



Affordable Rental Housing Policy 2019

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1. Background

Housing affordability is a critical issue in City of Parramatta local government area (the City) and across Greater Sydney. In City of Parramatta, 24%, or one in four households in the private rental market are currently in rental housing stress. Between 2011 and 2016, the proportion of households who rent in the private market in City of Parramatta rose from 28% to 34%.

The Centre for Affordable Housing rates Parramatta as having a high affordable housing need.¹ Until recently, Parramatta was considered a relatively affordable part of Sydney. This has changed significantly. The City's cost advantage for the period 2010 – 2014 (as compared to median Sydney dwelling prices) fell from 8% to only 2%.² The continued rise in property prices and average rental rates in the context of relatively low wage growth in subsequent years means that affordability in the City, particularly for key workers, has declined further.

1.1 Affordable Housing Policy 2009

City of Parramatta Council's initial Affordable Housing Policy 2009 sought to address housing affordability in the then Parramatta City Council local government area. This Affordable Rental Housing Policy 2019 (the Policy) supersedes the Affordable Housing Policy 2009.

1.2 Affordable rental housing

This Policy aims to increase the provision of affordable rental housing in accordance with the following definition of this housing type:

Affordable rental housing is rental housing that is provided to households on very low to moderate incomes and charged at a rental rate that does not exceed 30% of weekly income – so that the household does not experience housing stress and can meet other basic living costs such as food, clothing, transport, medical care and education.

¹ <http://www.housing.nsw.gov.au/centre-for-affordable-housing/for-planners-of-affordable-housing/where-do-we-need-affordable-housing>

² .id Profile, August 2015, 'Parramatta Key Workers: Final Report'

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It is important to specify the difference between several related terms in order to clarify what this Policy is concerned with. A list of key definitions is provided in Section 6.0 of this Policy.

This Policy focuses on **affordable rental housing** as local government has the capacity to provide this type of affordable housing. This focus also reflects evidence that rental stress is of more concern than mortgage stress because 70% of all housing stress occurs in the private rental sector, and because a far higher proportion of lower income earners occupy the private rental market as opposed to the mortgage market.

1.3 Why does Council need to encourage affordable rental housing?

The Greater Sydney region is experiencing a housing affordability crisis, and City of Parramatta is impacted by this. Council needs to act on this issue over time because of the level of housing stress currently experienced across the City, and the continued loss of key workers experienced by the City, at least in part, as a result of housing stress.

2. Scope

This Policy specifies how City of Parramatta Council will contribute to supporting the delivery of new affordable rental housing through the planning system.

2.1 What types of affordable housing does this Policy apply to?

This Policy relates to types of affordable rental housing that can provide a demonstrable reduction in housing stress in the LGA. For this reason, the Policy does not apply to all types of affordable housing that can be delivered under the Affordable Rental Housing State Environment Planning Policy (ARH SEPP 2009).³ This is because not all housing types included under the ARH SEPP 2009 carry the same requirements to subsidise their rent. Table 2 specifies which housing types are included in this Policy and which types are not.

³ The ARH SEPP 2009 includes the following housing types: In-fill affordable housing; Secondary dwellings; Boarding houses; Supportive accommodation; Residential flat buildings—social housing providers, public authorities and joint ventures; Residential development—Land and Housing Corporation; and Group Homes.

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Table 2. Affordable Housing Types

Affordable housing types included in Policy Target	Affordable housing types not included in Policy Target
<ul style="list-style-type: none"> Affordable Rental Housing managed by non-profit providers 	<ul style="list-style-type: none"> Boarding houses⁴ delivered under the ARH SEPP 2009
<ul style="list-style-type: none"> In-fill Affordable Rental Housing delivered under the ARH SEPP 2009 	<ul style="list-style-type: none"> Secondary dwellings (e.g. granny flats) delivered under the ARH SEPP 2009
<ul style="list-style-type: none"> Affordable Rental Housing delivered under Government-subsidised schemes 	<ul style="list-style-type: none"> Supportive accommodation delivered under ARH SEPP 2009
<ul style="list-style-type: none"> Affordable Rental Housing acquired by Council through a voluntary planning agreement (VPA) 	<ul style="list-style-type: none"> Residential flat buildings or developments undertaken by other public authorities delivered under the ARH SEPP 2009
<ul style="list-style-type: none"> Affordable Rental Housing acquired by Council through inclusionary zoning 	<ul style="list-style-type: none"> Group homes delivered under the ARH SEPP 2009

2.2 Where does this Policy apply?

The purpose and principles of this Policy apply to the entire City of Parramatta local government area. Rental housing affordability is an issue that spans all areas of the City and is not confined to any specific location, although it is acknowledged that some suburbs experience higher rates of housing stress than others.

Any affordable rental housing contribution on uplift value will only apply to sites within City of Parramatta local government area that are outside the Parramatta CBD. The Parramatta CBD-specific infrastructure funding approach does not include affordable rental housing. Affordable rental housing has not been included because of the already significant scale of infrastructure required to support the Parramatta CBD.

3. Purpose

3.1 Policy Objective

The objective of this Policy is to reduce the level of rental housing stress experienced by residents across City of Parramatta so that they can thrive socially and economically. This will be achieved by increasing the provision of affordable rental housing. More affordable rental housing will allow more residents to live closer to work, or close to good public transport links that make the journey to work cheaper, faster and easier.

⁴ Boarding house rooms must be rented at subsidised rates if the owner takes up the available land tax discount for boarding houses, but they are not obliged to do so.

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3.2 How can Council provide affordable rental housing?

There are two mechanisms available to local government in NSW that allow it to secure affordable rental housing through the planning system. They are:

- Voluntary planning agreements (VPAs)
- Inclusionary zoning, through the use of State Environmental Planning Policy No. 70 (SEPP 70)

3.2.1 Voluntary Planning Agreements (VPAs)

Council's Planning Agreements Policy 2018 sets out Council's policy and procedures relating to planning agreements under Section 7.4⁵ of the Environmental Planning and Assessment Act 1979. The proportion of value sought through a VPA for the purposes of affordable rental housing is set out in Action 1 of this Affordable Rental Housing Policy 2018.

3.2.2 Inclusionary Zoning under State Environmental Planning Policy No. 70 (SEPP 70)

Inclusionary zoning is a process that allows local governments to set a specific affordable housing contribution rate that applies to development within a designated area (e.g. a high growth precinct, suburb or local government area). In order for councils in NSW to apply inclusionary zoning, they must apply to the NSW Government to be included under State Environmental Planning Policy No. 70 (SEPP 70). Councils named in this SEPP are then subject to a process of feasibility assessment for any proposed affordable housing contribution rate, and concurrence by the NSW Government with any proposed contribution rate before they can amend their LEP to reflect the inclusionary zoning requirement and apply the contribution rate to future development.

4. Policy

4.1 Policy Actions

Action 1. In the short term, continue to utilise Voluntary Planning Agreements (VPAs) to secure future affordable rental housing stock

Council will seek affordable rental housing through VPAs as allowed for under Section 7.4 of the Environmental Planning and Assessment Act 1979.⁶

This Policy nominates that 10% of land value uplift in all areas outside the Parramatta CBD will be captured by Council for the purpose of providing affordable rental housing.

This policy position works in conjunction with the Planning Agreement Policy 2018. The Planning Agreement Policy 2018 states as follows:

⁵ Previously, Section 93F of the Environmental Planning and Assessment Act 1979.

⁶ Previously, this was known as Section 93F of the Environmental Planning and Assessment Act 1979.

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For proposed development and planning proposals outside the [Parramatta] CBD, Council's primary position is that satisfactory arrangements for the provision of community infrastructure will be taken to have been made when the value of the planning agreement contribution is equivalent to 50% of the land value uplift.

And furthermore:

When considering the value of a planning agreement contribution, Council will take into account all circumstances of the particular case, including:

- (c) *Where applicable any requirement of Council's Affordable Rental Housing Policy to provide 10% of the uplift value as affordable housing units. This will be included in the overall 50% land value uplift requirement.*

The 10% value allocated for affordable housing will be sought in the form of affordable rental housing units dedicated to Council. Council will accept monetary contributions towards affordable rental housing as part of a VPA where the agreed value of the contribution is less than the value of a single unit, or where there is a need to provide an additional monetary payment on top of the dedication of the physical asset(s) to meet the agreed value of the contribution.

The affordable rental housing contribution on uplift value will only apply to sites within the City of Parramatta local government area that are outside the Parramatta CBD. The Parramatta CBD-specific infrastructure funding approach does not include affordable rental housing. Affordable rental housing has not been included because of the already significant scale of infrastructure required to support the Parramatta CBD.

Council will apply Action 1 in a given location until such time as it is able to establish an affordable rental housing contribution scheme under SEPP 70 as per Action 2. No location within City of Parramatta local government area will be subject to the application of Action 1 and Action 2 simultaneously.

Action 2. Pursue Inclusionary Zoning by applying to the Department of Planning and Environment (DPE) for inclusion under SEPP 70 to enable Council to prepare an affordable rental housing contributions plan

Council will actively seek to include the City of Parramatta LGA as a priority area for affordable rental housing under State Environmental Planning Policy No. 70 (SEPP 70) as outlined in 3.2.2 of this Policy. This SEPP is the mechanism through which Council can mandate a contribution to affordable rental housing from development. Once approved by the Department of Planning and Environment and subsequently included within the relevant Local Environment Plan, Council will no longer seek contributions to affordable rental housing through VPAs in areas where SEPP 70 applies.

In order to achieve inclusion in SEPP 70, Council will undertake the required feasibility assessment and apply to the NSW Government. If approved, Council will be required to prepare and publicly exhibit a planning proposal that will seek an amendment to the Local Environment

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Plan amendment that would identify the rates of affordable rental housing contributions and where they would apply. Any such contribution rate would be based on a feasibility assessment in line with the requirements of the NSW Government.

4.3 Access and design outcomes for affordable rental housing dwellings

City of Parramatta Council's Disability Inclusion Action Plan 2017-2021 (DIAP) outlines Council's commitment to ensure that services, facilities and programs provided by City of Parramatta are accessible and inclusive. Affordable rental housing dwellings represent a type of infrastructure provided to address the social and economic impacts of poor housing affordability.

Council recognises that affordable rental housing stock must be accessible to all. Council also acknowledges that as the population ages, it is likely to see an older age cohort occupying affordable rental dwellings. This emphasises the need for all affordable rental dwellings to be universally accessible.

The allocation of affordable rental housing dwellings to be dedicated to Council, either through voluntary planning agreements or any other planning system mechanism, is to be undertaken in accordance with the following conditions:

- The make-up of dwelling sizes dedicated to Council as affordable rental housing must be proportionate to the dwelling sizes present in the overall development.
- Affordable rental housing dwellings to be dedicated to Council are subject to the same design requirements and controls as all other dwellings within a development site. This includes design outcomes and characteristics such as solar access, cross-ventilation and universal design.

5. Procedure

5.1 Measuring and reporting on the 2036 affordable rental housing target

This Policy sets a target of 9,500 affordable rental dwellings to be provided in City of Parramatta by 2036. This Policy acknowledges that Council is one of many contributors towards affordable rental housing provision. Progress towards this target will be assessed by measuring provision of affordable rental housing by Council as well as by the private sector through ARH SEPP 2009 and other government-subsides housing programs, the community housing sector, and any other providers.

5.2 City of Parramatta's Affordable Housing Bank

The Affordable Housing Bank refers to the dwellings that Council has acquired that are owned and operated for the purposes of providing affordable rental housing.

City of Parramatta Council will appoint a Community Housing Provider (CHP) to manage all aspects of the operation of Council's Affordable Housing Bank in accordance with Council's Procurement Policy. The management of Council's Affordable Housing Bank will be undertaken

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in accordance with this Policy and any relevant procedural documents developed to ensure that the policy objective is achieved through operation of Council's affordable rental housing assets.

5.3 Tenant eligibility for the Affordable Housing Bank

Dwellings in Council's Affordable Housing Bank will be tenanted by the CHP that Council contracts to manage them. Selection of tenants will be undertaken through an eligibility shortlisting process as agreed by Council. Details of eligibility criteria will be specified in procedural documents. In summary, the criteria will include:

- Income testing, being households that qualify as very low, low or moderate income households as defined in the *Environmental Planning and Assessment Act 1979*.
- Required evidence for eligibility including the following:
 - Proof of tenant's connection to the City of Parramatta LGA, for example must be either currently living or working in the LGA in the past two years prior to their application date;
 - Proof of tenant's employment within the City of Parramatta LGA, and ideally within a key worker role; and
 - Proof of tenant's Australian citizenship or permanent residency in Australia.

Eligibility criteria are designed to ensure that affordable rental housing is provided appropriately to address housing stress levels in City of Parramatta.

5.4 Implementation of Voluntary Planning Agreements (VPAs) to secure future affordable rental housing stock (Action 1)

Implementation of Action 1 of this Policy will be undertaken in accordance with Council's Planning Agreements Policy 2018.

Once Action 2 is achieved in a given location, a proportion of value will no longer be sought through voluntary planning agreements for purposes of affordable rental housing contribution. Any value captured through voluntary planning agreements following this will be allocated to other community infrastructure.

5.5 Pursuit of Inclusionary Zoning through application to Department of Planning and Environment (DPE) for inclusion under SEPP 70 (Action 2)

Council will work to achieve inclusion under State Environmental Planning Policy No. 70 (SEPP 70) in order to facilitate development of an affordable rental housing contributions scheme which will be used to ensure that affordable rental housing is delivered as City of Parramatta continues to grow.

Council will follow the process as specified by the NSW Government in seeking to implement inclusionary zoning, including economic feasibility assessment of the contribution rate to be applied on a precinct-by-precinct basis.

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6. Definitions

Term	Definition
Affordable Housing Bank	Council's stock of affordable rental housing assets that it owns and has acquired through voluntary planning agreements or other mechanisms available to it now and in future.
Housing stress	A household is said to be in housing stress when it is paying more than 30% of its gross income on housing costs, and is also in the bottom 40% of national equivalised incomes.
Rental stress	The state of households who are paying more than 30% of their gross income on <u>rent</u> , and are also in the bottom 40% of national equivalised incomes.
Mortgage stress	The state of households who are paying more than 30% of their gross income on <u>mortgage payments</u> , and are also in the bottom 40% of national equivalised incomes.
Key Workers	Key workers are those workers who are employed in roles essential to the functioning of a city. While there is no universal definition of the term, key workers typically include police, fire fighters, teachers, childcare workers and other employee groups who undertake work considered essential for the day-to-day functioning of a city, and who are typically paid low to moderate salaries.

Associated documents

Document Title	TRIM Number
Affordable Housing Policy 2009	POLICY298
Affordable Housing Discussion Paper 2017	D05069390
Socially Sustainable Parramatta Framework	D05766129
Disability Inclusion Action Plan 2017-2021	D05211459
Planning Agreements Policy (<i>insert date once adopted</i>)	TBC

History

REFERENCES	
POLICIES	
ATTACHMENTS	

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