



Glenmore Park and Orchard Hills North

Affordable Rental Housing Contributions Scheme

Penrith City Council

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Glossary of Terms

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| Affordable Housing | Housing for Very Low, Low and Moderate income households (as defined by State Environmental Planning Policy (Housing) 2021, Chapter 2 - Affordable Housing and the Environmental Planning and Assessment Act 1979). |
| Affordable Rental Housing | Affordable housing managed by a community housing provider and rented to Very Low, Low or Moderate income level households. |
| 'As Is' Value | The 'as is' value of land and/or property, also referred to as 'existing use' value, refers to the value of land and/or property in its current use notwithstanding its potential value in alternative uses. |
| Community Housing Provider | Community housing providers are registered under the National Regulatory System of Community Housing. In NSW, a community housing provider must be registered by the Registrar of Community Housing to receive assistance from the Department of Family and Community Services or NSW Land and Housing Corporation. |
| Contribution Rate | The contribution rate that is used in the calculation of the monetary contribution for a relevant development and is annually adjusted for indexation purposes. |
| Inclusionary Contribution | The base affordable housing contribution applicable. |
| In-kind Dedication | Dedication of a completed affordable rental housing dwelling on-site to a planning authority. |
| Gross Floor Area | <p>As defined in the Penrith Local Environmental Plan 2010, gross floor area means 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, measured at a height of 1.4 metres above the floor, and includes:</p> <ul style="list-style-type: none">(a) the area of a mezzanine, and(b) habitable rooms in a basement or an attic, 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:<ul style="list-style-type: none">(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(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. |
| Gross Realisation Value | The value of new housing stock upon completion of development. |
| Housing Affordability | The relationship between expenditure on housing cost (whether a mortgage payment or a rental payment) and household income. An accepted benchmark measure of housing affordability is where no more than 30% of gross household income is spent on housing costs. |

| | |
|----------------------------------|---|
| Inclusive Housing | Inclusive housing refers to housing that caters to a wide range of users, including households in housing stress, seniors, people with disabilities, students, key workers, and section of the broader residential market (e.g. First Home Buyers). |
| Inclusionary Zoning | A planning intervention which mandates a certain proportion of development be delivered (or included) as affordable housing dwellings as a condition of planning consent. |
| Land Dedication | Dedication of land on-site to a planning authority for the purposes of affordable housing. |
| Low Income Household | As defined under State Environmental Planning Policy (Housing) 2021, Chapter 2 - Affordable Housing, households with gross incomes between 50% and 80% of the median household income of the Sydney Statistical Division (i.e. Greater Sydney). |
| Moderate Income Household | As defined under State Environmental Planning Policy (Housing) 2021, Chapter 2 - Affordable Housing, households with gross incomes between 80% and 120% of the median household income of the Sydney Statistical Division (i.e. Greater Sydney). |
| Residual Land Value | The maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop the site, whilst achieving target hurdle rates for profit and project return. It is a commonly used valuation approach to assess the value of land as a hypothetical development and involves assessing the value of the completed product, making a deduction for development costs and further deduction for profit and risk, all while ensuring the development achieves the target project margin and return. Land value is a 'residual' that remains. |
| Specified Contribution | A specific affordable housing contribution rate applicable to certain areas within the Penrith LGA in addition to the inclusionary contribution. |
| Western City District | The Western City District as defined in the Greater Sydney Region Plan comprising the Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly LGAs. |
| Very Low-Income Household | As defined under State Environmental Planning Policy (Housing) 2021, Chapter 2 - Affordable Housing, households with gross incomes less than 50% of the median household income of the Sydney Statistical Division (i.e. Greater Sydney). |

Glossary of Abbreviations

| | |
|--------|---|
| ABS | Australian Bureau of Statistics |
| ANZSIC | Australia New Zealand Standard Industry Classification. The ANZSIC is hierarchical classification with four levels: Division (the broadest level), Subdivisions, Groups and Classes (the finest level). |
| PCC | Penrith City Council |
| CHP | Community Housing Provider |
| DCP | Development Control Plan |
| DPE | NSW Department of Planning and Environment |
| ERP | Estimated Resident Population |
| DCJ | Department of Communities and Justice |
| FSR | Floor Space Ratio |
| GFA | Gross Floor Area |
| GRV | Gross Realisation Value |
| GSC | Greater Sydney Commission |
| LEP | Local Environmental Plan |
| LGA | Local Government Area |
| LHS | Local Housing Strategy |
| LSPS | Local Strategic Planning Statement |
| NDA | Net Developable Area |
| RBA | Reserve Bank of Australia |
| RFB | Residential Flat Building |
| RLV | Residual Land Value |

1. Strategic Context and Background

1.1 Objectives of the Scheme

The purpose of the Penrith Affordable Rental Housing Contributions Scheme (the Scheme) is to provide for the collection of development contributions for the delivery of affordable rental housing in the Penrith LGA. This relates to several key policy objectives to:

- Identify existing and projected unmet need for affordable rental housing in the Penrith LGA.
- Provide for the delivery of affordable rental housing through the planning system, recognising its role as vital economic and social infrastructure.
- Capture increases in land value granted to individual landowners via the planning approvals process.
- Ensure that the Penrith LGA retains its affordability advantages and remains an attractive and inclusive location for a range of residents.

1.2 Where Does the Scheme Apply?

The Scheme applies to the areas shown in **Table 1.1**, referred to as 'Contribution Areas'.

Table 1.1: Areas to which the Scheme Applies

| Location | Area Status |
|-----------------------|-------------|
| Orchard Hills North | Greenfield |
| Glenmore Park Stage 2 | Greenfield |

The areas are depicted in **Figure 1.1** and **Figure 1.2**, both of which are subject to planning proposals which would permit additional residential development.

Figure 1.1: Orchard Hills North Contribution Area

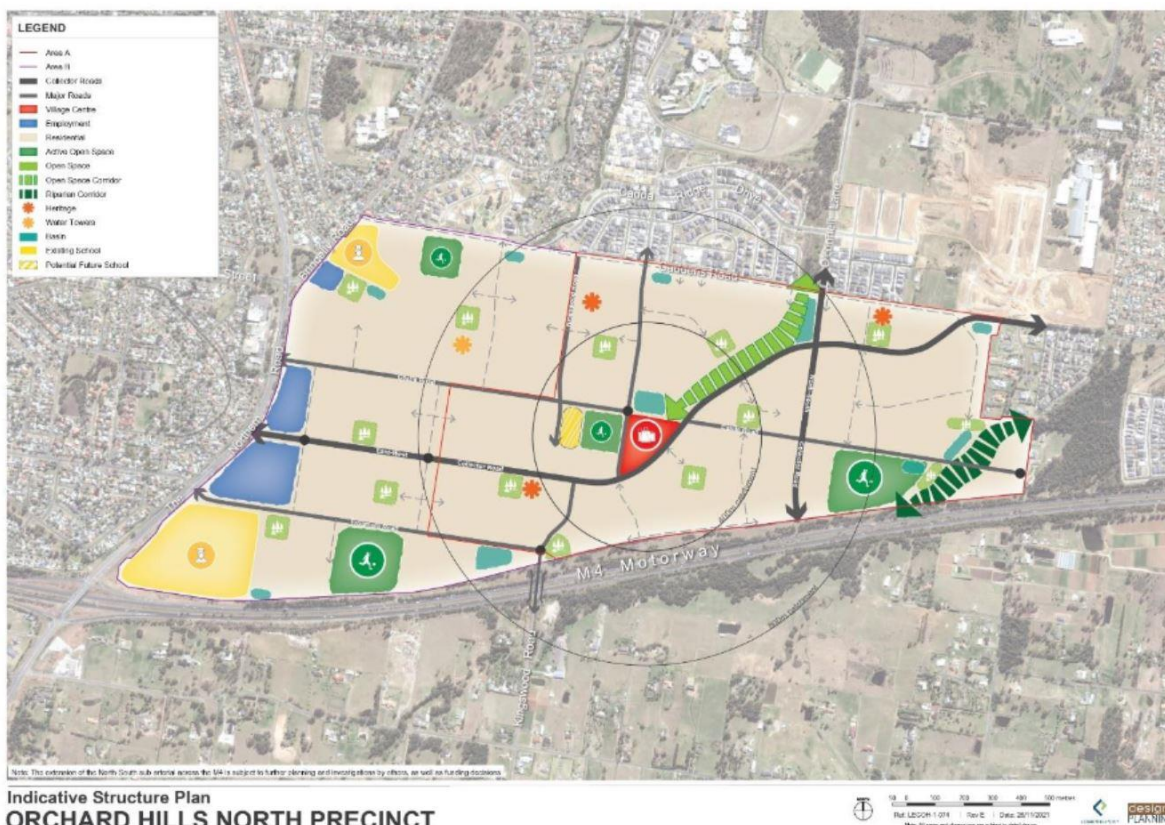


Figure 1.2: Glenmore Park (Stage 3) Contribution Area



Source: Penrith City Council

1.3 What Types of Development Does the Scheme Apply To?

The Scheme applies to all residential except:

- Developments which do not result in at least one additional dwelling being created.
- Exempt development.
- Secondary dwellings.
- Development solely for the purpose of social and/or affordable rental housing.
- Boarding houses.

All non-residential development is exempt from the Scheme.

1.4 Need for Affordable Rental Housing

The Evidence Base

The need for affordable rental housing in the Penrith LGA has been considered in both the:

- The draft Western Sydney Affordable Housing Contributions Scheme (SGS, 2021)
- The Penrith Local Housing Strategy (Ethos Urban, 2020).

This Scheme draws upon this evidence base and supplements with targeted research and analysis (refer to Schedule 1).

Overview

Housing affordability has risen as a central issue for both State and local government across much of Australia's east coast over the past two decades. Significant and sustained price growth in property values has outpaced wage rises, resulting in declining housing affordability and growing public debate around the need to improve accessibility to the housing market.

Sydney is at the forefront of Australia's housing affordability debate. Not only is Greater Sydney the least affordable capital city in Australia (ANZ/CoreLogic, 2021), it has been consistently ranked amongst top three most unaffordable cities globally and is now only outranked by Hong Kong in terms of unaffordability (Demographia, 2022).

The median dwelling price in Greater Sydney was some 10.1 times greater than the median household income in June 2021, compared to 6.6 times in June 2009. The number of years required for a typical household to save a 20% deposit on a median dwelling in Greater Sydney was recorded at 13.5 years in June 2021, up from 8.8 years in June 2009 (ANZ/ CoreLogic, 2021). For households earning *below* the median annual income, there is increasingly no alternative other than renting on a permanent basis.

The social cost associated with deteriorating housing affordability are significant. Households on very low, low and moderate incomes can be displaced from local areas, resulting in poor community diversity and social cohesion. Furthermore, displacement of 'key workers' can result in a reduced labour force of key workers essential to local economies.

Demand for Affordable Rental Housing

In 2016, there were some 2,411 and 5,726 low to moderate income households experiencing mortgage and rental stress respectively. In addition to these households, demand for affordable rental housing is driven by Penrith's other specialised groups who could equally require affordable rental housing, including:

- The 2,343 households across the Penrith LGA renting in social housing accommodation and the 1,973 households currently on the waiting list.
- The ~10,150 residents who require assistance with core activities due to a disability.
- The 2,218 individuals who were required some form of homelessness services in the Penrith area (2021).
- The ~12,250 students (non-school) residing in the Penrith LGA, including 6,900 university students.

The capacity of these various groups to enter the private housing market without entering high levels of housing stress are limited. Analysis suggests that very low and low income households would be unable to afford renting most forms of private housing accommodation without entering housing stress.

Analysis (SGS, 2021) suggests that approx 17.4% of Penrith residents were in housing stress in 2016, with 18.3% projected to be in housing stress by 2041.

Existing Supply of Affordable Housing

As at March 2022, the Penrith LGA comprised a total 3,286 social and affordable housing properties. In addition to this social and affordable housing stock, there are around ~500 additional dwellings/rooms located throughout Penrith which provide accommodation for other specialist groups. These are summarised below.

- **Social Housing**
As at March 2022, a total of 2,908 social housing dwellings were identified in the Penrith LGA. There are primarily managed by the Department of Communities and Justice.
- **Affordable Rental Housing**
As at March 2022, a total of 378 affordable rental housing dwellings with these managed by various CHPs.
- **Boarding Houses**
As at March 2022, a total of 16 registered boarding houses within the Penrith LGA with a total of 282 rooms were identified (Atlas Economics; NSW Fair Trading 2022).
- **Special Needs Housing**
At December 2021, a total of 217 Specialist Disability Accommodation within the Nepean Blue Mountains region (NDIS, 2021).

Schedule 1 (The Evidence Base) provides a more detailed analysis of the need for affordable rental housing in the Penrith LGA.

1.5 Legislative Basis for Affordable Housing Contributions

Section 7.32 of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of development contributions for the purpose of affordable rental housing provision by NSW councils. This can occur where a need is identified within a planning instrument and where:

- The consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable rental housing within the area, or
- The consent authority is satisfied that the proposed development will create a need for affordable rental housing within the area, or
- The proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- The regulations provide for this section to apply to the application.

As of February 2019, all NSW councils where these requirements 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 Penrith LGA, 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 Penrith LGA.

1.6 Relationship to Other Affordable Housing Provisions in the LGA

State Environmental Planning Policy (Housing) 2021

Where an applicant seeks to utilise bonus provisions for affordable housing provided in the State Environmental Planning Policy (Housing) 2021, this contributions plan does not apply.

Draft Western Sydney Affordable Housing Strategy

The draft Western Sydney Affordable Housing Strategy establishes a strategic direction for the provision of affordable housing within the Western City District, providing a broader policy vision and set of policy objectives relating to affordable housing. This includes the Penrith LGA.

Penrith Local Strategic Planning Statement 2040

Increasing the supply of affordable rental housing is a key objective under Planning Priority 4 (Improve the affordability of housing) of the Penrith Local Strategic Planning Statement 2040 (LSPS 2040).

A key action under Planning Priority 4 is to develop and Affordable Housing Policy in the immediate term.

Penrith Local Housing Strategy (2019)

The Penrith Local Housing Strategy (LHS) identified a need for additional affordable housing supply across the Penrith LGA. Several key recommendations were provided in the LHS, including:

- Explore the establishment of a broad-based scheme for affordable housing delivery that includes a combination of mechanisms including affordable housing contributions and incentive mechanisms so there is flexibility for the housing industry to deliver or make financial contributions towards affordable housing in Penrith.
- Investigate broad-based funding options that recognise the delivery of market-priced housing creates a need for targeted affordable housing provision to ensure all residents have the ability to access housing.

- Focus specific measures for the delivery of affordable housing on locations that maximise access to jobs, health and education, and that affordable housing is ‘tenure blind’ and meets the same amenity standards as market housing.
- Investigate the inclusion of affordable housing targets, inclusionary zoning, development incentives and affordable housing funding schemes in identified Housing Diversity Precincts, particularly locations likely to benefit from new public transport infrastructure.
- Balance plans for the renewal of precincts with growth potential with the retention of existing affordable housing stock to maintain a market-driven supply of affordable housing.

Sustainability Blueprint for Urban Release Areas (2005)

The Sustainability Blueprint for Urban Release Areas (the Blueprint) applies to the residential release areas in the Penrith LGA. Under Principle 3 of the Blueprint, social infrastructure requirements for new development are identified.

Affordable housing is specifically identified as an item of social infrastructure which should be incorporated into the development of new residential release areas. Specifically, the Blueprint identifies:

- At least 3% of residential allotments should be provided for the purpose of affordable housing.
- Alternatively, an appropriate monetary contribution can be provided for delivery of affordable housing elsewhere in the City of Penrith. However, on-site provision is encouraged and preferred.

1.7 Affordable Rental Housing Principles

Consistent with the principles for affordable rental housing provided in the State Environmental Planning Policy (Housing) 2021, the principles for affordable rental housing in the Penrith LGA are:

- Affordable rental housing is to be created and managed in Penrith so that a socially diverse residential population representative of all income groups is developed and maintained across the Penrith LGA.
- Affordable rental housing is to be made available to Very Low, Low or Moderate income households, as per the following percentage ranges of median household income. These are based on the current median income for the Sydney Statistical Division 4, as calculated by the Australian Bureau of Statistics (ABS) (see **Table 1.2**).

Table 1.2: Classification of Household Income Levels

| Income Band | Percentage of Median Household Income | Annual Household Income (Sydney) 2020-2021 |
|-------------|---------------------------------------|--|
| Very Low | <50% median | <\$49,300 |
| Low | 50%-80% median | <\$78,900 |
| Moderate | 80%-120% median | <\$118,300 |

Source: DCJ (2022)

- Affordable rental housing is to be rented to these households at rates no greater than 30% of their household income.
- Contributions made via the dedication of land is to be used for the purpose of affordable housing provision.
- Dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable housing.
- Rental income from affordable housing received by or on behalf of Council, after deduction of normal landlord’s expenses (including management and maintenance costs and all rates and taxes payable in connection with the dwellings), must be used for the purpose of improving or replacing affordable housing or for providing additional affordable housing in the Penrith LGA.
- Affordable rental housing is to consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the vicinity.

2. Affordable Housing Contributions

2.1 Contribution Rates

Affordable housing contribution rates provided in the Scheme are in addition to other contributions across the LGA, including local infrastructure contributions (s7.11 or s7.12), state and regional infrastructure contributions.

As a condition of development consent, all eligible development in the Contribution Areas must contribute to affordable housing according to the rates provided in the Scheme. Other conditions of consent are provided in section 2.6.

Two contribution rates are to apply in the Contribution Areas:

- Inclusionary contribution rates, which are the 'base' contribution rates applicable.
- Specified contribution rates, which apply in addition to the inclusionary contribution rates in specific areas of the Penrith LGA.

Inclusionary Contribution Rates

The following contribution rates apply in the Contributions Areas:

Table 2.1: Inclusionary Contribution Rates

| Year of Commencement | Percentage of Eligible Floor Area | Equivalent Contribution per ha NDA* |
|----------------------|-----------------------------------|-------------------------------------|
| 2024 | 1% | \$75,967 |
| 2027 | 2% | \$151,933 |

Source: SGS/Savills (2021)

*Affordable housing contribution rate subject to change and dependent on final Development Contribution Plan.

Specified Contribution Rates

The following contribution rates are specified to apply in the Contribution Areas in addition to the inclusionary contributions:

Table 2.2: Specified Contribution Rates

| Area | Year of Commencement | Contribution per ha NDA | Equivalent Contribution Rate |
|-------------------------|----------------------|-------------------------|------------------------------|
| Orchard Hills North | 2024 | - | - |
| Glenmore Park (Stage 3) | 2024 | \$151,933 | 2% |

Source: Atlas Economics

2.2 Dedication of Dwellings

Where a contribution is to be made in-kind as dwellings for the purpose of affordable housing, the contribution amount is calculated as a percentage of GFA (where available), according to rates provided in section 2.1 of the Scheme.

Calculation:

Orchard Hills North (1% x total dwellings or GFA), Glenmore Park Stage 3 (3% x total dwellings or GFA)*

*Total dwelling numbers are to be finalised on the gazettal of Planning Proposals.

- Where contributions are to be made in-kind via dedication of dwellings, the following conditions must also be satisfied:
- Dwellings must align with the affordable housing principles provided in section 1.7.
- Completed dwellings are dedicated to Council in perpetuity and free of cost.
- Total GFA exceeds 75 square metres.
- Dwellings should be dispersed across multiple floors of the same development.

- Where only part of a contribution is satisfied through dedication of completed dwellings, any remaining requirement is to be paid as a monetary contribution.

2.3 Equivalent Monetary Contributions

Where a monetary contribution is to be made, the contribution amount will be calculated as a percentage of GRV, according to rates provided in **Table 2.3**.

This percentage of floorspace will then be valued according to the market value of the type of floorspace developed, expressed as GRV per ha NDA.

Calculation:

$$(\% \text{ of contributions required}) \times (\text{GRV per ha NDA})$$

Table 2.3: Gross Realisation Value Rates

| Location | GRV per ha NDA (2021) |
|-------------------------|-----------------------|
| Orchard Hills North | \$7,596,658 |
| Glenmore Park (Stage 3) | \$7,596,658 |

Source: SGS/Savills (2021)

2.4 Dedication of Land

Where a contribution is to be made in-kind as land dedicated for the purpose of affordable housing, the equivalised monetary value of the contributions should first be calculated as per section 2.3. This monetary value should then be multiplied by the market value of land on the site, expressed as RLV per square metre.

Where a dedication of land is to be made, an independent valuation must be undertaken to the satisfaction of Council to determine the market value of that land. This will be provided to the applicant prior to the indexing of contribution rates.

Calculation:

$$[(\% \text{ of contributions required}) \times (\text{GRV per ha NDA})] / (\text{RLV per ha NDA})$$

Where contributions are to be made in-kind via dedication of land, the following conditions must also be satisfied:

- Must have a minimum area of 800 square metres.
- Must be within 400m walking distance of a bus stop or 800m walking distance of a train station.
- Must not be contaminated or require remediation.
- Must not be subject to flood constraints.
- Where only part of a contribution is satisfied through dedication of completed dwellings, any remaining requirement is to be paid as a monetary contribution.

Council may require that contributions be made in-kind as dwellings or as an equivalent monetary contribution where a contribution via dedication of land is not deemed appropriate.

2.5 Exemptions and Exclusions from this Scheme

Detailed in section 0 of this Scheme.

2.6 Conditions of Consent for Affordable Rental Housing

Council will levy developer contributions for affordable housing via conditions of consent. These conditions will require that the following be provided:

- The total number of dwellings in the development on which an affordable housing contribution is applicable to.
- The relevant contribution rates.
- Satisfactory evidence that any monetary payment payable will be paid upon issuing of a construction certificate.
- Satisfactory evidence that the title of any in-kind contributions for affordable rental housing will be transferred to Council or a registered CHP prior to the granting of a construction certificate.
- Approved plans which show where in-kind contributions will be provided (within the same development application).
- An independent valuation of any land to be dedicated as an affordable housing contribution.

3. Administration and Implementation

3.1 How to Make a Contribution

All land to which the Scheme applies to is required to provide contributions for affordable rental housing as a condition of development consent. A monetary contribution required to be made under the Scheme is to be paid at the time specified in the condition. This will generally be as follows:

- For development where no further approvals are required, before the consent is issued.
- For development which involves subdivision, prior to the release of the subdivision certificate.
- For development not involving subdivision, but which requires a construction certificate, the contribution must be paid prior to the release of the construction certificate. Where a development requires multiple construction certificates, Council will require payment prior to the release of the first construction certificate that relates to the development consent on which contributions were levied.
- For works authorised under a complying development certificate, the contributions are to be paid prior to any work authorised by the certificate commences, as required by clause 136L of the EP&A Regulation.

The contributions will need to be updated at the time of payment to the most recent indexed values, in accordance with the indexation formulas set out in section 3.2.

Contributions can be made as a monetary contribution or in-kind as land or dwellings for the purpose of affordable rental housing. Each type of contribution should be made as follows:

Monetary Contributions

Where a monetary contribution toward affordable housing is being made, the amount of the contribution will be specified in the conditions of development consent.

If the applicant is unable to make this payment at the issue of a construction certificate or complying development certificate, Council must be provided with evidence to this effect. In such cases, a deferred payment can be arranged via a bank guarantee where:

- The guarantee is by an Australian bank for the total or outstanding contribution amount plus interest.
- The guarantee requires the bank to unconditionally pay the guaranteed sum to the Council at the time specified in the agreement.
- The applicant will be required to pay all costs incurred in the establishment, operation, administration or discharge of the bank guarantee.
- The bank's obligations are discharged when payment to the Council is made in accordance with the guarantee, or when the Council notifies the bank in writing that the guarantee is no longer required, or if the related consent lapses.

However, the decision to accept a deferred payment is at the sole discretion of the Council.

Dedication of Dwellings

Where a contribution is proposed to be made through the dedication of dwellings provided on site, the applicant must transfer the titles of the dwellings to Council. An agreement to transfer the titles must be made and evidence of this provided to Council prior to the granting of a construction certificate.

Council must also be satisfied that the nominated dwellings meet the conditions stated in section 2.2 of the Scheme.

The affordable housing contribution will be satisfied when the title is transferred to Council prior to issue of an occupancy certificate.

Dedication of Land

Where the contribution is proposed to be satisfied through the dedication of land, Council will ensure the proposed land satisfies the conditions stated in section 2.4 of the Scheme. Council may require that contributions be made in-kind as dwellings or as an equivalent monetary contribution where a contribution via dedication of land is not deemed appropriate.

3.2 Indexing of Payments

Rates included in this plan have been derived from the viability assessment (see Schedule 2 of the Scheme). This assessment should be updated prior to the implementation of new contribution rates in 2024 to account for changes in market conditions and costs of development.

Monetary Contributions

In the case of monetary contributions, the contribution amount will be based on the gross realisation value (GRV) per square metre or ha for that location. Initial GRV per square metre/ ha rates are provided in Schedule 3 of the Scheme.

These should be adjusted annually by Council, within one week of the first of July. Rates will be adjusted according to movement in the median price of dwellings in the LGA. This is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price - Greater Metropolitan Region - Strata.

Calculation:

$$(\text{new GRV per sqm/ ha}) = (\text{initial GRV per sqm/ ha}) \times (\text{updated median price} / \text{former median price})$$

All monetary contributions should be indexed at the time of payment to ensure that they are reflective of these adjustments.

Dedication of Land

Where a land dedication is proposed, its value will be determined by the residual land value (RLV) per square metre on the proposed site. This rate will be set according to an independent valuation satisfactory to Council to determine the market value of the land, as set out in section 2.4 of the Scheme.

3.3 Distribution and Management of Funds

Collection of affordable housing contributions is under the jurisdiction of Council. Distribution and management of funds will be undertaken solely by Council.

Alternatively, Council could partner with other local governments with the objective of gaining economies of scale in the delivery of affordable rental housing through the 'pooling' of contributions in the Western City District and Blacktown LGA.

Councils within the arrangement would transfer all monetary contributions gained through the Scheme to the management of a 'lead council'. The lead council would be responsible for pooling of these contributions and subsequent transfer of ownership to the appointed CHP (see section 3.4) as per an agreement under the Local Government Act 1993 (NSW).

The councils participating in the joint distribution and management of funds would be:

- Blacktown City Council
- Blue Mountains City Council
- Camden Council
- Campbelltown City Council
- Fairfield City Council
- Hawkesbury City Council
- Liverpool City Council
- Penrith City Council
- Wollondilly Shire Council.

Monetary Contributions

In the case of monetary contributions, these will be placed under the management of the lead council immediately following their collection. Each individual council will retain ownership of these contributions until they are transferred to the appointed CHP, as per a governance arrangement set up by an agreement with the lead council.

Dedication of Dwellings

Dwellings gained for the purpose of affordable housing via the Scheme will be transferred to the ownership of the appointed CHP.

Dedication of Land

In the case of in-kind contributions of land, the land title will be transferred to the appointed CHP for the purpose of affordable housing on a case-by-case basis.

3.4 Registered Community Housing Providers and Delivery Program

Councils within the partnership arrangement will collectively appoint a CHP as to take ownership of contributions accrued via their respective schemes. The contract for this appointment will last for a term of five years, after which a new tender will be issued for the next term.

The appointed CHP will take full ownership and management responsibilities for any monetary or in-kind affordable housing contributions gained during their term. Affordable housing contributions transferred to the appointed CBD will be done so on the condition that all will be retained for the purpose of affordable housing in perpetuity.

Councils within the arrangement will also provide a delivery program that outlines how funds raised or property assets provided under the Scheme will be used and requirements for reporting and transparency. This will clearly delineate the responsibilities of the appointed CHP and will aim to ensure that each council is apportioned a share of the funds equal to their individual contribution over the course of a 15-year period. Council may provide direction on the CHP's procurement in relation to target demographics or locations for affordable housing.

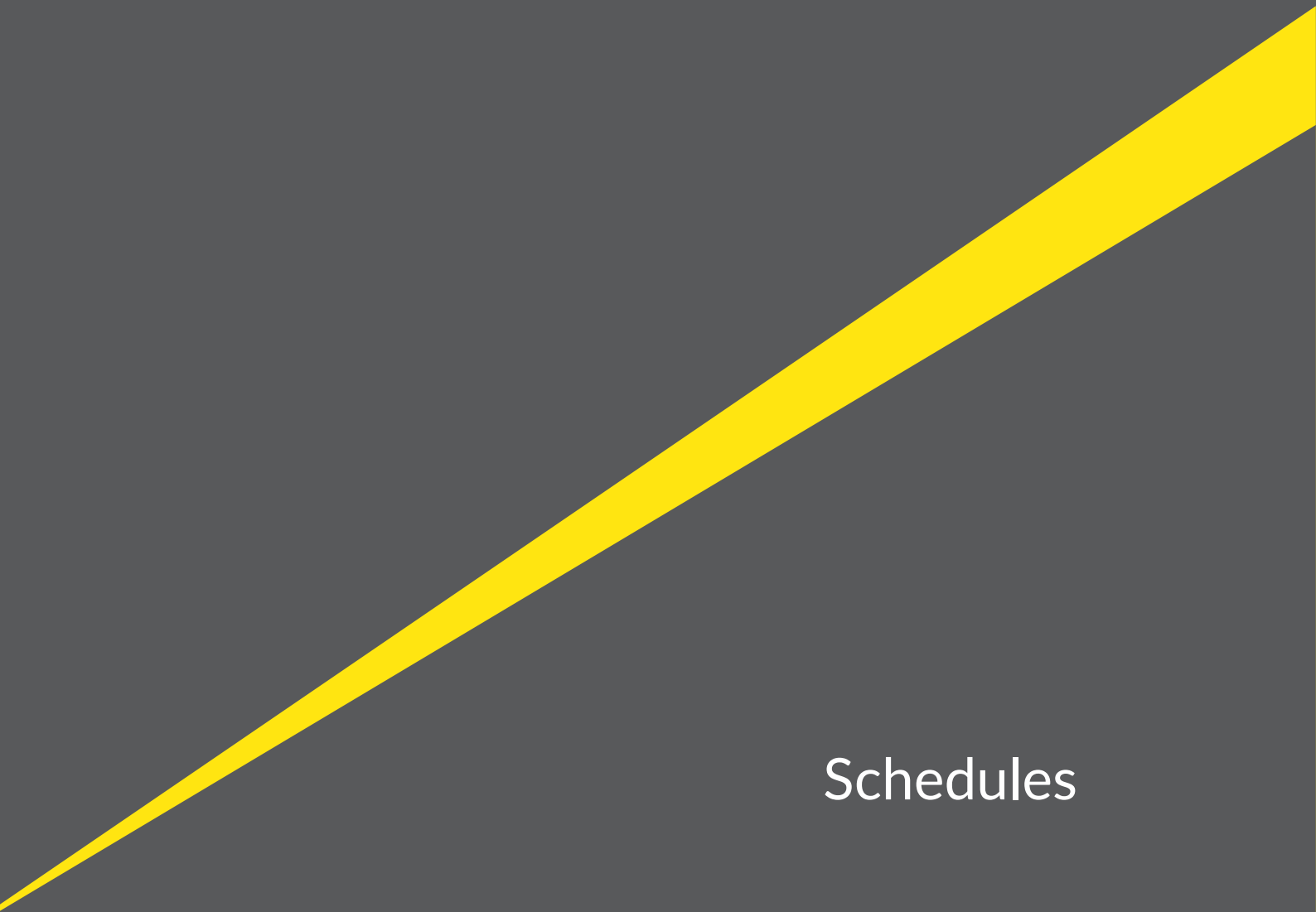
3.5 Monitoring and Review of the Scheme

The Scheme will be reviewed collectively by the councils within the partnership arrangement on a yearly basis. Key considerations will include:

- Performance of the Scheme and appointed CHP in relation to the delivery program. This will consider the number, size, quality and location of dwellings provided. It will also consider whether progress has been made in ensuring that new dwellings are provided across the partnership area to reflect the individual contribution of each council.
- Whether affordable dwellings provided through the Scheme are rented to Very Low, Low and Moderate income households at a per cent of gross household income or at a discount-to market rent.
- Whether all funds gained through the Scheme are utilised for the purpose of improving, replacing, maintaining or providing additional affordable rental housing within the partnership area.
- Maintenance and management issues.
- Social capital objectives – community building and connectedness.
- Access to and use of support services by tenants.
- Internal management issues for councils within the partnership arrangement.
- Tenant satisfaction.

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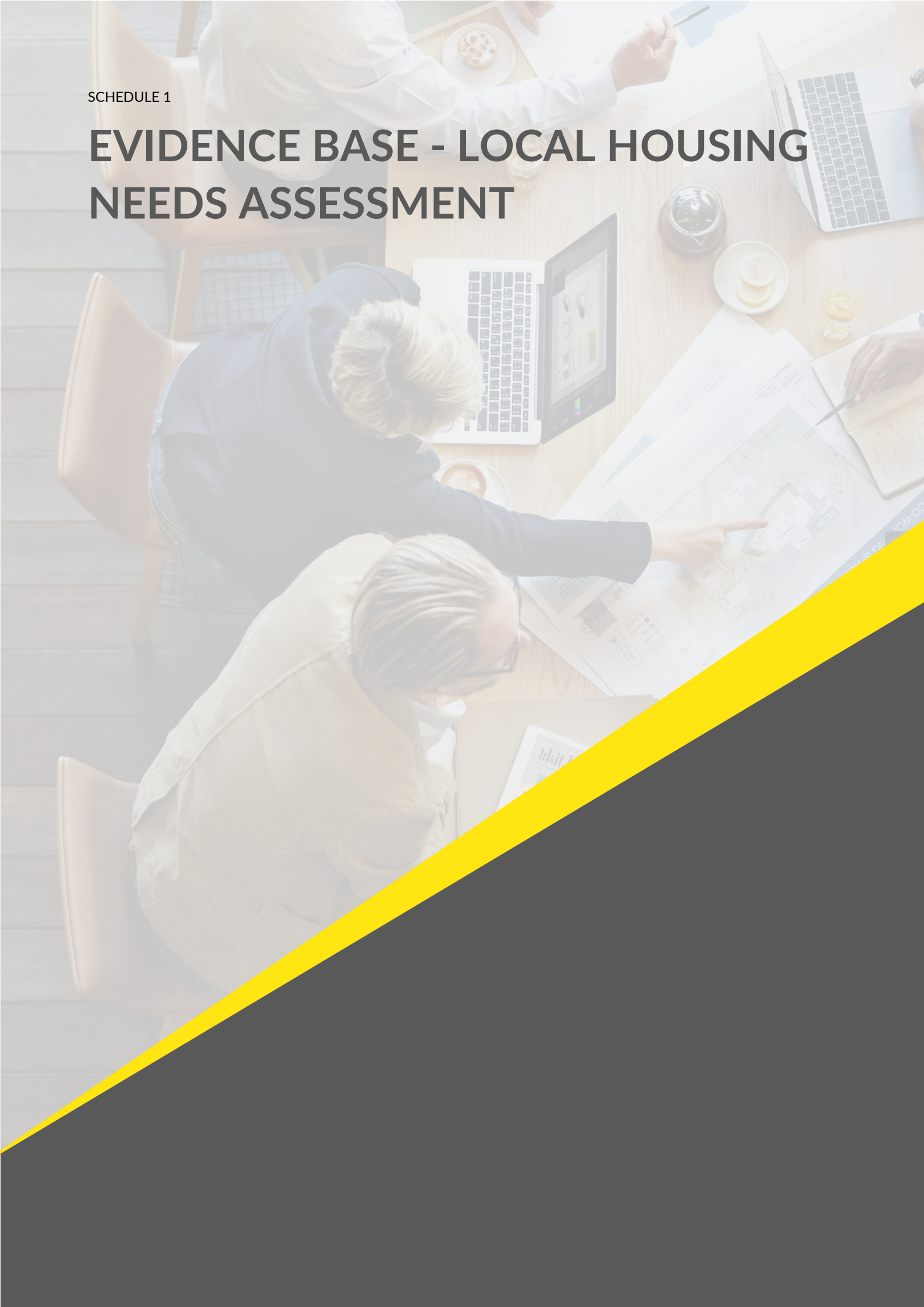
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Schedules

SCHEDULE 1

EVIDENCE BASE - LOCAL HOUSING NEEDS ASSESSMENT



The draft Western Sydney Affordable Housing Contributions Scheme (draft WSAHCS) included a Local Housing Needs Assessment to support the case for affordable rental housing across Western City District, including the Penrith LGA.

The WSAHCS evidence base was carried out at a regional level. To complement the case for affordable rental housing provision in the Penrith LGA, the local housing needs assessment has been supplemented with additional data and analysis at the local Penrith LGA level.

Demographic Analysis

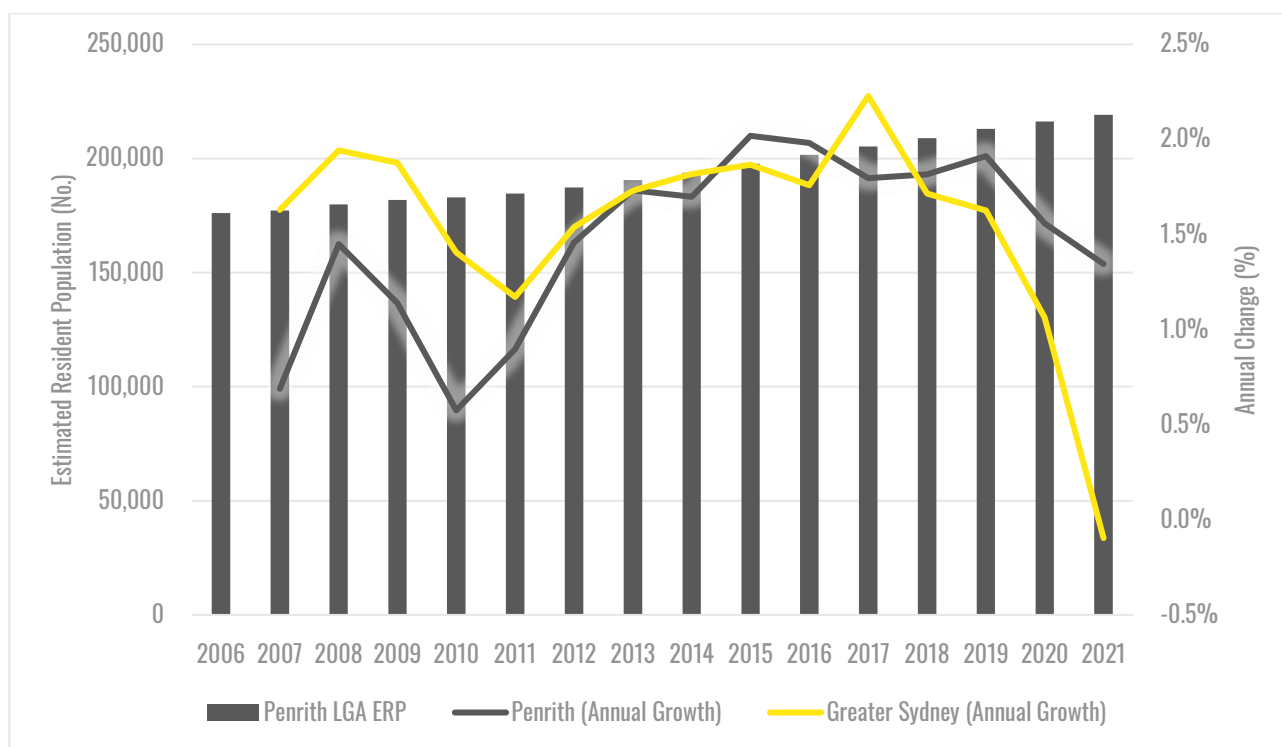
Population Size and Growth

The Penrith LGA recorded a population of 219,173 in 2021 (ABS, 2022). Population growth over the past decade has slowed averaging 1.7% per annum, with Penrith’s population growth outpacing Greater Sydney for much of the past 6-years.

The majority of this population growth has been focused in Penrith release areas such as Jordan Springs, Glenmore Park and Claremont Meadows where new low-density housing has been developed, along with Penrith’s key centres such as Penrith, Kingswood and St Marys where high-density development has begun to emerge.

Figure S1.1 illustrates historical population growth in the Penrith LGA over 2006-2021 compared to Greater Sydney.

Figure S1.1: Historical Population Growth (2006-2021), Penrith LGA



Source: ABS (2022), compiled by .id

Age Characteristics

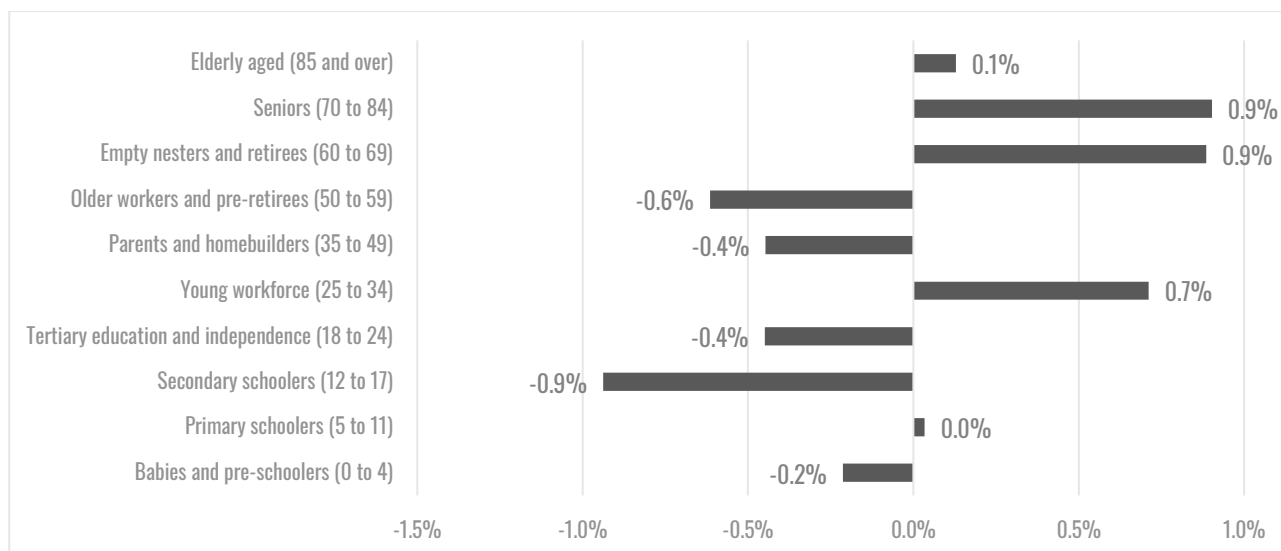
The age composition of Penrith’s residents is changing. Young workers (aged 25-34) were the strongest growing age cohort between 2011-2016 with an additional ~4,000 residents recorded in this period. This was closely followed by residents aged between 60-69 years old, with an additional ~3,300 residents in this cohort recorded.

Overall, the number of older residents (60 years and older) grew markedly in comparison to the rest of working population. The number of residents aged 60 years and over grew by ~6,400 over 2011-2016, whereas the number of residents aged between 18-59 years old grew by ~8,800.

On a percentage basis, residents aged between 60-69 years old and 70-84 years old recorded the largest rises (0.9% respectively), closely followed by younger residents (25-34 years old) who grew by 0.7%.

Figure S1.2 illustrates the changes in age structure of Penrith’s residents between 2011 and 2016.

Figure S1. 2: Age Characteristic Trends (2011-2016), Penrith LGA



Source: ABS (2017, 2012), compiled by .id

Household and Family Composition

The household and family composition of Penrith evolved over the decade to 2016 as a result of demographic and social changes. Key changes observed over the past decade include:

- The average household size slightly declined from 2.87 persons per household in 2006 to 2.86 persons in 2016.
- Couples with children make up 37% of total households, growing by some ~1,300 households since 2006.
- Couples without children households make up approximately 22% of total households, with the number of these households rising by ~2,100 in the decade to 2016.
- Single parent family households account for 14% of total households, growing by ~1,250 households since 2006.
- Lone person households account for 18% of total households following growth of ~1,650 households from 2006.

Household Income

Income is a key indicator of socio-economic status. As at 2016, Penrith LGA residents recorded a median household income of \$1,658 per week – slightly lower than the Greater Sydney median of \$1,745 per week. Median household incomes of residents in Penrith increased by circa 3.5% per annum over the five years to 2016.

Affordable housing is provided for households on Very Low, Low and Moderate incomes. These are defined as:

- **Very Low:** households with incomes less than 50% of the Greater Sydney median household income.
- **Low:** households with incomes between 50% and 80% of the Greater Sydney median household income.
- **Moderate:** households with incomes between 80% and 120% of the Greater Sydney median household income.

Based on the 2016 median household income in Greater Sydney (\$91,000), the following observations can be made on households in the Penrith LGA:

- Around 12,700 households recorded annual household incomes of \$42,000 or less. This income bracket broadly equates to the definition of Very Low incomes.
- Around 13,500 households recorded annual household incomes of between \$42,000 and \$78,000. This income bracket broadly aligns with the definition of Low Incomes.
- Some 8,400 households recorded annual household incomes of between \$78,000 and \$104,000. This income bracket broadly aligns with the definition of Moderate Incomes.

Based on the above analysis, there were some 34,600 households across the Penrith LGA earning Very Low, Low and Moderate incomes as at 2016.

Household Tenure

Household tenure is another useful proxy to understand the socio-economic profile of a region/ LGA. For example, if renters are the predominant occupier, this could indicate a younger and transient demographic whereas a higher concentration of homeowners indicates an established area with mature families/ empty nesters.

As an established LGA with an historically high proportion of older residents, it is not surprising that just over 63% of households in the Penrith LGA have purchased their family home (either outright or with a mortgage). Approximately 24% of households are renting in the private market, with around 4.4% of households renting through social housing.

The proportion of homeowners in Penrith is being outpaced by those renting. Between 2011 and 2016, the proportion of homeowners fell from 68% to 63%, whilst the proportion of households in the rental market had grown from 26% to almost 29%. This aligns with a broader trend observed across Greater Sydney, as homeownership becomes increasingly difficult given marked increases in housing values.

Dwelling Profile

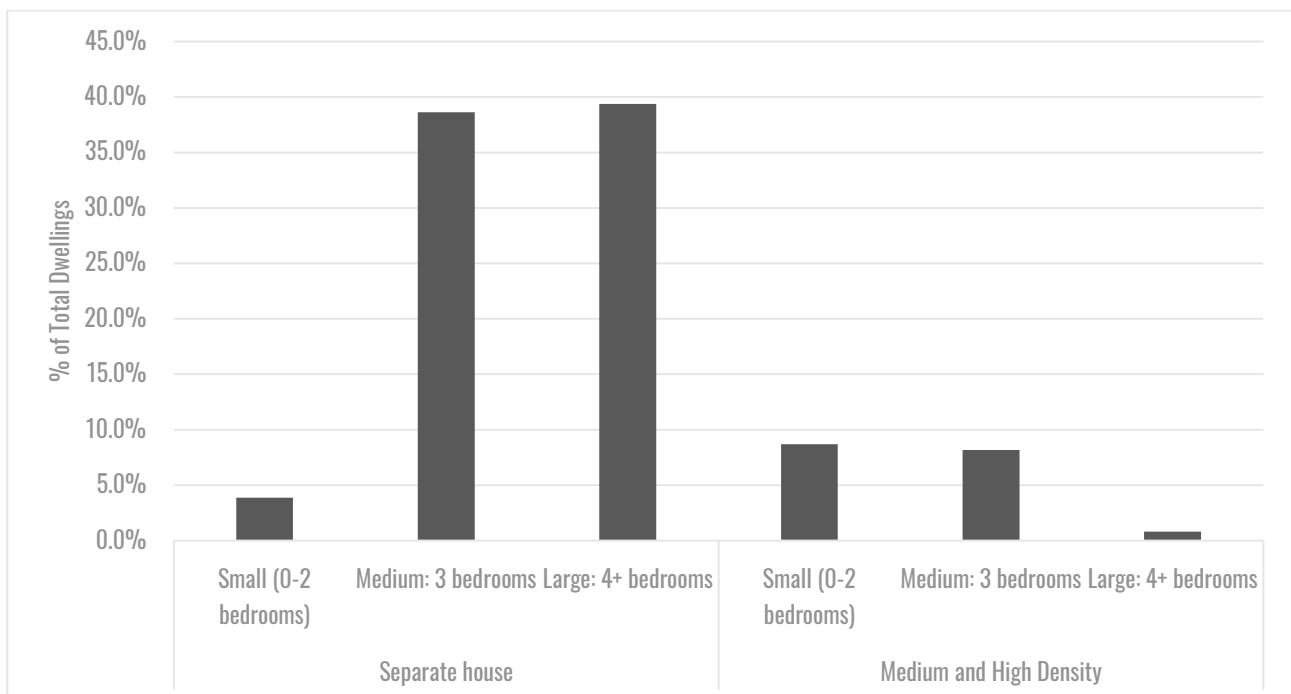
The need and preference for dwellings changes as families grow and change. The evolving needs of households correlates directly with dwelling supply and need.

As a traditionally low-density area, Penrith is characterised by detached housing which accounted for 80% of total dwelling stock in 2016. Medium-density typologies accounted for just over 15% of total stock, whereas apartments and other dwelling types accounted for the remaining 5%. This has no doubt shifted over the past 5-6 years as medium and higher-density development have become more prevalent across the LGA.

Aligning with the high proportion of detached dwelling stock, the overwhelming majority of housing across the Penrith LGA comprised 3-bedrooms or more as at 2016 (circa 81%). Smaller typologies (2-bedrooms or less) accounted for just 12% of total stock. This contrasts with the large number of lone person and couple families without children across the LGA, potentially indicating a mismatch between household type and dwelling stock.

Figure S1.3 illustrates the Penrith LGAs housing stock by typology and size as at 2016.

Figure S1.3: Dwelling by Type and Size (2016), Penrith LGA



Source: ABS (2017)

Demand for Affordable Rental Housing

Residents in Social Housing

Existing Residents

Data on households renting social housing accommodation in the Penrith LGA has been provided by the Department of Justice and Communities (DCJ). As at March 2022, there were a total of 2,812 households renting social housing within the Penrith LGA. The DCJ directly manage the properties of 2,434 of these households.

Key socio-demographic attributes (as at March 2022) of these 2,434 households managed by DCJ include:

- The total tenant population recorded for these 2,434 households is 4,784 residents, reflecting an average household size of 1.97 residents per household. This is significantly lower than the average household size recorded for the broader Penrith LGA in 2016 (2.86 persons per household).
- The average age of the lead tenant was 57 years old.
- Around 32% of households (784 households) have a tenant aged 65 years and older.
- Around 1,378 households (57%) would be eligible for seniors housing given the lead tenant is aged 55 years and over.
- Around 20% of households (584 households) comprise children aged under 18 years old.
- Almost half of all households are lone person households with only 10% (301 households) being large households (4 persons or more).
- The average tenure was recorded as 12 years with 22% of households (543 households) have been renting their property for 20 years or more.
- Only 12% (298 households) have resided within their property for less than 12 months.,

These demographic findings are illustrative of an older, less mobile resident population which occupy social housing across the Penrith LGA. Given the majority of households are lone person households and/or aged over 55 years and over, understanding how existing social housing stock matches the existing and future needs of this population will be critical.

Waiting Times

Discussions with DCJ indicate there is a significant waiting list for social housing across Penrith; the current number of households waiting for social housing within the LGA was approximately 1,973 households as at March 2022. Approximately 10% of these households in waiting are defined as priority applicants¹.

The average waiting time for social housing in the Penrith LGA is 5 to 10 years. This applies to all property types and sizes. These waiting times are generally in line with that observed across other parts of Western Sydney.

A comparison of waiting times (as at June 2021) in various regions of Greater Sydney is provided in **Table S1.1**.

Table S1.1: Average Social Housing Wait Times, Select Areas of Greater Sydney

| Allocation Zone | Waiting Time (Years) | | | |
|------------------------|----------------------|------------|------------|-------------|
| | Studio/1 Bedroom | 2 Bedrooms | 3 Bedrooms | 4+ Bedrooms |
| Inner City | 5-10 | 10+ | 5-10 | 10+ |
| Eastern Suburbs | 5-10 | 10+ | 10+ | 10+ |
| Leichardt/Marrickville | 5-10 | 10+ | 10+ | 10+ |
| Northern Suburbs | 5-10 | 10+ | 5-10 | 10+ |
| Northern Beaches | 5-10 | 5-10 | 5-10 | 5-10 |
| Canterbury | 10+ | 10+ | 10+ | 10+ |
| Inner West | 10+ | 10+ | 10+ | 10+ |

¹ Priority applicants are defined as those with an urgent and ongoing housing need with a locational requirement to live within a certain area.

| Allocation Zone | Waiting Time (Years) | | | |
|---------------------------|----------------------|-------------|------------|-------------|
| | Studio/1 Bedroom | 2 Bedrooms | 3 Bedrooms | 4+ Bedrooms |
| Sutherland | 10+ | 5-10 | 10+ | 10+ |
| St George | 10+ | 10+ | 10+ | 10+ |
| Riverwood | 5-10 | 10+ | 10+ | 10+ |
| Parramatta/Baulkham Hills | 5-10 | 10+ | 10+ | 10+ |
| Auburn/Granville | 5-10 | 10+ | 10+ | 10+ |
| Blacktown | 10+ | 5-10 | 5-10 | 10+ |
| Mount Druitt | 5-10 | 10+ | 5-10 | 5-10 |
| Penrith | 5-10 | 5-10 | 10+ | 5-10 |
| Richmond/Windsor | 10+ | 5-10 | 5-10 | 5-10 |
| Holroyd | 5-10 | 10+ | 10+ | 10+ |
| Bankstown | 5-10 | 10+ | 10+ | 10+ |
| Fairfield | 10+ | 10+ | 10+ | 10+ |
| Liverpool | 10+ | 10+ | 10+ | 10+ |
| Campbelltown | 5-10 | 5-10 | 5-10 | 10+ |
| Camden | 5-10 | 5-10 | 5-10 | 5-10 |
| Wollondilly | 5-10 | 2-5 | 2-5 | 5-10 |

Source: DCJ (2021)

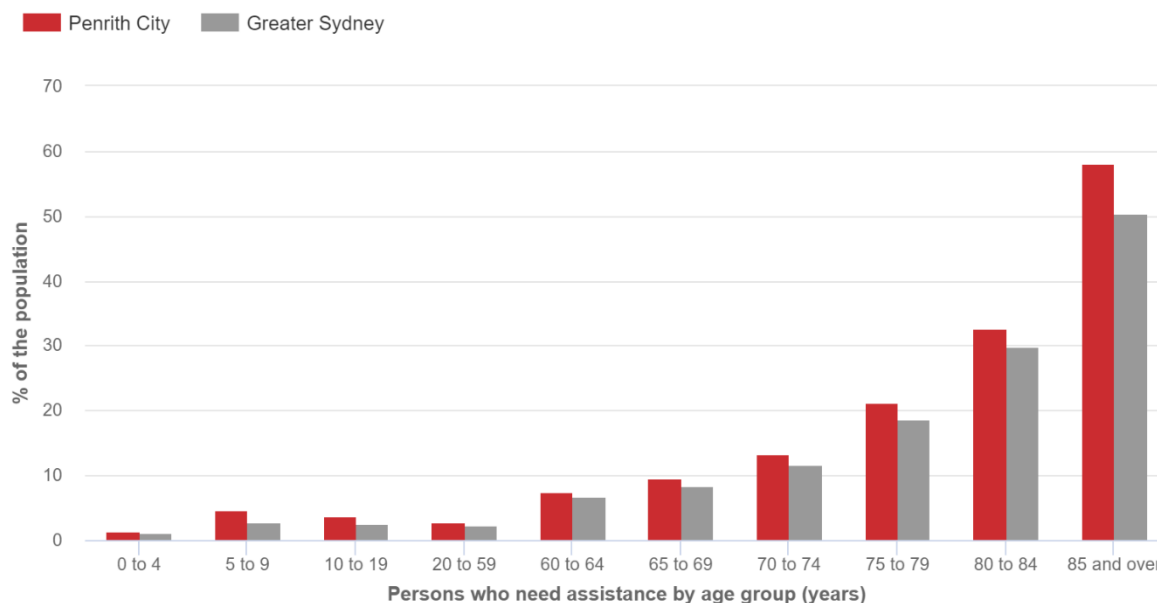
Residents with Special Needs

Residents with special needs can be defined as those with a form of disability with a need for assistance in self-care, body movement, or communication (excluding health young children). Accordingly, a resident with special needs could equally include a young person with a physical disability or an elderly resident suffering from old age.

In 2016, around 10,150 residents (about 5.2% of the Penrith LGAs population) were identified as having some form of need for assistance. This represented a marked increase to that recorded in 2011, where a total of 7,669 residents were identified as having some form of special needs (approximately 4.3% of the population). The proportion of residents in Penrith with a need for assistance is *higher* than that observed in Greater Sydney (5.2% and 4.9% respectively).

Figure S1.4 illustrates the proportion of residents with special needs (by age group) across the Penrith LGA.

Figure S1.4: Residents with Special Needs by Age Group (2016), Penrith LGA



Source: .id (2022)

Homelessness

Homelessness is defined by the ABS as “when a person does not have suitable accommodation and are living in a dwelling that is inadequate, has no tenure or their initial tenure is short and unextendable and/or does not allow them to have control of and access to space for social relations” (ABS, 2012).

Homelessness could manifest in a variety of examples such as living on the streets, in parks or cars (primary homelessness), couch surfing or constantly moving from various shelters (secondary homelessness) to living in accommodation below minimum standards in terms of quality or tenure (tertiary homelessness).

As at the 2016 Census, the Penrith region² recorded some 873 homeless residents. The overwhelming majority of homeless residents identified fell within the ‘persons in supported accommodation for the homeless’, ‘persons living in other crowded dwellings’ and ‘persons living in severely crowded dwellings’ categories – accounting for around 76% of all homeless residents within the region.

Additional homelessness data is released by the Australian Institute of Health and Welfare (AIHW) which collect information on people seeking services from agencies that receive funding under the National Housing and Homelessness Agreement. As at June 2021, the AIHW identified a total of 2,218 clients within the Penrith LGA seeking services from homelessness agencies. This is more than double than that recorded in 2014-2015.

Table S1.2: Clients Seeking Homelessness Services, Georges River LGA

| | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-2020 | 2020-21 |
|--------------|---------|---------|---------|---------|---------|-----------|---------|
| Clients | 1,033 | 1,513 | 1,643 | 1,865 | 2,022 | 1,944 | 2,218 |
| Change (No.) | | 480 | 130 | 222 | 157 | -78 | 274 |

Source: AIHW (2021)

Student Residents

In 2016, ~12,250 people in the Penrith LGA were attending university, TAFE or some other form on non-school education. Around 6,900 were attending university, representing 3.5% of the population. This is lower than the proportion of Greater Sydney’s overall population who are attending university, identified as 6.1%.

The number of university students expanded over the 2011-2016 period, rising by some 1,473 residents (or 27%). The number of residents attending university has consistently grown in the decade to 2016 at a rate faster than that observed in the broader Greater Sydney region. The growth in Georges River’s student population is shown in **Table S1.3**.

Table S1.3: Student Residents (excluding Primary and Secondary School), Georges River LGA

| Type | 2006 | 2011 | 2016 | Avg. Annual Growth (%) |
|------------|-------|--------|--------|------------------------|
| University | 4,010 | 5,431 | 6,904 | 5.6% |
| TAFE | 4,469 | 4,798 | 4,099 | -0.9% |
| Other | 859 | 1,058 | 1,250 | 3.8% |
| Total | 9,338 | 11,287 | 12,253 | 2.8% |

Source: .id (2021)

² Defined as the Penrith Statistical Area 3 geography

Housing Stress

Housing Stress is defined as per the NATSEM (National Centre for Social and Economic Modelling) model as households in the lowest 40% of incomes who are paying more than 30% of their usual gross weekly income on housing costs (either mortgage repayments or rent). This section considers the levels of housing stress observed in the Penrith LGA as at 2016.

Mortgage Stress

As at the 2016 Census, there were 2,411 households with a mortgage spending more than 30% of their income on housing costs. This was equivalent to around 9.3% of total households with a mortgage and slightly below the Greater Sydney average of 10.3% (.id, 2022).

Mortgage stress varies markedly across the Penrith LGA. The suburbs of Oxley Park, Werrington, North St Marys and St Marys all recorded the highest levels of mortgage stress with over 14% of households with a mortgage defined as in mortgage stress (.id, 2022). Conversely, the peri-urban areas of Llandilo, Kemps Creek and Luddenham/Wallacia recorded mortgage stress levels of sub-5%>

Mortgage stress across Penrith slightly *declined* over the 2011-2016 period, with the number of lower income households in mortgage stress declining by 421 households. This decline in mortgage stress aligns with a broader trend observed across Western Sydney and Greater Sydney over the 2011-2016 period.

Table S1.4 summarises the number and proportion of Penrith households experiencing mortgage stress in 2016.

Table S1.4: Households in Mortgage Stress (2016), Penrith LGA

| Area | 2011 | | 2016 | | Change (2011-16) |
|----------------|--------|------------|--------|------------|------------------|
| | No. | % of Total | No. | % of Total | |
| Penrith LGA | 2,832 | 10.9% | 2,411 | 9.3% | -421 |
| WSROC Region | 25,761 | 15.2% | 22,429 | 13.1% | -3,332 |
| Greater Sydney | 61,596 | 11.6% | 55,887 | 10.3% | -5,709 |

Source: ABS (2017, 2012), compiled by .id

Rental Stress

Compared to mortgage stress, a larger number and proportion of households in the Penrith LGA were recorded as experiencing rental stress as at the 2016 Census. In total, some 5,726 households in the sub-40% income bracket were identified as spending more than 30% of their income on rental costs. This is equivalent to 29.6% of all renter households which is higher than the Greater Sydney equivalent (26.4%).

Similar to mortgage stress levels, rental stress differs by locality across the Penrith LGA. The suburbs of St Marys, Werrington, Kingswood and Penrith recorded the highest levels of mortgage stress with over 33% of renter households having fallen into rental stress (.id, 2022). The suburbs of Castlereagh and Mulgoa recorded the lowest levels of rental stress at 12.5% and 11% of total renter households respectively.

Unlike mortgage stress levels, the prevalence of rental stress across Penrith *grew* over the 2011-2016 period with an additional 1,249 renter households recorded as experiencing rental stress. This aligns with an uptick in rental stress observed across the broader Western Sydney and Greater Sydney region over the period.

Table S1.5 summarises the number and proportion of Penrith households experiencing rental stress in 2016.

Table S1.5: Households in Rental Stress (2016), Penrith LGA

| Area | 2011 | | 2016 | | Change (2011-16) |
|----------------|---------|------------|---------|------------|------------------|
| | No. | % of Total | No. | % of Total | |
| Penrith LGA | 4,477 | 28.0% | 5,726 | 29.6% | 1,249 |
| WSROC Region | 41,446 | 30.7% | 51,704 | 32.4% | 10,258 |
| Greater Sydney | 122,165 | 25.1% | 147,789 | 26.4% | 25,624 |

Source: ABS (2017, 2012), compiled by .id

Population and Household Projections

Official population and household projections for the Penrith LGA have been carried out by the NSW Department of Planning and Environment (2019). Over the 2016-2041 period, the Penrith LGA is expected to:

- Grow by some ~168,000 residents at an average annual rate of 2.5%.
- Record almost 65,000 additional households with an average annual growth rate of 2.7%.
- Require ~69,000 new dwellings, reflecting around 2,750 additional dwellings per annum at a rate of 2.7%.

Table S1.6: Population, Household and Dwelling Forecasts (2016-2036), Penrith LGA

| | 2016 | 2021 | 2026 | 2031 | 2036 | 2041 |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Population | 201,597 | 230,289 | 248,577 | 292,019 | 350,906 | 369,246 |
| Change (5-yrs) | | 28,692 | 18,288 | 43,442 | 58,887 | 18,340 |
| Average annual change (%) | | 2.7% | 1.5% | 3.3% | 3.7% | 1.0% |
| Households | 69,299 | 80,548 | 88,007 | 104,300 | 126,256 | 134,232 |
| Change (5-yrs) | | 11,249 | 7,459 | 16,293 | 21,956 | 7,976 |
| Average annual change (%) | | 3.1% | 1.8% | 3.5% | 3.9% | 1.2% |
| Dwellings | 73,405 | | | | | 142,186 |
| Change (5-yrs) | | | | | | |
| Average annual change (%) | | | | | | |

Source: NSW DPE (2019)

Changing Household Composition

Household projections carried out by DPE (2019) illustrate the demographic changes expected to occur over the coming years to 2041 as the LGA accommodates some 65,000 new households.

- **Couple families with children** are expected to remain the largest household cohort over the coming decades to 2041 with an additional ~16,200 households anticipated over the 2021-2041 period. However, these households will represent a smaller proportion of Penrith's total households, down from 37.6% in 2016 to 34.7%.
- **Lone person households** are expected to increase significantly over the decades to 2041, increasing by some 14,650 households. Lone person households will represent the second largest household cohort by 2041, increasing from 19.8% in 2021 to 22.8% of all households. This is the largest proportional change of any of the household cohorts.
- **Couples without dependents** will remain the a large household cohort with some ~11,500 new households expected. The proportional representation is expected to remain consistent at just over 21% of total households.
- **One parent family households** are expected to increase by a total of ~8,000 households with their proportional representation remaining consistent at around 14.8% of total households.
- **Group households and other family households** are expected to grow by some 3,200 households with their proportional representation remaining relatively consistent.

Table S1.7: Household Type Forecasts (2016-2041), Penrith LGA

| Household Cohort | 2021 | | 2031 | | 2041 | | Change (2021-41) |
|----------------------------------|--------|-------|--------|-------|--------|-------|------------------|
| | No. | % | No. | % | No. | % | |
| Couple only | 17,050 | 21.2% | 22,142 | 21.2% | 28,522 | 21.2% | 11,472 |
| Couples with children | 30,307 | 37.6% | 37,643 | 36.1% | 46,570 | 34.7% | 16,263 |
| Single parent | 11,802 | 14.7% | 15,375 | 14.7% | 19,853 | 14.8% | 8,051 |
| Multiple/other family households | 3,673 | 4.6% | 4,624 | 4.4% | 5,808 | 4.3% | 2,135 |
| Lone person | 15,965 | 19.8% | 22,322 | 21.4% | 30,621 | 22.8% | 14,656 |
| Group | 1,751 | 2.2% | 2,194 | 2.1% | 2,858 | 2.1% | 1,107 |

Source: NSW DPE (2019)

Affordable Housing Supply

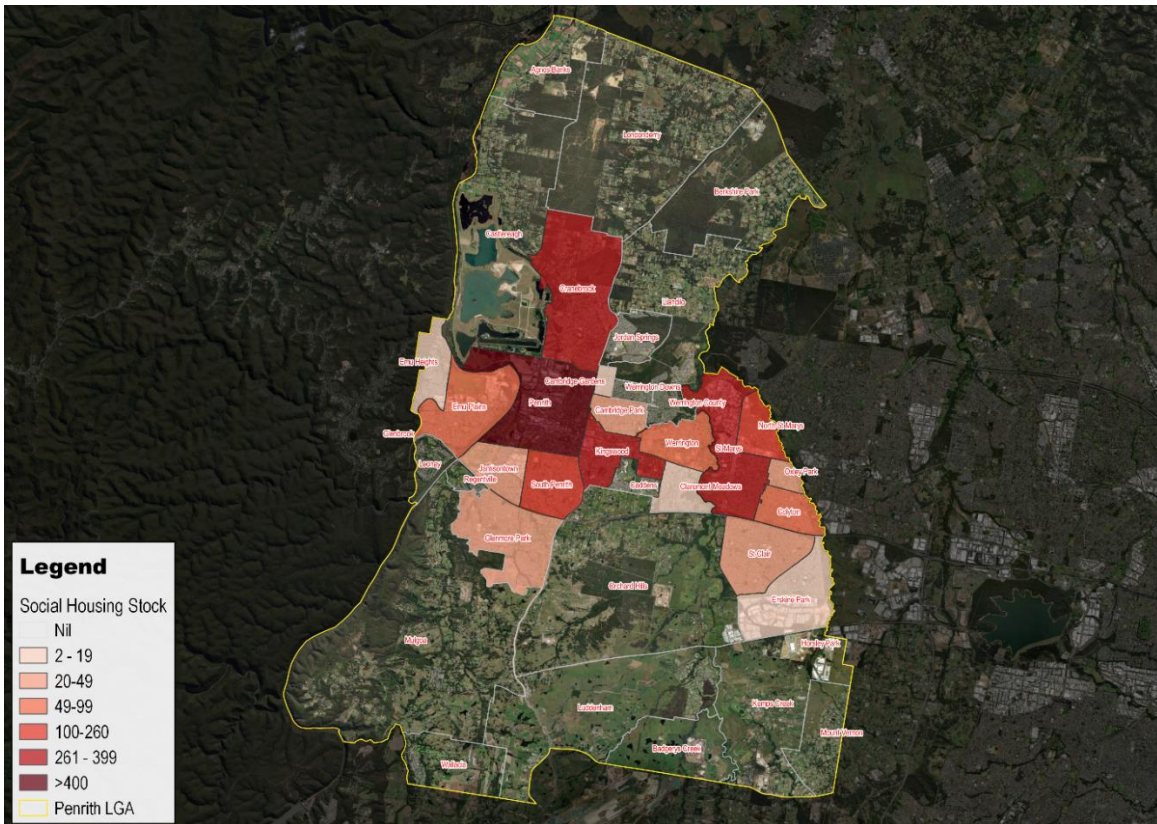
Social Housing

Social housing is owned and managed by the DCJ. Prospective tenant eligibility is assessed against a set of defined criteria. Applicants are generally only eligible if they earn very low or low incomes. Successful applicants pay a rent equivalent to 25%-30% of their gross income.

As at March 2022, Land and Housing Corporation (LAHC) own a total 2,908 residential properties in the Penrith LGA. These properties are a mix of detached houses, semi-detached typologies (townhouses, row housing) and apartments. Social housing is highly concentrated within the Penrith LGA with almost 62% of stock located within four suburbs – Penrith (24.4%), Kingswood (13.7%), Cranebrook (12.0%) and St Marys (11.5%). Some suburbs have little to no social housing within their boundaries.

Figure S1.5 illustrates the distribution of social housing stock across the Penrith LGA as at March 2022.

Figure S1.5: Social Housing Stock by Suburb, Penrith LGA



Source: Atlas/DCJ (2022)

The majority of social housing dwellings across the Penrith LGA are 3-bedroom dwellings, accounting for 45% of total social housing dwellings. 2-bedroom account for some 27% of social housing stock, with other dwellings such as studios, 1-bedrooms and 4+ bedrooms accounting for 28% of total housing stock.

The number and proportion of social housing stock by dwelling size is shown in Table S1..

Table S1.8: Social Housing Stock by Dwelling Size (Bedrooms), Penrith LGA

| Dwelling Size | No. | % of Total Stock |
|---------------|-------|------------------|
| Studios | 101 | 3% |
| One bedroom | 430 | 15% |
| Two bedroom | 797 | 27% |
| Three bedroom | 1,306 | 45% |
| Four+ bedroom | 274 | 9% |

Source: DCJ (2022)

Community and Affordable Rental Housing

Community housing operates under the same principles as social housing however is managed by community housing providers (CHPs). As not-for-profit organisations, CHPs receive a mix of government assistance in the form of grants, loans, dwellings, or current operational funding to deliver and manage community housing.

Whilst similar to social housing with regard to eligibility requirements, community housing can accommodate tenants who receive Commonwealth Rent Assistance (CRA). Tenants generally pay 25%-30% of their income in rent in addition to the CRA benefit which is received by the CHP. Affordable rental housing utilises a different rent-setting mechanism, with rents typically based on a discount-to-market principle (commonly 75%-80% of market rent).

There is unfortunately no central register that monitors the stock of affordable rental housing in a given area. Some councils develop and maintain their own register for this purpose. Of the 2,908 LAHC-owned residential properties in the Penrith LGA, some 378 are managed by local CHPs (notably Wentworth Housing and Evolve Housing).

A review of the most recent NRAS Quarterly Performance Report (Q2, 2020) indicates there is a total of some 456 registered NRAS properties within the Penrith LGA – all of these allocations are set to expire by or before 2026.

Special Needs Housing

Housing for special needs (physical or mental disability) is typically delivered by non-government organisations registered as Specialist Disability Accommodation (SDA) providers under the National Disability Insurance Scheme (NDIS).

An audit of registered SDA dwellings indicates there are some 217 registered dwellings located throughout the Nepean and Blue Mountains region³ as at December 2021 (NDIS, 2021). The current stock of SDA dwellings is mixed between basic support and high physical support as demonstrated in Table S1.9

Table S1.9: Specialist Disability Accommodation in Nepean/Blue Mountains Region (December 2021)

| Locality | Design Category | | | | | Total |
|-------------------------------|-----------------|----------------------|-----------------------|--------|------------------|-------|
| | Basic | Improved Liveability | High Physical Support | Robust | Fully Accessible | |
| Outer West and Blue Mountains | 68 | 59 | 38 | 19 | 33 | 217 |

Source: NDIS (2021)

Boarding Houses

The State Environmental Planning Policy (Housing) 2021 encourages both the traditional form of boarding houses (accommodation with shared facilities) and new generation (New Gen) boarding houses (self-contained rooms).

The Office of State Revenue exempts boarding houses from land tax or allows a reduction in the taxable land value. Boarding houses need to be registered and must charge rental tariffs below published rates to be eligible for land tax concessions. Notwithstanding, boarding houses can still charge rental tariffs above the published rates which can be seen with increasing numbers of modern, new generation (referred to as 'New Gen') boarding houses.

A total of 16 registered boarding houses were identified in the LGA with a total of 282 rooms. The overwhelming majority are in Kingswood, with other locations including St Marys and North St Marys.

Table S1.10: Boarding Houses, Penrith LGA

| Suburb | Boarding Houses | Rooms |
|----------------|-----------------|------------|
| Kingswood | 12 | 210 |
| North St Marys | 1 | 12 |
| St Marys | 3 | 60 |
| Total | 16 | 282 |

Source: Atlas Economics/NSW Fair Trading (2022)

³ Nepean Blue Mountains Region defined as the Outer West and Blue Mountains Statistical Area 4 geography

With the advent of New Gen boarding houses, the profile of boarding house occupants is observed to be evolving. Once serving as transitional housing and accommodating residents unable to find housing on the private market, boarding houses are increasingly accommodating residents who could equally rent in the private market.

Future Pipeline

A review of the development pipeline across the Penrith LGA suggests future supply of social, affordable and most forms of specialist housing is limited. The exception to this is observed in the case of boarding houses, where a significant amount of New Gen boarding house development activity is being pursued. A review of development activity shows:

- There are no new **social housing developments** currently being planned or delivered across Penrith.
- Eight projects across Penrith are currently being progressed under the State Environmental Planning Policy (Housing) 2021 and could deliver up to 88 **affordable housing** dwellings. These projects are observed in Cambridge Park, Kingswood, Penrith and St Marys.
- A significant amount of **boarding house** development activity is underway – a total of 25 projects have the potential of delivering some 396 boarding rooms over the next 3 to 4 years. These are focused in Kingswood, Penrith and St Marys. It is highlighted that all of these projects could be classified as 'New Gen' boarding houses.
- No new **special needs housing** is currently observed in the development pipeline.

Table S1.11 analyses the development pipeline for non-market housing across the Penrith LGA as at April 2022.

Table S1.11: Development Pipeline, Non-Market Housing

| Project | Suburb | Status | Dwellings/Rooms |
|---------------------------|----------------|------------------------------|-----------------|
| Social Housing | | | |
| Nil | | | |
| Affordable Housing | | | |
| 56 Cam St | Cambridge Park | Development Approval | 6 |
| 252 Great Western Hwy | Kingswood | Development Approval | 12 |
| 61-63 Great Western Hwy | Kingswood | Site Preparation in Progress | 10 |
| 63 Markham Av | Penrith | Development Approval | 2 |
| 91 Thornton Dr | Penrith | Early Planning | 30 |
| 118-120 Station St | Penrith | Development Approval | 5 |
| 170 Canberra St | St Marys | Construction | 2 |
| 23-25 Lethbridge St | St Marys | Construction | 21 |
| Boarding Houses | | | |
| 30 Day St | Colyton | Development Approval | 24 |
| 36-52 Templar Rd | Erskine Park | Development Approval | 8 |
| 91 Second Ave | Kingswood | Development Approval | 19 |
| 26 Hargrave St | Kingswood | Development Approval | 12 |
| 1 Edna St | Kingswood | Site Preparation in Progress | 16 |
| 71-73 Second Ave | Kingswood | Development Application | 29 |
| 12 Walter St | Kingswood | Development Approval | 19 |
| 6 Edith St | Kingswood | Development Approval | 11 |
| 31 Second Ave | Kingswood | Development Approval | 18 |
| 20 Paskin St | Kingswood | Development Approval | 23 |
| 36 Jamison Rd | Kingswood | Development Approval | 11 |
| 3 Edward St | Kingswood | Development Approval | 13 |
| 6 Edna St | Kingswood | Development Approval | 11 |
| 28 Great Western Hwy | Kingswood | Development Application | 10 |

| Project | Suburb | Status | Dwellings/Rooms |
|-------------------|----------------|-------------------------|-----------------|
| 1 Station Ln | Penrith | Development Application | 30 |
| 1 Tornaros Ave | Penrith | Development Approval | 12 |
| 159 Jamison Rd | Penrith | Development Approval | 21 |
| 131 Cox Ave | Penrith | Development Approval | 10 |
| 79 Doonmore St | Penrith | Development Approval | 6 |
| 82 Mamre Rd | St Marys | Development Approval | 16 |
| 114 Glossop St | St Marys | Building Approval | 15 |
| 17 Chapel St | St Marys | Development Approval | 8 |
| 7 Waratah St | St Marys | Development Application | 6 |
| 76 Hobart St | St Marys | Development Approval | 16 |
| 19-21 Parklawn Pl | St Marys North | Development Approval | 32 |

Source: Atlas Economics/Cordell Connect

Affordable Housing Gaps

Existing Demand and Supply

The foregoing analysis has demonstrated the breadth and depth of demand for non-market housing across the Penrith LGA is significant. Providing more of the following non-market housing typologies is critical.

- **Social Housing**

There are approximately 2,908 social housing dwellings across Penrith. There are significant waiting lists, with some 1,973 households currently waiting for social housing in the LGA. The average wait time for any type of social housing stock in Penrith is between 5 and 10 years.

Almost 60% of Penrith's social housing residents are aged 55 years and over with around half of all households being lone person households. While special needs tenants can be accommodated in 'standard' social housing, there is generally a need for more properties suited to different special needs (physical/ mobility, mental health, aged).

There is currently no additional housing being planned and delivered across the LGA.

- **Community and Affordable Rental Housing**

Wentworth Link Housing and Evolve Housing are the primary community and affordable rental housing providers in the Penrith LGA, operating some 378 affordable rental dwellings owned by DCJ.

There are approximately 456 NRAS-delivered affordable rental housing dwellings in the LGA. The NRAS scheme is currently being phased out and will conclude in 2026. The development pipeline suggests some 88 affordable housing dwellings could be delivered across the LGA in the coming years.

- **Special Needs Housing**

ABS data indicates there were some circa 10,150 residents in Penrith with a core disability in 2016, up by around 32% from the 7,699 residents recorded in 2011.

There were some 217 registered Specialist Disability Accommodation dwellings recorded in the Nepean-Blue Mountains region as at December 2021. An audit of the development pipeline indicates there are no SDA dwellings currently being planned or delivered across the LGA.

- **Students**

The number of students (particularly tertiary students) is growing markedly across Penrith. Historically in family households, they are increasingly observed in lone person and group households. Students who do not live at home are observed to seek out rental housing in the private market, sharing houses and apartments in group households or accommodating rooms in boarding houses. There is a notable supply of boarding houses observed in the supply pipeline with some 396 rooms being proposed and delivered.

- **Homeless**

Homelessness has been growing across Penrith. In June 2021, the AIHW identified a total of 2,218 clients within the Penrith LGA seeking services from homelessness agencies. This is more than double than that recorded in 2014-2015.

This analysis suggests a need for more social and community housing stock, wait times for social housing of up to a decade indicative of a severely undersupplied market. Social housing (including community, indigenous and special needs) and homeless shelters are subject to different planning processes beyond the control of Council. Strategic planning could however assist to facilitate delivery of affordable rental housing that could accommodate some of the overflow demand from social housing tenants.

Capacity to Pay for Housing

Across the Penrith LGA, it is estimated there were some 34,600 households earning Very Low, Low and Moderate incomes in 2016. The capacity of households in Penrith on Very Low, Low and Moderate incomes to enter the private housing market without entering high levels of housing stress are limited.

A review of current Very Low, Low and Median household income bands in Greater Sydney suggests that the maximum weekly rent that these households could afford to pay without entering housing stress was assessed to be \$284, \$455 and \$683 respectively.

When compared against the median weekly rents for houses, townhouses and units in the Penrith LGA, only households on moderate incomes were likely able to afford to rent within the LGA without experiencing housing stress (though low income households could likely afford to rent a townhouse or unit). Households on Very Low incomes would not be able to afford to rent any form of housing (based on median rents) without entering housing stress.

The analysis highlights the difficulty for households on Very Low and Low incomes to be accommodated in the private rental market. This is particularly important given many of these households are single parent or lone person households.

Table S1.12 summarises the high-level comparison of Very Low, Low and Moderate income households to afford rental accommodation in the Penrith LGA.

Table S1.12: Capacity to Pay for Rental Housing (December 2021), Penrith LGA

| Income Bands | Annual Household Income (Greater Sydney, 2020-21) | Weekly (Monthly) Equivalent | Maximum Tolerance (30% gross income) | | Rental Affordability in Penrith LGA based on Median Rents* | | |
|-------------------------------|---|-----------------------------------|---|---------|---|--------------------------|---------------------|
| | | | Weekly | Monthly | House (\$500 p.w) | Townhouse (\$420 p.w) | Unit (\$390 p.w) |
| Very Low (50% median) | \$49,300 | \$948 (\$4,108) | \$284 | \$1,233 | No | No | No |
| Low (50%-80% median) | \$78,900 | \$1,517 (\$6,575) | \$455 | \$1,973 | No | Yes | Yes |
| Moderate (80%-120% median) | \$118,300 | \$2,275 (\$9,858) | \$683 | \$2,958 | Yes | Yes | Yes |

*Median rents as at December 2021 as per the DCJ *Rents and Sales Report December 2021*
Source: Atlas Economics/DCJ (2022)

Need for Affordable Rental Housing

Existing Need

The foregoing analysis demonstrates the depth of demand for subsidised housing across the Penrith LGA. The analysis suggests the pool of demand for affordable housing (as a type of subsidised housing) is observed from two main sources:

2. Households currently on the waiting list for social housing in Penrith.
1. Households on Very Low, Low and Moderate incomes in the private rental market experiencing housing stress.

Households with highly specialised needs (e.g. disability housing, aged care) require more targeted supply beyond the realms of typical affordable rental housing. Other specialist groups (e.g. students) could be accommodated by other forms of subsidised housing such as boarding houses.

Households on the waiting list for social housing would equally meet the criteria for affordable housing and are likely being accommodated in some other form of subsidised housing (e.g. crisis housing, boarding houses) or experiencing housing stress in the private rental market. There are 1,973 households currently on the waiting list for social housing in Penrith.

It is reasonable to assume that renter households in housing stress are not presently accommodated in social housing. Analysis has demonstrated the difficulty for Very Low- and Low-income households to afford rental accommodation. There was over 5,700 households earning the lowest 40% of incomes experiencing rental stress in the LGA as at 2016.

When combining these two key demand cohorts, there is a potential existing demand for some 7,673 subsidised (social, community or affordable rental housing) dwellings across the Penrith LGA.

It is recognised that social housing is subject to different planning processes beyond the control of Penrith Council. Nevertheless, the provision of more affordable rental housing will be critical in meeting 'overflow demand' from social housing tenants unable to be accommodated in social housing, as well as accommodating households in the private rental market already experiencing high levels of housing stress.

It is further stressed that the vast majority of subsidised housing in Penrith is social housing with very little community or affordable rental housing. Addressing this supply gap is critical to properly addressing the broader housing continuum.

Future Need

Housing stress projections were carried out as part of the *Western Sydney Draft Affordable Housing Contributions Scheme* (SGS, 2021). Assuming incidences of housing stress remained unchanged to 2041, these projections indicate that some 25,000 households in the Penrith LGA would be experiencing housing stress over the coming decades.

Figure S1.13 summarises the housing stress projections by LGA as per the draft WSAHCS.

Figure S1.13: Future Housing Stress in the Western City (2041)

| LGA | Severe stress | Moderate stress | Homeless | Social housing | Total in housing stress | % in housing stress |
|------------------------|---------------|-----------------|---------------|----------------|-------------------------|---------------------|
| Blacktown (C) | 22,700 | 10,200 | 3,600 | 9,000 | 45,500 | 21.0% |
| Blue Mountains (C) | 1,800 | 1,500 | 200 | 600 | 4,100 | 11.6% |
| Camden (A) | 6,200 | 3,700 | 400 | 400 | 10,700 | 10.1% |
| Campbelltown (C) (NSW) | 9,400 | 4,600 | 1,900 | 5,700 | 21,600 | 23.4% |
| Fairfield (C) | 10,900 | 5,400 | 4,100 | 5,300 | 25,700 | 27.1% |
| Hawkesbury (C) | 2,000 | 1,400 | 400 | 1,000 | 4,800 | 15.2% |
| Liverpool (C) | 18,600 | 7,300 | 2,900 | 5,200 | 34,000 | 22.3% |
| Penrith (C) | 12,300 | 7,400 | 2,000 | 3,300 | 25,000 | 18.3% |
| Wollondilly (A) | 1,300 | 900 | 200 | 200 | 2,600 | 8.6% |
| Total | 55,000 | 42,300 | 15,600 | 60,900 | 173,900 | 19.4% |

Source: SGS (2021)

Whilst it is difficult to predict housing stress with any high degree of accuracy over a long period time, the projections carried out in the draft WSAHCS provide useful insight into the significant level of potential demand for affordable rental housing across Penrith over the coming years.

SCHEDULE 2

VIABILITY ASSESSMENT



Introduction

Where a site is the beneficiary of planning uplift (whether from a rezoning or increase in FSR) there is generally a commensurate increase in land value. It is through this value increase that development can contribute to affordable housing. This section carries out a viability assessment to examine the capacity of development to tolerate affordable housing contributions within the Contribution Areas of Orchard Hills North and Glenmore Park Stage 3.

Testing Methodology

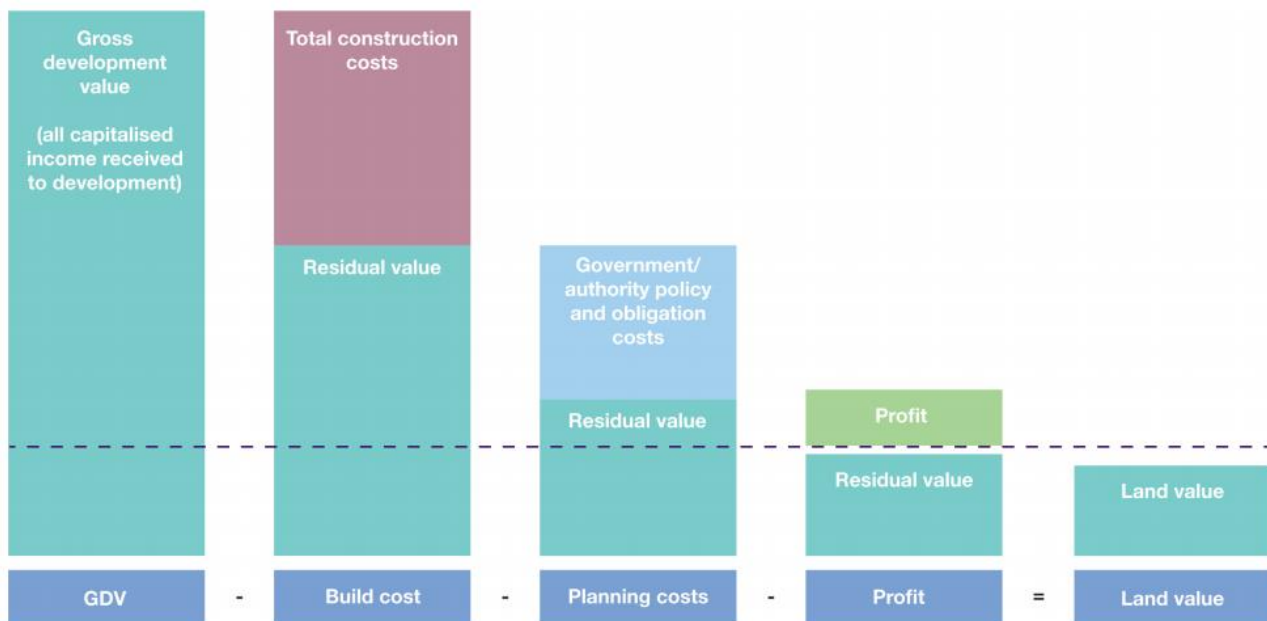
Generic feasibility modelling is undertaken to test the viability of development after affordable housing contributions. At the time of the assessment, the Contribution Areas are greenfield areas not yet rezoned, but released for planning.

The viability assessment imputes an opportunity cost of land (as unzoned precincts released for planning) based on the financial feasibility analysis undertaken by Council (as part of the Western Sydney Planning Partnership). Testing is iteratively undertaken to test the implications of affordable housing contributions on development feasibility.

The Residual Land Value (RLV) approach is adopted as the method of assessment. This involves assessing the value of the completed product, making a deduction for development costs and a further deduction for profit and risk while ensuring the development achieves target profit margin and target return. The amount that a development can afford to pay for land is a 'residual', i.e. the amount that remains after development costs are deducted and target hurdle rates are achieved.

Figure S2.1 illustrates the concept of the Residual Land Value (Hypothetical Development) approach.

Figure S2.1: The Residual Land Value Method



Source: RICS (2019)

The RLV is the maximum price a developer would be prepared to pay for a property in exchange for the opportunity to develop the site while achieving target hurdle rates for profit and project return. For there to be an incentive to develop, the RLV must exceed the value of the assumed opportunity cost of land.

There are two steps in the generic feasibility modelling:

- Step 1 - Identify likely development yields in the Contribution Areas based on the planning proposals prepared and test the feasibility of development assuming the opportunity cost of land as unzoned, released greenfield precincts.
- Step 2 - Iteratively test inclusion of different Affordable Housing contributions rates on the viability of development. The testing includes all statutory fees and charges including draft s7.11 contribution rates (as available at the time of testing) and draft strategic biodiversity contributions (as exhibited in 2021).

The feasibility testing observes the tolerance of residential development (only) to Affordable Housing contributions while remaining viable. There is no intention to require Affordable Housing contributions from non-residential development.

Orchard Hills North

The Orchard Hills North Contributions Area comprises a net developable area of approx. 177.6ha. The land is currently zoned RU4 Primary Production Small Lots under the Penrith Local Environmental Plan (2010).

The precinct is comprised of Part A (102.3ha) and Part B (75.3ha). Together, Parts A and B have a potential for 2,875 dwellings. Part A is the subject of a planning proposal which envisages rezoning to part R1 General Residential, B2 Local Centre, RE1 Public Recreation, E2 Environmental Conservation and E3 Environmental Management.

Table S2.1 summarises the development yields of the Contributions Area (Part A and B), focusing on the residential uses (which is the subject of the viability assessment for Affordable Housing contributions).

Table S2.1: Estimated Development Yields

| Land Use | Area A | Area B |
|------------------------------|--|--|
| Residential | 99.8ha NDA 1,729 dwellings (17.3 dw/ ha) | 65.0ha NDA 1,146 dwellings (17.6 dw/ ha) |
| Village Centre | 2.5ha NDA 6,000-8,000sqm retail | - |
| Other Enterprise/ Employment | - | 10.3ha NDA |

On a residential NDA of approx. 100ha, residential yields are equivalent to densities of around 17.5 dwellings/ hectare.

The draft Orchard Hills North Development Contributions Plan 2022 anticipates the following residential development contributions. Non-residential development contributions are not examined as non-residential development is not tested.

Table S2.2: Residential Development Contributions (\$/ha NDA)

| Land Use | Area A | Area B |
|--|--------------------|--------------------|
| Transport | \$450,751 | \$258,087 |
| Open Space | \$823,722 | \$1,224,098 |
| Water Cycle Management | \$461,952 | \$384,743 |
| Plan Administration | \$10,507 | \$10,526 |
| Local Contributions (\$/ha NDA) | \$1,746,932 | \$1,877,454 |
| Equivalent contributions per dwelling | \$100,865 | \$106,520 |

Source: Penrith City Council

Glenmore Park Stage 3 Planning Proposal

The Glenmore Park Stage 3 Contributions Area is estimated to comprise an area of approx. 150ha. The land is zoned a mix of RU2 Rural Landscape and E3 Environmental Management under the Penrith Local Environmental Plan (2010).

The precinct is the subject of a planning proposal and is understood to envisage the residential yields in Table S2.3. The expected development contributions are also summarised.

On a residential NDA of approx. 150ha, residential yields are equivalent to densities or around 16.2 dwellings/ hectare.

Table S2.3: Estimated Development Yields

| Residential Land Use | Development Yields | Local Contributions (\$/ dwelling) |
|----------------------|--------------------|------------------------------------|
| Low density | 1,760 | \$69,657 |
| Medium density | 510 | \$53,928 |
| Fonzie flats | 30 | \$44,940 |
| Shop top housing | 100 | \$53,928 |
| Total | 2,400 | Avg. \$65,350 |

Source: Penrith City Council

Opportunity Cost of Land

This section considers the opportunity cost of land of the sites selected. The 'opportunity cost of land' refers to the value of a foregone option. In the Contribution Areas, sites derive value from their existing uses (and the expectation of rezoning following release of precincts).

Englobo greenfield precincts in the Penrith LGA not rezoned are estimated to comprise land values of \$1.9 million to \$2.15 million per hectare (SGS/ Savills, 2021). Post rezoning, englobo land values are expected to approach \$3 million per hectare.

The assessed opportunity cost of land is a necessary input to observe the baseline feasibility of development and impact of including Affordable Housing contributions.

Development Contributions

In late 2021, the NSW Government exhibited a proposed regional infrastructure contributions (RIC) framework comprised:

- A base RIC component.
- A strategic biodiversity component.
- A transport project component.

It is understood a base RIC component will likely not be applicable as the Contribution Areas will be subject to state planning agreements. Nevertheless, a strategic biodiversity contribution is assumed at the exhibited rate of \$5,000 per dwelling.

Local s7.11 contributions are assumed to be payable at the draft rates of:

- Orchard Hills North - \$100,000 to \$106,000 per dwelling.
- Glenmore Park Stage 3 - \$44,000 to \$70,000 per dwelling (equivalent to average of approx. \$65,400 per dwelling).

Revenue and Cost Assumptions

Generic feasibility testing relies on a series of high-level revenue and cost assumptions.

Revenue assumptions for new residential uses are summarised in **Table S2.4**.

Table S2.4: Revenue Assumptions, Contribution Areas

| Residential Land Use | Revenue |
|--|----------------------------|
| Low density (serviced blocks) | \$1,000/sqm to \$1,200/sqm |
| Medium density (built) | \$750,000 to \$950,000 |
| Environmental Living (serviced blocks) | \$400/sqm to \$500/sqm |
| Fonzie flats (built) | \$425,000 to \$475,000 |
| Shop top housing (built) | \$500,000 to \$550,000 |

Source: Atlas

High-level cost assumptions are based on construction publications and industry experience.

Table S2.5: Cost Assumptions, Contribution Areas

| Residential Land Use | Servicing Costs | Build Costs* |
|--|-----------------|--------------|
| Low density (serviced blocks) | \$60,000 | - |
| Medium density (built) | \$40,000 | \$300,000 |
| Environmental Living (serviced blocks) | \$100,000 | - |
| Fonzie flats (built) | \$40,000 | \$150,000 |
| Shop top housing (built) | | \$300,000 |

Source: Adapted from Savills (2021)

All costs are subject to additional allowances for professional fees (6.5%) and contingencies (5%).

Other revenue assumptions:

- GST is included on the residential sales.
- Sales commissions at 2% gross sales.
- Marketing costs at 0.25% gross sales.
- Legal cost on sales at \$1,500 per lot.

Other cost assumptions are:

- Legal costs, valuation and due diligence at 0.5% of land price and stamp duty at NSW statutory rates.
- Statutory fees:
 - DA fees of 1% and CC fees of 0.5% of construction costs.
 - Long service levy at 0.35% construction costs.
 - S7.11 contributions rates (detailed above).
 - RIC strategic biodiversity contributions at \$5,000 per dwelling.
- Landholding costs at statutory land values.
- Loan establishment costs at 0.35% of peak debt
- 100% debt funding at interest capitalised monthly at 5% per annum.

Hurdle Rates and Performance Indicators

Target hurdle rates are subject to perceived risk of a project (planning, market, financial and construction risk). The higher the project risk, the higher the hurdle rate. The following performance indicators are relied upon:

- Development margin profit divided by total development costs (including selling costs).
- Discount rate refers to the project internal rate of return (IRR) where net present values of an investment is zero.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on both hurdles of development margin and discount rate being met.

The following benchmark hurdle rates are assumed.

Table S2-6: Performance Indicators and Target Hurdle Rates*

| Performance Indicator | Feasible | Marginal-to Feasible | Not Feasible |
|-----------------------|----------|----------------------|--------------|
| Development Margin | >20% | 18%-20% | <18% |
| Project IRR | >12% | 11%-12% | <11% |

Source: Atlas

*Lower project IRR hurdle rate is assumed due to the long-term nature of the development (>10 years)

Testing Outcomes

Orchard Hills North

Owing to the 'high' local development contributions at Orchard Hill North greater than \$100,000 per dwelling, there is limited capacity for development to contribute to Affordable Housing.

At 1% Affordable Housing, development feasibility is marginal-to-feasible. This would mean the Inclusionary zoning contributions of 1% proposed to be effective from 2024 could be marginally tolerated. The second staged implementation of Inclusionary zoning (2% by 2027) could potentially be tolerated given the long phasing-in period (5 years to 2027).

Should the local development contributions reduce from their current levels, the Affordable Housing contribution rates should be re-visited.

Glenmore Park Stage 3

Local development contributions at Glenmore Park Stage 3 (averaging \$65,000 per dwelling) are comparatively lower than Orchard Hills North. This leads to greater tolerance to Affordable Housing contributions.

The feasibility testing finds there is potential for Affordable Housing contributions as follows:

- On rezoning (2022-2024) - 3% at \$227,900/ ha of NDA (3% specified contributions).
- On first stage of phased implementation of inclusionary zoning (2024) 3% at \$227,900/ha of NDA (2% specified contributions, 1% inclusionary zoning)
- On second stage of phased implementation of inclusionary zoning (2027) - 4% at \$303,866/ ha of NSA (2% specified contributions, 2% inclusionary zoning).

By the time the second stage of implementation of the inclusionary zoning, a total Affordable Housing contribution of 4% would be required.

Matters for Consideration

Both the NSW Government and Council recognise that the viability of affordable housing contributions is subject to development feasibility. If development is not feasible in the first instance (in a base case) with no requirement for Affordable Housing contributions, that development will not occur in any event.

If affordable housing contributions are identified to be viable, an effective affordable housing contributions framework should be efficient, transparent and equitable whilst cognisant of dynamic market conditions.

Impact on Development Feasibility

As the capacity of development to pay an affordable housing contribution is premised on development feasibility, sites which are still unviable to develop under the proposed controls do not have the capacity to contribute. In these scenarios, the issue of any contributions is moot.

In greenfield precincts, land values rise significantly when they are rezoned for urban uses from rural uses. While this provides scope for development to pay for infrastructure (including Affordable Housing), developers will need to factor in such contributions as a development cost which is reflected in the price paid for development sites. It is important that a developer does not overpay for a site. In time, market dynamics will adjust as the market factors-in the cost of the contributions.

Market Notice

The market's tolerance for unexpected development costs depends on market cycles. If the market is on an upward trajectory, unexpected development costs may be able to be offset by rising end sale values and eventual sale prices of completed product. In an environment of falling sale values of softening market conditions, even expected development costs may not be tolerated by falling end sale values.

In any event, clear and definitive notice to the market of Council's intentions to implement an affordable housing contributions scheme in unison with any amendments to the planning framework would provide notice and certainty to the development industry.

Other Infrastructure Priorities

The increase in value associated with changes to planning controls represents the maximum amount of contributions which can be made to public benefit. Various forms of public benefit (affordable housing being just one) need to be appropriately apportioned by planning authorities to align with their strategic planning objectives. Ensuring competing infrastructure priorities does not exceed this increase in value is critical to preserving development feasibility.

The s7.11 local contribution rates at Orchard Hills North are an example of where competing infrastructure priorities can undermine the capacity of development to contribute to Affordable Housing. A reduction in these rates would result directly in the opportunity for Affordable Housing contributions.

INITIAL VALUES FOR CALCULATION OF CONTRIBUTION RATES

Identifying Suitable Rates

This schedule sets out suitable contribution rates from the viability assessment and can be used by councils and used in section 2.1 of the Scheme for the specified precincts.

Greenfield Areas

The following contribution rates can apply in greenfield areas according to the relevant rezoning scenario (already zoned or not zoned). This contribution amount is additional to the base 1% and 2% base contribution requirements imposed in 2024 and 2027 respectively.

Table S3.1: Contribution Amount per ha of NDA

| Location | Not Zoned (already released) | Equivalent % |
|-------------|------------------------------|--------------|
| Penrith LGA | \$75,967 | 1% |
| | \$151,801 | 2% |
| | \$227,742 | 3% |

Source: Savills

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