Item 6
At Central Sydney Planning Committee
23 June 2022

Relevant Information for Central Sydney Planning Committee

FILE: **X084801** **DATE:** 23 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

Alternate Recommendation

It is resolved that:

(A) the Central Sydney Planning Committee approve Planning Proposal - City of Sydney Affordable Housing Program Update, shown at Attachment A to the subject ~~report~~ ***Information Relevant To Memorandum***, for submission to the Department of Planning and Environment with a request for a Gateway Determination;

(B) the Central Sydney Planning Committee approve Planning Proposal - City of Sydney Affordable Housing Program, for public authority consultation and public exhibition in accordance with any conditions imposed under the Gateway Determination;

(C) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council approve the draft City of Sydney Affordable Housing Program Amendment 2022, shown at Attachment B to the subject ~~report~~ ***Information Relevant To Memorandum***, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal;

(D) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council approve the draft City of Sydney ***Interim*** Affordable Housing Contributions Distribution Plan, shown at Attachment C to the subject ~~report~~ ***Information Relevant To Memorandum***, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal;

(E) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council seek authority from the Department of Planning and Environment to exercise its delegation under section 3.36 of the Environmental Planning and Assessment Act 1979 to make the amending Local Environmental Plan; ~~and~~

(F) authority be delegated to the Chief Executive Officer to make any minor variations to Planning Proposal - City of Sydney Affordable Housing Program Update, the draft City of Sydney Affordable Housing Program Amendment 2022 and the draft City of Sydney ***Interim*** Affordable Housing Contributions Distribution Plan, to correct any drafting errors or inconsistencies, or to ensure consistency with any condition of the Gateway Determination~~.~~ ***and***

(G) ***the Central Sydney Planning Committee note further consultation will be undertaken with the community housing sector to inform the final distribution plan which will be reported to Council for consideration.***

Purpose

To provide an alternative recommendation to progress key elements of the Planning Proposal - City of Sydney Affordable Housing Program Update (planning proposal) and the proposed amendments to City of Sydney Affordable Housing Program (draft Program) and defer the preparation of a final distribution plan to allow for further consultation with the community housing sector and other experts.

Background

At the meeting of Council's Housing for All Committee on 20 June 2022, the Committee requested the preparation of an alternate recommendation to:

- allow the key elements of the planning proposal and the draft Program progress; and
- defer the preparation of a final distribution plan for the allocation of affordable housing contribution funds to allow for further consultation with the community housing sector and other experts.

To achieve the above, changes are required to the planning proposal, draft Program and draft Distribution Plan as attached to the report. The proposed changes are shown respectively at Attachment A to Attachment C, with deletions ~~struckthrough~~ and additions shown in red. The changes are explained below.

Draft City of Sydney Affordable Housing Contributions Distribution Plan

It is proposed to update the title and content of the draft Distribution Plan to:

- retitle the draft Distribution Plan to be called the draft City of Sydney **Interim** Affordable Housing Contributions Distribution Plan (draft Interim Distribution Plan), so that it is clear that the policy is temporary only and expected to be updated;
- identify City West Housing as the recipient of all affordable housing contribution funds for an interim period, noting this generally maintains the status quo, except that proposed changes to the Program will mean that funds from the Southern Employment

Lands will also go the City West Housing (currently these funds are remitted to the Department of Communities and Justice); and

- provide high level information about the anticipated preparation of a final Distribution Plan (to update the interim plan).

It is recommended the draft Interim Distribution Plan be retained as part of the suite of changes recommended to Council and the CSPC.

The planning proposal, draft Program and draft Interim Distribution Plan all work together and underpin the proposed change to the Sydney Local Environmental Plan 2012.

Establishing a distribution plan now will mean a further planning proposal to amend the LEP will not be required when a final distribution plan is adopted by Council or for subsequent updates to the distribution plan.

The City will publicly exhibit any final distribution plan prior to its adoption; however, it will not need to be part of a formal plan making process and will not require the endorsement of the NSW Government.

City of Sydney Affordable Housing Program Amendment

Minor changes are required to the draft Program to update references to the distribution plan so that further amendment to the Program and planning proposal is not required when a new (and final) distribution plan is made.

The draft Program is recommended to progress as it will:

- increase the affordable housing contribution obligation in Ultimo-Pyrmont, consistent with the NSW Government's Pyrmont Peninsula Place Strategy, so that it aligns with other areas in the City. The proposed changes may deliver up to an additional 250 affordable housing dwellings.

- require affordable housing contributions be distributed to community housing providers in accordance with any Distribution Plan adopted by the City of Sydney Council

- reallocate contribution funds arising from development in the Southern Employment Lands from the Department Communities and Justice, to community housing providers in accordance with any Distribution Plan adopted by the City of Sydney Council

- allow for the Program to apply to Redfern Waterloo Authority sites should the Department repeal the Redfern Waterloo Authority Affordable Housing Contribution Scheme; and

- make a number of housekeeping amendments to streamline the Program, remove unnecessary information, and make minor housekeeping amendments to clarify content.

Planning Proposal - City of Sydney Affordable Housing Program Update

Changes to the planning proposal reflect the abovementioned changes to the draft Program and the draft Interim Distribution Plan.

No changes are required to the planning proposal that would affect the proposed amendment to the Sydney LEP 2012.

Prepared by: Tamara Bruckshaw, Manager Green Square and Major Projects

Attachments

Attachment A. Planning Proposal - City of Sydney Affordable Housing Program Update

Attachment B. City of Sydney Affordable Housing Program Amendment

Attachment C. Draft City of Sydney Interim Affordable Housing Contributions Distribution Plan

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Approved

GRAHAM JAHN AM

Director City Planning, Development and Transport

Attachment A

Planning Proposal – City of Sydney Affordable Housing Program Update

CITY OF SYDNEY

Planning Proposal: Affordable Housing Program Update 2022

Planning Proposal
June 2022

Green Global Connected

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1. Background

1.1. Introduction

This Planning Proposal: Affordable Housing Program Update 2022 (this planning proposal) is to amend the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs).

Generally, the intended outcome of this planning proposal is to increase the amount of affordable housing in the City of Sydney local government area. Specifically, the intended outcomes of this planning proposal are to:

- increase the affordable housing contribution requirement in Ultimo-Pyrmont in the Sydney LEP 2012 in accordance with the NSW Government's Pyrmont Peninsula Place Strategy; and
- make reference to an updated City of Sydney Affordable Housing Program in Sydney LEP 2012 and the Green Square LEPs so that:
  - the City of Sydney Affordable Housing Program (Program) applies to Ultimo-Pyrmont and increases the affordable housing contribution requirement. This would bring affordable housing contribution requirements in Ultimo-Pyrmont in alignment with other areas in the City;
  - contribution funds are allocated to community housing providers (CHPs) in accordance with ~~a new five-year plan for the distribution of affordable housing contribution funds~~ any distribution plan adopted by resolution of Council from time to time;
  - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where the Plan is repealed;
  - the contribution funds arising from development in the Southern Employment Lands are allocated in accordance with any distribution plan adopted by Council ~~redirected to CHPs who are identified as being able to receive affordable housing contributions arising from the Program, currently being City West Housing only~~; and
  - the Program is streamlined, with unnecessary information removed, and some minor house-keeping amendments made to clarify content.

A draft City of Sydney Affordable Housing Program (draft Program) is appended to this planning proposal. The draft Program is to replace the current Program, adopted by the Council on 24 August 2020.

A draft City of Sydney Interim Affordable Housing Funds Distribution Plan (draft Interim Distribution Plan) is appended to this planning proposal. The draft Interim Distribution Plan ~~identifies 'Recommended CHPs', who may receive contributions funds arising from the Program. It also provides a five-year plan for the distribution of contribution funds to Recommended CHPs.~~ generally, maintains the status quo with regards to how affordable housing contribution funds are currently allocated. It is intended that further consultation be undertaken to inform the preparation of a new Distribution Plan for the allocation contribution funds (that will replace the Interim Distribution Plan). The new Distribution Plan will be publicly exhibited before being considered and adopted by resolution of Council. A further planning proposal will not be required at this time.

This planning proposal has been prepared in accordance with the *Local Environmental Plan*

Making Guideline, published by the Department of Planning and Environment in December 2021.

1.2. Affordable housing in the City of Sydney

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050. This continues the vision of Sustainable Sydney 2030. The City's Local Housing Strategy: Housing for All, maintains the target in draft Sustainable Sydney 2030 - 2050 that 7.5 percent of all private dwellings be affordable housing. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

To date the City has collected about $343 million in levies and provided about $18 million in discounted land and about $10 million in grants. As of July 2021, the City has 1,328 built affordable housing units in the local area, 386 dwellings in the development pipeline and a further 532 that are expected to be built in the future (but not yet in the development pipeline). Noting the dwellings quoted below may be counted under more than one category, there are:

- 994 dwellings (built, pipeline and expected) that come from the City's affordable housing contribution schemes
- 454 dwellings (built, pipeline and expected) that have been assisted by subsidised land sales from the City to CHPs
- 439 dwellings (built, pipeline and expected) that have been assisted by the City's Affordable and Diverse Housing Fund
- a further 359 dwellings (built, pipeline and expected) that have not been assisted by any of the above.

The City's levies are estimated to deliver up to 1,950 additional affordable dwellings to 2036 (some already accounted for in the above figures). However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market, that is, the amount of development that occurs. This is highly influenced by the market conditions of the day
- the way land develops, for example if more land is developed for commercial premises, rather than housing, there will be less contribution funds
- the ability of CHPs to successfully leverage contribution funds and existing property portfolios
- state NSW Government policy directions; and
- Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

The built, pipeline, expected and projected affordable housing dwellings equal around 4,200 affordable rental dwellings and affordable diverse dwellings to 2036. This is about a quarter of the 12,000 affordable housing dwellings needed to achieve the City's target for 7.5% of all housing in be affordable housing.

In addition, the City continues to seek innovative ways to use our planning controls to increase the amount of affordable housing, for example, the preferential zoning scheme that applies in the B7 - Business Park zone.

1.3. Affordable housing contribution schemes

The City's affordable housing contribution schemes, commonly referred to as inclusionary zoning

schemes or affordable housing levy schemes, are set out in Sydney Local Environmental Plan 2012 (Sydney LEP 2012), Sydney Local Environmental Plan (Green Square Town Centre) 2013, and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 (the Green Square Town Centre LEPs).

The provisions in the various LEPs:

- set out the different contribution areas (geographies) in the local government area (LGA);
- set out the proportion of any floor space in a development that is to be required to be dedicated for affordable housing (depending on what contribution area the land is located in); and
- allow for an equivalent monetary contribution to be made in accordance with an affordable housing program.

The purpose of an affordable housing program is to provide the operational and management requirements for the administration of the scheme, including:

- the principles by which affordable rental housing is to be provided and managed;
- an equivalent monetary contribution rate a developer may contribute, in lieu of dedicating floor space;
- examples of how a monetary contribution is to be calculated in different contribution areas;
- the approach to indexing the equivalent monetary contribution rate and a contribution requirement over time; and
- who receives contribution funds and how they must be used.

The City of Sydney Affordable Housing Program (the Program), adopted by Council on 24 August 2020, currently contains the requirements for four contribution areas:

- Green Square Urban Renewal Area
- Southern Employment Lands (now known as the Southern Enterprise Areas)
- Central Sydney; and
- Residual lands (being generally all other areas but land in Ultimo-Pyrmont and land under NSW Government Planning Instruments such as the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006).

The Revised City West Affordable Housing Program (Ultimo-Pyrmont Program), published by the Department in June 2010, sets out the affordable housing contribution requirements for land in Ultimo-Pyrmont.

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 sets out the affordable housing contribution requirements for any State Significant Development in the Redfern Waterloo Authority operational area.

While there is variability in the way the above affordable housing programs apply, generally the affordable housing contribution requirement is shown in Table 1.

Table 1: Contributions rates

Affordable housing program	Affordable housing contribution requirement	Equivalent monetary contribution	Receipt of funds
City of Sydney Affordable Housing Program	In Green Square and the Southern Employment Lands: • 1% of non-residential floor space; and • 3% of residential floor space. In Central Sydney and on residual land: • 0.5% of non-residential floor space until 1 July 2022 and 1% thereafter; and • 1.5% of residential floor space until 1 July 2022 and 3% thereafter.	The equivalent monetary contribution rate is $11,599.74/sqm as at 1 March 2022	Funds from Green Square, Central Sydney and residual land is remitted to City West Housing Funds from the southern employment lands are remitted to the Department of Communities and Justice
Revised City West Affordable Housing Program (Ultimo-Pyrmont)	1.1% of non-residential floor space; and 0.8% of residential floor space	The equivalent monetary contribution rate is expressed differently than the City's Program, but when adjusted is $4,916	Remitted to City West Housing
Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 (applies to State Significant Development in the Redfern Waterloo Authority operational area)	A contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of the total gross floor area of the development.	The monetary contribution rate is established at the point of development application based on current property data	Remitted to Infrastructure NSW

1.4. Planning proposal process

This planning proposal is to amend the affordable housing provisions in the Sydney LEP 2012 and the Green Square LEPs in the manner set out in Section 4 of this planning proposal.

This planning proposal will be publicly exhibited together with:

- the draft Program, appended to this planning proposal, that is proposed to replace the current Program; and
- the draft Interim Distribution Plan, appended to this planning proposal, that explains ~~how~~ the interim plan for the distribution of affordable housing contribution funds ~~are to be distributed to Recommended CHPs~~. It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council. A further planning proposal will not be required at this time.

The reason and the justification for the proposed amendments and the new draft Interim Distribution Plan is set out in Part 5 of this planning proposal.

Following public exhibition, submissions received from the public, and from government or government authorities, will be considered by the Council and the Central Sydney Planning Committee. Further changes to Sydney LEP 2012, the Green Square Town Centre LEPs, the draft Program and the draft Interim Distribution Plan may be made because of matters raised in submissions.

2. Existing planning controls

2.1. Contribution requirements

The Sydney Local Environmental Plan 2012, *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs) contain provisions for affordable housing. They generally require:

- an affordable housing contribution on all floor land at Green Square and in the Southern Employment Lands that is:
  - 3% of the total floor area of the development that is intended to be used for residential purposes, and
  - 1% of the total floor area of the development that is not intended to be used for residential purposes.
- an affordable housing contribution on all land in Ultimo-Pyrmont that is:
  - 0.8% of the total floor area of the development that is intended to be used for residential purposes, and
  - 1.1% of the total floor area of the development that is not intended to be used for residential purposes.
- an affordable housing contribution on all floor land in Central Sydney and on residual land that is:
  - for development applications lodged before 1 July 2022:
    - 1.5% of the total floor area of the development that is intended to be used for residential purposes, and
    - 0.5% of the total floor area of the development that is not intended to be used for residential purposes,
  - for development applications lodged on or after 1 July 2022—
    - 3% of the total floor area of the development that is intended to be used for residential purposes, and
    - 1% of the total floor area of the development that is not intended to be used for residential purposes.

The provisions allow for an affordable housing contribution requirement to be satisfied by making an equivalent monetary contribution in accordance with:

- in Green Square, in the Southern Employment Lands, in Central Sydney and on residual land, the City of Sydney Affordable Housing Program, adopted by Council on 24 August 2020; and
- in Ultimo-Pyrmont, the Revised City West Affordable Housing Program published by the Department in June 2010.

2.2. Affordable Housing Programs

City of Sydney Affordable Housing Program

Council adopted the current City of Sydney Affordable Housing Program (the Program) on 24 August 2020, which came into effect on 1 July 2021. It applies to most of the local area, excluding:

- those areas where the City is not the consent authority
- those areas where the Sydney LEP 2012 or the Green Square Town Centre LEP's do not apply
- the Redfern Waterloo Authority operational area, where the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 applies; and
- the Ultimo-Pyrmont areas, where the Revised City West Affordable Housing Program applies.

Proposed changes to the Program are discussed in section 5.2 of this planning proposal.

Revised City West Affordable Housing Program

The Revised City West Affordable Housing Program (the Ultimo-Pyrmont Program) was published by the Department of Planning and Environment in June 2010 and applies to land in Ultimo-Pyrmont as identified in the Sydney LEP 2012.

Redfern Waterloo Authority Affordable Housing Contributions Plan 2006

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 applies to State Significant Development in the Redfern Waterloo Authority operational area.

3. Objectives and intended outcomes

3.1. Objectives

To amend the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs) to update provisions relating to affordable housing to increase the amount of affordable housing in the City of Sydney local government area, while maintaining development viability.

3.2. Intended outcomes

The intended outcomes are to:

- increase the affordable housing contribution requirement in Ultimo-Pyrmont to align with other areas in the City of Sydney and implement an aspect of the NSW Government's Pyrmont Peninsula Place Strategy; and
- make reference to an updated City of Sydney Affordable Housing Program in Sydney LEP 2012 and the Green Square LEPs so that:
  - the City of Sydney Affordable Housing Program (Program) applies to Ultimo-Pyrmont and increases the affordable housing contribution requirement. This would bring affordable housing contribution requirements in Ultimo-Pyrmont in alignment with other areas in the City;
  - contribution funds are allocated ~~to CHPs~~ in accordance with ~~a new five-year plan for the distribution of affordable housing contribution funds~~ any distribution plan adopted by resolution of Council from time to time;
  - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where the Plan is repealed;
  - contribution funds arising from development in the Southern Employment Lands are ~~redirected to CHPs who are identified as being able to receive affordable housing contributions arising from the Program, currently being City West Housing only~~ allocated in accordance with any distribution plan adopted by resolution of Council from time to time; and
  - the Program is streamlined, with unnecessary information removed, and some minor house-keeping amendments made to clarify content.

4. Explanation of provisions

4.1. Proposed amendment to Sydney LEP 2012 and Green Square Town Centre LEPs

This planning proposal is to amend the Sydney Local Environmental Plan 2012 (Sydney LEP 2012), the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs).

4.1.1. Drafting instructions

To achieve the intended outcomes, this planning proposal is to amend the Sydney LEP 2012 and Green Square Town Centre LEPs as follows:

1. In the Sydney LEP 2012 and Green Square Town Centre LEPs, change all references to the "City of Sydney Affordable Housing Program adopted by the Council on 24 August 2020", to "City of Sydney Affordable Housing Program adopted by the Council on XX XX XX" <date of adoption of Program to be inserted>.

   The purpose of this change is to refer to an updated version of the City of Sydney Affordable Housing Program.

2. In the Sydney LEP 2012, amend Clause 7.13(2A) to say "The affordable housing levy contribution for development on land at Green Square or on southern employment land **or on land at Ultimo-Pyrmont** is –".

   The purpose of this change is to increase the contribution requirement on land at Ultimo-Pyrmont in line with contribution rates that apply in Green Square and on southern employment land.

3. In the Sydney LEP 2012, repeal Clause 7.13(2B).

   The purpose of this change is to increase the contribution requirement on land at Ultimo-Pyrmont in line with contribution rates that apply in Green Square and on southern employment land.

4. In the Sydney LEP 2012, repeal Clause 7.13(4)(a).

   The purpose of this change is to remove reference to the "*Revised City West Affordable Housing Program* published by the Department in June 2010" so that the City of Sydney Affordable Housing Program, as updated, may apply.

5. In the Sydney LEP 2012, amend Clause 7.13(4)(b) to say "for development on land at Green Square or Central Sydney or **Ultimo-Pyrmont**, or on southern employment land or residual land—the City of Sydney Affordable Housing Program adopted by the Council on XX XX XX" <date of adoption of Program to be inserted>.

   The purpose of this is to apply the City of Sydney Affordable Housing Program, as updated, to Ultimo-Pyrmont.

5. Justification of merit

5.1. Proposed amendment to LEPs

This section includes justification for the proposed amendments to the Sydney LEP 2012 and the Green Square Town Centre LEPs.

Update references to an updated City of Sydney Affordable Housing Program

This planning proposal will amend references in the Sydney LEP 2012 and Green Square Town Centre LEPs to the "City of Sydney Affordable Housing Program adopted by the Council on 24 August 2020", to "City of Sydney Affordable Housing Program adopted by the Council on XX XX XX", with the date of adoption of Program to be inserted when known.

The amendment to the Sydney LEP 2012 will ensure contributions will be paid in accordance with the City's Program, as opposed to the current requirement in the Sydney LEP 2012 that contributions be paid in accordance with the Revised City West Affordable Housing Program. However, should the amendments to the Sydney LEP 2012 and Program proposed in this planning proposal be put into effect, the City will write to the Department and ask them to repeal the Revised City West Affordable Housing Program.

Proposed amendments to the City of Sydney Affordable Housing Program (Program) are discussed in section 5.2 of this planning proposal.

Increase the affordable housing contribution requirement in Ultimo-Pyrmont

The Sydney LEP 2012 currently requires that development in Ultimo-Pyrmont makes an affordable housing levy contribution of:

- 0.8% of the residential total floor; and
- 1.1% of the non-residential total floor area.

The contribution can be satisfied by making an in-kind contribution of affordable housing dwellings, or by making an equivalent monetary contribution, as set out in the "Revised City West Affordable Housing Program" (the Ultimo-Pyrmont Program).

It is proposed to amend the Sydney LEP 2012 to:

- amend the affordable housing levy contribution requirement in Ultimo-Pyrmont to:
  - 3% of the residential total floor; and
  - 1% of the non-residential total floor area; and
- remove reference to the "Revised City West Affordable Housing Program, published by the Department in June 2010", and instead refer to the "City of Sydney Affordable Housing Program adopted by the Council on XX XX XX", with the date of adoption of Program to be inserted when known.

The purpose of the proposed amendment is to align the affordable housing levy contribution requirement in Ultimo-Pyrmont with other areas in the LGA, including urban renewal areas such as Green Square, and to incorporate the operation and management of affordable housing contributions in Ultimo-Pyrmont Program into the Program.

The amendment to the Sydney LEP 2012 will ensure contributions will be paid in accordance with the City's Program, as opposed to the current requirement in the Sydney LEP 2012 that contributions be paid in accordance with the Revised City West Affordable Housing Program. However, for clarity, should the amendments to the Sydney LEP and Program proposed be put into

effect, the City will write to the Department and ask them to repeal the Revised City West Affordable Housing Program.

The proposed amendment aligns with the NSW Government's Pyrmont Peninsula Place Strategy, which was finalised in December 2020. Under Direction 9: Great homes that can suit the needs of more people, the Strategy commits to 'Reconcile the revised City West Affordable Housing Program with the City of Sydney's affordable housing approach as part of work to unify the planning framework' and 'review and update the existing affordable housing contribution rates.' Ministerial Direction 1.15 requires a planning proposal in Pyrmont to be consistent with the Strategy, including the 10 Directions.

In November 2021, the NSW Government publicly exhibited the 'Pyrmont Peninsula Place Strategy Implementation: Exhibition discussion paper and incorporated Explanation of Intended Effects'. The Explanation of Intended Effects included a statement of intent that Council will amend the Sydney LEP 2012 so that the City of Sydney Affordable Housing Program would apply to the Pyrmont Peninsula.

The Affordable Housing Study report exhibited as part of the Explanation of Intended Effects assessed the ability for future development within the Peninsula to pay the increased affordable housing contribution. It found that the increased rate would not impact on development viability.

The Affordable Housing Study also concluded that sites achieving additional residential floor area under site-specific planning proposals would be able to contribute up to 12 per cent of the additional floor space for affordable housing. This already aligns with current rates in the Program for 'Planning Proposal land' and no amendment is needed to facilitate it.

5.2. Proposed amendment to the Program

This section includes justification for the proposed amendments to the Program.

A draft City of Sydney Affordable Housing Program (draft Program) is appended to this planning proposal. The draft Program is proposed for adoption by the Council and will replace the City of Sydney Affordable Housing Program, adopted by the Council on 16 August 2020.

Incorporating Ultimo-Pyrmont into the City of Sydney Affordable Housing Program

The Program currently does not apply to Ultimo-Pyrmont to the extent that the *Revised City West Affordable Housing Program* applies (relating to the requirement for contribution to affordable housing).

It is proposed to amend the Program so that:

- it applies to Ultimo-Pyrmont; and
- it reflects proposed changes to the contribution rates described in Section 5.1 of this planning proposal.

The change to the Program is necessary to reflect proposed amendments to contribution rates, and to incorporate the Ultimo-Pyrmont area into the City's wider Program. The justification for these changes is provided in Section 5.1 of this planning proposal.

Applying the Program to land where other affordable housing contribution schemes, that currently apply to the land, are repealed, and to land where the Sydney LEP 2012 is made to apply in future

Section 1.3 of the Program currently describes where the Program applies and also includes a map showing the land to which it applies. The description and map generally says the Program does not apply to:

- those areas where the Sydney LEP 2012 or the Green Square Town Centre LEP's do not apply;

- the Redfern Waterloo Authority operational area, where the Redfern Waterloo Authority Affordable Housing Contributions Plan applies; and
- the Ultimo-Pyrmont areas, where the Revised City West Affordable Housing Program applies.

It is proposed to amend the Program to allow it to apply where land is subject to Sydney LEP 2012 or the Green Square Town Centre LEPs.

The change to the Program is necessary to allow for flexibility so that over time the Program can apply should those sites in the local government area, that are currently not subject to the Sydney LEP 2012 or the Green Square Town Centre LEPs but may be incorporated in future (and identified as residual land at that time).

Allocation of contribution funds

The Program currently lists 'Recommended CHPs', being the CHPs that can receive affordable housing contributions for the purpose of providing affordable housing in the City of Sydney. The only Recommended CHP currently listed on the Program is City West Housing.

It is proposed to amend the Program to:

- delete the Recommended CHP list from the Program, and instead require monetary affordable housing contributions to be remitted ~~to Recommended CHPs on the City of Sydney Affordable Housing Contributions Distribution Plan (Distribution Plan)~~ in accordance with any distribution plan adopted by resolution of Council from time to time;
- delete information about how a CHP may be identified as a Recommended CHP, noting funds are instead proposed to be distributed in accordance with any distribution plan adopted by resolution of Council from time to time ~~any the information is instead proposed to be included in the draft Distribution Plan~~;
- require monetary affordable housing contributions resulting from development in the Southern Employment Lands, that are currently remitted to the Department of Communities and Justice, to be remitted in accordance with any distribution plan adopted by resolution of Council from time to time ~~to a Recommended CHP identified in the Distribution Plan~~; and
- require any in-kind contribution of affordable housing dwellings to be given, free of cost, to a Recommended CHP, but allow that where a Recommended CHP does not want to receive the in-kind contribution, it may be given to another Tier 1 or Tier 2 CHP.

The proposed changes to the Program will effectively move information about the administration of monetary contributions funds and distribution of funds into a new 'distribution plan'. ~~to CHPs into the proposed Distribution Plan.~~ A draft Interim Distribution Plan (appended) is recommended to be publicly exhibited together with the planning proposal and draft Program and is described in more detail below. It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council.

Request from Bridge Housing to be added to the list of recommended CHPs

Bridge Housing, a Tier 1 CHP operating in the City of Sydney, made a formal request in June 2021 to be added to the list of 'Recommended CHPs' so that they could receive affordable housing contribution funds to provide affordable housing in the local area.

The Program currently outlines the process to add a CHP as a Recommended CHP and provides the matters that must be considered, including:

- the potential impacts on the outcomes of the Program;
- the potential impacts on other Recommended CHPs;
- consultation with the Department of Communities and Justice; and

- how funds are to be distributed to multiple CHPs.

In accordance with the Program, the City wrote to City West Housing, currently the only Recommended CHP, seeking advice about the impacts of identifying another Recommended CHP. A submission was received by City West Housing in November 2021.

The City also wrote to Department of Communities and Justice who wrote back to the City in December 2021 declining to comment.

The City engaged Atlas Urban Economics to undertake an analysis of the request by Bridge Housing and the submission from City West Housing, and to consider those matters outlined in the Program. They were also asked to advise on an approach to distributing funds amongst multiple CHPs.

In considering the application from Bridge Housing, and the submission from City West Housing, the City's consultant noted:

- Bridge Housing is a Tier 1 CHP which owns / manages 3,587 dwellings for low to moderate income households in 20 local government areas. A small proportion of the dwellings are owned and operated as affordable housing (approximately 15 per cent) with the remainder managed for other organisations as social housing (mostly) and affordable housing;
- Bridge Housing proactively increases the properties under its management for low to moderate income households through:
  - tenders to manage properties on behalf of property owners (including councils, Land and Housing Corporation);
  - securing the transfer of properties through Property Transfer Programs;
  - purchase of properties to operate as social or affordable housing; and
  - purchase of development sites and development of new dwelling stock;
- Bridge Housing have a development division which is responsible for the securing of development opportunities and delivery of new dwellings. Bridge Housing maintains a corporate debt facility through a loan with the National Housing Finance and Investment Corporation (NHFIC) which provides long term debt at low rates;
- City West Housing has to date used contribution funds collected through the City's affordable housing programs to build over 859 affordable housing dwellings in the City of Sydney, with a further 135 in the development pipeline and more expected (not yet in the development pipeline);
- In December 2020, City West Housing was removed from the provisions of the Government Sector Finance Act, enabling it to now leverage its significant unencumbered asset base to borrow to fund its development pipeline. This represents a valuable opportunity for City West Housing to scale its dwelling stock more rapidly than it has in the past; and
- City West Housing expects to build over 713 dwellings over the next 10 years (current committed projects), noting some of these may be provided outside of the City of Sydney using equity funding (not levy funds). There is a strong reliance on the affordable housing contributions to deliver this pipeline, though the ability to now borrow funds will also assist in this.

The impact on City West Housing of adding another provider

In accordance with the Program, the City's consultant considered how identifying another Recommended CHP may impact on City West Housing. They noted that that until recently, City West Housing has been largely reliant on funding to grow its equity base, being unable to take on debt, which is evidenced by its current funding structure. Approximately 66 per cent of City West Housing funding is received from local government (in large part contributions received from the

City), 23 per cent from rental income and 10 per cent from Commonwealth and state governments.

It was concluded that while steps will need to be taken by City West Housing to review its funding structure and framework to leverage its significant unencumbered asset base, it is important to ensure City West Housing's business model is able to transition in a manner that minimises delivery risk to its development program and does not inadvertently result in pipeline disruption for City West Housing (and by extension the delivery of affordable housing in the City of Sydney) .

The impact on outcomes of the Program of adding another provider

In accordance with the Program, the City's consultant considered how identifying another Recommended CHP might impact on outcomes of the Program. They concluded that subject to the

considered transitioning of funding to avoid disruption to City West Housing's development pipeline, the inclusion of other CHP will enable greater opportunity for debt funding leverage and increase of affordable housing stock because:

- procuring development sites in the City of Sydney is expensive and challenging. Enabling CHPs with the capability for site acquisition and development will diversify the risk and lead to greater affordable housing outcomes; and
- the recent broadening of the Program across the local government area provides the City with a unique and valuable opportunity to enable / build resources and capability in the CHP sector. Additional Recommended CHPs will build on this opportunity.

Matters for consideration in developing a distribution plan

In accordance with the Program, the City's consultant provided advice about what matters should be considered in the development of a distribution plan, should another other Recommended CHPs be identified. They noted that it is important any distribution plan extend as much certainty as possible to CHPs about the allocation of funding, so that they may manage risks and operate in the market with sufficient confidence. Key considerations include:

- implementation of the Program (which applies inclusionary zoning across the local government area and site-specific requirements for planning proposals) would likely result in larger volumes of contributions over time. The collection of contributions is directly dependent on economic and market conditions, and can therefore be challenging to predict with certainty;
- notwithstanding the above, the setting of fixed allocation of funds (subject to contribution receipts) would provide some degree of certainty for CHPs. This would necessarily require a fixed time frame (where certainty can be provided about receipt of funds for the period) and more generally, limitations of the number of CHPs who may be identified as Recommended CHPs;
- where funds are to be shared between multiple providers, it is important for the City to maintain support to City West Housing in a critical time of transition, though it is conceivable that contributions receipts would facilitate providing support to City West Housing and other CHPs. Priority funding could be provided to City West Housing where the first $20 million each year is allocated to City West Housing in the short term (five years). This would represent the 'smoothed' historical funding that has occurred under the contribution schemes;
- while the 'opening up' of funding availability to more CHPs will diversify delivery and market risk and provide the opportunity for greater affordable housing outcomes, it is necessary to acknowledge a potential perverse outcome where CHPs (funded by the Program) inadvertently compete and 'bid up' the price of development opportunities. Information sharing and collaboration between CHPs recipients would be important to avoid this; and
- any plan for the distribution of contribution funds amongst Recommended CHPs should be periodically reviewed every four to five years to analyse the patterns of contribution receipts, review effective use of the funds by incumbent CHPs, review continued eligibility to receive funding and consider applications from applicant CHPs (if any).

Expression of Interest Process

Although the Program enables the consideration of applications to be a Recommended CHP, it is recommended that, in the interests of fairness, an Expression of Interest process be undertaken to explore interest from other eligible community housing providers who may also seek access to contribution funds.

The Expression of Interest is to be prepared in accordance with the requirements of the Distribution Plan (described below), if it is adopted by Council following public exhibition.

Draft Interim Distribution Plan

The draft Interim Distribution Plan generally maintains the status quo with regards to how affordable housing contribution funds are currently allocated until such time as a final Distribution Plan is adopted by Council.

The draft Interim Distribution Plan identifies City West Housing as the only Recommended CHP to receive all affordable housing contribution funds. This represents no change for remittance of contribution funds currently collected in Central Sydney, Green Square, Ultimo-Pyrmont on residual land. However, funds collected in the Southern Employment Lands, that are currently remitted to the Department of Communities and Justice, would be remitted to City West Housing under the proposed draft Interim Distribution Plan.

It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council. A further planning proposal will not be required at this time.

~~The draft Distribution Plan is to provide a 5-year plan for the distribution of contributions funds. The purpose of the draft Distribution Plan is to:~~

- ~~identify the 'Recommended CHPs' who may receive contribution funds;~~
- ~~provide framework for the distribution of contribution funds; and~~
- ~~provide an ongoing framework for the periodic review of the Distribution Plan.~~

~~The purpose of limiting the review of the Distribution Plan to 5 year periods is to provide as much certainty as possible for community housing providers about future funding to ensure they can buy land, commit to projects and forward plan with confidence.~~

~~It is the Program that currently identifies Recommended CHPs however, going forward, it is proposed the draft Distribution Plan contain the information for how contribution funds are to be allocated to community housing providers.~~

~~It is proposed the draft Distribution Plan expand the list of Recommended CHPs to allow for City West Housing, and for one other 'Alternate CHP'. The aim of expanding the Recommended CHP list is to enable greater opportunity for debt funding leverage to increase of affordable housing stock.~~

~~Consistent with the advice of the City's consultant, it is proposed to limit the number of Recommended CHPs to two. This aims to protect against the potential perverse outcome where community housing providers (funded by the Program) inadvertently compete and 'bid up' the price of development opportunities. It also ensures each community housing provider would receive sufficient funds to make meaningful contribution to a project, this is, funds are not so widely dispersed that the contribution cannot fund a project/s.~~

~~The 'Alternate CHP' is to be selected following an Expression of Interest process to be undertaken prior to the end of 2023. The broad requirements are in the draft Distribution Plan, including the following assessment criteria and considerations to be applied to applications:~~

- ~~eligibility of the CHP;~~
- ~~financial position of the CHPs, as evidenced by a financial health check prepared by an~~

appropriately qualified professional;

- current owned housing stock, current housing stock being managed on behalf of a third party and relevant partnerships;
- membership of the Board;
- track record of procuring development sites, undertaking development activity, managing social and/or affordable housing;
- demonstrated commitment to achieve realistic affordable housing targeted outcomes, as evidenced by a detailed business plan showing how funds received from contributions would build upon their track record;
- demonstrated commitment to increasing the amount of affordable housing for Aboriginal and Torres Strait Islander households;
- demonstrated ability to source opportunities within a business framework that would be complemented by contributions from the Program i.e. evidence they will not be entirely reliant on contribution funds;
- demonstrated understanding of the requirements of the Program.

The draft Distribution Plan, to commence if adopted by Council following public exhibition, requires affordable housing contributions to be distributed in accordance with Table 2.

Table 2: Draft Distribution Plan

	Contributions paid to the City of Sydney
Year 1 (current till 31 Dec 2023)	All funds remitted to City West Housing
Year 2	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Ongoing: Alternating between the Alternate CHP and City West Housing in tranches of $10m
Year 3	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Ongoing: Alternating between the Alternate CHP and City West Housing in tranches of $10m
Year 4	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Ongoing: Alternating between the Alternate CHP and City West Housing in tranches of $10m

~~Year 5~~	~~First $20m remitted to City West Housing~~ ~~Next $10m remitted to the Alternate CHP~~ ~~Next $10m remitted to City West Housing~~ ~~Ongoing: Alternating between the Alternate CHP and City West Housing in tranches of $10m~~
~~Ongoing (pending outcome of review)~~	~~First $20m remitted to City West Housing~~ ~~Next $10m remitted to the Alternate CHP~~ ~~Next $10m remitted to City West Housing~~ ~~Ongoing: Alternating between the Alternate CHP and City West Housing in tranches of $10m~~

~~Note: contributions are to be remitted on a quarterly basis with residual funds being rolled over to the next calendar year.~~

~~The distribution of funds shown in Table 2 establishes a 5-year transition period that supports City West Housing deliver their substantial development pipeline. The funding is equivalent to the 'smoothed' historical funding that has occurred under the contribution schemes.~~

~~The draft Distribution Plan is proposed to be publicly exhibited with this planning proposal and the draft Program, but it is not referred to by the Sydney LEP 2012 or the Green Square Town Centre LEPs.~~

Redirection of funds arising from the Southern Employment Lands

The Program currently says that affordable housing contribution funds arising from the Southern Employment Lands are to be remitted to the Department of Communities and Justice who will allocate funds to a community housing provider to be used to build and manage affordable housing in accordance with the affordable housing principles in the Program. ~~This process was established to provide opportunities to community housing providers other than City West Housing. This is no longer necessary with the proposed Distribution Plan.~~

It is proposed to amend the Program so that affordable housing contribution funds arising from the Southern Employment Lands be remitted in accordance with any distribution plan adopted by Council ~~are given to the City and remitted directly to Recommended CHPs in accordance with the Distribution Plan~~. As described in the above section, the draft Interim Distribution Plan proposes that for the immediate term that funds be remitted to City West Housing.

These funds were originally directed to the Department of Communities and Justice so that community housing providers other than City West Housing might benefit from the City's affordable housing contribution schemes. However, with a broader distribution plan being considered other ~~community housing providers being identified as 'Recommended CHP',~~ this is no longer considered necessary.

In-kind contributions

The Program currently provides high level guidance about the how in-kind contributions of affordable housing dwellings are to be dedicated to community housing providers and used as affordable housing.

It is proposed to amend the Program to more clearly articulate this process to ensure that:

- in-kind contribution of affordable housing dwellings is to be given, free of cost, to a Recommended CHP; or
- if a Recommended CHP does not want to receive the in-kind contribution, it may be passed to another Tier 1 or Tier 2 community housing provider.

In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed in accordance with the affordable housing principles set out in the Program. This is secured by covenant on the title of the land.

It is also proposed to amend the Program to include more information at Appendix C, which provides the process for how in-kind affordable housing dwellings are to be dedicated to a community housing provider. The new information includes a description of what early consultation with a community housing provider should include, and clearer information about how any in-kind affordable housing dwellings will be legally secured in accordance with the Program.

It is noted there is no known occurrence during the life of the Program (and those programs proceeding it) where a developer has opted to make an in-kind contribution, instead always preferring to make an equivalent monetary contribution. Notwithstanding this, it is possible under the provisions in the Sydney LEP 2102 and the Green Square Town Centre LEPs and it is important to include adequate guidance in the Program on how this might occur.

Planning proposal land contribution requirements

The Program sets out requirements for 'Planning Proposal land', where a higher affordable housing contribution requirement would apply to residential floor space that has been achieved as the result of a planning proposal.

The Program establishes 'soft' contribution rates that might apply to the new floor space, that is, the rate is not established in a local environmental plan and can be varied depending on other public infrastructure that is also being required of the development. For example, where there is a planning proposal to increase the amount of Gross Floor Area on a site, the higher contribution rate in the Program would be applied to 'new' floor space, however, if that site is also required to dedicate land, for example, for a park, then the contribution rate might be adjusted down in recognition of the additional cost to the developer.

The rates for the west, south and east precinct were first established in the Program as adopted by Council and the Central Sydney Planning Committee in August 2020. The rates are based on independent feasibility analysis to determine the tolerance of development to make the contribution in the different sub-markets across the local government area.

The rates require periodical review to ensure they continue to align with current market realities. In the most recent review, the adjustments to the east precinct shown in Table 3 have been recommended by the City's consultant and are reflected in the proposed amendment to the Program.

The rates incorporate the LEPs requirement for a 3 per cent contribution. For example, the 12 per cent rate includes 9 per cent for new residential floor area on planning proposal land, plus 3 per cent.

Consistent with other parts of the local government area, it is also proposed to include a soft contribution requirement in Central Sydney for new residential floor area, as shown in Table 3. The contribution rate is based on the 10 per cent affordable housing target in the Region Plan and is subject to site specific viability testing.

It is noted the proposed contribution rate for Central Sydney is subject to site specific viability testing.

Table 3: Adjustments to contribution rates for Planning Proposal land

Precinct*	Contribution rate

Central Sydney	13% applied to new residential floor area, subject to site specific viability testing
West precinct	12% applied to new residential floor area
South precinct	12% applied to new residential floor area
Eastern precinct	21% applied to new residential floor area (decreased from 24%)

* Note: Precincts align with those shown in the City's development contribution plan 2015.

Development that may be exempt from making a contribution, or may have a reduced contribution requirement

The Program currently sets out the circumstances where development may be exempt from making a contribution. It says that where development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, it may be exempt from making a contribution.

It is proposed to amend the Program to say that where the development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, then the affordable housing contribution requirement will not exceed 15 per cent of the agreed cost of construction.

This is to ensure that development still continues to make an affordable housing contribution, but that the contribution is not unreasonable.

Update to background information (Appendix A)

Appendix A of the Program currently contains detailed background information and affordable housing needs analysis.

It is proposed to amend the Program to remove information in Appendix A that is:

- information pertaining to point-in-time data, but is not critical information;
- not critical information; or
- is information that is now documented and regularly updated in the Housing for All: Local Housing Strategy Technical Paper.

The purpose for the proposed amendment is to:

- streamline Appendix A so it contains only relevant information;
- remove non-critical information that quickly becomes out of date; and
- remove information that is now documented elsewhere.

Housekeeping amendments

It is proposed to make a number of minor housekeeping amendments to the Program to:

- clarify information where there has been confusion;
- improve readability and remove any repetitiveness from the document;
- reflect changes to processes, that do not have a substantive impact on the operation of the Program;
- correct any minor spelling or grammar errors in the Program; and
- remove superfluous information to streamline the Program.

5.3. Matters for consideration

This section provides a response to the 'matters for consideration' described in Table 3 of the Local Environmental Plan Making Guideline, published by the Department in December 2021, that are to be taken into account when describing, evaluating and justifying a planning proposal.

Section A- Need for the planning proposal

Q1. Is the planning proposal a result of an endorsed LSPS, strategic study or report?

Yes. Amendments relating to the increase in affordable housing contribution rates in Ultimo-Pyrmont result from the Pyrmont Review. This is discussed in detail in section 5.1.

Q2. Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?

A planning proposal is the only way to amend the affordable housing provisions in the Sydney LEP 2012.

Section B - Relationship to the strategic planning framework

Q3. Will the planning proposal give effect to the objectives and actions of the applicable regional or district plan or strategy (including any exhibited draft plans or strategies)?

A Metropolis of Three Cities – the Greater Sydney Region Plan

A Metropolis of Three Cities – the Greater Sydney Region Plan is the NSW Government's overarching strategic document for growth and change in Sydney. The 20 year plan with a 40 year vision seeks to transform Sydney into a metropolis of three cities being the Western Parkland City, the Central River City and the Eastern Harbour City. The City of Sydney LGA is positioned within the Eastern Harbour City.

The plan identifies key challenges facing Sydney including a population increase to eight million by 2056, 817,000 new jobs by 2036 and a requirement for 725,000 new homes.

The plan aspires to deliver the following outcomes:

- liveability – enhancing cultural and housing diversity and designing places for people;
- productivity – developing a more accessible and walkable city and creating conditions for a stronger economy;
- sustainability – valuing green spaces and landscape, improving efficiency of resources and creating a resilient City; and
- infrastructure – ensuring infrastructure supports new developments and governments, community and businesses collaborate to realise the benefits of growth.

To achieve the vision, the plan proposes 10 directions, 40 objectives and associated strategies. Objectives of particular relevance to this Planning Proposal include: 10 - Greater housing supply and 11 - Housing is more diverse and affordable.

This planning proposal is consistent with several relevant directions, objectives and strategies of the plan. Specifically, it will increase the supply of affordable housing and improve housing diversity and choice.

Eastern City District Plan

The Greater Sydney Commission released the District Plans for the Greater Sydney Metropolitan Region in March 2018. The City of Sydney is in the Eastern City District. The District Plans set out

how A Metropolis of Three Cities – the Greater Sydney Region Plan applies to local areas.

The district plan has set a 20-year strategic target for housing and employment growth within the district, including a 2036 target of 157,500 dwellings and a short-term (5 years) housing target of 46,550 new dwellings. In the City of Sydney LGA, 18,300 dwellings are to be delivered.

The district plan requires councils to develop local housing strategies and actions to address the range of housing needs in their LGAs, including affordable housing.

The district plan nominates an affordable rental housing target of five to 10 per cent, subject to viability, in urban renewal and land release areas, noting that the application of the target should not prejudice other approaches to secure affordable housing in areas outside of urban renewal and land release areas. A critical focus of the plan is that any mechanism that is introduced to secure affordable housing should be cognisant of the impact on development viability.

This planning proposal supports the district plan's priority of 'Housing Diversity and Affordability' by facilitating the delivery of affordable rental housing in the city through the planning framework.

Q4. Is the planning proposal consistent with a council LSPS that has been endorsed by the Planning Secretary or GSC, or another endorsed local strategy or strategic plan?

Sustainable Sydney 2030

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050. This continues the vision of Sustainable Sydney 2030.

Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress.

Sustainable Sydney 2030 establishes an ambitious 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. To achieve the City's target approximately 12,000 affordable housing dwellings, out of a total projected 148,000 dwellings, are required in the LGA.

The planning proposal, the Program (as amended) and the draft Interim Distribution Plan will contribute to the City's affordable housing targets. They align with the following strategic directions and objectives:

- Direction 6 - Resilient and inclusive local communities - the planning proposal, proposed amendment to the Program and the draft Interim Distribution Plan, will continue to support the provision of affordable housing in the local area, which is essential for a resilient and inclusive local community.
- Direction 8 - Housing for a Diverse Population - the planning proposal, proposed amendment to the Program and the draft Interim Distribution Plan will promote the delivery of affordable housing in the City of Sydney.

City Plan 2036 - Local Strategic Planning Statement

The City of Sydney Local Strategic Planning Statement (planning statement), adopted by Council in February 2020, sets out the land use planning context, 20-year vision and planning priorities to positively guide change towards the City's vision for a green, global and connected city. The planning statement explains how the planning system will manage that change to achieve the desired outcomes and guides future changes to controls.

In giving effect to the planning statement, the planning proposal, the Program (as amended) and the draft Interim Distribution Plan delivers on the following priorities and actions by:

- contributing to housing supply, choice and affordability in the City of Sydney;
- providing housing that is close to employment and services, contributing to the aspiration for a '30-minute city'; and

- enabling vibrant and diverse communities and economies.

Housing for All – City of Sydney Local Housing Strategy

The City of Sydney Local Housing Strategy: Housing for All provides the City's objectives and actions for the delivery of diverse housing in the local government area.

In giving effect to Housing for All, the planning proposal, the Program (as amended) and the draft Interim Distribution Plan delivers on the following priorities and actions by:

- contributing to the City's housing targets, in particular the delivery of affordable housing; and
- increasing diversity and choice in housing in the City of Sydney, providing more affordable housing for people on very low to moderate incomes.

Q5. Is the planning proposal consistent with any other applicable State and regional studies or strategies?

This planning proposal is consistent with the Pyrmont Peninsula Place Strategy (Implementation) and incorporated Explanation of Intended Effects (EIE) in November 2021. The EIE included a statement of intent that the contribution rates set out in the City of Sydney Affordable Housing Program would be applied to the Pyrmont Peninsular.

Q6. Is the planning proposal consistent with the applicable State Environmental Planning Policies?

This planning proposal is consistent with all applicable State Environmental Planning Policies (SEPPs) and Regional Environmental Plans (REPs), as summarised in 4.

Table 41: Consistency with State Environmental Planning Policies (SEPPs)

State Environmental Planning Policy	Comment
SEPP (Biodiversity and Conservation) 2021	Consistent
SEPP (Building Sustainability Index: BASIX) 2004	Consistent
SEPP (Exempt and Complying Development Codes) 2008	Consistent
SEPP (Housing) 2021	Consistent. This planning proposal is consistent with Chapter 2, Part 1 of the SEPP.
SEPP (Industry and Employment) 2021	Consistent
SEPP (Planning Systems) 2021	Consistent

SEPP (Precincts–Central River City) 2021	Consistent
SEPP (Precincts–Eastern Harbour City) 2021	Consistent. This planning proposal does not impact on Redfern Waterloo Authority sites that remain excluded from the Sydney LEP 2012.
SEPP (Precincts–Regional) 2021	Consistent
SEPP (Precincts–Western Parkland City) 2021	Consistent
SEPP (Primary Production) 2021	Consistent
SEPP (Resilience and Hazards) 2021	Consistent
SEPP (Resources and Energy) 2021	Consistent
SEPP No 65 - Design Quality of Residential Flat Development	Consistent
SEPP (Transport and Infrastructure) 2021	Consistent

Q7. Is the planning proposal consistent with applicable Section 9.1 Ministerial Directions?

This planning proposal is consistent with all Ministerial Directions issued under section 9.1 of the Environmental Planning and Assessment Act 1979, as summarised in Table 5.

Table 5: Consistency with Ministerial Directions

Ministerial Direction	Comment
Focus area 1: Planning Systems	
1.1 Implementation of Regional Plans	Consistent
1.2 Development of Aboriginal Land Council land	Not applicable
1.3 Approval and Referral Requirements	Consistent
1.4 Site Specific Provisions	Consistent
Focus area 1: Planning Systems – Place-based	
1.5 Parramatta Road Corridor Urban Transformation Strategy	Not applicable
1.6 Implementation of North West Priority Growth Area Land Use and Infrastructure Implementation Plan	Not applicable
1.7 Implementation of Greater Parramatta Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable
1.8 Implementation of Wilton Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable

Ministerial Direction	Comment
1.9 Implementation of Glenfield to Macarthur Urban Renewal Corridor	Not applicable
1.10 Implementation of the Western Sydney Aerotropolis Plan	Not applicable
1.11 Implementation of Bayside West Precincts 2036 Plan	Not applicable
1.12 Implementation of Planning Principles for the Cooks Cove Precinct	Not applicable
1.13 Implementation of St Leonards and Crows Nest 2036 Plan	Not applicable
1.14 Implementation of Greater Macarthur 2040	Not applicable
1.15 Implementation of the Pyrmont Peninsula Place Strategy	Consistent. This Direction says a planning proposal authority must ensure that a planning proposal is consistent with the Pyrmont Peninsula Place Strategy. The Strategy commits to 'Reconcile the revised City West Affordable Housing Program with the City of Sydney's affordable housing approach as part of work to unify the planning framework' and 'review and update the existing affordable housing contribution rates.'
1.16 North West Rail Link Corridor Strategy	Not applicable
1.17 Implementation of the Bays West Place Strategy	Not applicable
Focus area 2: Design and Place	Not applicable
Focus area 3: Biodiversity and Conservation	
3.1 Conservation Zones	Consistent
3.2 Heritage Conservation	Consistent
3.3 Sydney Drinking Water Catchments	Not applicable
3.4 Application of C2 and C3 Zones and Environmental Overlays in Far North Coast LEPs	Not applicable
3.5 Recreation Vehicle Areas	Not applicable
Focus area 4: Resilience and Hazards	
4.1 Flooding	Consistent
4.2 Coastal Management	Not applicable

Ministerial Direction	Comment
4.3 Planning for Bushfire Protection	Not applicable
4.4 Remediation of Contaminated Land	Consistent
4.5 Acid Sulfate Soils	Consistent
4.6 Mine Subsidence and Unstable Land	Not applicable
Focus area 5: Transport and Infrastructure	
5.1 Integrating Land Use and Transport	Not applicable
5.2 Reserving Land for Public Purposes	Consistent
5.3 Development Near Regulated Airports and Defence Airfields	Not applicable
5.4 Shooting Ranges	Not applicable
Focus area 6: Housing	
6.1 Residential Zones	Consistent. This planning proposal will: • broaden the choice of housing by facilitating more affordable housing; • increase the amount of affordable housing in the City of Sydney, that is well serviced by public infrastructure and services; • ensure resulting affordable housing is of a similar standard as all other forms of housing.
6.2 Caravan Parks and Manufactured Home Estates	Not applicable
Focus area 7: Industry and Employment	
7.1 Business and Industrial Zones	Consistent
7.2 Reduction in non-hosted short-term rental accommodation period	Not applicable
7.3 Commercial and Retail Development along the Pacific Highway, North Coast	Not applicable
Focus area 8: Resources and Energy	
8.1 Mining, Petroleum Production and Extractive Industries	Not applicable
Focus area 9: Primary Production	
9.1 Rural Zones	Not applicable
9.2 Rural Lands	Not applicable

Ministerial Direction	Comment
9.3 Oyster Aquaculture	Not applicable
9.4 Farmland of State and Regional Significance on the NSW Far North Coast	Not applicable

Section C - Environmental, social and economic impact

Q8. Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected because of the proposal?

No.

Q9. Are there any other likely environmental effects of the planning proposal and how are they proposed to be managed?

No.

Q9. Has the planning proposal adequately addressed any social and economic effects?

An important outcome of this planning proposal is to increase the amount of affordable housing in the local area. The social benefits of providing affordable housing are well documented, and generally understood by government and the community to be overwhelmingly positive.

The economic impacts of this planning proposal have been discussed in Part 5.

Section D - Infrastructure (Local, State and Commonwealth)

*Q11. Is there adequate public infrastructure for the planning proposal***?**

This Planning Proposal does not propose an increase in density and is not expected to result in any additional burden on existing public infrastructure.

Q12. What are the views of state and federal public authorities and government agencies consulted in order to inform the Gateway determination?

No consultation has been undertaken with federal public authorities and government agencies prior to preparing this planning proposal.

6. Mapping

There are no proposed changes to maps in the Sydney LEP 2012 or the Green Square Town Centre LEPs.

7. Community consultation

This planning proposal is to be exhibited in accordance with the gateway determination once issues by the Department of Planning, Industry and Environment.

It is anticipated the gateway determination will require public exhibition for a period of not less than 28 days.

The public consultation will be undertaken in accordance with the City's Community Participation Plan and the principles in the City's Community Engagement Strategy.

Notification of the public exhibition will be via the City of Sydney website.

Exhibition material will be made available on the City of Sydney website and at Town Hall House at 456 Kent Street, Sydney.

Consultation with relevant NSW agencies, authorities and other relevant organisations will be undertaken in accordance with the gateway determination.

8. Project timeline

The anticipated timeline for completion of this planning proposal is as shown in 6.

Table 6: Timeline

Stage	Timeframe
Consideration by council	June 2022
Council / CSPC decision	June 2022
Gateway determination	July 2022
Pre-exhibition	July 2022
Commencement and completion of public exhibition period	August – September 2022
Consideration of submissions	September – October 2022
Post-exhibition review	December 2022
Submission to the Department for finalisation (where applicable)	December 2022
Gazettal of LEP amendment	January 2023

Attachment B

Draft City of Sydney Affordable Housing Program Amendment 2022

City of Sydney Affordable Housing Program

Adopted ~~24 August 2020~~ XX XX XXXX

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1. About the Program

The City of Sydney Affordable Housing Program (this Program) is to provide the background, requirements and operational detail for various affordable contribution provisions in local environmental plans (LEPs) that operate in the City of Sydney.

This Program was adopted by Council on ~~24 August 2020~~ XX XX XXXX and came into effect on ~~1 July 2021~~ XX XX XXX.

1.1 Program Objectives

The objectives of this Program are to:

- recognise affordable rental housing as critical infrastructure necessary to support sustainable and diverse communities and long term economic growth in the City of Sydney local government area (city)
- ensure that, as the cost of housing increases in the city, affordable rental housing is provided for very low to moderate income households
- ensure there are opportunities for very low to moderate income households, who have an historical connection with the city, to live in the city
- ensure there are opportunities for very low to moderate income earners who work in the city to live in the community in which they are employed, and
- facilitate opportunities for government and community housing providers (CHP) to supply affordable housing within the city.

1.2 Relationship to other Programs

This Program, on the day it came into effect, repeals and replaces the ~~following affordable housing programs from the date it came into effect:~~ City of Sydney Affordable Housing Program, adopted by Council 24 August 2020.

- ~~Green Square Affordable Housing Program, except where it applies to land subject to the South Sydney Local Environmental Plan 1998, and~~
- ~~Employment Lands Affordable Housing Program.~~

Any development applications determined prior to the commencement of this Program are not altered by the commencement of this Program.

~~It is noted any development applications determined prior to the commencement of this Program, that include a condition of consent for an affordable housing contribution in accordance with the Green Square or Employment Lands Affordable Housing Programs, are not altered by the commencement of this Program.~~

~~This Program does not repeal, but supplements, the City West Affordable Housing Program (Ultimo-Pyrmont Affordable Housing Program).~~

1.3 Where does this Program apply?

This Program applies to land~~, being:~~ in the *Sydney Local Environmental Plan 2012* identified as:

- land in Central Sydney
- land in Green Square
- land in the Southern Employment Lands, and
- residual land.

It also applies to land subject to the *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2).*

The Program may not apply, given certain circumstances, to:

- development to which the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, where the plan is still in effect; and
- other land where *Sydney Local Environmental Plan 2012*, *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* do not apply.

~~This Program also applies to 'Planning Proposal land' where it is identified in an LEP. Planning Proposal land may be identified anywhere in the city where Council is the consent authority.~~

~~This Program also provides the requirements for affordable housing built in the B7 Business Park zones under Sydney LEP 2012.~~

~~1.4 Background~~

~~Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social issue in Sydney, particularly within the city where housing prices are amongst the highest in metropolitan Sydney.~~

~~The loss of lower and middle income households from the city results in a less diverse community with only high income households in private housing and very low income households remaining in the city's social housing. This 'hollowing out of the middle' has social and economic risks to the individual and to the community.~~

~~The state government has long recognised the importance of providing affordable housing through the planning framework. The Eastern City District Plan (District Plan), released in March 2018, recognises the critical need to provide more affordable rental housing in the Eastern District and includes a range of planning priorities and indicators for the delivery of affordable housing through the planning framework.~~

~~The District Plan also includes a target when planning proposals are being prepared for urban infill or land release areas, that five per cent to 10 per cent of new floor area be provided as affordable rental housing, subject to development feasibility being established at the precinct scale. The District Plan does not prevent local government from establishing alternate contribution rates so long as development viability is retained.~~

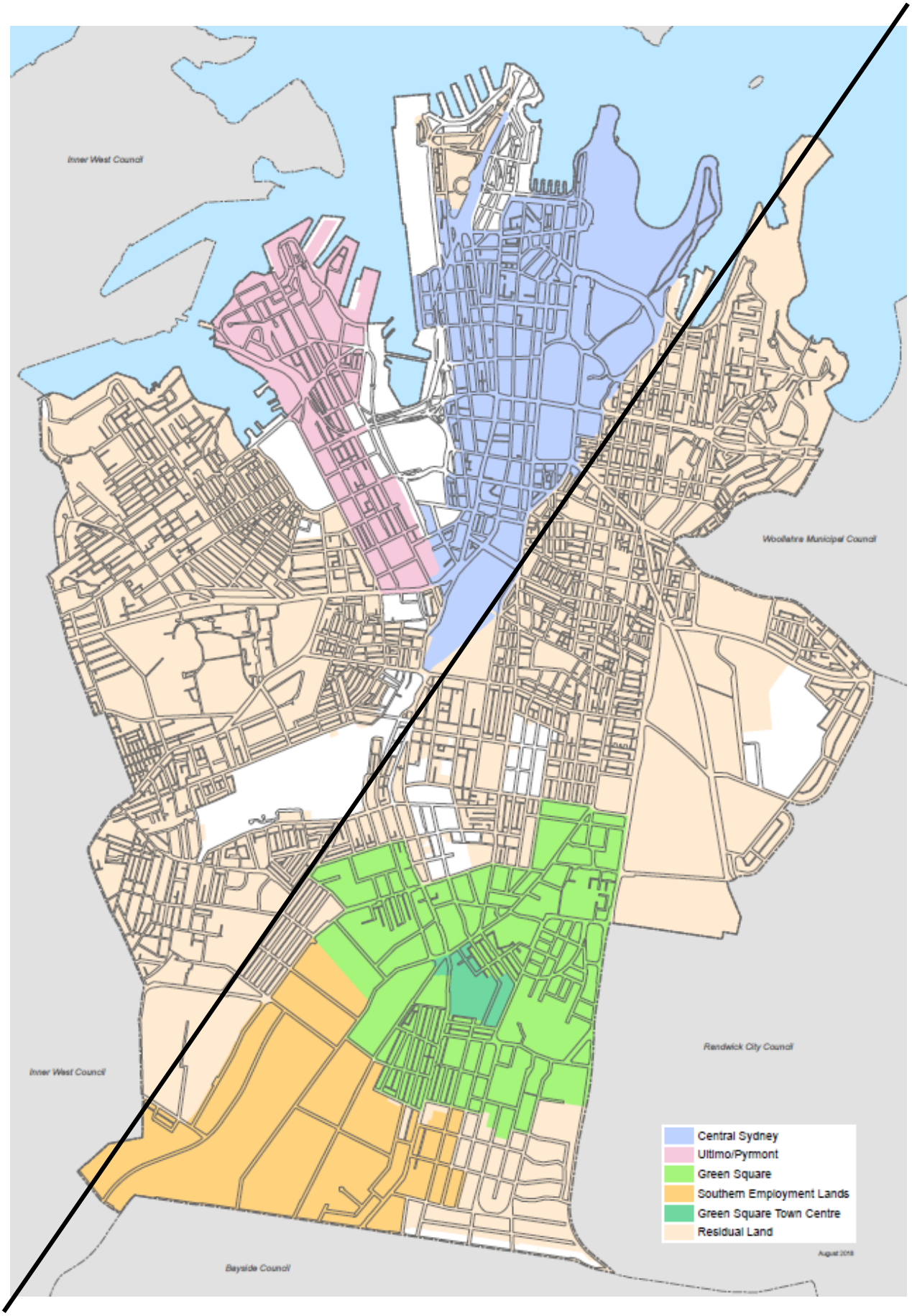
The City's *Sustainable Sydney 2030 Vision* establishes an ambitious affordable housing target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable housing.

The City has a history of providing affordable housing through the planning framework. In 1996 the first affordable housing contribution scheme in NSW was introduced in Ultimo/Pyrmont to ensure that as the area developed a proportion of housing remained available for very low to moderate income earners. A similar scheme was introduced in Green Square in 1999 when it was rezoned from industrial land to mixed use. In 2006 an affordable housing contribution scheme was introduced by the NSW government on significant sites in Redfern-Waterloo. In 2015 a scheme was introduced to support the rezoning of the Southern Employment Lands.

This Program streamlines and consolidates the Green Square and Southern Employment Lands schemes and introduces new schemes for Central Sydney, residual land and Planning Proposal land.

Not all the affordable housing we need to support sustainable growth can be achieved by this Program. A range of approaches and a collaborative effort between the state government, the City, community housing sector and the private sector is required.

Figure 1: Land to which this Program applies



1.4 ~~1.5~~ Legislative basis for affordable housing contributions

This Program applies in accordance with the requirements in the *Environmental Planning and Assessment Act 1979* (the Act).

~~The *Environmental Planning and Assessment Act 1979* (the Act) considers the promotion of the social and economic welfare of the community as one of its objectives. In 1999 the Act was amended to specifically include the provision and maintenance of affordable housing as an Object of the Act.~~

~~Section 7.32 of 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 one of the following applies:~~

~~(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.~~

~~*State Environmental Planning Policy No. 70 – Affordable housing (Revised Schemes) 2009* (SEPP 70) identifies that there is a need for affordable housing in the City of Sydney.~~

The State Environmental Planning Policy (Housing) 2021 recognises that all local government areas within NSW are areas where there is a need for affordable housing.

Local environmental plans contain controls for the calculation, levying and management of affordable housing contributions in the City of Sydney.

~~The various contribution requirements operating in the city achieve the requirements of the Act in different ways, as described at Appendix A.~~

1.5 ~~1.6~~ Affordable Housing Principles

The City of Sydney affordable rental housing principles are:

- affordable rental housing is to be provided and managed in the City of Sydney ~~Local Government Area (~~LGA~~)~~ so that a socially diverse residential population, representative of all income groups, is maintained
- affordable rental housing that is provided is to be made available to a mix of households on very low to moderate incomes
- affordable rental housing that is provided is to be rented to very low to moderate income households at no more than 30% of gross household income
- dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable rental housing, and
- affordable rental housing is to consist of dwellings constructed to a standard which, in the opinion of Council, is consistent with other dwellings in the LGA.

1.6 ~~1.7~~ Amending this Program

Amendment to this Program will generally require amendment to LEPs that directly refer to this Program as dated.

Amendment and/or update to the information provided at the appendices may occur from time to time and ~~will~~ do not require an amendment to LEPs.

1.7 ~~1.8~~ 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

Under this Program, **Affordable rental housing** or **Affordable rental dwelling** is **affordable housing** that is owned and managed by government, a **Recommended Community Housing Provider**, or an **Eligible Community Housing Provider** and rented to **very low to moderate income households**.

~~City of Sydney Affordable Housing Contribution~~ Distribution Plan ~~(Distribution Plan)~~

~~City of Sydney Affordable Housing Contribution~~ **Distribution Plan** ~~(Distribution Plan)~~ refers to any plan adopted by resolution of Council from time to time for the distribution of affordable housing contribution funds arising from this Program. ~~the City of Sydney Affordable Housing Contribution Distribution Plan, as adopted by the City of Sydney Council.~~

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, as published in the NSW Government Gazette on 14 December 2012, as updated from time to time.

Council / City / 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, that is, the elected representatives. References to the **city** are references to the City of Sydney local government area.

Development application

References to **development applications** in this Program refer to both development applications and any application for the modification of a development consent.

Eligible Community Housing Provider

Eligible Community Housing Providers ~~(CHP)~~ are community housing providers that are classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

Local Environmental Plan (LEP)

Reference to various **LEPs** in this Program apply to any LEP that replaces it, so long as the affordable housing provisions remain substantially unamended.

Recommended CHPs

Recommended CHPs are those providers identified in ~~listed on~~ ~~the~~ a Distribution Plan as Recommended CHPs. ~~Schedule A of this Program~~. ~~Recommended CHPs are also to be classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.~~

Very low to moderate income households

~~The definition of these terms is 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 Greater Sydney—Greater Capital City Statistical Area or the Rest of NSW—Greater Capital City Statistical Area ~~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 Affordable housing contributions

This Section describes how an affordable housing contribution may be satisfied, the equivalent monetary contribution amounts for the rates in the LEPs, how the contribution will be applied in the development application process and how it will be managed for the provision of affordable housing.

2.1 Contribution rates

Local environmental plans (LEPs) establish the affordable housing contribution rate as it applies to land. The rate varies across different areas and types of land.

2.1.1 Green Square, ~~and~~ Southern Employment Lands and Ultimo-Pyrmont

On land in Green Square, on land ~~and~~ in the Southern Employment Lands, and on land in Ultimo-Pyrmont the contribution rate is:

- 1 per cent of the total floor area that is to be used for non-residential uses, and
- 3 per cent of the total floor area that is to be used for residential uses.

The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with ~~Section 2 of~~ this Program.

2.1.2 Central Sydney and residual lands

In Central Sydney and on residual land the contribution rate is:

Date of lodgement of development application	Non-residential rate	Residential rate
1 July 2021 to 30 June 2022	0.5%	1.5%
1 July 2022 onwards	1%	3%

The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with ~~Section 2 of~~ this Program.

2.1.3 Planning Proposal lands

On Planning Proposal land the contribution rate varies from site to site. The rate, once determined through the planning proposal process, is specified in the LEP.

~~The contribution requirement for Planning Proposal land is in addition to any other contribution requirement that may apply under the LEP.~~

The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with ~~Section 2.1.4 of~~ this Program. The LEP may specify how the contribution requirement must be satisfied.

The approach used to establish the appropriate contribution rate for land that is listed on the schedule is described at Appendix B.

Public exhibition note: At the time of preparing this draft Program for public exhibition, no Planning Proposal land had been identified in a relevant LEP. This section will be updated as necessary to reflect final drafting in the applicable LEPs.

2.1.4 Equivalent monetary contribution amount

~~In Central Sydney, Southern Employment Lands, residual land and Planning Proposal land t~~ The equivalent monetary contribution amount for the period of 1 March ~~2018~~ 2021 to 28 February ~~2019~~ 2022 is **$10,588.00 per square metre.**

~~In Green Square, up to 29 February 2020, the equivalent monetary contribution amount for the period of 1 March 2018 to 28 February 2019 is **$8,163.00 per square metre**. From 1 March~~

~~2020, the equivalent monetary contribution amount for the period of 1 March 2018 to 28 February 2019 is **$10,588.00 per square metre**.~~

Adjustments are made to the equivalent monetary contribution amount on an annual basis in accordance with this Program. The City of Sydney's website lists the current monetary contribution amounts as indexed.

2.1.5 Satisfying a contribution by dedicating dwellings

An affordable housing contribution requirement may be satisfied by dedication, free of cost, of affordable housing dwellings ~~to Council~~. Affordable rental dwellings resulting from a contribution are to be provided in the development in accordance with the following requirements:

- affordable rental dwellings are to align with the Affordable Housing Principles at Section 1 of this Program
- affordable rental dwellings are owned by government or a Recommended or Eligible CHP
- affordable rental dwellings are provided in the city 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 more than 10 affordable rental dwellings are being provided in the development, at least 25 per cent of dwellings are to be allocated to very low income households and 25 per cent of dwellings to low income households
- all rent received from the affordable rental dwellings after deduction of management and maintenance costs will only be used for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the city, that is, they are not differentiated as affordable housing compared with the design of other housing
- each affordable rental dwelling is to have a total floor area of not less than 35 square metres, with any remainder being paid as a monetary contribution to Council, and
- where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guideline (or any subsequent Guideline that may apply from time to time) are to be generally achieved. For example, 70% of the affordable housing dwellings should achieve adequate solar access.

The location, size and quality of affordable housing dwellings are to be to the satisfaction of Council and the receiving CHP. If they are not to satisfaction of both parties, Council may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution.

Where part of a contribution is satisfied by dedicating dwellings, any remaining floor area must be paid as a monetary contribution.

All floor area 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 all the affordable housing floor area is provided as a full floor of a development or as a stand-alone building.

Appendix C details the process for dedicating dwellings for affordable housing.

2.1.6 Calculating the contribution in Ultimo-Pyrmont, Green Square and the Southern Employment Lands

In Ultimo/Pyrmont, Green Square and the Southern Employment Lands, the contribution requirement applies because the areas were rezoned. Over time, it is envisaged that all floor area in these areas will make a contribution to affordable housing, because all floor area has benefited from the rezoning.

The contribution is therefore calculated on all of the total floor area in the building to which the development application applies.

Example

A development application in Green Square for a new 10,000sqm development, comprises 1,000 square metres of non-residential total floor area and 9,000sqm of residential total floor area. The affordable housing contribution is calculated as:

(1% x 1,000sqm) + (3% x 9,000sqm) = 280sqm of dedicated floor area

or

(1% x 1,000sqm x $10,588) + (3% x 9,000sqm x $10,588) = $2,964,640 equivalent monetary contribution

Note: This is a simplified example. No exemptions have been applied.

Example

A development application for a warehouse conversion in the Southern Employment Lands includes a new mezzanine level comprising 1000sqm of non-residential total floor area. The existing total floor area in the warehouse is 2000sqm. The affordable housing contribution is calculated as:

(1% x 3,000sqm x $10,588) = $317,640

Note: This is a simplified example. No exemptions have been applied.

Note: in-kind contribution will not be suitable in a purely non-residential development.

2.1.7 Calculating the contribution in Central Sydney and on residual land

In Central Sydney and on residual land, the contribution requirement applies to new or more intensely used floor area only, because the areas were not rezoned at the time when the contribution was introduced.

The contribution is therefore calculated only on the floor space to which the development application directly relates.

Example

A development application on residual land for the demolition of an existing building and a new building comprising a total floor area of 10,000sqm of residential floor area will be calculated as:

3% x 10,000sqm = 300sqm of dedicated floor area

or

3% x 10,000sqm x $10,588 = $3,176,400 equivalent monetary contribution

Note: Existing floor area that is demolished and replaced is not 'credited' against the contribution requirement.

Note: This is a simplified example. No exemptions have been applied.

Example

A development application, for a new mezzanine level comprising 200sqm of non-residential total floor area, is made for an existing commercial building. The existing total floor area in the warehouse is 2,000sqm. The affordable housing contribution is calculated as:

(1% x 200sqm x $10,588) = $21,176

Note: This is a simplified example. No exemptions have been applied.

Note: in-kind contribution will not be suitable in a purely non-residential development.

Example

A development application, for two new residential storeys on top of an existing building is made in Central Sydney. The new development comprises a total floor area of 800sqm. The affordable housing contribution is calculated as:

3% x 800sqm x $10,588 = $254,112 equivalent monetary contribution

Note: This is a simplified example. No exemptions have been applied.

Note: an in-kind contribution will not be suitable in this situation because the contribution requirement is for less than 35sqm of floor area.

2.1.8 Calculating the contribution on Planning Proposal land

On Planning Proposal land, the ~~contribution is calculated on the additional floor area achieved under the planning proposal. The~~ method for calculating the amount is ~~to be~~ set out in the relevant LEP.

2.2 Development that may be exempt from making a contribution, or may have a reduced contribution requirement

The LEP contains the provisions for where a contribution requirement will be applied to development.

The consent authority may consider a case for exempting development from the requirement for an affordable housing contribution if the development application is for one or more of the following (and no other development):

- ~~development that would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, or~~ where the cost of construction is less than $100,000; or
- where the change of use is from:
  - a commercial use or light industrial use to a general industrial use or heavy industrial use; or
  - a general or heavy industrial use to another general industrial use or heavy industrial use; or
- where affordable housing is being provided, in accordance with the Principles of this Program.

Where the development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, then the affordable housing contribution requirement will not exceed 15 per cent of the agreed cost of construction.

The following are some examples of when the LEP clause may or may not apply to specific types of development.

For example

The City receives a development application for a new 50sqm mezzanine in an office building in Central Sydney. The application will not give rise to an affordable housing contribution because the LEP clause does not apply to development that only results in the creation of less than 60sqm of non-residential floor area, and no other development.

For example

The City receives a development application in the Southern Employment Lands for a new 50sqm (non-residential) mezzanine and a change of use for the 100sqm of existing floor area from a warehouse (general industrial) to a retail use, and no other development.

The contribution requirement will apply because more than 60sqm of existing floor area is changing use.

For example

The City receives a development application in the residual lands for a change of use of 5,000sqm of existing commercial floor area to serviced apartments, and no other development.

The contribution requirement will apply because in Central Sydney (and on residual land) the contribution requirement applies where there is a change of use of existing floor area from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose, and serviced apartments are 'tourist and visitor accommodation'.

For example

The City receives a development application in Green Square for a change of use of 2,000sqm of existing retail floor area to office floor area, and no other development.

The contribution requirement will apply to the entire development because in Green Square ~~(and in Ultimo/Pyrmont),~~ any change of use will trigger the requirement for a contribution.

For example

The City receives a development application in Central Sydney for a change of use of 200sqm of existing retail floor area to office floor area, and no other development.

A contribution requirement will not apply because in Central Sydney, only where there is a change of use from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose, will a contribution be applied.

2.3 Where a contribution has been previously paid

If an affordable housing contribution has already been made on existing total floor area, then a subsequent contribution is generally not required unless:

- it is being demolished and being replaced with floor space of the same or a different use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area;
- for existing floor space, the previous contribution was for a non-residential purpose and the new total floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

2.4 Refunds for demolition or changes in use

Local environmental plans require that the consent authority must not refund an affordable housing contribution to the applicant where there is a change in use or demolition of floor area.

The same applies where affordable housing dwellings are provided on site, in that the dwellings (as replaced) are to remain the property of the CHP.

2.5 Conditions of consent

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.

2.6 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 provided in the condition of consent. ~~available on the City's website.~~

If a development requires multiple construction certificates, Council will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.

2.7 Adjustment of equivalent monetary contribution amounts

Monetary contribution amounts are adjusted on an annual basis, being the first day of March, with reference to movements in the median strata dwelling price in the City of Sydney LGA as detailed in NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

The Rent and Sales Report is available on the NSW Government, Department of Communities and Justice website.

The formula for adjustment of the equivalent monetary contribution amount is:

New Contribution Rate = Current Contribution Rate x (MDP2/MDP1)

Where:

- **MDP1** is the median strata dwelling price used to establish the current contribution rate
- **MDP2** is the median strata dwelling price for the CURRENT period, being established in the most recently published Rent and Sales Report.

The City of Sydney's website contains the current monetary contribution amounts.

2.8 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 20~~17~~21 and the applicant does

not wish to pay the contribution and develop the site until August 2020~~0~~4, 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 if consent is:

Monetary Contribution = Base Contribution Amount x (R2/R1)

Where:

- **R1** is the contribution rate that applied at the time of consent.
- **R2** is the contribution rate that applies at the time of payment.

The Base Contribution Amount is the amount obtained from the Notice of Determination of the development application.

2.9 ~~Distribution and management of~~ Use of contributions

2.9.1 How in-kind contributions are to be used ~~Central Sydney, Green Square, residual lands and Planning Proposal land~~

In-kind contribution of affordable housing dwellings are to be given, free of cost, to a Recommended CHP, as identified in ~~the~~ a Distribution Plan. In the circumstances that no Recommended CHP is willing to accept the in-kind contribution, then it may instead be given by the developer to another eligible CHP. In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed by the receiving CHP in accordance with this Program.

~~On land in Central Sydney, Green Square, or on residual land or Planning Proposal land, monetary contributions are to be paid to the City and will then be allocated to a Recommended CHP, listed on Schedule A, to build, own and manage affordable rental dwellings in accordance with this Program.~~

~~Where an in-kind contribution of affordable housing dwellings is being made, dwellings are to be dedicated to Council who will then transfer dwellings to a Recommended CHP.~~

~~If a Recommended CHP does not want to receive the in-kind contribution, it will be passed to another Tier 1 or Tier 2 CHP.~~

2.9.2 How monetary contributions are to be used ~~Southern Employment Lands~~

~~In the Southern Employment Lands, monetary contributions or dedicated affordable housing dwellings are to be received by the City and managed by NSW Department of Communities and Justice (DCJ).~~

~~In consultation with the City, DCJ will seek proposals from eligible CHPs to provide and manage affordable rental dwellings in accordance with this Program.~~

Monetary contributions are to be given to Recommended CHPs in accordance with ~~the~~ a Distribution Plan.

~~2.9.2 Southern Employment Lands~~

~~In the Southern Employment Lands, monetary contributions or dedicated affordable housing dwellings are to be received by the City and managed by NSW Department of Communities and Justice (DCJ).~~

~~In consultation with the City, DCJ will seek proposals from eligible CHPs to provide and manage affordable rental dwellings in accordance with this Program.~~

~~2.10 Adding a community housing provider to Schedule A~~

~~Community Housing Providers registered under the National Regulatory Code as Tier 1 or Tier 2 providers, may request to be added to Schedule A. Before adding a CHP to Schedule A the City will assess the request, as provided by the CHP, and:~~

- ~~consider any potential impacts of adding a provider on the outcomes of the schemes i.e. whether adding a provider would likely increase or decrease the number of affordable housing units resulting from the scheme;~~
- ~~consult with DCJ;~~
- ~~consider the impact on the programming and business planning of CHPs already listed on Schedule A; and~~
- ~~develop a strategy for how dwellings or funds are to be divided amongst multiple providers.~~

~~It is noted that under Section 7.33 of the Act the Minister may make a Direction as to whom should receive an affordable housing contribution.~~

3 Affordable housing on suitable employment land ~~in the B7 zone~~

In the city, the proximity of some lands generally zoned for employment ~~B7 Business Park~~ to amenities and services may make them suitable for affordable housing ~~residential development~~, provided that the development does not undermine the broader employment focused objectives of the ~~B7~~ zone. Sydney LEP 2012 identifies these areas in which affordable housing is permitted.

3.1 Requirements for affordable housing on suitable employment land ~~in the B7 Business Park Zone~~

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

Affordable rental housing developed on suitable employment land ~~in the B7 Business Park zone~~ is to be provided in accordance with the Affordable Housing Principles set out in this Program. The Principles are satisfied where all the following conditions are met:

- affordable rental dwellings are owned by government or an eligible CHP
- affordable rental dwellings are provided 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 more than 10 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 improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling
- 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 differentiated as affordable housing compared with the design of other housing.

3.2 Development applications

~~The City's planning controls permit affordable housing to be developed in the B7 Business Park zone on appropriate sites.~~

The Sydney LEP 2012 ~~provisions~~ requires that any development for affordable housing is compatible with the existing uses and approved uses of land in the vicinity.

The City may require a Stage 1 development application to assess the suitability of a site for affordable housing prior to the preparation of a detailed Stage 2 development application.

Proponents should seek pre-development application advice from the City on any proposal to develop affordable housing ~~in the B7 Business Park zone~~ on employment land.

~~Schedule A – Recommended Community Housing Providers~~

~~City West Housing Pty. Ltd.~~

Appendix A - Background information and affordable housing needs analysis

1. Introduction

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social issue in Sydney, particularly within the city where housing prices are amongst the highest in Australia.

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. For a city to maintain its global status it needs to maintain the delivery of essential social and physical infrastructure. Housing is a critical piece of that infrastructure; where it is located, its proximity to employment, its diversity in price and type and its quality, are things that require careful management.

A range of factors are placing upward pressure on housing costs, making it increasingly difficult for very low to moderate income households to afford to rent or buy in the local area.

It is expected that without intervention the market will continue to produce housing aimed at households on relatively high incomes. Lower income households will need to move out of the inner-city, away from their communities and their employment in the inner-city.

~~The success of the city's economy is directly linked to the success of the nation's economy. Based on industry mix and relative occupational wage levels it is estimated that economic activity (Gross Domestic Product) generated in the city in 2014/15 was approximately $110 billion, representing over 7% of the total national economy in Australia, over 30% of the Sydney metropolitan economy and over 20% of the entire GDP for NSW.~~

Housing affordability may affect a city's ~~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, and contribute to the efficient functioning of a city, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These low paid key workers are employed ~~in~~ across a range of sectors and include, amongst others, ~~. They are~~ our health care technicians, cleaners, bus drivers, childcare workers, administrators, ~~wait~~ hospitality 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 affordable housing to be provided in conjunction with the development that creates the demand for it.

2. What is affordable housing?

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* (Act) 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."

~~Table 1 provides the median household income levels by income band for the 2016/17 period.~~

~~Table 1: Median household income band 2016/17~~

~~Income bands~~	~~% of median income~~	~~Annual income range (Sydney) 2016-17~~	~~Weekly income range (Sydney) 2016-17~~
~~Very Low~~	~~50% median~~	~~<$42,300~~	~~$813~~
~~Low~~	~~50% - 80% median~~	~~$42,301 - $67,600~~	~~$814 - $1,300~~
~~Moderate~~	~~80% - 120% median~~	~~$67,601 - $101,400~~	~~$1,301- $1,950~~

~~*Source: NSW Family and Community Services – Centre for Affordable Housing*~~

~~Very low to moderate income households typically comprise key workers, such as hospitality workers, carers and aides, cleaners, teachers and childcare workers, all of whom 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 does not put a very low to moderate incomes household in housing stress or crisis, which is, they are spending more than 30 per cent ~~and up to 60 per cent~~ of their gross income on rental or mortgage costs. 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' is taken to mean 'affordable rental housing' that is managed by a registered CHP and rented specifically to target income households.

3. NSW government and City of Sydney affordable housing objectives and targets

3.1 NSW government

The NSW government has long recognised the importance of providing affordable housing through the planning framework.

The Greater Cities Commission's Region and District Plans ~~released by the Greater Sydney Commission in March 2018~~ include targets and actions for the provision of affordable housing through the planning framework. The ~~P~~plan require~~s~~ councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

The Region Plan establishes an affordable housing target of five to 10 per cent of new residential floor area, subject to viability. The target is aimed at housing those most in need, specifically very low and low income households. While it is noted the Plan references the target as being applied in defined precincts prior to rezoning, the Plan does not preclude councils developing local government specific responses to respond to identified local housing need.

3.2 City of Sydney Council

The City of Sydney has a target that *Sustainable Sydney 2030* establishes an ambitious target that in 2030, 7.5 per cent of private housing will be social housing and 7.5 per cent of private housing will be affordable housing. From 2016 numbers, over 9,700 additional affordable housing dwellings are required to be delivered in the city by 2030 to achieve this target.

4. A history of affordable housing schemes in the city

At February 2017, three affordable housing 'schemes' operate in the city, including at:

- Ultimo/Pyrmont, introduced in 1996, which requires that 0.8 percent of residential floor area and 1.1 percent of commercial floor area be provided as affordable housing
- Green Square, introduced in 1999, which requires that three percent of residential floor area and one percent of commercial floor area be provided as affordable housing, and
- Southern Employment Lands, introduced in 2015, which requires that three percent of residential floor area and one percent of commercial floor area be provided as affordable housing.

The affordable housing contribution required under these schemes can be satisfied either by in-kind dedication of finished affordable housing dwellings or by making an equivalent monetary contribution, the amounts for which are set out in the respective affordable housing programs provided for each scheme.

As at 1 July 20210, these schemes have resulted in 859 affordable rental dwellings being available for very low to moderate income households in the city. A further 135 dwellings are in the development pipeline.

These dwelling have been built and are managed by City West Housing., who is the sole beneficiary of monetary contributions made under the Green Square and Ultimo/Pyrmont Schemes. In the Southern Employment Lands, where the contribution requirement is relatively new and has not as yet resulted in any affordable housing being provided, contributions are to be shared amongst multiple CHPs.

4.1 City West affordable housing scheme

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.

In the early 1990's a process of intense urban renewal was instigated with the rezoning of the area for high density residential development. 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.

City West Housing (CWH) was established in 1994 as a not-for-profit housing company to develop and manage affordable housing in the Ultimo/Pyrmont redevelopment area. Its shareholders include the NSW Minister for Housing and the NSW Treasurer (the only ordinary shareholders) and the City of Sydney (one of eleven preferential shareholders). In 1998, CWH's area of operation was extended to cover the Green Square redevelopment area.

Funding of CWH has been provided from four main sources:

- an initial capital injection of $50 million by the Commonwealth Government to enable initial development of properties
- the State Government contributes 4% of the proceeds of the sale of government land in the redevelopment areas to CWH
- development contributions are collected for all non-exempted developments within the Ultimo/Pyrmont and Green Square areas, and
- rental stream of built units.

CWH does not receive ongoing funding from government sources so must maintain self-sufficiency. The tenant mix within the units is made up of approximately:

- 26 per cent on very low incomes
- 44 per cent on low incomes, and
- 30 per cent on moderate incomes.

Maintaining the tenant mix within the units is critical for:

- ensuring financial targets are met through a healthy rental income stream. Rent revenue is expected to cover all long term management costs of units, and
- maintaining a diverse socio-economic mix within developments.

While CWH has comprehensive reporting requirements to ensure that assets are used for their intended purposes, once the business plan is approved, CWH operates in the same manner as any other private company.

It was originally envisaged the City West scheme would result in 600 affordable housing dwellings being provided in the Ultimo/Pyrmont area, however the shrinking availability of sites led to a review of the scheme in 2009 to allow for funds resulting from the scheme to be spent anywhere in the city. Some of these funds have already been spent on other projects, such as the delivery of affordable housing at Harold Park.

Over time, the rental stream resulting from affordable rental dwelling stock will enable more affordable housing being provided, though not necessarily in Ultimo/Pyrmont.

4.2 Green Square affordable housing scheme

In 1999 the Green Square urban renewal area was largely rezoned from industrial to residential uses. 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 for 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 is 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.

It was originally envisaged that some 330 affordable rental dwellings would be provided in Green Square as a result of the scheme. This was based on original floor area and population projections for the Green Square area at the time of its rezoning. These projections have undergone significant revision and increase since the 1999 rezoning.

4.3 Southern Employment Lands affordable housing scheme

In 2015 the City's Southern Employment Lands were rezoned largely from industrial uses to higher order business uses. As a result of rezoning, the Southern Employment Lands will undergo substantial change 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.

The rezoning will result in an increase in the number of workers, including lower paid workers in the area and in increase in demand for affordable housing.

The employment lands affordable housing scheme was introduced with the new zones to ensure that affordable housing was provided in the area to accommodate the growing workforce.

The number of affordable rental housing dwellings resulting from the scheme will be largely the result of the amount of development that occurs in the area, that is, more development means more contributions are collected. Assuming a conservative estimate of the amount of development likely to occur in the Scheme area, the scheme would result in approximately 130 dwellings if dollars collected were dollars spent on buying an existing dwelling to use for affordable housing.

However, with a view to maximising the outcomes of the scheme, a competitive approach to the allocation of funding to CHPs was adopted where funds can be distributed to any suitable CHP. The intent of this approach is to enable funding to be leveraged by CHPs who may bring their own assets to affordable housing projects resulting from the scheme. It is expected the approach will result in improvements to the number of dwellings that may result if dollars collected were dollars spent on buying an affordable housing dwelling.

5. Affordable housing need analysis

5.1 Why do we need affordable housing?

Socio-economic impacts

Rising housing prices, driven by a range of factors including increased demand for inner-city living, population growth, foreign investment, federal and state government fiscal and taxation policies, and constrained land supply, all result in declining housing affordability across Australia, particularly in major cities.

In the city, climbing housing costs are expected to have an increasingly detrimental impact on its socio-economic diversity as low income households are pushed from the LGA because they cannot access affordable housing. The majority of households on low to moderate incomes who remain in the private housing market are increasingly in housing stress or crisis and will eventually be forced to move out as housing costs continue to escalate ahead of wage growth.

The loss of low income households is contrary to the aims of the District Plan and the *Sustainable Sydney 2030*, both of which promote the diverse and liveable socio-economic communities.

The relative inequality among those who can and cannot afford housing in the city has widened. There is a growing disconnect between affluent households able to afford private market housing and socio-economically disadvantaged households living in inner city social housing estates. This 'hollowing out of the middle' impacts on community sustainability.

The issue also has a dimension of generational inequality, as younger people (typically first home buyers) are increasingly priced out of the market.

Economic impacts

Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic impacts.

The ongoing loss of very low to moderate income households from inner Sydney, as they are forced to the outer suburbs of Sydney, makes it increasingly difficult for essential employment sectors to fill employment vacancies and staff shifts. On the city scale, this hampers business productivity and by extension the wider economic growth of Sydney.

~~An estimated 49,500 essential workers across the public and private sectors currently work in the city. Public sector essential workers are estimated at 25,000, comprising 6.2 per cent of the City's total workforce. This includes teachers, nurses, police, community services workers and ambulance and public transport drivers1. 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 2011.~~

~~This higher proportion of local resident workforce (8.4 per cent) in the sector over the local employment (6.2 per cent) reflects the current and traditional diversity of population in the City.~~

~~[1] These figures have been collated from the 2011 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 2011 Key Worker initiative. UK studies suggest a similar key worker proportion result in London.~~

But notably this differential has declined in just five years. This finding is aligned with evidence that suggests that lower paid workers are increasingly being forced out of the City, relocating to outer suburbs and commuting further distances to employment.

In terms of private sector key workers, in studies and anecdotally, city employers in the tourism and hospitality industries have expressed concern at the increased difficulty of attracting and retaining low income workers in hospitality occupations, particularly skilled casual workers such as professional trained front of house staff. Other businesses more generally have identified similar problems with attracting and retaining low-income cleaning and maintenance staff or contractors. Census data (indicates that approximately 23,000 people are employed in these occupations (about 5.9 per cent of the city's total workforce). This figure does not include retail sales assistants or telecommunications support. Whist low-paid, these employees play a critical role in ensuring the overall efficiency and success of City businesses.

Additionally, the City is concerned with the impacts of declining housing affordability on the low-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 and musicians who play a vital role in the success of Sydney's cultural and community life.

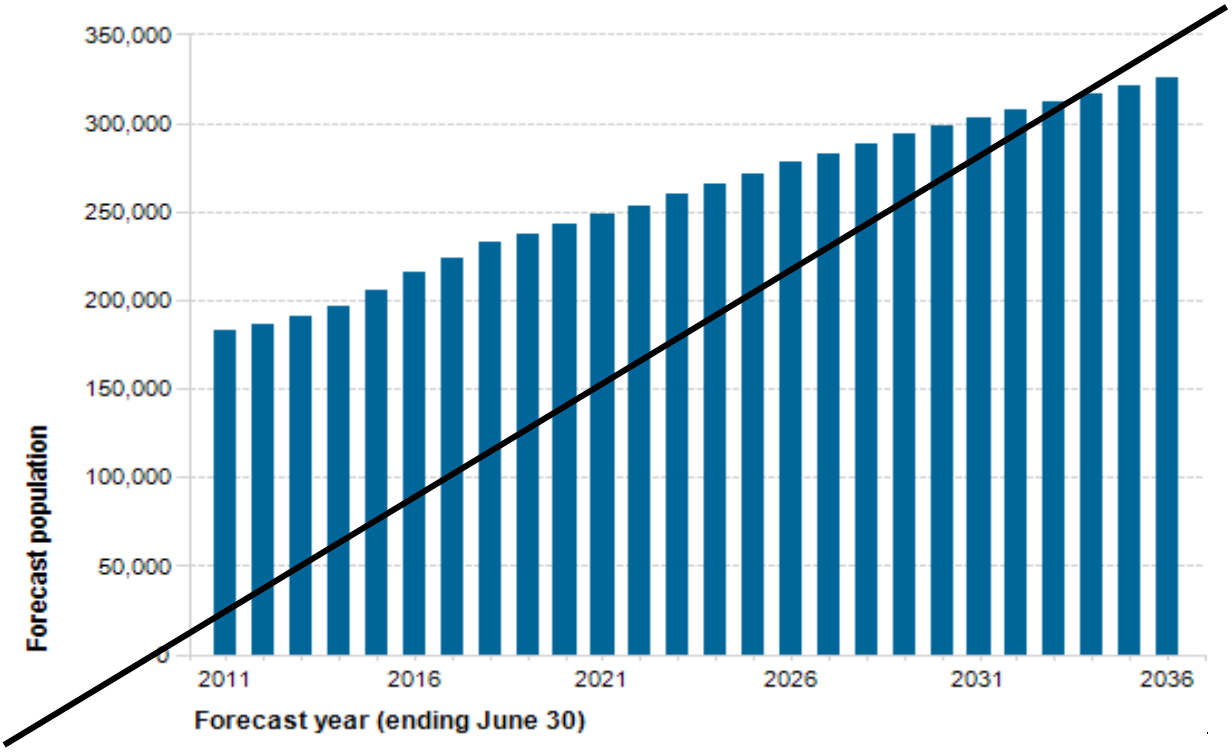
These issues represent a significant risk to Sydney's economic productivity and success as a global City. Furthermore, given Sydney's role as Australia's economic capital, this situation poses broader risks to the economic development of the state and nation. For example, the impacts of housing affordability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

5.2 Population growth

Over the last decade the City has experienced significant population growth, making it the fastest growing LGA in NSW.

The city's 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. At 1.9 people per dwelling, new residents will demand a total of 53,000 new dwellings to 2036. Figure 2 indicates the growth of population in the City to 2036.

~~**Figure 2: Population growth in the City 2011-2036**~~



~~*Source: id population forecasts 2016*~~

~~The city's working population is also expected to significantly increase, with approximately 260,000[2] additional workers projected in Central Sydney and in Green Square – Mascot strategic centres[3].~~

~~5.3 Housing demand~~

~~The sharp increase in the cost of housing is a result of a combination of demand factors including:~~

- ~~a broader cultural shift toward inner-city living~~
- ~~strong population growth resulting in increasing competition for private housing, pushing up prices and rents beyond the means of growing numbers of very low to moderate income earners~~
- ~~strong economic growth and associated employment growth in the city, making it a desirable location to live and work and exacerbating competition for private rental housing~~
- ~~increasing demand from domestic investors for inner Sydney properties, encouraged by rising residential property prices, high rental returns, low interest rates and favourable tax concessions, and~~
- ~~increasing demand for inner Sydney properties from overseas investors.~~

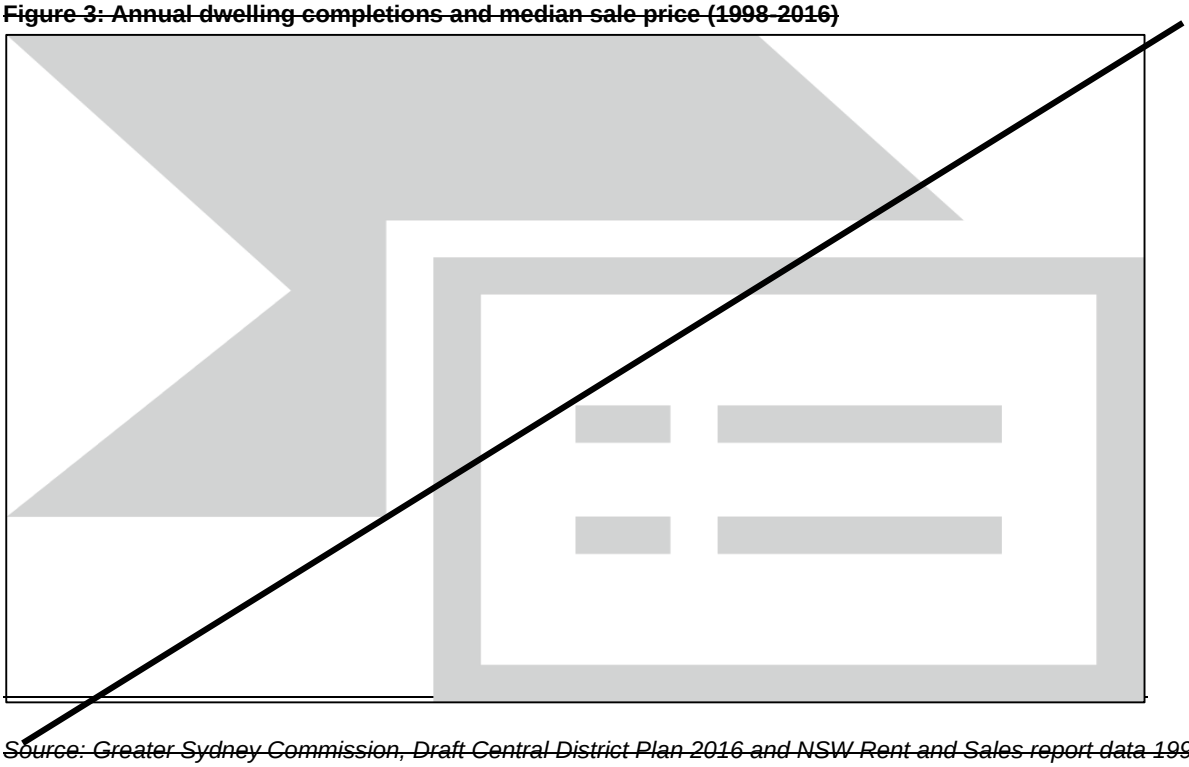
~~While state government policy responses to the increasing affordability crisis have largely focused on supply side, it is clear that housing will not become 'affordable' for very low to~~

[2] Draft Central District Plan: 2036 'high' job targets
[3] Green Square infrastructure Plan 2015

moderate income households simply by increasing supply, particularly in a high demand market such as, the inner-city.

Figure 3 below has been adapted from data provided by the Greater Sydney Commission and NSW Department of Communities and Justice. It overlays the dwelling completions for the Eastern District with the median sales price of dwellings. It shows that despite substantial completions over the last five years, the Eastern District has experienced, in that period, the sharpest increases in median dwelling prices compared with the proceeding 15 years.

Figure 3: Annual dwelling completions and median sale price (1998-2016)



Source: Greater Sydney Commission, Draft Central District Plan 2016 and NSW Rent and Sales report data 1998 - 2016

The city is now at a considerable premium compared to other parts of Sydney and NSW. The proportion of housing that is affordable for purchase for very low, low and moderate income households is essentially non-existent.

The LGA median strata dwelling price is now at a high of $891,000 (March 2107 quarter). By comparison, the Greater Sydney median strata dwelling prices are was $720,000. The average weekly mortgage payment is $1048 based on a 10 per cent deposit, standard stamp duty charges built into the 30 mortgage and five per cent interest rate.4

Rental costs are equally concerning. The LGA's median weekly rent in September 2016 for a two-bedroom unit is $795 (June 2017 quarter) compared with the Greater Sydney and NSW median weekly rents of $540. This represents a 30 per cent increase from the $610 median weekly rents in September 2010.5

A 43% reduction in the median strata dwelling price or a 25% reduction in average strata rents are required for housing to be considered affordable for moderate income households (NSW

[4] NSW Rent and Sales Reports Issue no 120

[5] NSW Rent and Sales Reports Issue no 120 and Issue no 93

~~Family & Community Services – Housing Rent and Sales Report – and 2017/2018 household income medians).~~

~~A moderation in housing costs of this scale is unlikely to occur. In addition, there is no evidence to suggest that over time incomes will increase at the same pace that house prices increase, suggesting the gap may widen even further. This has certainly been the experience of the last four decades. In 1975 the average first time buyer in Sydney would take three years to save a house deposit, today that has increased 3 times to 9 years. The current Sydney property price to income ratio is 8.5 up from 6 in 20016.~~

~~The disparity between housing costs in inner Sydney and ability of very low to low income households to pay is clear. The need to increase the supply of affordable housing for very low to moderate income households is now urgent if very low to moderate income households are still to live in the city.~~

~~There are currently just over 850 dwellings in the City of Sydney that are made available to very low to moderate income households for affordable rental. This represents about 1% of all dwellings in the city, well below the 7.5% envisaged for the city in Sustainable Sydney 2030.~~

5.4 Satisfying the requirements of the Act

Section 7.32 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[7].

~~*State Environmental Planning Policy No. 70 – Affordable housing (Revised Schemes) 2009* (SEPP 70)~~ The City of Sydney is identified in a state environmental planning policy (SEPP) as an area where ~~identifies that~~ there is a need for affordable housing ~~in the City of Sydney~~.

Provided below is the rational and justification for applying a contribution requirement in various land in the city.

Central Sydney

Central Sydney is identified on the Locality and site identification map and zoned B8 Metropolitan Centre in the City's planning controls. All development in Central Sydney, that is not minor

[6] Corel Logic, UNA

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

development, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

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.

Evidence suggests 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 drivers[8]. 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.

A study by the Australian Housing and Urban Research Institute (AHURI)[9] 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 tourisms, 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 businesses. 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 a million dollars a year [of] 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 how 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 a

[8] 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 Workers initiative. UK studies suggest a similar key worker proportion result in London.

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

~~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.~~

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.

Green Square

The Green Square urban renewal area will provide housing for around ~~61~~60,000 – 70,000 residents to 2036. The District plan and *A Metropolis of Three Cities – the Greater Sydney Region Plan* highlight the importance of creating communities that are mixed and cohesive, where there is a greater mix of social and private housing.

To promote a socially diverse and sustainable community, it is crucial that affordable rental housing be provided so that very low to moderate income households can live in the area.

All development in Green Square is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Green Square will reduce the availability of affordable housing within the area.

Green Square and its immediate surrounds have~~s~~ historically provided relatively cheap housing for inner-city residents.

However, the urban renewal of the area, the investment in public infrastructure and the wider cultural shift towards a preference for inner-city has resulted in the gentrification of Green Square. This has placed, and will continue to place, pressure on housing prices and rental costs as high income households are attracted to the area, pushing up house values and reducing the rental stock available for very low to moderate income households.

The jobs growth associated with the urban renewal of Green Square is also reducing the availability of affordable housing in the area. While there has been a significant change in the nature of employment in the area since it's rezoning in 1999, with a general trend towards higher value jobs, a number of lower paid jobs still locate in the area.

It is desirable that people employed in the area are able to find housing close to their place of employment. This will increase competition for the affordable housing options, decreasing the overall availability of affordable housing and increasing the cost of renting in these areas.

~~The urban redevelopment of Green Square has seen the percentage of high income household increase from 5.6% in 1986 to 21.6% in 1996 and 30% in 2011. Conversely, low income households have decreased, with 46% identified in 1986, 28% in 1996 and less than 10% in 2011[10].~~

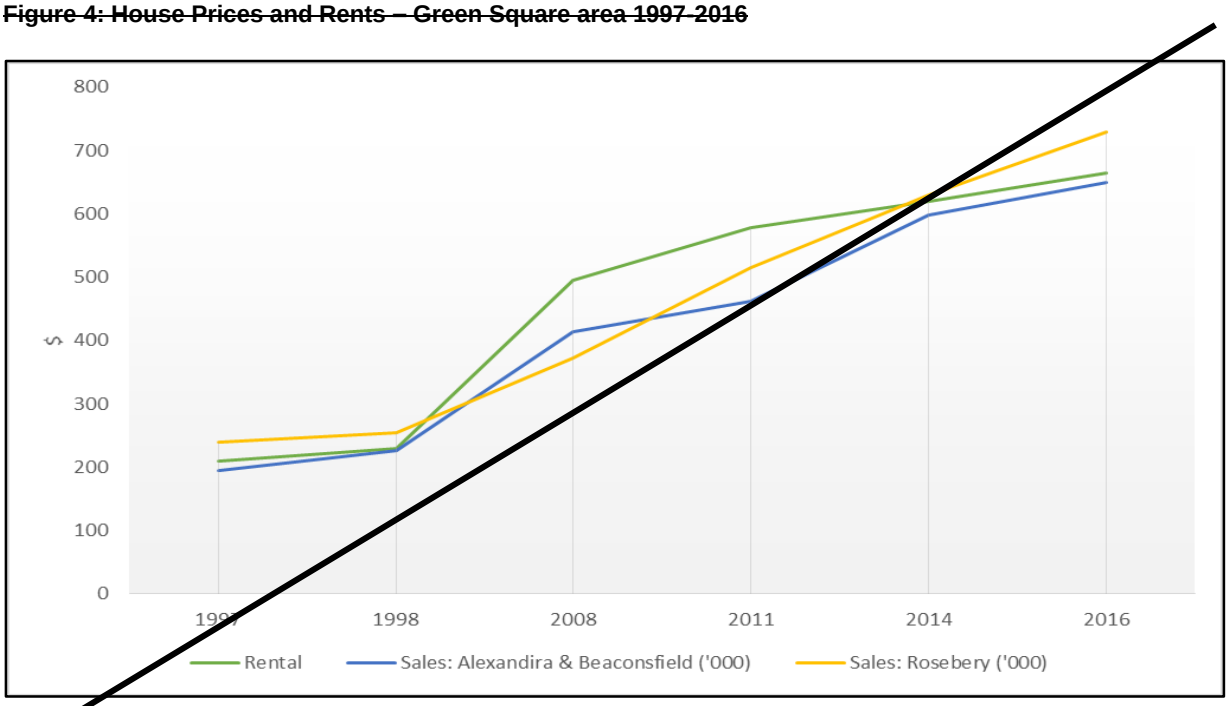
~~[10] NSW Family & Community services – Housing Rent and Sales Report for postcodes 2015 and 2018 as identified in the Green Square Affordable Housing Scheme *Residential rent and sales price*.~~

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

Development in Green Square will create a need for affordable housing

More specifically for Green Square, the ongoing urban renewal of the area, and its wider gentrification, will continue to produce upward pressures on property values and place further pressure on purchase and private rental accommodation costs beyond the means of low to moderate income groups. ~~Figure 4 below illustrates the growth of housing costs in the Green Square area over the last 20 years. While average house prices have increased on average by 7.3 per cent a year, wage growth has increased by 3.4 per cent. The failure of wages to keep pace with housing prices exacerbates the ability for those in the lower income brackets to secure affordable housing.~~

~~**Figure 4: House Prices and Rents – Green Square area 1997-2016**~~



Source: Adapted from: NSW Family & Community Services – Housing Rent and Sales Report

Without provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing in the area, so that housing will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in Green Square close to new employment opportunities.

The employment generated by the urban renewal of Green Square will also create a need for affordable housing. On completion, ~~it is estimated that some 23,000 jobs will be located in Green Square.~~ ~~S~~some of which ~~these jobs~~ will be for very low to moderate income earners who will seek affordable ~~accommodation~~ housing in the area.

Moreover, new residents and workers in the area will generate demand for services typically staffed by lower income earners, increasing the need for key workers such as cleaners, retail assistants, childcare workers and hospitality staff.

Development in Green Square is allowed only because the land was rezoned

In 1999 the majority of the Green Square urban renewal area was rezoned from industrial to mixed use. Substantial value was created on land at the time it was rezoned.

The affordable housing contribution requirement in Green Square was introduced when the land was rezoned. Therefore, any negative impact the contribution requirement might have had on the value of the land was more than mitigated by the increase in land value arising from the rezoning.

Over time land values have continued to increase in Green Square as the area has gentrified and has benefited from substantial investment in public infrastructure. This will continue to place upward pressure on the cost of housing and increase demand for affordable housing.

Southern Employment Lands

The Southern Employment Lands will undergo substantial change over the next 20 years as it transitions from an area characterised by traditional manufacturing industries and low density employment to more diverse employment. The changes will result in an increase in the number of workers in the area, placing an increase in the demand for affordable housing.

All development in the Southern Employment Lands is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in the Southern Employment Lands will reduce the availability of affordable housing within the area

The Southern Employment Lands are Sydney's oldest industrial areas. The 2015 rezoning of the area will result in more jobs that are typically higher in value than those that have traditionally located in the area.

This will place pressure on housing prices and rental costs in adjoining area as high income households are attracted to the area to live near where they work, pushing up underlying land values and reducing the rental stock available for very low to moderate income households.

It is desirable that people employed in the area are able to find affordable housing close to their place of employment. This will increase competition for the affordable housing in the area, decreasing the overall availability of affordable housing and increasing the cost of rents.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

Development in the Southern Employment Lands will create a need for affordable housing within the area

Redevelopment in and around the Southern Employment Lands will continue to place upward pressure on property values and on purchase and private rental accommodation costs in the area beyond the means of very low and moderate income households.

Without the provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing products in the area, so that housing will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing ~~in~~ close to new employment opportunities.

~~The *City of Sydney Employment Lands Study 2012* undertaken by SGS Economics found that of the 11 land use categories that were assessed, freight and logistics occupies the highest proportion of floor area in the Southern Employment Lands (28 per cent), followed by office uses (17 per cent). Manufacturing was the largest industry in terms of the number of employed workers, followed by transport and storage, and wholesale trade. These are also industries in which the Southern Employment Lands have a high level of specialisation. Wholesaling, retailing, transport and printing were the largest subcategories of employment, each accounting for more than 5 per cent of total employment.~~

~~The SGS study established that employment across the Southern Employment Lands is projected to grow mostly in the wholesale trade and professional services sectors, with the highest decline in employment expected in the manufacturing industry. By 2036, given current trends, the sectors employing the most workers in the Southern Employment Lands will be wholesale trade, transport, postal and warehousing, and professional services.~~

~~The SGS study informed a subsequent study by Hill PDA commissioned by the City, the *City of Sydney Employment Lands Economic Analysis and Opportunities Study 2013*. The Hill PDA study provides more nuanced guidance for the type of development and jobs that are likely in the Southern Employment Lands. Based on a market appraisal of the Southern Employment Lands and the Green Square urban renewal area to the north, the study found that there is:~~

- ~~a shrinking role of traditional manufacturing and exodus of many businesses to industrial areas in Western Sydney where land prices and operations are cheaper~~
- ~~limited demand for traditional commercial space~~
- ~~increasing demand for adaptively reused warehouse space by 'creative uses' for light industry and commercial users~~
- ~~increasing land values due to scarcity/availability which puts upward pressure on rents and prices~~
- ~~strengthening demand for retail goods (including bulky goods) and services, which originates from local residents as well as from wider catchment areas, and~~
- ~~continuing demand for residential uses.~~

~~The projected jobs growth in the Southern Employment Lands resulting from the Strategy is shown at Table 2.~~

~~**Table 2: Southern Employment Lands job projections**~~

Proposed zone	FSR Range	Current job density / ha	Current jobs	Projected job density / ha	Projected jobs
B7 Business Park (North)	1.5 - 4:1	93	2,357	160	4,059
B7 Business Park (South)	1.5	86	3,013	140	4,893
B6 Enterprise Corridor	1.5	76	9,528	120	14,962
IN1 General Industrial	1.5	60	3,847	60	3,853
TOTAL	-	-	18,745	-	27,766

Source: *Hill PDA, Employment Lands Economic Analysis and Opportunity Study, 2013.*

As above, the implementation of the City of Sydney Employment Lands Strategy 2014 (Strategy) is anticipated to result in over 9,000 new jobs to 2031, creating demand for new infrastructure and services. A proportion of these jobs will be held by very low to moderate income earners, for example administrators, delivery drivers and shop assistants.

Currently, about 60 per cent of workers in the Southern Employment Lands area fall within the very low to moderate income bracket11. If we assume that the proportion of workers who live in the area, being 16 per cent, remains constant12, and that the proportion of very low to moderate income workers falls to 50 per cent as higher value jobs move to the area, an additional 720 affordable housing dwellings will be in demand. The number is higher if the aim is to encourage more people who work in the area to live in the area.

Development in the Southern Employment Lands is allowed only because the land was rezoned

In 2015, much of the land in the Southern Employment Lands was rezoned. The Strategy introduced a new approach to zoning in the Southern Employment Lands. Where before much of the Previously the Southern Employment Lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the new zones Strategy enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on. Significant redevelopment is anticipated as a result of the rezoning of the Southern Employment Lands as the area transitions from predominantly traditional manufacturing industries to more modern employment.

The rezoning of the Southern Employment Lands came into effect in June 2015. The affordable housing contribution requirement in the Southern Employment Lands was introduced when the land was rezoned. Any negative impact the contribution requirement might have had on the value of the land was therefore mitigated by the increase in land value arising from the rezoning.

Over time land values will continue to increase in the Southern Employment Lands, placing upward pressure on the cost of housing and increasing demand for affordable housing in the surrounding area.

Residual land

[11] Data extracted and analysed from ABS 2011 Census

[12] Bureau of Transport and Statistics Journey to Work 2011

~~Residual land is any land in the city where Council is the consent authority and where it is outside of Central Sydney, Ultimo/Pyrmont, Green Square or the Southern Employment Land.~~

As the popularity of inner city living continues grow and with increasing employment opportunities across the city, the cost of housing will continue to climb, making it increasingly difficult for low income households to live in these areas.

On residual land, development for new floor area, or for a more intense use of existing floor area, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

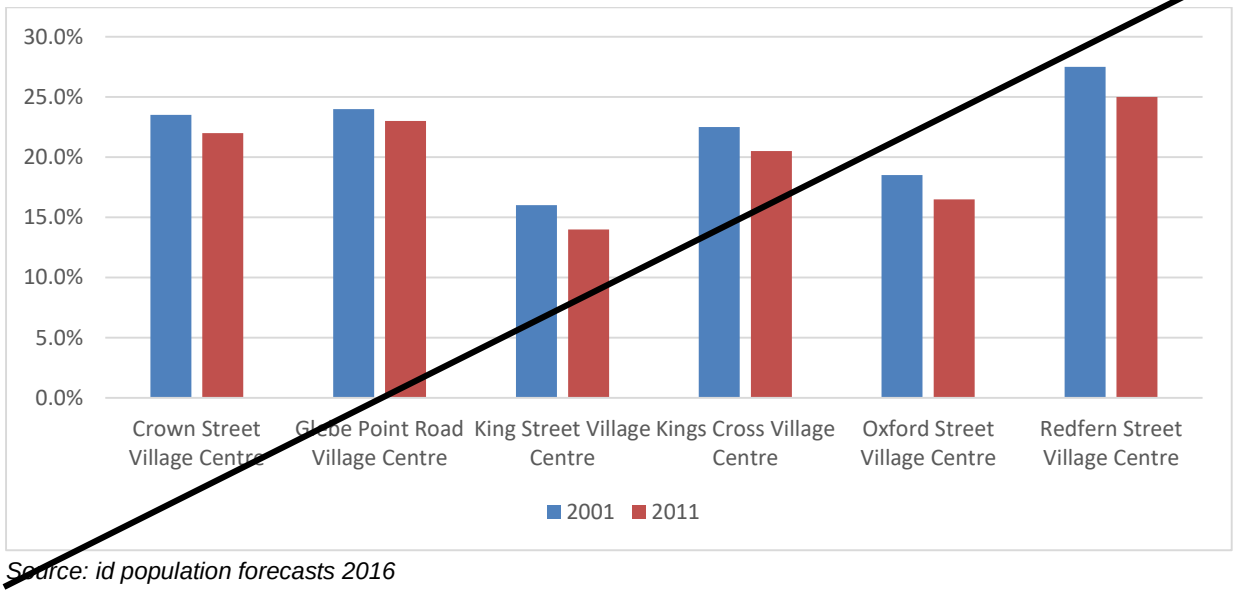
Development in the residual lands will reduce the availability of affordable housing within the area

Investment in public infrastructure, increased amenity and the wider cultural shift towards a preference for inner-city has resulted in the gentrification in the LGA. This has placed, and will continue to place, pressure on housing prices and rents. Likewise, the increase in the number of jobs in the LGA, many offering relatively high salaries, increases the demand for housing and pushes up housing costs.

As the desirability of living and working in the local area increases, the demand for an ever-shrinking supply of lower cost housing increases, in-turn decreasing the overall availability of lower cost housing and pushing lower income households out to more affordable areas.

~~This is demonstrated in Figure 5 which shows between 2001 and 2011 the proportion of households in the bottom two income quartiles declined in the residual13.~~

~~Figure 5: Projected growth by village area~~



Source: id population forecasts 2016

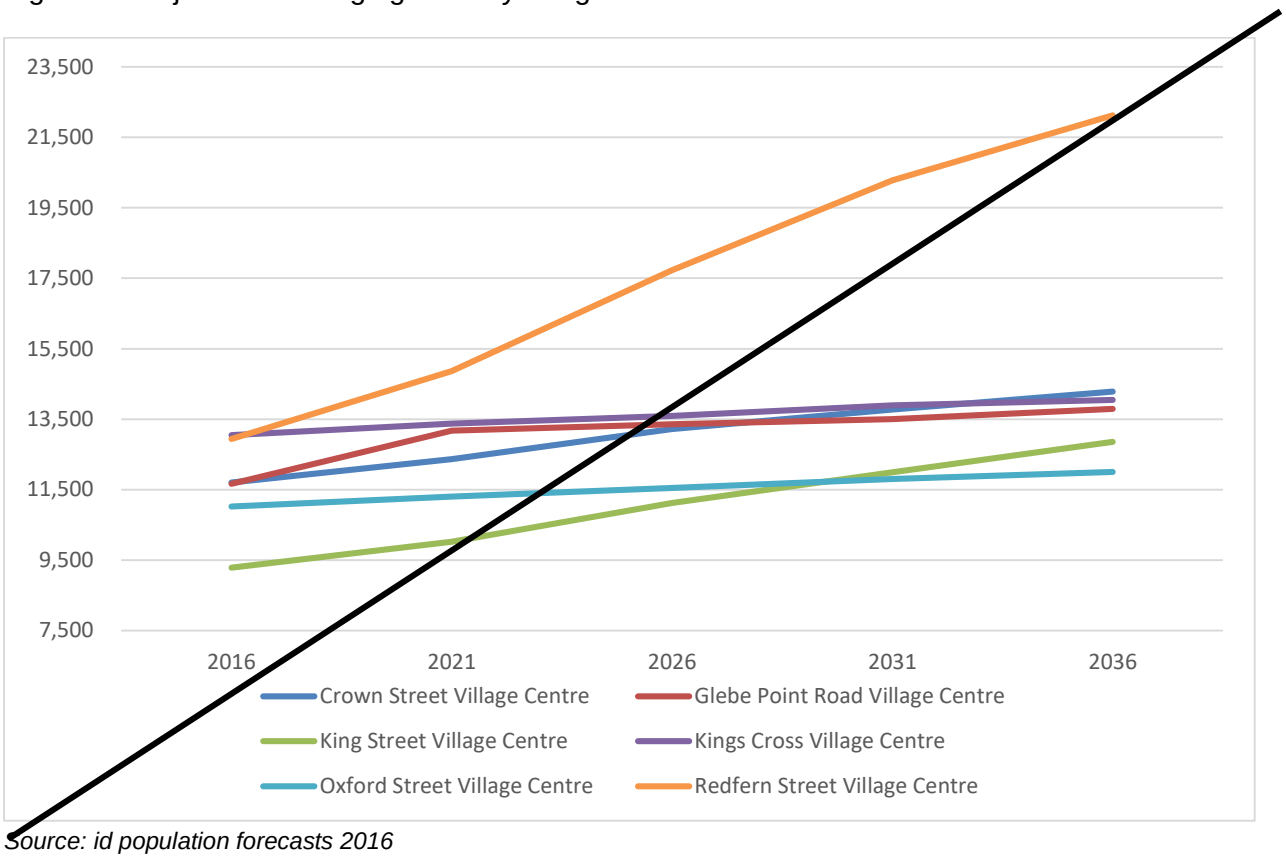
Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

[13] ~~Shown as village areas most closely aligned with residual lands~~

Development in the residual lands will create a need for affordable housing within the area

The projected housing growth in the residual lands is shown at Figure 6. ~~It~~ As at 2017, it was anticipated that approximately 35% of projected dwellings growth in the city will be in the residual lands.

~~Figure 6: Projected dwellings growth by village area~~



Source: id population forecasts 2016

Employment is also projected to grow in the LGA. The draft district plan projects 817,000 additional jobs across Greater Sydney, a large portion of which will be in the City's strategic centres of the CBD and Green Square and Mascot where a respective 235,000 and 25,500 jobs are projected to 2036.

Job growth in the LGA and new development in the city's residual areas will continue to place upward pressure on housing prices and rents beyond the means of very low and moderate income households.

Without provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing in the area, so that it will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in the LGA close to new employment opportunities.

Planning Proposal land

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. Planning Proposal land is identified in LEPs.

On Planning Proposal land, all new residential floor area is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Planning Proposal land will reduce the availability of affordable housing within the area

The cost of land and fragmentation of ownership patterns are key impediments to development and renewal in existing urban areas. Current buildings that are functional and provide good economic utility can in many cases be too valuable to consolidate for redevelopment. Therefore, developers tend to target buildings that are aging and nearing the end of their economic lifecycle. As such, planning proposals in the City, that generally seek increased height or floor area, are associated with former industrial or commercial sites and older, lower quality houses that are then replaced by higher density residential uses.

Where redevelopment of a site replaces older residential stock with a new residential flat building, there is typically a direct loss of lower cost housing that is more likely to be within the means of lower ~~to moderate~~ income households.

Where renewal of a site replaces non-residential buildings at the end of their economic life, amenity increases, attracting more investment and higher income households to move into the area. This pushes up house values, placing further demand for rental properties and reduces the available stock of low cost housing.

Development on Planning Proposal land will create a need for affordable housing within the area

Changes to planning controls which permit higher order land uses and increased densities will place further pressure on purchase and private rental accommodation costs beyond the means of very low to moderate income households. Without provision of more affordable housing in the area housing will only be affordable to households on relatively high incomes. This will force existing low income households to move out of the area.

Furthermore, the overall growth in jobs generally across the LGA, coupled with the increased employment opportunities created by planning proposals that include mixed use development with retail tenancies on the street level, will increase the demand for unskilled and semi-skilled workers.

Development is allowed only because the land was rezoned

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. The contribution requirement will only be applied to the new development capacity that would not have been allowed without the changes to the planning controls.

This gives effect to the intent of the District Plan to provide affordable housing where there is an increase in development capacity on land, where need for affordable housing is identified and where development viability can be maintained.

The affordable housing contribution requirement will be introduced when the land is identified as Planning Proposal land in LEPs. Therefore, any negative impact the contribution requirement might have on the value of the land will be mitigated by the increase development potential brought about by the change to the planning controls.

6. ~~Projecting o~~Outcomes ~~of the schemes~~

The City's planning controls are estimated to deliver up to 1,950 additional affordable dwellings between 2016 to 2036. However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market i.e. the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the ability of community housing providers to successfully leverage contribution funds and existing property portfolios;
- state government policy directions; and
- Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

~~The number of affordable rental housing dwellings resulting from the expansion of the City's existing affordable housing schemes will be a function of:~~

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

The City's targets for affordable housing cannot be achieved thorough the planning system and by applying levies alone.

~~The City uses a range of approaches to facilitate affordable housing in the LGA. There are currently 1,421 affordable rental housing dwellings in the LGA that are built, in the development pipeline or announced. The estimated affordable housing dwellings currently projected in the LGA is shown at Table 8. No time frame has been applied to this table, it is based on what is known now about affordable housing in the pipeline, and what could be achieved under expanded planning controls given a range of assumptions about development in the various contribution areas. It is noted estimates for some areas are difficult to establish.~~

~~**Table 8**: Projected affordable housing dwellings~~

~~**Affordable housing source**~~	~~**Number of dwellings**~~
~~Built as at 30 June 2018~~	~~835~~
~~Development pipeline as at 30 June 2018~~	~~586~~
~~**SUBTOTAL to 2019**~~	~~**1,421**~~
~~Sites in Southern Employment Land investigation areas (under the Guideline)~~	~~Unknown~~
~~Sites in B7 Business Park zone (preferential LEP clause)~~	~~Unknown~~

Affordable housing source	Number of dwellings
Green Square to Ashmore connector road	300
Dunning Ave, Rosebery (Southern Employment Land investigation areas)	8
Southern Employment Lands scheme	130
Ultimo/Pyrmont	35
Green Square	650
Central Sydney	520
Residual lands	590
Planning Proposal land	Unknown
TOTAL (includes 2019 subtotal)	**3,654**

Table 8 shows the expansion of the City's current affordable housing schemes to residual land will result in approximately 590 affordable rental housing dwellings in addition to the 1,335 estimated under current schemes in Green Square, Ultimo/Pyrmont, the Southern Employment Lands, and the proposed Central Sydney scheme. An increase of over 40 per cent.

To achieve the City's target for 7.5 per cent of all dwellings to be affordable rental dwellings in 2030, approximately 11,000 affordable housing dwellings, out of a total projected 148,000 dwellings are required in the LGA. Table 8 shows that if the affordable housing contribution requirements proposed in Central Sydney and in the residual lands are supported by the State Government, approximately 7,350 additional dwellings are needed to achieve the City's targets. More if they are not supported.

The estimates in Table 8 do not take into account the additional affordable housing outcomes that may be achieved as community housing providers leverage properties and ongoing rental streams to provide more affordable housing.

Also not counted in Table 8 total is affordable housing that may result from planning mechanisms put in place in the southern employment lands when they were rezoned in 2015. These include the preferential zoning approach for affordable housing the B7 Business Park zone, as well as the *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas.*

Table 8 estimates also exclude affordable housing that may result from the proposed introduction of the framework for 'Planning Proposal lands'.

Many planning proposal considered by Council are initiated at the request of landowners who seek rezoning or changes to height and/or floor space ratio controls. Planning proposal requests are considered on their site-specific planning merit.

~~It is not possible to provide projections of floor area that may result from changes to planning controls in the future. However, an indication of the potential of the proposed Planning Proposal land framework can be inferred from past planning proposals that have increased floor space ratios since the commencement of Sydney LEP 2012. It is estimated that approximately 90 dwellings may have been facilitated through the LEP if a 12 per cent contribution was applied to new floor area. It is noted this is a simple extrapolation and does not consider any other public benefits that formed part of these planning proposals.~~

~~Only in conjunction with the planning proposal for 87 Bay Street, Glebe has the City entered into a planning agreement for affordable housing since 2012. The City's ability to facilitate affordable housing through the planning framework is impeded by lack of State Government policy direction on how it can be achieved. While other public benefits have arisen from planning proposals, there would likely have been additional affordable housing outcomes achieved has there been a streamlined, State Government endorsed approach available to facilitate it. It is envisaged the 'Planning Proposal land' framework proposed in this Planning Proposal will facilitate this.~~

~~The City's targets cannot be achieved through local planning mechanisms alone. While the additional affordable housing likely to result from this Planning Proposal is a step in the right direction, it is limited in its ability to address the substantial need for affordable housing in the LGA. The active intervention of other levels of government is required.~~

~~The City will continue to innovate new planning approaches and advocate to the Federal and State governments for more affordable housing to be provided in the LGA.~~

Appendix B – Planning Proposal land

Where land is the subject of a planning proposal to change the planning controls that apply to the site, it may be identified on a schedule in an LEP.

This appendix is to provide guidance on how the contribution rate is established.

1. Applying a contribution rate to Planning Proposal land

1.1 Where a planning proposal has increased Floor Space Ratio

Where there is a planning proposal to increase the Floor Space Ratio (FSR) of a site or sites, an affordable housing contribution requirement will be payable on the new floor area.

The affordable housing contribution rate that applies to the land will also be identified on a schedule in an LEP.

The 'listing' of Planning Proposal land on the LEP schedule occurs at the same time that the changes to the planning controls are 'made', that is, the LEP schedule will be amended when the amendment to the LEP to increase the FSR comes into effect.

On Planning Proposal land~~,~~ the contribution rate ~~for the period 1 March 2017 to 28 February 2018~~ applied to new floor area achieved in the planning proposal to increase FSR is:

Precinct*	Contribution rate ~~(applied to new floor area)~~
Central Sydney	13% applied to new residential floor area, subject to site specific viability testing
West precinct	12%** applied to new residential floor area
South precinct	12%** applied to new residential floor area
East precinct	~~24%~~ 21%** applied to new residential floor area

* Note: The West, South and East precincts align with those shown in the City's development contribution plan 2015. The Central Sydney precinct aligns with those shown in Central Sydney Development Contributions Plan 2020. A map of precinct boundaries is available on the City's website

** The above rates incorporate the LEPs requirement for a 3 per cent contribution. For example, the 12 per cent rate includes 9 per cent for new residential floor area on planning proposal land, plus 3 percent.

The above rates will be reviewed on an as needs basis and any changes will be published on the City's website.

The equivalent monetary contribution amount is provided in Section 2 of this Program.

~~The above contribution rates will apply only to the new floor area facilitated with the change to planning controls. Any other affordable housing contribution required under an LEP, for example under Clause 7.13 of the Sydney LEP 2012, applies only to the floor area that is achievable under the LEP prior to the change to the planning controls.~~

~~Precincts align with those shown in the City's development contribution plan 2015. A map of precinct boundaries is available on the City's website. at: https://www.cityofsydney.nsw.gov.au/development-contributions/city-of-sydney-development-contributions-plan-2015~~

Explanatory note

~~How were the~~ Planning Proposal land contribution rates ~~established~~?

~~The contribution rates have been established in line with the City's longstanding practice of directing 50 percent of the land value increase resulting from a changes to the planning controls to a public benefit purpose.~~

Planning Proposal land ~~C~~contribution rates have been tested by appropriately qualified land economics experts to ensure development viability is not negatively impacted. Testing takes into consideration all of the contribution requirements that already apply to the land including Section 7.11 contributions, Community Infrastructure floor area, and affordable housing contributions payable under LEPs.

Contribution rates to be applied to new floor area on Planning Proposal land will be reviewed and updated as needed to ~~Contribution rates are to be reviewed annually to~~ ensure they continue to align with market realities.

While the contribution rates apply to proposals for new residential floor area, this does not preclude the City from working with proponents to identify an appropriate contribution rate that may be applied where a planning proposal results in an increase in non-residential floor area.

~~**Explanatory note**~~

~~*Why is the contribution rate applied in addition to any affordable housing contribution requirement on existing floor area?*~~

~~Much of the land in the city is subject to a requirement to make a contribution to affordable housing under LEPs. The various contribution requirements that apply to these different areas of the city are detailed in Section 2 of this Program.~~

~~The contribution rate that is applied to Planning Proposal land is to direct 50 per cent of the land value increase resulting from the changes made to planning controls towards affordable housing. It applies only to the new development potential created by the planning proposal. It does not replace any pre-existing contribution requirement.~~

~~Therefore, where land is listed as Planning Proposal land in an LEP the two separate contribution requirements will be applied to the development consent, including any affordable housing contribution requirement on the floor area that is in existence prior to the change to the planning controls.~~

How ~~will~~ does the contribution requirement look in LEPs?

At the time of preparing this Program, there is not a clause or schedule in the LEPs for Planning Proposal land, though there are several proposals for one.

~~An affordable housing contribution requirement for a site on Planning Proposal land will be reflected in an LEP only when the planning proposal is finalised and published on the NSW legislation website.~~

When new planning provisions are being included in an LEP the legal drafting of the clause is prepared by Parliamentary Counsel following public exhibition and adoption of the planning proposal by Council. The amending LEP including the provision is then made by the NSW Government (unless that responsibility has been delegated back to Council).

The contribution rates shown in the above table may require some adjustment depending on the wording of the clause prepared by Parliamentary Council, and in particular if the rate is expressed as being inclusive or exclusive of the existing contribution requirement for 3% affordable housing on residential land. ~~how the clause in LEPs is constructed. For example, should the LEP clause apply both an existing contribution requirement (such as Clause 7.13 in Sydney LEP 2012), and the new contribution requirement on additional development capacity to *all floor area*, then the above rates may require adjustment so they continue to reflect 50 per cent of the land value increase resulting from a changes to the planning controls.~~

1.2 ~~The contribution rates where a planning proposal has made other changes to planning controls~~ Where other public benefits are offered

~~The contribution rates described in Section 1 of this appendix are applicable only where there is an increase in FSR on land in the Western, Southern or Eastern Precincts of the City. They are~~

~~not applicable in Central Sydney or where other substantial changes to planning controls are being made, for example where land is being rezoned or where there is significant increase in height. Where this is the case a site specific analysis will be required to determine an appropriate contribution rate.~~

~~Generally, the city will seek 50 percent of any increase in land value resulting from a change to planning controls to be provided as a public benefit.~~

Where it is a superior outcome, and where a landowner/developer has made an offer to enter into a planning agreement to provide affordable housing or other public benefit, a Planning Proposal land contribution may not be applied in an LEP. ~~the site may not be identified as Planning Proposal land. For example, where the landowner offers to dedicate land for an affordable housing purpose through an alternative mechanism, rather than make a contribution under the LEP.~~

~~2. Reviewing contribution rates~~

~~Contribution rates to be applied to new floor area on Planning Proposal land will be reviewed and updated as needed to ensure alignment with market realities.~~

~~The updated contribution rate will be published on the City of Sydney's website.~~

Appendix C – Process for dedicating dwellings

Section 2 of this Program provides that where the dedication of affordable housing dwellings is proposed ~~to be dedicated to Council,~~ the location, size and quality of dwellings must be to the satisfaction of Council and the receiving CHP.

1.1 Consult with Recommended and Eligible providers

Where a developer intends to provide an in-kind affordable housing contribution by dedicating finished dwellings to a Recommended CHP, the developer must first consult with the provider to establish if they are willing to receive the dedicated dwellings.

In circumstances where no Recommended CHP agrees to accept the dedication, and confirmation of that position is provided in writing, the developer may consult with other eligible providers (Tier 1 or Tier 2).

The purpose of the consultation is to canvass potential issues and reach in-principle agreement about how the affordable housing dwelling/s are to be provided by the developer to the CHP. Key issues for discussion include, but are not limited to:

- the requirements of the community housing provider in regard to the finished dwelling, for example fit out requirements, preferred layouts, location of the dwelling in the development, and so on;
- the community housing provider is to have a full understanding of the likely strata requirements that will be in place once the development is complete;
- contractual arrangements with regards to the dedication of the dwellings, including discussion about what might be cause for terminating the agreement.

1.2 ~~1.1~~ Development application

The development application to Council must:

- state the amount affordable housing floor area to be dedicated, and any residual amount to where a monetary contribution is required
- clearly identify on the plans the affordable rental dwellings proposed to be dedicated, noting the City must be satisfied that dwellings receive adequate amenity relative to the rest of the development i.e. it is not acceptable that all of the affordable housing in the development receive the lowest amenity; ~~and~~
- demonstrate the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program;~~.~~
- provide details of the agreement that has been reached between the developer and the community housing provider about the dedication of the dwellings;
- if it is not a Recommended CHP who will receive the contribution, evidence that all Recommended CHPs have declined to accept the dedication of the dwellings is required; and

- evidence from the receiving CHP they agree and accept the dwellings and understand the requirements of the Program, including the requirement for in perpetuity management of the dwellings for affordable housing to be rented to very low to moderate income households for no more than 30% of their income.

1.3 ~~1.2~~ Assessment

The City will:

- ~~refer the application to a recommended CHP/s for comment~~
- undertake assessment of the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program and any comment provided by the Recommended CHP, and
- if necessary, where the proposed dwellings are not appropriate for the purpose of affordable housing, discuss with the applicant amendments to improve the dwellings, or identify preferable dwellings, or instead require a monetary contribution.

1.4 ~~1.3~~ Securing the dwellings

Where the dwellings proposed for dedication are supported a condition of consent requiring dedication of the affordable housing dwelling(s) will be imposed by the consent authority.

Prior to transferring the affordable housing dwelling(s) to a Recommended CHP, the City will register on the title a covenant ensuring the affordable housing dwellings are:

- owned and managed by a CHP in accordance with the Program, and
- rented to very low to moderate income earners for no more than 30% of gross household income.

Attachment C

Draft City of Sydney Interim Affordable Housing Contributions Distribution Plan

CITY OF SYDNEY

Draft City of Sydney Interim Affordable Housing Contributions Distribution Plan

Draft Interim **Distribution Plan**
June 2022

Green Global Connected

1. Purpose

This City of Sydney Interim Affordable Housing Contributions Distribution Plan (Interim Distribution Plan) sets out a temporary plan for how monetary affordable housing contributions (contributions) received under the City of Sydney Affordable Housing Program (Program) are to be distributed to Recommended Community Housing Providers (Recommended CHPs).

This Interim Distribution Plan was adopted by Council on XX XX XXX and commenced on that day.

2. Allocation of funds

This section sets out how contributions are to be allocated to Recommended CHPs.

2.1 Recommended CHPs

Recommended CHPs are the only CHPs who may receive a monetary contribution under the Program. The following are Recommended CHPs:

- City West Housing Pty Ltd.~~; and~~
- ~~an 'Alternate CHP', to be identified no later than 31 December 2023, following an Expression of Interest process.~~

The Program requires Recommended CHP's to use contributions for the purpose of providing affordable rental housing in accordance with the Program.

2.2 Distribution Plan

All affordable housing contributions are to be distributed to Recommended CHPs identified in this Interim Distribution Plan.

~~Affordable housing contributions are to be distributed in accordance with Table 1.~~

~~Table 1:~~ ~~Distribution Plan~~

	~~Contributions paid to the City of Sydney~~
~~Year 1 (from adoption of this Plan up to and including 31 Dec 2023)~~	~~All funds remitted to City West Housing~~
~~Year 2~~	~~1. First $20m remitted to City West Housing~~ ~~2. Next $10m remitted to the Alternate CHP~~ ~~3. Next $10m remitted to City West Housing~~ ~~4. Ongoing: Alternating between Alternate CHP and City West Housing in tranches of $10m~~
~~Year 3~~	~~1. First $20m remitted to City West Housing~~ ~~2. Next $10m remitted to Alternate CHP~~ ~~3. Next $10m remitted to City West Housing~~ ~~4. Ongoing: Alternating between Alternate CHP and City West Housing in tranches of $10m~~
~~Year 4~~	~~1. First $20m remitted to City West Housing~~ ~~2. Next $10m remitted to Alternate CHP~~ ~~3. Next $10m remitted to City West Housing~~ ~~4. Ongoing: Alternating between Alternate CHP and City West Housing in tranches of $10m~~

~~**Year 5**~~	~~1. First $20m remitted to City West Housing~~ ~~2. Next $10m remitted to Alternate CHP~~ ~~3. Next $10m remitted to City West Housing~~ ~~4. Ongoing: Alternating between Alternate CHP and City West Housing in tranches of $10m~~
~~**Ongoing (pending review)**~~	~~1. First $20m remitted to City West Housing~~ ~~2. Next $10m remitted to Alternate CHP~~ ~~3. Next $10m remitted to City West Housing~~ ~~4. Ongoing: Alternating between Alternate CHP and City West Housing in tranches of $10m~~

~~Note: contributions are to be remitted on a quarterly basis with residual funds being rolled over to the next calendar year~~

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3. Review of the Interim Distribution Plan

This Interim Plan is intended to be replaced following consultation with the Community Housing sector and with other experts to determine how best to allocate affordable housing contribution funds into the future to:

- contribute to the City's affordable housing targets; and
- increase the amount of affordable housing for Aboriginal and Torres Strait Islander households.

Following consultation, a draft Distribution Plan will be exhibited for public comment before being reported to Council for consideration.

~~Providing certainty for CHPs about future funding is critical to ensure they can buy land, commit to projects and forward plan with confidence.~~

~~This Distribution Plan establishes a 5-year plan for the allocation of funding, with a periodic review at the end of that period.~~

~~The periodic review of the Distribution Plan comprises two key steps, including:~~

- ~~establishing via an Expression of Interest process who will be the Recommended CHPs to receive funds in the new Distribution Plan; and~~
- ~~a review of how funds will be distributed amongst Recommended CHPs ie revision of Table 1 above.~~

~~*Expressions of Interest*~~

~~Prior to the commencement of the review of the Distribution Plan, all Tier 1 and Tier 2 CHPs who operate in the City of Sydney will be invited, via an Expression of Interest process, to make an application to be identified as a Recommended CHP.~~

~~The following assessment criteria and considerations will be applied to applications:~~

- ~~eligibility of the CHP;~~
- ~~financial position of the CHP, as evidenced by a financial health check prepared by an appropriately qualified professional;~~
- ~~current owned housing stock, current housing stock being managed on behalf of a third party and relevant partnerships;~~
- ~~membership of the Board;~~
- ~~track record of procuring development sites, undertaking development activity, managing social and/or affordable housing;~~
- ~~demonstrated commitment to achieve realistic affordable housing targeted outcomes, as evidenced by a detailed business plan showing how funds received from contributions would build upon their track record;~~
- ~~demonstrated commitment to increasing the amount of affordable housing for Aboriginal and~~

Torres Strait Islander households;

- demonstrated ability to source opportunities within a business framework that would be complemented by contributions from the Program i.e. evidence they will not be entirely reliant on contribution funds;
- demonstrated understanding of the requirements of the Program.

Generally only two (2) Recommended CHPs will be identified in any 5 year period.

Applications by CHPs to be included as a Recommended CHP in this Distribution Plan outside of the review period will not be considered.

Review of Distribution Plan

Following identification of the Recommended CHPs, the Distribution Plan is to be reviewed, giving consideration to the following matters:

- patterns of contribution receipts;
- any submission made by any CHP already identified as a Recommended CHP,
- expected future contributions;
- current pipeline development projects.
- Identified opportunities to improve the operation of the Distribution Plan;
- opportunities to increase the amount of affordable housing resulting from the Distribution Plan.