

Attachment E

**Summary of and response to matters raised
in submissions**

No objection raised

Number of submissions: 2 organisational

Submissions from Transgrid and the Department of Defence raised no objection to the Planning Proposal and state no explicit support.

Response: Noted.

Excessive development in the local government area and not enough infrastructure

Number of submissions: 9 individual and 1 organisational

Submissions raised concerns there is already too much development in the City of Sydney and that the Planning Proposal will only result in more housing with not enough infrastructure.

Response: The Planning Proposal will not increase the amount of development in the City. It only ensures that where there is development that a portion of that development is provided as affordable housing.

Unacceptable impacts on development feasibility

Number of submissions: 2 individual and 3 organisational

Submissions argue that some or all aspects of the Planning Proposal will make development unviable.

Response: To understand the economic impacts of the proposed affordable housing contribution on the residual lands and Central Sydney, and the increase in the equivalent monetary contribution rate in Green Square, the City sought independent economic advice to test identified housing sub-markets in the LGA. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the LGA and how they may be mitigated. The testing was necessarily generalised and does not reflect the individual circumstances of every site within the LGA, however it reflects the economic circumstances of most land.

The economic advice finds that in the short term the immediate introduction of a contribution requirement would likely impact on development viability in residual land and Central Sydney, but in Green Square, the increased rate would not impact on viability. However, the research also found that there is scope to introduce a levy in the medium term where sufficient advance warning is given to the market.

The introduction of a contribution will not affect the viability of development when development sites are priced to reflect the planning controls and applicable contributions, including affordable housing contributions. It is therefore imperative for any contributions to be clearly defined so that prospective purchasers are informed at the outset and are able to make informed decisions at the time of site acquisition.

The Planning Proposal therefore allows for the introduction of the affordable housing contribution in Central Sydney and residual lands over a four year period (from 2018). This will not impact the

development of sites already acquired where the development process has already commenced and will allow market expectations to adjust prior to the contribution coming into effect.

The Planning Proposal includes separate value sharing requirements for 'Planning Proposal land', which apply to the additional development capacity created by site-specific or precinct-based planning proposals. The proposed contribution rates in the Program are underpinned by the City's longstanding practice of equally sharing in the residual land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing.

The methodology for establishing the 'Planning Proposal land' contribution rates included feasibility testing to examine the quantum of value uplift that could result from a change in floor space ratio and the potential for a proportion of the value uplift to be put to affordable housing outcomes. While highly variable across sub-markets, on average 50 per cent of residual land value gain is achieved with the rates in the Program.

Where the scheduled contribution requirements are only applied to new floor area achieved through a change to planning controls, development viability will not be affected by the requirement. This assumes the land has not been speculatively purchased with a predetermined assumption of a change to planning controls.

It is noted the Program only provides guidance on how a contribution rate should be established. The described approach is not binding on Council, and a different rate may apply depending on the particulars of the planning proposal under consideration. For example, where a State Infrastructure Contribution applies or where a landowner/developer has made an offer to enter into a planning agreement to provide other public benefit, the site may not be listed as Planning Proposal land or the rate may be reduced.

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

Number of submissions: 16 individual

Submissions raise concerns that where affordable rental housing is developed there would be an increase in anti-social behaviour such as crime, littering and noise impacts. Some submissions argue this would have a negative impact on the value of their homes.

Response: Affordable housing that has resulted from the current contributions schemes are of high design quality and are in keeping with the local context of those areas.

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

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

Number of submissions: 1 individual

The submission argues it is not the role of Council to provide affordable housing.

Response: While providing housing for low income earners and those most vulnerable in society is traditionally the role of the State government, it is the planning system, as administered by local government, where a number of opportunities to provide affordable housing arise.

The Region Plan and District Plans were released by the Greater Sydney Commission in March 2018. The Plans establish affordable housing targets and require councils to prepare a Housing Strategy that, amongst other things, provides a planning pathway for achieving the targets.

Sustainable Sydney 2030, the City's community plan, establishes a target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable rental housing. The target was established in response to a high level of concern in the community about housing affordability and the lack of affordable housing options in the City for low income earners.

The impacts of lack of affordable housing are felt in local communities. Poor social cohesion, inequity in the housing market, loss of key workers, are all significant concerns for the City. It is therefore incumbent on the City to play a role in increasing the amount of affordable housing.

Addressing housing affordability and increasing the quantum of affordable housing requires a multi-pronged approach, with all levels of government, business and industry and the community playing a role.

Industry should be able to partner with community housing providers to provide affordable housing

Number of submissions: 1 organisational

A submission from the Urban Taskforce recommends that industry should be able to partner with community housing providers directly to provide affordable housing. While unclear, it is possible this is a reference to the partnering arrangements that can occur under the *State Environmental Planning Policy (Affordable Housing) 2009*.

Response: The Planning Proposal poses no impediment to industry partnering with community housing providers to provide affordable housing, however it is noted the *State Environmental Planning Policy (Affordable Housing) 2009* has not resulted in any affordable housing outcomes in the City of Sydney, though it has increased the stock of boarding/student housing.

Rates in the Southern Employment Lands Guideline are unviable

Number of submissions: 1 organisational

A submission from the Urban Taskforce asserted that the rates in the Southern Employment Lands Guideline are unviable.

Response: The 'Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas' provides a formula for calculating the residual land value increase resulting from changes to planning controls, with 50 per cent of the increase being shared with the landowner for the provision of infrastructure, in particular affordable housing.

While the Guideline is not the subject of this Planning Proposal, it is noted that the rates in the Guideline are based on the assumption that the existing employment use / commercial or industrial building on the land is at the end of its economic life. It is not intended to more broadly encourage the redevelopment of employment land in the area by incentivising rezoning.

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

Number of submissions: 1 organisational

A submission from the Urban Taskforce references the Affordable Rental Housing SEPP and a recent Landcom development which have affordable housing provisions which expire after 10 years. From this they assert that affordable housing under the City of Sydney program should also be subject to a 10-year timeframe, and that this would result in more affordable housing.

Response: A 10-year model does not address the long-term need for affordable housing. The model is fundamentally unsustainable, requiring ongoing high levels of development and building 'churn' to replace expiring affordable housing stock while still attempting to deliver a net increase over time.

The claim that expired affordable housing stock will be more affordable due to its age is not supported by evidence. Property prices are largely determined by land values not building age, and a 10 year old property would not be considered degraded enough to command a discount at market.

The affordable housing model in the Planning Proposal provides property in perpetuity to community housing providers. This allows the sector to leverage its assets to borrow funds and invest in more affordable housing. The 10-year model promoted by Urban Taskforce does not have this benefit having only short-term merit.

Contribution rates should be reviewed regularly

Number of submissions: 1 organisational

A submission from the Urban Taskforce asserted that the contribution rates in the Program are outdated and should be reviewed.

Response: The Program requires adjustments are made to the equivalent monetary contribution amount annually in accordance with movements in the median house price in the LGA, as provided by the NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata. The City of Sydney's website will contain the current monetary contribution amounts, as indexed. Movements in median housing prices reflect movements in local area housing costs.

The rates proposed for 'Planning Proposal land' are to be reviewed annually to ensure they continue to align with market conditions.

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

Number of submissions: 1 organisational

A submission from the Property Council is concerned that funds should be used quickly and should not be held by the City of Sydney.

Response: While it is intended the funds resulting from the Program will be paid to the City, funds continue to be immediately passed to a community housing provider to build and manage affordable housing in the local government area. The City will not retain any portion of the funds.

While it takes time to acquire appropriate sites, and large projects can take time to work their way through the development process, community housing providers are encouraged to use the funds as quickly as possible.

The contributions system only increases the complexity and cost of obtaining development consent from the City of Sydney

Number of submissions: 1 organisational

A submission from the Property Council said that the proposed contributions system only increases the complexity and cost of obtaining development consent from the City of Sydney.

Response: A contribution requirement forms part of a condition of consent. It does not require the concurrence of any other agency and is not particularly complex to calculate. The majority of the administrative burden falls on Council, rather than the proponent.

Economic testing has established that the proposed rates will not have a significant impact on development viability in the City of Sydney.

Given under-supply of affordable rental housing in Sydney and significant concern in the community about it, any additional complexity the requirement may add is considered reasonable.

Affordable housing is important to promote a diverse and sustainable community and to provide housing for key workers who support the economy and the community. The importance of affordable housing is discussed further in the affordable housing needs study appended to the Program.

Community housing providers should take into consideration the special needs of young people

Number of submissions: 1 organisational

A submission from Weave Youth and Community Services acknowledges the need for affordable housing and asks that the specific needs of young people be taken into consideration in forming criteria for access to affordable housing programs.

Response: The issues raised in the submission are noted. While the issues cannot be directly dealt with in the Planning Proposal, being largely managed by community housing providers in developing their programs, the City will write to community housing providers to advise them of the matters raised.

Affordable Housing should not only be market led, government needs to do its part

Number of submissions: 1 organisational

A submission from the UDIA asserted that affordable housing should not only be market led, and that government needs to do its part also.

Response: It is agreed that not all the responsibility for growing the stock of affordable housing can fall on the market.

The Planning Proposal does seek to leverage the market to increase supply, however it is acknowledged it will, in the context of the larger affordability crisis in Sydney, makes only small inroads into the significant under-supply of affordable housing in greater Sydney. Substantial reform is needed and requires a multi-pronged approach, with all levels of government, business and industry and the community playing a role.

It is noted however that the key levers to address housing affordability, such as taxation policy, are not within the scope of local government to address. Notwithstanding this, the City is a strong and constant advocate of reform.

The proposal is an incentive for developers with no public benefit

Number of submissions: 2 individual

Submissions argue that the proposal is an incentive for developers with no public benefit.

Response: The affordable housing program does not include any incentives or bonuses attached to providing affordable housing.

The Planning Proposal establishes a mechanism for development to deliver the public benefit of affordable housing. Affordable housing is crucial for a diverse and sustainable community, and to provide housing for key workers who support the economy and the community.

The importance of affordable housing is discussed further in the affordable housing needs study appended to the Program.

The costs are being pushed onto developers and/or the community to support lower income people

Number of submissions: 5 individual

Submissions are concerned that the costs of providing affordable housing and supporting lower income households are ultimately being pushed onto the development sector and/or the community.

Response: Increasing the stock of affordable housing is a benefit not only to those lower income households who may access it, but also to the wider community. Affordable housing is important to promote a diverse and sustainable community and to provide housing for key workers who support the economy and the community.

The importance of affordable housing is discussed further in the affordable housing needs study appended to the Program.

Affordable housing should be located outside of inner Sydney

Number of submissions: 3 individual

Submissions question the value of providing affordable housing within the City of Sydney, and suggest that it be provided elsewhere in Greater Sydney.

Response: The aim of the Program is to address the social and economic problems caused by high land values in inner Sydney forcing very low, low and medium income households out of the area, such as poor community cohesion and loss of key workers.

A detailed account of these social and economic problems, and the wider benefits of providing affordable housing in the City of Sydney LGA is discussed in the affordable housing needs study, appended to the Program.

The consultation process was inadequate and or confusing

Number of submissions: 5 individual

Submission raised concerns that the consultation was not clear or had too much information with too much jargon.

Response: The City appreciates that much of the consultation materials that are statutorily required to change the planning controls can be confusing for the community. To address this, the City prepared a plain English fact sheet to accompany the exhibition all materials. In addition, the letter sent to all landowners to notify them of the public exhibition included a contact phone number for the responsible planning officer to answer any questions about the public exhibition.

There is no transparency in the use of funds

Number of submissions: 1 individual

One submission is concerned that there is inadequate information about how funds will be used.

Response: The Program provides extensive guidance on how contribution funds are to be collected, allocated to a community housing provider and spent for the development and ongoing management of affordable housing. Currently, all funds are directed to City West Housing, a Tier 1 community housing provider regulated under the National Regulatory Code. City West Housing annual reports are available on their website.

Built form/amenity impacts and the need to preserve heritage

Number of submissions: 3 individual

Submissions are concerned that affordable housing should be of high quality design and should not impact on heritage items or conservation areas.

Response: Affordable Housing is subject to the same planning requirements as any other residential development in the City, including the Apartment Design Guidelines.

Affordable housing that has been built under the current contribution schemes is of high quality and generally consistent with surrounding development.

The proposal doesn't consider ongoing management costs

Number of submissions: 1 individual

One submission raised a concern that the proposal does not consider the ongoing management costs of affordable housing.

Response: Community housing providers, who are the beneficiary of the contributions required by the Program, build and own the resulting affordable housing. The Program requires the rental stream generated by the housing is used for the ongoing management of stock and to provide additional affordable housing.

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

Number of submissions: 6 individual

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

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

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

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

- the dwellings are built for purpose to the requirements of community housing providers;
- dwellings located together are easier for community housing providers to manage;
- affordable housing is not subject to high strata fees, which in some cases may significantly decrease rental stream income;
- apartments are built with high quality, durable materials to allow for detailed future planning for management and upgrades; and
- developments built by community housing providers do not include a developer profit margin.

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

The State Government needs to be more active in increasing the quantum of affordable housing

Number of submissions: 1 individual

One submission is concerned that the State Government should be more active in providing affordable housing.

Response: Agreed. The City advocates to all levels of government to increase the supply of affordable housing.

Support for administrative/management arrangements

Number of submissions: 1 individual

One submission specifically supports the administrative and management arrangements provided in the Program.

Response: Noted.

An ownership model should be introduced

Number of submissions: 1 individual

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

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

The contribution rates are not high enough

Number of submissions: 6 individual, 1 organisational

Submissions argue the contribution rates in the Program should be higher.

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

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

More homeless/public housing accommodation is needed

Number of submissions: 4 individual and 1 organisational

While supporting the need for affordable housing, submissions also noted the need to increase the stock of public housing (social housing) and housing for people who are homeless.

Response: Agreed. While increasing the stock of social housing, including crisis housing for people who are homeless, is not the objective of this Planning Proposal, it is agreed that more needs to be done to address this need.

While it is ultimately the responsibility of the State Government to provide social housing, the City is a strong and consistent advocate for the increase of this stock in the LGA. An example was the role the City played in facilitating the Common Ground development in Camperdown.

While not directly providing social housing, the City also provides a number of services and facilities to support people of low income in their homes and those who are experiencing homelessness.

Design guidance is needed for affordable housing

Number of submissions: 1 individual and 1 organisational

Submissions assert design guidelines should be provided for the development of affordable housing.

Response: It is agreed that the community housing sector would benefit from more state wide guidance about how affordable housing can be developed, and the different models that may be considered.

Notwithstanding this, affordable housing is subject to the same planning and design requirements as any other residential development in the City, including the Apartment Design Guide.

The Program requires that where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guide are to be generally achieved. For example, 70 per cent of the affordable housing dwellings should achieve adequate solar access. This is to ensure the least amenable units in any development are not all selected as the affordable rental housing dwellings.

Affordable housing is important to create a diverse and healthy community

Number of submissions: 6 individual

Submissions in support of the Planning Proposal have noted that affordable housing is important to create a diverse and healthy community.

Response: Noted and agreed

Appropriate infrastructure is needed to support affordable housing

Number of submissions: 1 individual

While supporting the need for affordable housing, submissions also note the need for appropriate infrastructure and services to support the residents of affordable housing.

Response: Affordable housing residents, like all residents of the City of Sydney, require a range of infrastructure and services to support high density living. Affordable housing is encouraged in areas with access to good public transport, open space and community facilities.

Affordable housing should be owned in perpetuity by government or community housing providers

Number of submissions: 1 individual

While writing in support of the Planning Proposal, one submission noted affordable housing should be owned in perpetuity by government or community housing providers, and only be provided to residents on a leasing basis to prevent on-selling and making a profit.

Response: Noted and agreed.

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”.

The Program requires affordable housing resulting from the Planning Proposal be provided as such in perpetuity. Housing is owned and managed on an ongoing basis by community housing providers listed on Schedule A of the Program. It cannot be on-sold into the private market.

Community Housing Providers are building well designed developments

Number of submissions: 1 individual

One submission written in support of the Planning Proposal asserts that community housing providers are building developments of high design quality and they are being managed well.

Response: Noted and agreed

Providing affordable housing should just be a normal part of development

Number of submissions: 1 individual

One submission was received that asserted that providing affordable housing should simply be a normal part of development, to increase acceptance by developers.

Response: Agreed. The Planning Proposal effectively requires all major development in the LGA make a contribution to affordable housing, not just development in identified areas. This will contribute to affordable housing contributions being more accepted by industry and the community.

General support for the proposal / acknowledged need for affordable housing (no specific reason given)

Number of submissions: 5 individual and 2 organisational

Submissions provided in support of the Planning Proposal acknowledged the need for affordable housing, however provided no specific reason for why it was important.

Response: Noted.

General objection to the Planning Proposal (no specific reason given)

Number of submissions: 1 individual

A submission was received in objection to the Planning Proposal, however it provided no specific reason.

Response: Noted

The proposed Schedule for 'planning proposal land' is inconsistent with District Plan

Number of submissions: 1 organisational

A submission from the Stockland argues that the proposed contribution for 'planning proposal land' is inconsistent with the Greater Sydney Region Plan

Response: The Greater Sydney Region Plan 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 floorspace, subject to viability. The target is aimed 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.

The proposed Schedule in the LEP adopts the approach in the Region Plan and secures a reasonable proportion of the increase in land value when planning controls are changed. While this is applied on a site-by-site basis, it is considered at a precinct level and in the context of local housing markets.

The Region Plan provides the parameters for consideration in the successful implementation of these targets, including:

- measurement of the value created by the rezoning by applying a consistent viability test - the economic testing used to establish the target rates proposed in the Program for 'Planning Proposal land' applied a standard Residual Land Value approach to establish viability;
- the consideration of other contributions that may apply to the land, including any State Infrastructure Contributions - the target rates proposed in the Program for Planning Proposal land will be updated annually to allow for changes in market conditions;
- allowance for an increase in land value for vendors so that land is willingly sold and supply does not stall - the 'cost' of the 50 per cent sharing of value created when planning controls are changed does not impact on the value that is paid for land, which is typically purchased on the residual land value of land under existing planning controls. Even allowing for a reasonable level of speculation on future planning controls, by both the vendor and the purchaser, there is sufficient value created in a change of planning controls to not unduly impact on the willing dale of land;
- allowance for developers to achieve normal profit margins on investment and risk - the economic testing assumed a normal profit on investment and risk; and
- a bespoke approach to allow for local circumstances - the economic testing is predicated on an assessment of local market conditions and planning requirements.

The State Government should prepare a State wide affordable housing policy

Number of submissions: 2 organisational

Submissions from UDIA and the Property Council assert the State Government should prepare a State wide affordable housing policy and that it should guide how affordable housing is provided.

Response: The Region Plan establishes an affordable housing target of five to 10 per cent of new residential floorspace, subject to viability. The Plan provides the parameters for consideration of local schemes and the successful implementation of these targets. This Planning Proposal, specifically the proposed schedule for Planning Proposal land, provides an approach to achieve the Plan targets through the local planning framework.

The affordable housing contribution, required under clause 7.13, is applied in accordance with *State Environmental Planning Policy No. 70 - Affordable Housing (Revised Schemes) (SEPP 70)*.

The 50 per cent value sharing rate is unreasonable and is not common practice

Number of submissions: 1 organisational

A submission from the Urban Taskforce asserted the 50 per cent value capture rate is unreasonable and is not common practice, as indicated in the report to Council and CSPC in 2017.

Response: Value sharing is a mechanism by which the additional land value created by a change to planning controls is shared between the landowner and the public. The additional land value is the 'unearned increment' created out of a change in government policy. It is not agreed that it is unreasonable to share the value equally.

The benchmark of 50 per cent value sharing is established in other City of Sydney policies, including the Community Infrastructure Scheme in the Green Square Urban Renewal Area, the deferred commencement provisions of the Green Square Town Centre local environmental plans, and the Southern Employment Lands investigation areas.

The 50 per cent value capture benchmark is common practice outside of the City of Sydney, being used by other councils in NSW including Inner West Council, Parramatta City Council, Waverley Council and Byron Shire Council.

Affordable housing units could be smaller than 35sqm

Number of submissions: 1 individual

One submission notes that while the 35sqm size minimum is in line with State policy, design and usable space should be emphasised over minimum floor space size.

Response: A 35sqm minimum size is considered reasonable and is in line with State policy. Should the State Government provide further guidance for 'micro-apartments', this may be reviewed.

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

Number of submissions: 3 organisational

A number of organisational submissions raise concerns that the increase in Green Square would impact on current projects and that it should be phased-in to allow for market adjustment in a similar way that it is being phased-in in the residual lands.

Response: Noted. The Program has been adjusted to allow for the current Green Square Program rates to continue to apply in Green Square until 29 February 2020.

The system of allowing for Bank Guarantees at to be lodged at the construction certificate stage should be retained

Number of submissions: 2 organisational

Submissions raise concerns that the system of allowing for Bank Guarantees at to be lodged at the construction certificate stage should be retained for flexibility.

Response: Approximately one third of affordable housing contribution payments have been satisfied by bank guarantee since 2012. The system is complex to administer, requiring indexing of contribution payments prior to occupation certificate.

The system has also been misused as a tool to delay payment to a time where it may be more favourable for them to do so. For example, where a developer has provided a bank guarantee at the construction certificate stage, when it comes time to index the payment at occupation certificate stage, they will assess whether the payment will be higher or lower and will pay the contribution or not pay it based on if it will money will be saved.

The purpose of this change is to:

- provide equity and align the payment requirements with all other payments that are required, such as Section 7.11 contributions (previously Section 94 contributions) and payments required under Clause 6.14 – Community Infrastructure floor area at Green Square;
- remove any incentive to make monetary contribution in favour of in-kind contribution;
- ensure funds are provided to community housing providers as early as possible so that they may participate in the market. Payment later in the development process, while favourable to the applicant who may 'save' on delaying payment, means that the community housing provider receives the funds later. The CHP cannot collect interest on the funds, cannot borrow against the funds, and cannot put funds towards a project to build affordable housing; and
- streamline and simplify the operation and administration of affordable housing contribution requirements in the LGA.

The one per cent levy on commercial development will make providing commercial floorspace difficult

Number of submissions: 1 individual and 3 organisational

Submissions raise concerns the one per cent levy on commercial development in Central Sydney will make providing commercial floor area even more difficult.

Response: The one per cent contribution requirement has applied to commercial development in Green Square and the Southern Employment Lands since the inception of those programs.

It is fair and reasonable that commercial development, which benefits from increased housing options for key workers, contributes to affordable housing. The City's economic analysis shows a one per cent contribution requirement is unlikely to have a substantial impact on development viability.

The contribution rate applied to residential development is greater than the contribution rate applied to commercial development. The viability of commercial relative to residential development will not be impacted by the contribution requirement.

Given the long introduction period of the levy rate, that allows time for market adjustment, there is adequate time for purchases to take into consideration the contribution requirement.

Inclusionary zoning is an unacceptable tax on development

Number of submissions: 3 organisational

Organisational submissions, including those from the Property Council and the Urban Taskforce assert that the contribution requirement is an unacceptable tax on development.

Response: The contribution requirement is not a tax. It is cost associated with developing land, similar to contributions payable under Section 7.11 of the Act.

The contribution requirements will impact on wider housing affordability and the City's policies should instead focus on the need to improve housing affordability

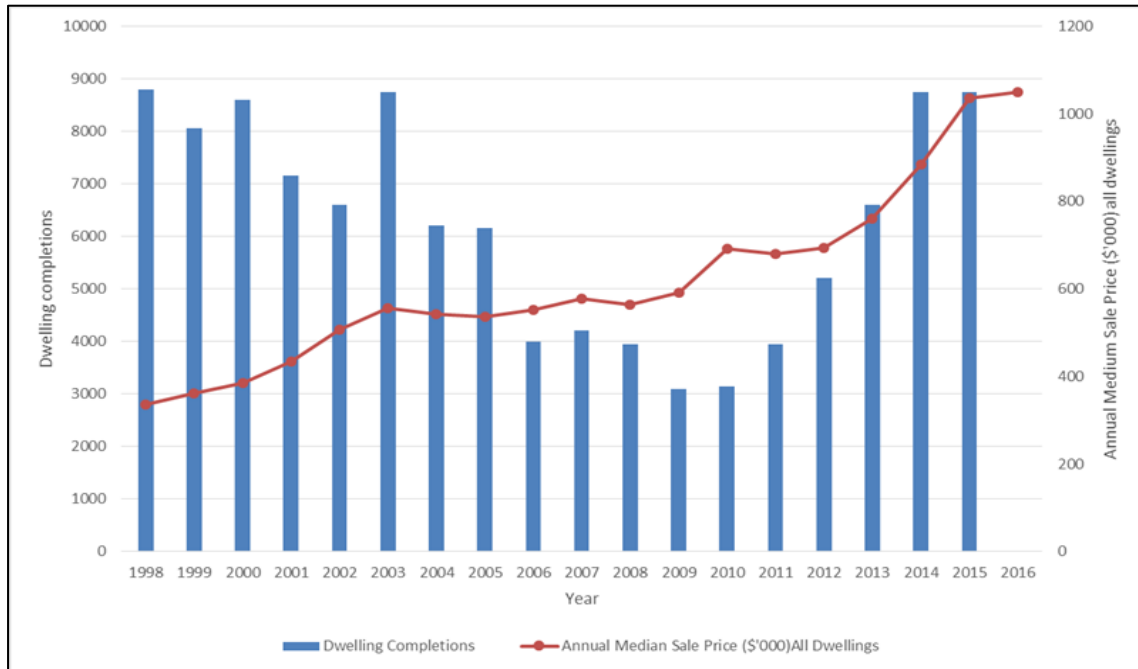
Number of submissions: 2 individual and 4 organisational

Some submissions argue that the City should instead focus its policies on increasing supply to address housing affordability.

Response: While federal and state government policy responses to the increasing affordability crisis have largely focused on supply side, given the substantial demand side drivers in a market such as the inner-Sydney, house prices have remained at record high levels. In the City of Sydney, as at June 2017, there were 120,000 dwellings with an additional 30,000 dwellings in the development pipeline. Despite some indication that the market is cooling in parts of Sydney, partially in response to increase in supply, it is unlikely any market correction would result in housing being 'affordable' for very low to moderate income households.

The Figure 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 last five years the Eastern District has experienced the sharpest increases in median dwelling prices compared with the preceding 15 years.

Figure: 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 of Sydney 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 2017 quarter). By comparison, the Greater Sydney median strata dwelling prices are \$720,000. Figure 2 illustrates the average weekly mortgage payment of \$1048 based on a 10 per cent deposit, standard stamp duty charges built into the 30-year mortgage and five per cent interest rate.

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.

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 2017/2017 household income medians).

A moderation in housing costs of this scale is unlikely to occur through market forces, despite a cooling property market. In addition, there is no evidence to suggest that incomes will increase at the same pace that house prices increase, suggesting the gap may widen even further. This has certainly been the experience of the last four decades. In 1975 the average first time buyer in Sydney would take three years to save a house deposit, today that has increased 3 times to 9 years.

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.

Greater clarity is required about exemptions

Number of submissions: 2 individual

Submissions are concerned about the lack of clarity about when development is exempt from a requirement to pay a contribution.

Response: It is agreed that, owing to the legalistic nature of local environmental plans and other planning controls, it can be difficult to understand what is exempt from development.

Some changes have been made to the Program following public exhibition to improve readability and to expand the range of development that may be eligible for exemption.

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

Number of submissions: 2 individual and 1 organisational

Submissions argue that other methods of increasing affordable housing should be explored, such as build to rent models.

Response: The City supports the development of new affordable housing models, recognising range of approaches are required to address the shortfall of affordable housing needed to achieve the City's targets. The City sees great potential in new models, such as build to rent, and looks forward to working with the development sector to develop these models.

Notwithstanding this, the build to rent model, and others like it, are in their infancy. They are not yet a viable alternative to the proven approach to ensuring long-term affordable housing stock in the City's existing contribution schemes.

Incentive based schemes should be introduced instead of contribution schemes

Number of submissions: 3 organisational

Submissions argue that incentive schemes should instead be explored.

Response: Incentive schemes for affordable housing, such as those available under *State Environmental Planning Policy (Affordable Housing) 2009* have limited effectiveness and not resulted in any affordable housing outcomes in the City of Sydney, though it has increased the stock of boarding houses and student accommodation. Incentive schemes generally rely on increasing development capacity beyond the existing planning controls, with associated impacts on amenity.

The City's existing contribution schemes have resulted in over 800 affordable dwellings for low income households and are a proven approach to ensuring long term affordable housing stock is provided in the City.

Student accommodation should be excluded from the need to make a contribution

Number of submissions: 1 organisational

As submission from Sydney University argues they should be excluded from the need to make a contribution because they:

- provide student housing at 25 per cent below the costs generally charged for private student housing elsewhere in the LGA; and
- are a not-for-profit organisation and the contribution requirement would divert funds from other university programs, such as research.

In considering the concerns raised in the submission, the City does not support the exemption of the University from the requirement to make a contribution because:

- the Program does provide exemption for affordable housing that is being provided in accordance with the affordable housing principles. This exemption may provide opportunities for the University to partner with community housing providers for a student housing model that aligns with the Program's principles;
- student housing being built by the University, while being rented at 25 per cent below market value, does not align with the Principles of this Program. Moreover, it does not means test residents, so there is no certainty regarding access by target households, being very low to moderate income households;
- the Program provides no other exemptions for not-for profit development, irrespective to their activities. This is owing in part to an inability to determine where a distinct community benefit is arising from the activities of an organisation;
- the City's affordable housing target, and this Planning Proposal and Program, is to ensure an increase in the supply of affordable rental housing for very low to moderate income households, including students and key workers, such as those that may be studying at or employed by the University. The University will benefit from the increase in affordable housing as much as any organisation in the City of Sydney.

Use of funds resulting from the Program

Number of submissions: 2 organisational

A submission from Link Housing argues that funds resulting from the Program should be available to Link Housing.

A submission from City West Housing argued that funds resulting from the Program are most efficiently used and result in the most affordable housing when managed by a single community housing provider.

Response: City West Housing is the only provider currently listed on Schedule A – Recommended Community Housing Providers of the Program. Spreading the limited contributions across multiple providers would reduce the level of certainty with which City West Housing can undertake forward planning, for example, strategic land purchases for future projects would become difficult with no certainty of funding.

Overall, it is considered that spreading funds across multiple providers would impact on City West's 10 year development plan and may reduce the amount of dwellings resulting from the Program.

City West Housing has a proven track record of using contribution funds resulting from the Program, delivering over 700 affordable dwellings in the City and supporting over 1,300 low income residents. An additional 500 dwellings are under development or in the development pipeline. City West Housing only operates in the City of Sydney, and as such has extensive knowledge of the community and of the challenges of owning and operating affordable housing in a dense urban environment. Developments are generally well designed and well managed and is provided in perpetuity. Systems and processes have been designed to specifically deliver on the principles in the Program.

The City has a strong working relationship with City West Housing. While ownership vests with the State government by holding the company's only ordinary shares, the City has a stake in the organisation through its roles of one of ten preferential shareholders with a direct interest in expanding affordable housing in the City of Sydney. For clarity, the City has no financial interest in City West Housing.

It is noted that City West Housing relies heavily on the funds arising from the Program, owing to a corporate structure that limits the organisation's ability to participate in some State Government funding schemes, such as the Social and Affordable Housing fund, which are available to other community housing providers more generally.

City West Housing have, in their submission, indicated capacity to grow their organisation to manage the future opportunities that may arise from the expansion of the contribution schemes.

Notwithstanding the above, the Program allows for other community housing providers to make an application to be added to Schedule should demonstrate it would not have a negative impact on the delivery of affordable housing.

Moreover, funds resulting from development in the southern employment lands is passed to the NSW Department of Family and Community Service (FACS) where funds are to be distributed to a range of community housing providers. Oversight of the distribution of funds is through a Program Steering Committee, established by the draft Program and comprising representatives from the City and FACS. The Committee's role is generally to provide advice on the timing and content of expressions of interest and tenders, and on how and to whom funds should be allocated. As sufficient funds become available, FACS will seek proposals from eligible community housing providers for projects within the LGA. Under the draft Program, collected funds are to be spent within the City of Sydney LGA.

A longer phasing-in period is required for complex development applications

Number of submissions: 1 organisational

One submission argues a longer phasing-in period is required for complex development applications

Response: Economic testing established the required phasing-in period for the contribution requirement to allow for a period of market adjustment. The period was further extended by requirement of the Gateway determination to allow for a further year.

It is not feasible to introduce a system that would allow the City to adequately determine what it a complex development application and for how long it had been under preparation. However, it is noted that the intention to introduce a contribution requirement on residual land was reported to Council in March 2018, and in Central Sydney in July 2016. The contribution requirement will not be in full effect until July 2022. Notwithstanding this, the Planning Proposal has been amended so that the contribution requirements do not apply to development applications in Central Sydney or on residual land lodged before 1 July 2018.