

Attachment D2 - Appendix A

City of Sydney Affordable Housing Program



# City of Sydney Affordable Housing Program

Adopted XX XX XX



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# 1. About the Program

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

This Program was adopted by Council on XX XX XXXX and came into effect on XX XX XXX.

## 1.1 Program Objectives

The objectives of this Program are to:

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

## 1.2 Relationship to other Programs

This Program repeals and replaces the following affordable housing programs:

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

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

## 1.3 Where does this Program apply?

This Program applies to land shown at Figure 1, being:

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

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

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

## 1.4 Background

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

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

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

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

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

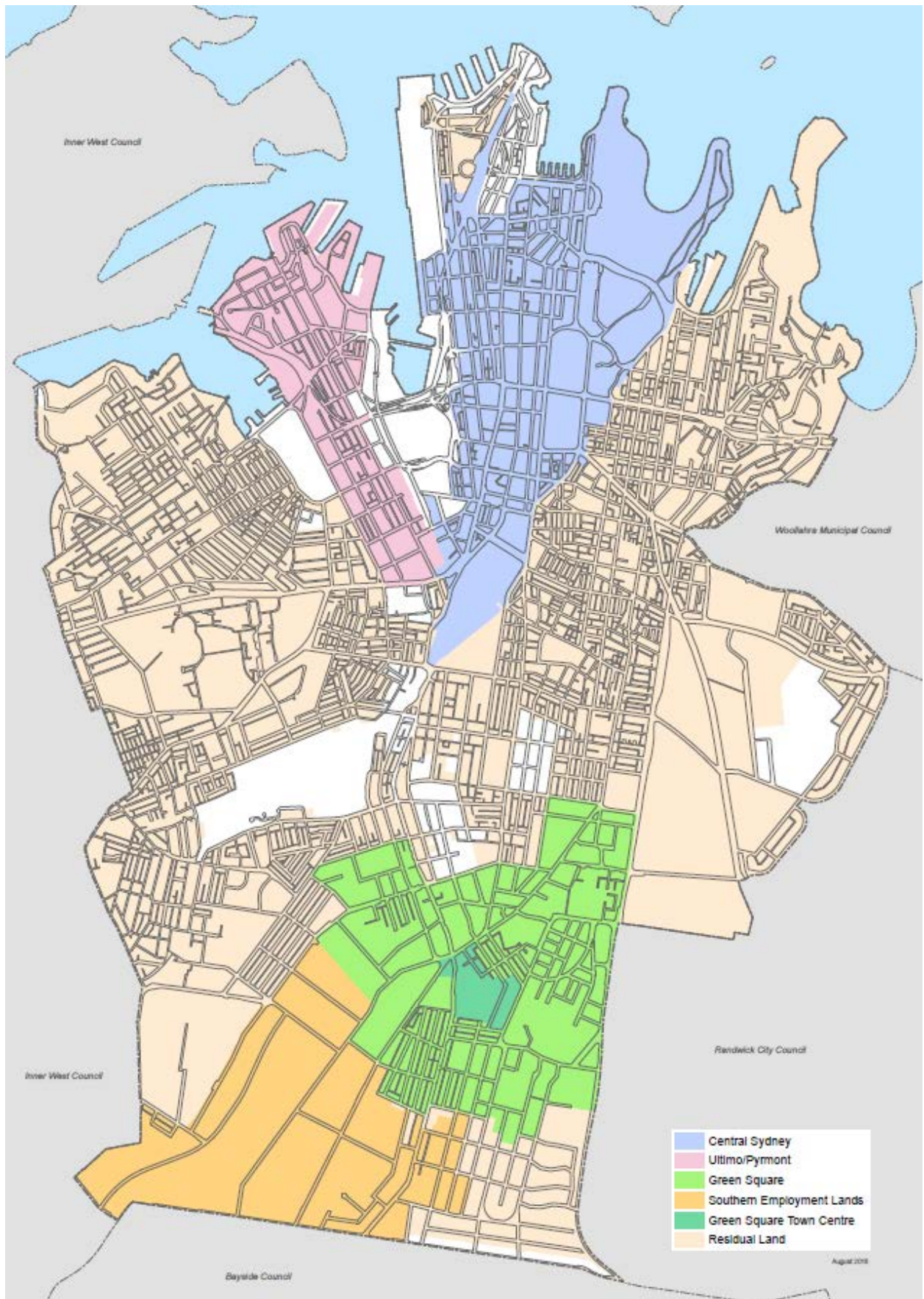
The City has a history of providing affordable housing through the planning framework. In 1996 the first affordable housing contribution scheme in NSW was introduced in Ultimo/Pyrmont to ensure that as the area developed a proportion of housing remained available for very low to moderate income earners. A similar scheme was introduced in Green Square in 1999 when it was rezoned from industrial land to mixed use.

In 2006 an affordable housing contribution scheme was introduced by the state government on significant sites in Redfern-Waterloo. In 2015 a scheme was introduced to support the rezoning of the Southern Employment Lands.

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

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

**Figure 1:** Land to which this Program applies





## 1.5 Legislative basis for affordable housing contributions

The *Environmental Planning and Assessment Act 1979* (the Act) considers the promotion of the social and economic welfare of the community as one of its objectives.

In 1999 the Act was amended to specifically include the provision and maintenance of affordable housing as an Object of the Act.

Section 7.32 of the Act allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where one of the following applies:

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

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

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

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

## 1.6 Affordable Housing Principles

The City of Sydney affordable rental housing principles are:

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



## 1.7 Amending this Program

Amendment to this Program will generally require amendment to the LEPs that make reference to this Program, which directly refer to this Program as dated.

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

## 1.8 Terms used in this Program

### Affordable housing

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

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

### Affordable rental housing

Under this Program, **Affordable rental housing** or **Affordable rental dwelling** is **affordable housing** that is owned and managed by government, a **recommended community housing provider**, or an **eligible community housing provider** and rented to **very low to moderate income households**.

### City of Sydney Local Government Area

**The City of Sydney Local Government Area (LGA)** refers to the area within the “LGA Boundary” shown in the *Sydney Local Environmental Plan 2012* Land Application Map, as published in the NSW Government Gazette on 14 December 2012, as updated from time to time.

### Council / City / city

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

### Eligible Community Housing Provider

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

### Recommended CHPs

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

## Very low to moderate income households

The definition of these terms is derived from *State Environmental Planning Policy No. 70—Affordable Housing (Revised Schemes)* (SEPP 70):

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

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

## 2 Affordable housing contributions

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

### 2.1 Contribution rates

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

#### 2.1.1 Green Square and Southern Employment Lands

On land in Green Square and in the Southern Employment Lands, the contribution rate is:

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

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

#### 2.1.2 Central Sydney and residual lands

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

Date of determination of development application	Non- residential rate	Residential rate
To 31 May 2020	0%	0%
1 June 2020 – 31 May 2022	0.5%	1.5%
1 June 2022 onwards	1%	3%

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

A contribution requirement will not apply where a development application has been lodged prior to 1 July 2018.

### **2.1.3 Planning Proposal lands**

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

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

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

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

### **2.1.4 Equivalent monetary contribution amount**

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

In Green Square, up to 29 February 2020, the equivalent monetary contribution amount for the period of 1 March 2018 to 28 February 2019 is **\$8,163.00 per square metre**. From 1 March 2020, the equivalent monetary contribution amount for the period of 1 March 2018 to 28 February 2019 is **\$10,588.00 per square metre**.

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

### **2.1.5 Satisfying a contribution by dedicating dwellings**

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

- affordable rental dwellings are to align with the Affordable Housing Principles at Section 1 of this Program
- affordable rental dwellings are owned by government or a recommended or eligible CHP
- affordable rental dwellings are provided in the city in perpetuity

- affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income
- where more than 10 affordable rental dwellings are being provided in the development, at least 25 per cent of dwellings are to be allocated to very low income households and 25 per cent of dwellings to low income households
- all rent received from the affordable rental dwellings after deduction of management and maintenance costs will only be used for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the city, that is, they are not differentiated as affordable housing compared with the design of other housing
- each affordable rental dwelling is to have a total floor area of not less than 35 square metres or more than 90 square metres, with any remainder being paid as a monetary contribution to Council, and
- where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guideline (or any subsequent Guideline that may apply from time to time) are to be generally achieved. For example, 70% of the affordable housing dwellings should achieve adequate solar access.

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

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

All of the floor area to be dedicated for affordable housing is to be allocated as dwellings, that is, common circulation areas are not considered part of the contribution requirement. An exception to this is where all of the affordable housing floor area is provided as a full floor of a development or as a stand-alone building.

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

### **2.1.6 Calculating the contribution in Green Square and the Southern Employment Lands**

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

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

### Example

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

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

or

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

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

### Example

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

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

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

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

## 2.1.7 Calculating the contribution in Central Sydney and on residual land

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

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

### Example

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

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

or

$3\% \times 10,000\text{sqm} \times \$10,588 = \$3,176,400$  equivalent monetary contribution

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

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

### Example

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

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

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

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

### Example

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

$3\% \times 800\text{sqm} \times \$10,588 = \$254,112$  equivalent monetary contribution

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

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

## 2.1.8 Calculating the contribution on Planning Proposal land

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

### **Pre-public exhibition note**

#### *How will the contribution requirement look in LEPs?*

Following public exhibition and adoption of the planning proposal by Council, the Planning Proposal will be sent to the Greater Sydney Commission for legal drafting of the clauses in the LEP by Parliamentary Counsel. When legal drafting has been finalised, the amending LEP is then made by the Greater Sydney Commission.

More detailed explanation and examples of how the equivalent monetary contribution amount is to be calculated under the LEP will be included in this Program following finalisation of the drafting of the clause and prior to the making of the LEP.

## **2.2 Development that may be exempt?**

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

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

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

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

### **For example**

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



#### **For example**

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

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

#### **For example**

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

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

#### **For example**

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

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

#### **For example**

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

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

## **2.3 Where a contribution has been previously paid**

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

- it is being demolished and being replaced with floor space of the same use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area;

- the previous contribution was for a non-residential purpose and the new total floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

## **2.4 Refunds for demolition or changes in use**

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

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

## **2.5 Conditions of consent**

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

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

## **2.6 How to make a payment**

Payment will be by unendorsed bank cheque to the City prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is available on the City's website.

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

## **2.7 Adjustment of equivalent monetary contribution amounts**

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

The Rent and Sales Report is available on the NSW Government, Family and Community Services website.

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

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

Where:

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

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

## 2.8 Adjustment of a monetary contribution amount on a development consent

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2017 and the applicant does not wish to pay the contribution and develop the site until August 2020, the contribution amount will need to be adjusted to the period in which it is paid.

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

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

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

Where:

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

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

## 2.9 Distribution and management of contributions

### 2.9.1 Central Sydney, Green Square, residual lands and Planning Proposal land

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

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

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

### **2.9.2 Southern Employment Lands**

In the Southern Employment Lands, monetary contributions or dedicated affordable housing dwellings are to be received by the City and managed by Department of Family and Community Services (FACS).

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

## **2.10 Adding a community housing provider to Schedule A**

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

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

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

## 3 Affordable housing in the B7 zone

In the city, the proximity of lands zoned B7 Business Park to amenities and services may make them suitable for residential development, provided that the development does not undermine the broader employment focused objectives of the B7 zone.

### 3.1 Requirements for affordable housing in the B7 Business Park Zone

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

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

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

### 3.2 Development applications

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

The provisions require that any development for affordable housing is compatible with the existing uses and approved uses of land in the vicinity.

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

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

# Schedule A – Recommended Community Housing Providers

City West Housing Pty. Ltd.

# Appendix A - Background information and affordable housing needs analysis

## 1. Introduction

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

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

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

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

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

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

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

This Program provides the framework for affordable housing to be provided in conjunction with the development that creates the demand for it.



## 2. What is affordable housing?

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

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

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

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

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

Very low to moderate income households typically comprise key workers, such as hospitality workers, carers and aides, cleaners, teachers and childcare workers, all of whom are critical to the efficient functioning of a city.

In the City of Sydney, the private housing market is unlikely to deliver housing, for purchase or for rental, which does not put a very low to moderate incomes household in housing stress or crisis, which is, they are spending more than 30 per cent and up to 60 per cent of their gross income on rental or mortgage costs. Where low cost housing can be found, the demand for it is so high that it is not necessarily target income groups who absorb it.

Therefore, in the context of the city, the term ‘affordable housing’ is taken to mean ‘affordable rental housing’ that is managed by a registered CHP and rented specifically to target income households.

## 3. State government and City of Sydney affordable housing objectives and targets

### 3.1 State government

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

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 Plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

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

### **3.2 City of Sydney Council**

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

## **4. A history of affordable housing schemes in the city**

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

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

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

Together these schemes have resulted in 754 affordable rental dwellings being available for very low to moderate income households in the city. A further 500 dwellings are in the development pipeline and expected to be built by 2019.

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

### **4.1 City West affordable housing scheme**

The City West region of inner Sydney, comprising the suburbs of Pymont and Ultimo, was formally an industrial and port precinct that traditionally provided low-cost accommodation for people working in and around the area.

In the early 1990's a process of intense urban renewal was instigated with the rezoning of the area for high density residential development. The need to retain a proportion of affordable housing in the area was recognised at this time and in 1992 the City West Affordable Housing Committee was established to investigate options for how this might be achieved.

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

Funding of CWH has been provided from four main sources:

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

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

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

Maintaining the tenant mix within the units is critical for:

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

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

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

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

## **4.2 Green Square affordable housing scheme**

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

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

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

To date 327 affordable housing dwellings have already been provided in Green Square. With more than 60 percent of the projected development still to occur, and the flow on benefits of a steady rental income stream, it is envisaged that substantially more dwellings will result in the area.

## **4.3 Southern Employment Lands affordable housing scheme**

In 2015 the City's Southern Employment Lands were rezoned largely from industrial uses to higher order business uses. As a result of rezoning, the Southern Employment Lands will undergo substantial change as they transition from an area characterised by traditional manufacturing industries and low density employment to more diverse employment comprising both low and higher density uses.

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

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

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

However, with a view to maximising the outcomes of the scheme, a competitive approach to the allocation of funding to CHPs was adopted where funds can be distributed to any suitable CHP. The intent

of this approach is to enable funding to be leveraged by CHPs who may bring their own assets to affordable housing projects resulting from the scheme. It is expected the approach will result in improvements to the number of dwellings that may result if dollars collected were dollars spent on buying an affordable housing dwelling.

## 5. Affordable housing need analysis

### 5.1 Why do we need affordable housing?

#### *Socio-economic impacts*

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

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

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

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

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

#### *Economic impacts*

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

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

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

transport drivers<sup>1</sup>. In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2011.

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

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

Additionally, the City is concerned with the impacts of declining housing affordability on the low-income workers who are not traditionally classified as 'key workers' but who are essential to the social and economic diversity and cultural vitality of the city. This includes the artists and musicians who play a vital role in the success of Sydney's cultural and community life.

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

## 5.2 Population growth

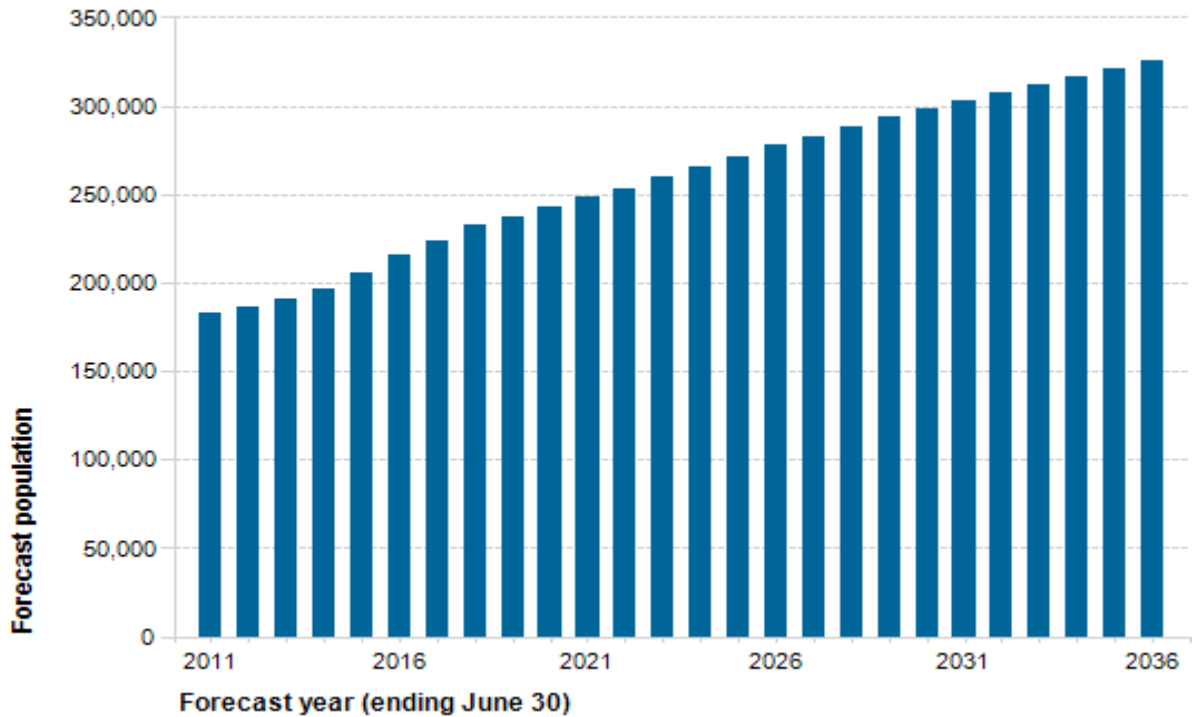
Over the last decade the City has experienced significant population growth, making it the fastest growing LGA in NSW.

The city's population is projected to increase by close to 100,000 people to 2036 (from 2011 numbers), representing an increase of 53% of today's population. At 1.9 people per dwelling, new residents will demand a total of 53,000 new dwellings to 2036. Figure 2 indicates the growth of population in the City to 2036.

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

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<sup>1</sup> These figures have been collated from the 2011 Australian Bureau of Statistics Census as part of the City's current investigations into affordable housing, utilising a definition of "key worker" comparable to that applied by the UK Government for its 2011 Key Worker initiative. UK studies suggest a similar key worker proportion result in London.



Source: id population forecasts 2016

The city’s working population is also expected to significantly increase, with approximately 260,000<sup>2</sup> additional workers projected in Central Sydney and in Green Square – Mascot strategic centres<sup>3</sup>.

### 5.3 Housing demand

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

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

While state government policy responses to the increasing affordability crisis have largely focused on supply side, it is clear that housing will not become ‘affordable’ for very low to moderate income households simply by increasing supply, particularly in a high demand market such as, the inner-city.

Figure 3 below has been adapted from data provided by the Greater Sydney Commission and NSW Department of Family and Community Services. It overlays the dwelling completions for the Eastern District with the median sales price of dwellings. It shows that despite substantial completions over the

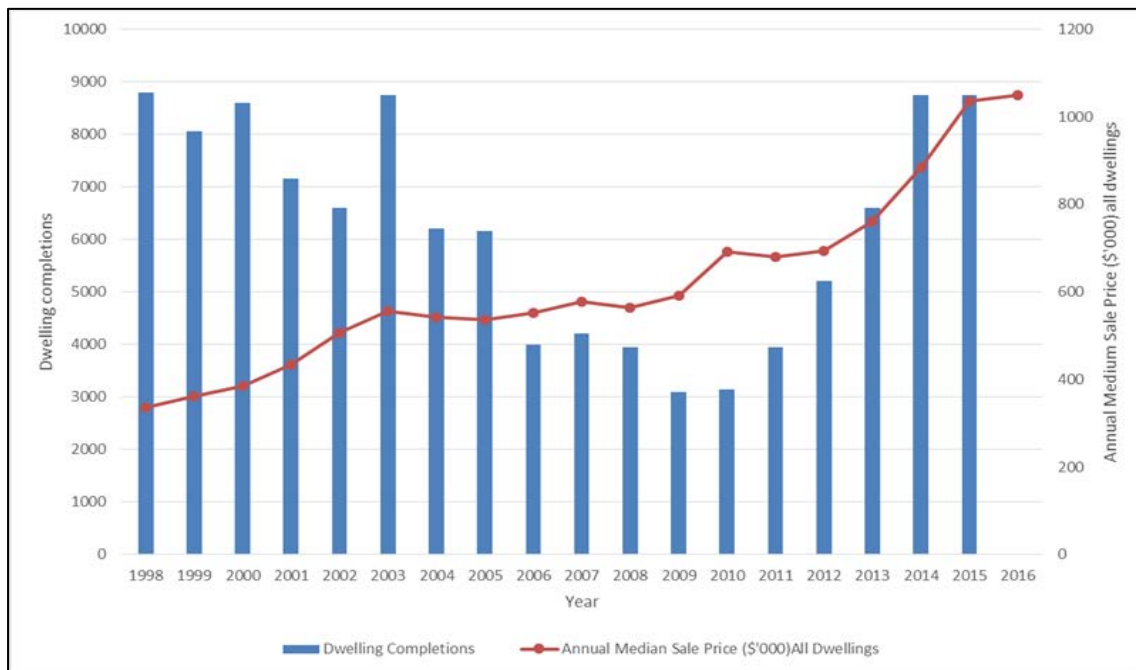
<sup>2</sup> Draft Central District Plan: 2036 ‘high’ job targets

<sup>3</sup> Green Square infrastructure Plan 2015



last five years, the Eastern District has experienced, in that period, the sharpest increases in median dwelling prices compared with the preceding 15 years.

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



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

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

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

Rental costs are equally concerning. The LGA’s median weekly rent in September 2016 for a two-bedroom unit is \$795 (June 2017 quarter) compared with the Greater Sydney and NSW median weekly rents of \$540. This represents a 30 per cent increase from the \$610 median weekly rents in September 2010.<sup>5</sup>

A 43% reduction in the median strata dwelling price or a 25% reduction in average strata rents are required for housing to be considered affordable for moderate income households (NSW Family & Community Services – Housing Rent and Sales Report – and 2017/2018 household income medians).

A moderation in housing costs of this scale is unlikely to occur. In addition, there is no evidence to suggest that over time incomes will increase at the same pace that house prices increase, suggesting the gap may widen even further. This has certainly been the experience of the last four decades. In 1975 the average

<sup>4</sup> NSW Rent and Sales Reports Issue no 120

<sup>5</sup> NSW Rent and Sales Reports Issue no 120 and Issue no 93

first time buyer in Sydney would take three years to save a house deposit, today that has increased 3 times to 9 years. The current Sydney property price to income ratio is 8.5 up from 6 in 2001<sup>6</sup>.

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

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

## 5.4 Satisfying the requirements of the Act

Section 7.32 of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

- (a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- (b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
- (c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- (d) the regulations so provide<sup>7</sup>.

The City of Sydney is identified under SEPP 70 – *Affordable housing (Revised Schemes) 2009* as having a need for affordable housing.

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

### *Central Sydney*

Central Sydney is identified on the Locality and site identification map and zoned B8 Metropolitan Centre in the City's planning controls. All development in Central Sydney, that is not minor development, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

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

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

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<sup>6</sup> Corel Logic, UNA

<sup>7</sup> Development must only satisfy one of these conditions for Council to be able to require a contribution.

housing options within the City, any decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

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

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

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

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

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

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

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

An estimated 47,000 key workers across the public and private sectors currently work in the City. Public sector key workers are estimated at 24,000 comprising 6.2 per cent of the City's total workforce. This includes teachers, nurses, police, community services workers and ambulance and public transport drivers<sup>8</sup>. In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2012.

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

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<sup>8</sup> These preliminary figures have been collated from the 2012 Australian Bureau of Statistics Census as part of the City's current investigations into affordable housing, utilising a definition of "key worker" comparable to that applied by the UK Government for its 2012 Key Workers initiative. UK studies suggest a similar key worker proportion result in London.

differential has declined from 2.6 per cent to 2.2 per cent in just five years. This finding is aligned with anecdotal evidence that suggests that lower paid key workers are increasingly being forced out of the City, relocating to outer suburbs and commuting further distances to employment.

A study by the Australian Housing and Urban Research Institute (AHURI)<sup>9</sup> found that low income workers in major Australian CBDs live around twice the distance from their place of work compared to the overall average for low income workers. The study found this was correlated with the housing markets, which showed a clear geography of inner-city housing unaffordability in both rental and sales data.

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

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

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

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

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

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

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<sup>9</sup> ‘Housing affordability, central city economic productivity and the lower income labour market’ (AHURI 2016)

## Green Square

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

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

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

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

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

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

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

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

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

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

### **Development in Green Square will create a need for affordable housing**

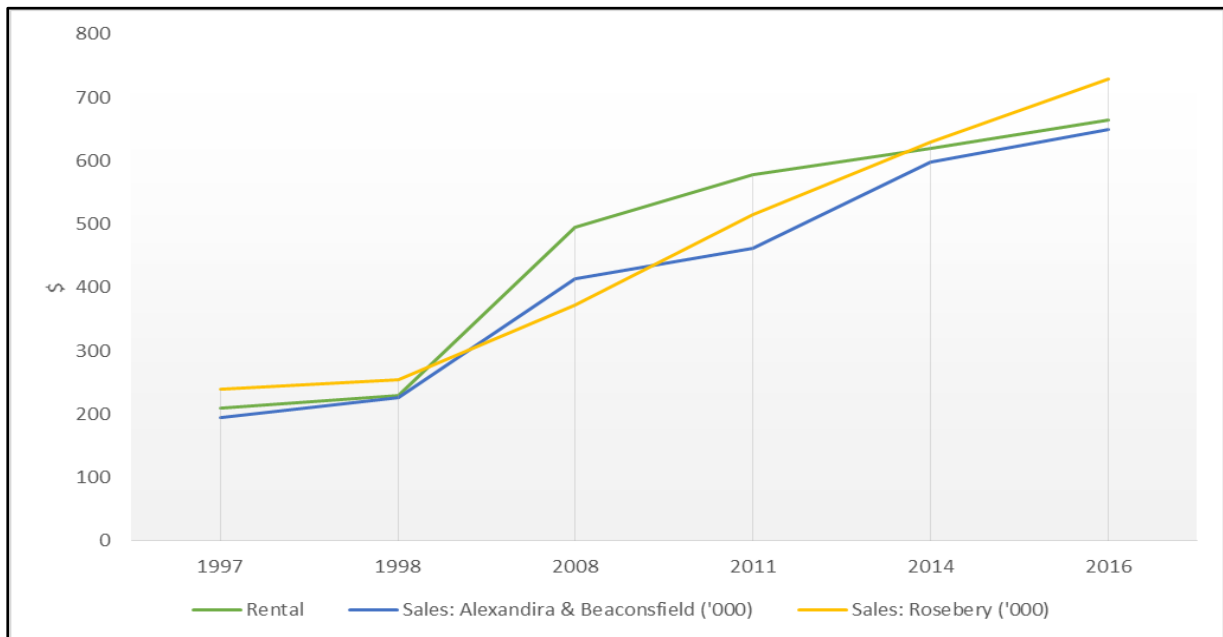
More specifically for Green Square, the ongoing urban renewal of the area, and its wider gentrification, will continue to produce upward pressures on property values and place further pressure on purchase and private rental accommodation costs beyond the means of low to moderate income groups. Figure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

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

per cent. The failure of wages to keep pace with housing prices exacerbates the ability for those in the lower income brackets to secure affordable housing.

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



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

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

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

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

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

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

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

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

### *Southern Employment Lands*

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

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

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

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

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

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

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

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

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

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

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

specialisation. Wholesaling, retailing, transport and printing were the largest subcategories of employment, each accounting for more than 5 per cent of total employment.

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

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

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

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

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

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

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

As above, the implementation of the *City of Sydney Employment Lands Strategy 2014* (Strategy) is anticipated to result in over 9,000 new jobs to 2031, creating demand for new infrastructure and services.



A proportion of these jobs will be held by very low to moderate income earners, for example administrators, delivery drivers and shop assistants.

Currently, about 60 per cent of workers in the Southern Employment Lands area fall within the very low to moderate income bracket<sup>11</sup>. If we assume that the proportion of workers who live in the area, being 16 per cent, remains constant<sup>12</sup>, and that the proportion of very low to moderate income workers falls to 50 per cent as higher value jobs move to the area, an additional 720 affordable housing dwellings will be in demand. The number is higher if the aim is to encourage more people who work in the area to live in the area.

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

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

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

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

### ***Residual land***

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

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

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

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

Investment in public infrastructure, increased amenity and the wider cultural shift towards a preference for inner-city has resulted in the gentrification in the LGA. This has placed, and will continue to place,

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<sup>11</sup> Data extracted and analysed from ABS 2011 Census

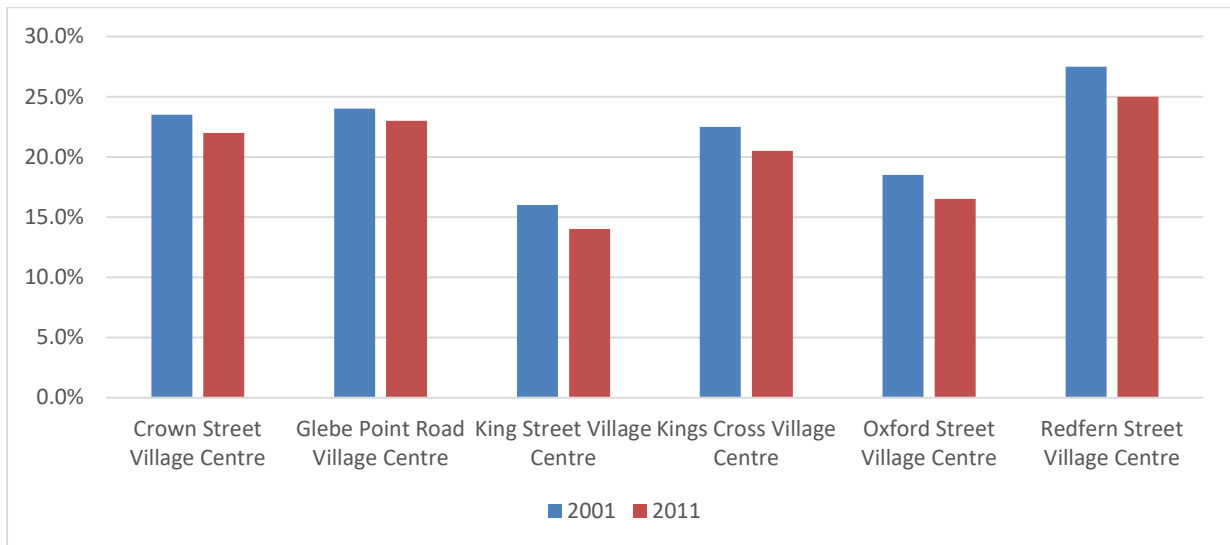
<sup>12</sup> Bureau of Transport and Statistics Journey to Work 2011

pressure on housing prices and rents. Likewise, the increase in the number of jobs in the LGA, many offering relatively high salaries, increases the demand for housing and pushes up housing costs.

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

This is demonstrated in Figure 5 which shows between 2001 and 2011 the proportion of households in the bottom two income quartiles declined in the residual<sup>13</sup>.

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



Source: id population forecasts 2016

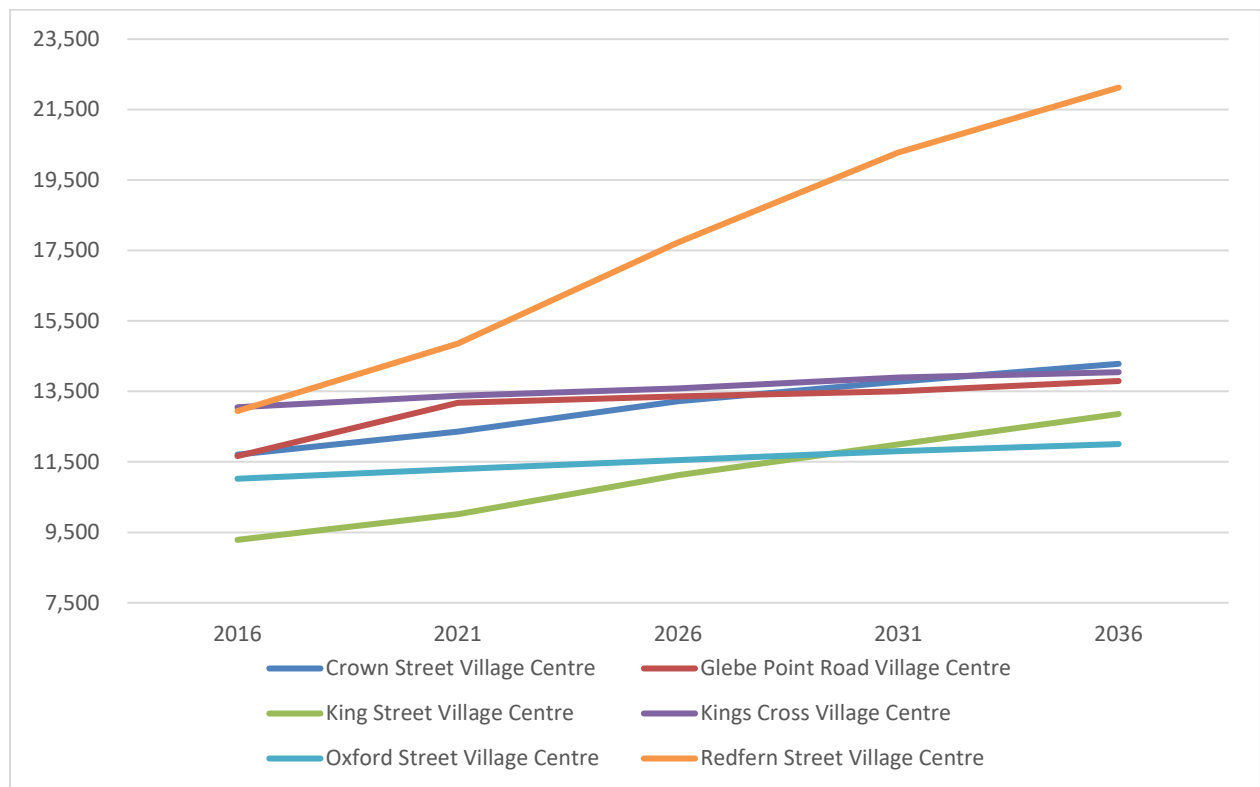
Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

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

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

<sup>13</sup> Shown as village areas most closely aligned with residual lands

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



Source: id population forecasts 2016

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

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

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

### *Planning Proposal land*

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

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

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

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

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

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

### **Development in the Planning Proposal land will create a need for affordable housing within the area**

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

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

### **Development is allowed only because the land was rezoned**

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

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

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

## 6. Projecting outcomes of the schemes

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

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

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

**Table 8:** Projected affordable housing dwellings

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

Affordable housing source	Number of dwellings
Planning Proposal land	Unknown
<b>TOTAL (includes 2019 subtotal)</b>	<b>3,654</b>

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

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

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

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

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

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

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

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

endorsed approach available to facilitate it. It is envisaged the 'Planning Proposal land' framework proposed in this Planning Proposal will facilitate this.

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

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

## Appendix B – Planning Proposal land

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

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

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

#### 1.1 Where a planning proposal has increased Floor Space Ratio

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

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

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

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

Precinct	Contribution rate (applied to new floor area)
West precinct	12%
South precinct	12%
Eastern precinct	24%

The above rates are to be reviewed annually and published on the City's website on the 1 March.

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

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

Precincts align with those shown in the City's development contribution plan 2015. A map of precinct boundaries is available on the City's website at:



**Explanatory note**

*How were the contribution rates established?*

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

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

Contribution rates are to be reviewed annually to ensure they continue to align with market realities.

**Explanatory note**

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

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

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

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

### **Pre-Public exhibition note**

*How will the contribution requirement look in LEPs?*

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

The contribution rates shown in the above table may require some adjustment depending on how the clause in LEPs is constructed. For example, should the LEP clause apply both an existing contribution requirement (such as Clause 7.13 in Sydney LEP 2012), and the new contribution requirement on additional development capacity to *all floor area*, then the above rates may require adjustment so they continue to reflect 50 per cent of the land value increase resulting from a changes to the planning controls.

## **1.2 The contribution rates where a planning proposal has made other changes to planning controls**

The contribution rates described in Section 1 of this appendix are applicable only where there is an increase in FSR on land in the Western, Southern or Eastern Precincts of the City. They are not applicable in Central Sydney or where other substantial changes to planning controls are being made, for example where land is being rezoned or where there is significant increase in height. Where this is the case a site specific analysis will be required to determine an appropriate contribution rate.

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

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

## **2. Reviewing contribution rates**

Contribution rates to be applied to new floor area are to be reviewed and updated annually on 1 March to ensure they continue to align with market realities.

The City of Sydney's website will publish the current contribution rates.

## **Appendix C – Process for dedicating dwellings**

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

### **1.1 Development application**

The development application to Council must:

- state the amount affordable housing floor area to be dedicated, and any residual amount to where a monetary contribution is required
- clearly identify on the plans the affordable rental dwellings proposed to be dedicated, and
- demonstrate the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program.

### **1.2 Assessment**

The City will:

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

### **1.3 Securing the dwellings**

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

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

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