that were made to the Affordable Rental Housing SEPP (ARHSEPP) for infill affordable housing provisions.

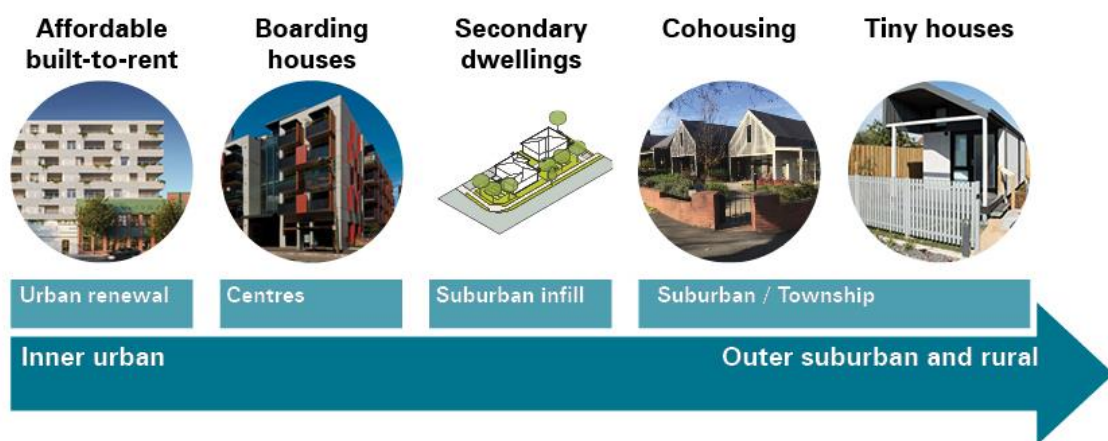
1.1.8 Investigate opportunities to support innovative models such as tiny houses and cohousing and confirm minimum requirements

Discussion

An active and diverse housing market means that some of the affordable housing needs could be met by certain housing typologies in the private market.

Five diverse housing typologies are proposed, including ‘affordable build-to-rent’, ‘boarding houses’, ‘secondary dwellings’, ‘cohousing’, and ‘tiny houses’ (see Figure 15). Each of these typologies has its own challenges and opportunities as a form of housing that could be suitable for households with moderate and, in some cases, low incomes. Some of them, such as tiny houses, may have the potential to serve as transitional housing in a more limited range of circumstances instead of wide application.

FIGURE 15: DIVERSE HOUSING TYPOLOGIES



Source: MGS Architects 2020

Affordable build-to-rent (BTR)

The definition of build-to-rent housing (BTR) in the proposed ‘Housing Diversity SEPP’ is a large-scale, purpose-built rental housing that is held in single ownership and professionally managed.²¹ While BTR in Sydney to date has been focused on high-cost inner city areas, there are opportunities for more affordable BTR housing in higher density or mixed-use City Centres such as Blacktown, Campbelltown, Liverpool, and Penrith, as well as part of the new Aerotropolis Core area.

²¹ NSW Government 2021, Build-to-rent housing amendment, see <https://www.planning.nsw.gov.au/-/media/Files/DPE/Factsheets-and-faqs/Policy-and-legislation/Housing/faqs-build-to-rent-housing-amendments-2021-02.pdf?la=en>

In February 2021, the State Environmental Planning Policy Amendment (Build-to-rent Housing) 2021 was made to introduce BTR housing into the planning system. The BTR housing provisions are under the State Environmental Planning Policy (Affordable Rental Housing) 2009, key clauses include:

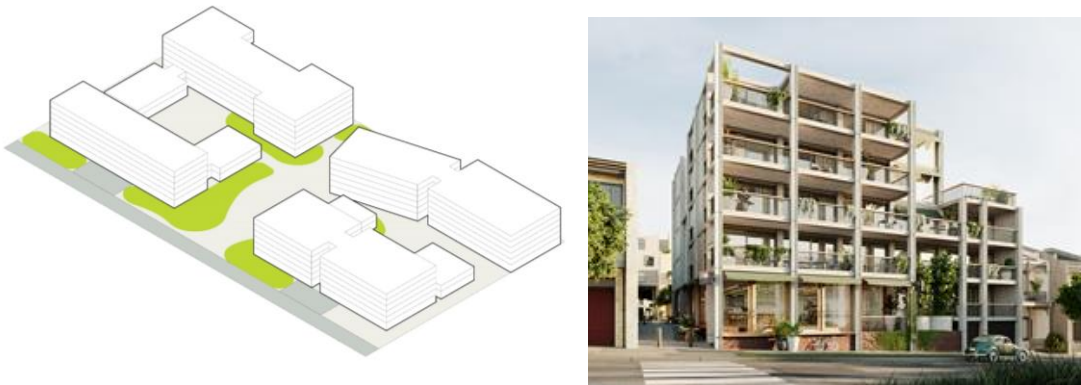
- Allow for development of BTR housing anywhere that residential flat buildings are permitted, as well as in the B3 Commercial Core, B4 Mixed Use zones and B8 Metropolitan Centre zones.
- Introduce minimum car parking rates and apply councils' maximum car parking rates where relevant.
- Apply council height and FSR standards.
- Prevent residential subdivision for 15 years in all zones, except the B3 zone where the BTR housing development cannot be subdivided into separate lots, in perpetuity.
- Require a consent authority to be satisfied that a BTR housing development in the B3 zone will be readily capable of conversion to commercial premises.
- Support the flexible application of the Apartment Design Guide, requiring consideration of the amenity provided by common spaces and shared facilities.
- Introduce a State Significant Development (SSD) pathway for BTR housing developments that have a capital investment value (CIV) of more than \$100 million for the Greater Sydney Region (except in the City of Sydney) and more than \$50 million for development on other land.

The BTR housing provisions do not override an affordable housing requirement made under section 7.32 of the EP & A Act, however it also has no specific affordability requirements. It is therefore recommended for councils to work with the State Government to introduce the same affordable housing requirement (20 per cent of gross floor area as affordable housing) as in-fill affordable housing development.

With appropriate design principles and controls in place, BTR developments could be suitable for communities in need of low-cost market housing. To achieve a design outcome that have adequate open space and suitable scale as illustrated in Figure 16, appropriate design principles and controls in DCPs could include:

- Break up large scale BTR into more of a 'village' of buildings, rather than one, where possible.
- If car parking is provided onsite, consider adaptability of this space for alternative future uses, including providing some opportunities for public access to parking.
- Provide curated, non-residential uses and bookable common spaces for residents.
- Locate within a reasonable walking distance to high-frequency public transport (e.g. within 800 metres of a train station) and in the higher accessibility areas identified in the HARTS analysis.
- Provide high quality communal open space and deep soil planting.
- Incorporate those sustainable design features essential for future affordable living costs in Western Sydney where there is significant heat, aiming to achieving a 7-star Nat HERS rating and 5 Green Star rating.
- Allocate a portion of rooftop space for community gardens.

FIGURE 16: POTENTIAL BUILD-TO-RENT BUILT FORM



Source: MGS Architects 2020 and The Third Way Sydney MGS Architects

Boarding houses

The current definition of boarding house means a building that is wholly or partly let in lodgings and provides lodgers with a principal place of residence for 3 months or more, may have shared facilities, and has rooms, some or all of which may have private kitchen and bathroom facilities. There are 38 Registered boarding houses in Western Sydney (in 2020) providing transitory accommodation options for people with low incomes and limited other choices.

Western Sydney councils and their communities have raised concerns regarding the development of boarding houses under the current Affordable Rental Housing SEPP. These concerns relate to location, design, impact on amenity, as well as whether they have been effective in providing affordable housing.

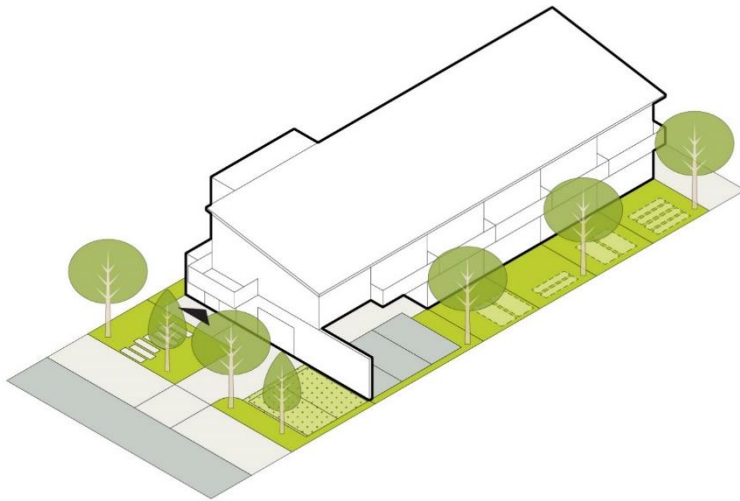
The proposed Housing Diversity SEPP would require boarding house rooms to be provided at affordable rates and be managed by a community housing provider. If this change occurs, boarding houses could better contribute to the supply of affordable rental housing in Western Sydney, particularly in accessible locations across the region.

With appropriate design principles and controls in place, boarding house developments could be suitable for communities in need of low-cost market housing. To achieve a design outcome that has good amenities as illustrated in Figure 17, appropriate design principles and controls in DCPs could include:

- Allow one car park on permeable paving in front setback, and screening from the street on-grade parking behind a garage door.
- Provide secure undercover bicycle parking and ensure clear pedestrian entry path.
- Provide suitable areas for communal open space (for example 25 per cent of site), deep soil zones (for example 7 per cent of site), and landscaping.
- Use planting and good landscaping design to soften interfaces.

- Building massing and façade should take cues from the neighbourhood character (rhythm, setbacks, and materials) – however, consideration should also be given to the functional requirements of boarding houses, such as shared facilities and room sizes.

FIGURE 17: POTENTIAL BOARDING HOUSE BUILT FORM



Source: MGS Architects 2020

Secondary dwellings

A secondary dwelling is a self-contained dwelling that is established in conjunction with, and on the same lot as, the principal dwelling. Secondary dwellings are currently administered by the Affordable Rental Housing SEPP 2009 and will in the future be part of the Housing Diversity SEPP. There is currently no regulatory obligation for secondary dwellings to be provided at affordable rates and local governments have raised concerns about the lack of regulatory control over the quality, internal layout, and internal amenity of secondary dwellings. There is a need for greater control over the occupation and built form of secondary dwellings for them to be an effective affordable housing form.

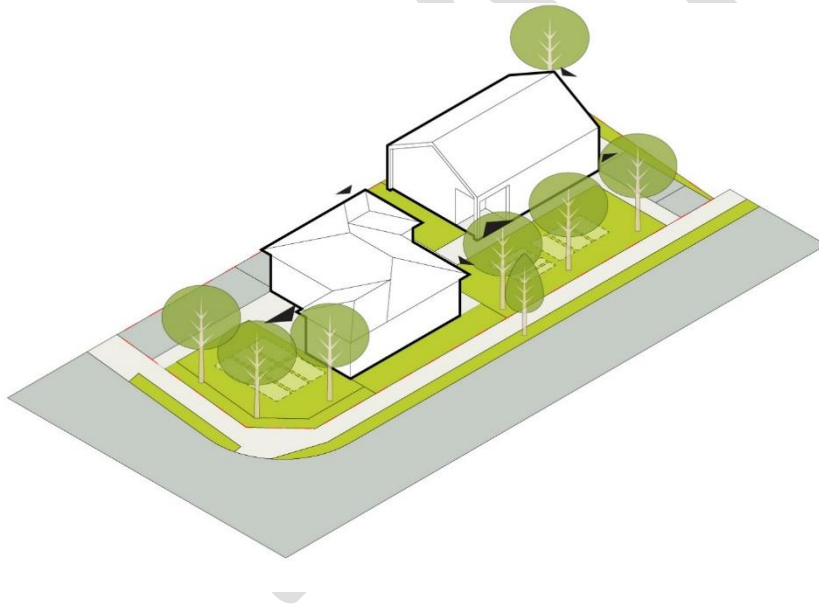
For the development of secondary dwellings as a more effective form of affordable dwellings, the Housing Diversity SEPP should include improved design standards for complying development, with potential for larger secondary dwellings to have more detailed design guidelines that may need to be considered through a development application process. Furthermore, councils could establish a compliance program to investigate unapproved conversions to non-compliant secondary dwellings, e.g. garages, studios, and outbuildings.

In areas with tourist and visitor economies (such as the Greater Blue Mountains) use of secondary dwellings as temporary holiday rentals may compete with the supply of affordable rental accommodation. There should be clarity in the Housing Diversity SEPP on the need for secondary dwellings to be for long-term rental accommodation to be set at affordable rates for low-and-moderate income households, and that short-term holiday accommodation is a separate use.

With appropriate design principles and controls in place, secondary dwelling developments could be suitable for communities in need of low-cost market housing. To achieve a design outcome that has good amenities as illustrated in Figure 18, appropriate design principles and controls in DCPs could include:

- Limit additional crossovers to the road and consolidate carparking.
- Ensure each dwelling has its own direct pedestrian access and address, whether from a side lane or directly from the street.
- Provide a minimum open space that may be shared by the two dwellings (for example, 25 per cent of lot or 8 sqm per dwelling).
- Ensure each dwelling has two entry/exit points so residents can come and go without having to move through shared open space.
- Consider introducing minimum dwelling size (of e.g. 50 sqm) and increasing maximum size to 70 sqm, to enable a usable 2-bedroom secondary dwelling, potentially subject to a maximum site coverage requirement.
- Consider minimum room dimensions (main bedroom minimum 3m x 3.4m, all other bedrooms 3m x 3m, living area and studios of a minimum 10 sqm).

FIGURE 18: POTENTIAL SECONDARY DWELLING BUILT FORM



Source: MGS Architects 2020

Cohousing

Another model of affordable housing – ‘cohousing’²² or collaborative forms of housing – are an opportunity to create more sustainable ways of living, a sense of community, and (in some cases) to deliver housing affordability. The model from Denmark combines different architectural solutions and built forms (which may be defined separately in land use planning) with the principles of community living, cooperation, and shared ownership.²³ In a cohousing project, a group of individuals come together to live in a community with shared facilities – such as a dining room, kitchen, and green areas. In some cases, they also share essential services, such as cleaning, gardening, and childcare.

Three models of cohousing

Small-scale cohousing – Utilising large lots to accommodate additional households. This may involve one household renting from the other or a shared ownership model.

Cooperative rental cohousing – Providing opportunity for affordable rental housing. The housing cooperative or a community housing provider owns or leases properties to tenants. Rent is set at an affordable rate for tenants that are eligible for social housing. In Western Sydney, there are specialised cohousing for different migrant groups where cooperative members organise and participate in a range of cultural and community activities, as well as meeting formally as a committee to collectively manage their properties.

Deliberative development – Like-minded households come together with an architect to design and pay for properties that are affordable and suit the needs of the participating households. Once built, this development functions similarly to a regular stratum building with a body corporate of owners that make decisions about the property.

Source: UTS: ISF, Cohousing models

Cohousing is a housing model and can take a number of built forms. It also could provide a pathway for home ownership as well as a model to provide affordable rental housing.

There is the potential for local governments to partner with the community housing and not-for-profit sectors to facilitate cohousing models and consider potential incentives in achievable density of development where cooperative housing models are used. This flexibility may need to be included in the Housing Diversity SEPP to allow this incentive to be applied.

With appropriate design principles and controls in place, cohousing developments could be suitable for communities in need of low-cost market housing. To achieve a design outcome that has small units with shared open space and permeable area as illustrated in Figure 19 **Error! Reference source not found.**, appropriate design principles and controls in DCPs could include:

²² Cohousing is loosely defined as a horizontal property management model where people live in a community and share common facilities and basic services.

²³ IBERDROLA, ‘Cohousing, the sustainable model for collaborative housing’, in *Collaborative housing (cohousing)*, viewed on 01 December 2020, <https://www.iberdrola.com/social-commitment/cohousing>

- Locate small scale cohousing sites in and around townships and villages, preferably within walking distance to local services and retail.
- Cluster parking to minimise roads or driveways.
- Consider alternative road surfaces to increase site permeability and regulate stormwater runoff.
- Ground-bound dwelling to support a diverse mix of residents, including those with a disability and those wishing to age in place.
- Include a shared common house or shared spaces on the site.
- Compact house form with more green open space provided so as to balance the size of unit footprint with affordability (i.e., 70 sqm in size).
- Provide a high-amenity area of secure private open space for each dwelling.

FIGURE 19: POTENTIAL COHOUSING BUILT FORM



Source: MGS Architects 2020; Wintringham Housing Alexander Miller Homes Castlemaine, Victoria

Tiny houses

Tiny houses are considered dwellings that are 37 sqm or less in floor area, excluding lofts as defined by the 2018 International Residential Code. Many tiny houses are built on trailers and are not seen as a permanent form of housing, see Figure 20 for a tiny house example. There is no strict definition for a tiny house, and it could also mean smaller dwelling types such as secondary dwellings. This type of housing could be used for affordable rental housing or transitional housing with the right model – although this would need to be carefully considered and may be best to be undertaken by a specialist community housing provider or as a demonstration project.

FIGURE 20: EXAMPLE AT GOSFORD OF A TINY HOUSE



Source: MGS Architects 2020

Recommended design principles would differ from LGA to LGA, and each local government would need to develop their own design and location principles. The focus for tiny homes should be on temporary and transitional housing, for example the garden flat, as opposed to wide application as secondary dwellings (which are more permanent forms of rental accommodation – see previous discussion).

The Garden Flat example of temporary housing

The Garden Flat product by a CHP has been developed specifically to target the lack of affordable rental housing for single people on Jobseeker.

At around 20-35 sqm, Garden Flats are small secondary dwellings designed to be built at low cost in backyards. They can cost as little as \$45,000-\$50,000 (plus site and approval costs) and be built in NSW under the Affordable Rental Housing SEPP. One provider, Wentworth Housing, offers a limited number of incentive packages for homeowners who want to offer their garden flat to someone facing homelessness. The investor is guaranteed a \$150 per week – a \$7,800 annual rental return. Under this model, the CHP finances and builds the Garden Flat and manages the tenancy until the cost of the build is paid off. This model has been piloted in Penrith and a Garden Flat Expo was held in the Blue Mountains that received positive feedback.

Source: Wentworth Community Housing 2020

Pillar	Regional outcome	Policy opportunities
PARTNER	R4 More effective partnership arrangement with community housing providers	1.2 Act as a broker to facilitate partnerships between CHPs, developers, government, and other relevant stakeholders

Recommended actions:

- 1.3.1 Continue to engage with CHPs to understand their existing stakeholder relationships and needs.

Discussion

A partnership brokering is the process of supporting and strengthening partnerships between different parties through networking events, collaborative platforms, and skilled management and development of collaborative processes and projects.

CHPs have identified that land cost is the most significant barrier to the delivery of affordable housing in Western Sydney, as is the contributions necessary to allow their financing model to work with the Federal Government low-cost loans. The ongoing and in some cases increasing maintenance costs also impact on long-term financial liability for the sector. There are opportunities for Councils to act as the bridge between CHPs, developers, landowners, and other relevant stakeholders, so the affordable housing gap could be addressed holistically and collaboratively.

Pillar	Regional outcome	Policy opportunities
ADVOCATE	R3 Greater government investment and leadership	1.3 Advocate for State and Commonwealth Government investment in the growth and supply of social and affordable housing in the Aerotropolis and around proposed new metro stations.

Recommended actions:

- 1.4.1 Continue to engage with State and Federal Government on the issue of affordable housing, advocating for the affordable housing target of 10 per cent of new residential floor space in Western Sydney to be a priority for all levels of government.
- 1.4.2 Seek commitment for State and Federal Government to develop an investment program as part of the City Deal to increase the provision of social and affordable housing, including identification of land assets in accessible location in the Aerotropolis and in Sydney Metro station precincts.

- 1.4.3 Under the City Deal develop an affordable housing delivery group, that at a high level across all levels of government could facilitate bringing together and progressing partnerships and projects for affordable housing between different tiers of government.

Discussion

Councils have an important role in the provision of affordable rental housing; however, the affordable housing gap is too large for councils to meet by themselves, see Section 2.4. Under SEPP 70, councils have the legislative power to collect contributions for the provision of affordable housing, however contributions collected using this mechanism will fall well short of meeting demand. The State and Federal Government need to lead investment in social and affordable housing and the City Deal represents one platform for a major new commitment.

Pillar	Regional outcome	Policy opportunities
ADVOCATE	R3 Greater government investment and leadership	1.4 Facilitate community education and awareness of the needs for social and affordable housing

Recommended actions:

- 1.5.1 Engage with the Western Sydney community by conducting a regional survey to understand community sentiments about affordable housing and needs
- 1.5.2 Engage with the Western Sydney community by conducting a public education campaign on the importance of affordable housing opportunities and a regional survey to provide feedback.

Discussion

At a local government level, the affordable housing gap and the benefits of providing social and affordable housing are not well understood in the community. There is a need for a public education campaign to promote the social and economic benefits of providing social and affordable housing and the real impacts that a lack of such housing could have on a community.

6.2 Tier 2 policy opportunities

Pillar	Regional outcome	Policy opportunities
REGULATE	R2 Increased affordable housing supply	<p>2.1 Establish an affordable housing contribution rate where there is an increase in land value generated by rezoning from 2021:</p> <ul style="list-style-type: none"> in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location depending on viability) and in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location).

Recommended actions:

- 2.1.1 Continue to identify opportunities for affordable housing contributions through Voluntary Planning Agreements in suitable locations, or until a SEPP 70 scheme(s) is gazetted for specified areas.
- 2.1.2 Apply SEPP 70 scheme where there is an increase in land value generated by rezoning from 2021 in nominated centres when sites or precincts are upzoned for more intense residential development (i.e. from lower to higher density residential uses and from industrial to residential) at rates between 0% and 3.64% of total gross floor space (which vary by location depending on viability) and in 'greenfield' areas to be rezoned for residential development at rates between \$0 and \$233,528 per hectare of net developable area (which vary by location).
- 2.1.3 Undertake regular updates and review of the affordable housing contribution rates, particularly when there are wider changes to local and state infrastructure contributions level and to test changes in market conditions affecting feasibility.

Pillar	Regional outcome	Policy opportunities
REGULATE/ ADVOCATE	R2 Increased affordable housing supply	2.2 Establish an affordable housing contribution based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased to 2% in 2027

Recommended actions:

- 2.2.1 Apply SEPP 70 scheme based on an inclusionary or broad-based approach, applied at a modest percentage rate for all residential development (except where an exemption applies), introduced in 2024 at 1% and increased to 2% in 2027. Exemptions for the scheme include developments which do not result in at least one additional dwelling being created, exempt development (as per the standard template LEP), secondary dwellings, development solely for the purpose of social and/or affordable housing, build-to-rent projects and boarding houses.

Discussion

This inclusionary approach would be a departure from the value sharing only mechanism suggested in the Guideline for Developing an Affordable Housing Contribution Scheme but is consistent with Section 7.32 of the EP & A Act 1979 which enables Councils to seek contributions for affordable housing.

As of February 2019, all NSW councils where the requirements of section 7.32 have been met are authorised to enact these contributions as a condition in their local environmental plan (LEP). 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 occurs across the Western City District, 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 District.

This Strategy (and the accompanying Western Sydney Affordable Housing Contributions Scheme - separately provided) proposes both value sharing and this alternative inclusionary approach to affordable housing contributions.

As Sydney's land values increase over time, it is expected that the impact of applying the inclusionary contribution to all new residential developments instead of just to developments with an uplift could be absorbed. For simplicity the Contributions Scheme integrates the value sharing and inclusionary

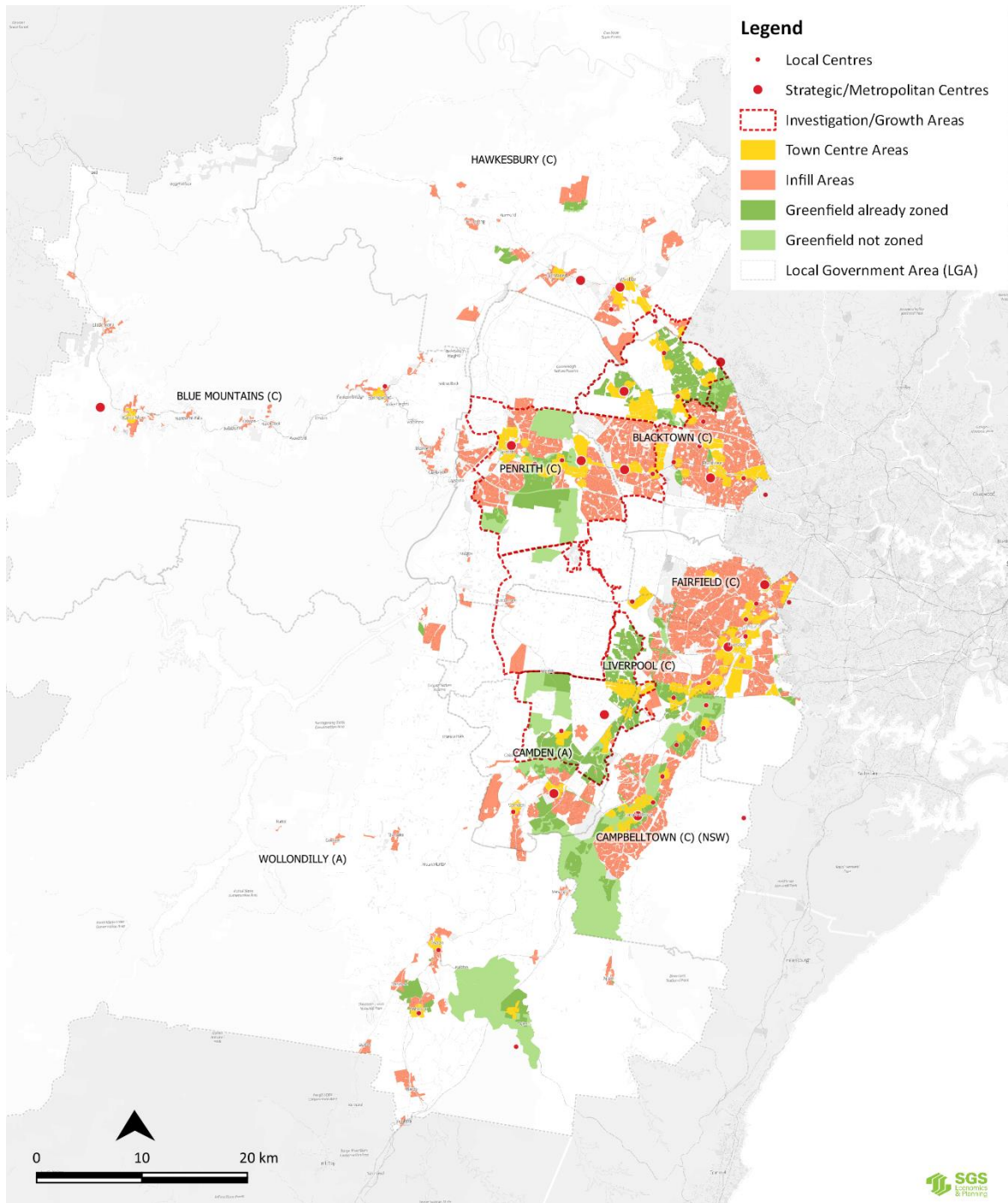
approaches such that the contribution collection process is staged to three-time phases, 2021, 2024 and 2027.

The continued use of Voluntary Planning Agreements to negotiate contributions as part of rezoning of sites and precincts is proposed in the short term until a SEPP 70 scheme(s) can be created, used in a manner consistent with this strategy and with viable rates identified. In the longer term VPAs can be used on a site-specific basis where increased flexibility is required to negotiate a targeted outcome, to complement the contributions under a SEPP 70 value sharing contribution rate.

The areas to which the different contribution rates would apply are shown in Figure 21.

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FIGURE 21: WESTERN SYDNEY CONTRIBUTION AREAS



Pillar	Regional outcome	Policy opportunities
PARTNER	R4 More effective partnership arrangement with community housing providers	2.3 Establish strategic procurement processes regionally with Community Housing Providers for management and delivery of affordable housing

Recommended actions:

- 2.3.1 Establish ongoing conversations with CHPs to understand their financial models and needs.
- 2.3.2 Review Councils' procurement process and provide a fast-track pathway for CHPs listed on the prequalification scheme.
- 2.3.3 Advertise Expression of Interest for the development and management of affordable rental housing to the public.
- 2.3.4 Appoint Tier 2 community housing providers to manage affordable housing stock and Tier 1 community housing providers to develop affordable housing stock and manage large development.

Pillar	Regional outcome	Policy opportunities
PARTNER	R4 More effective partnership arrangement with community housing providers	2.4 Transfer ownership of affordable housing to Community Housing providers, including contribution funding for CHP affordable housing delivery

Recommended actions:

- 2.4.1 Establish a framework for the transfer of dedicated dwellings and lands to community housing providers.

Discussion

To reiterate, Community Housing Providers (CHPs) are not-for-profit organisations that develop or manage affordable rental housing. The community housing sector in NSW is regulated by the Registrar of Community Housing. Once the affordable housing contributions are transferred to the CHPs, they may build affordable rental housing, manage eligibility and waiting lists, tenant services and property maintenance. Landcom and the Department have created a Community Housing Provider prequalification scheme. The scheme is an online database that offers a pool of nationally registered Community Housing Providers that can develop or manage affordable housing in NSW. Local government and developers could use the tool to find a list of suitable affordable housing providers for the scale, type and location of development.

Derby Street, Penrith developed and managed by Community Housing Provider



Source: Wentworth Community Housing 2020

The 61-apartment building was this CHPs first internally managed property development. A range of sustainable energy and environmentally friendly features were included throughout the apartments and surrounding gardens.

Using this online tool, 18 CHPs have been identified that are currently operating in Western Sydney (see Appendix B). There are ten Tier 1 providers that develop and manage affordable housing at scale. There are four Tier 2 providers that develop small scale affordable housing and manage at moderate scale. There are four Tier 3 providers that manage at smaller scale and have one-off or no development activities. It is recommended that Councils implement a competitive process for the procurement of CHPs that includes an Expression of Interest (Eoi) for selecting a short list and then a competitive tender for selection of suitable CHPs for a 5-year contract (see Table 8 for the proposed selection criteria).

TABLE 8: PROPOSED SELECTION CRITERIA

Criteria	High	Moderate	Low
Services offered (tenant satisfaction, range of services offered)	High tenant satisfaction and range of services	Moderate tenant satisfaction and range of services	Low tenant satisfaction and range of services

Criteria	High	Moderate	Low
Capacity to undertake service (including financial capacity, and types of services offered – management/development)	Tier 1 registration	Tier 2 registration	Tier 3 registration
Value for money (including leveraging external funding)	<ul style="list-style-type: none"> – Has ongoing external funding and partnership arrangement with internal/external developers – Has capacity and scale to finance affordable housing delivery 	No external funding, but has partnership arrangement with developers	No external funding stream
Experience	<ul style="list-style-type: none"> – Demonstrated experience in developing and management of affordable housing – Demonstrated experience in working with Council and in asset and tenant management 	<ul style="list-style-type: none"> – Demonstrated experience in developing and management of affordable housing – Minimum involvement with Council and in asset and tenant management 	Limited experience and no experience in working with Council
Social and environmental outcomes (sustainable design and design excellence)	<ul style="list-style-type: none"> – Demonstrated experience in development with energy efficiency and accessible design – Willingness to include energy efficiency and accessible design features 	<ul style="list-style-type: none"> – Limited experience in energy efficiency and accessible design – Potential to include energy efficiency and accessible design features 	Limited experience and financially unviable to provide accessible design and energy efficiency features

Opportunities to partner with the Community Housing Sector

The SEPP 70 scheme requires councils to identify how delivery of affordable housing will occur, whether it will be owned by council or transferred to another body, and the ongoing tenant management arrangements. There is an opportunity for councils to partner with Registered Community Housing Providers, who have considerable experience and capabilities in delivering and managing affordable housing as well in many cases scale in their portfolios.

This expert assistance will be particularly important to make best use of affordable housing contributions, as the delivery can benefit from leveraging the financing model of the community housing sector to provide additional dwellings. It will also be important for councils to access expert skills related to tenant management, maintenance, and asset renewal necessary across the lifecycle of the dwellings. Future asset renewal of affordable housing would also require local councils to fund what is significant additional costs and there are opportunities to consider transfer asset ownership to the Community Housing sector.

The community housing sector has been set up to undertake this task, and is regulated in NSW by the Registrar of Community Housing, with a rigorous registration, monitoring and regulating framework - the National Regulatory System for Community Housing (NRSCH) and the New South Wales Local Scheme. The opportunity to partner with Community Housing Providers will be important to get best value for the community in the provision of affordable housing.

6.3 Tier 3 policy opportunities

Pillar	Regional outcome	Policy opportunities
PARTNER	R4 More effective partnership arrangement with community housing providers	3.1 Partner with CHPs, developers or State Government to build demonstration projects

Recommended actions:

- 3.1.1 Investigate opportunities to build demonstration projects to test the effectiveness of different affordable housing typologies, with stakeholders such as Landcom and CHPs.
- 3.1.2 Collaborate with CHPs to investigate opportunities to build affordable rental housing that is well designed, accessible, and environmentally friendly.
- 3.1.3 Work with CHPs to organise affordable housing open days for different types of housing, as part of the community education campaign to get more awareness of the needs and value of affordable housing.

Discussion

Demonstration projects are important to showcase and test different housing typologies for affordable housing. They could also contribute to the community education campaign. There is an opportunity for

Councils to identify suitable council-owned sites and partner with CHPs or developers (or both) to build demonstration projects showcasing design excellence and innovative thinking.

Engagement with community service providers showed that there were misperceptions about affordable housing in the wider community. In some areas, residents were concerned about who the tenants of affordable housing are. There is a need for Council to lead the conversation in understanding the need for affordable housing and to demonstrate to the wider community about the values of affordable housing.

Pillar	Regional outcome	Policy opportunities
INVEST	R3 Greater government investment and leadership	3.2 Agreement for direct Commonwealth and State affordable housing contributions including on State-government owned lands, and where possible utilising local council property

Recommended actions:

- 3.2.1 Seek the establishment of Commonwealth and State Government programs for direct investment. This should include setting aside public lands in the Aerotropolis, and within the new Metro station precincts, for future partnerships with CHPs and private sector for delivery of affordable housing development.
- 3.2.2 Work with Councils’ property teams to investigate opportunities, and develop a model, for utilising Council owned assets to support the provision of affordable housing, particularly relating to where this will maintain the public use of the site (i.e. at grade carparks with retention of parking role in a mixed development with affordable housing).
- 3.2.3 Support the incorporation of affordable housing as a percentage of redevelopment of any current State Government social housing assets as well Landcom setting aside 10 per cent (current policy position) of their new development being for affordable rental housing across Western Sydney.

Discussion

The Western Sydney Aerotropolis is set to become Australia’s next global gateway. It will have a range of uses including employment, residential, and agribusiness uses. The Aerotropolis has the opportunity to deliver affordable rental housing as part of its planning process. One of Aerotropolis’ objectives as outlined in the Draft Western Sydney Aerotropolis Precinct Plan is: *Diverse, affordable, healthy, resilient and well-located housing*. The Plan also outlined the requirements for all precincts including ‘provide a minimum of 5 per cent affordable housing in any mixed-use development’.²⁴

²⁴ NSW Government 2020, Draft Aerotropolis Precinct Plan, NSW State Government.

To lead the provision of affordable housing in the Aerotropolis, State Government could consider the use of public lands for affordable rental housing. Landcom for example is committed to a target of 5-10 per cent affordable housing for rent as a proportion of all new housing provided.

Pillar	Regional outcome	Policy opportunities
INVEST	R3 Greater government investment and leadership	3.3 Establishing a Regional Housing Trust to own and disburse monetary affordable housing contributions on behalf of local councils

Recommended actions:

- 3.3.1 Continue to work collaboratively as the Western Sydney Planning Partnership to identify needs for a regional Housing Trust.
- 3.3.2 Commission a cost-benefit analysis of the establishment of a regional Housing Trust.

Discussion

A regional Housing Trust could pool monetary contributions collected from all nine Western Sydney local governments and disburse these contributions to local government areas according to needs. For this to work, the Western Sydney region needs to be seen and governed (in terms of affordable housing) as a whole. An example of a Housing Trust established by local government is the Port Phillip Housing Trust. In 2005, Port Phillip Council established the Port Phillip Housing Trust and appointed the Port Phillip Housing Association as Trustee. The City of Port Phillip transferred 12 council-owned properties worth \$49.3 million and provided a \$4 million cash contribution to establish the trust. Subsequently, Council ceased its role as a direct developer of community housing and passed this role to the Association.

Why is a Regional Housing Trust a good idea?

A Western Sydney Housing Trust could be established by the local councils of Western Sydney to facilitate collaboration to manage affordable housing. A Trust could be established with a Board representative from each council, as well as expertise in affordable housing delivery, finance, and management. The local councils could then set up their local schemes so that they collect affordable housing contributions and transfer these to the Western Sydney Housing Trust. The WSHT could then own these assets and be responsible for establishing appropriate delivery partnerships, management and asset renewal arrangements, instead of each council undertaking this task.

The WSHT would be able to establish longer term contracts to be competitively offered for the delivery of affordable housing, seeking best value from the community housing sector or the private development industry, as well as achieve the scale necessary to negotiate management and asset renewal contracts with expert providers. This would potentially be more efficient than individual councils trying to replicate these tasks, allows for expert and experienced

management for affordable housing, and provide the scale to seek competition and potential added value for affordable housing in Western Sydney.

The development of a specialist Western Sydney Affordable Housing Trust would allow local councils maintain ownership of this valuable asset in local government control and seek ways in the long term to make best use of the value of the portfolio to address affordable

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7. Implementation and roadmap

The implementation of the strategy will be based on agreement to the common principles and approaches across Western Sydney and Blacktown LGA, in addressing the need for affordable housing. Within this regional framework that includes a vision, regional priorities and an affordable housing contribution framework, each local government will consider their local plans for affordable housing using the toolkit of initiatives that can be applied. The adoption of an affordable housing contribution scheme is proposed as a common approach for all local governments.

7.1 Focus of the implementation

The implementation will focus on setting up the governance, preferred staging, administration arrangements, and the ongoing monitoring for the creation of an affordable housing contribution (through local schemes) for the region. In addition, it will develop a set of monitoring and reporting performance indicators that should be considered and reviewed over time to review the performance of the regional strategy. A broader roadmap for implementation of some of the key priorities of the wider affordable housing strategy has also been provided.

7.2 Legislative framework

The governance framework for implementation of the affordable housing contribution scheme will relate to the requirements of the following legislation and guidance:

- **Introduction of an affordable housing contribution scheme and the levying of affordable housing contributions on development** through State Environmental Planning Policy 70 (Affordable housing – revised schemes) under the Environmental Planning & Assessment Act and relevant guidelines. The guidelines focus on a locally applicable scheme, and where a regional pooling or approach to the scheme would add value for local governments. This has been identified for further discussion with the NSW DPIE.
- **Management of the affordable housing assets, and inclusion in strategic asset management and resourcing plans, under the Local Government Act.** While the scheme will set out the affordable housing contribution rates and approach, the delivery of affordable housing such as through procurement or partnership, the ownership of the housing asset, the ongoing management and the asset renewal and lifecycle costs for the housing asset will also be important to consider, at least in broad terms. The integration of asset management and delivery of an affordable housing service within local governments (where ownership is maintained by local government) should become part of decision making and planning cycles for the Integrated planning and reporting Framework under the Local Government Act. However, as this would be an additional function for local governments, it is proposed that where possible regional approaches are used, as well as

investigating the partnership with the community housing sector for delivery, management and potentially, ownership of any affordable housing dwellings.

- **Regulation of the CHP sector is also important and is under the Community Housing Providers (adoption of national law) Act, and intergovernmental agreements for the National Regulating System for Community Housing and Charter.** This is a heavily regulated sector (with different tiers of registered providers), providing many advantages as a partner for local government for affordable housing delivery, management and potentially ownership of assets.

7.3 Governance for an affordable housing contribution scheme

Many elements for the implementation of the proposed (SEPP 70) affordable housing contributions scheme are as per the SEPP 70 Scheme Template for Western Sydney (separately provided).

Key approaches proposed for the governance of an affordable housing contribution scheme are:

- **A common regional approach** – A common approach to assist each local council consider, development and adopt a SEPP 70 affordable housing contribution scheme have been set out in this strategy and also in a ‘regional’ standard scheme template. Opportunities for regional pooling and delivery of contributions is also proposed to ensure the schemes can deliver at an appropriate scale as well as minimise resourcing implications for each local government.
- **Flexibility for local council adoption and collection** – Adoption of a scheme should be considered by each local council for their local government area, which will establish each council collecting contributions or in-kind contributions (dwellings or land). However, if there is the opportunity for the establishment of a regional scheme this would be beneficial and would continue the collaborative approach undertaken by local councils in the development of the regional affordable housing strategy and standard approach to the schemes. This should be further discussed with DPIE (as currently SEPP 70 requires local schemes) with the potential for a variation to the guidelines to allow a regional scheme that local councils could consider involvement in instead of many local schemes. This has the advantage of achieving administrative efficiencies in the adoption of the schemes, but also opportunities to consider management and delivery at a regional level which may assist providing a scale necessary for funding partnership projects with the CHP sector. If not, then it is proposed the councils implement through their LEP individual schemes, and then establish a regional fund for pooling contributions, and procuring regionally a delivery and management partner for affordable housing. This regional fund could be established with one local council holding the funding, with an agreement under the Local Government Act with other councils on governance of the fund.
- **Form of contributions** – The scheme proposes that contributions will be received in a number of forms, including in-kind dwellings, in-kind land that is suitable for affordable housing development, or monetary contributions.
- **Partnering with the community housing sector for delivery** – The delivery of affordable housing will seek, where there is an opportunity, to use the affordable housing contribution to leverage the capacity of CHPs to finance affordable housing projects. It is generally proposed that a CHP retains ownership of the affordable housing asset from this partnership, and ongoing management as part of their larger portfolio. This assists in the financing of a project. It is proposed that the partnership

be established through a competitive tender process, where the affordable housing contribution is identified, and the successful CHP will be based on evaluation including the value they add to the delivery of affordable housing (including the leveraging of additional finance and increased numbers of AH dwellings). Generally, the affordable housing contribution would form part of the financing arrangements. Where an arrangement has been established with a CHP, there is the opportunity for developers to liaise directly with CHP where appropriately to reduce administrative burden on councils. Transfer would be conditional with Council setting up legal arrangements to deal with situations like CHP financial difficulties.

- **Partnering with the community housing sector for ongoing management** – To reduce the ongoing management and service costs for the affordable housing that is delivered, it is proposed that ownership of affordable housing be transferred to a CHP (as a guideline would need to be developed outlining how this could occur) in the case of in-kind dwellings being provided to council, or as part of partnership agreements for delivery using cash contributions or land. This will use the expertise and scale of the CHPs to manage and renew over the long term a stock of affordable housing. Whilst there should be requirements for the number of affordable housing dwellings transferred to CHPs to be maintained, there should be flexibility when transferring ownership to best manage the housing, reflecting changing needs and also for the renewal and potential redevelopment in the long term to maintain affordable housing in perpetuity. It is proposed that a system of 5-year renewable contracts be established, based on a competitive tendering process, for management and transfer of ownership for the affordable housing in that period. This could be done in conjunction with a delivery partnership across this 5-year period, or potentially separately. This may also be considered as regional projects if regional pooling was to be implemented. Where required ministerial approval will be sought.

Regional pooling of funds for delivery

While not specifically envisaged in the SEPP 70 guidelines for schemes, there would be advantages for regional pooling of funds. This would particularly be the case where one LGA has low growth and therefore the affordable housing contributions to allow for delivery may be weak. In this case regional pooling, and seeking support for this between multiple local councils, is proposed as an important element in achieving affordable housing delivery. It also allows for better scale to be achieved for projects (with the potential for projects of in the order of 20-30 affordable housing units) to be undertaken. The effort to reward ratio for very small affordable housing projects may discourage CHPs from participation, if some scale is not achieved. A long-term program should be established that ensures that over this time the relative contribution of affordable housing contributions by each LGA has led to a commensurate amount of affordable housing in that LGA being provided.

Regional affordable housing Trust

An alternative option for councils to consider is whether local government retains greater involvement in the ownership of the affordable housing asset in the long term. This could be achieved through the transfer of affordable housing ownership, and the affordable housing contributions in-kind or in direct payments to a Regional Affordable Housing Trust. This Trust could have councils as Trustees on the Board and allow the Trust to commission delivery and management. This would be best pursued if the development of this regional institution is supported by most or all the local councils. In the governance

framework there are several options that can be considered (similar to the tiers approach to council role), these options can be taken up over time, see table below:

7.4 Roadmap for the implementation of the wider strategy

The roadmap for implementation of the strategy is proposed to be seen in three broad stages, with key priorities grouped in these stages. This will need to be flexible, as the short-term priorities will be focused on recovery from COVID-19, setting up a suitable affordable housing framework and seeking NSW Government approval for this approach. See Table 9 for the roadmap. Council would also need to consider their own local-specific actions from the toolkit, which would be additional.

TABLE 9: ROADMAP TABLE

No.	Stage 1 – Endorsement of Strategy and developing capabilities (0-2 years)
1.1	Seek endorsement or refine the regional strategy to get local council consensus
1.2	Negotiate the approach for affordable housing contributions with NSW Government
1.3	Establish an internal affordable housing working group including councils, DPIE and relevant housing stakeholders.
1.4	Local councils to consider their positions on affordable housing, and identify which policy initiatives from the toolkit they will pursue – local affordable housing plans
1.5	Local councils to foreshadow the date for introduction of requirement for affordable housing contribution, and establish an agreed regional timing from when this would allow this to be introduced
1.6	Establish the use VPAs for affordable housing contributions on site specific rezoning based on a policy document – in the transitional period before SEPP 70 schemes are adopted – but based on same logic included in the strategy.
1.7	Develop business case for regional approach (including pooling and Trust) to delivery and management (and ownership) of affordable housing which considers local or regional options and development of projections for affordable housing contributions.
Stage 2 – Operating the contribution scheme (2-5 years)	
2.1	Local councils to prepare local/regional affordable housing contributions schemes based on the regional template for common approach – this will establish a contribution in the planning system for affordable housing.
2.2	Establish regional 5-year contracts through competitive procurement approaches (including development of specifications etc...) for delivery partnerships with CHPs that include ownership/transfer of affordable housing asset and conditional agreements for future use.

2.3	Develop a second 5-year approach for partnership with CHPs following consideration of whether a regional housing trust will be established
2.4	Establish regional affordable housing Trust, subject to agreement from local councils, and the outcomes of the earlier business case analysis.
Stage 3 – Monitor and review 5+	
3.1	Monitoring of the performance at 5 and 10 years
3.2	Refinement of the affordable housing strategy in response to the monitoring of performance

7.5 Monitoring and evaluation

The Western Sydney Affordable Housing Strategy is supported by a monitoring and review framework. The indicators (see Table 10) provide accountability, and transparency to support decision-making and implementation. Annual reporting will provide a strong connection between decision making, resource allocation, actions, and outcomes in line with the Strategy.

TABLE 10: MONITORING AND EVALUATION FRAMEWORK

Regional outcomes	Targets	Indicators	Timeframe
R1 Better housing diversity that suits community needs	Increase in private market housing diversity	<ul style="list-style-type: none"> – Number of approvals of different housing typologies – affordable build-to-rent, cohousing, better designed secondary dwellings, affordable boarding houses – Construction of different housing typologies Tenancy satisfaction (survey) with secondary dwellings and boarding houses	Annual

Regional outcomes	Targets	Indicators	Timeframe
R2 Increased affordable housing supply	Adoption of affordable housing strategies	<p>Number of Councils adopting mechanisms for the provision of affordable housing</p> <p>Number of SEPP 70 and similar schemes and their application across the region</p> <p>Number of initiatives from the Strategy endorsed and progressed by NSW Government</p>	Annual
	Increase in the supply of affordable housing enabled by planning schemes	<ul style="list-style-type: none"> - CHP affordable housing supply - Additional affordable housing from VPA contributions and affordable housing contributions (from the planning system) - The amount of affordable housing contribution collected 	Annual
R3 Greater government investment and leadership	Decrease in the level of housing stress	<ul style="list-style-type: none"> - Number of rental households with very low-, low- and moderate income - Number of rental households in severe housing stress - The number of Councils that adopted energy efficiency, accessible and adaptable provisions in their planning and design controls 	Every five years

Regional outcomes	Targets	Indicators	Timeframe
	Increase in direct investment of social and affordable housing from State and Local Government	<ul style="list-style-type: none"> - The LAHC supply of social and affordable housing - Level of City Deal investment in Social and Affordable Housing - Amount of Government and Council land made available to support affordable housing provision 	Annual
R4 More effective partnership arrangements with community housing providers	Increase in partnership formed to deliver affordable housing	The number of partnerships established between government agencies, CHPs and private	Annual

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Appendix A: Housing stress by LGA

The table below shows a detailed breakdown of housing stress by local government area.

TABLE 11: DETAILED BREAKDOWN OF HOUSING STRESS BY LGA IN 2016

LGA	Severe Stress	Moderate Stress	Homeless	Social housing	Total Households in housing stress	% Households in housing stress
Blacktown (C)	6,652	5,323	1,534	8,991	22,501	19.9%
Blue Mountains (C)	1,294	1,238	170	636	3,338	10.9%
Camden (A)	1,091	892	96	431	2,510	9.6%
Campbelltown (C) (NSW)	3,081	2,749	928	5,736	12,494	22.5%
Fairfield (C)	5,644	3,875	2,226	5,323	17,068	25.6%
Hawkesbury (C)	1,158	1,021	231	956	3,367	14.2%
Liverpool (C)	4,758	3,204	1,058	5,206	14,226	21.1%
Penrith (C)	4,328	3,733	890	3,279	12,230	17.4%
Wollondilly (A)	557	452	65	239	1,312	7.9%
Total	28,563	22,488	7,198	30,797	89,045	18.9%

Appendix B: CHP providers operating in Western Sydney

Community housing providers are governed by the National Regulatory System for Community Housing (NRSCH) – it is a national system of registration, monitoring and regulation of community housing providers comprised of three tiers:

- Tier 1 eligibility: Incorporated as either a company limited by shares or a company limited by guarantee under the Corporations Act, operating at large scale, ongoing development activities at scale
- Tier 2 eligibility: Incorporated as a company or corporations incorporated under the Corporations Act, or cooperatives or other bodies corporate created through other legislations, operating at a moderate scale, small-scale development activities
- Tier 3 eligibility: Body corporate requirement same as Tier 2, operating at smaller scale, no ongoing development activities, or one-off/ very small development activities

Development activities refer to the construction of major refurbishment of community housing assets. Small-scale or lower risk if the provider has responsibility for managing fewer than 100 tenancies, moderate-scale, or moderate risk if the provider has responsibility for managing 50 to 500 tenancies, large-scale or higher risk if the provider has responsibility for managing more than 350 tenancies. The following table illustrates the registered CHPs that are operating in Western Sydney.

TABLE 12: CHPS IN WESTERN SYDNEY

Business Name	Tier Classification (1,2,3)	Current AH portfolio	Current social housing portfolio	Experience working with local governments
Bridge Housing	Tier 1	239	1943	Waverly Council has 29 units managed by Bridge Housing. Bridge also currently manages the affordable housing portfolio of the City of Canada Bay, which comprises 27 homes.
BlueCHP	Tier 1	355	398	Partnership with invest Logan to build new community housing. Housing is then managed by Compass (see below).
Mission Australia Housing	Tier 1	246	1733	N/A
Hume Community Housing Association	Tier 1	395	3620	N/A
St George Community Housing	Tier 1	391	6011	Randwick City Council's rental housing program is currently managed by SGCH. SGCH has also partnered with the City of Sydney, delivering social and affordable dwellings on two sites following purchase of council land at a discounted rate (see Gibbons St Redfern).
Evolve Housing	Tier 1	1,077 (as of 2019 AR)	3,478 (as of 2019 AR)	Evolve currently manages the affordable housing portfolios of the City of Parramatta and Willoughby City Council. Through these arrangements, councils retain ownership of dwelling stock, while Evolve manages the properties on a fee-for-service basis.

Business Name	Tier Classification	Current AH portfolio	Current social housing portfolio	Experience working with local governments
Wentworth Community Housing ²⁵	Tier 1	197	2, 138	In partnership with Evolve Housing, Hume Community Housing, Penrith City Council and Hawkesbury City Council, delivered the Heat in Western Sydney to inform social housing tenants about heat mitigation measures.
Piper Property Group	Tier 3	11	0	N/A
Gateway	Tier 3	Nil	Nil	N/A. Works primarily as NDIS provider.
Amelie Housing	Tier 2	200	900	
Link housing ltd	Tier 1	507	3065	Preferred provider of North Sydney Council, with long standing partnership. An additional 72 properties were transferred from NS to Link's management last year, with over 400 dwellings on the Lower North Shore.
Common Equity	Tier 2	Current portfolio of 478 properties. Of these 21.15% are considered to have moderate incomes and may qualify for affordable housing.	The remainder of properties are social housing. Residents live in a mixed development model	

²⁵ Wentworth and Link Housing have now merged.

Business Name	Tier Classification	Current AH portfolio	Current social housing portfolio	Experience working with local governments
Argyle Community Housing	Tier 1	80	2270	
Kimberley Community Maintenance	Tier 1	5,000 nationally	2,000 nationally	Partnership with Young Shire Council for upgrade of several community facilities.
Axis Housing	Tier 3	80	0	
Wesley Community Services	Tier 2	74 (under DA review with Council)	276	
Women's Housing Company	Tier 2	37	858	
Priority Waiting Housing	Tier 3	25	0	

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