

Attachment C

**Draft City of Sydney Affordable Housing
Program Amendment 2022
(as amended following public exhibition)**

City of Sydney Affordable Housing Program

Adopted **XX XX XXXX**



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1. About the Program

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

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

1.1 Program Objectives

The objectives of this Program are to:

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

1.2 Relationship to other Programs

This Program, on the day it came into effect, repeals and replaces the City of Sydney Affordable Housing Program, adopted by Council 24 August 2020.

Any development applications determined prior to the commencement of this Program are not altered by the commencement of this Program.

1.3 Where does this Program apply?

This Program applies to land to which in the *Sydney Local Environmental Plan 2012*, identified as:

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

It also applies to land subject to the *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2)* applies.

This Program also applies to 'Planning Proposal land' where it is identified in ~~an~~ the **abovementioned local environmental plans (LEPs) or any other Environmental Planning Instrument (EPI)**.

The Program may not apply, ~~given certain circumstances,~~ to:

- development to which the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, where the plan is still in effect; and
- other land in the City of Sydney, **unless otherwise identified as applying in another EPI**, where *Sydney Local Environmental Plan 2012*, *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* do not apply.

1.4 Legislative basis for affordable housing contributions

This Program applies in accordance with the requirements in the *Environmental Planning and Assessment Act 1979* (the Act).

The State Environmental Planning Policy (Housing) 2021 recognises that all local government areas within NSW are areas where there is a need for affordable housing.

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

1.5 Affordable Housing Principles

The City of Sydney affordable rental housing program principles are:

- affordable rental housing is to be provided and managed in the City of Sydney 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 the City, is consistent with other dwellings in the LGA.

1.6 Amending this Program

Amendment to this Program will generally require amendment to LEPs, **or other EPIs**, that 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 does not require an amendment to LEPs or EPIs.

1.7 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 the **city** are references to the City of Sydney local government area.

Development application

References to **development applications** in this Program refer to both development applications and any application for the modification of a development consent.

Distribution Plan

Distribution Plan refers to any plan adopted by the City of Sydney Council for the distribution of affordable housing contribution funds arising from this Program.

Eligible Community Housing Provider

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

Environmental Planning Instrument (EPI)

An Environmental Planning Instrument (EPI) is a reference to a state or regional environmental planning policy or a local environmental plan.

Local Environmental Plan (LEP)

Reference to various **LEPs** in this Program apply to any LEP that replaces it, so long as the affordable housing provisions remain substantially unamended.

Recommended CHPs

Recommended CHPs are those providers identified in a Distribution Plan as Recommended CHPs.

Very low to moderate income households

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 Greater Sydney—Greater Capital City Statistical Area or the Rest of NSW—Greater Capital City Statistical Area 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 (LEPs), or another EPI, will establish the affordable housing contribution rate as it applies to land the development. The rate varies across different areas and types of land.

2.1.1 Green Square, Southern Employment Lands and Ultimo-Pyrmont

On land in Green Square, on land in the Southern Employment Lands, and on land in Ultimo-Pyrmont 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 this Program.

2.1.2 Central Sydney and residual lands

In Central Sydney and on residual land, on all development applications lodged after 1 July 2022, 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.

Date of lodgement of development application	Non-residential rate	Residential rate
1 July 2021 to 30 June 2022	0.5%	1.5%
1 July 2022 onwards	1%	3%

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

2.1.3 Other land identified in an EPI where this Program is applied

On land identified in an EPI, where this Program is applied, the relevant affordable housing contribution rate will be set out in the EPI.

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

2.1.4 Planning Proposal lands

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

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

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

2.1.5 Satisfying a contribution requirement by making an equivalent monetary contribution

An affordable housing contribution requirement may be satisfied by making an equivalent monetary contribution. This requirement may be satisfied by the payment of money.

The equivalent monetary contribution amount for the period of 1 March 2023 2024 to 28 February 2024 2022 is ~~\$10,611.53~~ **\$10,588.00** per square metre.

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

2.1.6 Satisfying a contribution requirement by dedicating dwellings

An affordable housing contribution requirement may be satisfied by dedication, free of cost, of affordable housing dwellings. 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 nominated or Recommended and 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 the City, 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, with any remainder being paid as a monetary contribution to the City, 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..

* This tenure mix applies at first occupation of the dedicated dwellings. Recognising that the income of residents can vary over time, the tenure mix need only be reviewed at change-over of tenants to ensure the mix remains as close as possible to the required mix. In the interim, a CHPs portfolio can be managed to meet the required tenure mix of very low, and moderate-income households across the City of Sydney LGA.

The location, size and quality of affordable housing dwellings are to be to the satisfaction of the City and the receiving CHP. If they are not to satisfaction of both parties, the City 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 remaining floor area must be paid as a monetary contribution.

All 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 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.

2.1.7 Calculating the contribution in Ultimo-Pyrmont, Green Square and the Southern Employment Lands

In Ultimo/Pyrmont, 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

$$(1\% \times 1,000\text{sqm} \times \$10,588 - \$10,611) + (3\% \times 9,000\text{sqm} \times \$10,588 - \$10,611) = \$2,964,640 - \$2,971,080 \text{ equivalent monetary contribution}$$

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:

$$(1\% \times 3,000\text{sqm} \times \$10,588 - \$10,611) = \$317,640 - \$318,330$$

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

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

2.1.8 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

$3\% \times 10,000\text{sqm} \times \$10,588 - \$10,611 = \$3,176,400 - \$3,183,300$ 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:

$(1\% \times 200\text{sqm} \times \$10,588 - \$10,611) = \$21,176 - \$21,222$

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

Note: In-kind contribution will not be suitable in a 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:

$3\% \times 800\text{sqm} \times \$10,588 - \$10,611 = \$254,112 - \$254,664$ 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.

2.1.9 Calculating the contribution on Planning Proposal land

On Planning Proposal land, the method for calculating the amount is set out in the relevant LEP, or other EPI.

2.1.10 Calculating the contribution on other land identified in an EPI where this Program is applied

On other land identified in an EPI where this Program is applied, the method for calculating the amount is set out in the EPI or, where it is not set out in the EPI, then will be set out in a supplementary note / guideline to this Program, adopted by the Minister for Planning or their delegate.

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

~~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):

- 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.~~

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.

Where social/affordable housing floor space is being provided, in accordance with the Principles of this Program, a contribution requirement will not be applied to that floor space.

Where a building is predominantly affordable housing (with a small proportion of floorspace dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor space in that building.

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.

For example

The City receives a development application for the redevelopment of a large site in Green Square. The development will involve:

- the construction of seven 8-storey mixed use buildings for market housing and various non-residential uses; and
- one 6-storey mixed use building to be provided for affordable housing, with ground level retail.

A contribution requirement *will not* be applied to floor space in the entirety of the building to be provided for affordable housing, including the ground floor retail component. The contribution requirement *will* apply to the floor space in the remainder of the development.

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 or a different use. In this case, a contribution will be applied to all of the total floor area, including the replacement floor area;
- for existing floor space, 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

2.4.1 For demolition or changes of 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 a CHP.

2.4.2 Surrendered consents

The City is not obligated under legislation to refund an affordable housing contribution payment. Nevertheless, the City may consider refunding a development contribution payment to the original payee where the development has not commenced and the consent will not proceed, as directed in writing by the payee, or where the consent has lapsed. In this case of former, the applicant will need to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

The City will only consider refunding the contribution when the City holds adequate contribution funds i.e., funds that have not yet been transferred to a Recommended CHP.

The applicant must apply for the refund in writing to the City.

Other than in exceptional circumstances, requests for refunds must be made within 12 months of paying the contribution for which the refund is sought.

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 provided in the condition of consent.

If a development requires multiple construction certificates, Council will require payment prior to the release of the first construction certificate relating 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, Department of Communities and Justice 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 by averaging the four 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 2021 and the applicant does not wish to pay the contribution and develop the site until August 2024, 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:

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

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 Use of contributions

2.9.1 How in-kind contributions are to be used

In-kind contributions of affordable housing dwellings are to be given/dedicated, free of cost, to a Recommended CHP, as identified in a Distribution Plan. In the circumstances that no Recommended CHP is willing to accept the in-kind contribution, then it may instead be given/dedicated by the developer to another Eligible CHP according to the terms of any planning agreement. In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed by the receiving CHP in accordance with this Program.

2.9.2 How monetary contributions are to be used

Monetary contributions are to be given to Recommended CHPs in accordance with an adopted Distribution Plan.

3 Affordable housing on suitable employment land

In the city, the proximity of some lands generally zoned for employment to amenities and services may make them suitable for affordable housing, provided that the development does not undermine the broader employment focused objectives of the zone. Sydney LEP 2012 identifies these areas in which affordable housing is permitted.

3.1 Requirements for affordable housing on suitable employment land

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 on suitable employment land 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
- up to 70 per cent of dwellings are to be allocated to income-eligible employed households
- ~~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 Sydney LEP 2012 requires that any development for affordable housing is compatible with the existing uses and approved uses of land in the vicinity.

Proponents should seek pre-development application advice from the City on any proposal to develop affordable housing on employment land.

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.

Housing affordability may affect a 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, and contribute to the efficient functioning of a city, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These low paid key workers are employed across a range of sectors and include, amongst others, our health care technicians, cleaners, bus drivers, childcare workers, administrators, hospitality 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.”

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 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. NSW government and City of Sydney affordable housing objectives and targets

3.1 NSW government

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

The Greater Cities Commission’s Region and District Plans 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.

3.2 City of Sydney Council

The City of Sydney has a target that 7.5 per cent of private housing will be social housing and 7.5 per cent of private housing will be affordable housing.

4. Affordable housing need analysis

4.1 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, as they are forced to the outer suburbs of 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.

4.2 Satisfying the requirements of the Act

This Program has been prepared in accordance with the requirements of the *Environmental Planning and Assessment Act 1979* (the Act), that is, those matters that are required by the Act to be considered when applying a condition of consent, have been considered. Where a condition of consent is applied in accordance with this Program, it is consistent with 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 provide¹.

The City of Sydney is identified in a state environmental planning policy (SEPP) as an area where there is a need for affordable housing.

Provided below is the rationale 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 SP5 Metropolitan Centre (formerly B8) 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 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

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

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.

Evidence suggests 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.

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.

Ultimo-Pyrmont

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 Ultimo-Pyrmont is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Ultimo-Pyrmont will reduce the availability of affordable housing within the area.

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

However, significant gentrification has occurred due to the urban renewal of the area, an accompanying investment in public infrastructure and a wider cultural shift towards inner-city living. As higher income households are attracted to the area, housing prices and rental costs are driven upwards, resulting in the reduction of rental stock availability for very low to moderate income households.

Development in Ultimo-Pyrmont will create a need for affordable housing

The planning controls in Ultimo-Pyrmont permit a range of commercial development to provide a variety of employment opportunities, including for lower paid occupations. The affordable housing provisions in Ultimo-Pyrmont reflect an expectation that people should be able to live and work within the same area.

New residents and workers in the area also generate a 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.

If affordable housing options are not provided in the area, the housing market will serve an increasingly smaller proportion of the population, narrowing the socio-economic diversity of Ultimo-Pyrmont and necessitating unsustainable travel behaviours for lower income workers.

Development in Ultimo-Pyrmont is allowed only because the land was rezoned

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 to ensure a socially diverse and sustainable community representative of all income groups.

The new planning provisions substantially affected and increased the development potential and land value of Ultimo-Pyrmont. This has been further impacted by the significant investment in infrastructure by the New South Wales and Commonwealth Governments to revitalise and redevelop the area. All landowners have and will continue to benefit from this increase in land value.

The increased land value has an impact on the affordability of housing in Ultimo-Pyrmont, particularly for the traditional low and moderate income residents of the inner city, as higher value uses are found for the land.

Green Square

The Green Square urban renewal area will provide housing for around 63,000 residents to 2036. 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 have 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.

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.

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, some of which will be for very low to moderate income earners who will seek affordable housing 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 affordable 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.

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

In 2015, much of the land in the Southern Employment Lands was rezoned. Previously the Southern Employment Lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the new zones enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on.

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

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, 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.

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. As at 2017, it was anticipated that approximately 35% of projected dwellings growth in the city will be in the residual lands.

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 lower cost housing that is more likely to be within the means of lower 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 on 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.

5. Outcomes

The City's planning controls are estimated to deliver up to 1,950 additional affordable dwellings between 2016 to 2036. However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market i.e. the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the ability of community housing providers to successfully leverage contribution funds and existing property portfolios;
- state government policy directions; and
- Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

~~The City's targets for affordable housing cannot be achieved through the planning system and by applying levies alone.~~

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, or another EPI, as being required to make an additional contribution for affordable housing.

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

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

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 or other EPI.

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

On Planning Proposal land, the contribution rate applied to new floor area achieved in the planning proposal to increase FSR is:

Precinct*	Contribution rate**
Central Sydney	13% subject to site specific viability testing
West precinct	12%***
South precinct	12%***
East precinct	21%***

* Note: The West, South and East precincts align with those shown in the City's development contribution plan 2015. The Central Sydney precinct aligns with those shown in Central Sydney Development Contributions Plan 2020. A map of precinct boundaries is available on the City's website

** The contribution applies to new floor area that may be used for a residential purpose, that is, the contribution requirement will be applied to any additional floor area achieved on land zoned residential purposes, unless the whole of that site is restricted to a non-residential purpose.

*** The above Rates incorporate any requirement in an 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. *Where no other contribution requirement applies, the full 12 percent may be applied.*

The above rates will be reviewed on an as needs basis and any changes will be published on the City's website.

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

Explanatory note

Planning Proposal land contribution rates

Planning Proposal land 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 to be applied to new floor area on Planning Proposal land will be reviewed and updated as needed to

While the contribution rates apply to proposals for new residential floor area, this does not preclude the City from working with proponents to identify an appropriate contribution rate that may be applied where a planning proposal results in an increase in non-residential floor area.

How does the contribution requirement look in LEPs?

~~At the time of preparing this Program, there is not a clause or schedule in the LEPs for Planning Proposal land, though there are several proposals for one.~~

~~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 NSW Government (unless that responsibility has been delegated back to Council).~~

~~The contribution rates shown in the above table may require some adjustment depending on the wording of the clause prepared by Parliamentary Council, and in particular if the rate is expressed as being inclusive or exclusive of the existing contribution requirement for 3% affordable housing on residential land.~~

2. Where other public benefits are offered

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, a Planning Proposal land contribution may not be applied in an LEP.

Appendix C – Process for dedicating dwellings

This appendix provides guidance on the process for satisfying an affordable housing contribution requirement by dedicating affordable housing dwellings.

Section 2 of this Program provides that where the dedication of affordable housing dwellings is proposed, then the location, size and quality of dwellings must be to the satisfaction of the City and the receiving CHP.

1. Consult with Recommended and Eligible providers

Where a developer intends to provide an in-kind affordable housing contribution by dedicating finished dwellings to a Recommended CHP, the developer must first consult with the provider to establish if they are willing to receive the dedicated dwellings.

In circumstances where no Recommended CHP agrees to accept the dedication, and confirmation of that position is provided in writing, the developer may consult with other eligible providers (Tier 1 or Tier 2) to establish an agreement for a community housing provider to accept the dedication of finished affordable housing dwellings.

The purpose of the consultation is to canvass potential issues and reach in-principle agreement about how the affordable housing dwelling/s are to be provided by the developer to the CHP. Key issues for discussion include, but are not limited to:

- the requirements of the community housing provider in regard to the finished dwelling, for example fit out requirements, preferred layouts, location of the dwelling in the development, and so on;
- the community housing provider is to have a full understanding of the likely strata requirements that will be in place once the development is complete;
- contractual arrangements with regards to the dedication of the dwellings, including discussion about what might be cause for terminating the agreement.

2. Development application

The development application to the City must:

- state the amount (the quantum of total floor area) of affordable housing floor area to be dedicated, and any residual amount for which to where a monetary contribution is required to be paid;
- clearly identify on the plans the affordable rental dwellings proposed to be dedicated, noting the City must be satisfied that dwellings receive adequate amenity relative to the rest of the development i.e. it is not acceptable that all of the affordable housing in the development receive have the lowest amenity;
- demonstrate the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program;

- provide details of the agreement that has been reached between the developer and the community housing provider about the dedication of the dwellings or alternative arrangements in a relevant planning agreement.
- if it is not a Recommended CHP ~~who~~ **that** will receive the contribution, evidence that all Recommended CHPs have declined to accept the dedication of the dwellings is required; and
- evidence ~~from~~ **that** the receiving CHP ~~they~~ **has** **agreed to** ~~and~~ accept the dwellings, **the terms of the agreement**, and ~~understand~~ the requirements of the Program **are understood**, including the requirement for in perpetuity management of the dwellings for affordable housing to be rented to very low to moderate income households for no more than 30% of their income.

3. Assessment

The City will:

- 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 developer amendments to improve the dwellings, or identify preferable dwellings, or instead require a monetary contribution.

4. 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.