



Opinion Piece

NSW Government amends affordable housing policy with new levy

The NSW Government has amended the Affordable Rental Housing State Environmental Planning and Policy (SEPP) legislation with a new expanded levy regime on residential flats and boarding house developments.

The changes will impact all boarding houses and residential apartment buildings that are not strata subdivided if any unit within the building was rented below the median rental in the local government area at any time within the past five years.

If a property is affected, owners must now lodge a Development Application (DA) with council for even minor works such as building upgrades that would previously have been exempt.

When a DA is lodged, owners need to prepare several additional consulting reports including:

- A report that demonstrates that the proposed works will not reduce the stock of affordable housing within the Local Government Area (LGA).
- How you, as the property owner, will financially assist existing tenants into alternate accommodation
- Whether the 'affordable housing' monetary contribution paid to council will adequately mitigate the impact on affordable housing stock.

Owners will be required to pay an 'affordable housing levy' to council which is 5% of the replacement cost of the building in addition to the usual DA fees.

Councils will not approve any development, improvement or demolition (including strata sub-division or change of use) for any affected property unless they are fully satisfied that it won't impact on affordable housing stock.

Outcome for valuation

In most cases, boarding houses and residential flat buildings will not be readily available for alternate uses, further development or strata subdivision.

Approval for even minor upgrades will be difficult to achieve and should not be included in valuations unless approval has been granted.

For these assets, valuers should assume that only the 'continued use' is possible, unless a DA is already approved.

Note, for blocks of apartments, the onus is on the property owner when they lodge a DA to 'prove' to council that at no point in time in the past five years was any rental within the building below the median. This is not likely to be possible where ownership has been for less than five years, or where records are not accurate. It is therefore sensible to assume for valuation purpose that all blocks of apartments will be included in the new levy regime.