



Draft Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006

December 2006



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Relating to the operational area of the Redfern-Waterloo Authority

Made by the Minister administering the *Redfern-Waterloo Authority Act 2004* under section 32(1).

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PART 1 Administration and operation of Plan

1 What is the name of this Plan?

This Plan is called *Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 – Redfern-Waterloo Authority Operational Area*.

2 What definitions apply?

In this Plan, unless the context or subject matter otherwise indicates or requires:

affordable housing has the same meaning as in the EP&A Act.

Note: *Affordable housing* is defined in s4(1) of the EP&A Act to mean housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument. Clause 8 of *State Environmental Planning Policy No. 70 – Affordable Housing (Revised Schemes)* provides that very low income households, low income households and moderate income households are those whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics: very low income household - less than 50%; low income household – 50% or more but less than 80%; moderate income household - 80–120%.

affordable housing contribution means a monetary contribution to be applied towards the provision or refurbishment of affordable housing within the Operational Area as authorised by this Plan.

Authority means the Redfern-Waterloo Authority.

consent means a consent under Part 4 of the EP&A Act to the carrying out of development or an approval under Part 3A of the EP&A Act to the carrying out of a project.

Deliverable Unit means a dwelling of affordable housing to be provided under this Plan.

Note: The provision of a Deliverable Unit is estimated to cost \$470,000. If the cost is less, more Deliverable Units may be provided.

EP&A Act means the *Environmental Planning and Assessment Act 1979*.

Fund means the Redfern-Waterloo Fund established by s34 of the *Redfern-Waterloo Authority Act 2004*.

Gross floor area means the sum of the floor area of each storey 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, measured at a height of 1.4 metres above the floor, and includes:

- (a) the area of a mezzanine within the storey, and
- (b) habitable rooms in a basement, and
- (c) any shop, auditorium, cinema, and the like, in a basement or attic,

but excludes:

- (d) any area for common vertical circulation, such as lifts and stairs, and
- (e) any basement:
 - (i) storage, and
 - (ii) vehicular access, loading areas, garbage and services, and
- (f) plant rooms, lift towers and other areas used exclusively for mechanical services or ducting, and
- (g) car parking to meet any requirements of the consent authority (including access to that car parking), and
- (h) any space used for the loading or unloading of goods (including access to it), and

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- (i) terraces and balconies with outer walls less than 1.4 metres high, and
- (j) voids above a floor at the level of a storey or storey above.

Minister means the Minister administering the *Redfern-Waterloo Authority Act 2004*.

Operational Area has the same meaning as in the *Redfern-Waterloo Authority Act 2004*, as amended from time to time.

Note: Section 5(1) of, and Schedule 1 to, the *Redfern-Waterloo Authority Act 2004* defines the Operational Area.

Works Map means the map in Schedule 3 to this Plan.

Works Schedule means the Schedule 2 to this Plan, which supports the Works Map.

3 Purposes of this Plan

The purposes of this Plan are:

- to authorise the Minister administering the EP&A Act, when granting consent to development to which this Plan applies, to impose a condition requiring the payment of an affordable housing contribution,
- to set out the manner in which an affordable housing contribution is determined, and
- to set out the purposes for which affordable housing contributions are to be applied.

4 Commencement

This Plan commences on the date on which public notice of the Minister's approval of this Plan is given in a newspaper circulating in the Authority's area.

5 Land to which this Plan applies

This Plan applies to the Operational Area.

6 Development to which this Plan applies

This Plan applies to development the subject of an application for consent relating to land to which this Plan applies:

- that is a project to which Part 3A of the *EP&A Act* applies; or
- for which the Minister is the consent authority under Part 4 of the *EP&A Act* by operation of clause 9A(1) of *State Environmental Planning Policy (Major Projects) 2005*.

However, this Plan does not apply to:

- development the subject of a planning agreement within the meaning of Subdivision 2 of Division 6 of Part 4 of the *EP&A Act* that makes provision for contributions for affordable housing, or
- development the subject of an offer to enter into such an agreement where the Minister proposes to enter the agreement.

Note: This Plan is required by s32 of the *Redfern-Waterloo Authority Act 2004* to authorise the imposition of conditions of consent or approval under s94F of the *EP&A act* requiring affordable housing contributions. Such contributions may be imposed by virtue of s30 of the *Redfern-Waterloo Authority Act 2004* but only where the Minister for Planning is the consent authority for development under Part 4 of the *EP&A Act* or is responsible for approving a project to which Part 3A of that Act applies, and only in respect of development within the Operational Area. The City of Sydney may not prepare or approve an affordable housing contributions plan, or otherwise require affordable housing contributions, in respect of development to which this Plan applies.

7 Minister may require monetary affordable housing contribution

This Plan authorises the Minister administering the *EP&A Act* to impose as a condition of consent to the carrying out of development to which this Plan applies a requirement that the applicant pay into the Fund an affordable housing contribution, determined in accordance with this Plan.

8 How is the amount of an affordable housing contribution determined?

An affordable housing contribution is to be determined in accordance with the contribution rate specified in Part 1 of Schedule 1.

The formula for the contribution rate is described in Part 2 of Schedule 1.

The contribution rate is to be indexed with effect from 1 July in each year in accordance with any increase in the Building Price Index – Sydney, published in *Rawlinson's Australian Construction Handbook* over its value on 1 July in the previous year.

The amount of an affordable housing contribution to be paid into the Fund is the amount specified in the relevant condition of consent, indexed annually on 1 July in each year until the contribution is paid, in the same manner as specified above for the contribution rate.

9 How is an affordable housing contribution to be applied?

An affordable housing contribution is to be paid into the Fund and held for the purpose for which it was required, and applied by the Authority towards that purpose in accordance with the Works Schedule within a reasonable time.

Note: Section 94G(2) of the *EP&A Act* and s32(4) and (5) of the *Redfern-Waterloo Authority Act 2004* require money paid to the Authority under this Plan to be paid into the Fund, held for the provision of affordable housing and applied towards that purpose within a reasonable time.

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Funds collected are to be used for a combination of the:

- purchase of existing dwellings/buildings;
- refurbishment of established dwelling/buildings for the purpose of providing additional affordable housing;
- purchase of newly constructed dwellings; and
- construction of new dwellings.

Affordable housing acquired for, on behalf of, or by arrangement with the Authority utilising funds collected in accordance with this plan is to be made available as affordable housing in the manner determined by the Authority. The proposed delivery mechanisms may include:

- joint ventures or other partnerships/financial arrangements with Government or the private sector for the construction of new dwellings
- provision of rental accommodation managed by a recommended Affordable Housing provider or Government agency
- home purchase options targeting low and moderate income earners.

10 When must an affordable housing contribution be paid?

An affordable housing contribution is to be paid:

- in the case of development other than development proposed to be carried out by or on behalf of the Crown:
 - which includes subdivision of land, prior to the issue of the first subdivision certificate under Part 4A of the *EP&A Act* in relation to that development, or
 - in the case of all other development, prior to the issue of the first construction certificate under Part 4A of the *EP&A Act* in relation to that development.
- in the case of development proposed to be carried out by or on behalf of the Crown - prior to the carrying out of any building, engineering or construction work relating to the development.

- 11 What is the policy on the deferred or periodic payment of affordable housing contributions?

The deferred or periodic payment of affordable housing contributions is not allowed.

- 12 Credits

Where, in the opinion of the consent authority or approval body, proposed development makes satisfactory arrangements for the provision of affordable housing within the Operational Area, the consent authority may take that contribution into consideration in determining a contribution required under this Plan.

PART 2 Relationship between the expected development in the Operational Area and the need for affordable housing

Background

The Operational Area identified in the Schedule 3 - Works Map lies within the postcode areas 2008 (Darlington, Chippendale), 2016 (Redfern) and 2017 (Waterloo).

The population in the Operational Area has been traditionally characterised by diverse socio-economic groups with a predominance of low and moderate income households aligned with the area's industrial past. Since the 1980's the Operational Area has experienced rapid gentrification which has had a polarising effect on the community and has led to the creation of pockets of disadvantage and advantage. This has resulted in a loss of low cost private housing as rents and house prices have grown. Despite the fact that 1996 to 2001 was a period of significant growth in housing stock there was a real decline in the proportion of dwellings that could be affordably purchased or rented by very low, low and moderate income households in the Operational Area and South Sydney generally.

The objective of this Plan is to enable the imposition of consent conditions requiring the payment of contributions toward the provision of affordable housing within the Operational Area.

Affordable housing is defined as housing for very low income households, low income households and moderate income households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

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Target Income Group	Sydney Statistical Division (ABS) Proportion of Median Income	Annual Income 2001¹	Annual Income 2006²
Very low income	less than 50%	\$25,714	\$30,837
Low income household	50% or more but less than 80%	\$41,142	\$49,339
Moderate income household	80-120%	\$61,714	\$74,008

The provision of affordable housing in the Operational Area will support the objects and functions of the Authority by:

- Ensuring that a socially diverse residential population representative of all income groups is created and maintained in the Operational Area.
- Ensuring that people of all social and economic groups have access to a range of opportunities provided in the area.
- Providing housing choice which reflects the needs of very low, low and moderate income households.
- Promoting housing schemes and access to affordable housing to meet the needs of very low, low and moderate income households.
- Ensuring the ongoing availability of affordable housing dwellings for very low, low and moderate income households.
- Ensuring that the standard of affordable housing is comparable to the standard of other dwellings in the area.

¹ Centre for Affordable Housing, Department of Housing NSW, 2001 Census.

² Centre for Affordable Housing, Department of Housing NSW calculated from Census 2001 median income and indexed in accordance with AWE.

Extent of need for affordable housing in the Operational Area

In each of the years 1996-2006, none of the dwellings which were for sale in the preceding year in the postcode areas of 2008, 2016 and 2017 were priced such that they could be purchased by very low income households. The proportion which could be purchased by low income households fell from 5.1% in 1996 to 0.2% in 2006. The proportion which could be purchased by moderate income households fell from 31.7% in 1996 to 9.2% in 2006.³

In relation to private rental accommodation, the proportion of dwellings which could be affordably rented by very low income households fell from 4% in March 1996 to 1.2% in March 2006. The proportion of dwellings which could be affordably rented by low income households fell from 16.9% in March 1996 to 11.4 % in March 2006. Only 68% of all dwellings could be affordably rented by moderate income households in March 2006. There is intense competition for lower cost rental stock. So even though rental affordability may appear to be high for moderate income households, they will have to compete with higher income households for the same stock. Recent research from the Australian Housing and Urban Research Institute has shown that only around 40% of the low cost private rental stock is inhabited by lower income households. The rest is occupied by higher income households who are also looking for affordable rental for other reasons, for example to save for a home deposit.⁴

The loss of low cost housing has reduced the housing options available for very low, low and moderate income residents in the Operational Area. Inevitably this has changed the social make up of the community. The decline in low rental accommodation has led to “an increase in bed sits, one and two bedroom apartments resulting in an influx of affluent, one and two person households moving into the area. This has resulted in a decline in the number of family households that were typical of the South Sydney area. The proportion of lower income young people and older singles is also in steady decline.”⁵

³ Centre for Affordable Housing, Department of Housing based on contracts entered into during six months ending March 1996, 2001 and 2006 and subsequently notified to NSW Land and Property Information.

⁴ Ibid

⁵ South Sydney City Council, 2002, *SSCC Housing Needs Study 2002*.

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The loss of low cost private housing due to gentrification and a combination of the increased targeting of public housing to those most in need and its concentration in certain precincts has also led to a growing polarisation in the community. Even comparing socio-economic profiles of the area for 1996 and 2001, a relatively short period, it is possible to detect the change in the community. Figures 1 and 2 shows a significant increase in areas of advantage (shaded green) across the Operational Area from 1996 to 2001 and demonstrate the effects of gentrification. However, they also reveal increased levels of polarisation with areas of high disadvantage (shaded dark blue) directly adjoining areas of high advantage (shaded dark green). Given current trends and the potential for further development in the area, there is a real danger that this will lead to further polarisation.

Figures 1 and 2 – Socio-economic profile for the Redfern-Waterloo Operational Area, 1996 and 2001

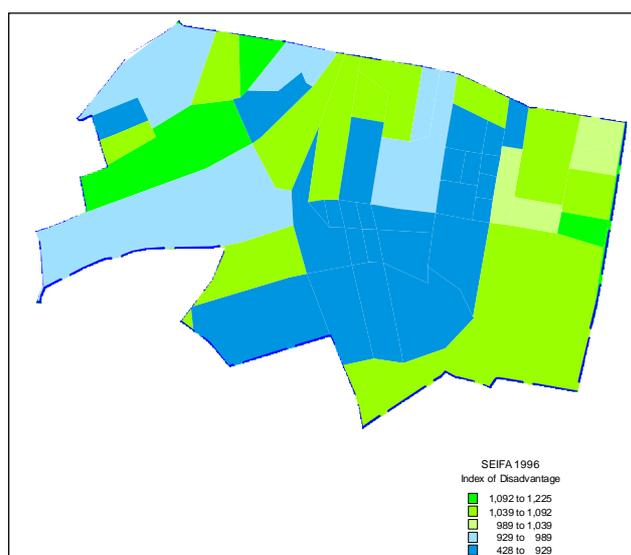


Figure 1: 1996

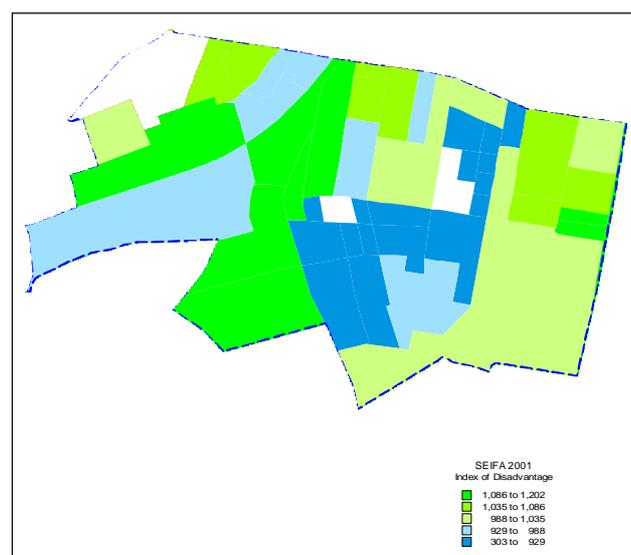


Figure 2: 2001

Source: Australian Bureau of Statistics, *Socio-Economic Indexes for Areas*, 1996 and 2001

Scale of development

Under the *Redfern-Waterloo Built Environment Plan (Stage One)*, it is envisaged that 600,000m² of additional floor space could be generated from development in the Operational Area. It is most likely that this future revitalisation of Redfern-Waterloo will continue to produce upward pressures on property values placing further pressure on purchase and private rental accommodation costs beyond the means of very low, low and moderate income groups.

The revitalisation of the Operational Area combined with its proximity to Sydney and accessibility to the Metropolitan Sydney will also increase its attractiveness as a place to reside. This will have an impact on the affordability of housing in the area, particularly for very low, low and moderate income earners as housing is likely to be more expensive.

The table below provides a summary of the development potential within the Operational Area.

Total indicative development floor space	600,000 square metres
Indicative employment floor space	440,000 square metres
Indicative residential floor space	160,000 square metres
Current number of jobs in RWA's Operational Area	12,502
Estimated number of new jobs based on employment floor space area in RWA Sites	18,000
Current number of residents in the RWA's Operational Area	19,200
Estimated number of new residents in RWA Sites	3,200

The expected types of development are (but not limited to):

- residential
- commercial - office
- retail
- service industries
- cultural and arts facilities
- health and educational facilities
- recreational and sport

- entertainment facilities
- light industries, including high technology
- restaurants
- film and television
- research and development.

Any other contribution or dedication

This Plan is intended to be complemented by the Redfern-Waterloo Authority Contributions Plan for the provision of public amenities and facilities in the Operational Area.

The Draft Affordable Housing Planning Agreement between the RWA and the Carlton United Breweries (NSW) Pty Ltd will apply to development on the former Carlton United Breweries site. Affordable housing contributions will be used to provide affordable housing in the Operational Area.

Reasonableness

This Plan requires a contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of the total gross floor area of development in the Operational Area.

Affordable housing is proposed to be provided in Deliverable Units.

Based on the estimated development potential in the Operational Area of approximately 600,000m² over the life of the Plan, approximately 7,500m² of affordable housing or 75 Deliverable Units is proposed to be provided (assuming the cost of a Deliverable Unit is \$470,000).

A key objective of the Redfern-Waterloo Authority is the revitalisation and renewal of Redfern-Waterloo. Investment and economic growth are considered to be the critical to achieving this objective. At the same time, the need for Affordable Housing in the area is clearly evident and the Authority is committed to relieving housing stress for very low, low and moderate income earners in the Area.

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Accordingly, the proposed affordable housing levy of 1.25% of total floor space has been pitched at achieving sufficient funds for the relief of housing stress⁶ to some extent while at the same time not presenting a disincentive for future potential investment.

It is estimated that a levy of 1.25% of total gross floor area of development and the associated 75 Deliverable Units (assuming the cost of a Deliverable Unit is \$470,000) could potentially improve access to affordable private rental for households on very low, low and moderate income earners in the private rental market by approximately 8%. 75 Deliverable Units could potentially improve access to affordable home purchase for households on very low, low and moderate income earners purchasing homes by approximately 36%.⁷ If additional Deliverable Units can be provided having regard to the cost of delivery being less than \$470,000, this will further improve access.

Taking into consideration potential affordable housing contributions which may be received from the development of the former Carlton and United Breweries site it is expected that the impact on relieving housing stress in the Operational Area will be further improved.

In determining a quantum for the levy which is reasonable and would not deter future investment a comparative assessment of affordable housing levies applied in other areas of Sydney has been undertaken by the Authority. Research indicates that affordable housing contributions are generally pitched at levels greater than 1.25% of total floor space of development.

⁶ Housing Stress refers to the situation of lower income households paying at least 30% of gross income for their housing (Gabriel and Yates 2005) in *Housing Affordability in Australia, Background Paper 3*, AHURI, Melbourne.

⁷ ABS Data indicates that in the postcode areas of 2008, 2016 and 2017, 955 households earning very low, low and moderate incomes are expending more than 30% of household income on private rental accommodation. 75 Deliverable Units approximates to around 8% of households facing housing stress. The ABS data also indicates that 207 households earning very low, low and moderate incomes are expending more than 30% of household income on home purchase. 75 Deliverable Units approximates to around 36% of households facing housing stress in relation to home purchase.

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Hence a levy of 1.25% of total gross area of development to be applied to new development in the Operational Area for Affordable Housing is not considered to be unreasonable. Furthermore under the South Sydney Contribution Plan for these sites a total contribution rate of around \$8,000 is generally applied for a 2 bedroom dwelling and is expected to increase. The total development contributions which are intended to apply to these sites under this Plan and the Redfern-Waterloo Authority Contribution Plan for public amenities and services is estimated to be within a range comparable with the contribution rate which currently applies under the *South Sydney Section 94 Contributions Plan*.

The Works Schedule describes the specific works proposed to be provided together with an estimate of cost and staging.

It is expected that the Works Schedule and this Plan may be reviewed following the adoption of the Redfern-Waterloo Affordable Housing Program. The Program will outline preferred mechanisms for the delivery of affordable housing.

The contribution rate and formula specified in Part 1 of Schedule 1 of \$59 per sqm of gross floor area is considered reasonable having regard to the extent of the demand, scale of proposed development and other dedications or contributions which may be required under s94F or s94 of the *EP&A Act* because the contribution rate:

- will provide sufficient funds which could relieve housing stress to some extent by improving access to affordable private housing for households on very low, low and moderate income in the private rental market by approximately 8% and improving access to affordable home purchase for households on very low, low and moderate income earners purchasing homes by approximately 36%,
- does not impose a major disincentive for future investment in the area,
- is generally lower than other affordable housing contributions rates in other areas of Sydney, and
- including contributions for public amenities and services is consistent with the current contributions required under the *South Sydney Section 94 Contributions Plan*.

Schedule 1

(Clause 8)

Contribution Rate & Formula

Part 1 – Contribution Rate

The contribution rate (CR) is \$59 per sqm of the gross floor area of development.

Part 2 – Formula

The contribution rate is the estimated cost of provision of affordable housing comprising 1.25% of the total gross floor area of development in the Operational Area.

$$\text{CR} = \text{TC}/\text{GFA}$$

Where

TC = Total cost of 75 Deliverable Units (assuming the cost of a Deliverable Unit is \$470,000) is \$35,250,000.

GFA = Estimated total gross floor area in Operational Area over life of Plan is 600,000 square metres.

Assumptions

Average floor area of one (1) Deliverable Unit	100 sqm
Proposed provision of affordable housing under Plan	75 Deliverable Units (assuming the cost of a Deliverable Unit is \$470,000)
Median price of providing one (1) Deliverable Unit	\$470,000

Note: Refurbishment of established dwellings will deliver additional Deliverable Units of affordable housing.

How the cost of affordable housing has been established

A levy equivalent to 1.25% of total gross floor area when applied to the total potential floor area of 600,000 m² on Redfern-Waterloo Authority Sites over the next 10-15 years is estimated to generate approximately 7,500 m² of gross floor space for the provision of affordable housing.

Assuming one Deliverable Unit of affordable housing is 100 m² and the cost of a Deliverable Units is \$470,000, this equates to 75 Deliverable Units of affordable housing.

An objective of the RWA Affordable Housing Program is to ensure that the standard of affordable housing is of a comparable quality to other housing in the area. The median sales price for dwellings in postcode areas of 2008, 2016 and 2017 in the March quarter 2006 is \$470,000⁸. The cost of providing 75 Deliverable Units (assuming the cost of a Deliverable Unit is \$470,000) is \$35,250,000. This equates to \$59 per m² when apportioned across future potential floor area on Redfern-Waterloo Authority Sites.

⁸ Affordable Housing Unit, Department of Housing NSW, Sales advised to the Land and Property Information, NSW for contracts entered into December Quarter 2006.

Schedule 2

(Clause 2)

Works Schedule

A Redfern-Waterloo Authority Affordable Housing Program will be developed which will outline the strategy for delivering affordable housing in the Authority’s Operational Area.

Item No.	Work	Estimated Cost	Staging
1.	The provision of 75 Deliverable Units (assuming the cost of a Deliverable Unit is \$470,000) in the Operational Area at locations to be determined.	\$35,250,000	As funds become available over the life of the Plan for the completion of projects at an economically feasible scale or for purchase of existing housing stock.
2.	The provision of 50% of Deliverable Units in the Operational Area	\$17,625,000	Up to 5 years
3.	The provision of the remaining 50% of Deliverable Units in the Operational Area	\$17,625,000	5 to 10 years

Schedule 3

(Clause 2)

Works Map

The Deliverable Units will be delivered within the Operational Area illustrated on the attached map. The exact location of the Deliverable Units has not yet been identified and is dependent on land and dwelling availability and further investigations to be undertaken as part of the preparation of the Redfern-Waterloo Authority Affordable Housing Program.

