

Attachment A

**Guideline to Preparing Site Specific
Planning Proposal Requests in the
City of Sydney Employment Lands
Investigation Areas**

Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas



Sydney 2030 / Green / Global / Connected

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1. Introduction

The southern employment lands, shown at Figure 1, are an area of about 265 hectares that stretches from the south-west corner of the Green Square Town Centre to the south-west corner of the Sydney Local Government Area (LGA) within the suburbs of Rosebery and Alexandria.

The southern employment lands are some of the most strategically important employment lands in the Sydney metropolitan area. Located in the Global Economic Corridor between the Central Business District and Sydney Airport and Port Botany, they accommodate a wide variety of employment generating activities.

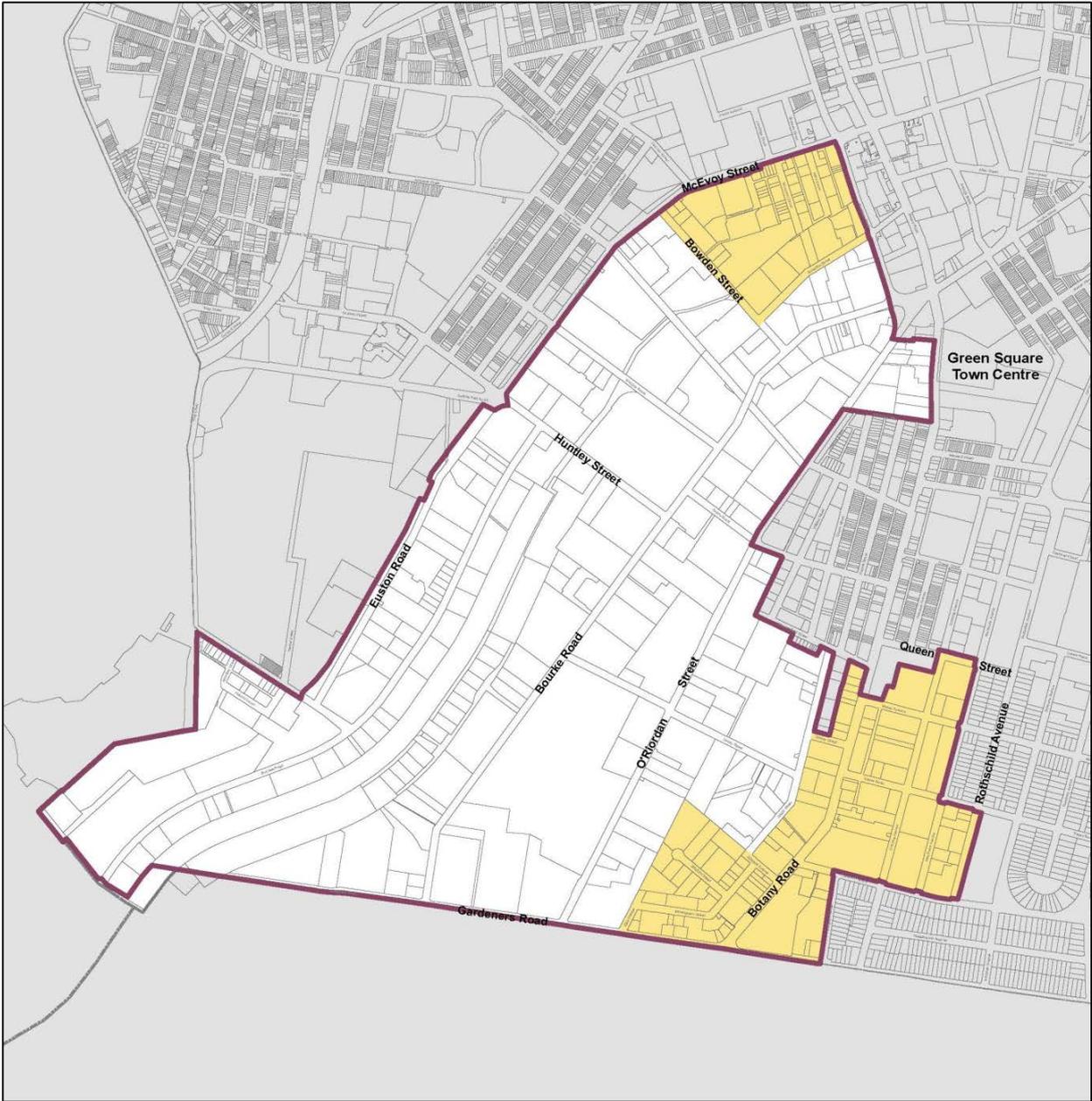
In June 2014, Council adopted the *City of Sydney Employment Lands Strategy 2014-2019* (the Strategy) which formed the basis for the rezoning of much of the industrial land in the LGA in 2015. The Strategy contains objectives and actions to ensure that sufficient infrastructure is provided as new business and jobs locate in the southern employment lands.

Two 'investigation areas' are identified within the southern employment lands, as shown at Figure 1, where requests for site specific planning proposals (Requests) will be considered to permit residential uses and changes to maximum height and Floor Space Ratio (FSR) controls.

This Guideline provides the operational detail for the preparation and consideration of Requests in the investigation areas and provides a framework for how the planning gain resulting from changes to planning controls will be used to facilitate infrastructure delivery. The purpose of this Guideline is to:

- provide a framework for sharing the planning gain resulting from changes to planning controls to fund infrastructure delivery, including the delivery of affordable housing;
- provide land use and built form principles to guide the preparation of Requests in investigation areas;
- provide a transparent and consistent approach to the evaluation of Requests in investigation areas;
- describe the City's priorities for infrastructure needed to support growth;
- describe the process for preparing a Request, including required supporting documentation, applicable fees, preparation of a voluntary planning agreement (VPA) and the decision making process.

The background for the preparation of this Guideline is provided at Appendix D.



KEY
 SOUTHERN EMPLOYMENT LANDS
 INVESTIGATION AREA



FIGURE 1: INVESTIGATION AREAS

0 250 500m

OCTOBER 2014

2. Objectives

The objectives of this Guideline are to:

- Facilitate, over the long term, high quality mixed use precincts in investigation areas that incorporate employment generating uses, including cultural and community uses, as well as market housing and affordable rental housing;
- Provide a framework for the urban renewal of buildings that are reaching the end of their economic life;
- Ensure Requests are considered in the context of the strategic objectives of the southern employment lands and are not considered as isolated Requests;
- Ensure sufficient infrastructure is provided to support growth in the southern employment lands;
- Identify affordable housing as priority infrastructure in the southern employment lands; and
- Ensure Requests demonstrate planning merit across a range of considerations.

3. Terms used in this Guideline

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

Affordable rental housing or an **Affordable rental dwelling** is **affordable housing** that is managed by an **eligible community housing provider** and rented to **very low to moderate income households**.

Benefit sharing

Benefit sharing means 50 per cent of the planning gain resulting from changes to planning controls will be used to fund the provision of infrastructure.

Council / 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 City’s elected representatives.

Planning gain

Planning gain is the monetary benefit resulting from changes to planning controls.

Requests

References to **Requests** are references to a request for a site specific planning proposal, prepared by a landowner/developer for the consideration of the City / Council.

4. The investigation areas

The investigation areas will play a critical role in achieving the vision for the City's employment lands which is articulated in the Strategy and underpinned the rezoning of the area in 2015. The Strategy provides:

The primary role of the employment lands is to facilitate new business and industry opportunities, provide employment across a range of sectors, and provide land for strategic industrial activity and essential urban services. The employment lands will continue to play a crucial role in supporting growth of the local, metropolitan, state and national economies whilst facilitating regional and global network connections.

A more flexible approach to land use in parts of the employment lands will facilitate higher density employment and new economic activities such as new industrial uses, creative uses, knowledge industry development and flexible commercial, retail, industrial and community spaces.

Affordable housing is to be provided in and around the southern employment lands as employment grows and the demand for low paid essential workers, such as child care workers and cleaners, increases.

Other parts of the employment lands will accommodate land uses that are essential to the efficient functioning of the City. This ensures activities associated with key state infrastructure, including the airport and port, and other activities that need access to the CBD, can locate in the area. It will also ensure the rapidly growing residential and worker population in the inner city subregion can access essential services.

The investigation areas are those parts of the southern employment lands where the long term vision is for a vibrant, high amenity precinct that includes a mix of employment uses, community uses, and market and affordable housing.

The investigation areas have been identified as the most suitable in the southern employment lands for these uses because:

- current land values allow a range of uses to locate in the area, that is, employment uses are not displaced by residential being permitted *as of right*;
- their proximity to public transport, being the Green Square train station in the north and a high capacity bus corridor along Botany Road in the south;
- the generally higher level of amenity;
- a relatively finer grain subdivision pattern;
- the opportunities they provide to fund infrastructure to support a growing workforce in the southern employment lands, such as affordable housing; and

- they will ‘buffer’ other parts of the employment lands from more intense residential areas.

These areas are already changing and accommodate a range of finer grain, higher value employment uses. Over time the investigation areas will attract new businesses, many knowledge based or creative in nature, that will seek flexible spaces with lower out-of-centre rents and with the in-centre benefits of higher amenity and access to services in the Green Square Town Centre and other parts of the Green Square renewal area.

Residential development will slowly transition into the area, but only where it supports and does not undermine the vision for the employment lands.

5. Why is planning gain shared?

Benefit sharing is to ensure that the planning gain resulting from a change to planning controls will be equitably distributed between the landowner/developer and the public.

In the inner city, the value of land is directly related to the uses and densities permitted on that land. Given the much higher value of residential floor space in the inner city, relative to industrial or business zoned land, rezoning sites to facilitate residential uses would result in a significant increase in the land value. This is often referred to as a 'windfall' gain for the landowner/developer who has gained a substantial and un-earned financial benefit from a government decision.

A number of planning strategies, incentive schemes and contribution requirements apply to the southern employment lands to articulate and deliver the infrastructure required to support its urban renewal.

The *Southern Employment Lands Infrastructure Plan 2015* details the infrastructure required resulting from rezoning in 2015. Some of this infrastructure, such as roads and pedestrian and cycle paths, will be delivered as development occurs and will be funded by land dedications and/or works in kind provided by the developer or from Section 94 contributions or other City of Sydney funding sources.

Other infrastructure needs, in particular affordable housing, cannot be delivered in most areas of the southern employment lands because:

- they are not zoned for residential purposes; and
- requiring a substantial increase, above what it required under the *Employment Lands Affordable Housing Program*, would likely render development unviable. To clarify, there is not sufficient increase in the value of the land resulting from the 2015 rezoning to justify additional contribution.

The investigation areas, which may be rezoned for residential development and would therefore experience a substantial increase in land value, offer the opportunity to provide this infrastructure. While the majority of landowners in the southern employment lands experienced some planning gain resulting from the 2015 rezoning, landowners that own land outside of investigation areas will not enjoy the planning gain resulting from a possible future rezoning for residential purposes under this Guideline. This Guideline provides a framework for the equitable distribution of planning gain created within the investigation areas to ensure that the benefits are shared by all landowners and the community.

6. Infrastructure in investigation areas

Affordable housing for low income workers, which supports sustainable employment growth and a diverse and healthy community, will be of substantial public benefit to all land owners in the southern employment lands. In most cases it will be the preferred public benefit outcome of any change to planning controls in investigation areas. Broadly, a public benefit offer for affordable housing may fall into four categories:

- dedication of land and commensurate amount of floor space (generally preferred on larger sites);
- dedication of constructed dwellings for affordable housing free of cost;
- constructed dwellings for affordable housing with partial cost recovery; and
- monetary contribution (generally not preferred).

Alternative models of affordable housing provision will be considered on a case by case basis where they can be appropriately valued.

There may be circumstances under which other infrastructure may be required in the investigation areas, including:

- land or floor space dedicated for a public purpose, for example open space, public road or community facility;
- drainage amplification, integrated water treatment facilities, large scale detention systems, overland flow path works and stormwater channel improvements; and
- any other works or improvements approved by Council.

As a general rule, infrastructure to support site specific requirements resulting from changes to planning controls, for example private open space or additional roads to facilitate access to residential buildings, is not considered a public benefit under this Guideline.

Appendix D provides a background to infrastructure planning and requirements in the southern employment lands.

7. The planning framework

State and local planning policies and strategies

The metropolitan planning framework locates the southern employment lands within the 'Global Economic Corridor'. This is the collection of assets and centres that runs from Macquarie Park, through Chatswood and North Sydney, the Sydney CBD and onto the airport and port.

Successive metropolitan plans have consistently placed an emphasis on the retention of significant strategic industrial lands and contain strategies and policies that effectively prevent the reduction of industrial land where its removal cannot be justified.

In June 2014, Council adopted the Strategy which provides the City's policy framework for the urban renewal of the City's employment lands. The Strategy was the basis for the rezoning of the employment lands from predominantly industrial zoning to zones that allow a range of higher value higher density employment generating uses.

The resulting growth in employment and new business will in turn generate demand for additional infrastructure, in particular affordable housing. The Strategy identifies investigation areas as the appropriate location where some of this infrastructure may be provided where land is rezoned for residential purposes.

Planning proposals and DCP amendments

A planning proposal contains the intended effect and justification for a change to planning controls in a local environmental plan (LEP). Changing the zoning and other planning controls in a LEP is a statutory process set out in the *Environmental Planning and Assessment Act 1979* (the Act).

Requests are proposals from landowners/developers to change the planning controls relating to a particular site. In the investigation areas, rezoning will require amendment to the *Sydney Local Environmental Plan 2012* (Sydney LEP), the principal document that controls development and regulates land use in the City of Sydney.

Amendment to the Sydney LEP will generally be accompanied by an associated amendment to the *Sydney Development Control Plan 2012* (Sydney DCP). The Sydney DCP supports the provisions set out in Sydney LEP with detailed development and design controls.

Voluntary planning agreements

Voluntary planning agreements (VPAs) are legal agreements between a planning authority and a landowner/developer. They are a common tool used to secure a public benefit that may be offered by a landowner/developer as part of a request to change planning controls or as a part of a development application.

Where an offer is made, determining the content of a VPA generally involves a discussion between planning authority and a landowner/developer to ensure that development outcomes can be supported by appropriate infrastructure.

In the investigation areas, infrastructure required from a change to planning controls resulting in an increase in development capacity will typically be secured in a VPA between the Council and the landowner/developer.

Voluntary planning agreements are governed by Section 93F of the Act and can include monetary contributions, the dedication of land free of cost or any other material public benefit.

Planning agreements are exhibited for at least 28 days and are accompanied by an 'explanatory note' that outlines the public benefits and how they will be served. The public exhibition ensures transparency to all stakeholders and allows the public benefit to be clearly demonstrated.

8. Requests for changes to planning controls

This Section describes how a landowner/developer may make a Request to change the planning controls in investigation areas. It also describes how Requests will be assessed and the process for entering into VPAs.

Stage 1 - Pre-application

The initial stages of preparing a Request can be described as a discussion between the community (represented by the City) and the landowner/developer. Key matters for discussion include the Request's consistency with the state and local policy objectives, proposed land use and built form outcomes, potential issues and solutions, and the public benefit of the proposed changes.

Before preparing a Request proponents are strongly encouraged to seek pre-Request advice from the City. Generally, the following information should be prepared for discussion in a pre-request meeting:

- planning overview, including review of constraints and opportunities and commentary on how it may address the City's strategic needs;
- concept level urban design analysis and built form drawings, including indicative site layout, building envelopes, proposed heights and floor space ratio (including a schedule of the areas within the development); and
- indicative public benefit elements.

Before providing pre-request advice, the City may seek comment from the Central Sydney Planning Committee (CSPC) and/or its Design Advisory Panel (DAP) on the merits of the request.

Stage 2 - Preparation of Request

The landowner/developer makes a Request in the form of a justification report, prepared in accordance with Section 55 of the Act, the *Standard Instrument – Principal Local Environmental Plan* (Standard Instrument) and guidelines published by the Department of Planning and Environment, including *A guide to preparing planning proposals* and *A guide to preparing local environmental plans*.

The landowner/developer is to provide any technical studies required to support the Request.

Stage 3 - Lodging a Request

Requests are to be lodged at:

**Town Hall House
One Stop Shop
Level 2, 456 Kent Street, Sydney**

Requests will not be accepted at the City's neighbourhood centres.

Requests must include:

- four hard copies and one soft copy of the Request and any relevant technical studies; and
- payment of relevant fees in accordance with the City's Fees and Charges schedule as published on the City's website. Note that where rezoning is proposed the application is categorised as 'Major'.

Requests should also include a written statement of understanding of the City's policy regarding benefit sharing.

Stage 4 – Consideration

A Request to change planning controls can only be supported where planning merit is demonstrated. The Request must contribute to the Vision for the investigation areas provided at Appendix A. It must also be consistent with state and local planning policies, demonstrate the use and built form is appropriate, show that it is of net public benefit and it materially contributes to the strategic directions for the southern employment lands.

The matters that the City will take into consideration in evaluating a Request are provided at Appendix B.

Stage 5 – Draft Planning Agreement

Public benefit will typically be secured in a VPA between the Council and the landowner/developer. Below are the steps in the process for the preparation of a VPA. The process shown is indicative only and may vary depending on the nature of the VPA being prepared:

Step 1 – the City and the landowner/developer discuss options for public benefit allocation (see above).

Step 2 - the landowner/developer makes an offer to the City outlining their willingness to enter into a VPA to provide an established public benefit in conjunction with a change of planning controls.

Step 3 – the draft VPA is prepared by the City at the cost of the landowner. The parties also agree on the details of the explanatory note to accompany the public exhibition of the draft VPA.

Step 4 – following public exhibition of the draft VPA public submissions are considered. Modifications may be required at this time.

Step 5 – once executed, the VPA is to be registered on the title of the land by the landowner/developer.

Stage 6 – Reporting and public exhibition

If the Request is supported by the City, and agreement has been reached on a suitable public benefits package, the City will prepare a report, draft Planning Proposal and draft development control plan for the consideration of Council and the CSPC. Council and the CSPC will also consider the suitability of the public benefit offer at that time.

If Council and the CSPC endorse the public exhibition of the draft Planning Proposal and public benefits offer, the draft Planning Proposal is referred to the Minister for Planning for Gateway Determination. If a Gateway is issued, the draft Planning Proposal, draft development control plan and draft VPA will be placed on public exhibition, generally for a period of no less than 28 days.

Stage 7 – Making a Local Environmental Plan

After the exhibition period the City will consider all submissions received and the outcomes of the exhibition will be reported to Council and the CSPC. If adopted, the draft Planning Proposal will either be referred to the Minister for Planning to 'make' the local environmental plan (LEP) or, if that power has been delegated by the Minister, Council will resolve to 'make' the LEP.

The LEP will not be made until the VPA has been executed and registered on the title of the land. Once made, the LEP comes into effect once it is published on the NSW Legislation website.

Appendix A Vision

Vision statement

The long term vision for investigation areas is for vibrant, high amenity precincts that include a diverse range of employment uses, community uses, and market and affordable housing. They will comprise a relatively even mix of residential and non-residential development.

New development will be characterised by its high design quality and its respect for the predominant traditional warehouse character of the areas. It will activate the public domain by creating opportunities for local employment and services, and community and cultural uses to locate at ground level.

Commercial activities, and the jobs created by it, will flourish in the investigation areas. Affordable floor space located close to Central Sydney and nearby centres will provide ample opportunity for fine grain retail, the creative and knowledge industries and for small to medium business activities across a range of sectors.

The public domain will be of high quality. Open spaces will be connected by a fine grain and permeable network of streets and pedestrian/cycle links providing good access to public transport and the services and facilities at nearby centres.

Sustainability will be at the heart of investigation areas. Development will integrate best practise Environmental Sustainable Design principles. Most residents and workers will not depend on private cars for travel and will instead use sustainable transport options including walking, cycling and public transport.

Appendix B Matters for consideration

Matters for consideration	Benchmark
Is now the right time for the Request?	<p>Many sites within the southern employment lands serve an important employment and economic function that should not be displaced. It is not the intent of this Guideline to encourage redevelopment for residential uses ahead of existing employment uses reaching the end of their economic life.</p> <p>Given this, and the other matters for consideration in this Appendix, Requests must demonstrate they are no longer suitable for a wholly employment use.</p>
Is the Request consistent with state and local planning policies?	<p>New development will be consistent with the key strategic directions and actions of state and local planning policies, including, but not limited to:</p> <ul style="list-style-type: none"> • <i>A Plan for Growing Sydney;</i> • Relevant State Environmental Planning Policies (SEPPs), Regional Environmental Plans (REPs) and Section 117 Directions; • <i>Sustainable Sydney 2030;</i> • <i>City of Sydney Employment Lands Strategy 2014-2019;</i> • <i>Sydney Local Environmental Plan 2012 and Sydney Development Control Plan 2012.</i>
Does the Request provide employment opportunities?	<p>In the metropolitan Sydney context, the primary role of the southern employment lands is to facilitate new business and industry opportunities, provide employment across a range of sectors, and provide land for strategic industrial activity and essential urban services.</p> <p>While investigation areas are identified as areas where some residential development may be supported, the vision for investigation areas is that they will comprise a relatively even mix of residential and non-residential development.</p> <p>Requests must demonstrate they will contribute to the broader strategic objectives of the southern employment lands. New development must:</p> <ul style="list-style-type: none"> • provide long term direct or indirect employment opportunities; and • incorporate non-residential floor space into the development where required by the City.
Does the Request unreasonably impact on existing employment uses?	<p>Existing employment functions within the southern employment lands are part of a critical network of jobs and services that support the dense population and the growth of Sydney Airport and Port Botany. New development must:</p> <ul style="list-style-type: none"> • be sensitive to existing and approved uses and not preclude the operational viability of employment generating activities; and • ensure the design of buildings can provide appropriate amenity for the future residents and reduce the risk of land-use conflict.

	Requests that are likely to unreasonably impact on existing employment uses will not be supported.										
Does the Request respect the development potential of all land in the investigation areas?	<p>New development will result from a coordinated approach to land use changes from predominantly light industrial to mixed uses. It will contribute to the staged delivery of the public domain and new facilities and services to support these changes.</p> <p>New development will be designed, staged and constructed with reference to its immediate context and will not sterilise residential and/or non-residential development opportunity on adjacent sites. The staging and coordination of new development will address appropriate separation of uses, potential conflicts of use, for co-location with employment uses and suitable vehicular access to adjacent sites.</p>										
Is the benefit of the Request shared with the public?	<p>New development is to share between the landowner/developer and the public the benefit resulting from changes to planning controls. This is to ensure that all land owners in the southern employment lands, as well as the affected working and living community, share in the material benefit of changes to planning controls. The sharing of benefit will assist in the provision of infrastructure to support growth in the southern employment lands.</p> <p>The benefit is referred to as a planning gain. To ensure an equitable and transparent approach, the City uses standard rates to understand the planning gain (Step 1). Fifty per cent of the planning gain is then allocated to the public in the form of infrastructure provision (Step 2).</p> <p>Step 1 - Establish the planning gain of the proposed planning controls.</p> <p>Planning gain results from:</p> <ul style="list-style-type: none"> the gain associated with a proposed rezoning resulting in the permissibility of residential uses; and/or the gain associated with an increase in density/height controls resulting in additional floor space. <p>The tables below indicate the incremental gain resulting from a change to planning controls. The incremental gain is dependent on the proportion of floor space retained for non-residential uses and that which is proposed for residential uses. The dollar rates per square metre are as follows:</p> <p>Table: Rezoning gain (R1)</p> <table border="1" data-bbox="628 1720 1275 1957"> <thead> <tr> <th>Proportion of non-residential floor space retained in the Request</th> <th>Rezoning rate (R1) \$/sqm</th> </tr> </thead> <tbody> <tr> <td>76% - 100%</td> <td>\$0</td> </tr> <tr> <td>51% - 75%</td> <td>\$200</td> </tr> <tr> <td>26% - 50%</td> <td>\$650</td> </tr> <tr> <td>0 – 25%</td> <td>\$1100</td> </tr> </tbody> </table> <p>Table: Additional floorspace gain (R2)</p>	Proportion of non-residential floor space retained in the Request	Rezoning rate (R1) \$/sqm	76% - 100%	\$0	51% - 75%	\$200	26% - 50%	\$650	0 – 25%	\$1100
Proportion of non-residential floor space retained in the Request	Rezoning rate (R1) \$/sqm										
76% - 100%	\$0										
51% - 75%	\$200										
26% - 50%	\$650										
0 – 25%	\$1100										

Floor space type	Additional floor space rate (R2) \$/sqm
Residential	\$2400
Non-residential	\$600

The total value of the planning gain resulting from a change to planning controls is calculated by:

$$\begin{aligned}
 & (\text{applicable R1 rate} * \text{current FSR} * \text{site area}) \\
 & + \\
 & (\% \text{ residential split} * \text{residential R2 rate} * \text{additional residential floor space}^1) \\
 & + \\
 & (\% \text{ non-residential split} * \text{non-residential R2 rate} * \text{additional non-residential floor space})
 \end{aligned}$$

Where:

- the *applicable R1 rate* is determined by the proportion of non-residential FSR to be retained within the current FSR of the site;
- the *current FSR* is the FSR shown on the Floor Space Ratio Map in the Sydney LEP 2012;
- the *additional residential / non-residential floor space* is determined by the amount of floor space in the site specific planning proposal that is in addition to the current FSR under the Sydney LEP 2012.

An explanation and examples of how the planning gain is calculated is provided at Appendix C.

Noted:

- the minimum proportion of non-residential FSR will be prescribed in the resulting LEP amendment. Where it is not prescribed it is assumed all floor space will be for a residential purpose;
- the 'current FSR' is the FSR shown on the FSR Map in the Sydney LEP 2012. It does not include additional FSR that might be achieved under Clause 6.14 of the Sydney LEP 2012;
- where there is a change to planning controls, the site will be excluded from the Green Square Community Infrastructure Scheme under Clause 6.14 of the Sydney LEP 2012;
- nothing in this Guideline excludes development from any contribution payable under current planning controls, including Section 94 contributions and affordable housing contributions. Both were considered in establishing the above rates;
- where a site achieves additional floor space through the development application process, above that which results from the Request, then additional funds are anticipated under the planning agreement; and
- nothing in this Guideline prevents a development from seeking additional floor space pursuant to Clause 6.21 Design Excellence of the Sydney LEP 2012.

¹ To calculate additional floor space multiply additional FSR by site area.

The above rates have been established with reference to:

- the land value increase on a site resulting from a change from the B7 Business Park zone to the B4 Mixed Used zone considering the amount of non-residential use retained; and
- the land value increase on a site resulting from an increase in the development capacity of that site, that is, an increase in FSR.

In order to calculate the planning gain associated with proposed planning controls, the City carried out market investigations and feasibility modelling in two stages.

The first stage was to understand the potential land value gain associated with a rezoning from B7 Business Park to a zone (B4 Mixed Use) that would permit the introduction of residential uses. The standard rezoning rate (R1) is the difference between the existing land value (B7) and the assessed rezoned land value (B4). This difference is known as the land value uplift. The permissibility (and proportion) of uses on a site underpins land value, accordingly the standard rates (R1) vary according to the permitted density and proportion of non-residential uses that are proposed to be retained.

The second stage was to understand the potential land value gain associated with a proposed increase in density that would result in additional floorspace. The quantum and nature of floorspace underpins land value, accordingly the standard rates (R2) vary according to the type of the additional floorspace proposed. Rates are adjusted on a quarterly basis, being the first days of March, June, September and December. Adjustments are made with reference to movements in the median price for strata dwellings in the City of Sydney LGA. The median strata dwelling price is published quarterly in the *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 current Guideline rates are to be published on the City of Sydney's website.

Step 2 – Allocate 50 per cent of the planning gain of the proposed planning controls (benefit allocation)

Once the planning gain is established (Step 1) the amount is equally shared between the landowner/developer and the public, that is, 50 per cent will be directed towards a public benefit with the remaining 50 per cent being retained by the landowner/developer.

The City and the landowner/developer are to reach agreement about the public benefit towards which funds are to be directed. The City's priorities for infrastructure in the southern employment lands are described in Section 2 of this Guideline.

If the public benefit offer includes the carrying out of works for a public purpose, the City will generally value it on the basis of a

	<p>cost estimate for the works. This will be prepared by a suitably qualified quantity surveyor or valuer appointed by the City and paid for by the landowner/developer.</p> <p>Where the public benefit offer includes the dedication of land, and where that land has no development potential, that is, where the achievable floor space on the land has been exhausted elsewhere on the site, the land value under the planning agreement is deemed to be of no value.</p> <p>Where the public benefit offer includes land, floor space and/or finished dwellings for the purpose of providing affordable housing, the market value is used in the calculation.</p> <p>Where works and/or land/floor space dedication do not achieve the value of the public benefit offer, monetary contribution may also be considered.</p> <p>In the event that a planning agreement stipulates works or services that would normally be provided as a condition of development consent, those works and services are deemed to be of no value under the planning agreement.</p>
<p>Does the Request provide appropriate public domain?</p>	<p>The transition of the investigation areas from places of wholly non-residential uses to mixed use areas will occur slowly over time. New public domain, facilities and services will be needed to support these changes.</p> <p>The public domain will provide for high levels of access to public transport nodes, the services and facilities at nearby centres, and new and existing open spaces.</p> <p>New development will, where necessary, provide or facilitate new streets, public open spaces and through site links. These will create a high quality fine grain and permeable network to support new residential development and denser forms of employment.</p> <p>New development adjacent to the Alexandra Canal tributary channel will be designed to enhance recreational and flood management opportunities.</p>
<p>Is the Request for an appropriate built form?</p>	<p>In order to support a planning proposal request, the City must be generally satisfied that new development will be able to comply with <i>State Environmental planning Policy No. 65 – Design Quality of Residential Apartment Development</i> and the <i>Apartment Design Guidelines</i> (ADG).</p> <p><i>Bulk, scale and articulation</i> The investigation areas are to respond sympathetically to the character, bulk, scale and articulation of existing buildings, particularly to the predominant traditional warehouse character.</p> <p>Buildings will maintain a street frontage height consistent with their context, with a secondary setback for storeys above the street frontage height. New development is generally to be built to the street frontage, with private landscape setback for apartment</p>

	<p>buildings; for commercial and retail a setback will generally not be required.</p> <p>Additions to existing buildings and new development will demonstrate design excellence, reinterpret existing fabric through the facade, roof forms and choice of materials, and make a positive addition to the streetscape.</p> <p>All new buildings will have a frontage to the public domain and access from a public street.</p> <p><i>Height</i></p> <p>Taller elements in the Alexandria investigation areas will locate in proximity to the Green Square train station, large public open spaces and west of Botany Road in the Rosebery investigation area, including the new secluded Bradford Street precinct. Building heights will generally be lower close to low-scale residential areas, heritage items and conservation areas.</p> <p>On large sites, a mix of building heights will be provided with breaks between upper elements to reduce the visual mass and allow sunlight to penetrate to inner courtyards and the public domain.</p> <p>In the Rosebery investigation area, height of buildings will respond to the height of existing dwellings along Rothschild Ave and Montrose Avenue, increasing west towards Botany Road. The height of buildings east of Botany Road are to respond to the context, particularly to heritage items and existing residential development.</p> <p>In the Alexandria investigation area, height of buildings will be sympathetic to the height of existing warehouses particularly within the proposed North Alexandria conservation area. Heights are to increase away from the proposed North Alexandria conservation area towards Mandible, Bowden and McEvoy Streets. Future development fronting Wyndham Street is to provide a transition of height between the existing warehouses along Hiles Street and residential development to the east.</p> <p>Taller elements are to be located opposite to the proposed parks with consideration to overshadowing impact.</p> <p>Overshadowing to internal courtyards, surrounding existing and future development and public domain is to be taken into consideration to define location and height of taller elements.</p>
<p>Will the Request activate the street and public spaces?</p>	<p>New development will provide for activation of streets and public open spaces. This will ensure a vibrant mixed-use precinct and will create opportunities for local employment and services and for community and cultural opportunities. It will generally consist of fine grain retail, space for the creative and knowledge industries and commercial floor space for small business operations.</p>
<p>Does the Request respect the heritage of the area?</p>	<p>The heritage fabric of the investigation areas will be conserved and adapted for the ongoing appreciation of the area's history and heritage significance. Buildings with heritage value will be adaptively reused with additions only supported where the significant fabric, spatial qualities and heritage significance are enhanced.</p>

	<p>Additions to existing buildings and new development in proximity to heritage listed items and conservation areas will be of sympathetic massing and scale and will not detract from the heritage value of the item/area. Existing high quality facades, roofs and other important fabric and spaces will be retained and incorporated into the development.</p>
<p>Do the environmental constraints of the land make it suitable for the use proposed in the Request?</p>	<p>Not all land in the investigation areas will be suitable for residential development given environmental constraints:</p> <ul style="list-style-type: none"> • there is possibility of contamination on most sites; • significant flood mitigation works are required on many sites; • many sites are located on existing or future busy roads; • many sites are located close to industrial development where the noise and/or air quality impacts preclude the development of new sensitive land uses. <p>New development will respond to the environmental constraints of the land. It will be appropriately remediated and the design of buildings will mitigate flood risk.</p> <p>New development adjacent to the Alexandra Canal tributary channel will be designed to enhance recreational, pedestrian/cycle connectivity and flood management opportunities.</p> <p>Where located on an existing or future busy road, the location of uses and the design of buildings will minimise the impact of noise and localised air pollution on human health.</p> <p>Non-residential uses will locate along existing and future busy roads. This will ensure a vibrant mixed-use precinct and will minimise the impact of the road on future residential amenity.</p>
<p>Does the Request implement best practice ESD principles?</p>	<p>Best practice Environmentally Sustainable Development principles will be implemented, with the design, construction and ongoing operation of buildings to minimise greenhouse gas emissions, energy consumption, potable water use and waste.</p> <p>Buildings are to be slender and demonstrate good solar orientation and high environmental and amenity performance.</p>
<p>Does the Request promote improved accessibility in the investigation areas?</p>	<p>New development will capitalise on opportunities to provide an expanded, safe and high quality public domain to improve access to amenities, services and public transport to reduce car usage.</p>
<p>Does the Request promote the use of sustainable transport?</p>	<p>New development will minimise car parking and prioritise and promote sustainable transport opportunities, including walking, cycling and public transport.</p>
<p>Does the Request promote housing diversity?</p>	<p>New development that includes residential development will be diverse in type, size, form and design. It will provide for a range of housing needs, including aging in place, affordable housing, families, students and adaptable and accessible housing.</p>

Appendix C Explanation and examples for the calculation of planning gain

The total planning gain is calculated using the dollar rates provided in Section 8 of this Guideline.

In calculating rate R1, the total proposed non-residential floor space is calculated as a proportion of the current FSR.

In calculating rate R2, additional FSR is multiplied by respective residential and non-residential rates.

Example 1

A 5,000sqm site is zoned B7 Business Park in the Sydney LEP 2012 and has a maximum FSR of 1:1.

The landowner has lodged a Request for:

- a rezoning of the site to B4 Mixed Use;
- an additional 1:1 FSR; and
- a split of 1.5:1 residential FSR and 0.5:1 non-residential FSR across the new FSR of 2:1.

The R1 rate is calculated as 50% of current floor space being for a non-residential purpose and 50% being for a residential purpose.

The R2 rate is calculated as 100% of the additional floor space being for a residential purpose.

The calculation is:

$$(\$650 * 1 \text{ FSR} * 5000\text{sqm}) + (100\% * \$2400 * 1 \text{ FSR} * 5000\text{sqm}) = \$15.25 \text{ million}$$

This amount is equally shared between the landowner/developer and the public with **\$7.625 million** (50 per cent) being directed towards a public benefit.

Example 2

A 2,500sqm site, which is located in an investigation area, is zoned B7 Business Park in the Sydney LEP 2012 and has a maximum FSR of 1.25:1.

The landowner has lodged a Request for:

- a rezoning of the site to B4 Mixed Use;
- an additional 1:1 FSR; and
- a split of 0.5:1 residential FSR and 1.75:1 non-residential FSR across the new FSR of 2.25:1.

The R1 rate is calculated as 100% of current floor space being for a non-residential purpose.

The R2 rate is calculated as 50% of the additional floor space being for a residential purpose and 50% being for a non-residential purpose.

The calculation is:

$$(\$0 * 1.25 \text{ FSR} * 2500\text{sqm}) + (50\% * \$2400 * 1 \text{ FSR} * 2500\text{sqm}) + (50\% * \$600 * 1 \text{ FSR} * 2500\text{sqm}) = \$3.75 \text{ million}$$

This amount is equally shared between the landowner/developer and the public with **\$1.875 million** (50 per cent) being directed towards the public benefit.

Example 3

A 4,000sqm site, which is located in an investigation area, is zoned B7 Business Park in the Sydney LEP 2012 and has a maximum FSR of 1.5:1.

The landowner has lodged a Request for:

- a rezoning of the site to B4 Mixed Use;
- no additional FSR; and
- a split of 0.75:1 residential FSR and 0.75 non-residential FSR across the total available FSR of 1.5:1.

The R1 rate is calculated as 50% of current floor space being for a non-residential purpose and 50% being for a residential purpose.

The R2 rate is not applicable because there is no additional floor space being sought.

The calculation is:

$$(\$650 * 1.5 \text{ FSR} * 4000\text{sqm}) = \$2.6 \text{ million}$$

This amount is equally shared between the landowner/developer and the public with **\$1.3 million** (50 per cent) being directed towards the public benefit.

Example 4

A 7,000sqm site, which is located in an investigation area, is zoned B7 Business Park in the Sydney LEP 2012 and has a maximum FSR of 1.5:1.

The landowner has lodged a Request for:

- a rezoning of the site to B4 Mixed Use;
- a reduction of FSR to 1.3:1; and
- all FSR being for a residential purpose.

The R1 rate is calculated as 100% of proposed floor space being for residential purpose.

The R2 rate is not applicable because there is no additional floor space being sought.

The calculation is:

$$(\$1100 * 1.3 \text{ FSR} * 7000\text{sqm}) = \$10.01 \text{ million}$$

This amount is equally shared between the landowner/developer and the public with **\$5.005 million** (50 per cent) being directed towards the public benefit.

Example 5

A 6,000sqm site, which is located in an investigation area, is zoned B7 Business Park in the Sydney LEP 2012 and has a maximum FSR of 1.5:1.

The landowner has lodged a Request for:

- a rezoning of the site to B4 Mixed Use;
- an additional 1.5:1 FSR; and
- a split of 2.5:1 non-residential FSR and 0.5:1 residential FSR across the new FSR of 3:1.

The R1 rate is calculated as 100% of current floor space being for a non-residential purpose.

The R2 rate is calculated as 67% of the additional floor space being for a non-residential purpose and 33% being for a residential purpose.

The calculation is:

$$(\$0 * 1.5 \text{ FSR} * 6000\text{sqm}) + (33\% * \$2400 * 1.5 \text{ FSR} * 6000\text{sqm}) + (67\% * \$600 * 1.5 \text{ FSR} * 6000\text{sqm}) = \$10.746 \text{ million}$$

This amount is equally shared between the landowner/developer and the public with **\$5.373 million** (50 per cent) being directed towards the public benefit.

Appendix D Background

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Introduction

The City's southern employment lands are some of the most strategically important employment lands in the Sydney metropolitan area and the only remaining area zoned exclusively for employment uses in the City of Sydney. Located in the Global Economic Corridor just south of the Green Square Town Centre and between Sydney Airport and the Central Business District, the southern employment lands accommodate a wide variety of employment generating activities.

The southern employment lands include areas that are 'traditional industrial' in character and function, as well as areas distinguished by lighter industrial activity, such as warehouses and distribution centres. They also include more diverse areas with a range of employment based activities ranging from light and high tech industrial uses to 'cheap to rent' creative spaces for artists and designers.

In 2012, the City commissioned the *City of Sydney Employment Lands Study* (Study) to establish future demand for employment uses the City's employment lands and to make recommendations about what would need to be accommodated in the area to 2031. The Study was a significant piece of research which was co-funded by the Department of Planning and Environment.

The Study recommended a new approach to zoning in the City's employment lands to accommodate the changing needs of industry and business and to facilitate appropriate growth to support the local, state and national economies. It recommended:

- a significantly reduced industrial zone to accommodate 'heavier' industrial uses that support Sydney Airport and Port Botany and population serving industrial uses;
- a large mixed business precinct to accommodate a range of employment generating uses from light industrial to retail to offices; and
- two mixed use areas that would accommodate a relatively even proportion of employment and residential uses, including affordable housing.

Following Council's consideration of the Study in June 2013, the City undertook additional technical analysis to inform the preparation of detailed planning controls for the employment lands. The technical analysis was to identify the practical implications of the zoning recommended by the Study and to make recommendations about the extent of infrastructure that would be required to support the projected growth of the employment lands in a sustainable way. The technical analysis identified the need for:

- a finer grain road network to accommodate more dense forms of land use;
- more public transport;
- an expanded pedestrian and cycle network to improve accessibility and encourage mode shift away from private vehicles;
- more open space and community facilities to accommodate the growing working and living population;
- more affordable housing for low income workers.

In March 2015, Council adopted *Planning Proposal: City of Sydney Employment Lands* and an associated development control plan. These planning controls provide a framework for the delivery of infrastructure identified in the technical analysis.

While the planning controls generally reflect the zoning recommendations of the Study, this Guideline provides an alternative approach to achieve the Study's objectives for its proposed mixed use areas.

Why not zone investigation areas for residential development?

The planning controls adopted by Council in March 2015 do not zone investigation areas for mixed use (B4 Mixed Use) rather they are zoned for mixed business (B7 Business Park). This Guideline is a policy overlay for the investigation areas outside of the new statutory planning controls. It foreshadows potential changes to planning controls where they support the broader objectives for the employment lands.

Council adopted this approach to manage the negative impacts that result from permitting residential development *as of right* in a zone where employment uses have been identified as being of equal importance.

Economic

Permitting residential development in the employment lands will have a significant impact on the value of land. The markedly higher returns that developers receive from developing a residential product as opposed to a commercial product leads to the displacement employment generating uses over time and limits the potential for jobs growth.

The evidence for this can be observed when comparing the land zoned for residential uses in the Green Square renewal area (Green Square) with the land zoned for employment uses in the southern employment lands.

Figure 1 is derived from the City's *Floorspace and Employment Survey 2012* (FES 2012) and shows the total change in job numbers in the Green Square and City South Village area between 2007 and 2011. Land to the north of the red line is within Green Square and is generally zoned for mixed uses. About 700 net jobs located in this area between 2007 and 2011, a growth rate of around 7.5 per cent or 1.5 per cent per annum. In the southern employment lands, which are generally south of the red line and zoned for industrial purposes the net jobs growth was around 2,100 jobs, a growth rate of around 12 per cent or about 2.4 per cent per annum.

With respect to housing, based on known development applications in the pipeline forecast completions in the City of Sydney between mid-2013 to mid-2019 are around 27,400 dwellings. The yearly rate of completion is set to increase dramatically over the next few years, as major regeneration projects across the City of Sydney are completed. In the 2017/18 year, around 8,000 dwellings are expected for completion. This is a residential population increase of close to 16,000 people in just one year – close to 9 per cent of today’s population.

This leaves around 22,000 dwellings to be completed if the City is to achieve the draft Metropolitan Strategy 2036 targets². By 2019 the City will have achieved about 64 per cent of the targeted figure in just 13 years with another 17 years to complete the remaining 36 per cent. About two thirds of the dwelling target will be completed in 40 per cent of the time.

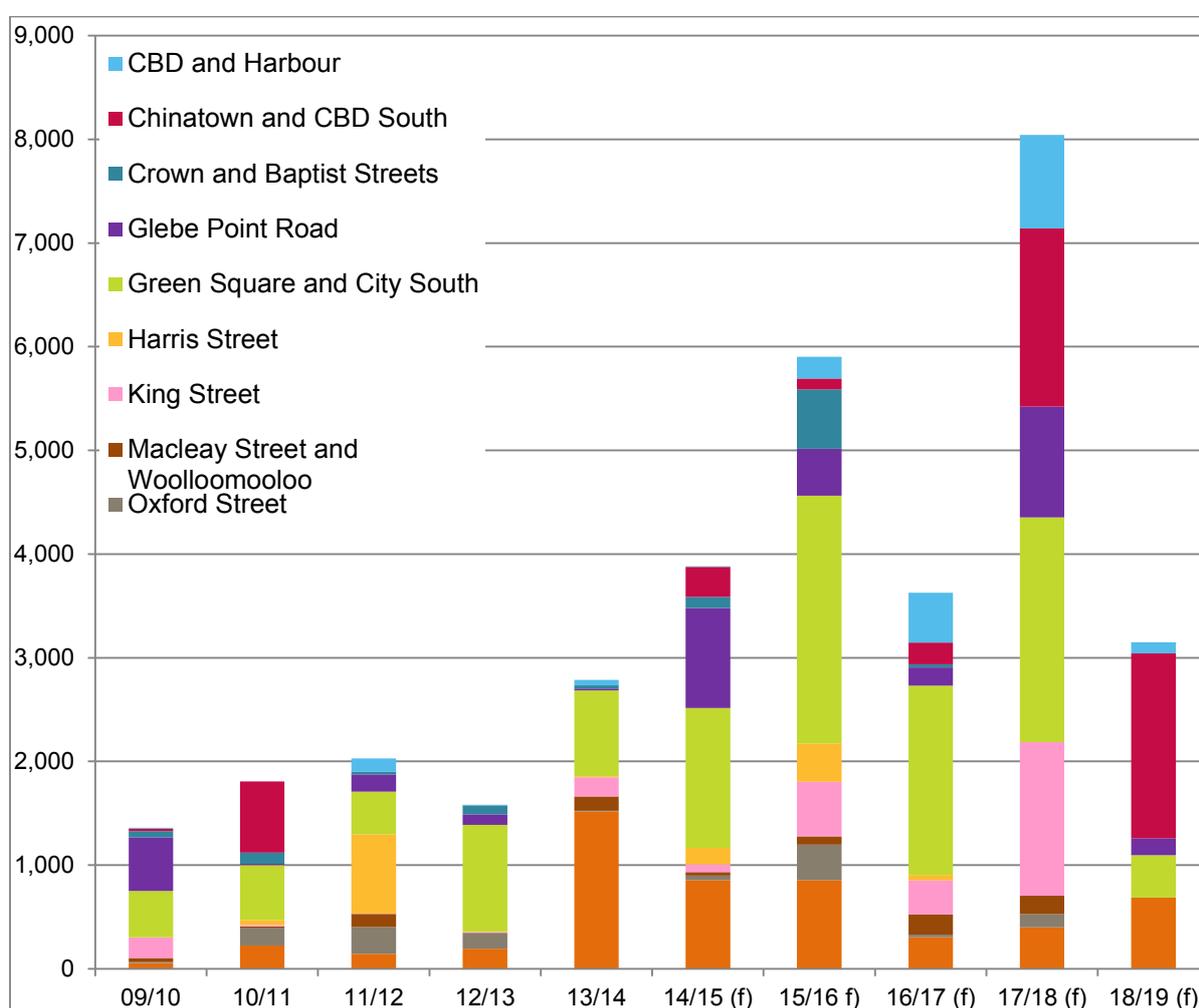


Figure 2: Number of completed and projected dwellings by village area by year

The City of Sydney recognises the high demand for inner city living and the need to accommodate a rapidly growing metropolitan population. However, a balanced approach is needed whereby adequate productive lands are protected from overwhelming residential demand to ensure that the

² The latest metropolitan planning strategy, the *Plan for Growing Sydney*, does not contain updated dwelling targets.

future population has access to jobs and services. In addition, growth must be supported by adequate social and physical infrastructure. Evidence suggests that the objective for the investigations areas, to facilitate a genuine mix of residential and employment generating uses, cannot be achieved by permitting residential development as of right.

This Guideline is to ensure that as residential development locates in the investigation areas an appropriate amount of employment generating uses will also be achieved.

Land use conflict

The southern employment lands contain a high proportion of employment activities whose operations can be adversely affected when sensitive land uses locate nearby. Sensitive land uses such as residential development, that demand high amenity, can conflict with those that require high operational flexibility, for example, long operating hours, early truck movements or noisy activities, such as the use of power tools.

Some uses in the investigation areas support significant state infrastructure, such as catering facilities for Sydney Airport, others provide critical services to support the high level of construction expected in Green Square and Mascot over the next 20 years, for example concrete batching plants.

This Guideline will allow for site specific assessment of the impact that residential uses may have on the employment generating potential of the investigation areas. If necessary, more rigorous development controls may be applied to the site to mitigate any impacts.

Infrastructure delivery

The *Southern Employment Lands Infrastructure Plan 2015* details the infrastructure required resulting from rezoning in 2015. Some of this infrastructure, such as roads and pedestrian and cycle paths, will be delivered as development occurs and will be funded by land dedications and/or works in kind provided by the developer or from Section 94 contributions or other City of Sydney funding sources.

Other infrastructure needs, in particular affordable housing, cannot be delivered in most areas of the southern employment lands because:

- they are not zoned for residential purposes; and
- requiring a substantial increase, above what it required under the *Southern Employment Lands Affordable Housing Program*, would likely render development unviable. To clarify, there is not sufficient increase in the value of the land resulting from the 2015 rezoning to justify additional contribution.

The investigation areas, which may be rezoned for residential development and would therefore experience a substantial increase in land value, offer the opportunity to provide this infrastructure. While the majority of landowners in the southern employment lands experienced planning gain resulting from the 2015 rezoning, landowners that own land outside of investigation areas will not enjoy the planning gain resulting from a possible future rezoning for residential purposes under this

Guideline. This Guideline provides a framework for the equitable distribution of planning gain created within the investigation areas to ensure that the benefits are shared by all landowners.

The demand for infrastructure resulting from rezoning

Roads and pedestrian and cycle paths

The strategic location of the southern employment lands and the potential impacts of future trip generators require a co-ordinated approach to the management of traffic and public transport. The cumulative impact of projected population and jobs growth in Green Square, the southern employment lands and the Mascot Town Centre precinct will place considerable pressure on an already strained traffic and transport network.

The planning controls resulting from the 2015 rezoning include incentives to ensure that as development occurs land can be secured to expand the road, pedestrian and cycle networks.

The controls do not consider the potential for residential development in investigation areas. Because of the increase access requirements resulting from residential development and the generally more intense use of the land, additional roads and pedestrian and cycle paths may be required above those identified in the new planning controls. This will be discussed with a landowner/developer in the context of any Request and may form part of the public benefit offer.

Open space

The provision of open spaces is essential to ensure a healthy, vibrant and sustainable community. Currently the southern employment lands have very little public open space. Over time, as higher value employment uses move into the area, there will be greater demand for amenities such as high quality open space.

The 2015 planning controls identify a quantum of land required for open space in the employment lands. They also include incentives to ensure that as development occurs there is opportunity to negotiate with developers for its delivery.

In investigation areas, there may be opportunity to provide public open space on large development sites. This will be of direct benefit to the investigation areas as well as to those other parts of the southern employment lands in close proximity.

Affordable housing

A key infrastructure priority in the southern employment lands is the provision of affordable housing for low income workers and in most cases is the preferred public benefit outcome of any change to planning controls in investigation areas.

The 2015 planning controls will facilitate denser and higher value employment uses in the southern employment lands. While the type of jobs that are likely to locate in the area will potentially attract

higher paid workers that may be able to afford to live in close proximity without being in rental stress, a proportion of new jobs are likely to be for very low to moderate income earners. Moreover, these new workers will generate demand for services generally staffed by lower income earners, such as childcare workers and shop assistants.

The increase in land value and gentrification in and around the southern employment lands will have an impact on the affordability of housing, particularly for very low to moderate income earners within the City.

Redevelopment in and around the southern employment lands will continue to produce upward pressures on property values and on purchase and private rental accommodation costs, beyond the means of very low to 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 housing will only be affordable to households on relatively high incomes. Lower income households would need to move out of the area or may be prevented from finding housing in the area close to new employment opportunities.

For landowners, the result of this rezoning is more valuable land because it can be utilised for higher value development such as retail and offices. The land value increase *at the point of rezoning* creates opportunities to implement affordable housing mechanisms *at the point of rezoning*. This ensures the new land value is established on the understanding of an affordable housing requirement.

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.

Demand for affordable housing resulting from rezoning

The Study found that of the 11 land use categories that were assessed, freight and logistics occupies the highest proportion of floor space 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 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 *City of Sydney Employment Lands Economic Analysis and Opportunities Study 2013* provides a 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 wider Green Square Urban Renewal Area, 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 about 9,000 in the following areas:

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

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 bracket³. If the proportion of workers who live in the area, being 16 per cent, remains constant⁴, and 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.

Projecting affordable housing in the employment lands

In considering a new future for the southern employment lands, Council adopted in 2015 three affordable housing mechanisms to encourage the delivery in and around the southern employment lands, including:

- this Guideline;

³ Data extracted and analysed from ABS 2011 Census

⁴ Bureau of Transport and Statistics Journey to Work 2011

- an affordable housing contributions scheme (Scheme); and
- permitting affordable housing in the B7 Business Park as of right, but not permitting market residential development.

In estimating the amount of affordable housing that will result from this Guideline, there are a number of variables, including the increase in height and FSRs, take up from landowners and the method of delivery, for example the dedication of land would result in more units than in-kind delivery. The City's conservative estimate is that around 600 affordable housing dwellings will be provided in investigation areas.

The Scheme is facilitated by a clause in the Sydney LEP 2012 which allows the consent authority to impose a condition on a development consent requiring a contribution to affordable housing. 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 a dwelling at market value to be used for the purpose of affordable housing.

It is difficult to estimate how much affordable rental housing is likely to occur in the B7 Business Park zone as a result of permitting it as of right. In consulting with community housing providers, a common theme is the difficulties they generally experience in securing land in the City of Sydney. This is mostly due to the very high cost of land, but also the highly competitive nature of the residential market. It is anticipated that by allowing only affordable rental housing in the B7 Business Park zone this will provide a competitive advantage for community housing providers who will be more financially able to compete for land where other type of residential development is not permitted.

Why is affordable housing important?

Socio-economic impacts

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 across the City. This is expected to have increasingly detrimental impacts on its socio-economic diversity.

Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. In these areas, the 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 (typically first home buyers) are increasingly priced out of the market.

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. 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.

The majority of households on very low to moderate incomes who are remaining in the City are increasingly now living in housing stress or crisis in the private market – spending more than 30 per cent, to 50 per cent, of their gross income on rental costs.

Economic impacts on the City and NSW

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

The City is concerned that the growing loss of very low to middle income households from inner Sydney may result in essential employment sectors 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 drivers⁵. 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 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.

In terms of private sector key workers, 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. Other businesses more generally have identified similar problems with attracting and retaining low-income cleaning and maintenance staff or contractors. Census data indicates that the City's employment includes approximately 23,000 in these occupations (about 5.9 per cent of the City's total workforce). This figure does not include retail sales assistants nor telecommunications support. Whilst lowly-paid, these occupational employees play a critical or key role in ensuring the overall profitability and success of City businesses.

Additionally, the City is concerned with the impacts of declining housing affordability on the lower income workers who are not traditionally classified as 'key workers' but who are essential to the

⁵ 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.

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. Further, given Sydney's role as Australia's economic capital, this situation poses 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.

Affordable housing in the City of Sydney

Demand for affordable housing

Over the last decade the City has experienced significant population growth, making it the fastest growing local government area, not only in the Sydney metropolitan area, but also in NSW. Between 2001 and 2012, the City's residential population increased by almost 58,000 people, both the largest and fastest (44.7 per cent) increase amongst local government areas in the entire state⁶. Strong demand for social, public and affordable housing in the City, and in inner Sydney more broadly, is expected to continue to grow.

This is a result of a combination of demand factors adversely impacting the affordability of private market housing, including:

- strong population growth – of both residents and workforce – 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;
- continuing strong economic and associated employment growth in the Sydney CBD, making it a desirable location to live, and exacerbating competition for private rental housing;
- increasing demand from domestic investors for inner Sydney properties, encouraged by rising residential property prices and subsequently higher rental costs; and
- increasing demand for inner Sydney properties from overseas investors.

Effect on lower income households

The above demand factors have driven significant house price increases – a situation which is effectively excluding very low and many moderate income households from purchasing property in the inner city. According to RP Data information, Sydney recorded the strongest yearly growth across capital cities, with an annual rate of 14.5 per cent in 2013. The recent upturn in the Sydney market is

⁶ ABS Regional Population Growth, Australia, 2012 - Catalogue No. 3218.0

being led by inner Sydney, which outperformed Sydney's overall median growth.⁷ Since September 2012, median inner Sydney dwelling prices grew by \$156,000.

The inner Sydney median dwelling price is now at a high of \$831,000. By comparison, the Greater Sydney median dwelling price is \$605,000.⁸ The inner and middle ring of Sydney is now at a considerable premium compared to other parts of NSW. Assuming repayment of a \$500,000 mortgage at a 5 per cent interest rate, weekly repayments on such a mortgage would be \$674.

Those who choose to stay in the City and rent are now facing significant rent rises. The inner Sydney median weekly rent for all dwellings is \$585 compared Greater Sydney median weekly rent is \$480.⁹ Within the City, the median weekly rent for a two bedroom dwelling is \$700. This represents a 25 per cent over increase from the weekly rent for a two bedroom dwelling of \$560 at December 2009, a 5.5 per cent average annual increase.

In terms of a very low to moderate income household's capacity to pay current rents or mortgage repayments, the maximum that could be paid before a household is in housing stress, that is paying more than 30 per cent of gross income in housing costs, is:

- \$216 per week, for a very low income household;
- \$346 per week, for a low income households; and
- \$519 per week, for a moderate income household.

The disparity between housing costs in inner Sydney and ability of very low to low income households to pay is clear.

⁷ NSW Parliamentary Research Service, 2014, *House prices, ownership and affordability: trends in NSW. Briefing Paper No 1/2014*

⁸ NSW Rent and Sales Report, 2014, June and March Quarter 2014.

⁹ NSW Rent and Sales Report, 2014, June and March Quarter 2014.