

Relevant Information for Council

FILE: X089436 and X103370 **DATE:** 27 July 2024

TO: Lord Mayor and Councillors

FROM: Graham Jahn AM, Director City Planning Development and Transport

SUBJECT: Information Relevant To Item 10.4 – Public Exhibition - Planning Proposal - 1-25 O'Connell Street and 8-16 Spring Street, Sydney and Item 10.5 - Public Exhibition - Planning Proposal - 56-60 Pitt Street and 3 Spring Street, Sydney

For Noting

This memo is for the information of the Lord Mayor and Councillors.

Purpose

To provide information on increasing affordable housing contributions in Central Sydney by amending the Local Environmental Plan.

Background

At the meeting of the Transport, Heritage and Planning Committee on 22 July 2024 during consideration of two commercial towers planning proposals in Central Sydney, further information was sought on how to increase the current 1% affordable housing contribution rate that applies to new commercial towers in Central Sydney.

Advice was sought regarding whether to amend the planning proposals pre-exhibition or whether a separate planning proposal could be run in parallel seeking to change the affordable housing contribution that might apply to these commercial towers.

The current requirement in the Sydney Local Environmental Plan 2012 (Sydney LEP) for affordable housing contribution on development came into effect in Central Sydney at half the rate on 1 July 2021 and the full rate on 1 July 2022. The requirement is for an affordable housing contribution of 3% of residential floor area and 1% non-residential floor area conditioned at the time of a development application (DA) approval. The non-residential floor area includes commercial office towers.

In addition, the City of Sydney Affordable Housing Program also enables a higher levy to be negotiated on *new residential floor space resulting from a residential upzoning component*.

These rates range between 9% in the south to 18% in the east on the uplift component plus the DA requirement of 3% for residential floor space permitted prior to rezoning.

The advice to the Council in relation to the request is as follows:

- The two Planning Proposals under consideration should not be amended or be deferred to introduce a higher rate than the LEP permits.
- While a separate Planning Proposal in parallel could propose a change to the rates for affordable housing for the two towers in question, this is not recommended at this time.

Both projects have a long way to go including the rezoning process which they are commencing, design competitions and the lodgement of detailed DAs. Any LEP required affordable housing rate applicable to these DAs would be made as a condition of consent.

It is important to consider the following:

- The City of Sydney was the first jurisdiction to have an Local Government Area (LGA) wide affordable housing program that covers both residential and commercial floor space whether it benefits from rezoning or not.
- The City of Sydney is the only jurisdiction to have targets for social and affordable housing regardless of whether it is supplied by the State, Council or the private sector.
- The City of Sydney has, in addition to the LGA wide affordable housing rates, Council approved guidelines to negotiate higher percentages of affordable housing on residential rezoning uplift, ranging from 9% to 18% depending on the location of the development. In combination with the LEP rates, these are currently the highest requirements for private owned rezoned land. This is without government support.
- Higher affordable housing regimes in other countries are only possible through a regime of significant national and state government (or equivalent) developer funding, gap funding, tax incentives and tax exemptions. Such schemes cover large areas so that one smaller area is not disproportionately carrying the burden of higher charges which could displace or divert development.
- Other international cities such as London and Paris do not mandate commercial office towers to contribute affordable housing.
- The Sydney LEP affordable housing mandate on commercial office towers has only been fully operational for 24 months. It was set a level that industry can absorb.
- Depending on the amount of rate change, a significant change such as 50% or 100% or more of an existing rate, would need to be given notice and transitioned in place.
- The Department of Planning, Housing and Infrastructure, in its "Guideline for Developing an Affordable Housing Contribution Scheme" is clear in its expectation that any proposal for an affordable housing contribution requirement be supported by a robust analysis on the likely impacts on development viability.

- Any proposed change to the LEP will have to be derived through critical feasibility and sensitivity analysis regarding costs to produce and economic conditions in order have the rigor which the City of Sydney is respected for, and for the Minister to give Gateway and ultimately agree to higher development charges.

The City is reviewing affordable housing contributions rates with rigor in response to Council resolutions. Where any changes to the City's affordable housing contribution rates are recommended, a planning proposal will be reported to Council and the Central Sydney Planning Committee (CSPC) for their consideration.

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Approved



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