

Attachment B

**Planning Proposal – Affordable Housing
Review - Green Square Town Centre – Post
Exhibition**

(Post exhibition changes marked in red)

PLANNING PROPOSAL

Affordable Housing Review – Green Square Town Centre



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Note: Post-exhibition changes to this Planning Proposal are identified with deleted text shown in ~~red~~ ~~strikethrough~~ and new or replacement text shown red underlined.

Introduction

This *Planning Proposal: Affordable Housing Review - Green Square Town Centre* (this Planning Proposal) follows a review of affordable housing needs and supply in the City of Sydney local government area (LGA). It proposes a number of changes to the current affordable housing provisions in the *Sydney Local Environmental Plan 2012 (Sydney LEP 2012)*, *Sydney Local Environmental Plan (Green Square Town Centre) 2013* and *Sydney Local Environmental Plan (Green Square Town Centre—Stage 2) 2013* (Town Centre LEPs). This Planning Proposal principally applies to the Green Square Town Centre, which is identified on the map shown at Figure 1.

A key objective of this Planning Proposal is to integrate the Green Square LEPs into the provisions of *Planning Proposal: Affordable Housing Review* (original Planning Proposal), that was approved by Council on 17 September 2018. This Planning Proposal is to correct an error in the original Planning Proposal, that inadvertently excluded the proposed new planning controls and Program from areas to which the Town Centre LEPs apply.

The original Planning Proposal, and this Planning Proposal, is to increase the amount of affordable housing in the city to achieve the City's Sustainable Sydney 2030 affordable housing targets. It provides a comprehensive and transparent framework for the application of affordable housing contributions when land is being developed.

This Planning Proposal is informed by the Eastern City District Plan (district plan), released by the Greater Sydney Commission in March 2018, which includes targets and actions for the provision of affordable housing through the planning framework.

This Planning Proposal has been prepared in accordance with section 55 of the *Environmental Planning and Assessment Act 1979* (the Act) and the relevant Department of Planning and Environment (DPE) Guidelines including 'A Guide to Preparing Local Environmental Plans' and 'A Guide to Preparing Planning Proposals'.

Planning for affordable housing

Sydney remains Australia's least affordable city. It is widely acknowledged that development has not kept pace with demand, contributing to a tight rental market and rising house prices. The high cost of housing is an important economic and social issue in Sydney, particularly in the Sydney LGA where housing prices are amongst the highest in Australia.

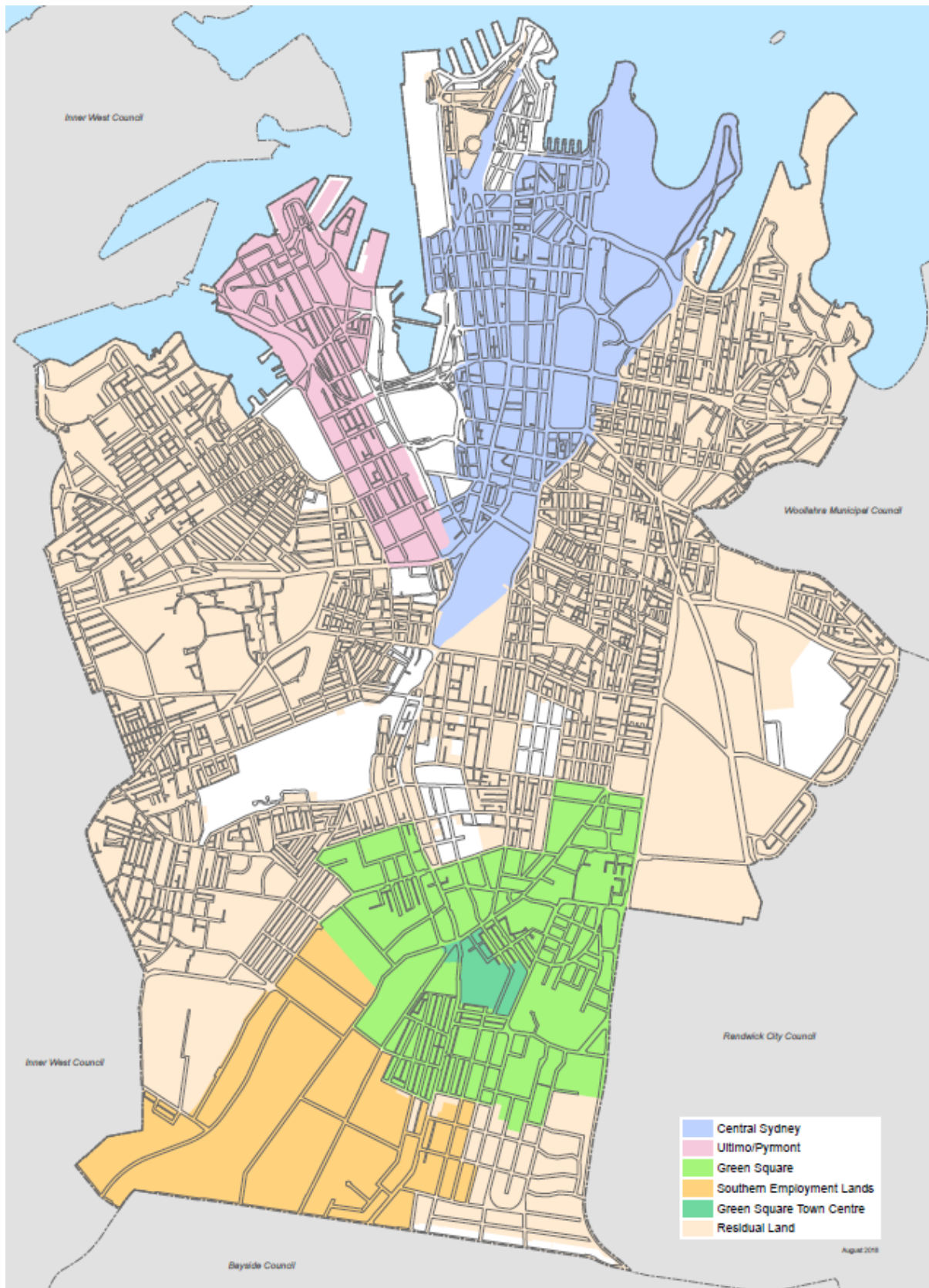
The *Metropolis of Three Cities: Greater Sydney Region Plan 2018* (region plan) and district plan were released by the Greater Sydney Commission in March 2018. The Plans establish affordable housing targets and require councils to prepare a Housing Strategy that, amongst other things, provides a planning pathway for achieving the targets.

The region plan establishes an affordable housing target of five to 10 per cent of new residential floor area, subject to viability. The target is aimed at housing those most in need, specifically very low and low income households. The plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

Sustainable Sydney 2030 establishes an ambitious target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable rental housing. Achieving this target requires approximately 11,000 affordable housing dwellings, out of a total projected 148,000 dwellings, to be provided in the LGA to 2030.

The City's *Affordable Rental Housing Strategy 2009-2014*, which supports the implementation of *Sustainable Sydney 2030*, identifies a range of strategies to increase the quantum of affordable housing in the LGA, including the extension of contribution schemes across the LGA.

Figure 1 Land to which this Planning Proposal applies



In 2015 the City released its Housing Issues Paper for consultation with the community. The key issue emerging from the paper is one of housing affordability in the inner-city and the critical need to provide a range of affordable housing options for very low to moderate income households. The City is currently developing its housing strategy to, amongst other things, address these issues.

Affordable housing in the City of Sydney

Three affordable housing 'schemes' currently operate in the LGA, including at:

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

A fourth affordable housing scheme was proposed in Central Sydney as part of the Central Sydney Planning Review and was approved by Council in July 2016. Pursuant to the direction of the Gateway Determination issued by the NSW Department of Planning and Environment on 10 January 2018, the draft Central Sydney affordable housing scheme (draft Central Sydney scheme) has now been incorporated into this planning proposal. The draft Central Sydney scheme is discussed later in this planning proposal.

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

Together the schemes in operation have resulted in 835 affordable rental dwellings for very low to moderate income households in the LGA. A further 586 dwellings are in the development pipeline and expected to be built by 2019.

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

The City also uses other approaches to increase the amount of affordable housing where opportunities arise. Some examples include:

- in 2009 the City entered into a planning agreement for the dedication of land for affordable housing at Harold Park. The land was purchased by City West Housing, partly using funds raised from the Ultimo/Pymont contribution scheme, and is currently being developed for 78 affordable housing dwellings

- in 2010 the City sought expressions of interest for the sale of land for affordable housing at Portman Street, Zetland. The land was purchased by City West Housing, partly using funds raised from the Green Square contribution scheme, and developed for 104 affordable housing dwellings
- in 2013 the City entered into a planning agreement for affordable housing to be provided in conjunction with the redevelopment of 87 Bay Street, Glebe. The approved development application is for 207 residential apartments, including 19 affordable housing units
- in the review of planning controls in the City's Southern Employment Lands, an LEP clause was applied to land rezoned from IN1 or IN2 Industrial to B7 Business Park to permit affordable housing, but not market housing. The approach creates a commercial advantage for community housing providers to purchase land in the zone, given they do not compete for the same land with other residential developers
- in July 2015 Council approved a masterplan for the development of Council-owned sites in the B7 Business Park zone along the Green Square to Ashmore connector road, formerly known as the Green Square east-west relief route. Sites are to be sold to the community housing sector for the development of an estimated 300 affordable housing dwellings, and
- in 2015 the City adopted the *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas*. The Guideline provides a framework for sharing the residual land value increase resulting from changes to planning controls, with 50 per cent of the increase being returned to the area with the provision of infrastructure, in particular affordable housing. The first planning proposal under the Guideline was reported to Council in February 2017 together with a planning agreement for the provision of affordable housing in accordance with the Guideline.

Achieving the City's affordable housing targets requires a multi-pronged approach. However, the planning mechanisms and policies used by the City to facilitate affordable housing have been developed over 20 years and have led to inconsistent administrative processes and procedures. This Planning Proposal will support the improvement of these processes and procedures.

This Planning Proposal seeks to provide clarity of the City's expectations for affordable housing when land is being developed, as well as streamline the City's current processes and practices to facilitate affordable housing.

Planning Proposal aims

This Planning Proposal seeks amendment to the Town Centre LEPs to:

- provide a framework to identify 'Planning Proposal land', being land that will benefit from increased development capacity through a site-specific planning proposal to change the planning controls, and require a supplementary affordable housing contribution;
- improve the interpretation and application of Clause 7.13;
- reduce the minimum size of any affordable housing dwelling to be dedicated to Council to 35 square metres in line with the Apartment Design Guideline dwelling size minimums. ~~Also to introduce a maximum dwelling size of 90 square metres to ensure affordable housing floor area resulting from contribution schemes is used efficiently and to the benefit of as many people as possible;~~

- add a savings provision under Cl. 7.13 ensuring the development applications that have been determined with affordable housing conditions of consent referencing the Green Square or Southern Employment Lands Programs remain valid and lawful; and
- refer to a new ‘City of Sydney Affordable Housing Program’, as dated.

This Planning Proposal also seeks amendment to the Sydney LEP 2012 to:

- replace the City of Sydney Affordable Housing Program with the draft Program, which adds the Green Square Town Centre, and update the adoption date under Cl. 7.13 so that it is the same as the adoption date in the Town Centre LEPs; and
- add a savings provision under Cl. 7.13 ensuring the development applications that have been determined with affordable housing conditions of consent referencing the Green Square or Southern Employment Lands Programs remain valid and lawful.

City of Sydney Affordable Housing Program

The Town Centre LEPs allow for landowners and developers to satisfy an affordable housing contribution requirement by making:

- an in-kind contribution of finished affordable housing dwellings, or
- an equivalent monetary contribution payment.

The proposed operational detail for the collection and distribution of affordable housing contributions are contained within the City of Sydney affordable housing program (Program), provided at Appendix A. The Program generally replaces the current Green Square Program.

The content and implications of the Program are discussed in detail in Part 2 of this Planning Proposal.

Part 1 Objectives

The objectives of this Planning Proposal are to:

- integrate the Green Square LEPs into the provisions of *Planning Proposal: Affordable Housing Review* (original Planning Proposal), that was approved by Council on 17 September 2018;
- ensure the adoption date of the City of Sydney Affordable Housing Program is the same in the Green Square LEPs and Sydney LEP 2012;
- ensure development application consents remain valid and lawful, which contain affordable housing conditions relating to the Green Square or Southern Employment Lands Programs before the City of Sydney Affordable Housing Program comes into effect;
- provide a transparent framework for development to make equitable affordable housing contributions;
- give effect to the intent of the region plan and the district plan to provide affordable housing on land where there is an increase in floor area, where need for affordable housing is identified and where development viability can be maintained;
- increase the amount of affordable housing in the LGA to achieve the City's affordable housing targets in Sustainable Sydney 2030;
- ensure affordable housing contribution rates do not impact on development viability;
- increase certainty for landowners and developers seeking to develop land in the LGA; and
- align, streamline and simplify exiting affordable housing schemes that operate in the LGA.

Part 2 Explanation of Provisions

2.1 Town Centre LEPs

To achieve the intended outcomes, this Planning Proposal seeks to amend Town Centre LEPs in the manner described below. Detailed drafting instructions and recommended wording are provided at Appendix B.

2.1.1 A framework for Planning Proposal land

It is proposed the Town Centre LEPs be amended to provide a framework to identify sites that will benefit from increased development capacity through a site-specific planning proposal process, and where a supplementary affordable housing contribution on that land has been identified.

To achieve this, the Town Centre LEPs are to be amended to include a new schedule for the identification of sites as 'Planning Proposal land'. 'Planning Proposal land' is also to be identified on the Locality and Site Identification Map in the LEP at the point of making the new planning controls.

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

The contribution requirement will only apply to the new development capacity that is facilitated by the site specific planning proposal. It does not apply to any existing development capacity and therefore does not replace any current affordable housing contribution requirement that may already apply to the land under the Town Centre LEPs.

The schedule may specify how the affordable housing contribution is to be satisfied, being 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.

The Program, provided at Appendix A and discussed later in this Planning Proposal, provides the operational detail for the scheme and the approach for establishing an appropriate contribution rate.

Once the land is identified on the schedule, the contribution requirement is calculated at the development application stage and will be applied under Section 7.32 of the Act as a condition of consent. This is the same way the contribution requirement is currently applied in Green Square, Southern Employment Lands and Ultimo/Pymont.

The benefits of the proposed approach are:

- it will facilitate the practical implementation of the district plan into the local planning framework;
- contribution rates have been tested with reference to the various housing sub-markets in the LGA to ensure that development viability is not adversely affected, thus removing the need to undertake costly and time consuming site-by-site analysis to establish development viability. This

approach is consistent with the district plan which requires development feasibility be tested at a precinct scale;

- the contribution requirement will be established at the point of changing the planning controls. This will allow the contribution requirement to be factored into the cost of development, improving certainty for the landowner and for the City;
- a thorough assessment of the merits of a planning proposal establishes the appropriate building envelopes and infrastructure needs. The contribution is factored in at that time. This provides certainty to the community and does not rely on inappropriate 'bonus' development capacity, above what might otherwise be permitted under the Town Centre LEPs, to achieve infrastructure delivery; and
- it will provide a clear and consistent approach to securing contributions to affordable housing where there is an increase in development capacity. This increases certainty for land owners and developers and ensures equity in the application of contribution requirements.

A further benefit of the framework is in its administrative simplicity and reduced planning proposal assessment timeframes. One of the biggest challenges to securing affordable housing through a site-specific planning proposal is the resources and knowledge required to negotiate a 'viable' outcome where changes are being made to planning controls. This is further complicated by the need to prepare what is often a complex planning agreement. This Planning Proposal provides a framework to establish a consistent approach to setting appropriate contribution requirements.

By detailing the contribution requirement in the Town Centre LEPs, the need for a planning agreement at the planning proposal stage is removed and instead those requirements for affordable housing outcomes are detailed in the Program.

2.1.2 Minimum size of dedicated affordable housing dwellings

It is proposed the minimum size of any affordable housing dwelling to be dedicated to Council be reduced to 35 square metres and a maximum dwelling size of 90 square metres be introduced. Currently the Town Centre LEPs require any dedicated dwelling be no less than 50 square metres but does not specify a maximum.

The intent of the amendment is to reflect minimum studio dwelling size under the Apartment Design Guideline. The maximum is proposed to ensure the affordable housing floor area resulting from the contribution scheme can accommodate families with children, but is also used efficiently and to the benefit of as many people as possible.

2.1.3 Improving the interpretation and application of current Clauses

It is proposed to amend the Town Centre LEPs to clarify what development is excluded from a requirement to make an affordable housing contribution.

Currently the Town Centre LEPs excludes development where it will result in the creation of less than 200 square metres and 60 square metres of residential and commercial floor area respectively. The intent of this exclusion is to enable minor additions to a development without attracting an affordable housing contribution.

However, as currently worded, the interpretation is that it also excludes development where a substantial change of use is being achieved, for example where a warehouse building is being

refurbished for residential development, but no new floor area is being created. It also excludes substantial refurbishment.

This is unintentionally contrary to the rationale for applying an affordable housing contribution in areas that have benefited from an earlier rezoning, including Green Square.

Amending the current clauses clarifies when an affordable housing contribution is required. An affordable housing contribution will have to be made depending on location, cost of works and if development involves a change of use, alterations and additions or a new build.

The proposed clauses in Town Centre LEPs are also intended to ensure the Program is directly referred to as the guiding document for the ongoing application of the LEP requirements and the administration of the Program. Current clauses only refer to the Program with regards to it setting equivalent monetary contribution amounts. This has left some ambiguity about the legal weight that should be granted the Program.

Drafting instructions and suggested wording is provided at Appendix B.

2.1.4 Savings provision for existing Green Square Program

The City's current conditions of consent make reference to Clause 6.5 in the Town Centre LEPs, which refers to the Green Square Affordable Housing Programs. These conditions of consent will continue to be included in development applications determined in Green Square until the original Planning Proposal is finalised and made by the Department.

It is proposed a savings provision be added to Clause 6.5 of the Town Centre LEPs ensuring the applicable affordable housing conditions of consent, applied before the new LEP provisions come into effect, remain valid and cannot be challenged in court.

2.2 Sydney LEP 2012

To achieve the intended outcomes, this Planning Proposal seeks to amend Sydney LEP 2012 in the manner described below. Detailed drafting instructions and recommended wording are provided at Appendix B.

2.2.1 Update adoption date in Sydney LEP 2012

The adoption date of City of Sydney Affordable Housing Program under Clause 7.13 of Sydney LEP 2012 will need to be updated with the new adoption date when the Town Centre Planning Proposal and draft Program are approved and adopted by Council post-exhibition. This will ensure consistency across the City's LEPs where the Program is applicable.

2.2.2 Savings provision for existing Green Square and Southern Employment Land Programs

The City's current affordable housing conditions of consent make reference to Clause 7.13 in Sydney LEP 2012, which refers to the Green Square or Southern Employment Land Affordable Housing Programs. These conditions of consent will continue to be included in development applications determined in Green Square and the Employment Lands until the original Planning Proposal is finalised and made by the Department.

It is proposed a savings provision be added to Clause 7.13 of Sydney LEP 2012 ensuring the development applications that have been determined with affordable housing conditions of consent referencing the Green Square or Southern Employment Lands Programs remain valid and lawful.

2.3 City of Sydney Affordable Housing Program

The Town Centre LEPs allow for landowners and developers to satisfy an affordable housing contribution requirement by making:

- an in-kind contribution of finished affordable housing dwellings, or
- an equivalent monetary contribution payment.

The Program, provided at Appendix A, is for adoption by Council, with the provisions of the Town Centre LEPs referring to it to provide the operational detail for the collection and distribution of affordable housing contributions. It is attached to this Planning Proposal and described in more detail below for contextual informational purposes only.

The Program replaces the current Green Square program under the Town Centre LEPs and the City of Sydney Affordable Housing Program under Sydney LEP 2012, which was adopted by Council 17 September 2018.

The key elements of the Program are described below. It is noted that in some cases they are an extension of requirements or practices under current affordable housing programs, and in others they are new requirements.

2.3.1 Affordable housing principles

The Program includes 'affordable housing principles' that provide overarching guidance to the operation of the contribution scheme. While generally remaining unchanged, the principles in the Program make some amendment to those under the current Green Square program. These changes are largely to align the wording.

The most significant proposed change to the principles is it will allow all affordable housing contributions to be spent anywhere in the LGA. Currently in Green Square where the currently expenditure of funds collected in Green Square is to be spent in the Green Square renewal area.

This change in approach is made at the request of City West Housing, who is the only community housing provider listed in the Green Square program to receive affordable housing contributions collected in Green Square. The request is provided at Appendix C. The reason given by City West Housing for the request is that it is increasingly difficult to secure land within the LGA and that the limitations placed on where the contributions can be spent only makes it more difficult.

The City recommends the request be supported. Allowing funds to be spent elsewhere in the LGA will not impact on the broader objectives of the Green Square scheme.

2.3.2 Affordable housing schemes in Central Sydney and residual land

The original Planning Proposal included changes to Sydney LEP 2012 to expand the operation of current affordable housing contribution schemes to all other land in the LGA where Sydney LEP 2012 applies. These lands have been identified as Central Sydney and residual land.

The City's intention in the original Planning Proposal is to stage the introduction of a contribution requirement, including:

- no affordable housing contribution is required for development applications determined up to 31 May 2020
- an affordable housing contribution is required at half rate from 1 June 2020 until 31 May 2022
- the full affordable housing contribution rate is required from 1 June 2022 onwards.

The Program has been amended to ensure the half rate commences in Central Sydney and residual land from the date the original Planning Proposal is finalised and made in Sydney LEP 2012. It is noted that the staged introduction as intended by the original Planning Proposal will not change.

The contribution rate requirement in Central Sydney and on residual land, as amended, is shown at Table 1 below.

Table 1: Contribution rates in Central Sydney and on residual land

DATE OF DETERMINATION OF DEVELOPMENT APPLICATION	TOTAL FLOOR AREA INTENDED FOR NON-RESIDENTIAL FLOOR AREA	TOTAL FLOOR AREA INTENDED FOR RESIDENTIAL FLOOR AREA
To 31 May 2022*	0.5%	1.5%
1 June 2022 onwards	1%	3%

*No affordable housing contribution applies to development applications determined prior to the making of Sydney LEP 2012 (Amendment No.52).

This contribution requirement only applies to development that is for the creation of new floor area or to change the use of existing floor area from non-residential to residential or tourist accommodation purposes.

It is noted the application of this contribution requirement is different to how it applies in Green Square, the Southern Employment Lands and Ultimo/Pymont, which applies to all floor area in a building and where floor area is changing from one non-residential use to any other use. This is because land in Central Sydney and on residual land has not benefited from a rezoning that has increased the value of all land in the area. Therefore the contribution is calculated only on the new floor area and/or the floor area that is changing use.

2.3.3 Determining the appropriate contribution rate for Planning Proposal land

Section 2.1.2 of this Planning Proposal describes the proposed framework to identify 'Planning Proposal land' on a new schedule in the Town Centre LEPs and to require an affordable housing contribution on that land commensurate with any increase in development capacity.

The Program provides in its appendices a standardised approach to establishing the contribution rate that will be applied to Planning Proposal land in the Town Centre LEPs where there is an increase in development capacity on the land.

The contribution rate will apply only to the new floor area. Any other affordable housing contribution rate that applies under the Town Centre LEPs applies to the floor area that is in existence prior to the change to the planning controls.

The contribution rate will be applied only to the additional floor area facilitated by a planning proposal. It will not apply to floor area potential that already existed under the Town Centre LEPs.

The proposed contribution rate from 1 March 2017 to 28 February 2018 is shown at Table 2 below.

Table 2 Proposed contribution rates on Planning Proposal land where there is an increase in floor space ratio

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

Precincts are consistent with those in the City’s development contributions plan 2015.

The above contribution rates are applicable only where the site-specific planning proposal is for floor space ratio increase on land. They are not applicable where other changes to planning controls are being made, for example where land is being rezoned or where there is significant increase in height. The financial benefit associated with increased building heights is more difficult to quantify.

Different sites have different ability to capture views and vistas, the value associated with increased height is highly sensitive to topography, position of the site and surrounding development. While generic rates could be set to capture some of the value created by additional height, owing to the different site drivers and circumstances, there could still be wide variances between sites. Where this is the case a site-specific analysis will be required to determine an appropriate contribution rate.

It is noted the Program provides only guidance on how a contribution rate should be established. The described approach is not binding on Council who may apply a different rate depending on the particulars of the planning proposal under consideration. For example, where it is a superior outcome, and where a landowner/developer has made an offer to enter into a planning agreement to provide affordable housing or other public benefit, the site may not be listed as [Planning Proposal](#) land. For example, where the landowner offers to dedicate land for an affordable housing purpose, rather than make a contribution under the Town Centre LEPs.

The contribution rates have been tested to ensure development viability is not negatively impacted. The outcomes of the testing are discussed in detail at Part 3, Section C of this Planning Proposal.

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

2.3.4 Affordable housing dwelling requirements

The Program provides the requirements for any affordable housing dwellings that are to be dedicated. Some changes and additions are proposed to requirements that currently apply under Green Square Program.

The requirements are to ensure the dwellings are appropriate for purpose and that they align with the affordable housing principles in the Program and in *State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)* (SEPP 70). The requirements are:

- affordable rental dwellings are to be owned by government or a recommended or eligible community housing provider;
- affordable rental dwellings are provided in the LGA in perpetuity;
- affordable rental dwellings are to be rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income;
- where more than 10 affordable rental dwellings are being provided in the development, at least 25 per cent of dwellings are to be allocated to very low income households and 25 per cent of dwellings to low income households;
- all rent received from the affordable rental dwellings after deduction of management and maintenance costs are to be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling;
- affordable rental dwellings are to be designed and constructed to a standard which, in the opinion of council, is generally consistent with other dwellings in the LGA, that is, they are not differentiated as affordable housing compared with the design of other housing;
- each affordable rental dwelling is to have a total floor area of not less than 35 square metres ~~or not more than 90 square metres~~, with any remainder being paid as a monetary contribution; and
- 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% 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 dwellings to be dedicated to Council.

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

2.3.5 Equivalent monetary contribution amounts

The Program states the equivalent monetary contribution amount payable to Council in-lieu of any dedication of floor area for affordable housing.

In practice the affordable contribution requirement under current affordable housing programs in Green Square and Ultimo/Pymont have been satisfied by making monetary contribution. Funds are then passed to a community housing provider to build and manage affordable housing.

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

In Green Square, the current Green Square Program rate of \$8,163.00 per square metre (adjusted from the 1 March 2018 to 28 February 2019 period) will continue to apply until 29 February 2020. From 1 March 2020 the rate of \$10,588.00 per square metre (adjusted from the 1 March 2018 to 28 February 2019 period) will apply.

The rates quoted above are expressed differently to how they are expressed in the current Green Square and the Southern Employment Lands programs, but does not affect the total amount the landowner or developer would be required to contribute. The change is explained later in this Planning Proposal.

In Green Square, the Southern Employment Lands, Central Sydney and on residual land, the equivalent monetary contribution amount is calculated on the ‘total floor area’ to which the development application directly applies. The calculation of total floor area is defined by the Town Centre LEPs. This is consistent with current practice.

On Planning Proposal land, the equivalent monetary contribution amount is to be calculated on the additional development capacity facilitated by a site-specific planning proposal.

2.3.6 Increasing contribution rates in Green Square

In Green Square, the Program proposes an increase to the equivalent monetary contribution amount. The proposed increase for the current period is shown at Table 3 below.

Table 3 Proposed increase of equivalent monetary contribution amount

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

As discussed above, the current Green Square Program rates will continue to apply in the Green Square Town Centre until the City of Sydney Affordable Housing Program comes into effect in the Town Centre LEPs. This will allow the market to adjust to the increase.

The new amount aligns with the Southern Employment Lands and the amounts originally proposed in the Central Sydney program and it more accurately reflects the full cost of delivering a square metre of affordable housing in the City of Sydney. It is based on the median strata dwelling price in the Sydney LGA and assumes that if a community housing provider is unable to purchase land in the LGA to develop affordable housing, a suitable dwelling could be purchased on the private housing market.

Economic testing of the impact of increasing the equivalent monetary contribution amounts in Green Square indicated the market can tolerate the increase without having any negative impact on development viability.

The economic testing recognises the affordable housing levy in Green Square affordable housing scheme was established in 1999 and does not reflect full development costs today. Inherent in the levy composition is the assumption that land will be available. This effectively means it is ‘cheaper’ for developers to contribute cash rather than in-kind. The contribution rates in the City’s other affordable housing schemes are premised on the Sydney median unit price and therefore reflect a realistic cost to purchase.

2.3.7 Calculating the equivalent monetary contribution payable

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

Under current schemes the monetary contribution amount is expressed as a dollar amount per square metre of all the total floor area build on the site. The Program calculates the contribution as a dollar amount per square metre of applicable floor area.

For example, a contribution for a new 5,000 square metres commercial development would be calculated as shown in Table 4 below.

Table 4 Calculating a contribution under the Program – non-residential

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

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

Table 5 Calculating a contribution under the Program – residential

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

The change in approach is because:

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

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

The Program includes requirements for how affordable housing contributions collected are to be allocated to a community housing provider and used.

Currently contributions collected in the Southern Employment Lands are paid to the City and passed to the NSW Department of Families and Community Services who are responsible for distributing funds to Tier 1 and Tier 2 community housing providers to build and manage affordable housing in the LGA. This approach is to be retained in the Program for money collected in the Southern Employment Lands.

Currently contributions collected in Green Square and Ultimo/Pymont are paid to the Department of Planning and Environment and passed to the only recommended community housing provider listed in Schedule A of the Green Square program, being City West Housing.

This approach is broadly retained in the Program, though it is proposed the process for payment be simplified by allowing landowners to make payment directly to the City who will then pass the funds to the community housing provider. This aligns with how other contribution payments are made, for example Section 7.11 payments.

Further discussions with the Department of Planning and Environment to amend current processes for Green Square and Ultimo/Pymont will be required.

For Central Sydney, residual land and Planning Proposal land, the Program proposes funds be paid to the City and passed to any recommended provider identified on the Program, currently proposed as City West Housing only.

2.3.9 How are dedicated affordable housing dwellings to be allocated?

The Town Centre LEPs require that, where the landowner or developer opts to dedicate affordable housing dwellings in the development, that they be built and dedicated to Council free of charge. Council would then transfer the dwellings to a community housing provider to be owned and managed in perpetuity as affordable rental housing for very low to moderate income households.

The Program proposes that, where the landowner or developer opts to dedicate affordable housing dwellings in the development, that Council will transfer the dwelling to a recommended community housing provider, as identified on Schedule A of the Program, free of charge. Where any recommended community housing provider opts not to receive the dwellings, it will be transferred to another registered Tier 1 or Tier 2 community housing provider.

2.3.10 Development that may not be required to make a contribution

The Town Centre LEPs stipulate what development may be subject to an affordable housing contribution.

The Program provides that Council may consider exempting development from an affordable housing contribution requirement if the development is for one or more of the following:

- Affordable housing, as defined by the Program;
- development that would result in the applicable affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, or where the agreed cost of construction is less \$100,000; or

- where the change of use is from:
 - a commercial use or light industrial use to a general industrial use or heavy industrial use, or
 - a general or heavy industrial use to another general industrial use or heavy industrial use.

The intent of allowing for these exemptions is to:

- ensure the contribution requirement does not unreasonably impact on the cost of development, and
- ensure industrial uses, that have not benefited from the increased land values in the LGA, are not subject to a contribution requirement.

2.3.11 Indexing contributions

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.

While consistent with the current approach in the employment lands, the Program amends the approach for Green Square where contribution rates are indexed with reference to the Australian Bureau of Statistics Established Housing Price Index (HPI).

The purpose of the change in approach in Green Square is that movements in median housing prices more accurately reflect movements in housing costs in the LGA. The HPI provides movements Sydney-wide.

2.3.12 When is a contribution to be paid?

The Program requires that payment of any monetary contribution amount required by a condition of consent be made prior to issue of a construction certificate.

While consistent with the current approach in the employment lands, the Program amends the approach in Green Square where landowners or developers are currently able to provide a bank guarantee prior to construction certificate with cash payment required before occupational certificate.

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 purpose of this change in approach is to:

- provide equity and align the payment requirements with all other payments that are required, such as Section 7.11 payments and Clause 6.14 – Community Infrastructure floorspace at Green Square of the Sydney LEP 2012, all of which are payable prior to issue of construction certificate, and
- streamline and simplify the operation and administration of affordable housing contribution requirements.

2.3.13 Where a previous contribution to affordable housing has been paid

The Program provides that where a contribution has been paid on floor area previously, that it may not be required to make an additional contribution in the event of further development, unless:

- it is being demolished and being replaced with floor space of the same use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area; or
- the previous contribution was for a non-residential purpose and the new total floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

This amends the current provision in the Green Square and Southern Employment Lands programs that where floor area has been demolished and rebuilt, that a contribution would not apply to any existing floor area. The purpose of amending this provision is:

- it does not reflect the displacement or demand of more affordable housing as floor area is redeveloped for higher value accommodation or commercial uses; and
- it does not reflect the need for affordable housing generated by development.

2.3.14 Adding a recommended community housing provider

The Program identifies in an attached Schedule the ‘recommended’ community housing providers who are the beneficiaries of affordable housing contributions collected in Green Square, Central Sydney, residual land and on Planning Proposal land. Currently only City West Housing is identified on the Schedule.

This carries over from the current Green Square program that identifies only City West Housing as the recipient of funds under that scheme.

The Program provides the matters for consideration where an application is made by a community housing provider, which is registered under the National Regulatory Code as Tier 1 or Tier 2 provider, to be added to the Schedule. Considerations include:

- any potential impacts of adding a community housing provider on the outcomes of the schemes, for example, whether adding a provider would likely increase or decrease the number of affordable housing units resulting from the scheme;
- any consultation with the NSW Department of Families and Community Services; and
- the impact on the programming and business planning of community housing providers already listed on the Schedule.

Before adding a community housing provider to the Schedule, the City will be required to develop a strategy for how funds are to be divided amongst multiple providers.

Part 3 Justification

Section A – Need for The Planning Proposal

Q1. Is the planning proposal a result of any strategic study or report?

There is a clear and critical need to provide affordable housing for low to moderate income households in Sydney.

The need for affordable housing in the city, and the various mechanisms available to local government to facilitate it, have been the subject of a range of studies and reports that have informed various policies, projects and development decisions made by Council.

To inform the preparation this Planning Proposal an affordable housing needs analysis was undertaken. The findings of the needs analysis are incorporated into the appendices of the Program provided at Appendix A.

In summary, the needs analysis found that housing in the city is now at a considerable premium compared to other parts of 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 \$891,000. By comparison, the Greater Sydney median strata dwelling prices in March 2017 are \$720,000. An average weekly mortgage payment of \$1,048 is required to buy a moderate income household, based on a 10 per cent deposit, standard stamp duty charges built into a 30 year mortgage at a five per cent interest rate.

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

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

Even allowing for a slowing of the market, the disparity between housing costs in inner Sydney and ability of very low to low income households to pay is significant. 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 LGA.

The social and economic impacts of not addressing the need for affordable housing are discussed at Part 3, Section C of this Planning Proposal.

Q2. Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?

This Planning Proposal is to clarify and streamline current schemes that are in operation under the Town Centre LEPs. This Planning Proposal is the only way to achieve this.

The Act considers the promotion of the social and economic welfare of the community as one of its objectives. In 1999 the Act was amended to specifically include the provision and maintenance of affordable housing as an Object of the Act.

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

- a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
- c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- d) the regulations so provide.¹

SEPP 70 identifies that there is a need for affordable housing in the City of Sydney.

The various contribution requirements operating in the city achieve the requirements of the Act in different ways. These are addressed in full in the needs analysis incorporated into the appendices of the Program provided at Appendix A.

Section B – Relationship to Strategic Planning Framework

Q3. Is the planning proposal consistent with the objectives and actions of the applicable regional, sub-regional or district plan or strategy (including any exhibited draft plans or strategies)?

A Metropolis of Three Cities – the Greater Sydney Region Plan

A Metropolis of Three Cities – the Greater Sydney Region Plan is the NSW Government’s overarching strategic document for growth and change in Sydney. The 20 year plan with a 40 year vision seeks to transform Sydney into a metropolis of three cities being the Western Parkland City, the Central River City and the Eastern Harbour City. The City of Sydney LGA is positioned within the Eastern Harbour City.

The plan identifies key challenges facing Sydney including a population increase to eight million by 2056, 817,000 new jobs by 2036 and a requirement for 725,000 new homes.

The plan aspires to deliver the following outcomes:

- liveability – enhancing cultural and housing diversity and designing places for people;
- productivity – developing a more accessible and walkable city and creating conditions for a stronger economy;
- sustainability – valuing green spaces and landscape, improving efficiency of resources and creating a resilient City; and
- infrastructure – ensuring infrastructure supports new developments and governments, community and businesses collaborate to realise the benefits of growth.

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

To achieve the vision, the plan proposes 10 directions, 40 objectives and associated strategies. Objectives of particular relevance to this Planning Proposal include: 10 - Greater housing supply and 11 - Housing is more diverse and affordable.

This Planning Proposal is consistent with several relevant directions, objectives and strategies of the plan. Specifically, it will increase the supply of affordable housing and improve housing diversity and choice.

Eastern City District Plan

The Greater Sydney Commission released the District Plans for the Greater Sydney Metropolitan Region in March 2018. The City of Sydney is in the Eastern City District. The District Plans set out how *A Metropolis of Three Cities – the Greater Sydney Region Plan* applies to local areas.

The district plan has set a 20-year strategic target for housing and employment growth within the district, including a 2036 target of 157,500 dwellings and a short-term (5 years) housing target of 46,550 new dwellings. In the City of Sydney LGA, 18,300 dwellings are to be delivered.

The district plan requires councils to develop local housing strategies and actions to address the range of housing needs in their LGAs, including affordable housing.

The district plan nominates an affordable rental housing target of five to 10 per cent, subject to viability, in urban renewal and land release areas, noting that the application of the target should not prejudice other approaches to secure affordable housing in areas outside of urban renewal and land release areas. A critical focus of the plan is that any mechanism that is introduced to secure affordable housing should be cognisant of the impact on development viability.

This Planning Proposal supports the district plan's priority of 'Housing Diversity and Affordability' by facilitating the delivery of affordable rental housing in the city through the planning framework.

Q4. Is the planning proposal consistent with Council's local strategy or other local strategic plan?

Sustainable Sydney 2030, the City's overarching strategic plan establishes an ambitious target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable housing. To achieve the City's target approximately 11,000 affordable housing dwellings, out of a total projected 148,000 dwellings, are required in the LGA.

The City's *Affordable Rental Housing Strategy 2009-2014*, which supports the implementation of *Sustainable Sydney 2030*, identifies a range of strategies to increase the quantum of affordable housing in the LGA, including the extension of contribution schemes across the LGA.

In 2015 the City released its Housing Issues Paper for consultation with the community. The key issue emerging from the paper is one of housing affordability in the inner-city and the critical need to provide a range of affordable housing options for very low to moderate income households. The City is currently developing its housing strategy to build on the *Affordable Rental Housing Strategy*.

This Planning Proposal will result in an increase of affordable housing in the city and will contribute to the quantum of affordable housing dwellings required to achieve the City's affordable housing target.

Q5. Is the planning proposal consistent with applicable State Environmental Planning Policies?

The consistency of this Planning Proposal with current State Environmental Planning Policies (SEPPs) and former Regional Environmental Plans (REPs) for the Sydney and Greater Metropolitan Regions, which are deemed to have the weight of SEPPs, is outlined in Table 6 below.

Repealed SEPPs or REPs, or those that were not finalised are not included in this table.

Table 6 Consistency with SEPPs and former REPs

SEPP	Comment
SEPP 1 - Development Standards	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 14 – Coastal Wetlands	Not applicable
SEPP 19 - Bushland in Urban Areas	Not applicable
SEPP 21 - Caravan Parks	Not applicable
SEPP 26 - Littoral Rainforests	Not applicable
SEPP 30 - Intensive Agriculture	Not applicable
SEPP 33 - Hazardous and Offensive Development	Not applicable
SEPP 36 - Manufactured Home Estates	Not applicable
SEPP 44 - Koala Habitat Protection	Not applicable
SEPP 47 - Moore Park Showground	Not applicable
SEPP 50 - Canal Estate Development	Not applicable
SEPP 52 - Farm Dams and other works in Land and Water Management Plan Areas	Not applicable
SEPP 55 - Remediation of Land	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 62 - Sustainable Aquaculture	Not applicable
SEPP 64 - Advertising and Signage	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 65 - Design Quality of Residential Flat Development	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 70 - Affordable Housing (Revised Schemes)	Consistent. This identifies that there is a need for affordable housing in the City of Sydney. The <i>Environmental Planning and Assessment Act 1979</i> (the Act) allows for the collection of contributions for affordable housing where a need for affordable

	<p>housing is identified in a planning instrument and where:</p> <ul style="list-style-type: none"> • the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or • the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or • the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or • the regulations so provide. <p>The Program provides the rationale and justification for the application of contributions in the city.</p>
SEPP 71 - Coastal Protection	Not applicable
SEPP (Affordable Rental Housing) 2009	<p>Consistent</p> <p>Currently, SEPP (Affordable Rental Housing) 2009 does not apply to land in Green Square, Ultimo/Pymont and the Southern Employment Lands. These exclusions will be retained.</p> <p>The Planning Proposal will amend Part 1, Clause 1.9 – Application of SEPP so that this SEPP does not apply to land in Central Sydney. Given the proposed affordable housing contribution scheme proposed for Central Sydney, it is proposed that the exemption be extended to this area.</p>
SEPP (Building Sustainability Index: BASIX) 2004	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP Exempt and Complying Development	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Housing for Seniors or People with a Disability) 2004	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Infrastructure) 2007	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Integration and Repeals) 2016	Not applicable
SEPP (Kosciuszko National Park-Alpine Resorts) 2007	Not applicable
SEPP (Kurnell Peninsula) 1989	Not applicable
SEPP (Mining, Petroleum Production and Extractive Industries) 2007	Not applicable
SEPP (Miscellaneous consent provisions) 2007	Not applicable

SEPP (Penrith Lakes Scheme) 1989	Not applicable
SEPP (Rural Lands) 2008	Not applicable
SEPP (State and Regional Development) 2011	Not applicable
SEPP (State Significant Precincts) 2005	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Sydney Drinking Water Catchment) 2011	Not applicable
SEPP (Sydney Region Growth Centres) 2006	Not applicable
SEPP (Three Ports) 2013	Not applicable
SEPP (Urban Renewal) 2010	Not applicable
SEPP (Western Sydney Employment Area) 2009	Not applicable
SEPP (Western Sydney Parklands) 2009	Not applicable
Sydney REP No 5 - (Chatswood Town Centre)	Not applicable
Sydney REP No 8 (Central Coast Plateau Areas)	Not applicable
Sydney REP No 9 - Extractive Industry (No 2—1995)	Not applicable
Sydney REP No 11 - Penrith Lakes Scheme	Not applicable
Sydney REP No 13 - Mulgoa Valley	Not applicable
Sydney REP No 16 - Walsh Bay	Not applicable
Sydney REP No 17 - Kurnell Peninsula (1989)	Not applicable
Sydney REP No 20 - Hawkesbury-Nepean River (No 2 - 1997)	Not applicable
Sydney REP No 24 - Homebush Bay Area	Not applicable
Sydney REP No 25 - Orchard Hills	Not applicable
Sydney REP No 26 - City West	Not applicable
Sydney REP No 28 – Parramatta	Not applicable
Sydney REP No 29 - Rhodes Peninsula	Not applicable
Sydney REP No 30 - St Mary's	Not applicable
Sydney REP No 33 - Cooks Cove	Not applicable
Sydney REP (Sydney Harbour Catchment) 2005	Not applicable
Drinking Water Catchments REP No 1	Not applicable

Greater Metropolitan REP No 2 - Georges River Catchment	Not applicable
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Q6. Is the planning proposal consistent with applicable Ministerial Directions (s117 directions)?

This Planning Proposal has been assessed against each Section 117 direction. Consistency with these directions is shown in Table 7 below.

Table 7 Consistency Section 117 Directions

Direction	Consistency
1.1 Employment and Resources - Business and industrial zones	Consistent
1.2 Employment and Resources - Rural Zones	Not applicable
1.3 Employment and Resources - Mining, Petroleum Production and Extractive Industries	Not applicable
1.4 Employment and Resources - Oyster Aquaculture	Not applicable
1.5 Employment and Resources - Rural Lands	Not applicable
2.1 Environment and Heritage - Environment Protection Zones	Not applicable
2.2 Environment and Heritage - Coastal Protection	Not applicable
2.3 Environment and Heritage - Heritage Conservation	Consistent
2.4 Environment and Heritage - Recreation Vehicle Areas	Consistent
2.5 Environment and Heritage - Application of E2 and E3 Zones and Environmental Overlays in Far North Coast LEPs	Not applicable
3.1 Housing, Infrastructure and Urban Development - Residential Zones	Consistent

3.2 Housing, Infrastructure and Urban Development - Caravan Parks and Manufactured Home Estates	Consistent
3.3 Housing, Infrastructure and Urban Development - Home Occupations	Consistent
3.4 Housing, Infrastructure and Urban Development - Integrating Land Use & Transport	Consistent
3.5 Housing, Infrastructure and Urban Development - Development near Licensed Aerodromes	Consistent
3.6 Housing, Infrastructure and Urban Development - Shooting Ranges	Not applicable
4.1 Hazard and Risk - Acid Sulfate Soils	Consistent
4.2 Hazard and Risk - Mine Subsidence and Unstable Land	Not applicable
4.3 Hazard and Risk - Flood Prone Land	Consistent
4.4 Hazard and Risk - Planning for Bushfire Protection	Consistent
5.1 Regional Planning - Implementation of Regional Strategies	Not applicable
5.2 Regional Planning - Sydney Drinking Water Catchments	Not applicable
5.3 Regional Planning - Farmland of State and Regional Significance on the NSW Far North Coast	Not applicable
5.4 Regional Planning - Commercial and Retail Development along the Pacific Highway, North Coast	Not applicable
5.8 Regional Planning - Second Sydney Airport: Badgerys Creek	Not applicable
5.9 Regional Planning - North West Rail Link Corridor Strategy	Not applicable

5.10 Regional Planning - Implementation of Regional Plans	Consistent
6.1 Local Plan Making - Approval and Referral Requirements	Consistent
6.2 Local Plan Making - Reserving Land for Public Purposes	Consistent
6.3 Local Plan Making - Site Specific Provisions	Consistent
7.1 Metropolitan Planning - Implementation of <i>A Plan for Growing Sydney</i>	Consistent
7. Metropolitan Planning - Implementation of Greater Macarthur Land Release Investigation	Not applicable

Section C – Environmental, Social and Economic Impact

Q7. Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected as a result of the proposal?

It is unlikely that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected as a result of this Planning Proposal.

Q8. Are there any other likely environmental effects as a result of the planning proposal and how are they proposed to be managed?

It is unlikely that this Planning Proposal would have any adverse environmental effects.

Q9. Has the planning proposal adequately addressed any social and economic effects?

Economic impacts of proposed contributions on development viability

A critical consideration in introducing new contribution requirements in the Town Centre LEPs is impact on development viability. Where development viability cannot be maintained, development will slow down, having a detrimental impact on the wider economy.

To understand the economic impacts of the proposed affordable housing contributions, the City obtained independent economic advice to test identified housing sub-markets in the city. 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 city and how they may be mitigated.

Specifically, the economic testing was to:

- determine the impact on development viability of a range of affordable housing contribution rates in areas not currently subject to an affordable housing contribution requirement, taking into consideration current contribution requirements that may already apply to the land;
- determine the impact on development viability in Green Square if the equivalent monetary contribution amount were to increase to align with the equivalent monetary contribution amount required in the Southern Employment Lands;
- determine the viability of requiring an additional affordable housing contribution on land that has increased development potential through a planning proposal process, and recommend standard rates to apply to the site when a development application is made to take advantage of 'new' development capacity.

In regard to the impact of increasing the equivalent monetary contribution amounts in Green Square to align with the Southern Employment Lands, economic testing has determined that the increase can be tolerated without having any negative impact on development viability.

The testing recognises the affordable housing levy in Green Square affordable housing scheme was established some years ago and does not reflect full development costs today. Inherent in the levy composition is the assumption that land will be available. This effectively means it costs less for developers to contribute cash rather than in-kind. The contribution rates in the City's other affordable housing schemes are premised on the Sydney median unit price and therefore reflect a realistic cost to purchase.

In regard to the contribution requirement that would apply to 'Planning Proposal land', the economic testing was underpinned by the City's longstanding practice of capturing a proportion of land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing. A commonly accepted benchmark is 50 per cent of any residual land value gain being directed towards the public benefit. This approach has underpinned the long standing Community Infrastructure Floorspace scheme that operates in Green Square, has informed a number of planning agreement for public benefit, and is consistent with the City's *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas*.

When 50 per cent of the residual land value gain has been determined, it is intended that this be directed towards the purpose of affordable rental housing. Where other public benefits are being delivered on the site, for example open space, those public benefits would be secured by a VPA with the landowner. In establishing the contribution rate for inclusion on the LEP Schedule when the Town Centre LEPs are being amended, other public benefits being provided, or any State Infrastructure contribution requirement that applies to the site, will be considered in establishing an appropriate rate. It is noted that in areas where a Special Infrastructure Contribution levy is applicable, the rate may be lower than that detailed in the Program to ensure the cumulative contributions that leverage value uplift do not exceed the percentage capture amount (50%) or land value gain.

Any site that is detailed on the schedule of the Town Centre LEPs will not be the subject of a VPA for affordable housing. All affordable housing requirements pertaining to the site will be detailed in the planning controls.

Current practice is that any other local contributions such as community infrastructure payments or Section 7.11 payments (formally known as Section 94 payments) are required on a site by site basis, in addition to any affordable housing contribution requirement. This same method will also be used

for 'Planning Proposal land'. The economic advice states that development viability will not be affected as the affordable housing contribution will apply only to new floor area achieved in the change to planning controls.

The methodology for establishing the contribution rates included generic feasibility testing to examine the quantum of value uplift that could result from a change in density and the potential for a proportion of the value uplift to be appropriated to affordable housing outcomes. While highly nuanced across sub-markets, it found that 50 per cent of residual land value gain is achieved where:

- 24 percent of new floor area in the eastern precinct is provided as affordable housing, and
- 12 percent of new floor area in other precincts is provided as affordable housing.

These rates are to apply in addition to any current affordable housing contributions that apply to the land.

It is noted that, because the affordable housing contribution will apply only to new floor area achieved in the change to planning controls, development viability will not be affected by the requirement.

As with all contributions, landowner expectations and industry behaviour are expected to adjust over time. Implementation that provides clear notice to the market and incorporates a staged approach will ensure sufficient and appropriate notice to the market and mitigate any adverse impact to future investment.

To this end, the intention to apply a contribution to Planning Proposal land is clearly articulated in the Program at Appendix A. This will allow prospective landowners and developer to 'factor-in' expected contributions requirements into development decisions.

Economic impacts of the affordability crisis

Population growth, an awakening to the desirability of inner city living, and high demand for investment properties are driving up market residential prices in Central Sydney and surrounds. This is making it increasingly difficult for middle and lower income households to afford to rent or buy in the inner-city.

Without provision of more affordable forms of housing, the market can be expected to continue to produce housing aimed at households on relatively high incomes with lower income households being forced out of the city.

For a global city, a sustainable and diverse housing supply is fundamental to the cultural and social vitality, economic growth, and liveability of the city. This is at the heart of the City of Sydney's *Community Strategic Plan – Sustainable Sydney 2030*.

Housing quality and affordability affect the city's ability to attract and retain global businesses and a highly skilled workforce. Where relatively low paid key workers who underpin and enable growth in high value sectors cannot access appropriate and affordable housing in the inner-city, they are likely to find employment closer to where they live. This can represent a direct risk to productivity in key sectors of the economy.

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,

and so too is the development sector that creates opportunities for new affordable housing to be delivered.

Social impacts of the affordability crisis

In the city, climbing housing costs are expected to have an increasingly detrimental impact on its socio-economic diversity. Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. 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 social housing or are in the private rental market and in housing stress or crisis.

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

Affordable housing outcomes

The number of affordable rental housing dwellings resulting from the proposed affordable housing contribution requirements will be determined by:

- The amount of development that occurs, which is influenced by market conditions; and
- The approach to using any monetary contributions: whether affordable housing units are built by a developer or a community housing provider; the dwelling size and mix; whether they are purchased; and how effectively resulting funds and dwellings are leveraged to provide additional stock.

The City uses a range of approaches to facilitate affordable housing in the LGA. There are around 1,400 affordable rental housing dwellings in the LGA that are built, in the development pipeline or announced. The estimated affordable housing dwellings currently anticipated in the LGA is shown at Table 8. No time frame has been applied to this table, it is based on what is known now about affordable housing in the pipeline, and what could be achieved under expanded planning controls given a range of assumptions about development in the various contribution areas. Estimates for some areas are difficult to establish.

Table 8: Projected affordable housing dwellings

AFFORDABLE HOUSING SOURCE	NUMBER OF DWELLINGS
Built as at 30 June 2018	835
Development pipeline as at 30 June 2018	586
SUBTOTAL to 2019	1,421
Sites in Southern Employment Land investigation areas (under the Guideline)	Unknown

Sites in B7 Business Park zone (preferential LEP clause)	Unknown
Green Square to Ashmore connector road	300
Dunning Ave, Rosebery (Southern Employment Land investigation areas)	8
Southern Employment Lands scheme	130
Ultimo/Pymont scheme	35
Green Square scheme	650
Central Sydney scheme (proposed)	520
Residual lands scheme (proposed)	590
Planning Proposal land (proposed)	Unknown
TOTAL (includes 2019 subtotal)	3,654

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

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

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

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

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

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

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

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

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

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

Section D – State and Commonwealth Interests

Q10. Is there adequate public infrastructure for the planning proposal?

While this Planning Proposal will facilitate more affordable housing, it does not propose an increase in density above that which is currently permissible under Town Centre LEPs. As such, it will not result in an increase in residential or worker population greater than that already anticipated and is not expected to result in any additional burden on existing public infrastructure.

Ongoing investment in new services and facilities in the city by both the public and private sectors will service the growing population.

Q11. What are the views of state and Commonwealth public authorities consulted in accordance with the Gateway determination?

The Gateway determination will advise the full list of public authorities to be consulted as part of this Planning Proposal process and any views will be included in this Planning Proposal following consultation. It is requested that public authority consultation be undertaken concurrently with community consultation.

Part 4 Mapping

No change is required to maps in the Town Centre LEPs

Part 5 Community Consultation

Public consultation will take place in accordance with any Gateway determination made by the Minister for Planning, in accordance with Sections 56 and 57 of the Act

~~The original Planning Proposal, prior to being approved by Council, was widely consulted. Given the intent of that Planning Proposal, to integrate all of the land in the LGA under the same provisions and Program, was clear, and the Town Centre LEPs were only inadvertently left out of that Planning Proposal, the City requests that no public exhibition of this Planning Proposal be required.~~

~~The Gateway Determination required a two week public consultation period, which was undertaken between from 9 July 2020 to 23 July 2020. The City received seven submissions: five from individuals and landowners and two from organisations, namely the Property Council and City West Housing, the Recommended Community Housing Provider in Green Square.~~

~~The majority of submissions expressed support for the Planning Proposal. The Property Council's submission raised points which were addressed in the post-exhibition reporting for the original Planning Proposal. The City West Housing submission raised issues concerning the proposed amendment to minimum and maximum dwelling size for units being dedicated as affordable housing.~~

~~In response, a change to the Planning Proposal and the draft Program to remove the upper size limit is recommended.~~

~~It is noted that these changes predominantly affect the Green Square Town Centre LEPs only. They cannot change the intent of the original Planning Proposal that was adopted by Council in September 2018 to amend the Sydney LEP 2012. However, given the consideration arising from City West Housing's submission, the removal of the 90 square metre maximum will be proposed as part of the upcoming update to the comprehensive local environmental plan.~~

Part 6 Project timeline

The following project timeline will assist with tracking the progress of the planning proposal through its various stages of consultation and approval. It is estimated that this amendment to the Town Centre LEPs will be completed by October 2020, and made in conjunction with the provisions proposed as part of Planning Proposal: Affordable Housing Review, approved by Council XX XX XXXX.

Table 9 Project timeline

Stage	Anticipated timeframe
Submit Planning Proposal to Department of Planning and Environment seeking a Gateway Determination	September 2018
Receive Gateway Determination	May 2020
Public exhibition and public authority consultation of Planning Proposal, and draft Affordable Housing Program – if required	June 2020
Review of submissions received during public exhibition and public authority consultation	June/July 2020
Council and Central Sydney Planning Committee approval of Planning Proposal and draft Affordable Housing Program	August 2020
Drafting of instrument	September 2020
Amendment to Town Centre LEPs legally drafted and made	October 2020

Appendix A

City of Sydney Affordable Housing Program

City of Sydney Affordable Housing Program

Adopted XX XX XX



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Note: Post-exhibition changes to this Program are identified with deleted text shown in ~~red strikethrough~~ and new or replacement text shown red underlined.

1. About the Program

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

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

1.1 Program Objectives

The objectives of this Program are to:

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

1.2 Relationship to other Programs

This Program repeals and replaces the following affordable housing programs from the date it came into effect:

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

It is noted any development applications determined prior to the commencement of this Program, that include a condition of consent for an affordable housing contribution in accordance with the Green Square or Employment Lands Affordable Housing Programs, are not altered by the commencement of this Program.

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

1.3 Where does this Program apply?

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

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

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

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

1.4 Background

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

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

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

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

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

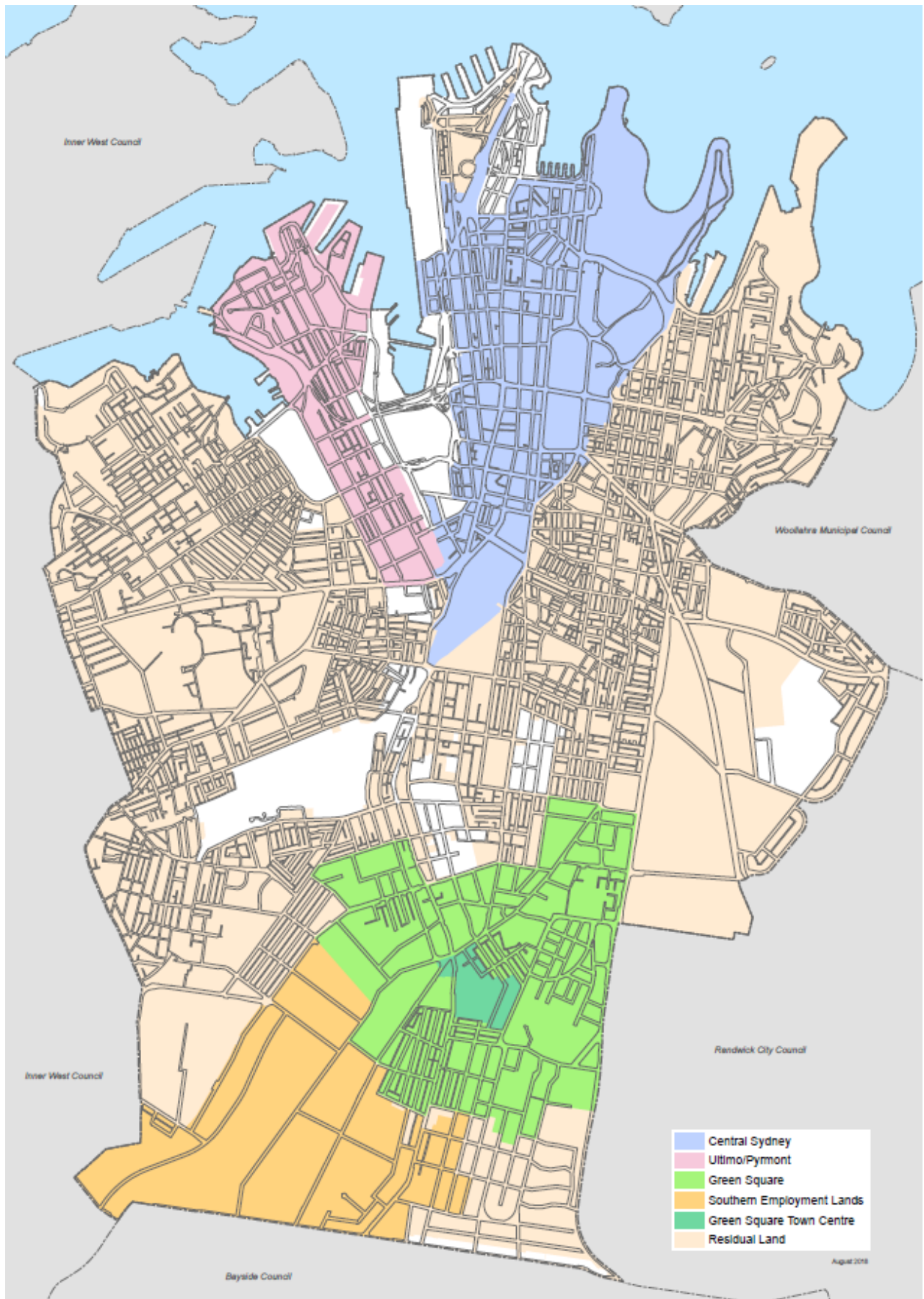
The City has a history of providing affordable housing through the planning framework. In 1996 the first affordable housing contribution scheme in NSW was introduced in Ultimo/Pymont to ensure that as the area developed a proportion of housing remained available for very low to moderate income earners.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

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

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

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

Figure 1: Land to which this Program applies



1.5 Legislative basis for affordable housing contributions

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

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

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

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

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

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

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

1.6 Affordable Housing Principles

The City of Sydney affordable rental housing principles are:

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

1.7 Amending this Program

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

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

1.8 Terms used in this Program

Affordable housing

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

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

Affordable rental housing

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

City of Sydney Local Government Area

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

Council / City / city

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

Eligible Community Housing Provider

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

Recommended CHPs

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

Very low to moderate income households

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

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

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

2 Affordable housing contributions

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

2.1 Contribution rates

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

2.1.1 Green Square and Southern Employment Lands

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

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

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

2.1.2 Central Sydney and residual lands

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

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

*No affordable housing contribution applies to development applications determined prior to the making of Sydney LEP 2012 (Amendment No. 52).

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

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

2.1.3 Planning Proposal lands

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

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

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

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

2.1.4 Equivalent monetary contribution amount

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

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

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

2.1.5 Satisfying a contribution by dedicating dwellings

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

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

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

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

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

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

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

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

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

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

Example

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

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

or

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

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

Example

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

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

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

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

2.1.7 Calculating the contribution in Central Sydney and on residual land

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

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

Example

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

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

or

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

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

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

Example

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

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

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

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

Example

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

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

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

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

2.1.8 Calculating the contribution on Planning Proposal land

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

Pre-public exhibition note

How will the contribution requirement look in LEPs?

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

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

2.2 Development that may be exempt?

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

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

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

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

For example

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

For example

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

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

For example

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

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

For example

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

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

For example

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

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

2.3 Where a contribution has been previously paid

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

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

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

2.4 Refunds for demolition or changes in use

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

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

2.5 Conditions of consent

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

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

2.6 How to make a payment

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

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

2.7 Adjustment of equivalent monetary contribution amounts

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

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

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

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

Where:

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

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

2.8 Adjustment of a monetary contribution amount on a development consent

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

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

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

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

Where:

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

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

2.9 Distribution and management of contributions

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

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

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

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

2.9.2 Southern Employment Lands

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

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

2.10 Adding a community housing provider to Schedule A

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

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

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

3 Affordable housing in the B7 zone

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

3.1 Requirements for affordable housing in the B7 Business Park Zone

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

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

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

3.2 Development applications

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

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

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

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

Schedule A – Recommended Community Housing Providers

City West Housing Pty. Ltd.

Appendix A - Background information and affordable housing needs analysis

1. Introduction

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

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

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

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

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

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

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

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

2. What is affordable housing?

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

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

Table 1: Median household income band 2016/17

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

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

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

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

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

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

3.1 State government

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

The Region and District Plans released by the Greater Sydney Commission in March 2018 include targets and actions for the provision of affordable housing through the planning framework. The Plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

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

3.2 City of Sydney Council

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

4. A history of affordable housing schemes in the city

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

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

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

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

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

4.1 City West affordable housing scheme

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

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

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

Funding of CWH has been provided from four main sources:

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

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

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

Maintaining the tenant mix within the units is critical for:

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

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

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

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

4.2 Green Square affordable housing scheme

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

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

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

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

4.3 Southern Employment Lands affordable housing scheme

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

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

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

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

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

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

5. Affordable housing need analysis

5.1 Why do we need affordable housing?

Socio-economic impacts

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

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

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

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

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

Economic impacts

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

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

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

transport drivers¹. In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2011.

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

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

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

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

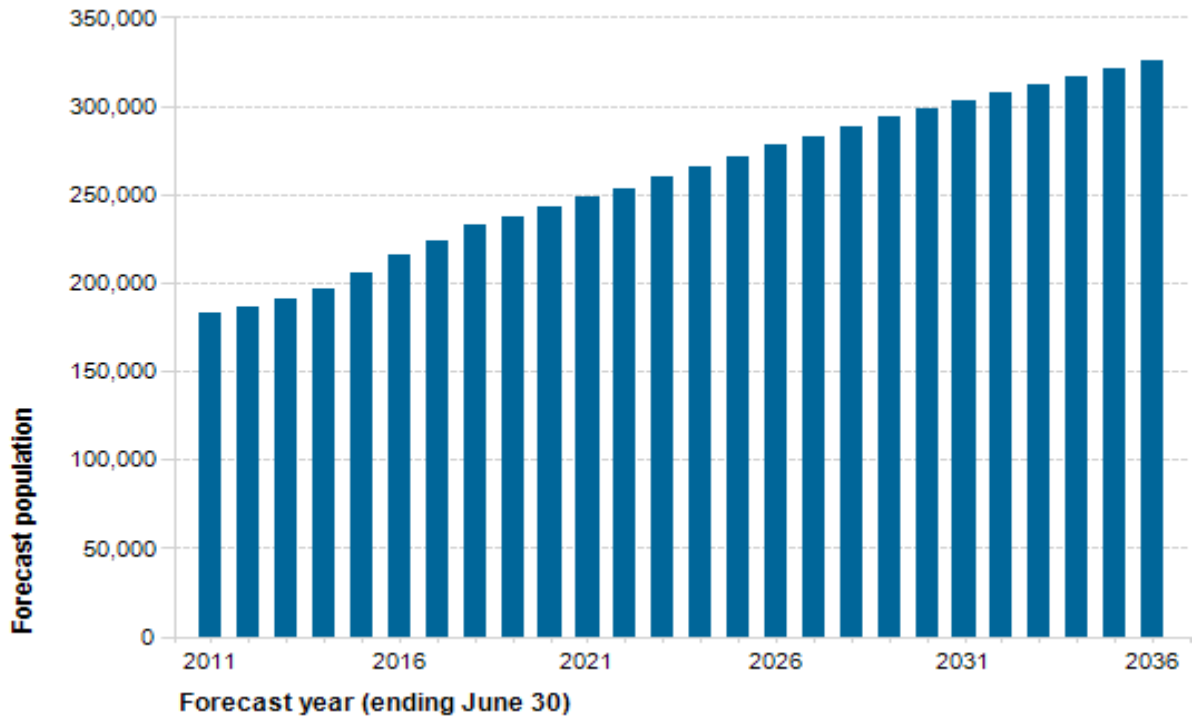
5.2 Population growth

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

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

Figure 2: Population growth in the City 2011-2036

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



Source: id population forecasts 2016

The city’s working population is also expected to significantly increase, with approximately 260,000² additional workers projected in Central Sydney and in Green Square – Mascot strategic centres³.

5.3 Housing demand

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

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

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

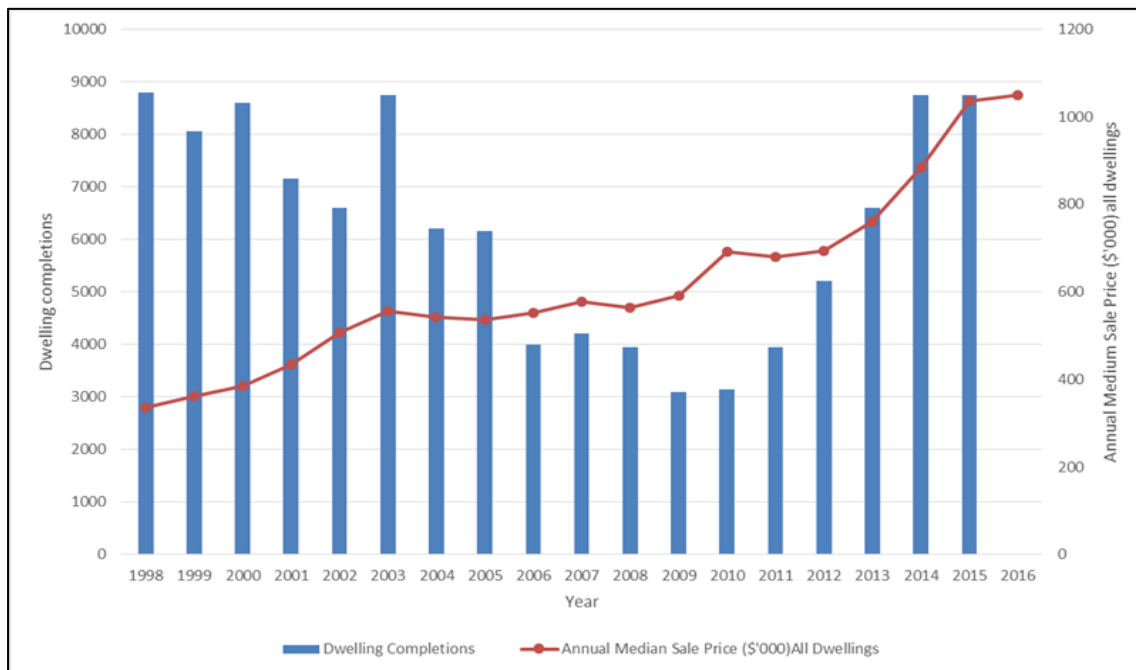
Figure 3 below has been adapted from data provided by the Greater Sydney Commission and NSW Department of Family and Community Services. It overlays the dwelling completions for the Eastern District with the median sales price of dwellings. It shows that despite substantial completions over the

² Draft Central District Plan: 2036 ‘high’ job targets

³ Green Square infrastructure Plan 2015

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

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



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

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

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

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 2010.⁵

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

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

⁴ NSW Rent and Sales Reports Issue no 120

⁵ NSW Rent and Sales Reports Issue no 120 and Issue no 93

first time buyer in Sydney would take three years to save a house deposit, today that has increased 3 times to 9 years. The current Sydney property price to income ratio is 8.5 up from 6 in 2001⁶.

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

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

5.4 Satisfying the requirements of the Act

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

- (a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- (b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
- (c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- (d) the regulations so provide⁷.

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

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

Central Sydney

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

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

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

⁶ Corel Logic, UNA

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

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

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

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

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

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

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

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

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

An estimated 47,000 key workers across the public and private sectors currently work in the City. Public sector key workers are estimated at 24,000 comprising 6.2 per cent of the City's total workforce. This includes teachers, nurses, police, community services workers and ambulance and public transport drivers⁸. In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2012.

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

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

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

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

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

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

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

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

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

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

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

Green Square

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

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

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

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

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

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

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

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

The urban redevelopment of Green Square has seen the percentage of high income household increase from 5.6% in 1986 to 21.6% in 1996 and 30% in 2011. Conversely, low income households have decreased, with 46% identified in 1986, 28% in 1996 and less than 10% in 2011¹⁰.

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

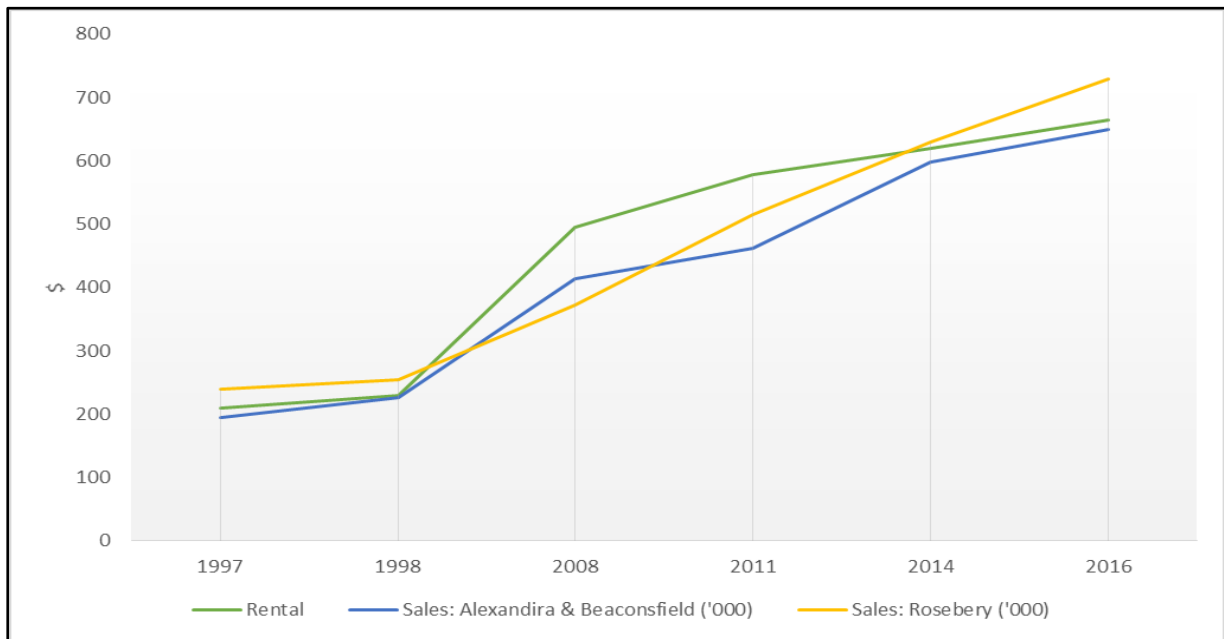
Development in Green Square will create a need for affordable housing

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

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

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

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



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

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

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

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

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

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

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

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

Southern Employment Lands

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table 2: Southern Employment Lands job projections

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

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

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

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

Currently, about 60 per cent of workers in the Southern Employment Lands area fall within the very low to moderate income bracket¹¹. If we assume that the proportion of workers who live in the area, being 16 per cent, remains constant¹², and that the proportion of very low to moderate income workers falls to 50 per cent as higher value jobs move to the area, an additional 720 affordable housing dwellings will be in demand. The number is higher if the aim is to encourage more people who work in the area to live in the area.

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

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

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

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

Residual land

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

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

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

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

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

¹¹ Data extracted and analysed from ABS 2011 Census

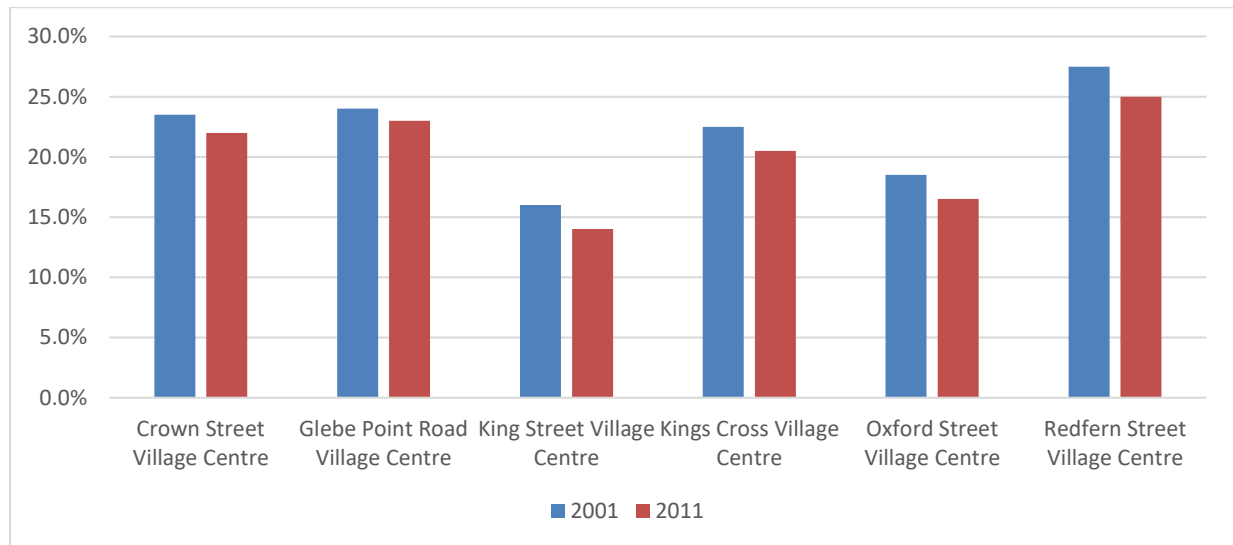
¹² Bureau of Transport and Statistics Journey to Work 2011

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

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

This is demonstrated in Figure 5 which shows between 2001 and 2011 the proportion of households in the bottom two income quartiles declined in the residual¹³.

Figure 5: Projected growth by village area



Source: id population forecasts 2016

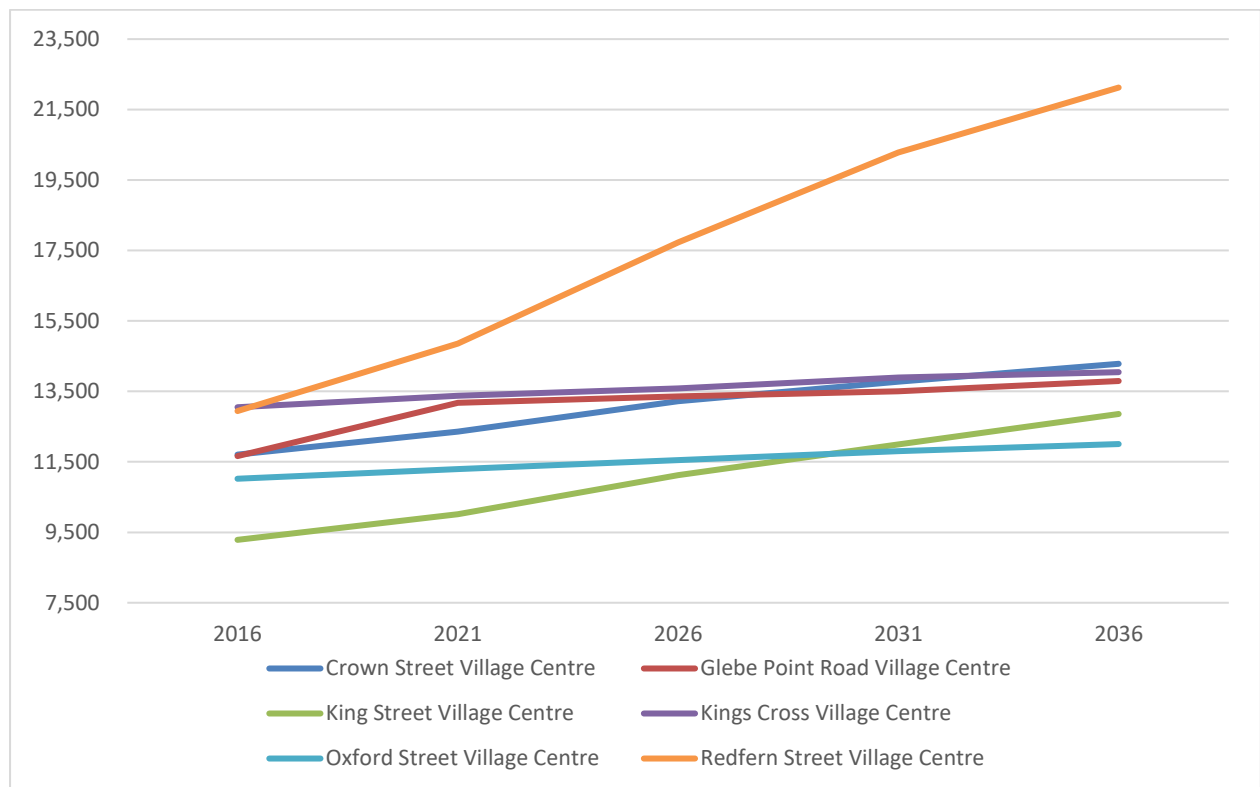
Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

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

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

¹³ Shown as village areas most closely aligned with residual lands

Figure 6: Projected dwellings growth by village area



Source: id population forecasts 2016

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

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

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

Planning Proposal land

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

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

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

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

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

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

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

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

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

Development is allowed only because the land was rezoned

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

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

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

6. Projecting outcomes of the schemes

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

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

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

Table 8: Projected affordable housing dwellings

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix B – Planning Proposal land

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

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

1. Applying a contribution rate to Planning Proposal land

1.1 Where a planning proposal has increased Floor Space Ratio

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

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

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

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

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

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

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

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

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

Explanatory note

How were the contribution rates established?

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

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

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

Explanatory note

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

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

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

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

Pre-Public exhibition note

How will the contribution requirement look in LEPs?

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

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

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

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

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

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

2. Reviewing contribution rates

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

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

Appendix C – Process for dedicating dwellings

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

1.1 Development application

The development application to Council must:

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

1.2 Assessment

The City will:

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

1.3 Securing the dwellings

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

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

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

Appendix B

Drafting Instructions

Note: Post-exhibition changes to these drafting instructions are identified with deleted text shown in ~~red strikethrough~~ and new or replacement text shown red underlined.

Drafting instruction

Drafting instruction 1 – Amend Cl. 6.5 of Town Centre LEPs – ‘Affordable Housing’

The intent of this drafting instruction is to amend Clause 6.5 so it:

- ensures the Program is directly referred to as the guiding document for the ongoing application of the LEP requirements and the administration of the Program. Current clause only refer to the Program with regards to it setting equivalent monetary contribution amounts. This has left some ambiguity about the legal weight that should be granted the Program
- rearranges the existing clause 6.5 to address current confusion and unintended interpretation of the development that should be excluded from having to pay a contribution. In particular, a change of use that did not result in the creation of more floor area was being excluded, where that was not the intent of the provision. This can be achieved by:
 - removing reference to ‘excluded development’, instead defining what development the clause does apply to, and
 - defining Total Floor Area (TFA), removing from the calculation of TFA some previously excluded uses
- requires the contribution to be satisfied by way of monetary contribution or dwelling contribution in accordance with the City of Sydney Affordable Housing Program (the Program), as adopted by Council; and
- specifies that where an in-kind contribution is being made, that it is done in accordance with the Program;
- any DAs determined with affordable housing conditions of consent referencing the Green Square Program remain valid and lawful when the City of Sydney Affordable Housing Program comes into effect.

Recommended wording of draft clause:

6.5 Affordable housing

- (1) If a development application has been determined with reference to the Green Square Affordable Housing Program before the commencement of the City of Sydney Affordable Housing Program, the determined development application remains valid.
- (2) This clause applies to development that involves:
 - (a) the erection of a new building of more than 200 square metres, or
 - (b) additions to an existing building resulting in the creation of more than 200 square metres of residential floor area, or
 - (c) additions to an existing building resulting in the creation of more than 60 square metres of non-residential floor area, or
 - (d) demolition of existing floor area and the subsequent creation of more than 200 square metres of new floor area for the same or new purpose
 - (e) a change of use of more than 60 square metres of existing floor area.
- (3) The consent authority may, when granting development consent on land impose a condition on development under subclause (1) requiring a contribution equivalent to the ***affordable housing levy contribution***, being:

- (a) 3% of so much (if any) of the total floor area that is intended to be used for residential purposes, and
 - (b) 1% of so much (if any) of the total floor area that is not intended to be used for residential purposes.
- (4) Any condition imposed under this section must be for the purpose of achieving affordable housing outcomes, in accordance with the principles and requirements of the **City of Sydney Affordable Housing Program**, adopted by the Council on XX XX XX and made available by the Council on its website (www.cityofsydney.nsw.gov.au)
- (5) A condition imposed under this section must permit a person to satisfy the affordable housing levy contribution, by way of:
- (a) a dedication in favour of the Council of land comprising one or more dwellings (each having a total floor area of not less than 35 square metres ~~and not more than 90 square metres~~) with any remainder being paid as a monetary contribution to the Council, or
 - (b) monetary contribution to the Council.
- (6) The rate at which monetary contribution is to be taken to be equivalent to floor area for the purposes of this clause is to be calculated in accordance with the **City of Sydney Affordable Housing Program**, adopted by the Council on XX XX XX.
- (7) To avoid doubt:
- (a) it does not matter whether the floor area, to which a condition under this clause relates, was in existence before, or is created after, the commencement of this clause, or whether or not the floor area concerned replaces a previously existing area, and
 - (b) the demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of any contribution.
- (8) In this clause:

total floor area means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following:

- (a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,
- (b) any area of a balcony that is more than the minimum area required by the consent authority in respect of the balcony,
- (c) ancillary car parking up to the maximum permitted by the consent authority and any associated internal vehicular and pedestrian access to that car parking,
- (d) space for the loading and unloading of goods,
- (e) other excluded floor area, being:
 - i. floor area in Zone IN1 General Industrial; or
 - ii. floor area used for the purpose of residential accommodation that is used to provide affordable housing or public housing; or
 - iii. floor area used for the purpose of community facilities, public roads or public utility undertakings.

The City of Sydney Affordable Housing Program is to be publicly exhibited in conjunction with the draft Planning Proposal. It is noted the operation of the clause is contingent on the adoption of the Programs by Council.

Drafting instruction 2 – Insert in Cl. 6.5A of Town Centre LEPs, ‘Contributions for purpose of affordable housing on Planning Proposal land’

Insert new Clause 6.5A and new Schedule to:

- identify *Planning Proposal land*. The intent of this new clause is to provide a framework to identify sites that have been the subject of a site-specific planning proposal and to require an affordable housing contribution (in addition to that which applies under 7.13), but only to the new development capacity achieved in the planning proposal. Ultimately the new Schedule is intended to streamline and provide transparency and certainty to a process that would otherwise be required to be achieved through a planning agreement at the planning proposal stage.
- On *Planning Proposal land*, an affordable housing contribution requirement is to be applied to:
 - the erection of a new building over 200 square metres
 - additions to an existing building resulting in the creation of more than 200 square metres of residential floor area
 - additions to an existing building resulting in the creation of more than 60 square metres of non-residential floor area, or
 - change of use to existing floor area from a non-residential purpose to a residential purpose.
- While not required to be reflected in the LEP, it should be noted the contribution rate to be applied to land will be established and inserted into the Schedule at the time the change of planning controls comes into effect, that is, the contribution rate will be different depending on what is achieved in a planning proposal. The affordable housing program explains how the rate will be established.
- The contribution requirement is intended to apply to additional floor area that is achieved in the planning proposal process. It does not matter if all of the additional floor area is not being achieved at the development application stage – a proportional contribution should apply. The intent is to ensure that the additional contribution requirement resulting from the planning proposal is to be proportionally shared amongst development, irrespective of staging.
- For clarity, the contribution is not intended to apply to other floor area that may be achieved subject to Clause 6.9 – Design Excellence of the LEPs
- Where development is staged or is subject to site specific DCP, then the contribution requirement is to be distributed amongst buildings within the development.
- Where floor area already exists on a site, and is not changing for a residential use, then it is not required to pay a contribution under this provision.
- The clause is to refer to the City of Sydney affordable housing program for how a contribution may be satisfied. However, the Schedule may identify how a contribution *must* be satisfied.

Recommended wording of draft clause:

6.5AA Contributions for purpose of affordable housing on Planning Proposal land

- (1) This clause applies to development on land identified in Column 1 of Schedule 7 – Planning Proposal land that involves:
 - (a) the erection of a new building over 200 square metres, or
 - (b) additions to an existing building resulting in the creation of more than 200 square metres of residential floor area, or
 - (c) additions to an existing building resulting in the creation of more than 60 square metres of non-residential floor area, or

- (d) change of use to existing floor area from a non-residential purpose to a residential use or a tourist or visitor accommodation use.
- (2) The consent authority may, when granting development consent on Planning Proposal land, impose a condition on development under subclause (1) requiring a contribution equivalent to the **affordable housing levy contribution**, being the amount identified in Column 3, Schedule 6 of so much of any **Schedule 6 floor area**.
- (3) The affordable housing levy contribution is to be satisfied as required by Column 4, Schedule 6.
- (4) The rate at which a monetary contribution is to be taken to be equivalent to floor area for the purposes of this clause is to be calculated in accordance with the Program.

Note. The Program is made available by the Council on its website (www.cityofsydney.nsw.gov.au).

- (5) Where development is staged development any contribution requirement payable under subclause (2) is to be distributed, in accordance with the Program, amongst the buildings (if there is more than one) as part of the site specific development control plan.
- (6) Where the floor area of development to which this clause applies is for less than the maximum floor area that can be achieved under Clause 4.4, then the contribution requirement payable under subclause (2) is to be proportional to the contribution requirement that would otherwise be payable if all of the floor area in the development achievable under Clause 4.4 was being achieved, in accordance with the Program.
- (7) To avoid doubt:
 - (a) it does not matter whether the floor area, to which a condition under this clause relates, was in existence before, or is created after, the commencement of this clause, or whether or not the floor area concerned replaces a previously existing area, and
 - (b) the demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of any contribution.

(8) In this clause:

Program means the City of Sydney Affordable Housing Program, adopted by the Council on XX XX XX.

Planning Proposal land floor area means the amount of floor area calculated as:

Floor area that can be achieved on the land under Clause 4.4 x uplift proportion shown in Column 2, Schedule 7

Schedule 6 (including example):

Column 1 - Locality and description	Column 2 – Uplift proportion	Column 3 – Contribution rate	Column 4 – How is the contribution requirement is to be satisfied?
e.g. 1 Fred Street, Zetland, Lot 5 DP 666666	50%	12%	Either by way of: (i) a dedication in favour of the Council of land comprising one or more dwellings (each having a total floor area of not less

Column 1 - Locality and description	Column 2 – Uplift proportion	Column 3 – Contribution rate	Column 4 – How is the contribution requirement is to be satisfied?
			<p>than 35 square metres and not more than 90 square metres), in accordance with the Program, with any remainder being paid as a monetary contribution to the Council, or</p> <p>(ii) monetary contribution to the Council.</p>

Drafting instruction 3 – Amend 7.13 – ‘Contribution for purpose of affordable housing’ in Sydney LEP 2012

The intent of this drafting instruction is to amend Clause 7.13 so:

- the adoption date of the City of Sydney Affordable Housing Program is updated in Sydney LEP 2012 when the Town Centre Planning Proposal is finalised and made.
- any DAs determined with affordable housing conditions of consent referencing the Green Square or Southern Employment Lands Programs remain valid and lawful when the City of Sydney Affordable Housing Program comes into effect.

Cl. 7.13 Contribution for purpose of affordable housing

- (1) If a development application has been determined with reference to the Green Square or Southern Employment Lands Affordable Housing Programs before the commencement of the City of Sydney Affordable Housing Program, the determined development application remains valid.

Appendix C

City West Housing Letter

15 April 2016

Monica Barone
City of Sydney
Town Hall House
456 Kent Street
43 Brisbane Street
Sydney NSW 2000



Dear Monica,

RE: Green Square Affordable Housing Program

City West Housing are seeking council support to amend the City's Local Environmental Plan 2012 (Sydney LEP 2012) to allow collected levies from the Green Square Affordable Housing Program to be utilised within the greater City of Sydney Local Government Area (LGA) to deliver affordable housing.

In 1999, the NSW Government, City West Housing and the former South Sydney Council developed the Green Square Affordable Housing Scheme. The Scheme aims to provide, as development proceeds over the next 15 to 20 years, a rental stock of approximately 330 units for low to moderate income households in the Green Square area.

To date there has been over 200 affordable housing units completed within the Green Square area and a further 150 are planned to be constructed within the next 2 years with land already attained. These numbers would suggest that the original mandate of providing 330 affordable housing units will be met within the next 2 years from contributions already acquired.

As you are aware as a result of the current construction boom acquiring affordable land within the City's LGA is becoming extremely difficult to secure, and by limiting the use of Green Square contributions to exclusively Green Square and its surrounding areas is even more challenging.

The City's Affordable Rental Housing Strategy aims to deliver 7559 affordable housing units within the city by 2030. To assist with this program City West Housing can only see it beneficial to disband the restriction on the use of the Green Square levies to the City's broader LGA area. Such disbandment would align the Green Square Program with the Ultimo-Pyrmont Affordable Housing Scheme which was amended by the City in 2010 to allow the expenditure of levies collected in that area across the LGA.

In light of the above City West Housing requests the City of Sydney support and initiate the process to amend Sydney LEP 2012 and the Green Square Affordable Housing Program to allow levies collected from Green Square to be expended within the entire City LGA.

Kind Regards

A handwritten signature in black ink, appearing to read 'Janelle Goulding', is written over the typed name.

Janelle Goulding

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Pyrmont NSW 2009

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