Item 6
At Central Sydney
Planning Committee
23 June 2022

Relevant Information for Central Sydney Planning Committee

FILE:	**X084801**	**DATE:**	21 June 2022
TO:	The Central Sydney Planning Committee		
FROM:	Graham Jahn AM, Director City Planning, Development and Transport		
SUBJECT:	Information Relevant To Item 6 – Public Exhibition - Planning Proposal - Affordable Housing Program Update -Sydney Local Environmental Plan 2012, Sydney Local Environmental Plan (Green Square Town Centre) 2013, Sydney Local Environmental Plan (Green Square Town Centre - Stage 2) 2013, Draft City of Sydney Affordable Housing Program 2022 and Draft Affordable Housing Contributions Distribution Plan		

For Noting

This memo is for the information of the Central Sydney Planning Committee.

Purpose

To provide further information about proposed changes to the City of Sydney Affordable Housing Program and the proposed draft Distribution Plan.

Background

Further information was sought about proposed changes to the City of Sydney Affordable Housing Program and the proposed draft Distribution Plan. The following provides additional information on matters raised.

History of Affordable Housing contributions in the City of Sydney

Around the same time that Sydney Harbour Trust waterside workers housing was built in Millers Point and following the 1912 Housing Act, the first examples of purpose built 'worker housing' were Strickland Flats in Chippendale, Dowling Street flats in Woolloomooloo, Ways Terrace in Pyrmont and Alexandra Flats in Camperdown (opposite in the former Royal Alexandra Hospital For Children). These early examples still exist and were largely homes

for council workers. After the second world war, the NSW Government's Housing Commission effectively took over from Council, with a larger remit and funding.

During the 1987-1988 period of Commissioners, all worker housing built by Council was transferred to the NSW Government by way of resolution of Commissioners on 22 November 1988.

1994 - City West contributions scheme (Ultimo / Pyrmont)

A scheme to raise funds for worker housing (affordable housing) from renewal development was introduced in the City of Sydney. The City West region of inner Sydney, comprising the suburbs of Pyrmont and Ultimo, was formally an industrial and port precinct that traditionally provided low-cost accommodation for people working in and around the area.

From the 1990's, a process of intense urban renewal was instigated under the Federal Government's Building Better Cities Program with the rezoning of the area for high density residential development from industrial. The need to retain a proportion of affordable housing in the area was recognised at this time and in 1992 the City West Affordable Housing Committee was established to investigate options for how this might be achieved.

The requirement for a contribution for affordable housing, in accordance with the City West Affordable Housing Program, commenced in 1995 through the Sydney Regional Environmental Plan No. 26 City West. The ongoing requirement is now applied under the Sydney Local Environmental Plan 2012 (Sydney LEP 2012) although the City West Affordable Housing Program established by the Department of Planning continues to apply.

2002 - Green Square contributions scheme

In 1999, the Green Square Urban Renewal Area was largely rezoned from industrial to business zoning that permits residential. The rezoning was coupled with significant public investment in key transport infrastructure with the provision of a new train line through Green Square to Sydney Airport. The higher order land uses and increased densities, along with significant public infrastructure spending, have substantially increased the development potential and land values in the area.

The Green Square Affordable Housing Scheme was implemented in 1999 by the former South Sydney Council, largely modelled on the successful Ultimo/Pyrmont Program. The overarching aim of the scheme was to maintain social diversity within the Green Square area by ensuring households earning very low to moderate incomes can live in the area close to employment and services.

Following a court case testing the legality of the contribution requirement, the requirement for contribution for affordable housing, in accordance with the Green Square Affordable Housing Program 2002, came into effect in 2002 through the South Sydney LEP 1998.

The requirement is now applied under the Sydney LEP 2012 in accordance with the City of Sydney Affordable Housing Program.

2006 - Redfern Waterloo Authority scheme

The Redfern Waterloo Authority (RWA) was created following the 2004 amalgamation of South Sydney and City of Sydney councils and was responsible for urban renewal, human services, employment and enterprise in defined operational area of Redfern and Waterloo between 2005 to 2011. The RWA Affordable Housing Contribution Plan commenced in 2006 and applies to development that is State Significant Development within the area.

The RWA was absorbed by the Sydney Metropolitan Development Authority (SMDA) in 2011, which was absorbed by UrbanGrowth NSW in 2013, which was later absorbed by Infrastructure NSW. It is not administered by the City of Sydney and sits outside the City of Sydney Affordable Housing Program.

2015 - Southern Employment Lands contribution scheme

The City of Sydney Employment Lands Strategy 2014 provided a new approach to zoning in the employment lands to facilitate a more intense use of land over time. As a result of rezoning, the southern employment lands, now referred to as the Southern Enterprise Area, will undergo substantial change in the next 20 years as they transition from an area characterised by traditional manufacturing industries and low density employment to more diverse employment comprising both low and higher density uses.

At the time of rezoning the southern employment lands the City of Sydney also implemented a requirement for contributions for affordable housing in the Sydney LEP 2012 in accordance with what was the Employment Lands Affordable Housing Program.

The requirement continues to apply under the Sydney LEP 2012, but now in accordance with the City of Sydney Affordable Housing Program.

2021 - City of Sydney contributions scheme

In 2018 the City of Sydney Council adopted a change to the Sydney LEP 2012 to expand the City's levy schemes beyond Ultimo/Pyrmont, Green Square and the southern employment lands to the whole of the local government area (excepting those areas that are not subject to the LEP) . The contribution requirement came into effect in July 2021 with the City of Sydney Affordable Housing Program (24 August 2020) coming into effect at the same time.

The City of Sydney Affordable Housing Program replaced the Green Square Program and the Employment Lands Program but did not replace the City West program that is managed by the NSW Government.

Redfern Waterloo Authority Affordable Housing Contribution Plan

Further information was sought about how contributions collected under the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 were being used.

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 sets out the affordable housing contribution requirements for any State Significant Development in the RWA operational area and was aggregated with funds collected from the 'called in' Central Park redevelopment (former Tooth & Co Kent Brewery on Broadway). These funds were inherited by UrbanGrowth NSW (which took over the functions of the RWA), later inherited by Infrastructure NSW when UrbanGrowth NSW was absorbed.

We understand that in January 2022 Infrastructure NSW remitted $28 million in funds that has been collected under the plan to the Aboriginal Housing Office to provide housing for Aboriginal and Torres Strait Island households in the Redfern – Waterloo area. Going forward the arrangements will be managed by the Department. The City is yet to receive formal confirmation of the above arrangements.

The allocation of funding to City West Housing during the five-year transition

City West Housing was established in 1994 as a not-for-profit housing company to develop and manage affordable housing in the Ultimo/Pyrmont redevelopment area.

When the Green Square URA scheme was introduced eight years later by South Sydney Council, City West Housing was the recommended recipient of the contributions, as it was when the scheme was expanded to the wider local government area.

Until recently, City West Housing has primarily relied on contribution funds as its main source of income. However, in December 2020, City West Housing was removed from the provisions and constraints of the Government Sector Finance Act, which impeded City West Housing from borrowing funds, and it is now able to leverage its unencumbered asset base to borrow and fund its development pipeline. This enables City West Housing to scale its dwelling stock more rapidly than it has in the past.

Why it is proposed that City West Housing should receive a lower proportion of contribution funds over the next five years but a higher proportion than an alternate provider?

With the 2020 changes noted above and after 25 years operation having built the largest number of affordable housing stock in our LGA, the staff recommendation is to transition from City West Housing being the exclusive provider. The introduction of a Distribution Plan enables Council to determine the mix of providers funded from the scheme (which is separate to grants and land sales). The draft Distribution Plan proposes alternate provider(s) yet to be determined through an open and transparent process, to be a beneficiary of the scheme.

The reason that City West is proposed to receive a higher proportion of contributions (but not a guaranteed quantum which is dependent on market conditions), but still lower than the current arrangements, is in recognition of their pipeline of projects in our LGA.

City West Housing plans over a 10-year horizon for the delivery of projects, from purchasing sites to project development, to development application, to construction, to tenanting. Over the next five years City West Housing has a committed pipeline of 440 new dwellings in the City of Sydney LGA, including:

- 275 dwellings along the east-west connector road at Green Square
- 90 dwellings on Botany Road, Alexandria (approved)
- 74 dwellings at Bourke Street, Waterloo (approved)

The estimated cost for delivering the pipeline is $280 million (based on forecast escalated costs as at February 2022, subject to rise and fall until contracts are let). The current 10-year Business Plan assumes the acquisition of two further sites to support the delivery of a further 150 affordable dwellings in the LGA.

City West Housing has for 25 years consistently provided affordable housing that:

- remains affordable housing in perpetuity
- is rented to very low to moderate income households (in accordance with the requirement of the Environmental Planning and Assessment Act 1979) using income-model to set rents to 25% - 30% of income, with the rental income stream from City West Housing's existing portfolio earning an average of 50% of market rent

- uses quality architects able to achieve design excellence
- participates in competitions where required

In addition, City West Housing maintains 10 per cent of all housing for Aboriginal Torres Strait Islander households.

The proposed allocation split between providers for the Distribution Plan first term acknowledges, on the one hand, a quality provider with a proven track record that has planned and purchased property based on a contributions scheme, and on the other, an incoming provider where the scheme would be a new funding stream.

The primary purpose of the City's affordable housing program is to maximise the amount of affordable housing in the City of Sydney towards our target. Funds need to be of a sufficient amount to underwrite projects over time.

However, it is also likely that distributing to funds to another community housing provider(s) will over time strengthen the sector and increase the amount of affordable housing resulting from the program. By opening up the scheme, it will take time for any new community housing provider to amas sufficient funds to underwrite projects.

While steps will need to be taken by City West Housing to review its funding sources and framework and leverage its asset base, it is important to ensure City West Housing's business model can transition in a manner that minimises delivery risk to its development program. The changes proposed should not negatively result in pipeline disruption for City West Housing, and by extension, the City's affordable housing program.

In light of the above, the report recommends a five-year draft Distribution Plan for public exhibition. The five-year plan will facilitate an appropriate period to enable City West Housing to adjust its business model.

City West Housing is not guaranteed a place on future iterations of the proposed Distribution Plan, though it would be invited with other community housing providers to respond to an Expression of Interest in year 5 of the Distribution Plan.

Can this be delayed - what are the critical timeframes?

Further information was sought about potentially deferring the report for further consultation about some of the proposed changes.

While the planning proposal will facilitate a number of changes to the Program, the proposed increase to the affordable housing contribution requirement in Ultimo - Pyrmont is time sensitive. This is because the Department intend to introduce changes to the planning controls into the Sydney LEP 2012 for four key sites in Pyrmont, including the Star Casino, University of Technology Sydney and the two Metro sites. The Department have estimated these planning controls would come into effect around the end of June 2022.

It is preferable that the proposed higher contribution rates are in place as early as possible, with the aim they could be applied should a development application be lodged. The City does not have any information about when development applications will be lodged for the sites but they could be soon after the new controls come into force.

Contribution rates

Further information was sought about the potential to raise the contribution rates that apply across the local government area. There are two types of rates. The first type is on

development where there is no change to the controls (DAs); the second type is a rate that applies to the uplift component for rezoned residential uses only. The City of Sydney is the only local government area with a broad-based levy that generally applies to all development (DAs) regardless of whether there is an uplift.

The Ultimo / Pyrmont, Green Square and Southern Employment Land levies were all introduced when land was rezoned and/or upzoned. This meant that land values increased at the same time the levy was introduced. The more recent expansion of the levy across the local government area was not limited to an uplift or rezoning of land.

The expansion of the broad-based levy by Council in 2017 was referred to the Department for Gateway Determination and did not progress for an extended period of time. In the interim, the Greater Sydney Region Plan was adopted by the NSW Government. The Region Plan includes a target that 5% - 10% on residential uplift be provided as affordable housing subject to 'development viability'.

Less than 12 months old, our expanded levy on all development came into effect for the City of Sydney in July 2021. Other councils in the Greater Sydney Area have requested the Department support similar schemes in their areas, however the Department have responded saying that the City's scheme was supported because it was requested prior to the Region Plan being implemented. The Department have advised that going forward levies could only be applied to an uplift in residential floor space in accordance with the Region Plan.

It is noted that in addition to the broad-based levy scheme on development (DAs), Council has already adopted in the Program an approach to apply a higher contribution rate to new residential floor space in accordance with the Region Plan. This is anticipated to be included in the Sydney LEP 2012 with the Botany Road Precinct planning proposal being considered by Council at the June 2022 meeting.

Notwithstanding the above, should Council wish to pursue even higher contribution rates for development (DAs), a first step might be to write to the NSW Government seeking in-principle support to further investigate opportunities to raise the broad-based contribution rates.

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Approved

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