

ATTACHMENT D

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**DRAFT CENTRAL SYDNEY AFFORDABLE
HOUSING PROGRAM**

Draft Central Sydney Affordable Housing Program

XX XXX 20XX

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1. About the Program

1.1 Purpose of this Program

The Central Sydney Affordable Housing Program (this Program) applies to all land zoned B8 Metropolitan Centre in Central Sydney (Figure 1).

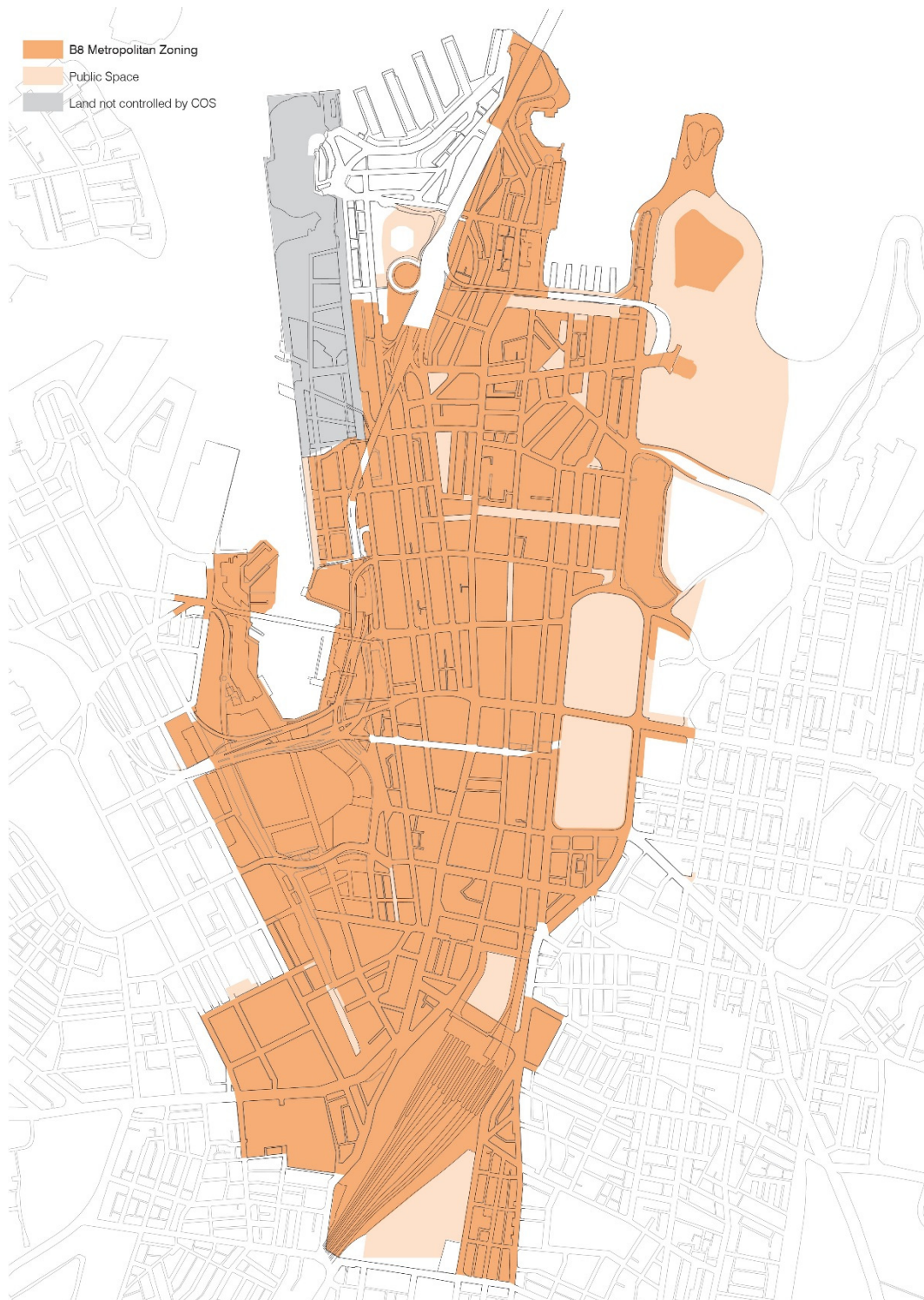


Figure 1: Central Sydney

The greatest challenge for a city to maintain its global status is the supply, funding and delivery of essential social and physical infrastructure that supports growth. For major employment centres like Central Sydney housing is a critical piece of that essential infrastructure; where it is located, its proximity to employment, its diversity in price and type and its quality are things that require careful planning.

Housing affordability affects Central Sydney's ability to attract and retain global businesses and a highly skilled workforce. Where relatively low paid key workers, who underpin and enable growth in high value sectors, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These key workers are employed in a range of sectors. They include our health care technicians, cleaners, bus drivers, administrators, wait staff, tour guides, musicians and artists.

Population growth, an awakening to the desirability of inner city living, and high demand for investment properties are driving up market residential prices in Central Sydney and surrounds. Without provision of more affordable forms of housing, the market can be expected to continue to produce housing in and around Central Sydney aimed at households on relatively high incomes with very low to moderate income households being increasingly priced out of housing.

The *Central Sydney Planning Strategy 2016* (Strategy) plans for an additional 133,000 jobs and 10,000 dwellings that will need to be accommodated in Central Sydney by 2036. To facilitate this growth the Strategy provides for approximately 2.9 million squares metres of additional floorspace above that which can be achieved in Central Sydney as at January 2016.

The intent of this Program is to ensure that as Central Sydney grows and new jobs are created and demand for low income workers increases, that some affordable rental housing is provided to support that growth.

The *Sydney Local Environmental Plan 2012* (Sydney LEP 2012) therefore requires that certain development in Central Sydney contribute to the provision of affordable housing for very low to moderate income households. This Program provides the operational detail for the collection and distribution of funds resulting from the requirement.

1.2 Objectives of the Program

- Recognise affordable rental housing as critical infrastructure necessary to support sustainable employment growth and efficient, productive business in the City of Sydney Local Government Area (LGA).
- Ensure there are opportunities for very low to moderate income earners who work in Central Sydney to live within the vicinity of Central Sydney.
- Ensure that as growth occurs in Central Sydney, affordable rental housing is provided to accommodate the increased demand for affordable housing resulting from more low to moderate income workers being employed in Central Sydney.
- Maintain a socially diverse residential population representative of all income groups in the City of Sydney.
- Facilitate opportunities for government and community housing providers to supply and operate affordable housing within the LGA.

1.3 Central Sydney Affordable Rental Housing Principles

The Central Sydney affordable rental housing principles are:

- affordable rental housing is to be provided and managed in the City of Sydney LGA so that a socially diverse residential population representative of all income groups is maintained;
- affordable rental housing is to be made available to a mix of households on very low to moderate incomes;
- affordable rental housing is to be rented to eligible households at an appropriate rate of gross household income;
- affordable rental housing is to be managed so as to maintain their continued use for affordable rental housing; and
- affordable rental housing is to be dwellings constructed to a standard which, in the opinion of the Council, is consistent with other dwellings in the City of Sydney LGA.

1.4 Amending this Program

This Program was adopted by the Council of the City of Sydney on XX XXX 20XX.

Amendment to the Program will generally require amendment to the Sydney LEP 2012, which directly refers to this Program as dated.

1.5 Terms used in this Program

Affordable housing

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

“housing for **very low income households, low income households or moderate income households**, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument”.

Affordable rental housing

Affordable rental housing or **Affordable rental dwelling** is **affordable housing** that is managed by a **recommended community housing provider** and rented to **very low to moderate income households**.

City of Sydney Local Government Area

The **City of Sydney Local Government Area (LGA)** refers to the area within the “LGA Boundary” shown in the *Sydney Local Environmental Plan 2012* Land Application Map.

Council / City

References to **City** are references to the City of Sydney organisation. References to the **Council** are references to the Council of the City of Sydney being the City’s elected representatives.

Recommended Community Housing Providers

Recommended Community Housing Providers are those providers listed on Schedule A of this Program.

Total Floor Area

As defined by Clause **X.XX** of *Sydney Local Environmental Plan 2012* (Sydney LEP 2012):

total floor area means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following:

- a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,

- b) any area of a balcony that is more than the minimum area required by the consent authority in respect of the balcony,
- c) the maximum ancillary car parking permitted by the consent authority and any associated internal vehicular and pedestrian access to that car parking,
- d) space for the loading and unloading of goods,
- e) other excluded floor area, being:
 - i. floor area that is owned by a social housing provider, within the meaning provided by State Environmental Planning Policy (Affordable Rental Housing) 2009, and used for affordable housing; and
 - ii. floor area used for the purpose of community facilities, public roads or public utility undertakings.

Clarifications:

- the minimum-sized balconies required to be provided under the planning controls for residential buildings are included in the calculation of total floor area;
 - any extra balcony area (above what is required by the planning controls) is not included as total floor area so as not to penalise applicants for providing more generous balconies; and
 - balconies provided on any non-residential building will not be included in the calculation of total floor area, unless they are enclosed by an outer wall; and
 - only floor area that is owned by a social housing provider and used for affordable housing, or, floor area used for the purpose of community facilities, public roads or public utility undertakings, is excluded from the calculation of total floor area. The affordable housing contribution is to be calculated on all other floor area.
-

Very low to moderate income households

Derived from *State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)* (SEPP 70):

Very low to moderate income households are those households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

- **Very low income household** - less than 50%
 - **Low income household** - 50 or more but less than 80%
 - **Moderate income household** – 80 to 120%
-

2. Central Sydney Affordable Housing Scheme

2.1 About the Scheme

The Central Sydney Affordable Housing Scheme (the Scheme) applies to development within Central Sydney as shown in Figure 1.

2.1.1 Aim of the Scheme

The aim of the Scheme is to maximise the amount of affordable housing resulting from contributions in Central Sydney. This will contribute towards achieving the City's target for 10,500 affordable rental dwellings to be provided within the LGA by 2030¹.

2.1.2 Legislative basis for the Scheme

Section 94F of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

- (a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- (b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
- (c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- (d) the regulations so provide.²

State Environmental Planning Policy 70 – Affordable Housing (Revised Schemes) (SEPP 70) identifies that there is a need for affordable housing in the City of Sydney.

Sydney LEP 2012 contains controls for the calculation, levying and management of affordable housing contributions in the City of Sydney. It excludes minor development as defined by Section 2.1.6.

The Scheme establishes that all proposed development in Central Sydney will:

- reduce the availability of affordable housing within the area; and
- create a need for affordable housing in the area.

¹ *Housing Issues Paper 2015*, City of Sydney.

² Development must only satisfy one of these conditions for Council to be able to require a contribution.

The evidence for this is provided at Appendix A.

All development in Central Sydney that is not minor development is subject to a requirement to make a contribution for affordable housing under Section 94F of the Act.

Where there is an inconsistency between this Scheme and any environmental planning instrument applying to the same land, the provisions of the environmental planning instrument shall prevail.

2.1.3 Management of affordable rental housing

Affordable rental dwellings resulting from monetary contributions are to be provided in accordance with the Central Sydney Affordable Rental Housing Principles set out in this Program. The Principles are satisfied where all of the following conditions are met:

- affordable rental dwellings are owned by government or a recommended community housing provider;
- affordable rental dwellings are provided in the LGA;
- affordable rental dwellings are managed for the purpose of providing affordable housing in the LGA in perpetuity;
- affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income;
- where 10 or more affordable rental dwellings are being provided, at least 15 per cent of dwellings are to be allocated to very low income households and 15 per cent of dwellings to low income households;
- all rent received after deduction of management and maintenance costs will be used only for the purpose of managing, improving, replacing, maintaining or providing additional affordable rental housing within the LGA that is held in perpetuity for that purpose. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling; and
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are not identifiable as affordable housing compared with the design of other housing.

2.1.4 What development is required to make an affordable housing contribution?

The Sydney LEP 2012 requires that all development within Central Sydney, except for minor development, be subject to an affordable housing contribution requirement. 'Development' includes:

- the creation of new floor area;

- alterations and additions to an existing building or existing floor area;
- changes of use to existing floor area; and
- demolition of existing floor area and the subsequent creation of new floor area for the same or a new purpose.

Where a contribution for affordable housing has not previously been paid, then:

- where new floor area is being created, a contribution for the purpose of affordable rental housing must be made on that floor area. It does not matter if the new floor area is being created to replace demolished floor area;
- where floor area is in existence and the use of that floor area changes from one non-residential use to another non-residential or residential use, a contribution for the purpose of affordable rental housing must be made on the floor area that is the subject of the development application to change the use.

2.1.5 Where an affordable housing contribution has already been paid

Where an affordable housing contribution has already been paid on a site, then:

- where physical floor area is in existence and does not increase, and where the use of that floor area changes from one non-residential use to another non-residential use, no contribution for the purpose of affordable rental housing is required;
- where the redevelopment of the site will replace an equivalent area and use, no contribution for the purpose of affordable rental housing is required;
- where physical floor area is in existence and the use of that floor area changes from a non-residential use to a residential use a contribution must be made to the value of the difference in the contribution rate;
- where physical floor area is in existence and any non-residential floor area is demolished and replaced with new residential floor area, a contribution must be made to the value of the difference in the contribution rate; and
- where a development is for a larger total floor area than a previous development on the site for which an affordable housing contribution was made, then the consent authority must require a contribution for the difference in total floor area (in addition to any difference arising from a change of use).

For example:

A contribution was previously paid for a non-residential development with a total floor area of 10,000sqm.

A subsequent consent is sought to demolish the building and construct a new non-residential development with a total floor area of 15,000sqm.

Because a contribution has already been paid for 10,000sqm of non-residential floor area, only the additional 5,000sqm of non-residential floor area will be required to make a contribution.

Where a contribution has been collected for a non-residential development under the Scheme and a subsequent development is for the same area but for residential uses (which attract a higher rate of contribution) the consent authority will impose a condition that reflects the difference in the non-residential and residential rates. It does not matter whether the floor area for which the contribution was previously paid is demolished or re-used as part of the new development.

For example:

A contribution was previously paid for a non-residential development with a total floor area of 15,000sqm.

A subsequent consent is sought to refit the building for residential dwellings with the total floor area of 20,000sqm.

Because a contribution has already been paid for 15,000sqm of non-residential floor area, the contribution requirement will reflect the difference in the non-residential and residential rates for 15,000sqm and will also include a contribution requirement for the additional 5,000sqm of residential floor area at the full rate.

2.1.6 What is minor development?

All development in Central Sydney will benefit from growth in Central Sydney. As such, all development in Central Sydney, other than minor development, is required to make contribution towards affordable housing.

A development is minor development, and does not give rise to the need for an affordable housing contribution, if the development application comprises one or more of the following development categories (and no other development):

- minor physical creation of floor area - where a development application results in the physical creation of no more than 100 square metres of floor area;
- minor refurbishment or repair of a building - where a development application is for the refurbishment or repair of a building where the *development cost** is less than \$200,000;

- exempt development that does not require consent;
- minor change of use - where a development application is for a change of use of less than 200 square metres of the floor area;
- disproportionate cost – where a development application would result in the applicable affordable housing contribution amounting to more than 20 per cent of the agreed cost of construction; and/or
- other minor development – at its absolute discretion the City may, upon written request from the applicant at the time of lodging a development application, waive the requirement for contribution under this Scheme on floor space associated with following works:
 - heritage – minor works associated with an item of environmental heritage, as defined by the *Heritage Act 1977*;
 - *Not-for-profit development* – development undertaken on a cooperative or not-for-profit basis that provides a distinct community benefit including but not limited to childcare services and emergency services such as fire stations, police stations and ambulance stations;
 - housing for seniors or people with a disability – development for housing for seniors or people with a disability;
 - sustainability measures – development for the entire purpose of reducing the energy consumption of a building or reducing the use of mains supplied potable water;
 - end of journey facilities – as defined by Sydney LEP 2012;
 - City of Sydney development – development undertaken by or on behalf of the City of Sydney.

If a development application satisfies one of these development categories, but also includes other development that is not minor, then the contribution is calculated on the whole of the development and does not exclude those minor elements.

For example:

A development application for a new 90sqm mezzanine in an office building *and* a change of use from a 150sqm shop to a 150sqm commercial office does not give rise to the need for an affordable housing contribution, because both components of the development application are minor development.

For example:

The City receives a development application for a new 90sqm mezzanine in an office building *and* a change of use from a 300sqm shop to a 300sqm commercial office. Because the change of use component is greater than 200sqm, then the contribution will be calculated on the entire amount of floor area that is the subject of the development application, being 390sqm of floor area. It does not exclude the new floor area, even though it is less than 100sqm.

For example:

The development of an existing 10,000sqm building that involves a change of use from office to residential apartments and includes a 90sqm addition to the building. The result is a development with a total floor area of 10,090sqm.

Even though the development application is for less than 100sqm of new physically created floor area, the development is not exempt because the development application is also for a change of use that does not meet the minor development criteria. The contribution will be calculated on the entirety of the floor area in the development, that is, 10,090sqm at the residential rate.

*Development cost is to be determined in accordance with *Central Sydney Development Contributions Plan 2013*

2.2 Affordable housing contribution requirements

Affordable housing contributions in Central Sydney are to be phased in to enable a period of market adjustment. The rate of contribution required is established by Sydney LEP 2012 as:

Date of lodgement of development application	Non- residential contribution rate	Residential contribution rate
To 31 May 2018	0%	0%
1 June 2018 – 31 May 2020	0.5%	1.5%
1 June 2020 onwards	1%	3%

Table 1: Rate of contribution

Clause **X.XX** of the Sydney LEP 2012 requires that the affordable housing levy contribution be satisfied by way of monetary contribution to the Council.

2.2.1 Monetary contribution rates

A contribution requirement forms part of a development consent. In all instances the City will require evidence that the condition of development consent relating to affordable housing has been satisfied prior to the granting of any construction certificate.

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

The monetary contribution rates that apply are provided at Table 2. The rates for the period of 1 June 2016 to 31 August 2016 are:

Date of lodgement of development application	Non- residential contribution rate (based on the total floor area)*	Residential contribution rate (based on the total floor area)
To 31 May 2018	\$0/sqm	\$0/sqm
1 June 2018 – 31 May 2020	\$48.71/sqm	\$146.12/sqm
1 June 2020 onwards	\$97.41/sqm	\$292.24/sqm

Table 2: Monetary contribution rate (at 1 June 2016 to 31 August 2016)

The monetary contribution rates in Table 2 are based on the median cost of purchasing a strata dwelling in the LGA. Adjustments are made to the monetary contribution rates to account for movements in the cost of housing over time. For clarity, a development application lodged on 2 June 2018 will be required to make a contribution in accordance with the indexed rates from Table 2.

Adjustments are made on a quarterly basis in accordance with Section 2.2.4. The City of Sydney’s website will contain the current rates for the Scheme.

For example:

A development application for a new 8,000sqm building comprising non-residential floor area will be calculated as:

Contribution = 8,000sqm x non-residential contribution rate.

For example:

A development application for a new 10,000sqm building comprising 5,000sqm of residential floor area and 5,000sqm of non-residential floor area will be calculated as:

Contribution = (5,000sqm x non-residential contribution rate) + (5,000sqm x residential contribution rate)

2.2.2 Conditions of consent

The condition of consent for an affordable housing contribution is to contain the following information:

- the total dollar value of the monetary contribution required;
- the total floor area of the residential component of the development and the total floor area of the non-residential component of the development that was used to calculate the contribution;
- the contribution period and the contribution rates at the date of lodgement (i.e. for a consent dated 2 July 2019, the contribution period is 1 June 2019 – 31 August 2019);

- the method of adjustment to contribution rates, as provided on the City’s website; and
- a requirement that the condition be satisfied prior to the issue of any construction certificate. Where a construction certificate is not required, the condition must be satisfied prior to the commencement of use or occupation.

2.2.3 How to make a payment

Payment will be by unendorsed bank cheque to the City prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation.

The procedure for making payment is available on the City’s website.

2.2.4 Adjustment of monetary contribution rates

Contribution rates are adjusted on a quarterly basis, within one week of the first days of March, June, September and December, to ensure that the contributions reflect the cost associated with the provision of affordable housing.

Rates are adjusted with reference to movements in the median price for strata dwellings in the City of Sydney LGA. The median strata dwelling price is published quarterly in the NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

In the case where the release of the Rent and Sales Report is delayed, rates will be updated as soon as practicable.

The formula for adjustment of the contribution rates is:

$$\text{Next Quarter's Contribution Rate} = \text{Current Contribution Rate} \times (\text{MDP2}/\text{MDP1})$$

Where:

MDP1 is the median strata dwelling price for the PREVIOUS quarter

MDP2 is the median strata dwelling price for the CURRENT quarter

The City of Sydney’s website will contain the current rates for the Scheme.

2.2.5 Adjustment of a monetary contribution amount on a development consent

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2018 and the applicant does not wish to pay the contribution and develop the site until August 2022, the contribution amount will need to be adjusted to the period in which it is paid.

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

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

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{MDP2}/\text{MDP1})$$

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rates at the time of lodgement of the development application.

MDP1 is the median strata dwelling price that applied at the time of consent.

MDP2 is the median strata dwelling price that applies at the time of payment.

2.2.6 Refunds for demolition or changes in use

Under Sydney LEP 2012 the consent authority must not refund any contribution for a change in use or demolition.

2.3 Using monetary contributions

Monetary contributions are to be received by the City and allocated to a Recommended Community Housing Provider, listed on Schedule A. No monies are to be retained by the City.

Monetary contributions are to be used for the sole purpose of providing and managing affordable housing in accordance with this Program.

2.4 Recommended Community Housing Providers

Recommended Community Housing Providers, listed on Schedule A, must be classified as a Tier 1 or Tier 2 providers registered under the National Regulatory Code.

Registered Community Housing Providers may request to be added to Schedule A and receive either dwellings or funds generated by this Scheme. Before adding a community housing provider to Schedule A the City will:

- consider the case for the request, as provided by the community housing provider;
- consider whether adding a new community housing provider would increase the number of affordable housing units resulting from this Scheme;
- consider the impact on the programming and business planning of community housing providers already listed on Schedule A; and
- develop a strategy for how dwellings or funds are to be divided amongst multiple providers.

Schedule A – Recommended Community Housing Providers

City West Housing Pty. Ltd.

Appendix A - Background Information

Introduction

This Section establishes that development in Central Sydney reduces the availability of and creates a need for affordable housing in Central Sydney and surrounding areas.

The greatest challenge for a city to maintain its global status is the supply, funding and delivery of essential social and physical infrastructure that supports growth. For major employment centres like Central Sydney housing is a critical piece of that essential infrastructure; where it is located, its proximity to employment, its diversity in price and type and its quality are things that require careful management.

The *Central Sydney Planning Strategy* (Strategy) provides a clear planning framework for the sustainable growth of Central Sydney. It recognises the role Central Sydney plays in the State's and nation's economic, cultural and social engine. The Strategy outlines how Central Sydney will grow in the future and includes development controls that will enable it to remain as one of the world's truly unique and memorable global cities.

Population growth, an awakening to the desirability of inner city living, and high demand for investment properties are driving up market residential prices in Central Sydney and surrounds. This is making it increasingly difficult for middle and lower income households to afford to rent or buy in or near Central Sydney.

Without provision of more affordable forms of housing, the market can be expected to continue to produce housing in and around Central Sydney aimed at households on relatively high incomes. Lower income households will need to move out of the inner-city or alternatively forced to live in less than optimal living conditions so as to be close to employment opportunities in Central Sydney.

For a global city, a sustainable and diverse housing supply is fundamental to the cultural and social vitality, economic growth, and liveability of the city. It is at the heart of the City of Sydney's Community Strategic Plan – Sustainable Sydney 2030.

Housing quality and affordability affect Central Sydney's ability to attract and retain global businesses and a highly skilled workforce. Where relatively low paid key workers, who underpin and enable growth in high value sectors, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These key workers are employed in a range of sectors. They are our health care technicians, cleaners, bus drivers, administrators, wait staff, tour guides, musicians and artists.

Encouraging and providing affordable housing is a complex issue requiring a range of planning and policy solutions. The community housing sector is central to delivering affordable rental housing, but so too is the development sector that creates opportunities for new affordable housing to be delivered.

This Program provides the framework for growth in Central Sydney to contribute to the demand it creates for affordable housing in the City of Sydney, in order to maintain metropolitan Sydney's global status.

What is affordable housing?

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* as “housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.”

In 2015-2016 the median income in Sydney is \$1,561 per week (\$81,200 per annum)³, therefore:

- very low income households are those earning less than \$781 per week, being 50% of median income;
- low income households are those earning between \$781 and \$1249 per week, being between 50% and 80% of median income;
- moderate income households are those earning between \$1249 and \$1873 per week, being between 80% and 120% of median income;

Very low to moderate income households often comprise key workers, such as cleaners and childcare workers, who are critical to the efficient functioning of a city.

In the City of Sydney the private housing market is unlikely to deliver housing, for purchase or for rental, which is within the reasonable means of very low to moderate income households. Where low cost housing can be found, the demand for it is so high that it is not necessarily target income groups who absorb it. Therefore, in the context of the City, the term ‘affordable housing’ means ‘affordable rental housing’ that is managed by a CHP and rented to target income households.

The City of Sydney’s affordable housing targets

The City’s *Sustainable Sydney 2030 Vision* establishes an ambitious affordable housing target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable housing.

Currently, housing supply in the City comprises 9.8 per cent social housing and 0.7 per cent affordable housing. To meet the City’s target, some 10,500 affordable housing dwellings are required to 2030.

Achieving this target will require a collaborative effort between the state government, the City, community housing sector and the private sector.

Growth in Central Sydney

Population

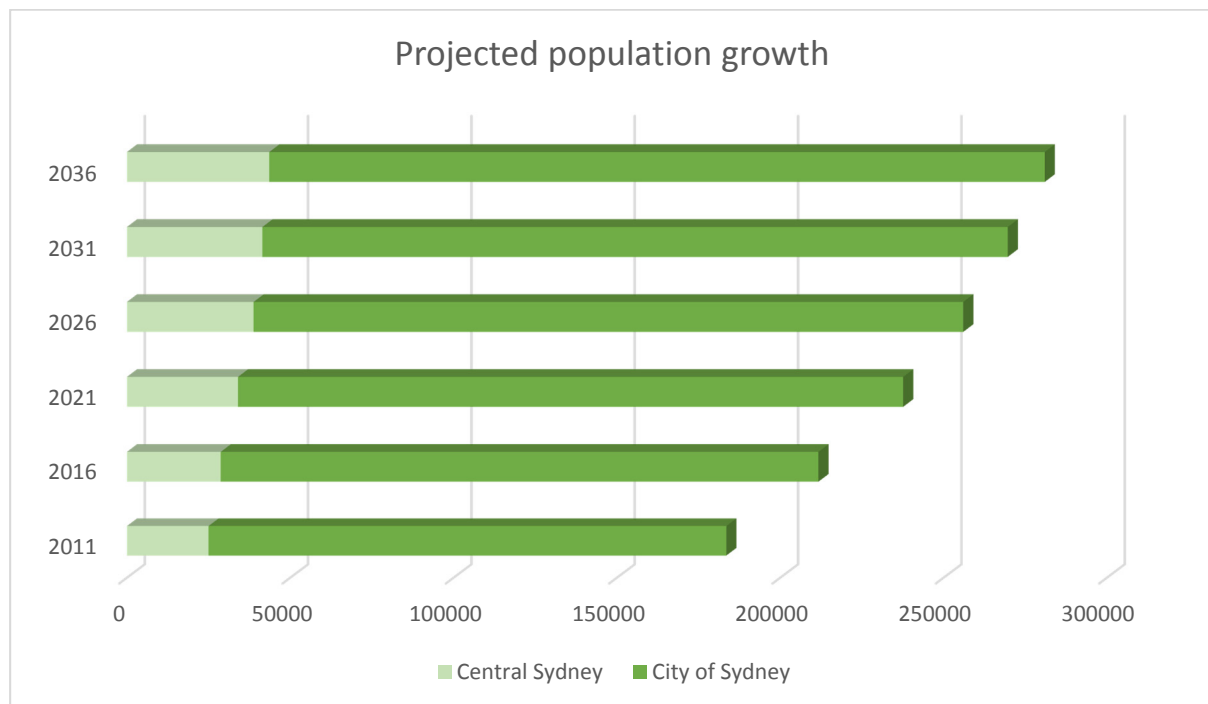
Over the past decade, the City of Sydney has been both the largest and fastest growing Local Government Area (LGA) in the state of NSW.

³ Centre for Affordable Housing: <http://www.housing.nsw.gov.au/centre-for-affordable-housing/for-managers-of-affordable-housing/household-median-incomes-2015-16>

In the City of Sydney, population is projected to increase by close to 100,000 people to 2036 (from 2011 numbers), representing an increase of 53% of today’s population. In Central Sydney, where the current population will swell from 25,000 to close to 44,000, the growth rate is even higher at 74%.

This growth is in part a result of the large number of new dwellings that are expected to be constructed through the redevelopment of former employment related uses, such as office space, warehouse, wharves and former industrial and railway land. Developments like Barangaroo in Central Sydney demonstrate the desirability of the area, and its impact on urban density.

The growth is also representative of the expected demand for housing in Central Sydney.



Population projection (City of Sydney, prepared by .id data)

By 2036, Central Sydney will have a similar-sized residential population as the suburbs of Pyrmont, Ultimo, Glebe and Harold Park combined. This increased population will not only significantly change the look and feel of Central Sydney’s precincts, but will also have huge implications for the type and amount of social, community and cultural facilities required to provide services to this permanent residential population.

At 1.9 people per dwelling, new residents will demand a total of 10,000 dwellings to 2036. In terms of floorspace, this equates to one million square metres of floorspace demand at 100 square metres per dwelling – the current average for Central Sydney.

Jobs growth and the demand for low income workers

The net rise in forecasted jobs for Central Sydney is from approximately 286,000 in 2012 to 375,000 in 2036: approximately 89,000 jobs. This could increase by as much as 50% to 133,000 new jobs given the high growth conditions that may be possible given the expanding transport network which incorporates light rail and the Sydney Metro.

An analysis of the SA2 2011 census data shows a total of 243,000 jobs located in Central Sydney that fall into the following income brackets⁴:

Income	Central Sydney		Metropolitan Sydney	
	Jobs	Proportion	Jobs	Proportion
LOW	44,248	18%	784,328	39%
MED	79,444	33%	710,517	35%
HIGH	119,177	49%	514,871	26%
TOTAL	242,869	100%	2,009,716	100%

Derived from SA2 Census data and adapted from AHURI (2016)

The above Table shows a smaller proportion of low income to middle income workers relative to metropolitan Sydney - not surprising given the number of high value jobs that tend to locate in CBDs. Notwithstanding this, assuming an additional a 'constrained growth' scenario of 89,000 jobs in Central Sydney to 2036, and that income group split remains broadly similar, over 45,000 more low and middle income earners will be needed in Central Sydney to 2036.

A study by the Australian Housing and Urban Research Institute (AHURI)⁵ conducted in CBDs in major Australian cities identified six industries that were likely to be affected by any shortage of low income workers, based on a combination of number of low income workers, reliance on these workers, and competition for these workers from outside Central Sydney. The industries were hospitality, retail, support services (like travel and recruitment agencies), professional services (like legal and accounting), finance-insurance, and government services.

Industry	Projected jobs growth between 2011 to 2036
Retail Trade	46%
Accommodation & Food Services	36%
Transport, Postal & Warehousing	5%
Information Media & Telecommunications	31%
Financial & Insurance Services	51%
Rental, Hiring & Real Estate Services	41%
Professional, Scientific & Technical Services	43%
Administrative & Support Services	37%
Public Administration & Safety	28%
Education & Training	39%
Health Care & Social Assistance	57%
Arts & Recreation Services	69%

Adapted from BTS employment projections

From the above Table, the industries with a large number of workers in Central Sydney (over 5,000) that are projected to experience high levels of employment growth in Central Sydney include Financial and

⁴ The lower-income range is based on the available income brackets in the 2011 Census data. The lower-income bracket is defined as up to \$799/week. 'Middle-income' is defined as \$800-1,499/week. 'High-income' is then defined as the remainder of the workforce, those earning above \$1,500/week (AHURI 2016).

⁵ 'Housing affordability, central city economic productivity and the lower income labour market' (AHURI 2016)

Insurance services, Information Media and Telecommunications and Professional, Scientific and Technical services, Retail, Education, Health and Arts and Recreation services. Many of these industries will rely on a steady supply of low income workers, a labour pool that will become considerably shallower as housing affordability declines close to Central Sydney.

Accommodating growth

The Strategy provides a planning framework to increase the amount of floorspace in Central Sydney to accommodate demand for both jobs and dwellings. It provides for some immediate changes to the planning controls to increase development outcomes in the City, but also provides a pathway to access 'strategic floorspace' through a streamlined site specific planning proposal process.

Assuming 20 square metres of floorspace required for every job located in Central Sydney and 100 square metres for every dwelling, the average dwelling size in Central Sydney, the Strategy will enable sufficient floorspace for all projected residential development and most employment under a 'constrained growth' scenario.

Projections	Additional to 2036	Required floorspace (sqm)	Projected floorspace (sqm)	Gap (sqm)
Constrained employment growth	89,000 jobs	1.8 million	2.1 million	+0.3 million
High employment growth	133,000 jobs	2.7 million	2.1 million	-0.6 million
Residential growth	10,000 dwellings	1 million	865,000	-135,000

Gap analysis (Central Sydney Planning Strategy 2016)

It is noted that this gap analysis does not take into account the natural 'churn' of development over time. As buildings that reach the end of their economic life are knocked down and redeveloped, the land-use mix will respond to the particular characteristics of the market at that time. For example, should the period to 2036 be largely dominated by a property market that favours residential development, then we are likely to see some loss of existing commercial floorspace, which will act to increase the 'gap' between the supply (projected) of commercial floorspace and demand (jobs) floorspace.

Therefore there is a need to ensure additional employment floorspace is secured in the City's State Government led major urban renewal projects if the high jobs growth scenario for 2036 and beyond is to be achieved.

Increasing land and housing costs

The underlying cost of land in the City of Sydney and other inner-city areas is increasing at a substantially higher rate relative to the rest of the state.

	2012 (\$billion)	2015 (\$billion)	% change
City of Sydney LGA	46.96	\$67.17	43%
Marrickville	\$12.93	\$21.68	68%
Randwick	\$26.94	\$40.79	51%
Waverley	\$19.43	\$27.80	43%
Woollahra	\$28.33	\$33.89	20%
State of NSW	\$100.55	\$117.4	17%

Total overall land value change 2012 to 2015 (NSW Valuer General, 2016 land values)

This is reflected in rising housing costs. Since December 2012, inner-ring Sydney strata dwelling median sales prices increased by \$216,000, almost 40 per cent, to June 2015⁶.

The inner-ring Sydney median strata dwelling price is now at a high of \$815,000⁷. By comparison, the Greater Sydney and NSW median strata dwelling prices are \$671,000 and \$605,000 respectively. The inner and middle ring of Sydney is now at a considerable premium compared to other parts of NSW. The proportion of housing that is affordable for purchase for very low, low and moderate income households is essentially non-existent.

Those who choose to stay in the City and rent are equally challenged. The inner Sydney median weekly rent for a two bedroom unit is \$650 compared with the Greater Sydney and NSW median weekly rents of \$520 and \$460 respectively⁸. Within the City of Sydney, the median weekly rent for a two bedroom unit in September 2015 was \$730. This represents an 18 per cent increase from September 2010⁹.

Consequently, households on very low to moderate incomes in inner Sydney, which are increasingly represented in a private rental market, are unlikely to be able to access rental properties without being in housing stress. For example, the maximum annual income for a moderate income household in Sydney in 2015-2016 is \$97,400 gross¹⁰. A maximum of \$562 per week is available for housing costs (30 per cent of weekly gross income) if the household is to stay out of housing stress. This is 25 per cent below median rents in the City of Sydney.

The housing market over the last three years in Sydney has been unusually 'hot' with recent analysis suggested a slight cooling in the market, particularly in Sydney's middle and outer rings. Notwithstanding this, it is likely the cost of housing in the inner-city will continue to escalate over time. Over the long term, increase in incomes are unlikely to keep pace with even modest growth in the housing market.

⁶ NSW Rent and Sales Reports Issue no 99 and Issue no 113

⁷ NSW Rent and Sales Reports Issue no 113

⁸ Ibid

⁹ NSW Rent and Sales Reports Issue no 113 and Issue no 93

¹⁰ Centre for Affordable Housing: <http://www.housing.nsw.gov.au/centre-for-affordable-housing/for-managers-of-affordable-housing/household-median-incomes-2015-16>

How will development in Central Sydney drive demand for affordable housing in the area?

Strong demand for housing in Central Sydney, and in the City more broadly, will continue to be driven by a combination of social and economic factors that ultimately drive up the cost of market housing prices beyond the means of growing numbers of low to moderate income earners and generate a need for affordable housing. Demand factors include, but are not limited to:

- strong growth in the number of high value jobs locating in Central Sydney. The employment opportunities created by this growth attracts educated and high paid workers who compete for housing stock close to where they work;
- improvements in amenity and accessibility resulting from the delivery of infrastructure will increase the appeal of living in Central Sydney;
- an increasing trend towards higher density living and cultural awakening to its benefits;
- increasing demand from domestic investors for inner Sydney properties, encouraged by rising residential property prices and supported through current taxation policy; and
- increasing demand for inner Sydney properties from overseas investors, supported through current Commonwealth Government policy.

These demand factors will continue to drive significant increases in the cost of housing within the area of Central Sydney. This will continue to exclude very low and many moderate income households from purchasing or renting property in the inner city.

Satisfying the requirements of the Act

Section 94F of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

- the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- the consent authority is satisfied that the proposed development will create a need for affordable 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 so provide.¹¹

All development in Central Sydney, that is not minor development, is subject to the requirement to contribute to affordable housing under Section 94F of the Act because:

SEPP 70 identifies that there is a need for affordable housing in the City of Sydney.

¹¹ Development must only satisfy one of these conditions for Council to be able to require a contribution.

All new development in Central Sydney will reduce the availability of affordable housing within the area.

As jobs growth occurs in Central Sydney, a proportion of the new working population will form part of a very low to moderate income household. As competition for affordable housing options increases, the overall availability of affordable housing will decrease. Given the substantial shortfall of affordable housing options within the City, any decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

All new development in Central Sydney will create a need for affordable housing within the area.

Ensuring the long term sustainable growth of Central Sydney is essential for a strong NSW and national economy. Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic and social impacts which represent a risk to this growth.

As demonstrated above, rising land and property prices, driven by a range of factors including population growth, constrained land supply and Commonwealth fiscal policy, have resulted in declining housing affordability in Australian cities, in particular Sydney. This trend is coupled with inadequate new supply of social and affordable housing in the inner city, both of which are necessary to mitigate market affordability impacts in maintaining accessibility of inner city housing to socio-economically diverse communities.

In the City, there is a growing disconnect between affluent households able to afford private market housing and highly socio-economically disadvantaged households living in inner city public housing estates. Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. The purchase and rental housing market is becoming virtually inaccessible to those on very low to moderate incomes. This issue also has a dimension of generational inequality, as younger people are increasingly priced out of the market.

There are also substantial economic impacts where affordable housing cannot be accessed close to employment.

As residential growth occurs in Central Sydney, demand for services in which low income workers are employed will increase. These services include childcare, medical services, retail, cleaning, and hospitality and so on. There is a need to ensure some affordable housing is available to accommodate people on low incomes working in these services.

As discussed above, there is evidence to suggest the loss of low to middle income households from inner Sydney will result in essential sectors in the Australian economy finding it increasingly difficult to fill employment vacancies and staff shifts, hampering business productivity and economic growth.

An estimated 47,000 key workers across the public and private sectors currently work in the City. Public sector key workers are estimated at 24,000, comprising 6.2 per cent of the City's total workforce. This includes teachers, nurses, police, community services workers and ambulance and public transport

drivers¹². In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2012.

This higher proportion of local resident workforce (8.4 per cent) in the sector over local employment (6.2 per cent) reflects the current and traditional diversity of population in the City. But notably this differential has declined from 2.6 per cent to 2.2 per cent in just five years. This finding is aligned with anecdotal evidence that suggests that lower paid key workers are increasingly being forced out of the City, relocating to outer suburbs and commuting further distances to employment.

The above mentioned AHURI study⁴ found that low income workers in major Australian CBDs live around twice the distance from their place of work compared to the overall average for low income workers. The study found this was correlated with the housing markets, which showed a clear geography of inner-city housing unaffordability in both rental and sales data.

The study found a number of key industries in Central Sydney that rely on low income workers and that that could be affected where the labour pool of low income workers was constrained by housing affordability. Notwithstanding this, the study identifies a range of considerations and policy responses that will go some way to mitigating the impact of housing affordability in some of these industries, though it did find that tourism, hospitality, accommodation and retail sectors were considered particularly vulnerable. This is because high proportion of workers in these sectors being low income workers; a high quantum of workers in these sectors being low income workers; and a greater geographic distribution of jobs which offers wider and perhaps more convenient options for low income workers.

The AHURI study found employers in these sectors in the City of Sydney expressed concern at the difficulty of attracting and retaining workers because of the high price of housing close to work and the resulting necessary travel distances.

Of particular concern was emerging problems in retaining managers, team-leaders and skilled casual workers – pivotal employees to the operation of these business. Such shortages could contribute to significant business costs, with one hotel general manager explaining that “the industry estimate for a five star hotel is about a quarter of million dollars a year [of] the cost of staff turnover.”

Additionally, the City is concerned with the impact of declining housing affordability on the lower income workers who are not traditionally classified as “key workers” but who are essential to the social and economic diversity and cultural vitality of the city. This includes the artists, musicians and entrepreneurs who play a vital role in the success of Sydney's dynamic cultural and community life and as a place where there are opportunities for innovation.

These issues represent a significant risk to Sydney's economic productivity and success as a global City. Further, given Sydney's role as Australia's economic capital, this situation poses broader risks to the economic development of the state and nation. The impacts of housing affordability on international students seeking to live near Sydney's key universities, for example, represents an implicit risk to the success of Australia's \$6 billion international education export industry.

¹² These preliminary figures have been collated from the 2012 Australian Bureau of Statistics Census as part of the City's current investigations into affordable housing, utilising a definition of “key worker” comparable to that applied by the UK Government for its 2012 Key Worker initiative. UK studies suggest a similar key worker proportion result in London.

As the relative economic importance of Central Sydney to the national economy continues to increase, cumulatively all new development will continue to create an economic and social need for affordable housing.

Projecting outcomes of the Scheme

The aim of the Central Sydney Affordable Housing Program is to maximise the amount of affordable housing resulting from contributions in the area.

The number of affordable rental housing dwellings resulting from the Program will be a function of:

- the amount of development that occurs in Central Sydney. This is highly influenced by the market conditions of the day; and
- the approach to using any monetary contributions resulting from the Program. Whether affordable housing units are built by a developer or a CHP, whether they are purchased, and how well resulting funds and dwellings are leveraged to provide additional stock will significantly impact outcomes.

Notwithstanding this, it is estimated some 300-520 affordable housing dwelling will result from the proposed scheme.

It is noted that the likely number of dwellings resulting from the Scheme would significantly increase should it apply to state significant sites being developed in or close to Central Sydney.