Draft Western Sydney Regional Affordable Rental Housing Contribution Scheme

Summary and FAQs

WESTERN SYDNEY PLANNING PARTNERSHIP

March 2025

Acknowledgement of Country

The Western Sydney Planning Partnership acknowledges more than 60,000 years of continuous Aboriginal connection to the land that makes up NSW.

We acknowledge and pay our respects to the traditional custodians of Country within Western Sydney. As part of the world's oldest living culture, the traditional Aboriginal owners and custodians share a unique bond to this Country — a bond forged through thousands of years of travelling across lands and waterways for ceremony, religion, trading, and seasonal migration.

We acknowledge that Western Sydney is home to the highest number of Aboriginal people of any region in Australia, and that the primary Aboriginal custodians with obligations for Country and connection to this place for many generations including the Dharug/Darug, Dharawal/Tharawal, Gundungurra/Gandangara, and Darkinjung.

Have Your Say

Please refer to the community consultation (Have Your Say) website for each participating Council.

March 2025

Western Sydney Planning Partnership with:
Blacktown City Council
Blue Mountains City Council
Camden Council
Hawkesbury City Council
Wollondilly Shire Council

Draft Western Sydney Regional Affordable Rental Housing Contribution Scheme- *Summary & FAQs*

1. Introduction

Five Councils in Western Sydney are proposing to introduce a draft regional affordable rental housing contribution scheme: Blacktown City Council, Blue Mountains City Council, Hawkesbury City Council, Camden Council and Wollondilly Shire Council.

This document explains what this draft Western Sydney Regional Affordable Rental Housing Contribution Scheme (draft scheme) does, why it is important and how it would be implemented in the five local government areas when the scheme is approved.

Councils in Western Sydney are concerned about the housing crisis and about how, whilst it was once considered a more affordable part of Sydney, Western Sydney has recently had a sharp rise in rental prices. This has left many people struggling to meet rental payments and others homeless, sleeping in cars or in unstable accommodation.

This proposal allows Councils to help to address the rental housing crisis, by collecting small contributions from new development happening across Western Sydney and using this money, together with State and Federal government funding, to create long-term affordable rental housing in the region.

Tell us what you think:

We welcome your feedback on these proposals. To have your say please complete an online feedback form available on Council's Community Consultation website.

Summary of the proposal

The draft scheme proposes a low monetary contribution from some new development- to be introduced from March 2028 onwards, within the following five local government areas (LGAs):

- **Blue Mountains City**
- **Blacktown City**
- **Hawkesbury City**
- **Camden**
- **Wollondilly Shire**

The contributions will be used to provide rental housing which is made available at rents that are affordable for very low-, low- and moderate-income households. These households include essential workers, families, seniors or others who are not able to afford the high price of private rentals.

The draft scheme will apply to new development in all areas of the LGAs and includes established and greenfield areas. It will require amendments to environmental planning instruments, including the Local Environmental Plans (LEPs) of the five participating

Councils. It is proposed the amendments will be made by the NSW Minister for Planning via an Amending SEPP.

The contribution would apply from March 2028 to provide notice and to allow time for developers to factor the contribution into land purchases and development costing.

The proposed **residential contribution** is 1.5% of floor space (paid as a monetary equivalent) and will apply to new residential subdivisions at the subdivision DA stage. It will also apply to some new residential development, including residential flat buildings, multi-dwelling housing, shop top housing, secondary dwellings and dual occupancies. It will not apply to new single dwelling houses, to alterations and additions or to affordable, social or seniors housing.

The proposed **non-residential contribution** is a discounted rate of 0.3% of floor space (paid as a monetary equivalent) and will apply to large (i.e. greater than 1000 sqm) non-residential development, including industrial, retail and commercial development.

The contribution will be applied as a monetary contribution and as a condition of development consent before the issue of a construction certificate. It will be calculated by multiplying 1.5% (or 0.3% for non-residential development) of the proposed floor space area against a dollar rate per square metre.

2. The need for affordable rental housing in Western Sydney

The housing affordability crisis

Housing affordability is a growing problem in Western Sydney. As one of the fastest growing regions in Australia and the location of Sydney's new international airport, demand for housing is high and this will continue.

Whilst previously Western Sydney was among the most affordable regions in the city, house and house rental prices have risen sharply in recent years, widening the gap between what people can afford and the cost of housing. Since late 2021, rents in Western Sydney have increased approximately 30%, making it very difficult for low to moderate income households to find housing.

In 2021 82,700 households (or 16.3% of all households) in Western Sydney paid over 30% of their household income to access housing- resulting in moderate or severe housing stress. The 2024 Rental Affordability Index found that whilst Western and South-west Sydney were previously among the most affordable regions in the city, the rental affordability in these areas has deteriorated from being 'acceptable to affordable' in 2021 to 'moderately unaffordable or unaffordable' in 2024 (SGS Economics and Planning November 2024).

This reflects a broader housing crisis in NSW which requires urgent attention from all levels of government: federal, state and local government.

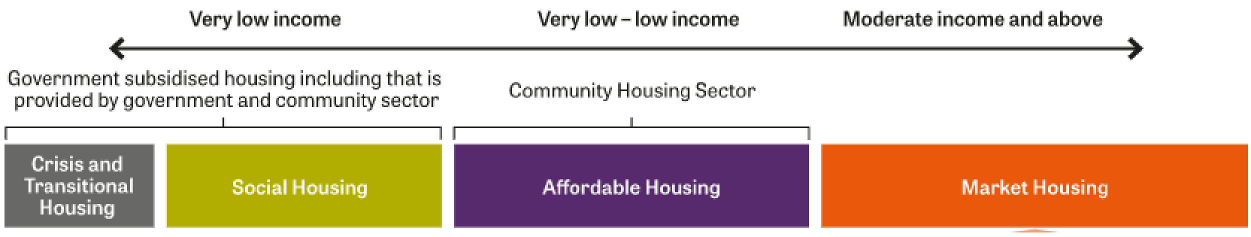
The housing affordability crisis affects people across all demographics, from young people to the elderly, from dual-income families and single parents to people living in share households and those living on their own. It also impacts on people whose life circumstances have changed, including through loss of a partner, divorce or people needing to leave the family home.

What is Affordable Rental Housing?

Affordable housing is housing that is appropriate for the needs of a range of very low, low and moderate income households and priced so that these households are also able to meet other basic living costs.

Affordable rental housing is managed like a private rental property, but it has eligibility criteria and the managers are mostly not-for-profit community housing providers.

Affordable rental housing is not the same as social housing which is owned and managed by government (sometimes also known as public housing), as shown in the diagram below. Affordable rental housing is open to a broader range of households than social housing, has different eligibility criteria, rents are calculated differently, and it has different tenancy arrangements.



Source: Greater Sydney Region Plan - website

Many different people need affordable rental housing. This may include people who work in lower paid jobs, who cannot afford market rents, or people working full-time in an essential services role in a hospital or for emergency services. People may also need affordable housing because of a change in their lives and financial situation or because they are a single parent family, or an older or younger single person. Sometimes affordable rental housing is only needed for a short- or medium-term period until people's circumstances change or sometimes it is needed for a longer period of time.

Why is affordable rental housing important for Western Sydney?

Providing affordable housing in Western Sydney is important to creating sustainable, thriving communities where people can live and work without the stress of housing insecurity.

With lower incomes than eastern and central Sydney, many people in Western Sydney, including essential workers and young families, struggle to afford rising rents. Providing affordable rental housing would allow these groups to live in the area without being financially stretched or forced to move far away.

Affordable rental housing will help workers in key industries, including health, education, retail, hospitality and manufacturing, to live closer to where they work and will help to support these industries by housing their workforce. The draft scheme is proposing a very low, discounted contribution of 0.3 % for new large (over 1000 square metres in size) industrial, commercial and retail development to ensure that industry provides a modest contribution towards meeting the housing needs of workers in Western Sydney.

3. FAQs

Why are Councils in Western Sydney proposing an Affordable Rental Housing Contribution Scheme?

The District Plan for Western Sydney identifies the importance of increasing the supply of affordable rental housing and includes targets in the range of 5 -10 per cent of new residential floorspace. The state government requires local councils to consider schemes to increase this supply. Local councils in Western Sydney are responding by working together, with assistance from the Western Sydney Planning Partnership and the Department of Planning, Housing and Infrastructure, to develop a draft scheme and an associated draft Distribution Plan that provides details on how funds collected will be managed to deliver affordable housing.

The draft Scheme provides a regional approach to help address the housing affordability crisis and ensures that the growth and development of the region directly contributes to the increasing need for affordable rental housing in Western Sydney.

How much affordable rental housing will the scheme deliver and where will it be located?

The draft scheme overall is estimated to deliver over 3,600 affordable rental dwellings over a 10-year period across the five local government areas (with federal government financing also being used by the housing providers).

The housing will be required to be affordable rental housing- to be provided at below-market rates in-perpetuity (i.e. it will be legally required to stay as affordable housing forever).

The housing will need to meet the same planning requirements as any development and is intended to not appear any differently than standard housing. The new dwellings are likely to be medium density (e.g. terrace housing, villas or low-rise apartments depending on location and local planning) and will be built in accessible locations, near to transport and services. They will be built in stages over the life of the plan, as contributions become available.

Where will the scheme apply and when?

<u>The residential part of the scheme (1.5% contribution) would apply to the following new residential accommodation development:</u>

- New residential subdivision- for Final Residential Lots applies at the subdivision DA stage (removing the need for a single future dwelling to pay a contribution)
- New residential flat buildings (including manor houses) and shop-top housing
- New attached dwellings (terrace houses)
- New secondary dwellings and dual occupancy dwellings

The scheme **will not apply to single houses** (defined as dwelling houses) on a single lot of land, or to residential alterations and additions or to replacement development that doesn't result in additional floorspace. Other residential development that it will not apply to includes social and affordable housing and specialist housing, such as seniors housing.

<u>The non- residential part of the scheme (0.3% contribution) would apply to the following development:</u>

- New non-residential buildings over 1000 sqm in size (gross floor area), including retail, commercial and industrial uses.

The scheme **will not apply to small business seeking to develop under 1000sqm** and will not apply to community facilities.

It is important that non-residential development contributes a small amount to affordable rental housing so that workers can afford to live close to where they work and to ensure workers are available to staff local businesses. The proposed contribution has been carefully considered to ensure it will not impact on new local business and jobs in Western Sydney.

When will the scheme commence and when do I pay?

If approved, the scheme will commence in March 2028, applying to all development applications approved on or after this date.

The scheme will apply as a condition of development consent before the issue of a construction certificate.

Who will the draft Scheme affect?

The draft scheme will help provide housing for a diverse range of people already living in the Council area, including essential workers, families, pensioners and others who are not able to afford the high price of private rentals. Once the scheme is in place from 2028 and construction of the housing commences, there will be an opportunity for local people who meet set criteria to apply to rent the homes built.

The draft scheme is designed to have no impact on existing homeowners or new home buyers, as development applications (DAs) for new single dwelling houses and renovations (alterations and additions) are exempt from payment. Developers and landowners will pay contributions when subdividing land for new dwellings, and for multi-unit dwellings, secondary dwellings and dual occupancies. Large commercial, retail and industrial DAs will be required to make a small contribution, but smaller businesses proposing developments under 1000 sqm will not be affected.

Will the scheme impact on development delivery?

The contribution has been set at a low-rate and with a long, 3-year introduction between exhibition of the draft Scheme and coming into effect in 2028, to ensure that it does not undermine the delivery of new development.

Expert economic and property consultants, SGS Economics and Planning and Hill PDA Consulting have advised the Councils during the development of the draft scheme. Their recommendations have been taken on board, including the 3-year lead in time for the scheme to commence. This lead-in provides clear information to the development industry and time to build the low rate into development calculations, meaning that the contribution would be viable.

The scheme also sets a low contribution rate (1.5% equivalent of residential floor space and a discount rate of 0.3% of non-residential floorspace). This is much lower than the 5-10% signalled to the development industry in the Sydney Region and District Plans six years ago. It is also lower than the 10% affordable housing requirement included in the Federal Government's *Build to Rent* bill, City of Sydney's Affordable Housing scheme (3% rate) or the NSW Transit Oriented Development precincts (TODs) which feature a 2% rate.

The lead in time allows time for the contribution to be easily absorbed into property price increases, expected over the three- year period. Further details about the economic testing and the viability of the scheme can be found in the document library: Western Sydney

Affordable Rental Housing Contribution Scheme- Economic Testing (Hill PDA, updated in 2025).

How are contributions calculated?

The contribution will be applied as a condition of development consent before the issue of a construction certificate. It will be calculated by multiplying 1.5% of the proposed floor space area (or 0.3% for non-residential) against a dollar rate per square metre for each LGA (rates differ between LGAs to account for regional differences in floorspace and land value).

- 1.5% **of the total floor space that is to be used for residential uses**
- 1.5% **of the net developable area of land subject of a residential subdivision** to create a final lot for development.
- 0.3% of the **total floor space to be used for non-residential uses.**

The contribution rates are set out in the table below, noting these contribution rates will be updated on a regular basis to reflect current land and floorspace values.

Table 1 Contribution rates by LGA and development type

Location	Residential development per sqm/GFA*	Residential subdivision per ha/NDA*	Non-residential development per sqm/GFA*
Blacktown	$102	$210,000	$20
Blue Mountains	$105	$170,000	$21
Camden	$118	$220,000	$24
Hawkesbury	$104	$200,000	$21
Wollondilly	$80	$210,000	$16

* Rate at time of scheme drafting. Contribution rates will be updated on a regular basis to reflect current land and floorspace values.

This equates to a contribution from a land developer at subdivision stage of between $8,500 and $11,000 per 500 sqm residential lot.

Or for a developer submitting a DA for a residential flat building, the payment would be between $8,000 to $10,200 per apartment based on an average 100sqm (GFA) apartment.

What is the Distribution Plan?

A detailed draft Distribution Plan is being exhibited and supports the draft scheme. This sets out the process for the delivery of affordable housing, with an approach that minimised the administration and costs for each Council.

Key elements of the draft Distribution Plan are:

- Affordable rental housing will be for very low, low, moderate-income households, and be provided at below private market rental levels

- Partnership proposed with Homes NSW (who already commission affordable housing for a number of Councils in NSW) to enable the effective and efficient management of contributions and commissioning of affordable rental housing, in accordance with the distribution plan.
- Delivery by the expert Not for Profit (NFP) housing providers, including registered community housing providers. Housing providers will own, manage and renew dwellings as affordable rental housing in perpetuity.
- The scheme leverages Commonwealth government affordable housing financing and housing provider land assets to increase affordable rental housing supply, and
- An option for Councils, should they choose, to allocate funding with adjoining LGAs to increase scale and flexibility for delivery of affordable housing

It is proposed that housing delivery would be with Not for Profit (NFP) (community and government) housing providers, and ownership would be transferred to the NFP provider (so that local councils are not taking-on housing asset management responsibilities and costs. There will be a requirement that the affordable rental housing be provided in perpetuity (noting some flexibility in renewal and redevelopment of stock in the long term with retention of the same amount of affordable housing). Transferring asset ownership also allows for the community housing providers to seek additional low-cost financial support from the Commonwealth Government to part-finance projects.

Have Your say

Public Exhibition

The draft Western Sydney Regional Affordable Rental Housing Contribution Scheme and draft Distribution Plan are on public exhibition from 10 March until 7 April 2025. The five participating Councils welcome community and stakeholder feedback. To submit feedback please complete the online form on Council's website.

Next steps

After the public exhibition of the draft Scheme and Distribution Plan, the feedback received will be considered by each Council and taken into consideration when finalising the Scheme and Distribution Plan. Each Council will decide whether to endorse and implement the Scheme.

The final scheme will be enabled via an amendment to environmental planning instruments, including Council LEPs, and would only apply to development applications lodged on or after the commencement date in March 2028.