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# Bays West Place Strategy Implementation

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Affordable Housing Program

Stage 1 - White Bay Power Station and Metro Sub-Precinct

December 2022



# Acknowledgement of Country

The Department of Planning and Environment acknowledges it stands on Aboriginal land. We acknowledge the Traditional Custodians of the land and we show our respect for Elders past, present and emerging through thoughtful and collaborative approaches to our work, seeking to demonstrate our ongoing commitment to providing places in which Aboriginal people are included socially, culturally and economically.

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# Contents

<b>1. About the Program</b>	<b>1</b>
1.1 Program Objectives	1
1.2 Relationship to other Programs	1
1.3 Where does this Program apply?	1
1.5 Legislative basis for affordable housing contributions	2
1.6 Affordable Housing Principles	3
1.7 Amending this Program	3
1.8 Terms used in this Program	3
<b>2. Affordable housing contributions</b>	<b>5</b>
2.1 Contribution rates	5
2.2 Calculating the contribution	5
2.2.1 Baseline Cost of Affordable Housing	5
2.4 Development that may be exempt from making a contribution, or have a reduced contribution requirement	6
2.5 Where a contribution has been previously paid	6
2.6 Refunds for demolition or changes in use	6
2.7 Conditions of Consent	7
<b>3. Administration and Implementation</b>	<b>8</b>
3.1 How to make a payment	8
3.2 Adjustment of equivalent monetary contribution amounts	8
3.3 Adjustment of a monetary contribution amount on a development consent	8
3.4 Use of contributions	9
<b>4 Recommended CHPs and Distribution Plan</b>	<b>10</b>
4.1 Process for establishing Recommended CHPs and Distribution Plan	10
4.2 Monitoring and Review of Recommended CHPs and Distribution Plan	10
<b>Appendix A – Recommended Community Housing Provider(s)</b>	<b>12</b>
<b>Appendix B – Background information and affordable housing needs analysis</b>	<b>13</b>

## Figures

Figure 1 – Bays West Precinct (Bays West Place Strategy 2021)	2
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## Tables

*No table of figures entries found.*

# 1. About the Program

The Bays West Affordable Housing Program (this Program) is to provide the background, requirements and operational detail for the affordable contribution provision in the Inner West Council local environmental plan 2022 (IWC LEP2022) that operates in Bays West.

This Program was adopted by The Minister on 28 November 2022 and comes into effect on 9 December 2022.

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## 1.1 Program Objectives

- recognise affordable rental housing as critical infrastructure necessary to support sustainable and diverse communities and long term economic growth in the Inner West Council (inner west) local government area and the Bays Precinct (the Bays) within the Eastern Harbour City District.
- assist to implement the affordable rental housing targets of identified in the Greater Sydney Region Plan *A Metropolis of Three Cities* and associated strategic housing policies.
- ensure that, as the cost of housing increases in the inner west, affordable rental housing is provided for very low to moderate income households.
- ensure there are opportunities for very low to moderate income households, who have a connection with the inner west and Bays precinct, to live in the inner west and Bays precinct. This includes a focus on indigenous communities with an historical working and/or living connection to Bays West and the White Bay Power Station.
- ensure there are opportunities for very low to moderate income earners who work in the inner west to live in the community in which they are employed.
- facilitate opportunities for government and community housing providers (CHPs) to supply affordable housing within the inner west and Bays Precinct.

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## 1.2 Relationship to other Programs

There are no other affordable housing programs that apply to the Bays West Stage 1 area at this stage.

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## 1.3 Where does this Program apply?

This program applies to land shown in Figure 1, being the Bays West Precinct.

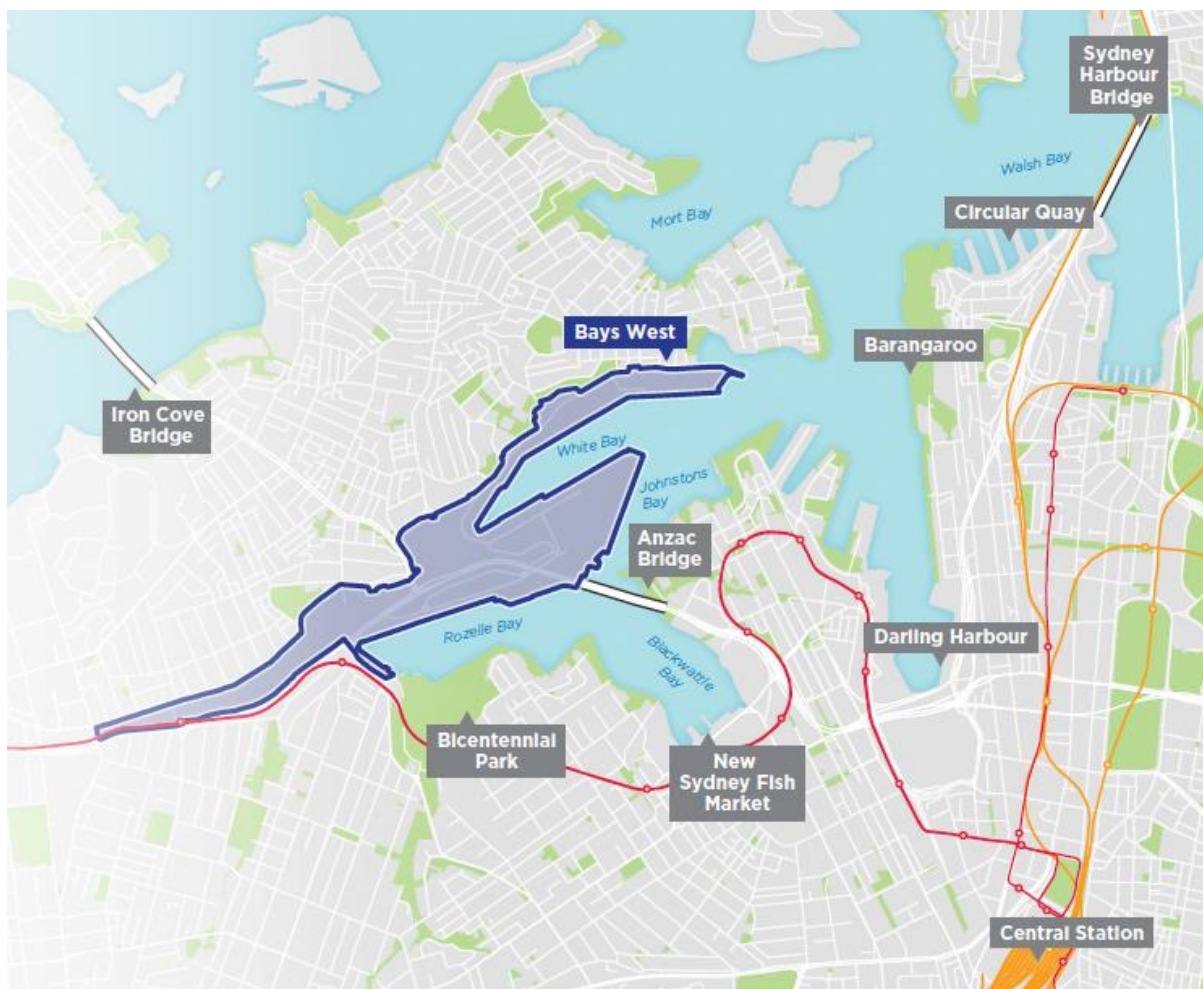


Figure 1 – Bays West Precinct (Bays West Place Strategy 2021)

## 1.5 Legislative basis for affordable housing contributions

This Program applies in accordance with the requirements in the Environmental Planning and Assessment Act 1979 (the Act).

The State Environmental Planning Policy (Housing) 2021 recognises that all local government areas within NSW are areas where there is a need for affordable housing.

Local environmental plans contain controls for the calculation, levying and management of affordable housing contributions in the Inner West Council LGA. The various contribution requirements operating in the city achieve the requirements of the Act in different ways, as described at Appendix A.

In respect to the Bays West Precinct, it is submitted that development as envisaged in the Master Plan and State Environmental Planning Policy (Precincts – Eastern Harbour City) 2021 (SEPP EHC), will satisfy the requirement for the collection of affordable housing contributions under Section 7.32 of the Act on the bases that:

- the proposed development will reduce the availability of affordable housing within the area.

- the proposed development will create a need for affordable housing within the area.
- the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site.

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## 1.6 Affordable Housing Principles

The Bays West affordable rental housing principles are:

- affordable rental housing is only to be provided and managed within a 5km radius of the Bays West Precinct.
- affordable rental housing is to be provided in the above areas, so that a socially diverse residential population, representative of all income groups, is maintained.
- affordable rental housing is to be provided that prioritises residents with an historic connection to Bays West through either work or residence, including for Indigenous communities.
- affordable rental housing that is provided is to be made available to a mix of households on very low to moderate incomes.
- affordable rental housing that is provided is to be rented to very low to moderate income households at no more than 30% of gross household income dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable rental housing, and
- affordable rental housing is to consist of dwellings constructed to a standard which, in the opinion of the Minister, is consistent with other dwellings in the Bays West area and surrounds, and relevant State Planning Policies as they apply (e.g. SEPP 65).

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## 1.7 Amending this Program

Amendment to this Program relating to contribution rates will generally require amendment to LEPs that directly refer to this Program as dated.

Amendment and/or updates to the information provided in Section 4, the Distribution Plan (once finalised) and at the appendices may occur from time to time and will not require an amendment to LEPs.

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## 1.8 Terms used in this Program

### Affordable housing

**Affordable housing** is defined by the Environmental Planning and Assessment Act 1979 as:

*“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”.*

### Affordable rental housing

Under this Program, **Affordable rental housing** or **Affordable rental dwelling** is **affordable housing** that is owned and managed by government, a **Recommended Community Housing**



**Provider**, or an **Eligible Community Housing Provider** and rented to very low to moderate income households.

### **Inner West Council Local Government Area**

The **Inner West Council Local Government Area (LGA)** refers to the area within the “LGA Boundary” shown in the Inner West Council Local Environmental Plan 2012 Land Application Map, as published in the NSW Government Gazette on 9 December 2022 as updated from time to time.

### **Council / Inner West / inner west**

References to Inner West are references to the Inner West organisation. References to the Council are references to the Council of the Inner West, that is, the elected representatives. References to the inner west are references to the Inner West Council local government area.

### **Development application**

References to **development applications** in this Program refer to both development applications and any application for the modification of a development consent.

### **Eligible Community Housing Provider**

**Eligible Community Housing Providers (CHP)** are community housing providers that are classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

### **Local Environmental Plan (LEP)**

Reference to various LEPs in this Program apply to any LEP that replaces it, so long as the affordable housing provisions remain substantially unamended.

### **Recommended CHPs**

**Recommended CHPs** are those providers identified in listed on Schedule A of this Program. **Recommended CHPs** are also to be classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

### **Very low to moderate income households**

**Very low to moderate income households** are those households whose gross incomes fall within the following ranges of percentages of the median household income for Greater Sydney – Greater Capital City Statistical Area 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% to 120%.

## 2. Affordable housing contributions

This Section describes how an affordable housing contribution may be satisfied, the equivalent monetary contribution amounts for the rates in the LEPs, how the contribution will be applied in the development application process and how it will be managed for the provision of affordable housing.

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### 2.1 Contribution rates

The Inner West Council LEP 2022 (IWCLEP2022) establishes the affordable housing contribution rate as it applies to land. The rate for Stage 1 of Bays West (White Bay Power Station and Metro) will be \$1,474/sqm for residential gross floor area.

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### 2.2 Calculating the contribution

Before commencing the development feasibility analysis, it is necessary to 'monetise' the cost of Affordable Housing into a dollar value. This allows the contributions to be 'included' in testing financial implications for development.

The following two-step process describes the 'monetisation' of Affordable Housing contributions.

1. Estimate the baseline cost of purchasing a strata-titled dwelling in the Pymont postcode (2009). This is considered to be a close proxy for residential prices that could be achieved in the Bays West Precinct.
2. Convert the estimated baseline cost into various contribution (%) rates. This establishes a dollar value of contributions.

#### 2.2.1 Baseline Cost of Affordable Housing

A base cost for delivering Affordable Housing can be inferred from the market value of a completed strata dwelling in any given particular area. This base cost effectively represents the cost which would be incurred to purchase a strata-titled dwelling in the private market for the purposes of use as Affordable Housing.

The median sale price for strata dwellings in the Rozelle postcode is a useful proxy for this base cost. In December 2021, the median strata dwelling price in the Rozelle postcode was \$1,670,000 (as per the NSW Department of Communities and Justice Sales and Rents Report).

For the purposes of this Study, an average unit size of 85sqm is assumed and a generic cost of procuring an Affordable Housing dwelling (strata) is calculated as follows:

= Median Strata Price ÷ Average Strata Dwelling Size (GFA)

= \$1,670,000 ÷ 85sqm GFA

= \$19,647/sqm of GFA.



Based on the above steps the cost of Affordable Housing in the Rozelle postcode is calculated as \$19,647/sqm GFA based on the median strata dwelling price recorded in December 2021 and assumed average strata dwelling size.

Once a generic cost of Affordable Housing (on a \$/sqm GFA basis) is established, the percentage cost of Affordable Housing contributions can be calculated. At a percentage of 7.5%, the sqm rate is then realised as \$1,474/sqm Gross Floor Area.

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## 2.4 Development that may be exempt from making a contribution, or have a reduced contribution requirement

The LEP contains the provisions for where a contribution requirement will be applied to development.

The consent authority may consider a case for exempting development from the requirement for an affordable housing contribution if the development application is for one or more of the following (and no other development):

- where the cost of construction is less than \$100,000; or
- where affordable housing is being provided, in accordance with the Principles of this Program.

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## 2.5 Where a contribution has been previously paid

If an affordable housing contribution has already been made on existing total floor area, then a subsequent contribution is generally not required unless:

- it is being demolished and being replaced with floor space of the same or a different use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area; or
- for existing floor space, the previous contribution was for a non-residential purpose and the new total floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

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## 2.6 Refunds for demolition or changes in use

Local environmental plans require that the consent authority must not refund an affordable housing contribution to the applicant where there is a change in use or demolition of floor area.

The same applies where affordable housing dwellings are provided on site, in that the dwellings (as replaced) are to remain the property of the CHP.

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## 2.7 Conditions of Consent

A contribution requirement forms part of a development consent. In all instances the Department of Planning and Environment (DPE) or relevant delivery authority will require evidence that the condition of development consent relating to affordable housing has been satisfied prior to the granting of any construction certificate.

In circumstances where no construction certificate is required, evidence that the condition of development consent relating to affordable housing will be or has been met will be required by the DPE/Delivery Authority before commencement of use/occupation.

## 3. Administration and Implementation

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### 3.1 How to make a payment

Payment will be by unendorsed bank cheque to DPE/Delivery Authority prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is provided in the condition of consent.

If a development requires multiple construction certificates, DPE/Delivery Authority will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.

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### 3.2 Adjustment of equivalent monetary contribution amounts

Monetary contribution amounts are adjusted on an annual basis, being the first day of March, with reference to movements in the median strata dwelling price in the Inner West Council LGA as detailed in NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

The Rent and Sales Report is available on the NSW Government, Department of Communities and Justice website.

The formula for adjustment of the equivalent monetary contribution amount is:

$$\text{New Contribution Rate} = \text{Current Contribution Rate} \times (\text{MDP2}/\text{MDP1})$$

Where:

- **MDP1** is the median strata dwelling price used to establish the current contribution rate
- **MDP2** is the median strata dwelling price for the CURRENT period, being established in the most recently published Rent and Sales Report.

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### 3.3 Adjustment of a monetary contribution amount on a development consent

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2021 and the applicant does not wish to pay the contribution and develop the site until August 2024, the contribution amount will need to be adjusted to the period in which it is paid.

Monetary contributions are adjusted by the City and confirmed with the applicant prior to payment being made.

The formula for adjusting a contribution amount in a condition if consent is:

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{R2}/\text{R1})$$

Where:

- **R1** is the contribution rate that applied at the time of consent.
- **R2** is the contribution rate that applies at the time of payment.

The Base Contribution Amount is the amount obtained from the Notice of Determination of the development application.

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## 3.4 Use of contributions

Monetary contributions are to be given to Recommended CHPs.

# 4 Recommended CHPs and Distribution Plan

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## 4.1 Process for establishing Recommended CHPs and Distribution Plan

Prior to the commencement of new development within Bays West that is subject to this Program, all Tier 1 and Tier 2 CHPs who operate in Inner West Council will be invited, via an Expression of Interest process, to make an application to be identified as a Recommended CHP for an initial 10 year period.

The following assessment criteria and considerations will be applied to applications:

- eligibility of the CHP;
- financial position of the CHP, as evidenced by a financial health check prepared by an appropriately qualified professional;
- current owned housing stock, current housing stock being managed on behalf of a third party and relevant partnerships;
- membership of the Board;
- track record of procuring development sites, undertaking development activity, managing social and/or affordable housing;
- demonstrated commitment to achieve realistic affordable housing targeted outcomes, as evidenced by a detailed business plan showing how funds received from contributions would build upon their track record;
- demonstrated commitment to increasing the amount of affordable housing for Aboriginal and Torres Strait Islander households;
- demonstrated ability to source opportunities within a business framework that would be complemented by contributions from the Program i.e. evidence they will not be entirely reliant on contribution funds; and
- demonstrated understanding of the requirements of the Program.

Generally, only 1 CHP will be identified as the Recommended CHP in the first 10 year period. Applications by CHPs to be included as a Recommended CHP in this Affordable Housing Program outside of the review period will not be considered.

Prior to the commencement of development in Bays West, and once the Recommended CHP is appointed, the relevant Authority will agree a Distribution Plan of the allocation of funds for the first 10 year period and, if relevant, area or land for distribution/dedication.

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## 4.2 Monitoring and Review of Recommended CHPs and Distribution Plan

At the end of the first 10 year period, a review of the Recommended CHP and Distribution Plan will be undertaken. CHPs will be selected through the same EOI process outlined in **Section**

**3.5.** Once the Recommended CHPs are appointed, the Distribution Plan is to be reviewed, giving consideration to the following matters:

- patterns of contribution receipts.
- any submission made by any CHP already identified as a Recommended CHP.
- expected future contributions.
- current pipeline development projects.
- Identified opportunities to improve the operation of the Distribution Plan; and
- opportunities to increase the amount of affordable housing resulting from the Distribution Plan.



# Appendix A - Recommended Community Housing Provider(s)

# Appendix B - Background information and affordable housing needs analysis