

Item 7.

Post Exhibition - Planning Proposal - Affordable Rental Housing Review - Sydney Local Environmental Plan 2012 and Affordable Housing Program and Pre Exhibition - Planning Proposal - Affordable Rental Housing Review - Green Square Town Centre

File No: X008764

Summary

The high cost of housing is an important economic and social issue in Sydney, particularly within the City's local government area (LGA) where housing prices are amongst the highest in Australia. Increasing the amount of affordable rental housing available for low income households is an urgent priority for the City.

Sustainable Sydney 2030 establishes an ambitious target that, in 2030, 7.5 percent of housing will be social housing and 7.5 percent will be affordable rental housing. Over 9,700 additional affordable housing dwellings are required to be delivered in the LGA by 2030 to achieve this target.

The Eastern City District Plan (District Plan) released by the Greater Sydney Commission in March 2018 includes actions for the provision of affordable housing through the planning framework and establishes an affordable housing target of five to 10 percent of new residential floor area, subject to viability. The plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

The Planning Proposal: Affordable Housing Review (Planning Proposal), shown at Attachment A, follows the release of the District Plan and a review of affordable housing needs and supply in the City of Sydney LGA. It will make a number of changes to the existing affordable housing provisions in the Sydney Local Environmental Plan 2012 (Sydney LEP 2012) to expand contribution requirements for affordable housing when land is being developed. It also streamlines the City's current processes and practices to facilitate the delivery of affordable housing.

The City of Sydney Affordable Housing Program (Program), shown at Appendix A to Attachment A, provides more detailed provisions to guide the operation of contribution requirements under the Sydney LEP 2012. The Program extends and consolidates the current affordable housing programs in operation in the Green Square renewal area (Green Square) and the Southern Employment Lands.

The purpose of the Planning Proposal and Program is to provide a comprehensive and transparent framework for the application of affordable housing contributions when land is being developed.

It is proposed the current affordable housing contribution schemes that operate in Green Square and the Southern Employment Lands be expanded to other land in the LGA, including Central Sydney and land referred to as 'residual land'. Residual land is land in the LGA that is not in Central Sydney, Green Square, the Southern Employment Lands or Ultimo/Pymont, and where council is the consent authority. The contribution requirement is to be introduced over a number of years to allow for market adjustment. Economic analysis has demonstrated the contribution requirement can be introduced without impacting on development viability.

In addition to the expansion of the affordable housing contribution requirement to Central Sydney and the remaining residual lands, a framework is proposed to add a new schedule to Sydney LEP 2012. The framework will enable sites, which benefit from increased development capacity and land value through a planning proposal, to be identified on the new schedule so they can make a supplementary affordable housing contribution. The contribution requirement is to be commensurate with the increase in the development capacity provided for in the associated LEP amendment. Once included in the LEP, the contribution requirement is then applied through conditions on future development consents.

This proposed framework for sites where there has been a change to planning controls is to embed in the Sydney LEP 2012 that where there is an increase in development capacity, development contributes to the provision of critical infrastructure, including affordable housing.

The contribution rates proposed for these sites in many cases may exceed the minimum target rates of five percent included in the District Plan. The proposed rates are underpinned by the City's longstanding practice of directing towards the public benefit 50 percent of land value uplift resulting from changes to planning controls. Land valuation testing shows that development viability is not adversely impacted if it is reflected in land price.

It is estimated the expansion of the City's current affordable housing schemes to residual land will result in approximately 590 affordable rental housing dwellings in addition to the 1,335 estimated under current schemes in Green Square, Ultimo/Pymont, the Southern Employment Lands, and the proposed Central Sydney scheme. This is an increase of over 40 percent.

This estimate does not take into account the additional affordable housing outcomes that may be achieved as community housing providers leverage properties and ongoing rental streams to provide more affordable housing. Also not taken into account is the opportunity for the NSW government to provide at least 10 percent of residential development on state owned sites as affordable housing.

Additional affordable rental housing dwellings will also result on sites identified on the new schedule proposed in Sydney LEP 2012 though, because there are no available projections for how much floor area will result from future changes to planning controls, outcomes cannot be estimated with any certainty.

Council and the Central Sydney Planning Committee (CSPC) approved the Planning Proposal and draft Program for public exhibition on 27 March 2017 and 23 March 2017 respectively. A conditional Gateway for the Planning Proposal was issued in January 2018. The report follows the public exhibition from 25 June 2018 to 23 July 2018.

The City received 80 submissions, including 64 from individuals and 16 from organisations, including community housing providers, development groups and peak representative bodies.

A number of submissions were written in support with some concerns and/or suggested improvements. Likewise, a number of submissions were written in objection to all or most elements of the Planning Proposal, though the majority of these submissions concurred with the need for a substantial increase in the quantum of affordable housing in the LGA and wider Sydney. Issues canvassed in submissions range from economic to social concerns, and concerns about the impact on infrastructure. An extensive summary of submissions, and response to issues raised, is provided at Attachment E.

Following consideration of submissions, a number of amendments are recommended to the publicly exhibited Planning Proposal and Program. A schedule of post-exhibition changes is attached at Appendix E of Attachment A.

This report recommends Council approve the Planning Proposal and Program following public exhibition, review of submissions and consequent amendment. If approved, the Planning Proposal will be referred to the relevant local plan-making authority to be made as an LEP.

This report also recommends the public exhibition of Planning Proposal: Affordable Housing Review - Green Square Town Centre (Town Centre Planning Proposal). The Town Centre Planning Proposal is to address an omission in the original Planning Proposal, that inadvertently excluded the proposed new planning controls and Program from areas to which the Green Square Town Centre LEPs apply.

Recommendation

It is resolved that:

- (A) Council note the matters raised in response to the public exhibition of Planning Proposal: Affordable Housing Review and draft City of Sydney Affordable Housing Program as shown Attachment E to the subject report;
- (B) Council approve Planning Proposal: Affordable Housing Review, shown at Attachment A to the subject report, and refer the Planning Proposal to the relevant local plan-making authority to be made as a local environmental plan;
- (C) Council adopt the City of Sydney Affordable Housing Program, shown at Appendix A to Attachment A to the subject report, specifying the date of publication of the local environmental plan as the date the approved affordable housing program comes into effect;
- (D) authority be delegated to the Chief Executive Officer to make any variations to Planning Proposal: Affordable Housing Review, shown at Attachment A to the subject report, and City of Sydney Affordable Housing Program, shown at Appendix A to Attachment A to the subject report, to:
 - (a) include additional information, such as examples, in the Program to reflect the final drafting of clauses in the local environmental plan; and
 - (b) correct any minor errors prior to finalisation of the local environmental plan.
- (E) Council approve Planning Proposal: Affordable Housing Review - Green Square Town Centre, shown at Attachment D to the subject report, for submission to the relevant local plan-making authority with a request for a Gateway Determination;
- (F) if required by the Gateway Determination issued for Planning Proposal: Affordable Housing Review - Green Square Town Centre, shown at Attachment D to the subject report, Council approve the Town Centre Planning Proposal for public authority consultation and public exhibition in accordance with any conditions required in the Gateway Determination;
- (G) authority be delegated to the Chief Executive Officer to make minor changes, including any changes required by the relevant local plan-making authority as a condition of the Gateway Determination to the Planning Proposal: Affordable Housing Review - Green Square Town Centre, shown at Attachment D to the subject report, to prepare it for public exhibition; and
- (H) contingent on no submissions being made to the public exhibition of Planning Proposal: Affordable Housing Review - Green Square Town Centre, shown at Attachment D to the subject report, and no changes being made to the Planning Proposal, authority be delegated to the Chief Executive Officer to approve the Town Centre Planning Proposal, and refer it to the relevant local plan-making authority to be made as a local environmental plan.

Attachments

- Attachment A.** Planning Proposal - Affordable Housing Review - Post Exhibition (additions in bold, with deletions struck-through).
- Attachment B.** Resolutions of Council and the Central Sydney Planning Committee
- Attachment C.** Gateway Determination
- Attachment D.** Planning Proposal - Affordable Housing Review - Green Square Town Centre
- Attachment E.** Summary of and Responses to Matters raised in Submissions

Background

1. 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.
2. The Metropolis of Three Cities: Greater Sydney Region Plan 2018 (Region Plan) and the Eastern City District Plan (District Plan) were released by the Greater Sydney Commission in March 2018. The Plans establish affordable housing targets and require councils to prepare a Housing Strategy that provides a planning pathway for achieving the targets.
3. The Region Plan establishes an affordable housing target of five to 10 percent of new residential floor area, subject to viability. The target is aimed at housing those most in need, specifically very low and low income households. The Plan requires councils to develop local housing strategies to address the range of housing needs, including affordable housing.
4. Sustainable Sydney 2030 establishes an ambitious target that in 2030, 7.5 percent of housing will be social housing and 7.5 percent of housing will be affordable rental housing. From 2018 numbers, over 9,700 additional affordable housing dwellings are required to be delivered in the LGA by 2030 to achieve this target.
5. Three affordable housing 'schemes' currently operate in the LGA, including in:
 - (a) Ultimo/Pymont, introduced in 1996, which requires 0.8 percent of residential floor area and 1.1 percent of commercial floor area be provided as affordable housing;
 - (b) Green Square urban renewal area (Green Square), introduced in 1999, which requires three percent of residential floor area and one percent of commercial floor area be provided as affordable housing; and
 - (c) Southern Employment Lands, introduced in 2015, which requires three percent of residential floor area and one percent of commercial floor area be provided as affordable housing.
6. In July 2018, a total of 835 affordable housing dwellings were located in the LGA with an additional 586 in the development pipeline or announced.
7. The majority of existing affordable housing dwellings in the LGA have been built and are managed by City West Housing, which is currently the beneficiary of monetary contributions made under the Green Square and Ultimo/Pymont schemes. In the Southern Employment Lands, where the contribution requirement is relatively new and has not as yet resulted in any affordable housing, contributions are to be available amongst multiple community housing providers.
8. The City also uses other approaches to increase the amount of affordable housing where opportunities arise. Some examples include:
 - (a) in 2009 the City entered into a planning agreement for the dedication of land for affordable housing at Harold Park. The land was purchased by City West Housing, partly using funds raised from the Ultimo/Pymont contribution scheme, and will be developed for 78 affordable housing dwellings;

- (b) in 2010, the City sought expressions of interest for the sale of land for affordable housing at Portman Street, Zetland. The land was purchased by City West Housing, partly using funds raised from the Green Square contribution scheme, and developed for 104 affordable housing dwellings;
 - (c) in 2013, the City entered into a planning agreement for affordable housing to be provided in conjunction with the redevelopment of 87 Bay Street, Glebe. The approved development application is for 207 residential apartments, including 19 affordable housing units;
 - (d) in the review of planning controls in the City's Southern Employment Lands, a preferential LEP clause was applied to land rezoned from IN1 or IN2 Industrial to B7 Business Park to permit affordable housing, but not market housing. The approach creates a commercial advantage for community housing providers to purchase land in the zone, given there they do not compete for the land with other residential developers;
 - (e) in providing the Green Square to Ashmore connector road, currently under construction, Council sold land surplus to need to City West Housing and St George Housing to develop affordable housing. The land is in the B7 Business Park zone where affordable housing, but not market housing, can be developed. An estimated 300 affordable housing dwellings will be provided on these sites; and
 - (f) in 2015, Council adopted the 'Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas' (Guideline). The Guideline provides a framework for sharing the residual land value increase resulting from changes to planning controls, with 50 percent of the increase being returned to the area with the provision of infrastructure, in particular affordable housing. The first planning proposal under the Guideline was publicly exhibited in March 2018, together with a planning agreement securing a range of public benefits, including approximately eight affordable housing dwellings.
9. As outlined above, the planning mechanisms and policies used by the City to facilitate affordable housing have been developed over 20 years and have led to varying administrative processes and procedures.
10. This report recommends Council approve Planning Proposal: Affordable Housing Review (Planning Proposal), at Attachment A, following public exhibition and consequent review of the proposal. The Planning Proposal amends Sydney Local Environmental Plan 2012 (Sydney LEP 2012). Additionally this report recommends Council approve the City of Sydney Affordable Housing Program (Program) at Appendix A to Attachment A.
11. This report also recommends the public exhibition of Planning Proposal: Affordable Housing Review - Green Square Town Centre (Town Centre Planning Proposal). The Town Centre Planning Proposal is to correct an omission in the original Planning Proposal, that inadvertently excluded the proposed new planning controls and Program from areas to which the Green Square Town Centre LEPs apply. The Town Centre Planning Proposal will apply to the 14 hectare Town Centre area only.

Gateway Determination

12. Council and the Central Sydney Planning Committee (CSPC) approved the Planning Proposal and draft Program for public exhibition on 27 March 2017 and 23 March 2017 respectively. The Council and CSPC resolutions are at Attachment B.
13. The Department of Planning and Environment (Department) issued a conditional gateway determination (Gateway) for the planning proposal on 10 January 2018, shown at Attachment C. The Gateway required that prior to public exhibition that some changes be made to the Planning Proposal, including:
 - (a) incorporation of Central Sydney into the area to which the Planning Proposal and Program apply;
 - (b) further assessment of alignment with the then Draft Region and District Plans;
 - (c) removal of the provisions that would make it possible to apply an affordable housing contribution to exempt and complying development;
 - (d) extend the commencement date of contributions from the two years proposed by Council and the CSPC to three years with two year staging;
 - (e) provide further justification for and explanation of provisions for Planning Proposal land, and
 - (f) other minor inclusions.
14. As above, it is noted in the Planning Proposal reported to Council in March 2017, Central Sydney was excluded owing to a separate draft affordable housing program that was prepared as part of the Central Sydney Planning Strategy and accompanying planning proposal. The Gateway required the incorporation of Central Sydney into the Planning Proposal and Program, effectively bringing forward the operation of an affordable housing scheme in Central Sydney and removing it from the Central Sydney Planning Strategy and planning proposal (which is awaiting Gateway determination).
15. To inform the preparation of the Planning Proposal to which this report relates, a comprehensive review of all of the affordable housing programs in the LGA took place. The review was undertaken after the preparation of the draft Central Sydney Affordable Housing Program. Therefore a number of changes were made to the provisions and program that had previously been prepared for Central Sydney, so that it aligned with the Planning Proposal and LGA wide Program. Key changes include:
 - (a) alignment of exemptions from the need to make an affordable housing contribution;
 - (b) alignment of drafting instructions for new clauses in the Sydney LEP 2012.
16. As above, in the Planning Proposal reported to Council in March 2017, it was proposed that, where appropriate, an affordable housing contribution could be applied to complying development.

17. State Environmental Planning Policy (Exempt and Complying Development Codes) 2008 includes provisions that allow the change of use of floor area and the development of certain types of residential dwellings without development consent where a contribution requirement might be otherwise required if it were the subject of a development application.
18. The Gateway required the Planning Proposal be amended to explicitly exclude complying development from needing to make a contribution, owing to changes to the Act, which do not allow for the application of an affordable housing contribution requirement to exempt or complying development.
19. The City is currently in discussions with the Department to explore options to review this. It is the City's view that contributions that would otherwise be applied through the development application process should also apply where consent is achieved through a complying development pathway with the purpose of maintaining contributions for affordable housing.
20. The Gateway did not delegate authority to Council to draft and make the LEP. If approved by Council and the CSPP, the Planning Proposal will be referred back to the relevant authority for legal drafting and finalisation.
21. The Planning Proposal was amended in accordance with the requirements of the Gateway determination and re-submitted to the Department on 4 May 2018. Final approval for the public exhibition of the Planning Proposal was issued on 10 May 2018.
22. The Planning Proposal and draft Program were exhibited from 25 June to 23 July 2018. The City received 80 submissions, including 64 from individuals and 16 from organisations, including community housing providers, development groups and representative bodies. A summary of submissions, and response to issues raised, is at Attachment E. Key issues raised in the submissions are discussed later in this report.

Objectives and aims of the Planning Proposal

23. The Planning Proposal follows a comprehensive review of affordable housing needs and supply in the LGA. The resulting Planning Proposal makes changes to the current affordable housing provisions in the Sydney LEP 2012. It generally affects land where Council is the consent authority, shown at Figure 1, though in different ways. It does not affect the Green Square Town Centre (Town Centre), though it this area is proposed to be incorporated by a separate planning proposal process discussed later in this report.
24. The purpose of the Planning Proposal is to provide a consistent and transparent framework for the application of affordable housing contributions when land is being developed. A key objective of the Planning Proposal is to increase the amount of affordable housing to achieve the affordable housing targets in the Region Plan, District Plan and the City's Sustainable Sydney 2030.
25. The Planning Proposal is to amend Sydney LEP 2012 to:
 - (a) expand the operation of current affordable housing contribution schemes to where it does not currently apply, including Central Sydney and land referred to as 'residual land';

- (b) provide a framework to identify sites that will benefit from increased development capacity and land value through a planning proposal to change the planning controls, and require a supplementary affordable housing contribution. These sites are called 'Planning Proposal land'; and
 - (c) clarify what development is excluded from a requirement to make an affordable housing contribution.
26. The Planning Proposal is supported by the Program, shown at Appendix A to Attachment A, which contains the operational details for the collection and distribution of affordable housing contributions.
 27. The Green Square program will also continue to apply to land subject to the South Sydney Local Environmental Plan 1998. This includes a small strip of land along Gardeners Road as well as state government owned land at Waterloo, including the Waterloo Estate that has been declared a potential State Significant Precinct under the State Environmental Planning Policy (Major Development) 2005.
 28. The Program replaces the Green Square and Southern Employment Lands affordable housing programs currently in operation, however the current Green Square program will continue to apply to the Town Centre until it is incorporated into the Program that is the subject of this report. It is anticipated that the process to incorporate the Town Centre is likely to be finalised prior to the commencement of the new Program.
 29. The Program will also supplement the current City West (Ultimo/Pymont) program, but will not replace it. The operational details in the current program that applies to Ultimo/Pymont under Clause 7.13 of the Sydney LEP 2012 will continue to apply. However, Planning Proposal land that is identified in Ultimo/Pymont will also be subject to the requirements proposed in the Program.

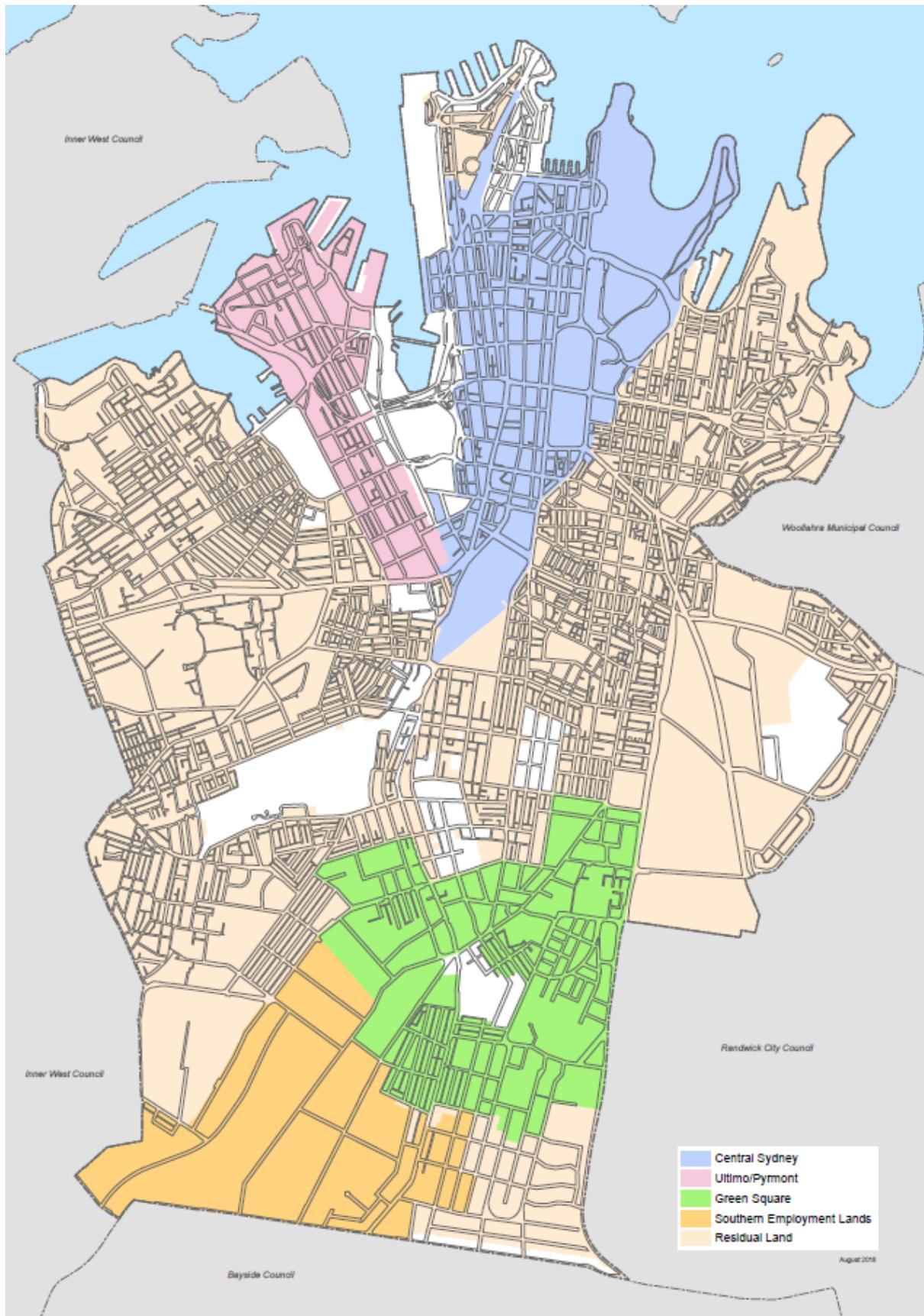


Figure 1: Land to which the Planning Proposal applies

30. The requirements contained in the Program are, in some cases, an extension of current requirements or practices under current affordable housing programs, and in others, are new requirements. The key changes and additions proposed in the Program include:
- (a) establishing the equivalent monetary contribution amount per square metre for affordable housing contribution rates contained within the Sydney LEP 2012;
 - (b) an effective increase in the equivalent monetary contribution amount as it applies to Green Square to bring it in line with the amount applicable in the employment lands;
 - (c) contributions collected in Green Square will be able to be spent anywhere in the LGA, where currently they must be spent within Green Square;
 - (d) establishing an approach to determine the appropriate contribution rate to apply to Planning Proposal land; and
 - (e) affordable housing contributions are to be collected by the City and passed onto City West Housing to provide affordable housing.
31. A detailed description of the proposed amendments and additions being made to Sydney LEP 2012 and to be effected by the Program are provided below.

Changes to Sydney LEP 2012

Expansion of affordable housing schemes to Central Sydney and residual land

32. The Planning Proposal amends the Sydney LEP 2012 to expand the operation of current affordable housing contribution schemes to all other land in the LGA where Sydney LEP 2012 applies.
33. The land that is affected by the new contribution requirement includes Central Sydney and residual land, shown at Figure 1.
34. The contribution rate requirement in Central Sydney and on residual land is shown at Table 1 below.

Table 1: Contribution rates in Central Sydney and on residual land (adjusted by requirement of the Gateway and to align dates with monetary rate indexation dates)

Date of determination of development application	Total floor area intended for non- residential floor area	Total floor area intended for residential floor area
To 31 May 2020	0%	0%
1 June 2020 – 31 May 2022	0.5%	1.5%
1 June 2022 onwards	1%	3%

35. The affordable housing contribution requirement can be satisfied by making:
- (a) an in-kind dedication to Council of finished affordable rental housing dwellings in the development; or
 - (b) an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing. The equivalent monetary contribution amounts are provided in the Program, discussed later in this report.
36. The contribution requirement is calculated in the development application process and applied under the Environmental Planning and Assessment Act 1979 (Act) as a condition of consent. This is the same way the contribution requirement is currently applied in Green Square, Southern Employment Lands and in Ultimo/Pymont.
37. A new contribution requirement on the remaining residual land and in Central Sydney is only to apply to development that is for the creation of new floor area or to change the use of existing floor area from non-residential to residential or tourist accommodation purpose.
38. It is noted this is different to how the contribution requirement applies to land in Green Square, the Southern Employment Lands and Ultimo/Pymont, which applies to all floor area in a building and where floor area is changing from one non-residential use to any other user. This is because land in Central Sydney and on residual land has not benefited from a rezoning that has increased the value of all land in the area. Therefore the contribution is calculated only on the new floor area and/or the floor area that is changing use.
39. The Act requires a local government area to be identified on a planning instrument as having need for affordable housing before it can impose an affordable housing contribution requirement under the Act. The City of Sydney, together with Canada Bay, Randwick, Ryde, Inner West, Northern Beaches and Willoughby council areas, is identified as having need for affordable housing under State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) (SEPP 70).

40. The Act further provides the circumstances under which a local authority may apply an affordable housing contribution requirement. The contribution requirement can be applied where Council is satisfied that development: 'will or is likely to reduce the availability of affordable housing within the area'; or it 'will create a need for affordable housing within the area'; or 'is allowed only because of the initial zoning of a site, or the rezoning of a site'.
41. An affordable housing needs analysis, provided as part of the Program at Appendix A to the Planning Proposal, identifies that as a result of development, the availability of affordable housing is diminishing in Sydney, particularly in high value areas such as the inner-city. The study shows a clear and critical need to provide more affordable housing for low to moderate income households. In addition, the additional development capacity on the land is only possible because the land has been the subject of a planning proposal.
42. A critical consideration in introducing new contribution requirements in the Sydney LEP 2012 is impact on development viability. Where development viability cannot be maintained, development will slow down, having a detrimental impact on the wider economy.
43. To understand the economic impacts of the proposed affordable housing contribution, and the impacts of an increased monetary contribution rate in Green Square, the City sought independent economic advice to test identified housing sub-markets. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the LGA and how they may be mitigated. The testing was necessarily generalised and does not reflect the individual circumstances of every site, however it reflects the economic circumstances of most land.
44. It finds that in the short term the immediate introduction of a contribution requirement in Central Sydney and on residual land would likely impact on development viability, but that there is scope to introduce a levy in the medium term where sufficient advance warning is given to the market.
45. Affordable housing contributions are only viable where the prices paid for development sites reflect the planning controls and applicable contributions liability. It is therefore imperative for any affordable housing contributions to be clearly defined so that prospective purchasers are informed at the outset and able to make informed decisions at the time of site acquisition.
46. The Planning Proposal therefore allows for the introduction of the affordable housing contribution in Central Sydney and residual lands over an extended period (see Table 1). This will not impact the development of sites already acquired and will allow market expectations to adjust prior to the contribution coming into effect.
47. In Green Square, the economic study found the increase in the equivalent monetary contribution rate would not impact on development viability. Notwithstanding this, following submissions made during public exhibition of the Program, the Program has been adjusted to allow for the current Green Square Program rates to continue to apply in Green Square until 29 February 2020. This will allow more time for the market in Green Square to adjust.

A framework for Planning Proposal land

48. The Planning Proposal amends the Sydney LEP 2012 to provide a framework to identify sites that will benefit from increased development capacity through a site-specific planning proposal process, and require a supplementary affordable housing contribution on that land, called the 'Planning Proposal contribution requirement'. This will give effect to the intent of the Region and District Plans to ensure that five to 10 percent of new residential floor area is provided as affordable housing.
49. To achieve this, the Sydney LEP 2012 will to be amended to include a new schedule for the identification of Planning Proposal land where additional affordable housing contributions are required following an increase in development capacity for residential development. Planning Proposal land is also to be identified on the Locality and Site Identification Map in the LEP.
50. The Planning Proposal contribution requirement will be commensurate with the increased development capacity achieved through a planning proposal, that is, the contribution will be expressed as a proportion so the greater the increase in development capacity under the planning proposal, the greater the affordable housing contribution that will be required when the land is subsequently the subject of a development consent.
51. The Program outlines how an appropriate contribution requirement is to be identified for Planning Proposal land. This, together with an analysis of the impacts on viability, are discussed later in this report.
52. The Planning Proposal contribution requirement will only apply to the new development capacity created by a site-specific or precinct based planning proposal. It does not apply to any existing development capacity and therefore does not replace any current affordable housing contribution requirement that may already apply to the land under Clause 7.13 of the Sydney LEP 2012. This means that on Planning Proposal land the current affordable housing contribution requirement under Clause 7.13 will apply to existing floor area, and the Planning Proposal contribution requirement will apply to the new floor area.
53. It is noted that should the Planning Proposal be adopted by Council, it will be sent to the relevant authority for legal drafting by Parliamentary Counsel of the clauses for insertion in the Sydney LEP 2012. More detailed explanation and examples of how the equivalent monetary contribution amount is to be calculated under the Sydney LEP 2012 will be included in the Program following finalisation of the clauses.
54. The schedule in Sydney LEP 2012 may also specify how the affordable housing contribution is to be satisfied, being by either:
 - (a) an in-kind dedication to Council of finished affordable rental housing dwellings in the development; or
 - (b) an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing. The equivalent monetary contribution amounts are commensurate with those applied under clause 7.13 and are provided in the Program, at Appendix A of Attachment A, discussed later in this report.

55. Once the land is identified on the LEP schedule and map, the contribution requirement is calculated at the development application stage and will be applied as a condition of consent. This is the same way the contribution requirement is currently applied in Green Square, Southern Employment Lands and Ultimo/Pymont.
56. The benefits of the proposed approach are:
- (a) it will help reach the targets set out in the Region and District Plans in the local planning framework;
 - (b) contribution rates have been established with reference to the various housing sub-markets to ensure they reflect particular market characteristics and that development viability is not adversely affected. This removes the need to undertake costly and time consuming site-by-site analysis. This approach is consistent with the Region Plan, which requires development feasibility be tested at a precinct scale;
 - (c) the contribution requirement will be established at the point of changing the planning controls. This will allow the contribution requirement to be factored into the cost of development, improving certainty for the landowner;
 - (d) a thorough assessment of the merits of a planning proposal establishes the appropriate building envelopes and infrastructure needs. The contribution is factored in at that time. This provides certainty to the community and does not rely on inappropriate 'bonus' development capacity to achieve infrastructure delivery, and
 - (e) it will provide a clear and consistent approach to securing contributions to affordable housing where there is an increase in development capacity. This increases certainty for landowners and developers and ensures equity in the application of contribution requirements.
57. A further benefit of the framework is in reduced planning proposal assessment timeframes. One of the biggest challenges to securing affordable housing through a site-specific planning proposal is the resources and knowledge required to negotiate a 'viable' outcome where changes are being made to planning controls. This is further complicated by the need to prepare what is often a complex planning agreement. The Planning Proposal provides a framework to establish a consistent approach to setting appropriate affordable housing contribution requirements.
58. By detailing the contribution requirement in the Sydney LEP 2012, and where the developer opts to make an equivalent monetary contribution, the need for a planning agreement relating to affordable housing at the planning proposal stage is removed, with the requirements for affordable housing being detailed in the Program.
59. This approach may be expanded to other local environmental plans that operate in the City of Sydney, should a planning proposal be received that affects those land.

Improving the interpretation and application of Clause 7.13 in the Sydney LEP 2012

60. The Planning Proposal amends Sydney LEP 2012 to clarify what development is excluded from a requirement to make an affordable housing contribution.

61. Clause 7.13 currently excludes development where it will result in the creation of less than 200 square metres and 60 square metres of residential and commercial floor area respectively. The intent of this exclusion is to enable minor additions without attracting an affordable housing contribution.
62. However, as currently worded, the clause also excludes development where a substantial change of use is being achieved, for example, where a warehouse building is being reused for residential development, but no new floor area is being created.
63. This is unintentionally contrary to the rationale for applying an affordable housing contribution to substantial development in areas that have benefited from an earlier rezoning, being Green Square, Ultimo/Pymont and the Southern Employment Lands. In these areas, all development, including development to change the use of the existing floor area, has benefited from the rezoning and should be required to make a contribution.
64. The proposed clauses in Sydney LEP 2012 are also intended to ensure the Program is directly referred to as the guiding document for the ongoing application of the LEP requirements and the administration of the Program. The current clause gives weight to the Program insofar as it establishes the equivalent monetary contribution amounts. This has left some ambiguity about the legal weight that should be granted the Program.
65. Drafting instructions for the amendment of Clause 7.13 is provided at Appendix B of the Planning Proposal.

Minimum size of dedicated affordable housing dwellings

66. It is proposed the minimum size of any affordable housing dwelling to be dedicated to Council be reduced to 35 square metres in Sydney LEP 2012, and a maximum dwelling size of 90 square metres be introduced in the Program. Currently, Clause 7.13 requires any dedicated dwelling be no less than 50 square metres, but does not specify a maximum.
67. The intent of the amendment is to reflect minimum studio dwelling size under the Apartment Design Guideline. The maximum, expressed in the Program, is proposed to ensure the affordable housing floor area resulting from the contribution scheme can accommodate families with children, but is also used efficiently and to the benefit of as many people as possible.

City of Sydney affordable housing program

68. The operational details for the collection and distribution of affordable housing contributions are contained within the Program, provided at Appendix A to the Planning Proposal.
69. The Program replaces the Employment Lands program and the current Green Square Program where it applies to land subject to the Sydney LEP 2012. It also supplements the current Ultimo/Pymont program.

- 70. The Program does not replace the Ultimo/Pymont program. The operational detail in the current program that applies to Ultimo/Pymont under Clause 7.13 of the Sydney LEP 2012 will continue to apply. However Planning Proposal land that is identified in Ultimo/Pymont will also be subject to the requirements proposed in the Program, that is, the Program will apply to land that is subject to a planning proposal to increase development capacity.
- 71. The key elements of the Program are described below. It is noted that in some cases they are an extension of requirements or practices under current affordable housing programs, and in others they are new requirements.

Determining the appropriate contribution rate for Planning Proposal land

- 72. Earlier in this report the proposed framework to identify Planning Proposal land was described. The Program provides in its appendices a standardised approach to establishing the contribution rate that will be applied to Planning Proposal land where there is an increase in development capacity on the land.
- 73. The proposed contribution rate from 1 March 2017 to 28 February 2018 is shown at Table 2 below. It is noted the precinct boundaries are the same as defined in the City of Sydney Development Contributions Plan 2015.

Table 2: Proposed contribution rates on Planning Proposal land, where there is an increase in FSR

Precinct	Proportion of additional floor area to be used for affordable housing
West precinct	12%
South precinct	12%
Eastern precinct	24%

- 74. It is noted no rate has been identified in Central Sydney. While land in Central Sydney may technically be identified on the schedule, it is expected a separate process will be applied following the implementation of the Central Sydney Planning Strategy.
- 75. The intention is for the Planning Proposal contribution rate to be applied only to the additional floor area facilitated by a planning proposal. Any other contribution requirement under Clause 7.13 will apply to existing floor area. It is noted that the expression of rates shown in Table 2 may be adjusted following drafting of the new clauses in the LEP so that this intent can be achieved.
- 76. The above contribution rates are applicable only where the site-specific or precinct based planning proposal is for floor space ratio (FSR) increase on land. They are not applicable where other changes to planning controls are being made, for example, where land is being rezoned or where there is significant increase in height. Where this is the case, a site-specific analysis may be undertaken to determine an appropriate contribution.

77. The above rates do not apply to the Southern Employment Lands investigation areas where land is rezoned from employment to residential uses. The approach adopted by Council in 2015 in its 'Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas' will continue to inform the consideration of planning proposals in those areas.
78. It is noted the Program provides only guidance on how a contribution rate should be established. The described approach is not binding on Council who may apply a different rate depending on the particulars of the planning proposal under consideration. For example, where it is a superior outcome, and where a landowner/developer has made an offer to enter into a planning agreement to provide other public benefits, the site may not be subject to a contribution rate but may make a public benefit contribution in an alternative form. For example, where the landowner offers to dedicate land for park, rather than make a contribution to affordable housing under the Sydney LEP 2012.
79. Landowners/developers may also opt to dedicate land for affordable housing. Where this occurs, the contribution will be secured by a planning agreement, rather than identifying the site on the schedule in Sydney LEP 2012. Land dedication is generally preferred owing the increased affordable housing outcomes that may be achieved where a community housing provider is the beneficiary of the land.
80. To establish the appropriate contribution rates, and to understand the economic impacts of the proposed contributions on Planning Proposal land, the City sought independent economic advice. The proposed contribution rates are underpinned by the City's longstanding practice of sharing in the residual land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing.
81. Residual land value is the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop, whilst achieving the developers required rate of return. This approach involves assessing the value of the completed product, making a deduction for development costs and a further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.
82. A commonly accepted benchmark is 50 percent of any residual land value gain being directed towards the public benefit. This underpins other approaches Council has applied to share value where there is FSR increase, for example the Community Infrastructure Scheme that operates in Green Square.
83. The methodology for establishing the contribution rates included feasibility testing to examine the quantum of value uplift that could result from a change in FSR and the potential for a proportion of the value uplift to be put to affordable housing outcomes. While highly variable across sub-markets, it found that generally 50 percent of residual land value gain is achieved where the rates in the above table are applied.
84. Contribution rates are proposed to be reviewed annually to ensure they continue to align with market conditions.

85. It is noted that, because the Planning Proposal contribution requirement will apply only to new floor area achieved through a change to planning controls, development viability will not be affected by the requirement. This assumes an understanding of the City's affordable housing requirements has been factored into the price paid for land, and that the land has not been speculatively purchased, assuming a change to planning controls.

Affordable housing dwelling requirements

86. The Program provides the requirements for any affordable rental housing dwellings that are to be dedicated to Council. Some changes and additions are proposed to arrangements under the current affordable housing programs.
87. The requirements are to ensure the dwellings are appropriate for purpose and that they align with the affordable housing principles in the Program and in SEPP 70, in particular that:
- (a) affordable rental dwellings are to be owned by government or a recommended or eligible community housing provider;
 - (b) affordable rental dwellings are provided in perpetuity;
 - (c) affordable rental dwellings are to be rented to very low, low and moderate income households for an absolute maximum of 30 percent of gross household income; and
 - (d) all rent received from the affordable rental dwellings, after deduction of management and maintenance costs, is to be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing.
88. The location, size and quality of affordable housing dwellings are to be to the satisfaction of Council and the receiving community housing provider. If not, Council may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution.

Equivalent monetary contribution amounts

89. The Sydney LEP allows for an equivalent monetary contribution instead of dedicating floor area. The Program provides the equivalent monetary contribution amount payable to Council, expressed as a dollar amount per square metre of total floor area.
90. In practice, the affordable contribution requirements under current affordable housing programs in Green Square and Ultimo/Pymont are typically satisfied by making monetary contribution. Funds are then passed to a community housing provider to build and manage affordable housing.
91. In the Southern Employment Lands, Central Sydney, on residual land and on Planning Proposal land, the Program states the equivalent monetary contribution amount for the period of 1 March 2018 to 28 February 2019 is \$10,588.00 per square metre. This is a different way of expressing the contribution amount than current Programs.
92. In Green Square, the current Green Square Program rate of \$8,163.00 per square metre (adjusted from the 1 March 2018 to 28 February 2019 period) will continue to apply until 29 February 2020. From 1 March 2020 the rate of \$10,588.00 per square metre (adjusted from the 1 March 2018 to 28 February 2019 period) will apply.

- 93. The rates quoted above are expressed differently to how they are expressed in the current Green Square and the Southern Employment Lands programs, but this does not affect the total amount the landowner or developer would be required to contribute. This is demonstrated at Tables 4 and 5 of this report.
- 94. The equivalent monetary contribution amount is calculated on the ‘total floor area’ to which the development application directly applies. The calculation of total floor area is defined by the Sydney LEP 2012. This is consistent with current practice.
- 95. On Planning Proposal land, the equivalent monetary contribution amount is to be calculated on the additional development capacity facilitated by a site-specific planning proposal.

Increasing contribution rates in Green Square

- 96. In Green Square, the Program proposes an increase to the equivalent monetary contribution amount so that it aligns with the Southern Employment Lands and the proposed Central Sydney programs which more accurately reflect the full cost of delivering a square metre of affordable housing.
- 97. The amount is based on the median strata dwelling price in the LGA and assumes that if a community housing provider is unable to purchase land in the LGA to develop affordable housing that a suitable dwelling could be purchased on the private housing market.
- 98. The effective increase for the period from is shown at Table 3 below.

Table 3: Proposed increase of equivalent monetary contribution amount

	Current Green Square Program	Program
Equivalent contribution amount for 3% of residential total floor area	\$244.99	\$317.65
Equivalent contribution amount for 1% of non-residential total floor area	\$81.63	\$105.88

- 99. As discussed above, the current Green Square Program rates will continue to apply in Green Square until 29 February 2020.
- 100. These monetary rates are expressed differently in the Program to allow for a different calculation approach. This is discussed further below.
- 101. Economic testing of the impact of increasing the equivalent monetary contribution in Green Square indicates the market could tolerate the increase without having any negative impact on development viability.

102. The testing recognises the affordable housing levy in Green Square was established in 1999 and does not reflect full development costs today. Inherent in the levy is the assumption that land will be available. This means it costs developers less to contribute cash rather than in-kind in dwellings. The contribution rates in the current Southern Employment Lands program and proposed Central Sydney program are premised on the Sydney median unit price and therefore reflect a realistic cost to purchase.

Calculating the equivalent monetary contribution payable

103. The equivalent monetary contribution amount in the Program is expressed differently than in current programs. However, this does not change the resulting contribution amount.

104. Under current schemes, the monetary contribution amount is expressed as a dollar amount per square metre of all the total floor area built on site. The Program calculates the contribution as a dollar amount per square metre of applicable floor area. For example, a contribution for a new 5,000 square metre commercial development would be calculated as shown in Table 4 below.

Table 4: Calculating a contribution under the Program - commercial

	As calculated under current schemes	As calculated under the Program
Total monetary amount	5,000 * \$105.88 = \$529,400	1% * 5,000 * \$10,588 = \$529,400

105. A contribution for a new 5,000 square metre residential development would be calculated as shown in Table 5 below.

Table 5: Calculating a contribution under the Program - residential

	As calculated under existing schemes	As calculated under this Program
Total monetary amount	5,000 * \$317.65 = \$1,588,250	3% * 5,000 * \$10,588 = \$1,588,200

106. The change in approach is because:

- (a) under current affordable housing programs, the equivalent monetary contribution amounts specified are for three percent and one percent contribution rate in the Sydney LEP 2012. The new approach in the Program allows for a total monetary amount to be calculated irrespective of the contribution rate in the Sydney LEP 2012; and

- (b) the proposed approach in the Program will substantially simplify calculation of contribution requirements where a landowner opts to satisfy a contribution partly as dwellings and partly as monetary contribution. For example, under the current Green Square program, if the landowner was required to dedicate three percent of a 10,000 square metre residential development for affordable housing (being 300 square metres), but the amount of floor area identified as affordable housing on the plan amounts to only 260 square metres, then establishing the monetary contribution required is mathematically complex and potentially confusing for applicants and assessing planners.

How are monetary contributions paid and who are they allocated to?

107. The Program includes requirements for how affordable housing contributions collected are to be allocated to a community housing provider and used.
108. Currently, contributions collected in the Southern Employment Lands are paid to the City and passed to the NSW Department of Family and Community Services who are responsible for distributing funds to Tier 1 and Tier 2 community housing providers to build and manage affordable housing in the LGA. This approach is to be retained in the Program for money collected in the Southern Employment Lands.
109. Currently, contributions collected in Green Square are paid to the Department of Planning and Environment and passed to the only recommended community housing provider listed in Schedule A of the Green Square program, being City West Housing. This approach is broadly retained in the Program, though it is proposed the process for payment be simplified by allowing landowners to make payment directly to the City who will then pass the funds to the community housing provider. Further discussions with the Department of Planning and Environment to facilitate this change to the process are underway.
110. For Central Sydney, residual land and Planning Proposal land, the Program proposes funds be paid to the City and passed to any recommended provider identified on the Program, currently proposed as City West Housing only.

How are dedicated affordable housing dwellings to be allocated?

111. The Planning Proposal requires that where the landowner or developer opts to dedicate affordable housing dwellings that they be dedicated to Council free of charge. Council may then transfer the dwellings to a community housing provider to be owned and managed in perpetuity as affordable rental housing for very low to moderate income households.
112. The Program proposes that where the landowner or developer opts to dedicate affordable housing dwellings that Council will transfer them to a recommended community housing provider identified on Schedule A, for nominal cost. Where any recommended community housing provider opts not to receive the dwellings, they will be transferred to another registered Tier 1 or Tier 2 community housing provider.
113. This changes the approach currently taken under the Southern Employment Lands program where dwellings are required to be dedicated free of charge to a community housing provider nominated by the NSW Department of Family and Community Services. The change aligns the Program with the requirement of the Act that the affordable housing first come to Council before being transferred to a community housing provider.

Development that may not be required to make a contribution

114. The Sydney LEP 2012 stipulates what development may be subject to an affordable housing contribution.
115. The Program provides that Council may consider exempting development from an affordable housing contribution:
- (a) where affordable housing is being provided;
 - (b) if it is development that results in an affordable housing contribution amounting to more than 15 percent of the agreed cost of construction, or where the cost of construction is less than \$100,000; or
 - (c) where the change of use is from:
 - (i) a commercial use or light industrial use to a general industrial use or heavy industrial use; or
 - (ii) a general or heavy industrial use to another general industrial use or heavy industrial use.
116. The intent of allowing for these exemptions is to:
- (a) ensure the contribution requirement does not unreasonably impact on the cost of development where the cost of development is relatively low; and
 - (b) ensure industrial uses, that have not benefited from increased land values following rezoning are not subject to a contribution requirement.

Indexing contributions

117. The Program requires adjustments are made to the equivalent monetary contribution amount annually in accordance with movements in the median house price in the LGA, as provided by the NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata (or equivalent). The City of Sydney's website will contain the current monetary contribution amounts, as indexed.
118. While generally consistent with the current approach in the employment lands, the Program amends the approach for Green Square where contribution rates are indexed with reference to the Australian Bureau of Statistics Established Housing Price Index.
119. The purpose of the change in Green Square is that movements in median housing prices more accurately reflect movements in local area housing costs. The Housing Price Index provides movements Sydney-wide.

When is a contribution to be paid?

120. The Program requires that payment of any monetary contribution amount required by a condition of consent be made prior to issue of any construction certificate.
121. While consistent with the current approach in the Southern Employment Lands, the Program amends the approach in Green Square where landowners or developers are currently able to provide a bank guarantee prior to construction certificate with cash payment required before occupation certificate.

122. Approximately one third of affordable housing contribution payments has been satisfied by bank guarantee since 2012. The system is complex to administer, requiring indexing of contribution payments prior to occupation certificate.
123. The system has also been misused as a tool to delay payment to a time where it may be more favourable for them to do so. For example, where a developer has provided a bank guarantee at the construction certificate stage, when it comes time to index the payment at occupation certificate stage, they will assess whether the payment will be higher or lower and will pay the contribution or not pay it and surrender the bank guarantee based on whether money will be saved.
124. The purpose of this change is to:
- (a) provide equity and align the payment requirements with all other payments that are required, such as Section 7.11 contributions (previously Section 94 contributions) and payments required under Clause 6.14 – Community Infrastructure floor area at Green Square;
 - (b) remove any extra incentive to make monetary contribution in favour of in-kind contribution;
 - (c) ensure funds are provided to community housing providers as early as possible so that they may participate in the market. Payment later in the development process, while favourable to the applicant who may 'save' on delaying payment, means that the community housing provider receives the funds later. The CHP cannot collect interest on the funds, cannot borrow against the funds, and cannot put funds towards a project to build affordable housing; and
 - (d) streamline and simplify the operation and administration of affordable housing contribution requirements in the LGA.

Where a previous contribution to affordable housing has been paid

125. The Program provides that, where a contribution has been paid on floor area previously, it may not be required to make an additional contribution in the event of further development, unless:
- (a) it is being demolished and being replaced with total floor area of the same or existing use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area; or
 - (b) 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.
126. This amends the current provision in the Green Square and Southern Employment Lands programs that, where floor area has been demolished and rebuilt, a contribution would not apply to any previously existing floor area. The purpose of amending this provision is:
- (a) it does not reflect the displacement or demand of more affordable housing as floor area is redeveloped for higher value accommodation or commercial uses; and
 - (b) it does not reflect the need for affordable housing generated by development.

Adding a recommended community housing provider

127. The Program identifies in an attached Schedule the 'recommended' community housing providers who receive affordable housing contributions collected in Central Sydney, Green Square, residual land and on Planning Proposal land. Currently, only City West Housing is identified on the Schedule.
128. This carries over from the existing Green Square and Ultimo/Pymont programs that identify only City West Housing as the recipient of funds under that scheme.
129. The Program provides the matters for consideration where an application is made by a community housing provider, which is registered under the National Regulatory Code as Tier 1 or Tier 2 provider, to be added to the Schedule. Considerations include:
 - (a) any potential impacts of adding a community housing provider on the outcomes of the schemes, for example, whether adding a provider would likely increase or decrease the number of affordable housing units resulting from the scheme;
 - (b) consultation with the NSW Department of Family and Community Services; and
 - (c) the impact on the programming and business planning of community housing providers already listed on the Schedule.
130. Before adding a community housing provider to the Schedule, the City will be required to develop a strategy for how funds are to be divided amongst multiple providers.

Affordable housing principles

131. The Program includes 'affordable housing principles' that provide overarching guidance to the operation of the contribution scheme. While generally remaining unchanged, the principles in the Program make some amendment to those under the current Green Square and Employment Lands programs. These changes are largely to align the wording.
132. The most significant change to the principles is it will allow all affordable housing contributions to be spent anywhere in the LGA. This specifically affects Green Square where expenditure of funds collected in Green Square are currently required to be spent in the Green Square renewal area.
133. This change in approach is made at the request of City West Housing, who is the only community housing provider listed in the Green Square program to receive affordable housing contributions collected in Green Square. The copy of the request is provided at Appendix C of the Planning Proposal. The reason given by City West Housing for the request is that it is increasingly difficult to secure land within the LGA and that the limitations placed on where the contributions can be spent only makes it more difficult.

Planning Proposal: Affordable Housing Review - Green Square Town Centre

134. This report recommends Council approve Planning Proposal: Affordable Housing Review - Green Square Town Centre (Town Centre Planning Proposal), shown at Attachment D, for submission to the relevant local plan-making authority with a request for a Gateway Determination.

135. The Town Centre Planning Proposal is to correct an omission in the original Planning Proposal that is the subject of this report, that inadvertently excluded the proposed new planning controls and Program from areas to which the Green Square Town Centre LEPs apply. The only possible remedy to address this error under the Act is through a further planning proposal.
136. The Town Centre Planning Proposal replicates the Planning Proposal and Program that is the primary subject of this report.
137. Owing to the extensive consultation of the Planning Proposal and Program, that is the primary subject of this report, and the clear intent that it should apply to all of Sydney LGA, it is envisaged a Gateway determination will be issued with minimal or no public consultation requirement.
138. This report recommends that, contingent on no submissions being made to any exhibition of the Town Centre Planning Proposal, authority be delegated to the Chief Executive Officer to approve the Town Centre Planning Proposal, and refer it to the relevant authority to be made as a LEP.

Public Consultation - Discussion of submissions

139. The planning proposal and draft program were exhibited from 25 June 2018 to 23 July 2018. The City sent over 95,000 letters to property owners to notify them of the public exhibition and the exhibition was also advertised in the local newspapers, including Central, Inner West Courier, Wentworth Courier, Southern Central, and through the City's website and the 'Sydney Your Say' e-newsletter.
140. The City received 80 submissions, including 64 from individuals and 16 from organisations, including, community housing providers, development groups and peak representative bodies.
141. A number of submissions were written in support of the Planning Proposal, some with some concerns and/or suggested improvements. Likewise, a number of submissions were written in objection to all or most elements of the Planning Proposal, though the majority of these submissions concurred with the need for a substantial increase in the quantum of affordable housing in the LGA and wider Sydney.
142. An extensive summary of submissions, and response to issues raised, is provided at Attachment E, with key issues discussed below.

Schedule of recommended community housing providers

143. A submission from Link Housing argues that funds resulting from the Program should be available to Link Housing.
144. A submission from City West Housing argues that funds resulting from the Program are most efficiently used and result in the most affordable housing when managed by a single community housing provider. It is noted City West Housing is the only provider currently listed on Schedule A – Recommended Community Housing Providers of the Program.
145. It is the City's view that spreading the limited contributions across multiple providers would reduce the level of certainty with which City West Housing can undertake forward planning, for example, strategic land purchases for future projects.

146. Overall, it is considered that spreading funds across multiple providers would impact on City West's 10 year development plan and may reduce the amount of dwellings resulting from the Program.
147. City West Housing has a proven track record of using contribution funds resulting from the Program, delivering over 700 affordable dwellings in the City and supporting over 1,300 low income residents. An additional 500 dwellings are under development or in the development pipeline. City West Housing only operates in the City of Sydney, and as such has extensive knowledge of the community and of the challenges of owning and operating affordable housing in a dense urban environment. Developments by City West are generally well designed and well managed and are provided in perpetuity. Systems and processes have been designed to specifically deliver on the principles in the Program.
148. The City has a strong working relationship with City West Housing. While ownership vests with the State government by holding the company's only ordinary shares, the City has a stake in the organisation through its roles of one of ten preferential shareholders with a direct interest in expanding affordable housing in the City of Sydney. For clarity, the City has no financial interest in City West Housing.
149. It is noted that City West Housing relies heavily on the funds arising from the Program, owing to a corporate structure that limits the organisation's ability to participate in some State Government funding schemes, such as the Social and Affordable Housing fund, which are available to other community housing providers more generally.
150. City West Housing have, in their submission, indicated capacity to grow their organisation to manage the future opportunities that may arise from the expansion of the contribution schemes.
151. Notwithstanding the above, the Program allows for other community housing providers to make a properly constituted application to be added to Schedule by demonstrating that they can effectively and efficiently provide affordable housing in the LGA and that including them would not have a negative impact on the delivery of affordable housing.
152. Moreover, funds resulting from development in the southern employment lands are passed to the NSW Department of Family and Community Service (FACS) where funds are to be distributed to a range of community housing providers. Oversight of the distribution of funds is through a Program Steering Committee, established by the draft Program and comprising representatives from the City and FACS. The Committee's role is generally to provide advice on the timing and content of expressions of interest and tenders, and on how and to whom funds should be allocated. As sufficient funds become available, FACS will seek proposals from eligible community housing providers for projects within the LGA. Under the Program, collected funds are to be spent within the City of Sydney LGA.

Impact on viability

153. A number of submissions from peak developer groups, such as the Urban Taskforce, argue that some or all aspects of the Planning Proposal will make development unviable.

154. To understand the economic impacts of the proposed affordable housing contribution on the residual lands and Central Sydney, and the increase in the equivalent monetary contribution rate in Green Square, the City sought independent economic advice to test identified housing sub-markets in the LGA. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the LGA and how they may be mitigated. The testing was necessarily generalised and does not reflect the individual circumstances of every site, however it reflects the economic circumstances of most land.
155. The economic advice finds that in the short term the immediate introduction of a contribution requirement would likely impact on development viability in residual land and Central Sydney, but in Green Square, the increased rate would not impact on viability. However, the research also found that there is scope to introduce a levy in the medium term where sufficient advance warning is given to the market.
156. The introduction of a contribution will not affect the viability of development when development sites are priced to reflect the planning controls and applicable contributions, including affordable housing contributions. It is therefore imperative for any contributions to be clearly defined so that prospective purchases are informed at the outset and are able to make informed decisions at the time of site acquisition.
157. The Planning Proposal therefore allows for the introduction of the affordable housing contribution in Central Sydney and residual lands over a four year period (from 2018). This will not impact the development of sites already acquired where the development process has already commenced and will allow market expectations to adjust prior to the contribution coming into effect.
158. The Planning Proposal includes separate value sharing requirements for 'Planning Proposal land', which apply to the additional development capacity created by site-specific or precinct-based planning proposals. The proposed contribution rates in the Program are underpinned by the City's longstanding practice of equally sharing in the residual land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing.
159. The methodology for establishing the 'Planning Proposal land' contribution rates included feasibility testing to examine the quantum of value uplift that could result from a change in floor space ratio and the potential for a proportion of the value uplift to be put to affordable housing outcomes. While highly variable across sub-markets, on average 50 percent of residual land value gain is achieved with the rates in the Program.
160. Where the scheduled contribution requirements are only applied to new floor area achieved through a change to planning controls, development viability will not be affected by the requirement. This assumes the land has not been speculatively purchased with a predetermined assumption of a change to planning controls.
161. It is noted the Program only provides guidance on how a contribution rate should be established on Planning Proposal land. The described approach is not binding on Council, and a different rate may apply depending on the particulars of the planning proposal under consideration. For example, where a State Infrastructure Contribution applies or where a landowner/developer has made an offer to enter into a planning agreement to provide other public benefit, the site may not be listed as Planning Proposal land or the rate may be reduced.

Application of the levy to student housing

162. A submission from Sydney University argues they should be excluded from the need to make a contribution because they:
- (a) provide student housing at 25 percent below the costs generally charged for private student housing elsewhere in the LGA; and
 - (b) are a not-for-profit organisation and the contribution requirement would divert funds from other university programs, such as research.
163. In considering the concerns raised in the submission, the City does not support the exemption of the University from the requirement to make a contribution because:
- (a) the Program does provide exemption for affordable housing that is being provided in accordance with the affordable housing principles. This exemption may provide opportunities for the University to partner with community housing providers for a student housing model that aligns with the Programs principles;
 - (b) student housing being built by the University, while being rented at 25 percent below market value, does not align with the Principles of this Program. Moreover, it does not means test residents, so there is no certainty regarding access by target households, being very low to moderate income households;
 - (c) the Program provides no other exemptions for not-for profit development, irrespective to their activities. This is owing in part to an inability to determine where a distinct community benefit is arising from the activities of an organisation; and
 - (d) the City's affordable housing target, and this Planning Proposal and Program, is to ensure an increase in the supply of affordable rental housing for very low to moderate income households, including students and key workers, such as those that may be studying at or employed by the University. The University will benefit from the increase in affordable housing as much as any organisation in the City of Sydney.

Incentive schemes should be used to increase the amount of affordable housing

164. A number of submissions from peak bodies such as the Urban Taskforce argue that incentive schemes should be explored rather than levy schemes.
165. Incentive schemes for affordable housing, such as those available under State Environmental Planning Policy (Affordable Housing) 2009 have limited effectiveness in areas where land value is very high, and to date have not resulted in any affordable housing outcomes in the City of Sydney, though it has increased the stock of boarding houses and student accommodation.
166. Incentive schemes generally rely on increasing development capacity beyond the existing planning controls, with associated impacts on amenity.
167. The City's existing contribution schemes have resulted in over 800 affordable dwellings for low income households and are a proven approach to ensuring long term affordable housing stock is provided in the City.

Other methods of increasing affordable housing should be explored, such as build to rent

168. Some submissions from peak bodies argue that other methods of increasing affordable housing should be explored, such as build to rent models.
169. The City supports the development of new affordable housing models, recognising that a range of approaches are required to address the shortfall of affordable housing needed to achieve the City's targets. The City sees great potential in new models, such as build to rent, and looks forward to working with the development sector to develop these models.
170. Notwithstanding this, the build to rent model, and others like it, are in their infancy. They are not yet a viable alternative to the proven approach to ensuring long-term affordable housing stock in the City's existing contribution schemes.

The research underpinning the contribution requirement does not reflect the current market

171. Some submissions argue that the research underpinning the contribution requirement does not reflect the current cooling market.
172. The contribution requirement on Planning Proposal land is to be reviewed annually to ensure it continues to align with current local market conditions.
173. The contribution requirement under Clause 7.13 of the Sydney LEP 2012 moves in line with the median house price in the local government area. Therefore, where the market is cooling, the contribution requirement will be less to reflect developer profits and the cost of providing an affordable housing dwelling.

The contribution requirements will impact on wider housing affordability

174. Some submissions argue that the City should focus its policies on increasing supply to address housing affordability instead of adopting the contribution scheme.
175. Those levers that have the most effect on housing costs, such as taxation policy, cannot be affected by local government.
176. While Federal and State government policy responses to the increasing affordability crisis have largely focused on supply side, given the substantial demand side drivers in a market such as the inner-Sydney, house prices have remained at record high levels. Research shows that despite substantial completions over the last five years the Eastern District has experienced the sharpest increases in median dwelling prices compared with the preceding 15 years.
177. In the City of Sydney, as at June 2017, there were 120,000 dwellings with an additional 30,000 dwellings in the development pipeline. Despite some indication that the market is cooling in parts of Sydney, partially in response to increases in supply, it is unlikely any market correction would result in housing being 'affordable' for very low to moderate income households.

178. A 43 percent reduction in the median strata dwelling price or a 25 percent reduction in average strata rents are required for housing to be considered affordable for moderate income households. A moderation in housing costs of this scale is unlikely to occur through market forces, even taking into consideration a property market that is cooling. In addition, there is no evidence to suggest that incomes will increase at the same pace that house prices increase, suggesting the gap may widen even further. This has certainly been the experience of the last four decades. In 1975 the average first time buyer in Sydney would take three years to save a house deposit, today that has increased three times to nine years.

The one percent levy on commercial development will make providing commercial floor area difficult

179. Submissions raise concerns that the one percent levy on commercial development in Central Sydney will make providing commercial floor area even more difficult.
180. The one percent contribution requirement has applied to commercial development in Green Square and the Southern Employment Lands since the inception of those programs.
181. It is fair and reasonable that commercial development, which benefits from increased housing options for key workers, contributes to affordable housing. A one percent contribution requirement is unlikely to have a substantial impact on development viability.
182. The contribution rate applied to residential development is greater than the contribution rate applied to commercial development. The viability of commercial relative to residential development will not be impacted by the contribution requirement.
183. Given the long introduction period of the levy rate, that allows time for market adjustment, there is adequate time for purchasers to take into consideration the contribution requirement.

The increase in the Green Square contribution rate should be phased in like it is in Central Sydney and the residual lands

184. A number of organisational submissions raised concerns that the increase in Green Square would impact on current projects and that it should be phased-in to allow for market adjustment in a similar way that it is being phased-in in the residual lands.
185. In response, the Program has been adjusted to allow for the current Green Square Program rates to continue to apply in Green Square until 29 February 2020. A consistent approach is proposed in relation to the planning proposal for the Green Square Town Centre.

Increased anti-social behaviour, lower amenity, and resulting lowering of property values

186. A substantial number of submissions raise concerns that where affordable rental housing is developed there would be an increase in anti-social behaviour such as in crime, littering and noise impacts. Some submissions argue this would have a negative impact on the value of their homes.
187. It is noted that affordable housing that has resulted from the current contributions schemes are of high design quality and are in keeping with the local context of those areas.

188. There is no evidence to suggest that existing affordable housing in suburbs such as Ultimo, Pyrmont, Glebe or Zetland has had any negative impact on property values.

The contribution rates are not high enough

189. Seven submissions argue the contribution rates in the Program should be higher.

190. Rates are established at a level where they would not have unreasonable impact on the viability of development. Where viability is impacted, market housing cannot be provided, and contributions could not be paid.

191. To understand the economic impacts of the proposed affordable housing contribution the City sought independent economic advice to test identified housing sub-markets. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the LGA and how they may be mitigated.

An ownership model should be introduced

192. One submission suggests an ownership model should be developed for affordable housing.

193. The City agrees there is benefit in the State government developing a range of affordable housing models to satisfy diverse demand. However, the Planning Proposal is intended to increase the stock of affordable rental housing.

Affordable housing should be spread around the LGA and/or be physically included in new developments

194. Submissions include concerns that affordable housing will be too concentrated in a few areas of the City. Some submissions assert that affordable housing should be 'salt-and-peppered' within residential apartments (in-kind, on-site dedication) rather than in one building.

195. The Program allows for an affordable housing contribution to be satisfied by either:

- (a) an in-kind dedication to Council of finished affordable rental housing dwellings in the development; or
- (b) an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing.

196. While it is agreed that greater social outcomes may result where affordable housing is evenly spread through the LGA, it is also acknowledged that where funds are collected by community housing providers and developed as bespoke affordable housing products:

- (a) the dwellings are built for purpose to the requirements of community housing providers;
- (b) the dwellings are easier for community housing providers to manage because they are located together;
- (c) affordable housing is not subject to high strata fees, which in some cases may significantly decrease rental stream income;

- (d) the apartments are built with high quality, durable materials to allow for detailed future planning for management and upgrades; and
- (e) the developments do not include a developer profit margin.

197. In balance, it is considered reasonable to retain the ability of developers to satisfy a contribution requirement by making a monetary contribution.

Funds need to be used quickly and should not be held by the City of Sydney

198. A submission from the Property Council is concerned that funds should be used quickly and should not be held by the City of Sydney.
199. While it is intended the funds resulting from the Program will be paid to the City, funds continue to be immediately passed to a community housing provider to build and manage affordable housing in the local government area. The City will not retain any portion of the funds.
200. While it takes time to acquire appropriate sites, and large projects can take time to work their way through the development process, community housing providers are encouraged to use the funds as quickly as possible.

Affordable housing should only be kept as affordable housing for 10 years

201. A submission from the Urban Taskforce references the Affordable Rental Housing SEPP and a recent Landcom development which have affordable housing provisions which expire after 10 years. From this they assert that affordable housing under the City of Sydney program should also be subject to a 10-year timeframe, and that this would result in more affordable housing.
202. However, a 10-year model does not address the long-term need for affordable housing. The model is fundamentally unsustainable, requiring ongoing high levels of development and building 'churn' to replace expiring affordable housing stock while still attempting to deliver a net increase over time.
203. The claim that expired affordable housing stock will be more affordable due to its age is not supported by evidence. Property prices are largely determined by land values not building age, and a 10 year old property would not be considered degraded enough to command a discount at market.
204. The affordable housing model in the Planning Proposal provides property in perpetuity to community housing providers. This allows the sector to leverage its assets to borrow funds and invest in more affordable housing. The 10-year model promoted by Urban Taskforce does not have this benefit having only short-term merit.

It's not Council's role to provide affordable housing

205. One submission argues it is not the role of Council to provide affordable housing.
206. It is noted that, while providing housing for low income earners and those most vulnerable in society is traditionally the role of the State government, it is the planning system, as administered by local government, where a number of opportunities arise to provide affordable housing and contributions to fund affordable housing.

207. The Region Plan and District Plans were released by the Greater Sydney Commission in March 2018. The Plans establish affordable housing targets and require councils to prepare a Housing Strategy that, amongst other things, provides a planning pathway for achieving the targets.
208. Sustainable Sydney 2030, the City's community plan, establishes a target that in 2030, 7.5 percent of housing will be social housing and 7.5 percent of housing will be affordable rental housing. The target was established in response to a high level of concern in the community about housing affordability and the lack of affordable housing options in the City for low income earners.
209. The impacts of the lack of affordable housing are felt in local communities. Poor social cohesion, inequity in the housing market, loss of key workers, are all significant concerns for the City. It is therefore incumbent on the City to play a role in increasing the amount of affordable housing.
210. Addressing housing affordability and increasing the quantum of affordable housing requires a multi-pronged approach, with all levels of government, business and industry and the community playing a role.

Recommended post-exhibition changes

211. Following consideration of submissions, a number of amendments are recommended to the exhibited Planning Proposal and Program. Post exhibition changes are highlighted in the documents attached to this report, with additions shown in bold with deletions struck-through. A schedule of Post-exhibition changes is attached at Appendix E of Attachment A. In summary, significant changes are discussed below.

Removal reference to Green Square Town Centre

212. The publicly exhibited Planning Proposal and Program were prepared with the intention to apply to all of the Green Square Urban Renewal area. However, reference to the LEPs that apply to the Green Square Town Centre (Town Centre) were inadvertently not explicitly referenced as needing amendment by the Planning Proposal.
213. Therefore, a new Planning Proposal: Affordable Housing Review – Green Square Town Centre has been prepared to ensure the Town Centre LEPs will be amended and incorporated into the Program, preferably at the same time as changes to the Sydney LEP 2012 are made.
214. Moreover, the Program has been amended, pending the Town Centre's full incorporation into the Program.

Addition of examples to the Program

215. Submissions raise concerns the publicly exhibited Program did not provide enough clarity about how the contribution requirement would be applied in practice. To address this, more examples have been included in the Program, including examples of how the exemptions may apply.

Additional exemptions

216. The Program includes circumstances under which Council may consider exempting a development from the need to make a contribution. Recommended additions include:
- (a) exemptions for affordable housing; and
 - (b) where the cost of works does not exceed \$100,000. This is to ensure minor development is not inadvertently captured by a requirement to make a contribution.

Removal of the clarifications proposed to clause 7.13A - Affordable housing in zone B7

217. The publicly exhibited Planning Proposal sought to clarify that the requirement in the B7 Business Park zone that all residential development must be affordable housing does not apply to land where shop-top housing is a permissible use prior to the rezoning of the Southern Employment Lands.
218. This has been removed from the Planning Proposal as it was addressed by the Planning Proposals: Minor Policy and Housekeeping Amendment adopted by Council and CSPC on 30 November and 27 November 2017 respectively.

Approach to adjusting equivalent monetary contribution rates

219. The publicly exhibited Program explained an approach to how the equivalent monetary contribution rates would be adjusted over time. Some amendment recommended to:
- (a) align the timing of adjustment of rates with current processes to reduce potential confusion in the transition process;
 - (b) reduce the number of adjustments to one per year to increase certainty for developers; and
 - (c) provide clarification to how the rate is adjusted.

Introduction of a phase-in period for Green Square

220. Submissions raise concern that the immediate introduction of the increased equivalent monetary contribution rate in Green Square would impact on development viability of those development applications already in the pipeline.
221. To address this, it is recommended the increased equivalent monetary contribution rate will only apply from 1 March 2020. This will enable the market to adjust to increased rates.

Review of rates for planning proposal land

222. It is recommended the Program be amended to clarify the rates that may apply to planning proposal land will be reviewed annually, at the same time as other contribution rates will be reviewed. This is to ensure certainty and that rates reflect current housing market conditions.

Long standing development applications

223. Submissions are concerned that complex development applications that have been in the development pipeline for some time would be impacted by the requirement to make a contribution.

224. The intention to introduce a contribution requirement on residual land was reported to Council in March 2018, and in Central Sydney in July 2016. The contribution requirement will not be in full effect until July 2022. Notwithstanding this, it is recommended the Planning Proposal be amended so that the contribution requirements do not apply to development applications in Central Sydney or on residual land lodged before 1 July 2018.

Change of use in Central Sydney and on residual land

225. Consistent with the intent in Central Sydney and on residual land that a contribution should be made where existing floor area is changing to a higher order/value use, the Planning Proposal and drafting instructions are recommended to be amended so that where there is a change of use from non-residential to residential or tourist accommodation, the contribution requirement will apply.
226. In Central Sydney, this replaces a more general requirement that a contribution would be applied in the event of any change of use. This is considered to be overly onerous and would potentially result in a contribution requirement for relatively minor changes to floor area use.

Renaming 'Schedule 7 land' to 'Planning Proposal land'

227. References in the Planning Proposal and Program to 'Schedule 7 land' have been changed to 'Planning Proposal land'. This is to avoid any confusion where these provisions are repeated in the Green Square Town Centre LEPs.

Substantial alterations and additions

228. The Planning Proposal and drafting instructions have been amended to remove any requirement that a contribution would apply where the development comprises only 'substantial' alterations and additions. On consideration of submissions, there is concern that this may trigger a requirement where modest renovations and/or required building upgrades are being made. This was not the intention of the Planning Proposal.

Where a previous contribution has been made

229. It is recommended the Program be amended to ensure that floor area that has been the subject of a previous affordable housing contribution, is not required to make further contribution following subsequent development of that same floor area. It is noted that where floor area has been demolished, that the contribution requirement will apply to any floor area that replaces it.

Key Implications

Sustainable Sydney 2030 Vision

230. 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. The Planning Proposal, by facilitating the increase of affordable rental housing in the LGA, aligns with the following Sustainable Sydney 2030 strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City – the Planning Proposal will facilitate low cost accommodation options for the key workers who are essential to the efficient functioning of the city.

- (b) Direction 6 - Vibrant Local Communities and Economies - the Planning Proposal will facilitate improved housing diversity, providing low cost accommodation options to ensure a mix of people can live in the inner-city, not only the very wealthy.
- (c) Direction 8 - Housing for a Diverse Population - the Planning Proposal will promote housing diversity and contribute to the City's affordable housing targets.

Region and District Plans

- 231. The Region and District Plans released by the Greater Sydney Commission in March 2018 include targets and actions for the provision of affordable housing through the planning framework. The Plans requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.
- 232. The Region Plan establishes an affordable housing target of five to 10 percent of new residential floor area, subject to viability. The target is aimed at housing those most in need, specifically very low and low income households.
- 233. The proposed schedule in the Sydney LEP 2012 adopts the approach in the Region Plan and secures a reasonable proportion of the increase in land value when planning controls are changed. While this is applied on a site-by-site basis, it is considered at a precinct level and in the context of local housing markets.
- 234. The Region Plan provides the parameters for consideration in the successful implementation of these targets, including:
 - (a) measurement of the value created by the rezoning by applying a consistent viability test - the economic testing used to establish the target rates proposed in the Program for Planning Proposal land applied a standard Residual Land Value approach to establish viability;
 - (b) the consideration of other contributions that may apply to the land, including any State Infrastructure Contributions - the target rates proposed in the Program for Planning Proposal land will be updated annually to allow for changes in market conditions;
 - (c) allowance for an increase in land value for vendors so that land is willingly sold and supply does not stall - the 'cost' of the 50 percent sharing of value created when planning controls are changed does not impact on the value that is paid for land, which is typically purchased on the residual land value of land under existing planning controls. Even allowing for a reasonable level of speculation on future planning controls by both the vendor and the purchaser, there is sufficient value created in a change of planning controls to not unduly impact on the willing sale of land;
 - (d) allowance for developers to achieve normal profit margins on investment and risk - the economic testing assumed a normal profit on investment and risk; and
 - (e) a bespoke approach to allow for local circumstances - the economic testing is predicated on an assessment of local market conditions and planning requirements.

235. Economic testing demonstrates in the City of Sydney on sites where planning controls have been changed to increase development capacity substantially more floor area may be put towards an affordable housing outcome than the five to 10 percent on new floor area benchmark proposed under the Region Plan.
236. The proportion is likely to increase significantly where land is rezoned from employment to residential uses. This is because the Region Plan approach only shares in value increase arising from the increase of FSRs and does not consider any value increase arising from rezoning land, which can be substantial.
237. The City's approach is based on equally sharing between the community and the landowner the residual land value increase resulting from changes to planning controls.

Affordable housing need

238. Sydney housing costs are now at a considerable premium compared to other parts of Australia. There is no housing that is affordable for purchase for very low, low and moderate income households in the City of Sydney. A moderate income household, for example on \$1,800 per week, can afford to pay \$600 per week in mortgage or rental repayments without being in housing stress.
239. The LGA median strata dwelling price is now \$891,000. By comparison, the Greater Sydney median strata dwelling price in March 2017 is \$720,000. An average weekly mortgage payment of \$1048 is required to service a loan of this size, based on a 10 percent deposit, standard stamp duty charges built into a 30 year mortgage at a five percent interest rate.
240. Rental costs are equally concerning. The LGA's median weekly rent in June 2017 for a two-bedroom unit is \$795 compared with the Greater Sydney and NSW median weekly rents of \$540. This represents a 30 percent increase from the \$610 median weekly rents in September 2010.
241. Based on NSW Family & Community Services – Housing Rent and Sales Report, and published 2017/2018 household income medians, a 43 percent reduction in the median strata dwelling price or a 25 percent reduction in average strata rents are required for housing to be considered affordable for moderate income households.
242. Even allowing for a slowing of the market, the disparity between housing costs in inner Sydney and ability of very low to low income households to pay is significant. There is clear need to increase the supply of affordable housing for very low to moderate income households is now urgent if very low to moderate income households are still to live in the LGA.

Affordable housing outcomes

243. The number of affordable rental housing dwellings resulting from Planning Proposal will be determined by:
 - (a) the amount of development that occurs, which is influenced by market conditions;

- (b) the approach to using any monetary contributions, that is, whether affordable housing units are built by a developer or a community housing provider; the dwelling size and mix; whether they are purchased; and how effectively resulting funds and dwellings are leveraged to provide additional stock; and
- (c) future planning proposals.

244. As discussed earlier in this report, the City also uses a range of other approaches to facilitate affordable housing.

245. There are 1,421 affordable rental housing dwellings in the LGA that are built, in the development pipeline or announced. The estimated affordable housing dwellings currently projected in the LGA is shown at Table 6. It is noted estimates for some areas are difficult to establish based on assumptions and circumstances that may change, and therefore vary outcomes significantly.

Table 6: Projected affordable housing dwellings

Affordable housing source	Number of dwellings
Built as at 30 June 2018	835
Development pipeline as at 30 June 2018	586
SUBTOTAL to 2019	1,421
Southern Employment Lands	130
Green Square	650
Ultimo / Pyrmont	35
Residual lands	590
Central Sydney	520
Planning Proposal land	unknown
Green Square to Ashmore connector road	300
Dunning Ave, Rosebery (Southern Employment Land investigation areas)	8
Sites in B7 Business Park zone (preferential LEP clause)	unknown

Affordable housing source	Number of dwellings
Sites in Southern Employment Land investigation areas (under the Guideline)	unknown
TOTAL (includes 2019 subtotal)	3,654

246. Table 6 shows the expansion of the City's current affordable housing schemes to Central Sydney and residual land will result in approximately 1110 affordable rental housing dwellings in addition to the 815 estimated under current schemes in Green Square, Ultimo/Pyrmont and the Southern Employment Lands. An increase of over 40 percent.
247. The City's targets cannot be achieved through local planning mechanisms alone. While the additional affordable housing likely to result from the Planning Proposal is a step in the right direction, it is limited in its ability to address the substantial need for affordable housing in the LGA. The active intervention of other levels of government is required.
248. To achieve the City's target for 7.5 percent of all dwellings to be affordable rental dwellings in 2030, approximately 11,000 affordable housing dwellings, out of a total projected 148,000 dwellings are required in the LGA. Table 6 shows approximately 7,346 additional dwellings are still needed to achieve the City's targets.
249. The estimates in Table 6 do not take into account affordable housing that may result from:
- (a) community housing providers leveraging properties and ongoing rental streams to provide more affordable housing;
 - (b) planning mechanisms put in place in the Southern Employment Lands when they were rezoned in 2015. These include the preferential zoning approach for affordable housing in the B7 Business Park zone, as well as the 'Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas'; and
 - (c) the proposed introduction of the framework for Planning Proposal lands. Many planning proposals considered by Council are initiated at the request of landowners who seek rezoning or changes to height and/or FSR controls. Planning proposal requests are considered on their site-specific planning merit.
250. It is not possible to provide projections of floor area that may result from changes to planning controls in the future. However, an indication of the potential of the proposed schedule for Planning Proposal land can be inferred from past planning proposals that have increased FSRs since the commencement of Sydney LEP 2012. It is estimated that approximately 90 dwellings may have been facilitated through the LEP if a 12 percent contribution was applied to new floor area. It is noted this is a simple extrapolation and does not consider any other public benefits that formed part of these planning proposals.

251. Only in conjunction with the planning proposal for 87 Bay Street, Glebe has the City entered into a planning agreement for affordable housing. The City's ability to facilitate affordable housing through the planning framework is impeded by the complexity and uncertainty of the system and the lack of State Government policy direction. While other public benefits have arisen from planning proposals, there would likely have been additional affordable housing outcomes achieved had there been a streamlined, State Government endorsed approach available to facilitate it. It is envisaged the Planning Proposal land framework will facilitate this.
252. The City will continue to innovate new planning approaches and advocate to the Federal and State governments for more affordable housing to be provided in the LGA.

Relevant Legislation

253. Environmental Planning and Assessment Act 1979.
254. Environmental Planning and Assessment Regulation 2000.
255. State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes) (SEPP 70).

Critical Dates / Time Frames

256. The Gateway for the Planning Proposal requires that the amendment to the Sydney LEP 2012 is completed by 10 January 2019.
257. The Gateway did not delegate authority to Council to draft and make the LEP. If approved by Council, the Planning Proposal will be referred back to the Department for legal drafting. If approved by Council and the CSPC, the Program will come into effect on the same day as the amendment to the LEP.
258. If the Green Square Town Centre Planning Proposal is approved by Council and the CSPC for public exhibition, it will be forwarded to the relevant local plan-making authority with a request for a further gateway determination.

GRAHAM JAHN, AM

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