Item 6.

Public Exhibition - Planning Proposal - Affordable Housing Program Update - Sydney Local Environmental Plan 2012, Sydney Local Environmental Plan (Green Square Town Centre) 2013, Sydney Local Environmental Plan (Green Square Town Centre - Stage 2) 2013, Draft City of Sydney Affordable Housing Program 2022 and Draft Affordable Housing Contributions Distribution Plan

File No: X084801

Summary

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social risk, particularly within the City of Sydney local government area (LGA) where housing prices are amongst the highest in Australia.

In April 2022, Council adopted for exhibition draft Sustainable Sydney 2030-2050 Continuing the Vision. Draft Sustainable Sydney 2030-2050 Continuing the Vision maintains the target in the City's Local Housing Strategy: Housing for All for 7.5 per cent of all private dwellings to be affordable housing. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

To date, the City has collected, and passed on to a community housing provider, over $343 million in affordable housing contributions and provided $18 million in discounted land and $10 million in grants towards affordable housing. As at July 2021, the City has 1,328 built affordable housing units in the local area, 386 dwellings in the development pipeline and a further 532 that are expected to be built in the future (but not yet in the development pipeline). Going forward, the City's affordable housing contribution schemes, that now cover all the local government area, are expected to deliver about 1,950 affordable dwellings.

Altogether, about 4,200 affordable housing dwellings are forecast under existing programs, being about one third of the City's 12,000 target to 2036. These forecasts will be impacted by market conditions and by how successfully community housing providers leverage affordable housing contributions funds.

In addition, the City continues to use its planning controls to increase the amount of affordable housing through specific incentives, such as our recent proposal for the Botany Road Precinct. Additional affordable housing is continued to be advocated for on NSW Government renewal sites.

Notwithstanding the above, more substantial support for the provision of affordable housing is required from the Federal and NSW Government if the City's affordable housing targets are to be achieved.

This report recommends for public exhibition Planning Proposal: Affordable Housing Program Update (the planning proposal), shown at Attachment A, that amends the affordable housing provisions in the Sydney Local Environmental Plan 2012, the Sydney Local Environmental Plan (Green Square Town Centre) 2013, and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013.

It also recommends amendments to the City of Sydney Affordable Housing Program (the Program), shown at Attachment B, and a new City of Sydney Affordable Housing Contributions Distribution Plan (Distribution Plan) for the allocation of contribution funds to community housing providers, shown at Attachment C.

The key outcomes facilitated by the amendments are to:

- increase the affordable housing contribution obligation in Ultimo-Pyrmont, consistent with the NSW Government's Pyrmont Peninsula Place Strategy, so that it aligns with other areas in the City. The proposed changes may deliver up to an additional 250 affordable housing dwellings;

- provide a five-year plan for the distribution of affordable housing contribution funds to community housing providers;

- expand the list of community housing providers who may receive contribution funds arising from the Program to build affordable housing in the local area to enable greater opportunity for debt funding leverage to increase affordable housing stock;

- reallocate contribution funds arising from development in the Southern Employment Lands from the Department Communities and Justice, to community housing providers in accordance with the proposed draft Distribution Plan; and

- streamline the Program, remove unnecessary information, and make minor house-keeping amendments to clarify content.

Together, the amendments aim to improve the provision of affordable housing that will result from affordable housing contribution schemes that operate in the City of Sydney by encouraging innovative use of contribution funds and increasing the contribution requirement in Ultimo-Pyrmont to align with other parts of the local government area.

Recommendation

It is resolved that:

(A) the Central Sydney Planning Committee approve Planning Proposal - City of Sydney Affordable Housing Program Update, shown at Attachment A to the subject report, for submission to the Department of Planning and Environment with a request for a Gateway Determination;

(B) the Central Sydney Planning Committee approve Planning Proposal - City of Sydney Affordable Housing Program, for public authority consultation and public exhibition in accordance with any conditions imposed under the Gateway Determination;

(C) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council approve the draft City of Sydney Affordable Housing Program Amendment 2022, shown at Attachment B to the subject report, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal;

(D) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council approve the draft City of Sydney Affordable Housing Contributions Distribution Plan, shown at Attachment C to the subject report, for public exhibition for a period of no less than 28 days, concurrently with the planning proposal;

(E) the Central Sydney Planning Committee note the recommendation to Council's Housing For All Committee on 20 June 2022 that Council seek authority from the Department of Planning and Environment to exercise its delegation under section 3.36 of the Environmental Planning and Assessment Act 1979 to make the amending Local Environmental Plan; and

(F) authority be delegated to the Chief Executive Officer to make any minor variations to Planning Proposal - City of Sydney Affordable Housing Program Update, the draft City of Sydney Affordable Housing Program Amendment 2022 and the draft City of Sydney Affordable Housing Contributions Distribution Plan, to correct any drafting errors or inconsistencies, or to ensure consistency with any condition of the Gateway Determination.

Attachments

Attachment A. Planning Proposal - City of Sydney Affordable Housing Program Update

Attachment B. Draft City of Sydney Affordable Housing Program Amendment 2022

Attachment C. Draft City of Sydney Affordable Housing Contributions Distribution Plan

Background

1. Sydney is Australia's least affordable city. The high cost of housing is an important economic and social risk, particularly within the City of Sydney local government area (LGA) where housing prices are amongst the highest in Australia.

2. In April 2022, Council adopted for exhibition the draft Sustainable Sydney 2030-2050 Continuing the Vision. The draft Sustainable Sydney 2030 - 2050 maintains the target in the City's Local Housing Strategy: Housing for All of 7.5 percent of all private dwellings to be affordable housing. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

3. To date, the City has collected $343 million in levies and provided $18 million in discounted land and $10 million in grants. As at July 2021, there were 1,328 built affordable housing units in the local area, 386 dwellings in the development pipeline and a further 532 that are expected to be built in the future (but not yet in the development pipeline). Noting the dwellings quoted below may be counted under more than one category, there are:

   (a) 994 dwellings (built, pipeline and expected) that come from the City's affordable housing contribution schemes;

   (b) 454 dwellings (built, pipeline and expected) that have been assisted by subsidised land sales from the City to community housing providers;

   (c) 439 dwellings (built, pipeline and expected) that have been assisted by the City's Affordable and Diverse Housing Fund; and

   (d) a further 359 dwellings (built, pipeline and expected) that have not been assisted by any of the above.

4. The City's levies are estimated to deliver up to 1,950 additional affordable dwellings to 2036 (some already accounted for in the above figures). However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

   (a) the property market, that is, the amount of development that occurs. This is highly influenced by the market conditions of the day;

   (b) the way land develops, for example, if more land is developed for non-residential purposes, rather than housing, there will be less contributions payable;

   (c) the ability of community housing providers to successfully leverage contribution funds and existing property portfolios;

   (d) NSW Government policy directions; and

   (e) Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

5. The aggregation of built, pipeline, expected and projected affordable housing dwellings equal around 4,200 affordable rental dwellings and affordable diverse dwellings to 2036. This is about a quarter of the 12,000 affordable housing dwellings needed to achieve the City's target for 7.5 per cent of all private housing to be affordable housing.

6. In addition, the City continues to seek innovative ways to use our planning controls to increase the amount of affordable housing, for example, the preferential zoning scheme that applies in the B7 - Business Park zone.

7. The City also works in collaboration with other councils, community housing providers and the Department of Planning and Environment (the Department) to encourage the provision of affordable housing elsewhere in Greater Sydney. The Resilient Sydney Diverse and Affordable Housing Steering Committee (Steering Committee) first convened in March 2021 to work together to identify solutions to Sydney's housing affordability crisis. The Steering Group is chaired by the City's Chief Executive Officer and has representatives from:

   (a) the Department;

   (b) Greater Cities Commission (GCC);

   (c) South Sydney Regional Organisation of Councils (SSROC); and

   (d) various councils.

8. The Steering Committee hosted a workshop, inviting participation from all councils in the Sydney metropolitan area on 30 April 2021. The purpose of the workshop was to ask councils about their experiences in developing affordable housing policy, and delivering affordable housing dwellings, within current policy setting in their local areas. The workshop was attended by over 40 people, representing 24 councils who together identified a number of barriers to the delivery of affordable housing.

9. Following that workshop, the Steering Committee identified three project areas for immediate focus, including:

   (a) assisting councils in the implementation of affordable housing contribution schemes;

   (b) improving the availability of housing related data to assist councils in developing appropriate policy settings; and

   (c) fostering partnerships between interested councils and community housing providers for delivery of affordable housing via innovative delivery models.

10. Work has begun for all project areas, including:

    (a) appointment of a consultant to work with councils and the Department to simplify and improve the process for councils wanting to implement an affordable housing contribution scheme;

    (b) a collaborative project between Resilience Sydney and the Department to build a database to assist in the analysis of local affordable housing need; and

(c) an online forum to enable community housing providers to present to councils to share experiences of how they can work together on affordable housing projects. This work is also being supplemented by a project being undertaken by the Community Housing Industry Association (CHIA) to promote opportunities for councils and community housing providers to work together.

Affordable housing planning controls

11. Schemes were introduced for renewal areas starting with Ultimo Pyrmont by the NSW Government with Federal support. Then followed Green Square Urban Renewal Area by South Sydney Council. Currently, the City's affordable housing contribution schemes, commonly referred to as inclusionary zoning schemes or affordable housing levy schemes, are given force by the following LEPs: 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 (the Green Square Town Centre LEPs).

12. The provisions in the various LEPs:

(a) set out the different contribution areas (geographies) in the local government area (LGA);

(b) set out the proportion of any floor space in a development that is to be required to be dedicated for affordable housing (depending on what contribution area the land is located in); and

(c) allow for an equivalent monetary contribution to be made in accordance with an affordable housing program.

13. An affordable housing program (also referred to as an affordable housing scheme) is required by the Environmental, Planning and Assessment Act 1979. Its purpose is to provide the operational requirements for the administration of the scheme.

14. To create an umbrella, the City of Sydney Affordable Housing Program (the Program), adopted by Council on 24 August 2020, currently contains the requirements for four contribution areas:

(a) Green Square Urban Renewal Area;

(b) Southern Employment Lands (now known as the Southern Enterprise Areas);

(c) Central Sydney; and

(d) Remaining 'residual lands' (being generally all other areas except land in Ultimo-Pyrmont and land not covered by Sydney LEP, such as sites under NSW Government planning control, including Redfern Waterloo Authority sites).

15. The Revised City West Affordable Housing Program (Ultimo-Pyrmont Program), published by the Department in June 2010, sets out the affordable housing contribution requirements for land in Ultimo-Pyrmont.

16. The earlier Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 set out the affordable housing contribution requirements for any State Significant Development in the Redfern Waterloo Authority (RWA) operational area and was aggregated with funds collected from the 'called in' Central Park development. This fund was inherited by UrbanGrowth (which took over the functions of the RWA), later inherited by Infrastructure NSW when UrbanGrowth was dissolved.

17. While there is variability in the way the above affordable housing programs apply, generally the affordable housing contribution requirement is shown in Table 1.

Table 1: Contributions rates

Affordable housing program	**Affordable housing Contribution requirement**	**Equivalent monetary contribution**	**Recipient of funds**
City of Sydney Affordable Housing Program (Green Square, Southern Employment Lands, Central Sydney and Residual Land)	In Green Square Urban Renewal Area and the Southern Employment Lands: * 1% of non-residential floor space; and * 3% of residential floor space. In Central Sydney and on residual land: * 0.5% of non-residential floor space until 1 July 2022 and 1% thereafter; and * 1.5% of residential floor space until 1 July 2022 and 3% thereafter.	The equivalent monetary contribution rate is $11,599.74/sqm at 1 March 2022	Funds from Green Square, Central Sydney and residual land is remitted to City West Housing Funds from the southern employment lands are remitted to the Department of Communities and Justice
Proposed revision of City West Affordable Housing Program (Ultimo-Pyrmont)	* 1.1% of non-residential floor space; and * 0.8% of residential floor space.	The equivalent monetary contribution rate is expressed differently than the City's Program, but when adjusted is $4,196.	Remitted to City West Housing

Affordable housing program	Affordable housing Contribution requirement	Equivalent monetary contribution	Recipient of funds
Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 (applies to State Significant Development in the Redfern Waterloo Authority operational area)	A contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of the total gross floor area of the development.	The monetary contribution rate is established at the point of development application based on current property data	Remitted to Infrastructure NSW

City of Sydney Affordable Housing Program

18. The umbrella City of Sydney Affordable Housing Program (the Program) provides the operational and administrative requirements for affordable housing contributions in the majority of the local area. It includes:

    (a) the principles by which affordable rental housing is to be provided and managed;

    (b) an equivalent monetary contribution rate a developer may contribute, in lieu of dedicating floor space;

    (c) examples of how a monetary contribution is to be calculated in different contribution areas;

    (d) the approach to indexing the equivalent monetary contribution rate and a contribution requirement over time; and

    (e) how contribution funds must be used.

19. The 'affordable housing principles' establish how affordable housing contributions, either in-kind dedication of finished dwellings, or in-lieu contribution funds, are to be used. The principles are:

    (a) affordable rental housing is to be provided and managed in the City of Sydney local government area so that a socially diverse residential population, representative of all income groups, is maintained;

    (b) affordable rental housing is to be made available to a mix of households on very low to moderate incomes;

    (c) affordable rental housing is to be rented to very low to moderate income households at no more than 30 per cent of gross household income;

    (d) dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable rental housing; and

(e) 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 local government area.

20. The Program currently identifies the purpose created City West Housing as the community housing provider who may receive contribution funds from Green Square Urban Renewal Area, Central Sydney and the residual lands. City West Housing must use affordable housing contribution funds in accordance with the affordable housing principles described above.

21. As at 1 July 2021, 859 dwellings have been built by City West Housing in the local area for affordable housing, with an additional 135 dwellings in the development pipeline.

22. For contributions funds from the Southern Employment Lands, the Program currently requires they be remitted to the Department of Communities and Justice who are to allocate funds to community housing providers to be used in accordance with the affordable housing principles described above.

23. As at January 2022, about $7.5 million has been remitted to the Department of Communities and Justice, who have recently initiated an Expression of Interest process for the use of those funds by community housing providers in the City of Sydney area.

The planning proposal, draft Program and draft Distribution Plan

24. This report recommends for public exhibition Planning Proposal: Affordable Housing Program Update (the planning proposal), shown at Attachment A, that amends the affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs.

25. The planning proposal is to make the following changes:

(a) increase the affordable housing contribution requirement in Ultimo-Pyrmont in the Sydney LEP 2012; and

(b) make reference to an updated City of Sydney Affordable Housing Program in the Sydney LEP 2012 and the Green Square Town Centre LEPs.

26. This report also recommends amendments to the Program, shown at Attachment B, and a new City of Sydney Affordable Housing Contributions Distribution Plan (draft Distribution Plan) for the allocation of contribution funds to community housing providers, shown at Attachment C.

27. The key outcomes facilitated by the amendments and the new Distribution Plan are to:

(a) apply the Program to Ultimo-Pyrmont and increase the affordable housing contribution requirement. This amendment would effectively replace the current affordable housing program that applies in Ultimo-Pyrmont so that the affordable housing contribution requirements in Ultimo-Pyrmont align with other areas in the City;

(b) apply the Program to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where that Plan is repealed;

(c) provide a five-year plan for the distribution of affordable housing contribution funds to community housing providers;

(d) expand the list of community housing providers who may receive contribution funds arising from the Program to build affordable housing in the local area to enable greater opportunity for debt funding leverage to increase affordable housing stock;

(e) redirect contribution funds arising from development in the Southern Employment Lands from the Department Communities and Justice to a community housing provider(s) in accordance with draft Distribution Plan; and

(f) streamline the Program, remove unnecessary information and make minor house-keeping amendments to clarify content.

Key Implications

Increase the affordable housing contribution requirement in Ultimo-Pyrmont

28. The Sydney LEP 2012 currently requires development in Ultimo-Pyrmont to make an affordable housing levy contribution of:

(a) 0.8 per cent of the residential total floor area; and

(b) 1.1 per cent of the non-residential total floor area.

29. It is proposed to amend the Sydney LEP 2012 to:

(a) increase the affordable housing levy contribution requirement in Ultimo-Pyrmont to:

(i) 3 per cent of the residential total floor area; and

(ii) 1 per cent of the non-residential total floor area; and

(b) remove reference to the "Revised City West Affordable Housing Program, published by the Department in June 2010", and instead refer to the "City of Sydney Affordable Housing Program adopted by the Council on XX XX XXXX", with the date of adoption of Program to be inserted when known.

30. The purpose of the proposed amendment is to align the affordable housing levy contribution requirement in Ultimo-Pyrmont with other areas in the local government area, including urban renewal areas such as Green Square, and to incorporate the operation and management of affordable housing contributions in Ultimo-Pyrmont Program into the Program.

31. The amendment to the Sydney LEP 2012 will ensure contributions will be paid in accordance with the City's Program, as opposed to the current requirement in the Sydney LEP 2012 that contributions be paid in accordance with the Revised City West Affordable Housing Program. However, for clarity, should the amendments to the Sydney LEP and Program proposed be put into effect, the City will write to the Department and ask them to repeal the Revised City West Affordable Housing Program.

32. The proposed amendment aligns with the NSW Government's Pyrmont Peninsula Place Strategy, which was finalised in December 2020. Under Direction 9: Great homes that can suit the needs of more people, the Strategy commits to 'Reconcile the revised City West Affordable Housing Program with the City of Sydney's affordable housing approach as part of work to unify the planning framework' and 'review and update the existing affordable housing contribution rates.' Ministerial Direction 1.15 requires a planning proposal in Pyrmont to be consistent with the Strategy, including the 10 Directions.

33. In November 2021, the NSW Government publicly exhibited the 'Pyrmont Peninsula Place Strategy Implementation: Exhibition discussion paper and incorporated Explanation of Intended Effects'. The Explanation of Intended Effects included a statement of intent that Council will amend the Sydney LEP 2012 so that the City of Sydney Affordable Housing Program would apply to the Pyrmont Peninsula.

34. The Affordable Housing Study report exhibited as part of the Explanation of Intended Effects assessed the ability for future development within the Peninsula to pay the increased affordable housing contribution. It found that the increased rate would not impact on development viability.

35. The Affordable Housing Study also concluded that sites achieving additional residential floor area under site-specific planning proposals would be able to contribute up to 12 per cent of the additional floor space for affordable housing. This already aligns with current rates in the Program for 'Planning Proposal land' and no amendment is needed to facilitate it.

Allocation of levy funds

36. The Program currently lists 'Recommended CHPs', being the community housing providers that can receive affordable housing contributions for the purpose of providing affordable housing in the City of Sydney. The only Recommended CHP currently listed on the Program is City West Housing.

37. It is proposed to amend the Program to:

    (a) delete the Recommended CHP list from the Program, and instead require monetary affordable housing contributions to be remitted to Recommended CHPs on the City of Sydney Affordable Housing Contributions Distribution Plan (Distribution Plan);

    (b) delete information about how a community housing provider may be identified as a Recommended CHP, noting the information is instead proposed to be included in the draft Distribution Plan;

    (c) require monetary affordable housing contributions resulting from development in the Southern Employment Lands, that are currently remitted to the Department of Communities and Justice, to be remitted to Recommended CHPs identified in the Distribution Plan; and

    require any in-kind contribution of affordable housing dwellings to be given, free of cost, to a Recommended CHP, but allow that, in circumstances where no Recommended CHP agrees to receive the in-kind contribution, it may be given to another Tier 1 or Tier 2 community housing provider.

38. The proposed changes to the Program will effectively move information about the administration of monetary contributions funds and distribution to community housing providers into the proposed Distribution Plan. A draft Distribution Plan, provided at Attachment C, is recommended to be publicly exhibited together with the planning proposal and draft Program and is described in more detail below.

Request from Bridge Housing to be added to the list of recommended CHPs

39. Bridge Housing, a Tier 1 community housing provider operating in the City of Sydney, made a formal request in June 2021 to be added to the list of 'Recommended CHPs' so that they could receive affordable housing contribution funds to provide affordable housing in the local area.

40. The Program currently outlines the process to add a community housing provider as a Recommended CHP and provides the matters that must be considered, including:

    (a) the potential impacts on the outcomes of the Program;

    (b) the potential impacts on other Recommended CHPs;

    (c) consultation with the Department of Communities and Justice; and

    (d) how funds are to be distributed to multiple community housing providers.

41. In accordance with the Program, the City wrote to City West Housing, currently the only Recommended CHP, seeking advice about the impacts of identifying another Recommended CHP. A submission was received by City West Housing in November 2021.

42. The City also wrote to Department of Communities and Justice who wrote back to the City in December 2021 declining to comment.

43. The City engaged Atlas Urban Economics to undertake an analysis of the request by Bridge Housing and the submission from City West Housing, and to consider those matters outlined in the Program. They were also asked to consider how funds may be distributed amongst multiple community housing providers.

44. In considering the application from Bridge Housing, and the submission from City West Housing, the City's consultant noted:

    (a) Bridge Housing is a Tier 1 community housing provider which owns / manages 3,587 dwellings for low to moderate income households in 20 local government areas. A small proportion of the dwellings are owned and operated as affordable housing (approximately 15 per cent) with the remainder managed for other organisations as social housing (mostly) and affordable housing.

    (b) Bridge Housing proactively increases the properties under its management for low to moderate income households through:

        (i) tenders to manage properties on behalf of property owners (including councils, Land and Housing Corporation);

        (ii) securing the transfer of properties through Property Transfer Programs;

        (iii) purchase of properties to operate as social or affordable housing; and

(iv) purchase of development sites and development of new dwelling stock.

(c) Bridge Housing have a development division which is responsible for securing development opportunities and delivering new dwellings. Bridge Housing maintains a corporate debt facility through a loan with the National Housing Finance and Investment Corporation (NHFIC) which provides long term debt at low rates.

(d) City West Housing has to date used contribution funds collected through the City's affordable housing programs to build over 859 affordable housing dwellings in the City of Sydney, with a further 135 in the development pipeline and more expected (not yet in the development pipeline).

(e) In December 2020, City West Housing was removed from the provisions of the Government Sector Finance Act, enabling it to now leverage its significant unencumbered asset base to borrow to fund its development pipeline. This represents a valuable opportunity for City West Housing to scale its dwelling stock more rapidly than it has in the past.

(f) City West Housing expects to build over 713 dwellings over the next 10 years (current committed projects), noting some of these may be provided outside of the City of Sydney using equity funding (not levy funds). There is a strong reliance on the affordable housing contributions to deliver this pipeline, though the ability to now borrow funds will also assist in this.

The impact on City West Housing of adding another provider

45. In accordance with the Program, the City's consultant considered how identifying another Recommended CHP may impact on City West Housing. They noted that that until recently, City West Housing has been largely reliant on levy funds to grow its equity base, being unable to take on debt, which is evidenced by its current funding structure. Approximately 66 per cent of City West Housing funding is received from local government (in large part contributions received from the City), 23 per cent from rental income and 10 per cent from Commonwealth and state governments.

46. It was concluded that while steps will need to be taken by City West Housing to review its funding structure and framework to leverage its significant unencumbered asset base, it is important to ensure City West Housing's business model is able to transition in a manner that minimises delivery risk to its development program and does not inadvertently result in pipeline disruption for City West Housing (and by extension the delivery of affordable housing in the City of Sydney).

The impact on outcomes of the Program of adding another provider

47. In accordance with the process set out in the Program, the City's consultant considered how identifying another Recommended CHP might impact on outcomes of the Program. They concluded that subject to the considered transitioning of funding to avoid disruption to City West Housing's development pipeline, the inclusion of other community housing provider will enable greater opportunity for debt funding leverage and increase of affordable housing stock because:

(a) procuring development sites in the City of Sydney is expensive and challenging. Enabling community housing providers with the capability for site acquisition and development will diversify the risk and lead to greater affordable housing outcomes; and

(b) the recent broadening of the Program across the local government area provides the City with a unique and valuable opportunity to build resources and capability in the community housing provider sector. Additional Recommended CHPs will build on this opportunity.

Matters for consideration in developing a distribution plan

48. In accordance with the Program, the City's consultant provided advice about what matters should be considered in the development of a distribution plan, should another other Recommended CHPs be identified. They noted that it is important any distribution plan extend as much certainty as possible to community housing providers about the allocation of funding, so that they may manage risks and operate in the market with sufficient confidence. Key considerations include:

(a) implementation of the Program (which applies inclusionary zoning across the local government area and site-specific requirements for planning proposals) would likely result in larger volumes of contributions over time. The collection of contributions is directly dependent on economic and market conditions, and can therefore be challenging to predict with certainty;

(b) notwithstanding the above, the setting of fixed allocation of funds (subject to contribution receipts) would provide some degree of certainty for community housing providers. This would necessarily require a fixed time frame (where certainty can be provided about receipt of funds for the period) and more generally, limitations of the number of community housing providers who may be identified as Recommended CHPs;

(c) where funds are to be shared between multiple providers, it is important for the City to maintain support to City West Housing in a critical time of transition, though it is conceivable that contributions receipts would facilitate providing support to City West Housing and other community housing provider/s. Priority funding could be provided to City West Housing where the first $20 million each year is allocated to City West Housing in the short term (five years). This would represent the ‘smoothed’ historical funding that has occurred under the contribution schemes;

(d) while the ‘opening up’ of funding availability to more community housing providers will diversify delivery and market risk and provide the opportunity for greater affordable housing outcomes, it is necessary to acknowledge a potential perverse outcome where community housing providers (funded by the Program) inadvertently compete and ‘bid up’ the price of development opportunities. Information sharing and collaboration between community housing provider recipients would be important to avoid this; and

(e) any plan for the distribution of contribution funds amongst Recommended CHPs should be periodically reviewed every four to five years to analyse the patterns of contribution receipts, review effective use of the funds by incumbent community housing providers, review continued eligibility to receive funding and consider applications from applicant community housing providers (if any).

Expression of Interest Process

49. Although the current Program enables the consideration of applications to be a Recommended CHP, it is recommended that, in the interests of fairness, an Expression of Interest process be undertaken to explore interest from other eligible community housing providers who may also seek access to contribution funds.

50. The Expression of Interest is to be conducted in accordance with the requirements of the Distribution Plan (described below), if it is adopted by Council following public exhibition.

Draft Distribution Plan

51. The draft Distribution Plan, shown at Attachment C, is to provide a 5-year plan for the distribution of contributions funds. The purpose of the draft Distribution Plan is to:

    (a) identify the 'Recommended CHPs' who may receive contribution funds;

    (b) provide framework for the distribution of contribution funds; and

    (c) provide an ongoing framework for the periodic review of the Distribution Plan.

52. The purpose of limiting the review of the Distribution Plan to 5 year periods is to provide as much certainty as possible for community housing providers about future funding to ensure they can buy land, commit to projects and forward plan with confidence.

53. It is the Program that currently identifies Recommended CHPs however, going forward, it is proposed the draft Distribution Plan contain the information for how contribution funds are to be allocated to community housing providers.

54. It is proposed the draft Distribution Plan expand the list of Recommended CHPs to allow for City West Housing, and for one other 'Alternate CHP' (to be determined through the proposed Expression of Interest process). The aim of expanding the Recommended CHP list is to enable greater opportunity for debt funding leverage to increase of affordable housing stock.

55. Consistent with the advice of the City's consultant, it is proposed to limit the number of Recommended CHPs to two. This aims to protect against the potential perverse outcome where community housing providers (funded by the Program) inadvertently compete and ‘bid up’ the price of development opportunities. It also ensures each community housing provider would receive sufficient funds to make meaningful contribution to a project, this is, funds are not so widely dispersed that the contribution cannot fund a project/s.

56. The 'Alternate CHP' is to be selected following an Expression of Interest process to be undertaken prior to the end of 2023 (subject to the timing of the finalisation of the planning proposal). The broad requirements are in the draft Distribution Plan, including the following assessment criteria and considerations to be applied to applications:

    (a) eligibility of the community housing provider;

    (b) financial position of the community housing provider, as evidenced by a financial health check prepared by an appropriately qualified professional;

(c) current owned housing stock, current housing stock being managed on behalf of a third party and relevant partnerships;

(d) membership of the Board;

(e) track record of procuring development sites, undertaking development activity, managing social and/or affordable housing;

(f) demonstrated commitment to achieve realistic affordable housing targeted outcomes, as evidenced by a detailed business plan showing how funds received from contributions would build upon their track record;

(g) demonstrated commitment to increasing the amount of affordable housing for Aboriginal and Torres Strait Islander households;

(h) demonstrated ability to source opportunities within a business framework that would be complemented by contributions from the Program, that is, evidence they will not be entirely reliant on contribution funds;

(i) demonstrated understanding of the requirements of the Program.

57. The draft Distribution Plan, to commence if adopted by Council following public exhibition, requires affordable housing contributions to be distributed in accordance with Table 2.

Table 2: Distribution of contribution funds

	Contributions paid to the City of Sydney
Year 1 (current until 31 December 2023)	All funds remitted to City West Housing
Year 2	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Further amounts: Alternating between the Alternate CHP and City West Housing in tranches of $10m
Year 3	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Further amounts: Alternating between the Alternate CHP and City West Housing in tranches of $10m

	Contributions paid to the City of Sydney
Year 4	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Further amounts: Alternating between the Alternate CHP and City West Housing in tranches of $10m
Year 5	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Further amounts: Alternating between the Alternate CHP and City West Housing in tranches of $10m
Ongoing (pending outcome of 5 year review)	First $20m remitted to City West Housing Next $10m remitted to the Alternate CHP Next $10m remitted to City West Housing Further amounts: Alternating between the Alternate CHP and City West Housing in tranches of $10m

Note: contributions are to be remitted on a quarterly basis with residual funds being rolled over to the next calendar year.

58. The distribution of funds shown in Table 2 establishes a 5-year transition period that enables City West Housing to continue to deliver their substantial development pipeline. The funding is equivalent to the 'smoothed' historical funding that has occurred under the contribution schemes.

Redirection of funds arising from the Southern Employment Lands

59. The Program currently says that affordable housing contribution funds arising from the Southern Employment Lands, also referred to as the Southern Enterprise Areas, are to be remitted to the Department of Communities and Justice who will allocate funds to a community housing provider to be used to build and manage affordable housing in accordance with the affordable housing principles in the Program. This process was established to provide opportunities to community housing providers other than City West Housing. This is no longer necessary with the proposed Distribution Plan.

60. It is proposed to amend the Program so that affordable housing contribution funds arising from the Southern Employment Lands be treated the same as contributions received from the remainder of the local government area - that is given to the City and remitted directly to Recommended CHPs in accordance with the Distribution Plan.

61. These funds were originally directed to the Department of Communities and Justice so that community housing providers other than City West Housing might benefit from the City's affordable housing contribution schemes. However, with other community housing providers being identified as 'Recommended CHP', this is no longer considered necessary.

In-kind contributions

62. The Program currently provides high level guidance about the how in-kind contributions of affordable housing dwellings are to be dedicated to community housing providers and used as affordable housing.

63. It is proposed to amend the Program to more clearly articulate this process to ensure that:

    (a) in-kind contribution of affordable housing dwellings is to be given, free of cost, to a Recommended CHP; or

    (b) in the circumstances where no Recommended CHP agrees to receive the in-kind contribution, it may be passed to another Tier 1 or Tier 2 community housing provider.

64. In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed in accordance with the affordable housing principles set out in the Program. This is secured by covenant on the title of the land.

65. It is also proposed to amend the Program to include more information at Appendix C, which provides the process for how in-kind affordable housing dwellings are to be dedicated to a community housing provider. The new information includes a description of what early consultation with a community housing provider should include, and clearer information about how any in-kind affordable housing dwellings will be legally secured in accordance with the Program.

66. It is noted there is no known occurrence during the life of the Program (and those programs proceeding it) where a developer has opted to make an in-kind contribution, instead always preferring to make an equivalent monetary contribution. Notwithstanding this, it is possible under the provisions in the Sydney LEP 2102 and the Green Square Town Centre LEPs and it is important to include adequate guidance in the Program on how this might occur.

Planning proposal land contribution requirements

67. The Program sets out requirements for 'Planning Proposal land', where a higher affordable housing contribution requirement would apply to residential floor space that has been achieved as the result of a planning proposal.

68. The Program establishes 'soft' contribution rates that might apply to the new floor space, that is, the rate is not established in a local environmental plan and can be varied depending on other public infrastructure that is also being required of the development. For example, where there is a planning proposal to increase the amount of Gross Floor Area on a site, the higher contribution rate in the Program would be applied to 'new' floor space, however, if that site is also required to dedicate land, for example, for a park, then the contribution rate might be adjusted down in recognition of the additional cost to the developer.

69. The rates for the west, south and east precinct were first established in the Program as adopted by Council and the Central Sydney Planning Committee in August 2020. The rates are based on independent feasibility analysis to determine the tolerance of development to make the contribution in the different sub-markets across the local government area.

70. The rates require periodical review to ensure they continue to align with current market realities. In the most recent review, the adjustments to the east precinct shown in Table 3 have been recommended by the City's consultant and are reflected in the proposed amendment to the Program.

71. The above rates incorporate the LEPs requirement for a 3 per cent contribution. For example, the 12 per cent rate includes 9 per cent for new residential floor area on planning proposal land, plus 3 percent.

72. Consistent with other parts of the local government area, it is also proposed to include a soft contribution requirement in Central Sydney for new residential floor area, as shown in Table 3. The contribution rate is based on the 10 per cent affordable housing target in the Region Plan and is subject to site specific viability testing.

Table 3: Adjustments to contribution rates for Planning Proposal land

Precinct*	**Contribution rate**
Central Sydney	13% applied to new residential floor area, subject to site specific viability testing
West precinct	12% applied to new residential floor area
South precinct	12% applied to new residential floor area
Eastern precinct	21% applied to new residential floor area (decreased from 24%)

* Note: Precincts align with those shown in the City’s development contribution plan 2015.

Development that may be exempt from making a contribution, or may have a reduced contribution requirement

73. The Program currently sets out the circumstances where development may be exempt from making a contribution. It says that where development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, it may be exempt from making a contribution.

74. It is proposed to amend the Program to say that where the development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, then the affordable housing contribution requirement will not exceed 15 per cent of the agreed cost of construction.

75. This is to ensure that development still continues to make an affordable housing contribution, but that the contribution is not unreasonable.

Strategic Alignment

Region Plan and District Plan

76. 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 local government area is positioned within the Eastern Harbour City.

77. The planning proposal, the Program (as amended) and the draft Distribution Plan are 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.

78. 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.

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

80. The district plan nominates an affordable rental housing target of five to 10 per cent of new floor space, 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.

81. The planning proposal, the Program (as amended) and the Distribution Plan support 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.

Sustainable Sydney 2030

82. Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress.

83. 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. To achieve the City's target approximately 12,000 affordable housing dwellings, out of a total projected 148,000 dwellings, are required in the local government area.

84. The planning proposal, the Program (as amended) and the Distribution Plan will contribute to the City's affordable housing targets. They align with the following strategic directions and objectives:

    (a) Direction 6 - Resilient and inclusive local communities - the planning proposal, proposed amendment to the Program and the draft Distribution Plan, will continue to support the provision of affordable housing in the local area, which is essential for a resilient and inclusive local community.

    (b) Direction 8 - Housing for a Diverse Population - the planning proposal, proposed amendment to the Program and the draft Distribution Plan will promote the delivery of affordable housing in the City of Sydney.

85. In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050 Continuing the Vision. The draft Sustainable Sydney 2030 - 2050 maintains the target in the City's Local Housing Strategy: Housing for All for 7.5 percent of all private dwellings be affordable housing. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

City Plan 2036: Local Strategic Planning Statement

86. The City of Sydney Local Strategic Planning Statement (planning statement), adopted by Council in February 2020, sets out the land use planning context, 20-year vision and planning priorities to positively guide change towards the City's vision for a green, global and connected city. The planning statement explains how the planning system will manage that change to achieve the desired outcomes and guides future changes to controls.

87. In giving effect to the planning statement, the planning proposal, the Program (as amended) and the draft Distribution Plan delivers on the following priorities and actions by:

    (a) contributing to housing supply, choice and affordability in the City of Sydney;

    (b) providing housing that is close to employment and services, contributing to the aspiration for a '30-minute city'; and

    (c) enabling vibrant and diverse communities and economies.

Housing for All - City of Sydney Local Housing Strategy

88. The City of Sydney Local Housing Strategy: Housing for All provides the City's objectives and actions for the delivery of diverse housing in the local government area.

89. In giving effect to Housing for All, the planning proposal, the Program (as amended) and the draft Distribution Plan delivers on the following priorities and actions by:

    (a) contributing to the City's housing targets, in particular the delivery of affordable housing; and

    (b) increasing diversity and choice in housing in the City of Sydney, providing more affordable housing for people on very low to moderate incomes.

Relevant Legislation

90. Environmental Planning and Assessment Act 1979.

91. Environmental Planning and Assessment Regulation 2000.

92. State Environmental Planning Policy (Housing) 2021.

Public consultation

93. If approved, the planning proposal, draft Program and draft Distribution Plan will go on public exhibition. The minimum public exhibition process for the planning proposal will be determined by the Department of Planning and Environment, though would be at least 28 days. It is proposed that the public exhibition of the planning proposal, the draft Program and the draft Distribution Plan will run concurrently. The consultation will be in accordance with the requirements of:

    (a) the Gateway Determination issued by the Department of Planning, Industry and Environment under section 3.34 of the Act;

    (b) the Environmental Planning and Assessment Regulation 2000; and

    (c) the City of Sydney Community Participation Plan.

94. The planning proposal, draft Program and draft Distribution Plan will be publicly exhibited online on the City of Sydney website in accordance with the Environmental Planning and Assessment Regulation 2000.

GRAHAM JAHN AM

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