



# Factsheet

## Byron Shire Affordable Housing Contribution Scheme 02

### What is Affordable Housing?

Affordable housing is housing for very low, low and moderate income households rented at a price that is affordable in accordance with the [NSW Affordable Housing Ministerial Guidelines](#).

The Guidelines describe affordable housing as housing that is “appropriate for the needs of a range of very low to moderate income households and prices so that these households are also able to meet other basic living costs, such as food, clothing, transport, medical care and education. As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income”.

The Guidelines also set the maximum income thresholds for eligibility to occupy affordable housing for very low, low and moderate income households. These limits are updated annually.

### What is an affordable housing contribution?

An affordable housing contribution is a transfer of land, dwellings, money or a combination of these made by a developer towards the provision of affordable housing in accordance with an Affordable Housing Contribution Scheme.

This draft Affordable Housing Contribution Scheme requires contributions of land in the form of residential lots. In certain circumstances, Council may agree to the contribution of dwellings and/or money in lieu of some or all of the required land contribution.

### What is an Affordable Housing Contribution Scheme?

An Affordable Housing Contribution Scheme is a legally enforceable planning document prepared in accordance with [Division 7.2 of the NSW Environmental Planning and Assessment Act 1979](#) that requires contributions towards affordable housing from developers of land covered by the Scheme.

The Scheme details how, where and at what rate development contributions can be collected. The contribution requirements will apply in identified areas where updated planning controls create additional housing opportunities (also known as “upzoning”). Contribution rates are set at a level that maintains the viability of future development.

### Why is the Scheme needed?

There is a critical need for affordable housing in Byron Shire as recognised in the Byron Shire Residential Strategy 2041 and evidenced in the Byron Shire Housing Needs Study which accompanies this draft Affordable Housing Contribution Scheme. All indicators and measures of

housing affordability and need show that the housing market is highly constrained and inaccessible for the majority of low- and moderate-income households.

Affordable Housing Contribution Scheme 02 has been prepared to assist in addressing the shortfall in affordable housing for existing and future residents by generating contributions towards the provision of affordable housing.

### **Where will the Scheme apply?**

The Affordable Housing Contribution Scheme will apply to residential development in identified contribution areas in Brunswick Heads, Mullumbimby and Suffolk Park as set out in Schedule 1 of the Scheme.

### **Will the current Affordable Housing Contribution Scheme continue to operate?**

Yes, the Affordable Housing Contribution Scheme (AHCS 01) currently in place for identified contribution areas in Mullumbimby, Bangalow and Byron Bay will continue to apply in those locations.

Affordable Housing Contribution Scheme 02 (AHCS 02) will augment the first Scheme by requiring affordable housing contributions in additional areas where updated planning controls allow an intensification of development (also known as an “upzoning”).

### **Will there be further Schemes in the future?**

Further Schemes will be developed to capture any new investigation areas identified through the current or any future Byron Shire Residential Strategy endorsed by state government. Through the process of developing an Affordable Housing Contribution Scheme, when land is rezoned to increase development capacity, Byron Shire Council will consider the need for affordable housing and the viability of levying affordable housing contributions.

### **How are contributions calculated?**

The draft Scheme sets out the minimum contribution rates applying in each of the contribution areas as a percentage of the area of residential lots in the development required to be provided as affordable housing.

In limited circumstances, Council may agree to accept a contribution in the form of dwellings and/or a monetary contribution in lieu of land. In such cases, the value of the contribution must be equivalent to or greater than the market value of lots that would have been required.

### **How and when are contributions made?**

When an application is approved on land identified in the Scheme, contribution requirements will be set out as a condition of development consent. The required contribution must be satisfied before a Construction Certificate or Complying Development Certificate is granted.

## Is the same approach used to test viability in AHCS 01 and AHCS 02?

The existing scheme (AHCS 01) and the draft scheme use a similar approach for viability testing. Both schemes use adapted spreadsheet models to test the viability of land development in several different areas before and after an affordable housing contribution. The viability test was similar in both cases: Does the potential sales revenue from lot sales exceed the land costs plus development costs (including finance costs and an allowance for profit) before and after affordable housing charges.

The draft Scheme uses the detailed development costs described in the current scheme (AHCS 01) after inflating them by an appropriate index. AHCS 02 uses a slightly different approach in estimating land values (AHCS 01 used a regression model, whilst AHCS 02 used average sales values).

To enable easier comparison of costs and revenues between areas, the draft Scheme provides the data outputs on a per lot basis. The draft Scheme also introduces a concept called the viability buffer. This is to ensure that with an affordable housing contribution, there is a sufficient buffer to enable a developer to absorb some unexpected costs. AHCS 01 implicitly allowed for this scenario by undertaking viability tests at affordable housing contribution rates in excess of the mandated charges (e.g. in the Byron Bay area the AHCS 01 analysis tested for a 75% affordable housing contribution). The draft Scheme makes the viability buffer an explicit consideration.

## Will the contributions make development unviable?

The contribution rates set out in the draft Scheme have been determined following detailed independent assessment of the capacity for development under the proposed planning framework to support a change without impacting viability. The Scheme will be regularly reviewed to respond to shifts in the housing market or development activity.

## Will the contributions make housing lots more expensive?

The contribution rates have been set at a level where they can be accommodated within normal development profit margins without impacting housing costs, whilst also providing a reasonable return to developers after factoring in market risks.

## How will the contributions be used?

Affordable housing provided through the Scheme will be held and managed by one or more registered Community Housing Providers selected by Council and rented to low- to moderate-income households in accordance with the agreed eligibility framework. Contributions of land will be transferred to Byron Shire Council or a nominated Community Housing Provider and combined with other funding sources and/or loan finance to support the construction of affordable housing dwellings.

## **How will community housing providers be selected to own or manage the affordable housing?**

Section 3.4 of the draft Scheme sets out the framework for the nomination by Council of one or more Community Housing Providers to hold and manage housing produced under the Scheme.

The choice of a nominated provider will be based on a competitive process which will require interested Community Housing Providers to respond to selection criteria to demonstrate their governance, financial, tenancy and property management credentials, to establish their financial viability and to demonstrate an understanding of, and commitment to local communities in Byron Shire. Providers will be required to be registered by the [NSW Registrar of Community Housing](#).