

Policy 4.19 DRAFT Affordable Housing Contributions Policy

Directorate	Planning & Sustainability
Responsible Officer	Director of Community Environment and Planning

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Record of Administrative Amendments

Amendment Version No.:	Description of Administrative Amendment	Date Reviewed

DRAFT

1 Introduction

The Bega Valley Shire Affordable Housing Contributions Policy (the Policy) provides the background for, and sets out where and how much contributions toward Affordable Housing are required in circumstances of proponent-led planning proposals.

1.1 Scope

The scope of this policy demonstrates direct commitment to the following strategic guiding principles:

- Responsive | commitment to serve the needs of the entire community
- Effective and Efficient | clear connection between policy and implementation

1.1.1 Objectives

The objectives of the Policy are to:

- Recognise the need for affordable rental housing to support sustainable and diverse communities and long-term economic growth in the Bega Valley Shire local government area (the LGA).
- Ensure that affordable rental housing is provided for Very Low to Moderate income households in the LGA.
- Ensure there are opportunities for Very Low to Moderate income workers to live in the community in which they are employed.
- Facilitate opportunities for Government and community housing providers (CHPs) to supply affordable rental housing in the LGA.
- Outline the requirements for making a contribution for affordable housing, to be executed in a planning agreement.

The Policy is consistent with the *Bega Valley Shire Local Strategic Planning Statement 2040* and *Bega Valley Shire Affordable Housing Strategy (2022)*. The Policy operates in conjunction with the *Bega Valley Shire Affordable Housing Contribution Scheme*.

The Policy was adopted by Bega Valley Shire Council (Council) on xxx and came into effect on xxx.

1.1.2 Application

The Policy applies to planning proposals that seek to amend the Bega Valley Local Environmental Plan (2013) to increase the residential capacity of the land. Amendments could include:

- Change in land use zone.
- Increase in density (including change to floor space ratio, height of buildings, or minimum lot size controls).
- Insertion of additional permitted use.

1.1.3 Exemptions and exclusions

The Policy does not apply to land that is subject to an Affordable Housing Contribution Scheme or where there is a requirement for development to make an affordable housing contribution under an environmental planning instrument (EPI). Additional land may be added to the Affordable Housing Contribution Scheme by Council resolution and amendment of the *Bega Valley Local Environmental Plan 2013*. That land will then be excluded from application of the Policy.

The Policy does not apply to the following types of residential development that may be enabled by a planning proposal:

- Social and affordable housing, including boarding houses (as defined by State Environmental Planning Policy (Housing) 2021).
- Group homes and hostels.
- Superlot subdivision that does not result in the creation of a residential lot (e.g. subdivision for the purposes of further subdivision, subdivision for a public purpose or a residue lot).
- Subdivision that does not result in the creation of an additional lot (e.g. boundary adjustment).

Where development has already been subject to a condition and payment of a contribution for the subdivision of the land, a subsequent contribution for a dwelling on the lot is not required.

1.2 Definitions

Word or Terminology	Description
Affordable housing	Housing for Very Low, Low and Moderate income households, being such households as are prescribed by the regulations or are provided for in an environmental planning instrument, as defined by the <i>Environmental Planning and Assessment Act 1979</i> . The State Environmental Planning Policy (Housing) 2021 further defines Very Low, Low and Moderate income households into those who either pay no more than 30% of gross income in rent, or those eligible under the National Rental Affordability Scheme (NRAS) and pay no more rent than would be charged under NRAS. Note: Affordable housing is not the same as social housing. It is open to a broader range of household incomes than social housing. Households do not have to be eligible for social housing to apply for affordable housing, though people who are eligible for social housing may also be eligible for affordable housing.
Coastal	Suburbs and localities in the Bega Valley Shire LGA that are located along the coast. These include Barragga Bay, Bermagui, Bournda, Boydtown, Cuttagee, Eden, Edrom, Green Cape, Merimbula, Mirador, Mogareeka, Murrah, Nadgee, Nelson, Pambula Beach, Tanja, Tathra, Tura Beach, Wallaga Lake, Wallagoot, Wapengo, Wonboyn.
Community housing provider (CHP)	A community housing provider (CHP) is an organisation who delivers social housing and/or affordable housing and related services to people on Very Low, Low or Moderate incomes. Note: In NSW the Registrar of Community Housing administers the National Regulatory System for Community Housing (NRSCH) and assesses/ monitors registered CHPs according to the level of risk associated with the scale and scope of their community housing activities. In NSW, registered CHPs could be for-profit or not-for-profit (NfP) entities. NfP CHPs are charities whose purpose is the development and/ or management of subsidised housing. They enjoy tax concessional status (Federal and State).
Contribution in-kind	Contribution of a completed dwelling or land that is dedicated (gifted) to Council.
Contribution rate (%)	The percentage contribution rate that is used in the calculation of a contribution requirement.
Efficiency ratio	The ratio to which the area for development (GFA or NDA) converts to saleable area.
Equivalent contribution rate (\$)	The dollar contribution rate that is used to calculate an equivalent monetary contribution in lieu of a contribution in-kind.

Word or Terminology	Description
Environmental Planning Instrument (EPI)	Environmental planning instruments are Local Environmental Plans (LEPs) and State Environmental Planning Policies (SEPPs) that are made under the <i>Environmental Planning and Assessment Act 1979</i> .
Equivalent monetary contribution	The monetary contribution payable in lieu of a contribution in-kind. The equivalent monetary contribution applies the contribution rate (%), the equivalent contribution rate (\$) and the development capacity that is sought by a planning proposal (GFA or NDA, as applicable).
Gross floor area (GFA)	As defined in the <i>Bega Valley Local Environmental Plan 2013</i>
Gross site area	Gross site area includes residential uses and non-residential uses, roads, parks, open space and schools
Inland	Suburbs and localities in the Bega Valley Shire LGA that are located inland (i.e. not defined as 'coastal').
Low income	Households whose gross incomes are 50% or more but less than 80% of the median household income for Greater Sydney or Rest of NSW, as applicable, as reported by Australian Bureau of Statistics.
Moderate Income	Households whose gross incomes are 80% to 120% of the median household income for Greater Sydney or Rest of NSW, as applicable, as reported by Australian Bureau of Statistics.
Net developable area (NDA)	<p>A net developable area (NDA) is the area of land to which the development consent or complying development certificate relates.</p> <p>The NDA includes the area of any land that the development consent authorises, or requires to be used as a road, or reserved or dedicated as a public road. The NDA does not include the area of any existing road in respect of which the development consent authorises, or requires, road work (such as road widening) to be carried out.</p> <p>The following land is not to be included in calculation of NDA for the relevant development:</p> <p>Any part of the land to which the development consent relates that is unsuitable for the relevant development by virtue of it being flood prone.</p> <p>Any part of the land to which the development consent relates that is identified as public open space in a development control plan or in a contributions plan approved under s7.11 of the <i>Environmental Planning and Assessment Act 1979</i>.</p> <p>Note: NDA is smaller than gross site area.</p>
Nominated CHP	Registered not-for-profit community housing provider classified as Tier 1 or Tier 2 under the National Regulatory Code that is nominated by Council to receive, administer and manage contributions received under this Policy.
Planning proposal	A planning proposal seeks to amend a Local Environmental Plan (LEP). It describes the outcome and justification for the LEP amendment and is a key part of the process for making an LEP as set out under Division 3.4 of the <i>Environmental Planning and Assessment Act 1979</i> .
Saleable area	<p>Refers to the area of a completed residential product that is sold, e.g. the titled area of a residential block, the internal (living) area of an apartment. Saleable area does not include internal roads, circulation/ servicing areas and common areas.</p> <p>Note: Saleable is smaller than gross floor area and can be viewed as a percentage of gross floor area (also referred to as 'efficiency ratio')</p>
Social housing	Social housing is government subsidised, long-term rental housing for people on very low incomes. It includes public, community and Aboriginal housing. Public housing is managed by Homes NSW while community housing is managed by non-government organisations (community housing providers).

Word or Terminology	Description
Subsidised housing	Collective term that refers to rental housing that is available to eligible households at subsidised rents. Includes social housing and affordable housing.
Very low income	Households whose gross incomes is less than 50% of the median household income for Greater Sydney or Rest of NSW, as applicable, as reported by Australian Bureau of Statistics.

2 Legislation

Environmental Planning and Assessment Act 1979.

3 Implementation

3.1 Affordable Housing Principles

The Policy's affordable rental housing principles are that:

- Affordable housing is to be provided and managed to ensure a socially diverse community, representative of all income groups, is maintained.
- Affordable housing is made available to households on Very Low, Low and Moderate incomes, or any combination of these.
- Affordable housing is to be rented to households on Very Low to Moderate incomes in accordance with the NSW Ministerial Guidelines on Affordable Housing.
- Affordable housing must be provided in locations with access to public transport, services, shops and facilities.
- Dwellings for affordable housing are to be managed so as to maintain their continued use for affordable housing until replaced with affordable housing dwellings in the same town.
- Affordable housing is to consist of dwellings constructed to a standard that, in the opinion of Council, is consistent with other dwellings in the vicinity. That is, the dwellings for dedication are not differentiated as affordable housing compared with other dwellings. If not to its satisfaction, Council may require the contribution to be satisfied by way of an equivalent monetary contribution.

The NSW Affordable Housing Ministerial Guidelines additionally provide guidance on tenancy management and financial management which aim to ensure financial viability whilst balancing affordable outcomes for tenants.

3.2 Policy statements

3.2.1.1 Policy statement 1: Planning proposals

Where a planning proposal to amend the *Bega Valley Local Environmental Plan 2013* seeks to increase the residential capacity of the land, Council will seek a proportion of residential floorspace or a proportion of residential land (as is applicable), as a contribution to affordable housing.

3.2.1.2 Policy statement 2: Planning agreements

Affordable Housing contributions are to be executed via a planning agreement and be subject to the requirements of Council's *Voluntary Planning Agreements (VPA) Policy 4.11*.

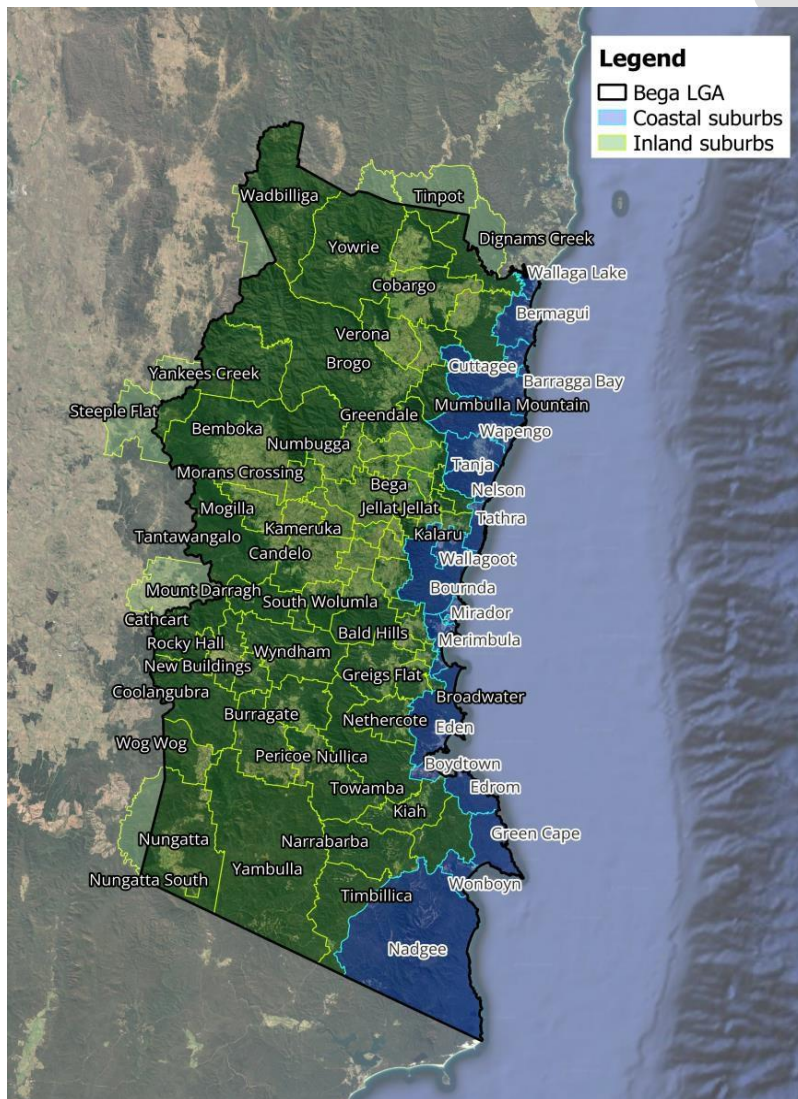
3.2.1 Contribution Rates

Affordable housing contribution rates are required in addition to other statutory fees and charges, including local infrastructure contributions (s7.11 or s7.12), state and regional infrastructure contributions (if applicable) and water and sewerage infrastructure charges.

A contribution requirement will be calculated based on the specified contribution rate applicable to a proposed development, subject to its location (which could be coastal or inland).

Figure 1 illustrates the classification of locations within the LGA as coastal or inland. For a list of suburbs, refer to Section 2.1.

Figure 1: Classification of Locations within the Bega Valley Shire



The contribution rates (%) by location and development type, on full implementation of the Policy are in Table 1.

Table 1: Contribution Rate (%) by Location and Development Type

Location	Reduced Minimum Lot Size	Increased Residential Capacity (Other than Reduced Minimum Lot Size)
Coastal	2%	1%
Inland	2%	Not applicable
Examples	Reduced minimum lot size	Increased height of buildings or floor space ratio limit

The contribution rates will be gradually phased-in and apply in the manner specified in Table 2.

Table 2: Phase-in Period of Contribution Rates (%)

Year of Commencement (From Council Adoption)	Planning Proposal Type	
	Reduced Minimum Lot Size	Increased Residential Capacity (Other than Reduced Minimum Lot Size)
Year 1	NIL	NIL
Year 2	0.5%	0.5%
Year 3	1.0%	1.0%
Year 4	1.0%	1.0% (fully implemented)
Year 5	1.5%	
Year 6	2.0% (fully implemented)	

3.2.2 Methods of Contribution

Council will accept affordable housing contributions in the form of equivalent monetary contributions (refer to section 3.2.4). In some instances, Council may accept affordable housing contributions in the form of:

- Dedication of completed dwellings (refer to section 3.2.5).
- Dedication of land (refer to 3.2.6).

The method of contribution must be acceptable to Council and its nominated community housing provider (CHP). A draft VPA offer should indicate the method of contributions, i.e. contribution in-kind (dwellings or land) or equivalent monetary contribution.

3.2.3 Equivalent Monetary Contributions

Where an offer to make a contribution in-kind (completed dwellings or land) is not accepted by Council, an equivalent monetary contribution could be made. The equivalent monetary contribution is calculated by

multiplying the contribution rate (%) by the equivalent contribution rate (\$) by the applicable residential development capacity (GFA or NDA).

The equivalent contribution rates (\$) by location and development type are in Table 3. These are current as at the xxx quarter.

Table 3: Equivalent Contribution Rate (\$) by Location and Development Type

Location	Reduced Minimum Lot Size (≥3000sqm)	Reduced Minimum Lot Size (<3000sqm)	Increased Residential Capacity (Other than Reduced Minimum Lot Size)
Coastal	\$144/SQM NDA	\$495/SQM NDA	\$6,800/SQM GFA
Inland	\$112/SQM NDA	\$300/SQM NDA	Not applicable

The equivalent contribution rates (\$) are based on the market value of the residential development type that would be enabled by the planning proposal.

Adjustments are made to the equivalent contribution rates on an annual basis. Council's website lists the current equivalent contribution rates (\$) as indexed. See section 3.3.3 (Indexation of Contribution Rates) for further information.

3.2.3.1 Calculating a contribution

The examples show calculation of an equivalent monetary contribution with reference to equivalent contribution rates in Table 3.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 1:

Land zoned RU2 Rural Landscape (min. lot size 20ha) is rezoned to R2 Low Density Residential (min. lot size 550sqm). For the purposes of the example, a planning proposal would result in approx. 27 residential lots averaging 550sqm on 2 hectares NDA. Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential NDA} \times 2\% = 20,000\text{sqm NDA} \times 2\% = 400\text{sqm}$$

As the contribution requirement is less than 550sqm, a monetary contribution would be payable instead.

If the land is in a Coastal location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated as: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$495/sqm) = \$198,000

If the land is in an Inland location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated:

$$\text{Residential NDA} \times 2\% \times \text{equivalent contribution rate} (\$) = (20,000\text{sqm NDA} \times 2\% \times \$300/\text{sqm}) = \$120,000$$

Note the examples are simplified with no exemptions available.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 2:

Land zoned RU4 Primary Production Small Lots (min. lot size 5ha) is rezoned to R5 Large Lot Residential (min. lot size 5,000sqm). For the purposes of the example, a planning proposal would result in approx. 3 residential lots averaging 5,000sqm on 2 hectares NDA.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential NDA} \times 2\% = 20,000\text{sqm NDA} \times 2\% = 400\text{sqm}$$

As the contribution requirement is less than 550sqm, a monetary contribution would be payable instead.

If the land is in a Coastal location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated as: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$144/sqm) = \$57,600

If the land is in an Inland location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated:

$$\text{Residential NDA} \times 2\% \times \text{equivalent contribution rate} (\$) = (20,000\text{sqm NDA} \times 2\% \times \$112/\text{sqm}) = \$44,800$$

Note the examples are simplified with no exemptions available.

3.2.4 Dedication of Dwellings

The acceptability of dwellings for dedication is subject to Council's discretion and approval in consultation with its nominated CHP. If an affordable housing contribution is made via the dedication of completed dwellings, it must meet the following requirements:

- Align with the Affordable Housing Principles in section 3.1.
- Completed dwellings or residential land are dedicated (gifted) to Council free of cost. Council or its nominated CHP will be responsible for rental arrangements.
- Minimum area requirements apply. For (built) dwellings, total gross floor area (GFA) must equal or exceed 50sqm. If the contribution required is less than 50sqm GFA, a monetary contribution will instead be payable (as described in section 3.2.4).
- The internal living space of the completed dwellings is to be a similar efficiency ratio to the overall residential dwellings.
- All floor area (GFA) to be dedicated for affordable housing is to be allocated as dwellings. That is, common circulation areas are not considered part of the contribution requirement. An exception to this is where the affordable housing floor area is provided as a full floor in a development or as a standalone building.

Where only part of a contribution is via dedication of dwellings, any remaining requirement is to be paid as a monetary contribution.

3.2.4.1 Calculating a contribution

The first two examples show the calculation of an equivalent monetary contribution as the contribution payable is less than 50sqm GFA. The third example shows where a contribution is made through part dedication/ part monetary contribution.

All examples make reference to the equivalent contribution rates (\$) in Table 3.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 3:

Land zoned R2 Low Density Residential is rezoned to increase residential capacity. For the purposes of the example, a planning proposal would result in additional residential GFA of 2,000sqm.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential GFA} \times 1\% = 2,000\text{sqm GFA} \times 1\% = 20\text{sqm GFA}$$

As the contribution requirement is less than 50sqm GFA, a monetary contribution would be payable instead.

If the land is within a Coastal location, the monetary contribution is calculated as:

$$\text{Residential GFA} \times 1\% \times \text{equivalent contribution rate (\$)} = (2,000\text{sqm GFA} \times 1\% \times \$6,800/\text{sqm}) = \$136,000$$

No contributions are payable if the land is within an Inland location.

Example 4:

Land zoned R3 Medium Density Residential is rezoned to enable increased residential capacity. For the purposes of the example, a planning proposal would result in additional residential GFA of 900sqm.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential GFA} \times 1\% = 900\text{sqm GFA} \times 1\% = 9\text{sqm GFA}$$

As the contribution requirement is less than 50sqm GFA, a monetary contribution would be payable instead.

If the land is within a Coastal location, the monetary contribution is calculated as:

$$\text{Residential GFA} \times 1\% \times \text{equivalent contribution rate (\$)} = (900\text{sqm GFA} \times 1\% \times \$6,800) = \$61,200$$

No contributions are payable if the land is within an Inland location.

Example 5:

Land zoned R3 Low Density Residential is rezoned to increased residential capacity. For the purposes of the example, a planning proposal would result in additional residential GFA of 6,000sqm.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential GFA} \times 1\% = 6,000\text{sqm GFA} \times 1\% = 60\text{sqm GFA}$$

A one--bedroom dwelling (measuring 55sqm GFA) is dedicated to Council on completion. There remains a shortfall of 5qm GFA.

If the land is within a Coastal location, the monetary contribution is calculated as:

$$\text{Residential GFA shortfall} \times \text{equivalent contribution rate (\$)} = (5\text{qm GFA} \times \$6,800) = \$34,000$$

No contributions are payable if the land is within an Inland location.

Note the examples are simplified with no exemptions available.

The next two examples show calculation of an equivalent monetary contribution where the dedication of dwellings is not acceptable to Council or its nominated CHP.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 6:

Land zoned MU1 Mixed Use is rezoned to enable a height of buildings increase to 8 storeys. For the purposes of the example, a planning proposal would result in additional residential GFA of 5,000sqm.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential GFA} \times 1\% = 5,000\text{sqm GFA} \times 1\% = 50\text{sqm GFA}$$

The land has direct coastal views and is expected to be positioned for luxury beachfront apartments. Despite the contribution GFA meeting the minimum 50sqm requirement, Council and its nominated CHP do not consider the dedication of dwellings to align with the Affordable Housing Principles of the Policy. A monetary contribution would be payable instead.

If the land is within a Coastal location, the monetary contribution is calculated as:

$$\text{Residential GFA} \times 1\% \times \text{equivalent contribution rate (\$)} = (5,000\text{sqm GFA} \times 1\% \times \$6,800) = \$340,000$$

No contributions are payable if the land is within an Inland location.

Example 7:

Land zoned R5 Large Lot Residential (min. lot size 5,000sqm) is rezoned to enable medium density housing. For the purposes of the example, a planning proposal would result in additional residential GFA of 9,000sqm.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential GFA} \times 1\% = 9,000\text{sqm GFA} \times 1\% = 90\text{sqm GFA}$$

The land is located a distance away from public transport, services, shops and facilities. Despite the contribution GFA meeting the minimum 50sqm requirement, Council and its nominated CHP do not consider the dedication of dwellings to align with the Affordable Housing principles of the Policy. A monetary contribution would be payable instead.

If the land is within a Coastal location, the monetary contribution is calculated as:

$$\text{Residential GFA} \times 1\% \times \text{equivalent contribution rate (\$)} = (9,000\text{sqm GFA} \times 1\% \times \$6,800) = \$612,000$$

No contributions are payable if the land is within an Inland location.

Note the examples are simplified with no exemptions available.

3.2.5 Dedication of Land

The acceptability of land for dedication is subject to Council's discretion and approval in consultation with its nominated CHP.

The value of the dedicated land should be equivalent to the monetary contribution calculated under the Scheme. Council should obtain an independent valuation of the land to be dedicated, from a valuer agreed by Council and the proponent. All costs to be borne by the proponent.

If an affordable housing contribution is made via the dedication of land, it must meet the following requirements:

- Align with the Affordable Housing Principles in section 3.1.

- Have a minimum area of 550sqm.
- Be within the walking catchment of public transport facilities.
- Be created as a new residential lot and in accordance with the *Bega Valley Local Environmental Plan 2013* and Council's Development Control Plan.
- Have no greater than a 10% slope.

If the assessed land value is less than the equivalent monetary contribution, any remaining requirement is to be satisfied as a monetary contribution. If the assessed land value exceeds the equivalent monetary contribution, no offset or refund is applicable.

3.2.5.1 Calculating a contribution

The first two examples show the calculation of an equivalent monetary contribution as the NDA for contribution is less than 550sqm.

Example 10 shows where a contribution is made through part dedication/ part monetary contribution with reference to the equivalent contribution rates (\$) in Table 3.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 8:

Land zoned RU2 Rural Landscape (min. lot size 20ha) is rezoned to R2 Low Density Residential (min. lot size 550sqm). For the purposes of the example, a planning proposal would result in approx. 27 residential lots averaging 550sqm on 2 hectares NDA. Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential NDA} \times 2\% = 20,000\text{sqm NDA} \times 2\% = 400\text{sqm}$$

As the contribution requirement is less than 550sqm, a monetary contribution would be payable instead.

If the land is in a Coastal location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated as: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$495/sqm) = \$198,000

If the land is in an Inland location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$300/sqm) = \$120,000

Example 9:

Land zoned RU4 Primary Production Small Lots (min. lot size 5ha) is rezoned to R5 Large Lot Residential (min. lot size 5,000sqm). For the purposes of the example, a planning proposal would result in approx. 3 residential lots averaging 5,000sqm on 2 hectares NDA.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential NDA} \times 2\% = 20,000\text{sqm NDA} \times 2\% = 400\text{sqm}$$

As the contribution requirement is less than 550sqm, a monetary contribution would be payable instead.

If the land is in a Coastal location, the monetary contribution applicable to reduced minimum lot size (>3,000sqm) is calculated as: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$144/sqm) = \$57,600

If the land is in an Inland location, the monetary contribution applicable to reduced minimum lot size (>3,000sqm) is calculated: Residential NDA x 2% x equivalent contribution rate (\$) = (20,000sqm NDA x 2% x \$112/sqm) = \$44,800

Note the examples are simplified with no exemptions available.

CALCULATING A CONTRIBUTION REQUIREMENT

Example 10:

Land zoned RU4 Production Small Lots (min. lot size 5,000sqm) is rezoned to R2 Low Density Residential (min. lot size 550sqm). For the purposes of the example, a planning proposal would result in approx. 38 residential lots averaging 550sqm on 3 hectares NDA.

Assuming the contribution rates were fully implemented under the Policy, the affordable housing contribution is calculated as:

$$\text{Residential NDA} \times 2\% = 30,000\text{sqm NDA} \times 2\% = 600\text{sqm}$$

A serviced residential block measuring 550sqm is dedicated to Council on completion. There remains a shortfall of 50sqm.

If the land is in a Coastal location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated

$$\text{as: Residential NDA shortfall} \times \text{equivalent contribution rate (\$)} = (50\text{sqm} \times \$495/\text{sqm}) = \$24,750$$

If the land is in an Inland location, the monetary contribution applicable to reduced minimum lot size (<3,000sqm) is calculated:

$$\text{Residential NDA shortfall} \times \text{equivalent contribution rate (\$)} = (50\text{sqm} \times 2\% \times \$300/\text{sqm}) = \$15,000$$

Note the examples are simplified with no exemptions available.

3.3 Administration and Implementation

3.3.1 Making a contribution

Affordable housing contributions under this Policy are to be executed via a planning agreement and are subject to the requirements of Council's VPA Policy. The ordinary process of VPAs would apply. This would culminate in the planning agreement being registered on the land title (if agreed by the parties) and added to Council's website register.

Following the making of the LEP amendments, contribution payments will be required as follows:

- Planning proposals that reduce the minimum lot size - at the subdivision certificate stage prior to the release of the subdivision certificate.
- Planning proposals that increase residential capacity (other than reducing the minimum lot size) - at the construction certificate stage.

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

3.3.2 Use and Management of Contributions

Council acknowledges the importance of the not-for-profit community housing sector and the part they play in the delivery and management of purpose-designed and built affordable housing.

3.3.2.1 How contributions are to be used

Contributions in-kind of affordable housing are to be gifted free of cost to Council's nominated CHP, or as otherwise provided for in a distribution plan adopted by Council.

Contributions in-kind are to remain affordable housing in perpetuity, or until replaced with affordable housing dwellings in the same town within the Bega Valley Shire LGA and to be owned and managed in accordance with the Affordable Housing Principles under the Policy.

Monetary contributions will be pooled and managed by Council. As sufficient funding becomes available, Council will consult with its nominated CHP/s on the opportunity to combine contributions received by Council with the CHP's own resources and/ or with the resources of Homes NSW.

3.3.2.2 Management of funds

The pooling of monetary contributions will have consideration for:

- Immediate use of contribution funds for development in the Bega Valley Shire LGA.
- Land and funding packages, where land is made available by supplementary sources for developing affordable housing dwellings.
- How the funding will be leveraged to maximise the quantum of affordable housing dwellings.

Priority will be given to not-for-profit community housing providers (CHPs) registered as Tier 1 or Tier 2, and who have appropriate experience in the LGA.

Council will nominate a not-for-profit CHP to take ownership of affordable housing contributions received. 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 nominated CHP will take full ownership and management responsibilities for any monetary or in-kind contributions gained during their term. Affordable housing contributions transferred to the nominated CHP will be done so on the condition that all will be retained for the purpose of Affordable Housing in the LGA, in perpetuity. Any withdrawal of affordable housing dwellings must be replaced with an equivalent dwelling in the same town in the LGA and be subject to Council's agreement.

Council will prepare a reporting template that outlines how funds received or dwellings procured/ delivered will be used and requirements for reporting and transparency. This will clearly delineate the responsibilities of the nominated CHP and Council. Council may provide direction on the CHP's procurement in relation to target demographics or locations for affordable housing.

3.3.2.3 Management of affordable housing

Management of affordable housing can be in line with the NSW Affordable Housing Ministerial Guidelines (the Guidelines) which provides guidance on a range of matters including rent-setting.

The Guidelines aim to ensure that affordable housing is delivered:

- To a range of income groups, including Very Low, Low and Moderate income households.

- In a manner that generates sufficient income so that community housing providers can meet associated finance and other operating costs.

As a rule of thumb, housing is usually considered affordable if it costs less than 30% of gross household income.

In most locations, rent charged by Community Housing Providers (CHPs) is up to 74.9% of market rent, which assists with achieving GST-free tax status. The guidance on rent-setting balances financial viability of management with tenant households' capacity to pay.

3.3.3 Indexation of Contribution Rates

The equivalent contribution rates (\$) will be adjusted annually by Council within one week of the first day of July. Rates will be adjusted to movement in the median price of dwellings in the Bega Valley Shire LGA. This is published quarterly in the NSW Government Rent and Sales Report, Table 3. Sale Prices - NSW LGAs.

INDEXATION OF EQUIVALENT CONTRIBUTION RATES (\$)

The indexation calculation is as follows:

$$\text{New equivalent contribution rates (\$)} = \text{equivalent contribution rates} \times (\text{updated median price} / \text{former median price})$$

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

3.3.4 Monitoring of the Policy

The Policy will be reviewed by Council annually. The review will consider:

- Quantum of affordable housing contributions received.
- Size, type, quality and locational characteristics of contributions in-kind (dwellings, land) received.
- Maintenance and management issues.
- Total amount of monetary contributions received, awaiting pooling and pooled.
- Allocation of funds within that year to Council's nominated CHP.

3.4 Responsibilities

3.4.1 Elected Council

Endorse any draft planning agreement for public exhibition, unless Council officers have been delegated authority to do otherwise.

3.4.2 Chief Executive Officer (CEO), Leadership Executive Group (LEG)

Ensure appropriate delegations and procedures are in place to enable effective decision making in relation to planning agreements. Approve planning agreements where Council has formally delegated authority to the CEO to do so.

3.4.3 Various staff as applicable

An officer formally given delegated authority by the elected Council will lead Council's negotiations. Other Council officers are involved in the negotiation process where required. The officer of Council involved in the direct negotiation of a planning agreement will not be an officer involved in the assessment of the instrument change or development application that is the subject of the planning agreement. Council officers also arrange public exhibition and report submissions to Council of a planning agreement where required.

4 Supporting documents

4.1.1 BVSC procedures that relate to this policy

Procedure No.:	Procedure Name	External or Internal Procedure
4.11.1	Steps in negotiation of a voluntary planning agreement	External
6.02.01	Code of Conduct (Bega Valley Shire Council)	External
6.02.01 (a)	Office of Local Government Procedures for the Administration of the Model Code of Conduct 2020	External
6.02.09	Elected Official Communication Protocols	External

4.1.2 BVSC policies that relate to this policy

Policy No.:	Policy Name
3.10	Development Administration
3.12	Council Related Development Application Conflict of Interest
4.11	Voluntary Planning Agreements
6.02	Behaviour of Councillors and Staff
6.11	Records Management

Note: Policy details may change from time to time. To ensure you are viewing the most recent version please view Council's adopted Policies and Procedures on Council website.

5 Schedules

SCHEDULE 1

Viability Assessment

Introduction

This section carries out a viability assessment to examine the capacity of development to contribute to affordable housing in circumstances of a rezoning (or planning proposal). This requires an understanding of:

- Patterns of development activity and the nature of that activity (historical and expected).
- Potential rezoning scenarios, i.e. planning amendments that could be sought in a planning proposal.
- The increase in dwelling development capacity that could result from a rezoning.
- The capacity of the rezoned land to contribute to affordable housing.

For the purposes of the Viability Assessment, medium density housing includes attached dwellings, dual occupancies, multi dwelling housing and semi-detached housing, and high density housing includes residential flat buildings and shop top housing.

PATTERNS OF DEVELOPMENT ACTIVITY

Development activity is observed to be historically focused in the main centres of Merimbula and Eden and coastal neighbourhoods. The nature of development is distinct, with a broader range of development (including smaller lot sizes and higher density formats) occurring in coastal locations. Inland locations are more typically observed with residential subdivisions and lower densities.

There is additionally a distinct pricing hierarchy, with higher sale prices achieved in coastal locations compared to inland locations.

This has direct implications for:

- The type of development (and consequently planning proposals) that are progressed in different parts of the LGA.
- The value of land and prices paid for development sites.
- The equivalent contribution rates (\$) that would be appropriate.
- The capacity of development to contribute to affordable housing.

The Department of Communities and Justice (**DCJ**) provide median prices of strata and non-strata dwellings by postcode in the Bega Valley Shire LGA. Each postcode may represent various suburbs; however they mostly reflect a collection of coastal or inland suburbs.

TABLE S1-1 provides a comparison of these DCJ median prices by postcode, including notable suburbs in each postcode. The summary of locations in the LGA is not exhaustive, due to limited data, many of which recorded <10 sale transactions over the reporting period.

TABLE S1-1: Comparison of Median Prices (2024), Coastal v Inland Suburbs

LOCATION (POSTCODE)	NON-STRATA	STRATA
COASTAL		
MERIMBULA, TURA BEACH, MIRADOR (2548)	\$880,000	\$618,000
BERMAGUI (2546)	\$790,000	\$574,000
EDEN (2551)	\$709,000	-
INLAND		
BEGA (2550)	\$675,000	-

Source: DJC (2024)

New residential product typically achieves higher prices than older stock. Consequently, new development would achieve sale prices that are higher than median price levels.

Notwithstanding, the comparison of median prices is useful as it demonstrates the pricing hierarchy that exists across the LGA, underscoring the variation in capacity of rezoned land to contribute to affordable housing.



TYPICAL PLANNING PROPOSALS

A review of a selection of planning proposals received by Council indicates that they generally seek to:

- Change the land use zone (e.g. from rural/ environmental zone to an urban zone).
- Increase the density control (e.g. reduce the minimum lot size, increase the floorspace ratio or height of buildings limits).
- Insert an additional permitted use for a residential use.

The Viability Assessment notes that a rezoning to R2 Low Density Residential would effectively permit all types of medium density housing. In this scenario, the effect of the planning proposal would be to reduce the minimum lot size. While medium density housing could be pursued, in the interest of simplicity the analysis does not investigate a separate contribution for medium density housing.

Affordable Housing Contribution Rates

Affordable Housing contribution rates aim to enable the delivery of affordable housing at the contribution rate (%) required. This requires either a contribution in-kind to the proportion required, or an equivalent monetary contribution that would enable delivery of the proportion (%) required elsewhere in the LGA. This section develops the equivalent contribution rate that enables this.

Residential typologies and pricing in the LGA vary. This is underpinned by a number of factors, of which planning permissibility is one, and critically, market demand and achievable pricing.

Residential densities are generally higher in Coastal, compared to Inland locations and are generally observed as follows:

- Low density residential subdivisions:
 - Coastal - 10 dwellings/ ha to 12 dwellings/ ha
 - Inland - 8 dwellings/ ha to 10 dwellings/ ha
- Large lot residential/ rural-residential subdivision - 2 dwellings/ ha to 4 dwellings/ ha.
- Apartments in high-amenity Coastal locations, no high density housing activity in Inland locations observed.

Over the 2020-2021 period, the sale prices of residential subdivisions experienced strong growth, off-the-back of low interest rates. Following successive cash rate rises, market conditions tempered amid disruption to construction supply chains and rising costs.

CONTRIBUTION RATES (%) AND EQUIVALENT CONTRIBUTION RATES (\$)

There are two components to the Affordable Housing contribution rates that would apply to a rezoning/ planning proposal.

1. **A contribution rate (%)** - which is the proportion of a residential development required as affordable housing.

If a contribution rate of 3% is required, that would mean a 100-lot residential subdivision would be required to contribute 3 serviced residential lots to affordable housing.

2. **An equivalent contribution rate (\$)** - which is the dollar amount equivalent to the proportion (%) of affordable housing required.

If 3 residential lots are required, the equivalent monetary contribution is the market value (or sale prices) of those lots.

An equivalent monetary contribution is calculated by multiplying the contribution rate (%) with the equivalent contribution rate (\$) and the development proposed (\$/sqm GFA or \$/sqm NDA, as the case may be).

TABLE S1-2 lists a range of sale prices in Coastal and Inland locations by development type, in \$/sqm saleable area terms.

- Residential subdivisions are distinguished by applicable minimum lot size; with rural-residential subdivisions in the LGA subject to a larger minimum lot size control.
- Apartments only in Coastal locations where that type of development activity is observed. Smaller format housing (including apartments) are not typically observed in Inland locations.

TABLE S1-2: Range of Sale Prices, Development Type and Location

LOCATION	RURAL-RESIDENTIAL	LOW DENSITY RESIDENTIAL	APARTMENTS (RESIDENTIAL FLAT BUILDINGS OR SHOP TOP HOUSING)
COASTAL			
AVG. SALE PRICE	\$500,000 to \$2,000,000	\$400,000 to \$450,000	\$700,000 to \$800,000
AVG. SALEABLE AREA	3,000sqm to 20,000sqm	600sqm to 700sqm	90sqm
(\$/SQM SALEABLE)	\$100 to \$170	\$600 to \$650	\$8,000 to \$9,000



LOCATION	RURAL-RESIDENTIAL	LOW DENSITY RESIDENTIAL	APARTMENTS (RESIDENTIAL FLAT BUILDINGS OR SHOP TOP HOUSING)
INLAND			
AVG. SALE PRICE	\$500,000 to \$1,000,000	\$350,000 to \$400,000	Not applicable
AVG. SALEABLE AREA	3,000sqm to 20,000sqm	800sqm to 1,000sqm	
(\$/SQM SALEABLE)	\$50 to \$170	\$400 to \$440	

Source: Atlas

Pricing levels in Coastal locations are evidently higher than those in Inland locations. Sale prices are not shown for apartments in Inland locations given the lack of market demand and dearth of this type of development activity.

REDUCTION IN MINIMUM LOT SIZE CONTROLS (RESIDENTIAL SUBDIVISIONS)

This section shows the cost of Affordable Housing where a planning proposal seeks to reduce the minimum lot size control:

- Low density residential in urban zones (R2 and R3).
- Large lot/ rural-residential in R5 Large Lot Residential, rural (RU) and environmental (C) zones.

There is a wide range of sale prices for serviced residential lots between the Coastal and Inland locations, and even within the Coastal and Inland locations. The difference can be attributed to a range of factors including block size, location, aspect and proximity to services and amenity.

The Viability Assessment adopts four sets of equivalent contribution rates (\$) to reflect the difference in overall density and pricing. While multiple rates (at the suburb level) would represent a more precise alignment with suburb-level pricing, the approach would lack simplicity and pose a heavier administrative burden.

The Viability Assessment finds that a precinct-based approach (Coastal v Inland) to developing equivalent (dollar) contribution rates to be preferable, balancing simplicity and precision.

TABLE S1-3 applies average sale prices for serviced residential lots and converts them to equivalent contribution rates (\$) using generic efficiency ratios. The equivalent contribution rates (\$/sqm NDA) are directly relevant for application in a planning proposal.

TABLE S1-3: Equivalent Contribution Rates (\$), Residential Subdivisions

		RURAL-RESIDENTIAL	LOW DENSITY RESIDENTIAL
COASTAL			
AVERAGE SALE PRICE (\$/SQM SALEABLE AREA)	(a)	\$180	\$660
\$/SQM NDA	(b) = (a x 80% or 75%)	\$144	\$495
CONTRIBUTION RATES (\$/SQM NDA)	(c) = (b x % rates)		
0.5%		\$0.7	\$2.5
1.0%		\$1.4	\$5.0
1.5%		\$2.2	\$7.4
2.0%		\$2.9	\$9.9
INLAND			
AVERAGE SALE PRICE (\$/SQM SALEABLE AREA)	(a)	\$140	\$400
\$/SQM NDA	(b) = (a x 80% or 75%)	\$112	\$300
CONTRIBUTION RATES (\$/SQM NDA)	(c) = (b x % rates)		
0.5%		\$0.6	\$1.5
1.0%		\$1.1	\$3.0
1.5%		\$1.7	\$4.5
2.0%		\$2.2	\$6.0

Source: Atlas



INCREASE IN RESIDENTIAL CAPACITY (APARTMENTS)

This section shows the cost of Affordable Housing where a planning proposal seeks to increase the residential capacity - enabling residential units (apartments) in residential flat buildings (RFBs) or shop top housing:

There is a dearth of higher density development activity in Inland locations due to a lack of market demand. The lack of market demand results market willingness to pay a price that is lower than the cost to produce an apartment.

Similar to the residential subdivisions, the Viability Assessment adopts precinct-level (Coastal v Inland) sets of equivalent contribution rates (\$) to reflect the difference in overall density and pricing. While multiple rates (at the suburb level) would represent a more precise alignment with suburb-level pricing, the approach would lack simplicity and pose a heavier administrative burden.

TABLE S1-4 applies average sale prices for residential units (apartments) and converts them to equivalent contribution rates (\$) using generic efficiency ratios. The equivalent contribution rates (\$/sqm GFA) are directly relevant for application in a planning proposal.

TABLE S1-4: Equivalent Contribution Rates (\$), Apartments

RFB AND SHOP TOP HOUSING (APARTMENTS)		
COASTAL		
AVERAGE SALE PRICE (\$/SQM SALEABLE AREA)	(a)	\$8,000
\$/SQM GFA	(b) = (a x 85%)	\$6,800
CONTRIBUTION RATES (\$/SQM NDA)	(c) = (b x % rates)	
0.5%		\$34.0
1.0%		\$68.0
INLAND		
AVERAGE SALE PRICE (\$/SQM SALEABLE AREA)	(a)	Not applicable
\$/SQM GFA	(b) = (a x 85%)	
CONTRIBUTION RATES (\$/SQM NDA)	(c) = (b x % rates)	
0.5%		
1.0%		

Source: Atlas

The Affordable Housing contribution rates (% and \$) are applied to feasibility capacity testing in the next section.

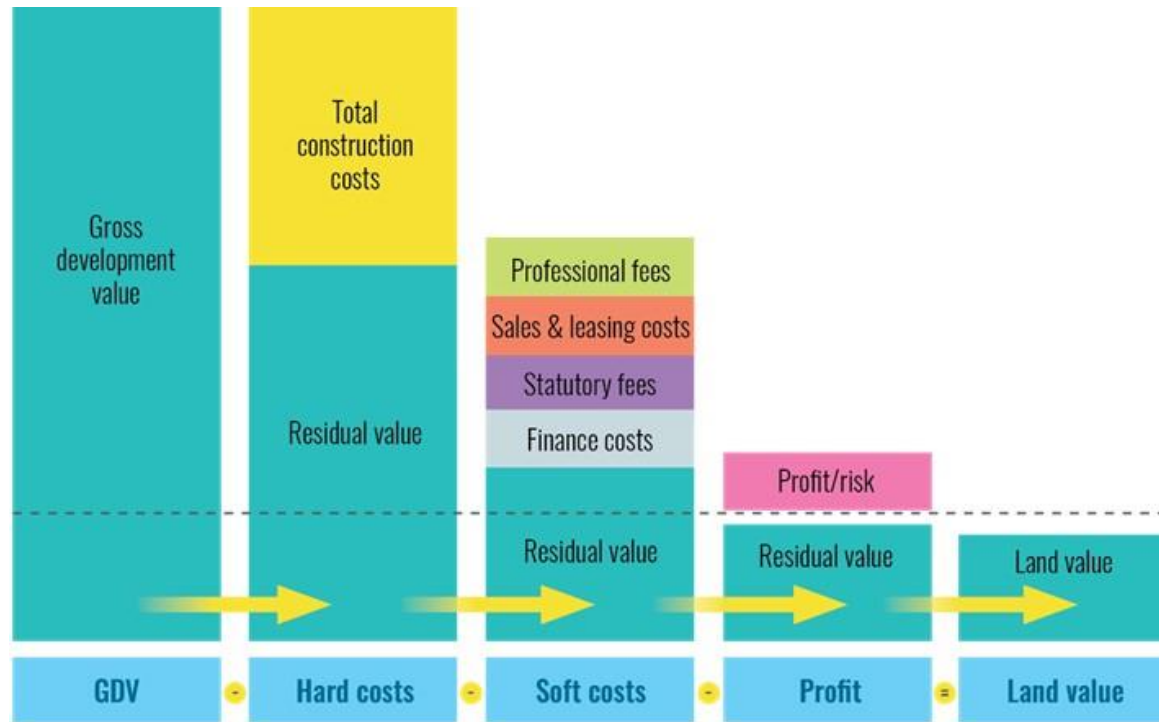


Assessment Methodology

Generic feasibility modelling is undertaken to test the viability of development after affordable housing contributions. Modelling has adopted the Residual Land Value (RLV) approach to measure the impact of affordable housing contributions on project viability.

The RLV approach involves assessing the value of hypothetical development, considering total revenue and development costs, and making a further deduction for the profit and risk a developer would require in delivering the project. The RLV can be defined as the maximum price a developer would be prepared to pay for a site whilst achieving target hurdle rates for profit and project return.

FIGURE S1-1: The Residual Land Value Method



Source: Atlas

AFFORDABLE HOUSING CONTRIBUTION RATES

Market analysis observes a range of sale prices could be expected from different residential typologies in locations across the LGA.

A range of these sale prices is provided in **TABLE S1-2**. These sale prices are subsequently converted to an equivalent rate NDA and GFA rate in **TABLE S1-3** and **TABLE S1-4**.

TABLE S1-5 shows the Affordable Housing contribution rates (% and \$) when fully implemented, adopted for feasibility testing by development type and location:

- Rural-residential subdivision
 - Coastal location (2% and \$144/sqm NDA)
 - Inland location (2% and \$112/sqm NDA)
- Low density residential subdivision
 - Coastal location (2% and \$495/sqm NDA)
 - Inland location (2% and \$300/sqm NDA)
- RFB and shop top housing (apartments) - Coastal location only (1% and \$6,800/sqm GFA)



TABLE S1-5: Affordable Housing Contribution Rates

YEAR OF COMMENCEMENT	RURAL-RESIDENTIAL	LOW DENSITY RESIDENTIAL	RFB AND SHOP TOP HOUSING (APARTMENTS)
COASTAL			
CONTRIBUTION RATE (%)	2%	2%	1%
EQUIVALENT CONTRIBUTION RATE (\$)	\$144/sqm NDA	\$495/sqm NDA	\$6,800 /sqm GFA
INLAND			
CONTRIBUTION RATE (%)	2%	2%	Not applicable
EQUIVALENT CONTRIBUTION RATE (\$)	\$112/sqm NDA	\$300/sqm NDA	

Source: Atlas

PHASING-IN PERIOD

The gradual implementation of Affordable Housing contribution rates can assist with mitigation of impact on feasibility as follows:

- Developers to factor-in the contribution requirement into their feasibility and negotiations with landowners, ensuring that an appropriate price is paid for a development site.
- Natural market growth results in a lift to revenue levels, contributing to offsetting the additional cost impost.

A review of land value movements over the 10-year period to 2021 reveals an average annual growth in land values of 4% to 11%.

The feasibility capacity testing implements a phased introduction of contributions over a six-year period to understand its potential to mitigate the impact on development feasibility. Revenue levels are assumed to be flat in 2025 (recognising the current economic headwinds and inflationary cost environment). In Year 2 a modest 2% per annum growth in revenue (net of cost) is assumed.

TABLE S1-6 shows the phasing-in period adopted in the feasibility capacity testing.

TABLE S1-6: Phase-in Period of Contribution Rates (%)

YEAR OF COMMENCEMENT (FROM COUNCIL ADOPTION)	DEVELOPMENT TYPE	
	Residential Subdivision (Rural-residential and Low Density)	RFB and Shop Top Housing (Apartments)
YEAR 1	Nil	Nil
YEAR 2	0.5%	0.5%
YEAR 3	1.0%	1.0%
YEAR 4	1.0%	1.0% (fully implemented)
YEAR 5	1.5%	
YEAR 6	2.0% (fully implemented)	

Source: Atlas

KEY STEPS

There are several steps in the generic feasibility modelling:

Step 1 - Identify likely development scenarios by location (Coastal v Inland).

Step 2 - Consider the key revenue and cost assumptions for notional development scenarios by location.

Step 3 - Test inclusion of Affordable Housing contributions rates (phased-in) on the viability of development. The testing includes all statutory fees and charges including s7.11 contribution rates, state and regional contributions and water and sewerage infrastructure charges where applicable.

The purpose of testing is to assess if, after Affordable Housing contributions, investment hurdle rates fall within an acceptable range.



Testing Assumptions

TESTING SCENARIOS

This section carries out a viability assessment to examine the capacity of development to tolerate affordable housing contributions within the Bega Valley Shire LGA (**the LGA**), being:

- Residential subdivisions - rural-residential and low density residential.
- Apartments - residential flat buildings and shop top housing.

The viability assessment is carried out by location and typical development type in Coastal and Inland locations (suburbs as defined in **TABLE 1-1** and mapped in **FIGURE 2-1**). **TABLE S1-7** and **TABLE S1-8** outline the development scenarios tested.

TABLE S1-7: Testing Scenarios, Residential Subdivisions

LOCATION	RURAL-RESIDENTIAL	LOW DENSITY RESIDENTIAL
COASTAL		
NDA (SQM)	40,000	40,000
SALEABLE AREA (SQM)	32,000	30,000
AVG. LOT SIZE (SQM)	5,000	600
NO. OF LOTS	6.4	50
INLAND		
NDA (SQM)	40,000	40,000
SALEABLE AREA (SQM)	32,000	30,000
AVG. LOT SIZE (SQM)	5,000	800
NO. OF LOTS	6.4	38

Source: Atlas

TABLE S1-8: Testing Scenarios, High-Density Housing

LOCATION	RFB AND SHOP TOP HOUSING (APARTMENTS)
	COASTAL ONLY
SITE AREA (SQM)	1,000
GFA (SQM)	900
NO. OF DWELLINGS	8 apartments

Source: Atlas

REVENUE ASSUMPTIONS

Revenue assumptions are developed based on a market appraisal undertaken across the LGA in Coastal and Inland locations.

TABLE S1-9: Revenue Assumptions

REVENUE ASSUMPTIONS	RESIDENTIAL SUBDIVISION (LARGE LOT)	RESIDENTIAL SUBDIVISION (LOW DENSITY)	RRB AND SHOP TOP HOUSING (APARTMENTS)
COASTAL	\$900,000	\$396,000	\$800,000
INLAND	\$700,000	\$320,000	Not applicable

Source: Atlas

Other revenue assumptions:

- GST is included on residential sales.
- Sales commissions at 2.5% of gross residential sales.



COST ASSUMPTIONS

- Demolition costs of \$100/sqm to site area for residential unit developments (RFBs and shop top housing).
- Building areas are calculated by applying a generic 110% ratio to GFA against which construction building costs are applied. Construction costs are estimated with reference to past experience and cost publications:
- Servicing costs (residential subdivisions):
 - Rural-residential: \$40/sqm site area
 - Low density residential: \$100/sqm site area
- Building construction costs at \$4,000/sqm building area (RFBs and shop top housing).
- Site works and infrastructure allowance of 2% of total construction cost.
- Construction contingency of 5% of total construction cost.
- Professional fees at 10% of construction costs.
- Statutory fees:
 - DA and CC fees at 1% of construction costs.
 - s7.11 contributions as per Council's rates:
 - \$16,010 per residential block (>550sqm)
 - \$9,121 per 1 bedroom dwelling
 - \$10,761 per 2 bedroom dwelling
 - \$16,010 per 3 bedroom dwelling
 - Water infrastructure charges at:
 - \$26,352 per dwelling, or
 - \$6,589 per bedroom
- Finance costs:
 - Interest at 5.5%.
 - Establishment fee at 0.35% of peak debt.

HURDLE RATES

The primary performance indicator relied upon is the development margin. A development margin (profit margin) of 18% is targeted.

TABLE S1-10: Benchmark Hurdle Rates

HURDLE RATE	FEASIBLE	MARGINAL-TO-FEASIBLE	NOT FEASIBLE
DEVELOPMENT MARGIN/ PROFIT MARGIN	>18%	16%-18%	<16%
PROJECT RETURN	>18%	16%-18%	<16%

Source: Atlas



Testing Outcomes

The outcomes of the feasibility capacity testing are shown in a series of graphs that demonstrate the impact from a gradual phased-in implementation of the Affordable Housing contribution rates. The purpose of testing is to assess if, after Affordable Housing contributions, profit margin is within an acceptable range, i.e. >18%.

RESIDENTIAL SUBDIVISIONS

FIGURE S1-2 shows that as the contribution rates are gradually introduced over a six-year period, natural market growth assists to offset the impact on feasibility and preserves commercial viability and the large lot residential subdivision scenario tested.

FIGURE S1-2: Impact of Staged Affordable Housing Contributions on Profit Margin, Rural-Residential



FIGURE S1-3 shows how the impact on development feasibility of the low density residential subdivision tested can be mitigated and offset by natural market growth as the contribution rates are implemented over a six-year period.

Gradual implementation enables preservation of profit margin after inclusion of Affordable Housing rates over the phasing-in period.

FIGURE S1-3: Impact of Staged Affordable Housing Contributions on Profit Margin, Low Density Residential



HIGH-DENSITY HOUSING

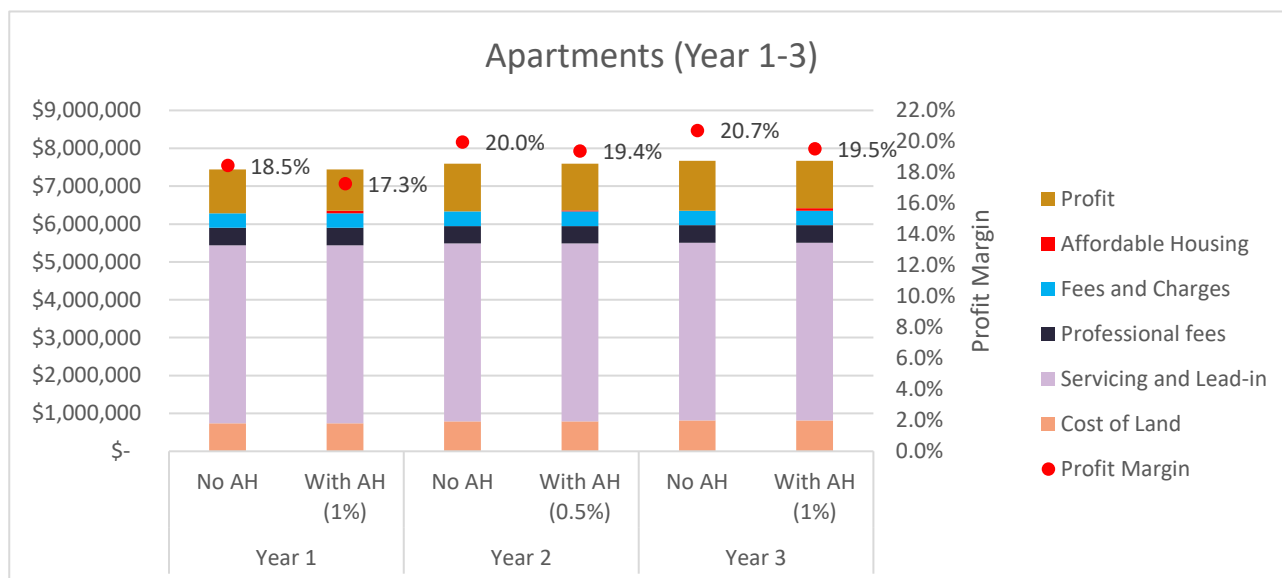
FIGURE S1-4 shows how the impact on development feasibility of an apartment development is mitigated and offset by natural market growth as the contribution rates are implemented over a three-year period.

- If a contribution of 1% is implemented immediately in Year 1, the testing shows that profit margin declines from 18.5% to 17.3% (which is below the target hurdle of 18%) and development becomes marginal-to-feasible.
- If gradually introduced (0.5% in Year 2 and 1% in Year 3), the testing shows that the profit margin is preserved above the target hurdle or 18% and feasibility is preserved.

Gradual implementation enables preservation of profit margin after inclusion of Affordable Housing rates over the phasing-in period. This is because:

- Developers have the opportunity to factor-in the contribution requirement into negotiations with landowners, ensuring that an appropriate price is paid for a development site.
- Natural market growth results in a lift to revenue levels, contributing to offsetting the additional cost impost.

FIGURE S1-4: Impact of Staged Affordable Housing Contributions on Profit Margin, High Density Housing



SUMMARY OF FEASIBILITY TESTING OUTCOMES

Soft sales revenues combined with high construction costs have resulted in the feasibility of development being fragile in the recent 24-36 months.

The staged introduction of a new Affordable Housing contribution (beginning at 0.5% in Year 2) has the potential to largely mitigate material impact on development feasibility. Natural market growth assists to offset the additional cost of an Affordable Housing contribution, with full introduction of the proposed Affordable Housing contribution (2% by Year 6 for residential subdivisions and 1% by Year 4 for higher density housing) is within tolerance in the tested scenarios.

It is highlighted that the feasibility testing considers the 'worst case' where land has already been purchased for development and the price paid does not account for new Affordable Housing contributions.

However, if the cost of land is given the opportunity to adjust, i.e. the price paid for land is lower, then the combination of the lower cost of land, gradual introduction and real revenue growth can offset the impact.

Even if the price paid for land does not fully reflect the new contribution rates, the feasibility testing shows that a combination of gradual introduction and real revenue growth can act in tandem to offset adverse impacts to feasibility.

