

19 June 2023

At the conclusion of the Business and Economic Development
Committee

Housing For All Committee

Agenda

1. **Confirmation of Minutes**
2. **Statement of Ethical Obligations and Disclosures of Interest**
3. **Post 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 Interim Distribution Plan**

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1. Register to speak by calling Secretariat on 9265 9702 or emailing secretariat@cityofsydney.nsw.gov.au before 10.00am on the day of the meeting.
2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time.
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.

Committee meetings can continue until very late, particularly when there is a long agenda and a large number of speakers. This impacts on speakers who have to wait until very late, as well as City staff and Councillors who are required to remain focused and alert until very late. At the start of each Committee meeting, the Committee Chair may reorder agenda items so that those items with speakers can be dealt with first.

Committee reports are available at www.cityofsydney.nsw.gov.au

Item 1.
Confirmation of Minutes

Minutes of the following meetings of the Housing For All Committee are submitted for confirmation:

Meeting of 20 June 2022

Item 2.

Statement of Ethical Obligations

In accordance with section 233A of the Local Government Act 1993, the Lord Mayor and Councillors are bound by the Oath or Affirmation of Office made at the start of the Council term to undertake their civic duties in the best interests of the people of the City of Sydney and the City of Sydney Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act 1993 or any other Act, to the best of their ability and judgement.

Disclosures of Interest

Pursuant to the provisions of the Local Government Act 1993, the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose and manage both pecuniary and non-pecuniary interests in any matter on the agenda for this meeting.

In both cases, the nature of the interest must be disclosed.

This includes receipt of reportable political donations over the previous four years.

Item 3.

Post 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 Interim Distribution Plan

File No: X084801

Summary

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social risk, particularly within the City of Sydney local government area (LGA) where housing prices are amongst the highest in Australia.

Sustainable Sydney 2030-2050 Continuing the Vision maintains the target in the City's Local Housing Strategy: Housing for All for 7.5 per cent of all private dwellings to be Affordable Housing. Based on a private dwelling target of about 156,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

To date, the City has collected, and passed on to a community housing provider (CHP), over \$378 million in Affordable Housing contributions and provided \$24 million in discounted land and \$10 million in grants towards Affordable Housing. As at 1 July 2022, the City has 1,427 built Affordable Housing units in the local area, 641 dwellings in the development pipeline and a further 701 that are anticipated to be built in the future (but not yet in the development pipeline). Going forward, the City's Affordable Housing contribution schemes, which now cover all of the local government area, are expected to deliver about 1,950 additional affordable dwellings.

Altogether, about 4,200 Affordable Housing dwellings are forecast under existing programs, being about one third of the City's 12,000 target to 2036. These forecasts will be impacted by how successfully CHPs leverage Affordable Housing contributions funds. More substantial support for the provision of Affordable Housing is required from the Federal and NSW Government if the Affordable Housing targets for the City of Sydney Local Government Area (LGA) are to be achieved.

This report follows the public exhibition of Planning Proposal: City of Sydney Affordable Housing Program Update (planning proposal) and draft City of Sydney Affordable Housing Program Amendment 2022 (draft Program) and draft City of Sydney Affordable Housing Contributions Interim Distribution Plan (draft Interim Distribution Plan), collectively referred to as the 'Affordable Housing provisions'. The publicly exhibited Affordable Housing provisions were to:

- 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;

- establish an interim plan for the distribution of Affordable Housing contribution funds, that expands the list of CHPs who may receive Affordable Housing contribution funds collected by the City from one CHP to three CHPs;
- reallocate contribution funds arising from development in the Southern Employment Lands from the NSW Department Communities and Justice (DCJ), to instead be allocated in accordance with any adopted distribution plan; and
- streamline the Program, remove unnecessary information, and make minor housekeeping amendments to clarify content.

24 submissions were received in response to the public exhibition, including 19 submissions from the general community, two from public authorities, and three from those CHPs that were identified as recipients of Affordable Housing contribution funds in the exhibited draft interim distribution plan. A summary of submissions, and the City's response, is at Attachment A.

Some community submissions expressed strong support for the proposals, while others raised concerns about more Affordable Housing in their local area. Submissions from the Land and Housing Corporation and DCJ expressed general support for the City's efforts in increasing Affordable Housing.

Submissions from Bridge Housing and St George Community Housing, being those CHPs proposed to receive contribution funds who previously have not, supported the wider distribution of Affordable Housing contribution funds. Despite all Tier 1 and Tier 2 CHPs operating in the Sydney metropolitan area being notified of the proposals, no other submissions from CHPs were received seeking participation in the City's Program.

A submission from City West Housing, which currently receives all of the Affordable Housing contribution funds (other than those generated in the Southern Employment Lands), generally supported the wider distribution of contribution funds over time. However, it raised concerns about the impact the change would have on its ability to deliver its significant development pipeline of over 500 dwellings in the City of Sydney local area, where funds that had previously been expected and relied on would no longer be forthcoming. It also raised concerns that Affordable Housing contribution funds being shared between three providers would spread funding too thin, and that it would take much longer for CHPs to amass sufficient funds to move forward with projects. This latter concern was also raised by DCJ in their submission. These issues are still being considered.

The Gateway Determination for the planning proposal requires that it be finalised by 19 August 2023. Finalising the planning proposal is essential to increase the Affordable Housing contribution obligation in Ultimo-Pyrmont, where more development is imminent following the implementation of the NSW Government's Pyrmont Peninsula Place Strategy. For this reason, finalisation of the proposed Affordable Housing provisions cannot and should not be delayed.

Following consideration of submissions, this report recommends the approval of the planning proposal and draft Program (both with post exhibition changes), together with the draft Interim Distribution Plan, as it was publicly exhibited, but with a delayed commencement date of 1 July 2024.

While efforts have been made to prepare a final distribution plan that could be considered for adoption together with the planning proposal, it has not been possible within the Gateway Determination timeframes. Further work is needed to resolve issues raised by CHPs and DCJ in their submissions before the detail of a distribution plan can be finalised and put to Council for their consideration.

It is also considered prudent to delay finalising the distribution plan given the fast-evolving housing policy landscape. Opportunities for the distribution plan may emerge from the introduction of the Housing Australia Future Fund (HAFF) by the Federal Government, or complementary incentive / funding schemes that may be announced by the new state government as it resolves its approach to addressing the housing crisis in the coming months.

Adopting the draft Interim Distribution Plan now allows the planning proposal to progress and provides time to implement the significant administrative structures needed to support the change in approach, including the preparation of funding agreements with receiving CHPs.

Other proposed post exhibition changes to the publicly exhibited Affordable Housing provisions, include:

- a change to the planning proposal to address an omission relating to development that may be exempt from making a contribution or have a reduced contribution requirement applied. The draft Program, as exhibited, introduced a reduced contribution requirement if development would result in an Affordable Housing contribution of more than 15 per cent of the agreed cost of construction. In order to facilitate this intent, the planning proposal now adjusts the current wording of the Affordable Housing provisions in Sydney Local Environmental Plan 2012 accordingly.
- a change to the draft Program to ensure it can apply should any future Environmental Planning Instrument (EPI) which concerns Affordable Housing contributions in the City of Sydney be amended. The amendment is intended to facilitate the long-term flexibility of the Program by minimising the need for additional amendments where there may be changes to state environmental planning policies and the like.
- a change to the draft Program to improve how the equivalent monetary contribution amount is indexed, to reflect a fuller and more accurate picture of the current housing market rather than relying wholly on one single quarter of data;
- a change to the draft Program to provide information about the circumstances under which contribution funds may be refunded; and
- further minor (non-substantive) changes to streamline the draft Program by removing unnecessary information and making minor housekeeping amendments to clarify content.

The proposed Affordable Housing provisions aim to improve the provision of Affordable Housing from the City's contribution schemes by encouraging innovative use of contribution funds and increasing the contribution requirement in Ultimo-Pyrmont to align with other parts of the local government area.

Recommendation

It is resolved that:

- (A) Council note the matters raised in response to the public exhibition of Planning Proposal: City of Sydney Affordable Housing Program Update and draft City of Sydney Affordable Housing Program Amendment 2022 and draft City of Sydney Affordable Housing Contributions Interim Distribution Plan, as described at Attachment A to the subject report;
- (B) Council approve Planning Proposal: City of Sydney Affordable Housing Program Update, shown at Attachment B to the subject report, as amended, to be made as a local environmental plan under Section 3.36 of the Environmental Planning and Assessment Act 1979;
- (C) Council approve the draft City of Sydney Affordable Housing Program Amendment 2022, shown at Attachment C to the subject report, as amended, noting that it will come into effect on the date of publication of the subject local environmental plan, in accordance with Clause 20 of the Environmental Planning and Assessment Regulation 2021;
- (D) Council approve the draft City of Sydney Affordable Housing Contributions Interim Distribution Plan, shown at Attachment D to the subject report, as amended, noting it will not commence until 1 July 2024;
- (E) Council note that following further research and stakeholder consultation it is intended that a final distribution plan will be reported to Council prior to 1 July 2024; and
- (F) authority be delegated to the Chief Executive Officer to make any minor amendments 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 Affordable Housing Contributions Interim Distribution Plan, to correct any drafting errors or inconsistencies, prior to finalisation.

Attachments

- Attachment A.** Summary of Submissions and Responses
- Attachment B.** Planning Proposal: City of Sydney Affordable Housing Program Update (as amended following public exhibition)
- Attachment C.** Draft City of Sydney Affordable Housing Program Amendment 2022 (as amended following public exhibition)
- Attachment D.** Draft City of Sydney Affordable Housing Contributions Interim Distribution Plan (as amended following public exhibition)
- Attachment E.** Gateway Determination
- Attachment F.** Council and Central Sydney Planning Committee Resolutions

Background

1. This report follows the consideration of submissions made to the public exhibition of Planning Proposal - City of Sydney Affordable Housing Program Update (planning proposal) and draft City of Sydney Affordable Housing Program Amendment 2022 (draft Program) and draft City of Sydney Affordable Housing Contributions Interim Distribution Plan (draft Interim Distribution Plan), collectively referred to as the 'Affordable Housing provisions'.
2. The current and proposed Affordable Housing provisions (as publicly exhibited) are described in detail in the pre-exhibition report to the Housing for All Committee (Committee) and the Central Sydney Planning Committee (CSPC), dated 20 June 2022 and 23 June 2022 respectively. The Housing for All Committee report is available at <https://city.sydney/ru5> (item 2). Additional information and alternate resolutions were provided in a series of Relevant To memos, including:
 - (a) to Committee, dated 20 June 2022, available at <https://city.sydney/jsr>
 - (b) to CSPC, dated 21 June 2022, available at <https://city.sydney/1a3>
 - (c) to CSPC, dated 23 June 2022, available at <https://city.sydney/69v>
 - (d) to Council, dated 24 June 2022, available at <https://city.sydney/06q>
3. Council and the CSPC, at their meetings on 27 June 2022 and 23 June 2022 respectively, approved for Gateway Determination (gateway) and public exhibition a planning proposal, and for public exhibition, a draft Program and a draft Interim Distribution Plan. The Council and CSPC resolutions are shown at Attachment F to this report.
4. In August 2022, the NSW Department of Planning and Environment (Department) issued a conditional gateway for the planning proposal, requesting minor changes and clarifications be made prior to public exhibition. The planning proposal was amended in accordance with the gateway, and was publicly exhibited with the draft Program, draft Interim Distribution Plan and supporting research.
5. This report recommends Council approve the planning proposal, as amended following public exhibition, to amend Sydney Local Environmental Plan 2012 (Sydney LEP), Sydney Local Environmental Plan (Green Square Town Centre) 2013, and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013. It also recommends Council approve the draft Program and the draft Interim Distribution Plan, as amended following public exhibition. The planning proposal, draft Program and draft Interim Distribution Plan, as amended, are provided at Attachment B, C and D respectively.
6. The proposed Affordable Housing provisions, as amended following public exhibition, will:
 - (a) 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 estimated 250 Affordable Housing dwellings;

- (b) establish an interim plan for the distribution of Affordable Housing contribution funds. The plan expands the list of community housing providers (CHPs) who may receive funds. It will commence on 1 July 2024 if an amended final plan for the distribution of funds has not been adopted by Council at that time;
- (c) reallocate contribution funds from development in the Southern Employment Lands from the Department Communities and Justice, to any CHPs identified in any adopted distribution plan; and
- (d) streamline the Program, remove unnecessary information, and make minor housekeeping amendments to clarify content.

Public Exhibition

7. In accordance with the Gateway Determination, the City of Sydney Community Engagement Strategy, and Community Participation Plan 2022, the proposed Affordable Housing provisions were exhibited from 18 October to 29 November 2022.
8. The City notified in writing about 9,100 landowners in Ultimo-Pyrmont of the exhibition. It also notified the 24 Tier 1 and Tier 2 community housing providers (CHPs) operating in the Sydney metropolitan area and peak housing bodies, including Shelter NSW and the Community Housing Industry Association (CHIA). The exhibition was also advertised on the City's Sydney Your Say webpage.
9. In accordance with the gateway, the following public authorities were also notified of the public exhibition:
 - (a) NSW Land and Housing Corporation (LAHC); and
 - (b) NSW Department of Communities and Justice (DCJ).
10. 24 submissions were received, including 19 submissions from the general community, two from public authorities, and three from those CHPs that were identified as recipients of Affordable Housing contribution funds in the exhibited draft interim distribution plan. No other CHPs made submissions. A summary of submissions, and the City's response, is at Attachment A of this report with key issues discussed below.

City West Housing

11. A submission was received from City West Housing (City West), who is currently the only CHP receiving funds under the current Program. Attachment A provides a detailed breakdown of the points raised.
12. The submission reiterates City West's capabilities and experience in the community housing sector and working with the City to deliver Affordable Housing supply in the Local Government Area.
13. City West requests acknowledgement that until 2020 it was prevented from borrowing against its asset base or entering partnerships and joint ventures due to governmental constraints, creating an unfair assumption that its assets have not been affectively leveraged. The constraints are now removed, and City West has now secured finance to deliver its next development project of 74 homes in Waterloo.

14. City West notes that the draft Interim Distribution Plan in its current form risks the delivery of its existing pipeline of over 500 dwellings in the City of Sydney local area. City West recommends that the proposed changes to the distribution of funding be phased in to ensure its capacity to service:
 - (a) its established properties;
 - (b) properties that have been committed to in the development pipeline;
 - (c) other properties in the development pipeline in the development application or pre-development application stage; and
 - (d) the level of support and devices it has promised to deliver its residents and partner agencies.
15. While this report recommends adoption of the draft Interim Distribution Plan as it was publicly exhibited, it is noted that a final distribution plan is being prepared for the consideration of Council to address unresolved issues and recommends the deferred commencement of the Interim Distribution Plan until 1 July 2024.
16. The impact on City West's development pipeline will be further considered in the preparation of the final Distribution Plan.
17. City West recommends the contribution funds should not be distributed to more than two CHPs at any one time to encourage efficiencies from the scale of operations. These include:
 - (a) efficiencies in servicing properties;
 - (b) efficiencies from larger portfolios in a defined geography to enable the leveraging of rental surpluses from other properties they own or manage in the area and to gain access to finance to further increase Affordable Housing in the local area; and
 - (c) effective relationship building and efficiencies for support service providers servicing tenants of the CHPs.
18. The efficiencies from larger scale operations will be further considered in the preparation of the final Distribution Plan.
19. City West highlights that the Program's prescribed tenure mix for dwellings being dedicated may be difficult to maintain over time, as the life-stage and circumstance of tenants change. City West recognises that a tenant's income can change and maintains tenure mix across its City portfolio rather than ejecting tenants from individual developments to retain an appropriate mix. City West recommends that if the City requires a specific tenure mix for a project at the time of dedication, the Program should acknowledge the need for some flexibility in tenure mix over time.
20. City West also questions the intent behind the Program's required tenure mix in the Employment Lands. In this area, the Program currently requires at least 15 per cent of dwellings to be allocated to very low income households and 15 per cent to low income households. This is to ensure that not all people housed in the Employment Lands are moderate-income workers, but also that a higher proportion of workers are able to be housed in this location.

21. City West recommends that it may be clearer to frame the requirement as up to 70 per cent of dwellings being allocated for income-eligible employed households. This would provide flexibility for low and/or moderate income working households to make up the 70 per cent, whilst still retaining 30 per cent of the housing for lower income households who may not be currently employed.
22. As a result of City West's submission, it is proposed to amend Section 2.1.6 and 3.1 of the exhibited draft Program in accordance with City West's recommendation to clarify the desired tenure mix for dwellings to be dedicated and in the Employment Lands.

Additional CHPs identified in the draft Interim Distribution Plan

23. The exhibited draft Interim Distribution Plan identified St George Community Housing (St George) and Bridge Housing (Bridge) as additional Recommended CHPs alongside City West Housing to receive funding from collected Affordable Housing levies. Both CHPs made submissions to the public exhibition of the proposals.
24. St George's submission highlights the capability and capital it would provide to support the City in delivering Affordable Housing. St George is a Tier 1 community housing provider with a development pipeline of 818 units over the next three years, including 190 dwellings in the City of Sydney.
25. St George's submission identifies capabilities in development, construction, asset management, tenancy management services, support coordination and place-based community development. It also demonstrates financial stability and a track record of raising capital at scale.
26. St George commits to partner with the City to provide affordable homes that are well designed, accessible, environmentally sustainable and meet community need, prioritising allocation to targeted vulnerable groups including Aboriginal and Torres Strait Islands people and families.
27. Bridge Housing has made further representation reiterating its interest in working with the City to deliver increased Affordable Housing supply in the City, following its original request to be considered as a Recommended CHP which established its current status, capabilities and experience in the community housing sector. Bridge Housing's original request to the City is discussed in the pre-exhibition report to Council and CSPC.
28. Bridge welcomes the efforts of the City to streamline the management of Affordable Housing funding and the move towards enabling additional CHPs to access contribution funds.
29. Bridge's submission also identifies Bridge as the CHP with the largest social and Affordable Housing footprint in the City of Sydney LGA, with a head office in the LGA, generating a deep connection to the local community.
30. It is Bridge's view that chosen additional providers should be those with their operations based primarily in the LGA, so that they understand and are focussed on delivering outcomes for the local community.
31. Both St George and Bridge strongly support being able to receive Affordable Housing funds in the draft Interim Distribution Plan. The City recognises the experience, capabilities and established partnerships both CHPs have in the community housing sector and in providing Affordable Housing within the City of Sydney LGA.

32. While this report recommends adoption of the draft Interim Distribution Plan as it was publicly exhibited, it is noted that a final distribution plan is being prepared for the consideration of Council. The City considers it would be prudent to seek further information and confirm the current position of both St George and Bridge, including their current projects, commitments, completion of developments, financial stability and so on. In addition, the matters raised in these submissions will also be further considered in the development of the final Distribution Plan.
33. No change is recommended to the exhibited planning proposal or draft Program as a result of these submissions.

Public authority consultation

34. A submission was received from NSW Land and Housing Corporation (LAHC) that supported the proposed Affordable Housing amendments and congratulated the City of Sydney on its efforts to increase affordable housing in the local area.
35. No change to the publicly exhibited Affordable Housing provisions are recommended because of this submission.
36. A submission was also received from NSW Department of Communities and Justice (DCJ). DCJ generally abstained from expressing views for or against the proposal, given that the NSW Government is a shareholder of City West.
37. DCJ supports the administrative change to the distribution of Employment Lands funds, which are currently transferred from the City to DCJ to allocate to CHPs, recognising that this would enable Council to deal with and distribute funds to CHPs directly.
38. DCJ's submission also expresses concerns around distributing funds across three CHPs. DCJ considers that this will dilute the impact of the funds, ultimately delaying the delivery of Affordable Housing as more time is required for fund accumulation before a CHP can initiate an Affordable Housing project. This impact would be more pronounced in the City, given the extremely high land values which would require larger amounts of money for financially viable projects.
39. DCJ also highlights the administrative burden to both Council and the chosen CHPs, raising the efficiency and value for money proposition of managing an overly complicated remittance of funds and the reporting requirements for how the money is quarantined, invested and spent.
40. DCJ considers that disbursing all accumulated funds to a single CHP via a competitive Expressions of Interest process would provide the best results for Affordable Housing delivery in the City.

41. The City's preferred approach for the use of Affordable Housing contribution funds is to allocate them directly to a CHP. This approach has been in effect since the introduction of Affordable Housing contribution requirements Ultimo / Pyrmont in 1996 and since that time has resulted in over 1,300 affordable dwellings (built, pipeline and expected) affordable dwellings resulting from levies in the local area. The benefits of this approach are to immediately move funds into the hands of the community housing sector who have the expertise to then purchase sites on the open market when they become available, without need to wait for government to allocate them funding, and then develop them. It effectively allows CHPs to operate as a developer would, without the challenges and uncertainties that may come from having to apply for grants on a case-by-case basis, allowing them to move forward with certainty.
42. DCJ also acknowledges the significant achievements of their partnership with the City in the Affordable Housing space and notes the future opportunities for continued partnership, including various tender programs run by DCJ and possible funding being explored through the Commonwealth Government's Housing Australia Future Fund (HAFF).
43. No change is recommended to the draft Interim Distribution Plan as a result of the LAHC or DCJ submissions. However, the question of the optimal number of CHPs will be given further consideration in the preparation of the final distribution plan, being prepared for the consideration of Council.

Public support

44. Five submissions received from the general public (not including those from public authorities or CHPs) expressed general support for the exhibited Affordable Housing provisions, with two submissions calling for a greater increase in contribution rates, given the need for Affordable Housing, and two supporting a wider distribution of funds.

Public opposition

45. Several submissions received from the general public expressed general opposition to the exhibited Affordable Housing provisions. Reasons included concerns about impact on property values, anti-social behaviour and that Affordable Housing should be provided in cheaper, less dense areas.
46. Submissions from the community, and the City's response, are provided in detail in the submissions table at Attachment A, with no change to the publicly exhibited Affordable Housing provisions recommended as a result.

Other consultation

47. In addition to statutory consultation, members of the City's Housing for All Working Group were also notified of the public exhibition of the Affordable Housing provisions and invited to make a submission. The working group received a briefing about the proposal on 8 November 2022, and a later progress briefing on the 7 May 2023.

Key Implications

Post exhibition changes

48. Following consideration of submissions, and further consultation with CHPs, the Department of Planning and Environment and the City's Housing for All Working Group, the following changes are recommended to the publicly exhibited Affordable Housing provisions.

Application of the Program

49. The draft Program has been amended to ensure it can apply should any future Environmental Planning Instrument (EPI) be amended to include a provision requiring an Affordable Housing contribution be made in accordance with the Program. The amendment is intended to facilitate the long-term flexibility of the Program by minimising the need for additional amendments where there may be changes to state environmental planning policies and the like.

Indexation of monetary contributions

50. The equivalent monetary contribution amount in the Program is adjusted on an annual basis to ensure that the contribution rate keeps pace with the cost of providing housing. Contribution amounts captured in conditions of consent are also indexed in accordance with the Program to account for changes between the time of consent and the date of payment at first construction certificate.
51. The Program uses changes in the median strata dwelling price over time to do this, as published in the NSW Government's Rent and Sales Report. Currently, the Program compares the median price that was used to establish the current contribution rate with the most recently published median price in the Report.
52. The draft Program has been amended to update this method. It is proposed to establish new contribution rates using an average of the median strata dwelling prices from the four most recently published Rent and Sales reports. This will provide a fuller picture of the current housing market than relying wholly on one single quarter of data for the coming year ahead.

Exemptions

53. The draft Program has been amended to clarify that any floor space in a building, that is a stand-alone building, and includes predominantly Affordable Housing provided in accordance with the Program, is exempt from making an affordable housing contribution. For example, if an Affordable Housing building included ancillary non-residential floor space at ground level, then a contribution requirement would not apply to the entire building. Market units as part of an Affordable Housing building(s) are not exempt.

Refunds

54. The draft Program has been amended to provide guidance around the circumstances where Affordable Housing contributions that have already been paid may be refunded.

55. Clarification has been included that where a development has not commenced and the original payee decides not to proceed with the consent, a refund of contributions already paid may be considered. This includes cases where the consent has lapsed. The payee would be required to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

Further housekeeping amendments

56. Some additional minor changes have been made to the text of the Program to streamline it and improve its readability. These changes do not affect the application or the outcomes of the Program.

Draft Interim Distribution Plan

57. This report recommends the approval of the planning proposal and draft Program (both with post exhibition changes), together with the draft Interim Distribution Plan, generally as it was publicly exhibited. Finalising the planning proposal secures the higher contribution rates proposed in Ultimo-Pyrmont, where more development is imminent following the implementation of the NSW Government's Pyrmont Peninsula Place Strategy.
58. While efforts have been made to prepare a final distribution plan that could be considered for adoption together with the planning proposal, it has not been possible within the Gateway Determination timeframes that require finalisation by August 2023. Further work is needed to resolve issues raised by CHPs and DCJ in their submissions before the detail of a distribution plan can be finalised and put to Council for their consideration.
59. It is also considered prudent to delay finalising the distribution plan given the fast-evolving housing policy landscape. Opportunities for the distribution plan may emerge from the introduction of the HAFF by the Federal Government, or complementary incentive / funding schemes that may be announced by the new state government as it resolves its approach to addressing the housing crisis.
60. It is recommended however that the draft Interim Distribution Plan be amended to delay its commencement until 1 July 2024. A finalised distribution plan will be reported for the consideration of Council in due course, with the aim of it being endorsed prior to the commencement of interim plan. In the event this does not occur, the delayed commencement of the draft Interim Distribution Plan allows for the arrangement of the significant administrative changes required to support the new approach, as well as the negotiation and preparation of individual legal agreements for with CHPs receiving contribution funds.
61. Until that time, the arrangements for the distribution of contributions will remain unchanged from those in place under the City of Sydney Affordable Housing Program as adopted in 2020.

Planning proposal

62. The planning proposal has been updated to address an omission relating to development that may be exempt from making a contribution or have a reduced contribution requirement applied.
63. The current Program details circumstances where requiring an Affordable Housing contribution would be unreasonable given the nature or cost of a proposed development. The draft Program, as exhibited, introduced a reduced contribution requirement if development would result in an Affordable Housing contribution which amounted to more than 15 per cent of the agreed cost of construction. In these circumstances, the Affordable Housing contribution requirement would be capped at 15 per cent of the agreed construction cost.
64. In order to facilitate this intent, the current wording of the Affordable Housing provisions in Sydney Local Environmental Plan 2012 must also be adjusted so that they require a contribution *not exceeding* (as opposed to *equivalent to*) the applicable Affordable Housing levy contribution stated. This proposed change was inadvertently left out of the original planning proposal and has now been updated to incorporate this amendment to Clause 7.13(2) of Sydney LEP 2012.
65. In addition, a number of minor amendments to planning proposal have been made to align it with the changes proposed to the draft Program described above.

Next steps*Final Distribution Plan*

66. A final distribution plan is being prepared and is expected to be reported to Council for consideration in 2024.

Funding agreements

67. Irrespective of whether Affordable Housing contribution funds are distributed in accordance with an interim or a final distribution plan, prior to the distribution of Affordable Housing contribution funds to CHPs, the City will enter into a funding agreement with all CHPs receiving Affordable Housing contributions. The purpose of the funding agreement is to ensure contribution funds are being used for the purpose for which they were collected, being for the provision of Affordable Housing in the local area. A funding agreement will generally address the following:
 - (a) the obligations of the parties, being the CHP and the City;
 - (b) the way in which funds can be spent, being in accordance with the principles and requirements of the Program;
 - (c) reporting and monitoring requirements, for example, CHPs may be required to report on how funds are leveraged, demonstrate delivery benchmarks, and so on;
 - (d) dispute resolution protocols; and
 - (e) terms of termination of any agreement.

Strategic Alignment

68. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. The proposed Affordable Housing provisions are aligned with the strategic directions and objectives.
69. The proposed Affordable Housing provisions give effect to the infrastructure, liveability, productivity and sustainability priorities in the Greater Sydney Commission's Greater Sydney Region Plan and Eastern City District Plan and the City's Local Strategic Planning Statement.

Relevant Legislation

70. Environmental Planning and Assessment Act 1979.
71. Environmental Planning and Assessment Regulation 2021.
72. State Environmental Planning Policy (Housing) 2021.

Critical Dates / Time Frames

73. The gateway requires that the amendment to the subject LEPs is completed by 19 August 2023.
74. Authority for making the changes to the LEPs was requested, but not granted by the Department. If adopted, the planning proposal will be referred to the Department to finalise legal drafting.
75. The amendment to the subject LEPs will come into effect when published on the NSW Legislation website, with the draft Program coming into effect on the same day. The draft Interim Distribution Plan will come into effect on 1 July 2024 unless an amended distribution plan is adopted before that date.

GRAHAM JAHN AM

Director City Planning, Development and Transport

Tamara Bruckshaw, Manager Green Square and Major Projects

Samantha Bird, Specialist Planner

Attachment A

Summary of Submissions and Responses

Affordable Housing Program Update – Summary of Submissions and Responses

Community submissions

Submissions received from:

- 20 members of the community

Summary of key matter raised	Officer response
<u>General support for affordable housing</u> (raised in 9 submissions)	
<p>General agreement with the need for affordable housing in principle.</p> <p>Three submissions agreed that affordable housing is essential to the social diversity of the City’s communities and one also recognised the role that affordable housing plays in ensuring enough workers can fill lower paid jobs in the City without travelling long distances.</p>	<p>Noted.</p> <p>Action: None required.</p>
<u>Support for changes in Ultimo-Pyrmont</u> (raised in 2 submissions)	
<p>Two submissions expressed support for increasing the supply of affordable housing in the Pyrmont area, and supported the increase in contribution rates to bring Ultimo-Pyrmont in line with those which apply in the rest of the City.</p>	<p>Noted.</p> <p>Action: None required.</p>
<u>Support for additional affordable housing providers</u> (raised in 2 submissions)	
<p>Two submissions expressed support for expanding the distribution of contributions to other affordable housing providers, so long as:</p> <ul style="list-style-type: none"> i) the provider(s) are genuine, not-for-profit affordable housing providers, and ii) it is controlled to ensure the continued viability of City West Housing, who are supported in the Pyrmont area. 	<p>Recommended CHPs that are identified to receive affordable housing funds in the City must be registered Tier 1 or Tier 2 community housing providers, assessed and regulated under a national code.</p> <p>The City acknowledges the concern that distributing the funds more widely may threaten the continued viability of projects City West has in the development pipeline. This matter will be further considered in the development of the final distribution plan, being prepared for Council consideration.</p> <p>Action: Consider impact on City West Housing further in the finalisation of the Distribution Plan.</p>

Summary of key matter raised	Officer response
<u>More should be done</u> (raised in 4 submissions)	
<p>Two submissions felt that the City should be bolder in their affordable housing targets, and that the 1% non-residential and 3% residential floor space contribution rates are too low based on the known housing need and City's own targets.</p> <p>One submission also suggests a review of Council-owned sites which would have development potential for affordable housing.</p> <p>One submission also highlighted that affordable housing should not replace social housing, and that more was needed of both.</p> <p>One submission also suggested affordable housing targets by area, to ensure housing is provided in the locations envisaged in the original, separate affordable housing programs.</p>	<p>The current affordable housing program has only recently been expanded to the whole of the local government area. The contribution rates contained in the program were based on economic feasibility testing, which will be monitored going forwards.</p> <p>In addition to the collection of affordable housing levies, the City materially supports the provision of affordable rental housing through grants to non-government organisations and subsidising the sale / long term lease of council owned land to CHPs.</p> <p>The City will continue to innovate and use all levers available to it to increase the amount of affordable housing in the local area.</p> <p>Action: None required.</p>
<u>Affordable housing should not be located in the inner city</u> (raised in 13 submissions)	
<p>Numerous submissions expressed concerns with affordable housing being provided in the inner city. The submissions believe the housing would be better located elsewhere.</p> <p>Reasons include that:</p> <ul style="list-style-type: none"> • There is insufficient infrastructure and parking to support more development • Housing contributions would go much further if the affordable housing was built further west or in wider Australia • It is unfair to residents who've bought at market price or pay full rents • Premium locations shouldn't be subsidised, people can move somewhere cheaper • Grouping lower socio-economic groups in an area leads to anti-social behaviour • It would create slums on prime real estate, which is detrimental to the tone and value of existing areas <p>Five submissions expressed concern over the provision of more affordable housing being provided in Pyrmont in particular.</p>	<p>Affordable housing is essential to the social diversity of the City's communities and plays an important role in ensuring workers can fill lower paid jobs in the City without travelling long and unsustainable distances.</p> <p>Under the City's affordable housing program, the maximum equivalent amount of floor space being provided as affordable housing is 3% of total residential floor space.</p> <p>The proposed affordable housing provisions do not increase density in Ultimo-Pyrmont, rather they ensure that development already possible under current planning controls makes appropriate contribution to affordable housing in the area. Affordable housing is provided within existing density and height provisions and place no additional burden on existing or planned infrastructure.</p> <p>Property values in inner Sydney, including Ultimo-Pyrmont, are some of the highest in Australia. When Ultimo-Pyrmont was rezoned in the 1990's, an affordable housing program</p>

Summary of key matter raised	Officer response
<p>Reasons included:</p> <ul style="list-style-type: none"> • Pyrmont is already too dense • This would site vulnerable residents too close to the casino, enabling gambling habits • It could increase the crime rate, which is already high in Pyrmont • Existing affordable housing developments have been spoiled by anti-social behaviour • It would negatively impact property values in Pyrmont 	<p>was introduced by way of ensuring socio-economic diversity was maintained in the area. Affordable housing has since built to the same standard of other development in the area, and provided to a mix of very-low, low and medium-income households. There is no evidence to suggest that property values in Ultimo-Pyrmont have been, or would be, affected by affordable housing located in the area.</p> <p>Anti-social behaviour can occur in any housing type. Community Housing Providers, including City West, work hard to manage and maintain their properties and support their tenants to prevent issues arising. New affordable housing developments are carefully designed to be safe, secure spaces with servicing arrangements which ensure ease of proper rubbish disposal and collection.</p> <p>Action: None required.</p>
<p><u>Market housing in disguise</u> (raised in 3 submissions)</p>	
<p>Some submissions revealed a distrust that the funds would end up in the pocket of developers rather than 'genuine' affordable housing providers. One called for a proportion of the housing to be provided in perpetuity.</p>	<p>Recommended CHPs that are identified to receive affordable housing funds in the City must be registered Tier 1 or Tier 2 community housing providers, assessed and regulated under a national code.</p> <p>Under the City's existing and draft affordable housing Programs, all affordable housing delivered under the Program must be secured by a covenant on title to the benefit of Council.</p> <p>Action: None required.</p>
<p><u>Poor quality housing</u> (raised in 1 submission)</p>	
<p>One submission raised concern with the quality of development, citing ventilation, renewable energy, better quality builds, better design and green space to be essential.</p>	<p>The City notes the concerns raised. Planning outcomes are regularly monitored and the City's planning controls are updated to ensure the delivery of high quality development which is supported by infrastructure and public open space. Residential amenity, design excellence and good sustainability outcomes have been a focus in the City of Sydney in recent years.</p> <p>Action: None required.</p>

Summary of key matter raised	Officer response
<u>Invest in infrastructure instead</u> (raised in 1 submission)	
<p>One submission expressed that the funds should be used to upgrade infrastructure, not provide affordable housing.</p>	<p>Whilst investment in infrastructure is important, housing affordability has an impact on the wellbeing of societies and the proper functioning of economies and should also be secured as the City develops.</p> <p>Action: None required.</p>

Community Housing Providers submissions

From:

- 3 Community Housing Providers (CHPs)

Summary of key matter raised	Officer response
City West Housing (CWH)	
<p>Expresses general support for a wider distribution of contribution funds to a limited number of CHPs.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Highlights the need for certainty around future funds as the incumbent Recommended CHP to service its existing pipeline of over 500 dwellings in the City of Sydney local area, noting that the draft Interim Distribution Plan in its current form risks their delivery.</p> <p>Recommends that the proposed changes to distribution of funding should be phased in to ensure CWH's capacity to service:</p> <ul style="list-style-type: none"> • its established properties; • properties that have been committed to in the development pipeline; • other properties in the development pipeline in the development application or pre-development application stage; and • the level of support and devices it has promised to deliver its residents and partner agencies. <p>CWH's operating conditions, as stipulated in the Program, mean that annual operating surpluses are small. When combined with the high cost of land in the City of Sydney, and escalating cost of construction, City West Housing is heavily reliant on contribution funds in the short to medium term to fund existing affordable housing projects in the development pipeline.</p>	<p>The City recognises the importance of certainty for City West's current development pipeline and that City West will have undertaken future investment decisions based on an expected continuation of funds under current affordable housing programs.</p> <p>Funds levied under the current affordable housing programs are subject to market forces and already vary, sometimes greatly, year on year. The City's intention to move to a wider distribution of funds has also been highlighted since June 2022. Nevertheless, the City acknowledges the potential impact that a change in distribution of funds may have on City West's ability to deliver affordable housing in their development pipeline.</p> <p>While the draft Interim Distribution Plan is recommended for adoption as it was publicly exhibited, it is noted that a final distribution plan will be prepared for the consideration of Council.</p> <p>Action: This impact on City West's development pipeline will be further considered in the preparation of the final Distribution Plan.</p>
<p>To safeguard its ability to deliver its current development pipeline, City West requests existing funding arrangements under the current affordable housing programs be 'grandfathered' to avoid an inadvertent dilution of funds.</p>	<p>The City notes City West's request to 'grandfather' existing funding arrangements.</p> <p>Action: This will be considered further in the finalisation of the Distribution Plan.</p>
<p>Recommends that funds should not be distributed to more than two CHPs at any one time.</p>	<p>The City acknowledges that this issue needs further consideration.</p> <p>Action: Efficiencies from larger scale operations and the optimal number of CHPs will be</p>

Summary of key matter raised	Officer response
<p>This considers the efficiencies that scale of operation can bring for not-for-profit CHPs, including:</p> <ul style="list-style-type: none"> • efficiencies in servicing properties; • efficiencies from larger portfolios, enabling the leveraging of rental surpluses from other properties own or managed in the same area and for gaining access to finance to further increase affordable housing in the local area; • effective relationship building and efficiencies for support service providers servicing tenants of the CHPs. 	<p>considered further in the finalisation of the Distribution Plan.</p>
<p>The City should acknowledge the innate complexities and risk of undertaking medium density housing capital developments in high-cost inner-city markets when selecting additional CHPs to receive the contribution funds.</p> <p>Recommends that the City requires evidence of development expertise both in capital project delivery and on market site acquisition, as well as evidence of operations in this area when selecting CHPs to be considered for the distribution plan.</p>	<p>The three CHPs identified in the draft Interim Distribution Plan are all Tier 1 CHPs with demonstrated development capacity and experience.</p> <p>Notwithstanding the above, the City agrees that the selection of the right CHPs to receive contribution funds is critical to the successful delivery of affordable housing.</p> <p>Action: Appropriate criteria to assess the experience and capabilities of CHPs will be given further consideration in the preparation of the final Distribution Plan.</p>
<p>Highlights that until late 2020 there was governmental constraints on CWH borrowing against their asset base, and entering into partnerships and joint ventures.</p> <p>It is unfair to say CWH has had 'lazy' assets that have not been affectively leveraged.</p> <p>These constraints are now removed and CWH has now secured finance to deliver its next development project of 74 homes in Waterloo.</p>	<p>The City acknowledges that until 2020 City West Housing could not borrow against their assets due to governmental constraints.</p> <p>The upcoming development in Waterloo is welcomed.</p> <p>Action: None required.</p>
<p>Requests the City note the requirements in its Program means that annual operating surpluses are small – for example the requirement to house a mix of tenants on very low, low and moderate incomes; to charge rents based on incomes (and not at a reduction to market rents), as well as the high cost of maintaining apartment buildings.</p>	<p>The City notes the high cost of development and the restrictions of the Program result in low annual operation surpluses, which can constrain the development capacity of a CHP unless they are also able to leverage debt effectively.</p> <p>Action: None required.</p>

Summary of key matter raised	Officer response
<p>With the high cost of land in the City of Sydney, and escalating cost of construction, City West is heavily reliant on contribution funds in the short to medium term to fund exiting affordable housing projects in the development pipeline.</p>	
<p>Recommends more detail be provided in any future distribution plan, to give certainty around:</p> <ul style="list-style-type: none"> • where collected affordable housing funds will be held • how funds will be distributed to recommended providers • the frequency of release of funds, and • the calculation and distribution of interest. 	<p>The administrative detail of funds distribution is not required to be detailed in the distribution plan – this simply sets out apportionment of funds to receiving CHPs. This type of administrative information will instead form part of the City’s internal processes and where appropriate may form part of a funding agreement that is to be agree with identified CHPs prior to funds being issued.</p> <p>Action: Further work will be undertaken to establish the administrative processes that will support the distribution plan before it commences.</p>
<p>The Program’s prescribed tenure mix for dwellings being dedicated (being 25% for very low income tenants and 25% for low income tenants for any development over 10 dwellings) may be difficult to maintain over time, as the life-stage and circumstance of tenants change.</p> <p>City West recognises that a tenant’s income can change, and maintains tenure mix across its City portfolio rather than ejecting tenants from individual developments to retain an appropriate mix.</p> <p>Recommends that if the City requires a specific tenure mix for a project at the time of dedication, the Program should acknowledge the need for some flexibility in tenure mix over time.</p>	<p>The City notes City West’s position on this issue.</p> <p>Action: Section 2.1.6 of the Program is amended as requested to provide clarification on this matter.</p>
<p>Questions the intent behind the Program’s required tenure mix in the Employment Lands.</p> <p>In this area, the Program currently requires at least 15 per cent of dwellings to be allocated to very low income households and 15 per cent to low income households. As this control does not apply anywhere else in the LGA, is to ensure that not all people housed in the Employment Lands are moderate-income</p>	<p>The City notes the issue and confirms this is the intention of this requirement in the Employment Lands.</p> <p>Action: Section 3.1 of the Program is amended as requested to better reflect the intention of the tenure mix.</p>

Summary of key matter raised	Officer response
<p>workers, but also that a higher proportion of workers are able to be housed in this location?</p> <p>If so, it may be better to frame the requirement as up to 70% of dwellings need to be allocated for income-eligible employed households. This would provide flexibility for low and/or moderate income working households to make up the 70%, whilst still retaining 30% of the housing for lower income households who may not be currently employed.</p>	
<p>Using the median sales price to generate and index the contribution rates isn't high enough to reflect the cost of developing or purchasing new stock, because it is developed or sold at a higher price than established older dwellings.</p> <p>Requests that the 75th percentile or third quartile sales prices is used instead as a better reflection of the cost of developing or purchasing new stock.</p>	<p>The City recognises that the real costs to developers are often less if they make a monetary contribution rather than dedicating finished dwellings. The City is reviewing how this may be made more equivalent in future.</p> <p>Action: This issue will be further considered by the City in the future.</p>
St George Community Housing (St George)	
<p>Welcomes the opportunity to work together with the City to deliver affordable housing.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Demonstrates their track record as a registered charity and Tier 1 community housing provider since 1985, including:</p> <ul style="list-style-type: none"> • Currently owning, managing and delivering services for 11,500 people in over 7,000 homes across 23 local government agencies in Greater Sydney. 458 of these properties are within the City of Sydney, including 203 social housing dwellings and 255 affordable homes. • A development pipeline of 818 units over the next three years, of which 190 are in the City of Sydney. Since 2015, St George have delivered over 1,000 new units across 37 sites. 	<p>The City notes the capabilities and experience of St George in the community housing sector and in delivering community housing in the Sydney region.</p> <p>Action: None required.</p>
<p>Identifies experience with raising capital at scale and developing strategic working relationships with government and developers to unlock land for affordable housing. St George commits to maximising the City's affordable housing contributions to deliver more homes through:</p> <ul style="list-style-type: none"> • Leveraging available government funding and concessions, debt finance and 	<p>The City notes St George's established systems, processes and partnerships that bring together a range of stakeholders to maximise and expedite the delivery of affordable housing assets.</p> <p>Action: None required.</p>

Summary of key matter raised	Officer response
<p>innovative tax structuring to maximise capital and reduce overall project delivery costs to deliver more housing</p> <ul style="list-style-type: none"> • Directing surplus rental funds from over 7,000 tenancies to fund new supply • Delivering efficiencies in operations and maintenance through growing scale and concentration in Sydney, and • Continuing to foster partnerships with major and smaller developers to access land parcels and bring forward good quality affordable housing supply through the co-designing of projects. 	
<p>St George has already worked in partnership with the City of Sydney on several social and affordable housing projects including:</p> <ul style="list-style-type: none"> • 162 social and affordable housing units at 11 Gibbons Street, Redfern • 54 social housing unit at 41 Morehead Street, Redfern • 73 studio units for vulnerable young adults and 20 affordable units at 26-28 City Road, Chippendale • 58 affordable housing units at 11 Smail Street and 68-72 Bay Street, Glebe • 15 social and affordable units at 6-8 Orwell Street, Potts Point <p>They also benefit from an Aboriginal Housing Engagement Coordinator, funded by the City, who works closely with the community to increase the number of Aboriginal housing tenancies within the City.</p>	<p>The City notes the experience and capabilities of St George in this area.</p> <p>Action: None required.</p>
<p>To support the City's Affordable Housing Program, St George commits to partner with the City to provide homes that are:</p> <ul style="list-style-type: none"> • diverse - in both housing type and tenure; with a mix of studio, one-, two- and three-bedroom and dual key units, and a mix of very low, low and moderate income households • connected - inclusive, cohesive and empowered communities connected through place-based community development services and supported with coordinated services • well designed and maintained - with design and build standards which focus on durability and low maintenance 	<p>The City notes St George's commitment to deliver high quality affordable rental stock in the City of Sydney LGA.</p> <p>Action: None required.</p>

Summary of key matter raised	Officer response
<p>requirements, to optimise the life of each asset and protect their value, enabling greater investment to secure additional homes</p> <ul style="list-style-type: none"> • accessible - with homes built to a minimum Silver Livable Design Standard • environmentally sustainable - built to a minimum 7 star NatHERS, and • meeting community need - prioritising housing allocation to Aboriginal and Torres Strait Islands people and families (25% of homes), older women (10%), women with children experiencing domestic and family violence (10%), rough sleepers and people at immediate risk of homelessness (10%) and people living with disability (10%). 	
Bridge Housing	
<p>Welcomes the efforts to streamline management of affordable housing funding and the move towards enabling additional CHPs to access contribution funds.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Expresses interest in working with the City to deliver increased affordable housing supply in the City.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Identifies Bridge Housing as the CHP with the largest social and affordable housing footprint in the City of Sydney LGA.</p> <p>They have a deep connection to the local community, with a head office in the LGA.</p> <p>Expresses the belief that chosen additional providers should be those with their operations based primarily in the LGA, so that they understand and are focussed on delivering outcomes for the local community.</p>	<p>Noted. The City recognises the experience, capabilities and established partnerships Bridge Housing has in the community housing sector and in providing affordable housing within the City of Sydney LGA.</p> <p>The City acknowledges that there needs to be careful consideration of any CHP that is recommended to received contribution funds.</p> <p>Action: Choice of CHP will be considered further in the finalisation of the Distribution Plan.</p>

Public Authority submissions

From:

- NSW Land and Housing Corporation (LAHC)
- NSW Department of Communities and Justice (DCJ)

Summary of key matter raised	Officer response
NSW Land and Housing Corporation (LAHC)	
<p>LAHC has no specific comments with regards to the proposed amendments.</p> <p>LAHC commends the City on its commitment to affordable housing and offers its ongoing assistance in this endeavour if appropriate.</p> <p>Reiterates the important role social housing has a subset of affordable housing, being housing for “very low income households” as described in the Environmental Planning and Assessment Act 1979 and contributes to affordable housing across NSW.</p>	<p>The submission is noted.</p> <p>Action: None required.</p>
NSW Department of Communities and Justice (DCJ)	
<p>Abstains from supporting/objecting to the proposals as the NSW Government is a shareholder of City West Housing.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Recognises that the proposed changes would terminate the current Funding Agreement for affordable housing between the City and the Secretary of DCJ with respect to the Employment Lands funds.</p> <p>Supports this administrative change that would enable Council to deal and distribute funds directly with CHPs for the delivery of affordable housing.</p>	<p>Noted.</p> <p>Action: None required.</p>
<p>Expresses concern around the proposed mechanics and practicalities of equal distribution of funds across three CHPs.</p> <p>Highlights that distributing funds across three CHPs will dilute the impact of the funds and delay delivery of affordable housing, as more time will be required for fund accumulation before a CHP can initiate an affordable housing project.</p>	<p>The City notes DCJ's concerns around the optimal number of CHPs for the distribution of funds, both from the perspective of spreading the funding too thinly, with inevitable delays to affordable housing projects, and from the resourcing strain to both Council and CHP if too many providers are chosen to receive funding.</p> <p>Action: The optimal number of CHPs will be considered further in the finalisation of the Distribution Plan.</p>

<p>The extremely high land values in the City in itself requires larger amounts to be provided to CHPs to support financially viable projects.</p> <p>Thought should be given to the administrative burden linked with the number of CHPs chosen and frequency of remittance of funds, together with the reporting requirements on how the money is quarantined, invested and spent which would be required from both Council and CHP.</p> <p>DCJ advises that the approach be considered for efficient delivery and value for money proposition.</p>	
<p>DCJ suggests Council might consider retaining a funding pool until such time as a sizeable amount has accumulated and then inviting CHPs to submit an EOI. DCJ considers that disbursing all accumulated funds to a single CHP through a competitive process would provide the best results in terms of affordable housing delivery within the City of Sydney boundary.</p>	<p>The City's preferred approach for the use of affordable housing contribution funds is to allocate them directly to a CHP. The benefits of this approach are to immediately move funds into the hands of the community housing sector who have the expertise to then purchase sites when they become available, without the need to wait for government to allocate them funding, and then develop them. It effectively allows CHPs to operate as a developer, without the challenges and uncertainties that may come from having to apply for grants on a case-by-case basis, allowing them to move forward with certainty.</p> <p>The City undertakes to do further work to determine the optimal number of CHPs funded at any one time.</p> <p>Action: The optimal number of CHPs will be considered further in the finalisation of the Distribution Plan.</p>
<p>DCJ acknowledges the significant achievements of their partnership with the City in jointly managing the planning and development of affordable housing in the LGA, particularly since 2015.</p> <p>The submissions notes there may be further opportunities for partnership in the future, including various tender programs run by DCJ and possible funding being explored through the Commonwealth Government's Housing Australia Future Fund (HAFF).</p>	<p>The City considers it prudent to delay the finalisation of the distribution plan given the fast-evolving housing policy landscape. Opportunities may arise from the introduction of the HAFF or complementary incentive/funding schemes that may be announce as the new state government resolves its approach to addressing the housing crises.</p> <p>Action: These opportunities will be further explored in the finalisation of the Distribution Plan.</p>

Attachment B

**Planning Proposal: City of Sydney
Affordable Housing Program Update
(as amended following public exhibition)**

Planning Proposal: Affordable Housing Program Update 2022



Contents

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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 any distribution plan adopted by Council;
 - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where the that 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; 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 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.

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 \$378 million in levies and provided about \$19 million in discounted land and about \$10 million in grants to not-for-profit housing providers. As at July 2022, the City has 1,427 built affordable housing units in the local area, 641 dwellings in the development pipeline and a further 701 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; and
- 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;
- 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	<p>In Green Square and the Southern Employment Lands:</p> <ul style="list-style-type: none"> 1% of non-residential floor space; and 3% of residential floor space. <p>In Central Sydney and on residual land:</p> <ul style="list-style-type: none"> 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 at 1 March 2022	<p>Funds from Green Square, Central Sydney and residual land is remitted to City West Housing</p> <p>Funds from the southern employment lands are remitted to the Department of Communities and Justice</p>
Revised City West Affordable Housing Program (Ultimo-Pyrmont)	<p>1.1% of non-residential floor space; and;</p> <p>0.8% of residential floor space</p>	The equivalent monetary contribution rate is expressed differently than the City's Program, but when adjusted is \$4,916/sqm	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 the interim plan for the distribution of affordable housing contribution funds. 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.

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~~ **have been** 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~~ **have been** made because of matters raised in submissions, **as noted in this planning proposal**.

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 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 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 in accordance with any distribution plan adopted by Council;
 - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where that Plan is repealed;
 - contribution funds arising from development in the Southern Employment Lands are allocated in accordance with any distribution plan adopted by Council; and
 - the Program is streamlined, with unnecessary information removed, and some minor house-keeping amendments made to clarify content.
- a reduced affordable housing contribution is facilitated where the required contribution would amount to more than 15 per cent of the agreed cost of construction, as outlined in the updated City of Sydney Affordable Housing Program.

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, on Pymont Peninsula land or on southern employment land **or on land at Ultimo-Pymont** is –“.

The purpose of this change is to increase the contribution requirement on land at Ultimo-Pymont 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-Pymont 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 on Pymont Peninsula land or **Ultimo-Pymont**, 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-Pymont.

6. In the Sydney LEP 2012, amend Clause 7.13(2) to replace the words “equivalent to” with the words “not exceeding”, as follows:

“The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring a contribution ~~equivalent to~~ not exceeding the applicable **affordable housing levy contribution** for the development provided for in subclause (2A), (2B) or (2C).”

Note: ‘Pymont Peninsula land’ is mapped as Ultimo-Pymont land in the Sydney LEP 2012. As the planning proposal will bring all Ultimo-Pymont land in line with contribution rates in Green Square, it is possible that in drafting the changes to Sydney LEP 2012, where a new rate is to be applied to all land in Ultimo-Pymont (equivalent to that that is being applied in Pymont Peninsula land), that references to ‘Pymont Peninsula land’ can be removed.

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 Pyrmont Peninsula Place Strategy Implementation: 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 Study, as finalised on 22 July 2022, is to be publicly exhibited with this planning proposal.

The Study included a recommendation that '*advance notice (at least 12 months) of Tier 1 AH contributions is provided to the market with savings provisions applying to applications lodged during this time.*' It is considered that as the Study was publicly exhibited in November 2021, together with the Explanation of Intended Effects that 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, that sufficient notice has been given to the market. Moreover, in expediting the exhibition this planning proposal, the market will receive close to an additional 12 months' notice of the contribution rate being increased (assuming the Gateway Determination timeframes are met).

It is also noted that development opportunities in Pyrmont Peninsular (Ultimo – Pyrmont) under current planning controls are largely exhausted and that little development is expected ahead of changes being made in Sydney LEP 2012 to a number of opportunity sites identified in the Place Strategy. It is intended the increased contribution rate would apply to the whole of the Pyrmont Peninsular in the Sydney LEP (and not just those sites induced into the Sydney LEP 2021 in July 2022), ahead of changes to planning controls on those opportunity sites being made. It is unlikely changes to the planning controls on opportunity sites would be made within 12 months of proposed changes to the rates being publicly exhibited.

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.

*This planning proposal will also support the revised City of Sydney Affordable Housing Program which introduces a reduced affordable housing contribution where the total amount would be unreasonable given the nature of development. Where development would result in an affordable housing contribution that is more than 15 per cent of the agreed cost of construction, the Program seeks to limit the required contribution to no more than 15 per cent of the agreed construction cost. To facilitate this intent, the current wording of Clause 7.13(2) in Sydney Local Environmental Plan 2012 must also be amended so that it requires a contribution *not exceeding* (as opposed to *equivalent to*) the applicable affordable housing levy contribution stated.*

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:

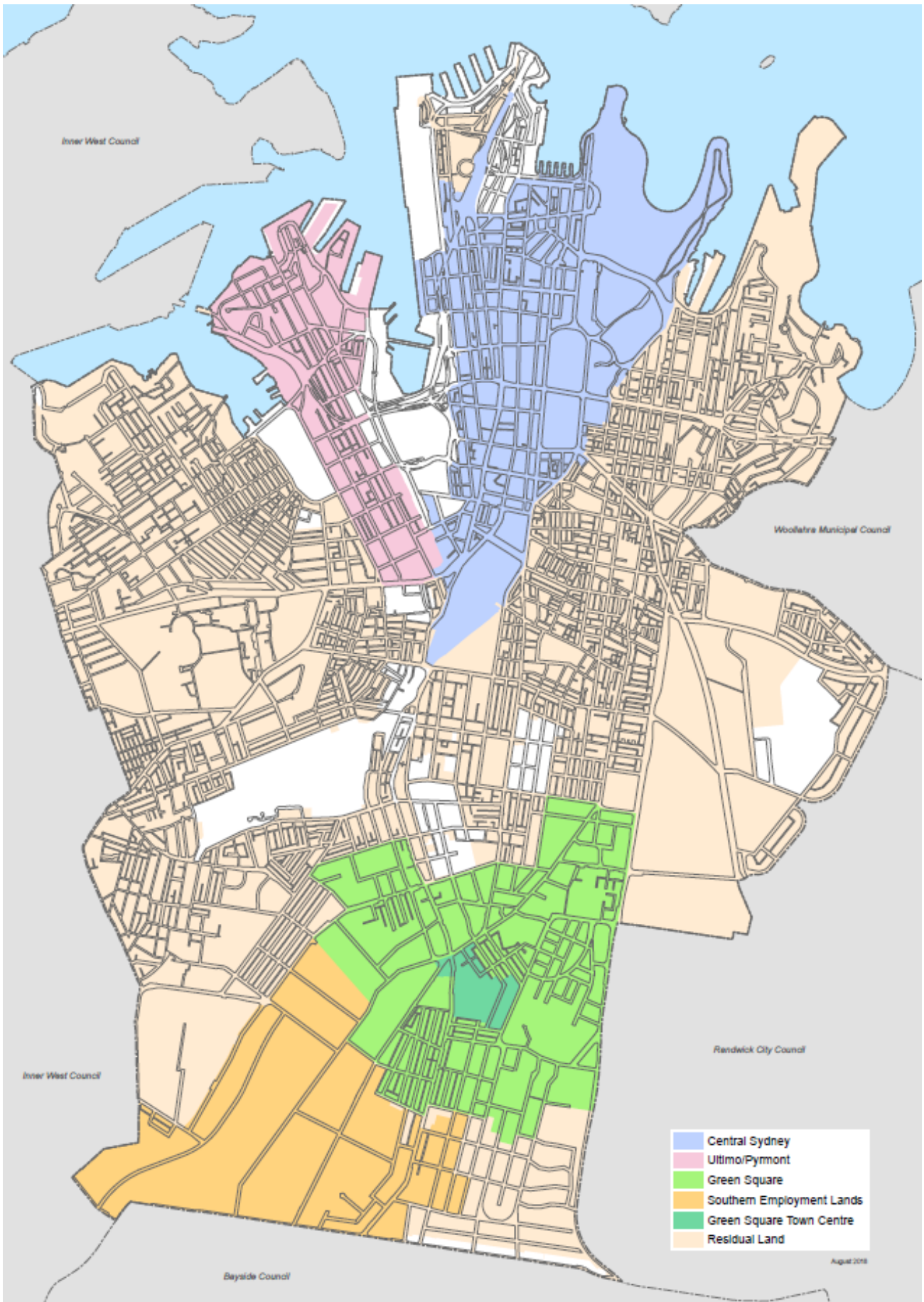
- ~~it~~ the rate that applies to Ultimo-Pyrmont is updated; **and**
- it reflects proposed changes to the contribution rates described in Section 5.1 of this planning proposal, **and**
- **it includes the rationale and justification for applying a contribution requirement in Ultimo-Pyrmont to satisfy the requirements of the Environmental Planning and Assessment Act 1979.**

The change to the Program is necessary to reflect proposed amendments to contribution rates, and to fully 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 (Figure 1).

Figure 1: Current application of the City of Sydney Affordable Housing Program



The current description and map in the Program together mean a contribution requirement 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 (noting some supplementary information is provided in the Program as it relates to Ultimo-Pyrmont).

It is proposed to amend the Program so that it applies to land in the Sydney LEP 2012. ~~identified as:~~

- ~~• land in Central Sydney;~~
- ~~• land in Green Square;~~
- ~~• land in Ultimo-Pyrmont;~~
- ~~• land in the Southern Employment Lands; and~~
- ~~• residual land.~~

The Program also applies to all land subject to the Green Square Town Centre LEPs and to 'Planning Proposal land' where it is identified in an LEP.

The Program will not apply to:

- development to which the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, where the plan has not been repealed; and
- other land in the City of Sydney where Sydney LEP 2012 and Green Square Town Centre LEPs do not apply.

It is proposed a map no longer be included in the Program. This is to provide flexibility where there are future changes to LEPs or SEPPs that affect the application of the Program. For example, if the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 was repealed, then the City's Program would automatically apply, and would not require a further planning proposal to amend to the Program to include it.

~~The draft Program has also been amended to ensure it can apply should any future Environmental Planning Instrument (EPI) be amended to include a provision requiring an affordable housing contribution be made in accordance with the Program. The amendment is intended to facilitate the long-term flexibility of the Program by minimising the need for additional amendments where there may be changes to state environmental planning policies and the like.~~

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 in accordance with any distribution plan adopted by Council;
- 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 Council;
- 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 Council; 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'. 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, **and pending further consideration of the issues raised**, 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 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 Sydney LGA 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 **current** Program, the City's consultant considered how identifying another Recommended CHP may impact on City West Housing. They noted 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 identifies City West Housing, St George Community Housing and Bridge Housing as Recommended CHP's. It says that affordable housing distribution funds arising from the City's levies be distributed equally amongst the three community housing providers commencing on a defined date. These providers have been identified as being the three most active providers in the City of Sydney with likely the most capacity and capability of utilising affordable housing funds to provide affordable housing in the local area.

It is the intent that further consultation with the community housing sector, housing experts and the City's Housing for All working group will test the approach put forward in the draft Interim Distribution Plan and inform the preparation of a final distribution plan to be adopted by Council.

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.

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.

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 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.

Planning proposal land contribution requirements

The framework for identifying 'Planning Proposal land' was first set out in Planning Proposal: Affordable Housing Review (2017). The approach has later been described, with a view to implementation, in Planning Proposal: Botany Road Precinct and Planning Proposal: Waterloo Estate (South), both of which, at the time of preparing this planning proposal, are in the LEP drafting phase.

The purpose of the Planning Proposal land framework is to provide a mechanism that allows sites and/or precincts, that are the subject of a future planning proposal (not this planning proposal) to create new residential floor area, to be added to a Schedule in an LEP to require an affordable housing contribution on that new residential floor space. The contribution rate that is to apply to Planning Proposal land is to be agreed with the proponent in preparing the planning proposal.

The Program establishes 'soft' contribution rates that might apply to the new residential floor space. That is, the rates are a starting point for discussion with a proponent who may seek a planning proposal to increase residential floor space on a site or across a precinct. For example, where there is a planning proposal to increase the amount of residential floor area on a site, the contribution rate in the Program might be applied to 'new' residential floor area in the LEP. 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 intent of the Planning Proposal land framework is to provide a flexible LEP mechanism to give effect to the District Plan requirement that 5 – 10 percent of new residential floor area to be provided as affordable housing, contingent on viability. Moreover, by providing a 'soft' contribution rate in the Program, advance notice is given to the market that the City will be seeking a contribution to affordable housing where there is a planning proposal to create new residential floor space. This is important to allow for planning decisions to be made by both government and proponents in a full understanding of what may be required where development uplift is facilitated through a planning process.

This planning proposal does not identify any Planning Proposal land and does not require an affordable housing contribution. It is simply an update of the soft contribution rates in the Program.

Contribution rates in the Program are provided for the west, south and east precincts of the City of Sydney, based on the geographies identified in the City of Sydney Developer Contributions Plan 2015. The rates 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 feasibility analysis demonstrates development will remain viable so long as the requirement for an affordable housing contribution does not exceed the identified contribution rate.

The rates require periodical review to ensure they continue to align with current market realities. The most recent reviews of the rates in the Program are to be publicly exhibited with this planning proposal, including:

- Affordable Housing Study: East and West Precincts Update, dated June 2021; and

- Sydney Affordable Housing Program - Review and Update to Southern Precinct Affordable Housing Rates, dated December 2020.

In the review of the west and south precinct no change is recommended to the rate.

In accordance with the recommendation in the most recent review of the east precinct, it is proposed to amend the Program to update the 'soft' contribution rate from 24 percent to 21 percent.

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 if there is a planning proposal that seeks new floor area for residential development. No specific viability testing has been undertaken for Central Sydney. As above, the application of any affordable housing contribution requirement would be subject to site-specific viability testing.

The proposed changes to the contribution rates for Planning Proposal land in the Program are shown at Table 3.

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.

** 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.

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.

Exemptions

The draft Program has been amended to clarify that any floor space in a building, that is a stand-alone building, and contains affordable housing provided in accordance with the Program, is exempt from making an affordable housing contribution. For example, if an affordable housing building included ancillary non-residential floor space at ground level, then a contribution requirement would not apply to the entire building.

Refunds for surrendered consents

The draft Program has been amended to provide guidance around the circumstances where

affordable housing contributions that have already been paid may be refunded.

Clarification has been included that where a development has not commenced and the original payee decides not to proceed with the consent, a refund of contributions already paid may be considered. This includes cases where the consent has lapsed. The payee would be required to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

Clarification on required tenure mix

The Program prescribes a tenure mix for dwellings in the Employment Lands and for dwellings being dedicated. The intention for the expressed tenure mix is currently unclear and has been clarified to ensure the desired mix of tenants over time.

Indexation

The equivalent monetary contribution amount in the Program is adjusted on an annual basis to ensure that the contribution rate keeps pace with the cost of providing housing. Contribution amounts captured in conditions of consent are also indexed in accordance with the Program to account for changes between the time of consent and the date of payment at first construction certificate.

The Program uses changes in the median strata dwelling price over time to do this, as published in the NSW Government's Rent and Sales Report. Currently, the Program compares the median price that was used to establish the current contribution rate with the most recently published median price in the Report.

The draft Program has been amended to update this method. It is proposed to establish new contribution rates using an average of the median strata dwelling prices from the four most recently published Rent and Sales reports. This will provide a fuller picture of the current housing market than relying wholly on one single quarter of data.

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 2030-2050 Continuing the Vision

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050 Continuing the Vision. This is consistent with and 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

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- 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
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 Pymont Peninsula Place Strategy	<p>Consistent. This Direction says a planning proposal authority must ensure that a planning proposal is consistent with the Pymont Peninsula Place Strategy.</p> <p>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.'</p>

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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
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	<p>Consistent. This planning proposal will:</p> <ul style="list-style-type: none"> • 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
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Focus area 9: Primary Production

9.1 Rural Zones	Not applicable
9.2 Rural Lands	Not applicable
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.~~

In accordance with the gateway, this planning proposal and accompanying documentation was exhibited from 18 October to 29 November 2022.

The City notified in writing about 9,100 landowners in Ultimo-Pyrmont of the exhibition. It also notified the 24 Tier 1 and Tier 2 community housing providers (CHPs) operating in the Sydney metropolitan area and peak housing bodies, including Shelter NSW and the Community Housing Industry Association (CHIA). The exhibition was also advertised on the City's Sydney Your Say webpage.

In accordance with the gateway, the following public authorities were also notified of the public exhibition:

- NSW Land and Housing Corporation (LAHC); and
- NSW Department of Communities and Justice (DCJ).

Twenty-four submissions in total were received, including 19 submissions from the general community, two from public authorities, and three from those CHPs that were identified as recipients of affordable housing contribution funds in the exhibited draft interim distribution plan. No further CHPs made submissions.

Some submissions from the community expressed strong support for increasing opportunities for the delivery of affordable housing, while others raised some concerns about more affordable housing in their local area. Submissions from the public authorities that were explicitly consulted expressed general support for the City's efforts in increasing affordable housing.

Submissions from Bridge Housing and St George Community Housing, being those CHPs proposed to receive contribution funds who previously have not, supported the wider distribution of affordable housing contribution funds. Despite all Tier 1 and Tier 2 CHPs operating in the Sydney metropolitan area being notified of the proposals, no other submissions from CHPs were received seeking participation in the City's Program.

A submission from City West Housing, that currently receives all of the affordable housing contribution funds (other than those generated in the Southern Employment Lands), generally supported the wider distribution of contribution funds over time. However, it raised concerns about the impact the change would have on its ability to deliver its significant development pipeline of over 500 dwellings in the City of Sydney local area, where funds that had previously been expected and relied on would no longer be forthcoming. It also raised concerns that affordable housing contribution funds being shared between three providers would spread funding too thin, and that it would take much longer for CHPs to amass sufficient funds to move forward with projects. This latter concern was also raised by DCJ in their submission.

These issues are still being considered and will inform the preparation of the final Distribution Plan.

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	19 August 2022
Pre-exhibition Final approval from Department of changes required by Gateway Determination	21 September 2022
Commencement and completion of public exhibition period	September 2022 – October 2022 18 October – 29 November 2022
Consideration of submissions	October December 2022 - April 2023
Post-exhibition review	June 2023
Submission to the Department for finalisation (where applicable)	no later than the end of June 2023
Gazettal of LEP amendment	no later than August 2023



Attachment C

**Draft City of Sydney Affordable Housing
Program Amendment 2022
(as amended following public exhibition)**

City of Sydney Affordable Housing Program

Adopted 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 XX XX XXXX and came into effect on 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 City of Sydney Affordable Housing Program, adopted by Council 24 August 2020.

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

1.3 Where does this Program apply?

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

- ~~land in Central Sydney~~
- ~~land in Green Square~~
- ~~land in Ultimo-Pyrmont~~
- ~~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)* **applies**.

This Program also applies to 'Planning Proposal land' where it is identified in ~~an~~ **the abovementioned local environmental plans (LEPs) or any other Environmental Planning Instrument (EPI).**

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 in the City of Sydney, **unless otherwise identified as applying in another EPI,** 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.

1.4 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 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.

1.5 Affordable Housing Principles

The City of Sydney affordable rental housing program principles are:

- affordable rental housing is to be provided and managed in the City of Sydney LGA so that a socially diverse residential population, representative of all income groups, is maintained
- affordable rental housing 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 the City, is consistent with other dwellings in the LGA.

1.6 Amending this Program

Amendment to this Program will generally require amendment to LEPs, **or other EPIs,** 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 does not require an amendment to LEPs or EPIs.

1.7 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 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.

Distribution Plan

Distribution Plan refers to any plan adopted by the City of Sydney Council for the distribution of affordable housing contribution funds arising from this Program.

Eligible Community Housing Provider

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

Environmental Planning Instrument (EPI)

An Environmental Planning Instrument (EPI) is a reference to a state or regional environmental planning policy or a local environmental plan.

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 a Distribution Plan as Recommended CHPs.

Very low to moderate income households

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 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), or another EPI, will establish the affordable housing contribution rate as it applies to land the development. The rate varies across different areas and types of land.

2.1.1 Green Square, Southern Employment Lands and Ultimo-Pyrmont

On land in Green Square, on land 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 this Program.

2.1.2 Central Sydney and residual lands

In Central Sydney and on residual land, on all development applications lodged after 1 July 2022, 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.

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 this Program.

2.1.3 Other land identified in an EPI where this Program is applied

On land identified in an EPI, where this Program is applied, the relevant affordable housing contribution rate will be set out in the EPI.

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

2.1.4 Planning Proposal lands

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

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

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

2.1.5 Satisfying a contribution requirement by making an equivalent monetary contribution

An affordable housing contribution requirement may be satisfied by making an equivalent monetary contribution. This requirement may be satisfied by the payment of money.

The equivalent monetary contribution amount for the period of 1 March 2023 2024 to 28 February 2024 2022 is ~~\$10,611.53~~ ~~\$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.

2.1.6 Satisfying a contribution requirement by dedicating dwellings

An affordable housing contribution requirement may be satisfied by dedication, free of cost, of affordable housing dwellings. 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 nominated or Recommended and 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 the City, 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 the City, 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..

* This tenure mix applies at first occupation of the dedicated dwellings. Recognising that the income of residents can vary over time, the tenure mix need only be reviewed at change-over of tenants to ensure the mix remains as close as possible to the required mix. In the interim, a CHPs portfolio can be managed to meet the required tenure mix of very low, and moderate-income households across the City of Sydney LGA.

The location, size and quality of affordable housing dwellings are to be to the satisfaction of the City and the receiving CHP. If they are not to satisfaction of both parties, the City 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.

2.1.7 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:

$$(1\% \times 1,000\text{sqm}) + (3\% \times 9,000\text{sqm}) = 280\text{sqm of dedicated floor area}$$

or

$$(1\% \times 1,000\text{sqm} \times \$10,588 - \$10,611) + (3\% \times 9,000\text{sqm} \times \$10,588 - \$10,611) = \$2,964,640 - \$2,971,080 \text{ equivalent monetary contribution}$$

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:

$$(1\% \times 3,000\text{sqm} \times \$10,588 - \$10,611) = \$317,640 - \$318,330$$

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

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

2.1.8 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:

$3\% \times 10,000\text{sqm} = 300\text{sqm}$ of dedicated floor area

or

$3\% \times 10,000\text{sqm} \times \$10,588 - \$10,611 = \$3,176,400 - \$3,183,300$ 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:

$(1\% \times 200\text{sqm} \times \$10,588 - \$10,611) = \$21,176 - \$21,222$

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

Note: In-kind contribution will not be suitable in a 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:

$3\% \times 800\text{sqm} \times \$10,588 - \$10,611 = \$254,112 - \$254,664$ 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.

2.1.9 Calculating the contribution on Planning Proposal land

On Planning Proposal land, the method for calculating the amount is set out in the relevant LEP, or other EPI.

2.1.10 Calculating the contribution on other land identified in an EPI where this Program is applied

On other land identified in an EPI where this Program is applied, the method for calculating the amount is set out in the EPI or, where it is not set out in the EPI, then will be set out in a supplementary note / guideline to this Program, adopted by the Minister for Planning or their delegate.

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):

- 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.

Where social/affordable housing floor space is being provided, in accordance with the Principles of this Program, a contribution requirement will not be applied to that floor space.

Where a building is predominantly affordable housing (with a small proportion of floorspace dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor space in that building.

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/Pymont), 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.

For example

The City receives a development application for the redevelopment of a large site in Green Square. The development will involve:

- the construction of seven 8-storey mixed use buildings for market housing and various non-residential uses; and
- one 6-storey mixed use building to be provided for affordable housing, with ground level retail.

A contribution requirement *will not* be applied to floor space in the entirety of the building to be provided for affordable housing, including the ground floor retail component. The contribution requirement *will* apply to the floor space in the remainder of the development.

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

2.4.1 For demolition or changes of 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 a CHP.

2.4.2 Surrendered consents

The City is not obligated under legislation to refund an affordable housing contribution payment. Nevertheless, the City may consider refunding a development contribution payment to the original payee where the development has not commenced and the consent will not proceed, as directed in writing by the payee, or where the consent has lapsed. In this case of former, the applicant will need to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

The City will only consider refunding the contribution when the City holds adequate contribution funds i.e., funds that have not yet been transferred to a Recommended CHP.

The applicant must apply for the refund in writing to the City.

Other than in exceptional circumstances, requests for refunds must be made within 12 months of paying the contribution for which the refund is sought.

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.

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:

$$\text{New Contribution Rate} = \text{Current Contribution Rate} \times (\text{MDP2}/\text{MDP1})$$

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 by averaging the four 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 2021 and the applicant does not wish to pay the contribution and develop the site until August 2024, 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:

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{R2/R1})$$

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 Use of contributions

2.9.1 How in-kind contributions are to be used

In-kind contributions of affordable housing dwellings are to be given/dedicated, free of cost, to a Recommended CHP, as identified in a Distribution Plan. In the circumstances that no Recommended CHP is willing to accept the in-kind contribution, then it may instead be given/dedicated by the developer to another Eligible CHP according to the terms of any planning agreement. 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.

2.9.2 How monetary contributions are to be used

Monetary contributions are to be given to Recommended CHPs in accordance with an adopted Distribution Plan.

3 Affordable housing on suitable employment land

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

3.1 Requirements for affordable housing on suitable employment land

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 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
- up to 70 per cent of dwellings are to be allocated to income-eligible employed households
- ~~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 Sydney LEP 2012 requires that any development for affordable housing is compatible with the existing uses and approved uses of land in the vicinity.

Proponents should seek pre-development application advice from the City on any proposal to develop affordable housing on employment land.

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.

Housing affordability may affect a city'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 across a range of sectors and include, amongst others, our health care technicians, cleaners, bus drivers, childcare workers, administrators, 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.”

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 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 include targets and actions for the provision of affordable housing through the planning framework. The plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

3.2 City of Sydney Council

The City of Sydney has a target that 7.5 per cent of private housing will be social housing and 7.5 per cent of private housing will be affordable housing.

4. Affordable housing need analysis

4.1 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.

4.2 Satisfying the requirements of the Act

This Program has been prepared in accordance with the requirements of the *Environmental Planning and Assessment Act 1979* (the Act), that is, those matters that are required by the Act to be considered when applying a condition of consent, have been considered. Where a condition of consent is applied in accordance with this Program, it is consistent with 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 provide¹.

The City of Sydney is identified in a state environmental planning policy (SEPP) as an area where there is a need for affordable housing.

Provided below is the rationale 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 SP5 Metropolitan Centre (formerly B8) in the City's planning controls. All development in Central Sydney, that is not minor 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

¹ Development must only satisfy one of these conditions for Council to be able to require a contribution.

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.

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.

Ultimo-Pyrmont

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 Ultimo-Pyrmont is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Ultimo-Pyrmont will reduce the availability of affordable housing within the area.

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 an around the area.

However, significant gentrification has occurred due to the urban renewal of the area, an accompanying investment in public infrastructure and a wider cultural shift towards inner-city living. As higher income households are attracted to the area, housing prices and rental costs are driven upwards, resulting in the reduction of rental stock availability for very low to moderate income households.

Development in Ultimo-Pyrmont will create a need for affordable housing

The planning controls in Ultimo-Pyrmont permit a range of commercial development to provide a variety of employment opportunities, including for lower paid occupations. The affordable housing provisions in Ultimo-Pyrmont reflect an expectation that people should be able to live and work within the same area.

New residents and workers in the area also generate a 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.

If affordable housing options are not provided in the area, the housing market will serve an increasingly smaller proportion of the population, narrowing the socio-economic diversity of Ultimo-Pyrmont and necessitating unsustainable travel behaviours for lower income workers.

Development in Ultimo-Pyrmont is allowed only because the land was rezoned

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 to ensure a socially diverse and sustainable community representative of all income groups.

The new planning provisions substantially affected and increased the development potential and land value of Ultimo-Pyrmont. This has been further impacted by the significant investment in infrastructure by the New South Wales and Commonwealth Governments to revitalise and redevelop the area. All landowners have and will continue to benefit from this increase in land value.

The increased land value has an impact on the affordability of housing in Ultimo-Pyrmont, particularly for the traditional low and moderate income residents of the inner city, as higher value uses are found for the land.

Green Square

The Green Square urban renewal area will provide housing for around 63,000 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 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.

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.

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, some of which will be for very low to moderate income earners who will seek affordable 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.

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. Previously the Southern Employment Lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the new zones enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on.

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

As the popularity of inner city living continues to 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.

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 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. As at 2017, it was anticipated that approximately 35% of projected dwellings growth in the city will be in the residual lands.

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 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.

5. Outcomes

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

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, or another EPI, as being required to make an additional contribution for affordable housing.

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

~~1. Applying a contribution rate to Planning Proposal land~~

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 or other EPI.

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

On Planning Proposal land, the contribution rate applied to new floor area achieved in the planning proposal to increase FSR is:

Precinct*	Contribution rate**
Central Sydney	13% subject to site specific viability testing
West precinct	12%***
South precinct	12%***
East precinct	21%***

* 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 contribution applies to new floor area that may be used for a residential purpose, that is, the contribution requirement will be applied to any additional floor area achieved on land zoned residential purposes, unless the whole of that site is restricted to a non-residential purpose.

*** The above Rates incorporate any requirement in an 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. *Where no other contribution requirement applies, the full 12 percent may be applied.*

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.

Explanatory note

Planning Proposal land contribution rates

Planning Proposal land 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

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.

How 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.~~

~~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.~~

2. Where other public benefits are offered

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.

Appendix C – Process for dedicating dwellings

This appendix provides guidance on the process for satisfying an affordable housing contribution requirement by dedicating affordable housing dwellings.

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

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) to establish an agreement for a community housing provider to accept the dedication of finished affordable housing dwellings.

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.

2. Development application

The development application to the City must:

- state the amount (the quantum of total floor area) of affordable housing floor area to be dedicated, and any residual amount for which to where a monetary contribution is required to be paid;
- 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 have the lowest amenity;
- 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 or alternative arrangements in a relevant planning agreement.
- if it is not a Recommended CHP ~~who~~ **that** will receive the contribution, evidence that all Recommended CHPs have declined to accept the dedication of the dwellings is required; and
- evidence ~~from~~ **that** the receiving CHP ~~they~~ **has** agreed to ~~and~~ accept the dwellings, **the terms of the agreement**, and ~~understand~~ the requirements of the Program **are understood**, 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.

3. Assessment

The City will:

- 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 developer amendments to improve the dwellings, or identify preferable dwellings, or instead require a monetary contribution.

4. 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 D

**Draft City of Sydney Affordable Housing
Contributions Interim Distribution Plan
(as amended following public exhibition)**

Draft City of Sydney Interim Affordable Housing Contributions Distribution Plan



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 commences on ~~that day~~ 1st July 2024.

The arrangement for the distribution of contributions that was in place on the day this Interim Distribution Plan was adopted by Council is to remain in place until this plan commences.

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;
- St George Community Housing;
- Bridge Housing.

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

Affordable housing contributions are to be distributed equally to Recommended CHPs identified in this Interim Distribution Plan.

~~3. Review of the Interim Distribution Plan~~

~~This Interim Plan is intended to be replaced following consultation with the Housing for All Working Group and the community housing sector 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 their consideration.~~



Attachment E

<h2>Gateway Determination</h2>

Gateway Determination

Planning proposal (Department Ref: PP-2022-2535): to update the City of Sydney Affordable Housing Program and associated references to the program in the Sydney Local Environment Plan 2012, the Green Square Local Environment Plan (Town Centre) 2013 and the Green Square Local Environment Plan (Town Centre – Stage 2) 2013.

I, the Director at the Department of Planning and Environment, as delegate of the Minister for Planning, have determined under section 3.34(2) of the *Environmental Planning and Assessment Act 1979* (the Act) that an amendment to the Sydney Local Environmental Plan 2012 (SLEP 2012), Sydney Local Environment Plan (Green Square Town Centre) 2013 and Sydney Local Environment Plan (Green Square Town Centre – Stage 2) 2013 to update the Affordable Housing Program and associated LEP references should proceed subject to the following conditions:

1. Update the planning proposal to accurately reflect the current wording of Clause 7.13(2A) and 7.13(4)(b) of the SLEP 2012
2. Review the extension of the Affordable Housing Program to Ultimo-Pyrmont with consideration to how it will address 'Pyrmont Peninsula land' that is already identified in Clause 7.13 of the SLEP 2012.
3. Provide a detailed explanation and justification for:
 - a. the proposed changes to 'planning proposal land' contributions and confirm when these contributions are expected to apply from
 - b. Proposed 'soft' contributions, including how they relate to 'planning proposal land' contributions, what planning proposal land this applies to (non/residential), how the contribution rate has been determined, and how it reflects the 10 per cent affordable housing target in the Region Plan.
4. Address the recommendations of the Affordable Housing Feasibility Study (Atlas Urban Economics, 29 July 2022), including the recommendation that application of the contributions be staged.
5. Provide justification for the inclusion of St George Community Housing as a recommended Community Housing Provider in the draft Interim Distribution Plan.
6. Include all supporting studies and analyses as part of the exhibition package.
7. Include a map that clearly identifies all areas that the Affordable Housing Program currently applies to, and all new areas proposed for inclusion.
8. Include an updated project timeline.
9. Public exhibition is required under section 3.34(2)(c) and clause 4 of Schedule 1 to the Act as follows:
 - (a) the planning proposal is categorised as standard is described in the *Local Environmental Plan Making Guidelines* (Department of Planning and Environment, 2021) and must be made publicly available for a minimum of 30 **working** days; and
 - (b) the planning proposal authority must comply with the notice requirements for public exhibition of planning proposals and the specifications for material that must be made publicly available along with planning proposals as identified in *Local Environmental Plan Making Guidelines* (Department of Planning and Environment, 2021).

The draft contributions plan for the Sydney LGA is to be exhibited at the same time and in the same way as the planning proposal (as far as practicable).

10. Consultation is required with the following public authorities and government agencies under section 3.34(2)(d) of the Act and/or to comply with the requirements of applicable directions of the Minister under section 9 of the EP&A Act:

- NSW Department of Communities and Justice
- NSW Land and Housing Commission

Each public authority is to be provided with a copy of the planning proposal and any relevant supporting material via the NSW Planning Portal and given at least 30 days to comment on the proposal.

11. A public hearing is not required to be held into the matter by any person or body under section 3.34(2)(e) of the EP&A Act. This does not discharge Council from any obligation it may otherwise have to conduct a public hearing (for example, in response to a submission or if reclassifying land).
12. Council has requested to be the local planning making authority, however the Department does not grant local plan-making authority.
13. The LEP should be completed on or before 19 August 2023.

Dated **19th day of August** **2022.**



David McNamara
Director
East and South (City)
Department of Planning and Environment

Delegate of the Minister for Planning and Homes

Attachment F

<p>Council and Central Sydney Planning Committee Resolutions</p>

Resolution of Council

27 June 2022

Item 8.2

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) 20

It is resolved that:

- (A) Council approve Planning Proposal - City of Sydney Affordable Housing Program Update, shown at Attachment A to the subject Information Relevant To Memorandum, for submission to the Department of Planning and Environment with a request for a Gateway Determination, subject to the planning proposal being updated in accordance with (D) below;
- (B) Council 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) Council approve the draft City of Sydney Affordable Housing Program Amendment 2022, shown at Attachment B to the subject Information Relevant To Memorandum, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal;
- (D) Council approve the draft City of Sydney Interim Affordable Housing Contributions Distribution Plan, shown at Attachment C to the subject Information Relevant To Memorandum, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal, subject to the draft City of Sydney Interim Affordable Housing Contributions Distribution Plan being amended to distribute all affordable housing contribution funds equally amongst City West Housing, St George Community Housing and Bridge Housing;
- (E) 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;

- (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) Council note further consultation will be undertaken with the Housing for All Working Group and the community housing sector to inform the final distribution plan which will be reported to Council for consideration.

The motion was carried on the following show of hands:

Ayes (9) The Chair (the Lord Mayor), Councillors Chan, Davis, Ellsmore, Gannon, Kok, Scott, Scully and Weldon

Noes (1) Councillor Jarrett.

Motion carried.

X084801

Resolution of Central Sydney Planning Committee

23 June 2022

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) 20

Moved by the Chair (the Lord Mayor), seconded by Mr Persson -

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 Information Relevant To Memorandum, for submission to the Department of Planning and Environment with a request for a Gateway Determination, subject to the planning proposal being updated in accordance with (D) below;
- (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 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 Information Relevant To Memorandum, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal, subject to the draft City of Sydney Interim Affordable Housing Contributions Distribution Plan being amended to distribute all affordable housing contribution funds equally amongst City West Housing, St George Community Housing and Bridge Housing;

- (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;
- (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.

Carried unanimously.

X084801