

ITEM 5. **AFFORDABLE RENTAL HOUSING REVIEW – PUBLIC EXHIBITION
– PLANNING PROPOSAL AND AFFORDABLE HOUSING PROGRAM**

FILE NO: **X008764**

SUMMARY

The high cost of housing is an important economic and social issue in Sydney, particularly within the city's local government area (LGA) where housing prices are amongst the highest in Australia. Increasing the amount of affordable rental housing available for low income households is an urgent priority for the City.

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 will be affordable rental housing. From 2016 numbers, over 9,700 additional affordable housing dwellings are required to be delivered in the city by 2030 to achieve this target.

The **draft Central District Plan** (draft district plan) released by the Greater Sydney Commission in November 2016 includes targets and actions for the provision of affordable housing through the planning framework. **The plan encourages councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.**

The *Planning Proposal: Affordable Housing Review* (Planning Proposal), shown at Attachment A, follows the release of the draft district plan and a review of affordable housing needs and supply in the City of Sydney LGA. It will make a number of changes to the existing affordable housing provisions in the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012) to expand contribution requirements for affordable housing when land is being developed. It also streamlines the City's current processes and practices to facilitate the delivery of affordable housing.

The *City of Sydney Affordable Housing Program* (Program), shown at Appendix A to Attachment A, provides more detailed provisions to guide the operation of contribution requirements under the Sydney LEP 2012. The Program extends and consolidates the current affordable housing programs in operation in the Green Square renewal area (Green Square) and the Southern Employment Lands.

The purpose of the Planning Proposal and Program is to provide a comprehensive and transparent framework for the application of affordable housing contributions when land is being developed.

It is proposed the current affordable housing contribution schemes that operate in Green Square and the Southern Employment Lands be expanded to other land in the LGA (excluding Central Sydney), referred to as residual land. The contribution requirement is to be introduced over a period of four years to allow for market adjustment. Economic analysis has demonstrated the contribution requirement can be introduced without impacting on development viability.

In addition to the expansion of the affordable housing contribution requirement to the residual lands, a framework is proposed to add a new Schedule 7 to Sydney LEP 2012. The framework will enable sites, which benefit from increased development capacity and land value through a planning proposal, to be identified on the new Schedule so they can make a supplementary affordable housing contribution. The contribution requirement is to be commensurate with the increase in the development capacity provided for in the associated local environmental plan amendment. Once included in the LEP, the contribution requirement is then applied through conditions on future development consents.

This proposed framework for sites where there has been a change to planning controls is to embed in the Sydney LEP 2012 that where there is an increase in development capacity, development contributes to the provision of critical infrastructure, including affordable housing.

The contribution rates proposed for these sites exceed the minimum target rates included in the draft district plan. The proposed rates are underpinned by the City's longstanding practice of directing towards the public benefit 50 per cent of land value uplift resulting from changes to planning controls. Land valuation testing shows that development viability is not adversely impacted if it is reflected in land price.

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

This does not take into account the additional affordable housing outcomes that may be achieved as community housing providers leverage properties and ongoing rental streams to provide more affordable housing.

Further affordable rental housing dwellings will also result on sites identified on the new Schedule proposed in Sydney LEP 2012 though, because there are no available projections for how much floor area will result from future changes to planning controls, outcomes cannot be estimated with any certainty.

This report recommends Council approve the Planning Proposal, shown at Attachment A, for submission to the Greater Sydney Commission for gateway determination. Further, it recommends approval of the Program, shown at Appendix A of the Planning Proposal, for public exhibition together with the Planning Proposal.

RECOMMENDATION

It is resolved that:

- (A) Council approve *Planning Proposal: Affordable Housing Review*, shown at Attachment A to the subject report, for submission to the Greater Sydney Commission with a request for a Gateway Determination;
- (B) Council approve *Planning Proposal: Affordable Housing Review* for public authority consultation and public exhibition in accordance with any conditions required in the Gateway Determination;

- (C) Council seek authority from the Greater Sydney Commission to exercise its delegation under section 59 of the *Environmental Planning and Assessment Act 1979* to make the amending local environmental plan;
- (D) Council approve *Draft City of Sydney Affordable Housing Program*, shown at Appendix A of Attachment A to the subject report, for public exhibition with the Planning Proposal and in accordance with the Gateway Determination;
- (E) authority be delegated to the Chief Executive Officer to make minor changes, including any changes required by the Greater Sydney Commission as a condition of the Gateway Determination to the *Planning Proposal: Affordable Housing Review* and *Draft City of Sydney Affordable Housing Program* to prepare them for public exhibition; and
- (F) Council note that, following consideration of any submissions, and any modifications as necessary, *Planning Proposal: Affordable Housing Review* and *Draft City of Sydney Affordable Housing Program* will be reported back to Council for final approval.

ATTACHMENTS

Attachment A: Planning Proposal: Affordable housing review

Appendix A: *City of Sydney Affordable Housing Program*

Appendix B: Instructions

Appendix C: City West Housing letter

BACKGROUND

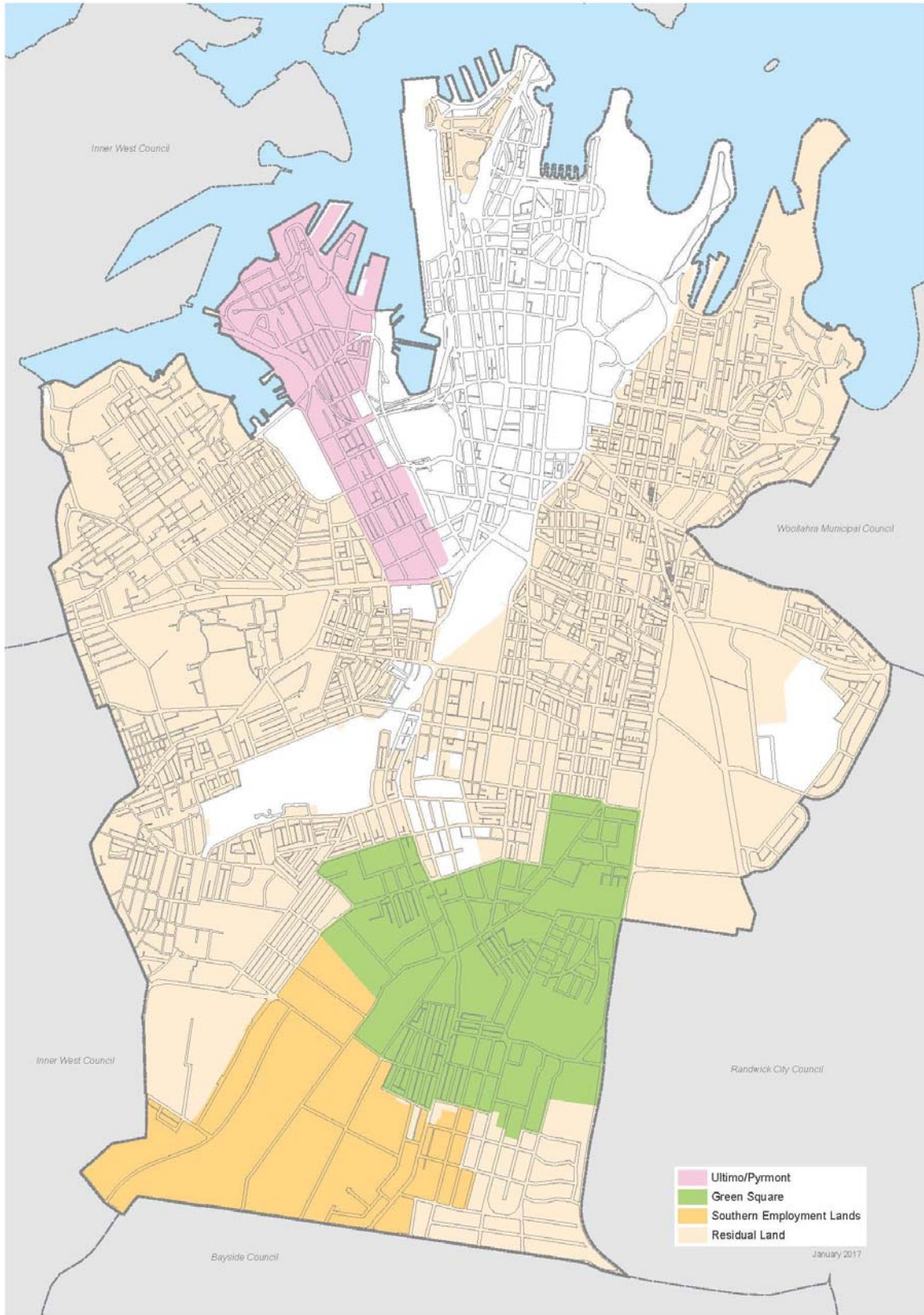
1. Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social issue in Sydney, particularly within the City of Sydney local government area (LGA) where housing prices are amongst the highest in Australia.
2. The draft Central District Plan (draft district plan) released by the Greater Sydney Commission in November 2016 includes targets and actions for the provision of affordable housing through the planning framework.
3. The draft district plan estimates that some 4,000 to 8,000 affordable housing dwellings need to be provided in Greater Sydney per annum to meet the needs of very low and low income groups. This does not include affordable housing required for moderate income earners. The plan encourages councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.
4. *Sustainable Sydney 2030* establishes an ambitious target that, in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable rental housing. From 2016 numbers, over 9,700 additional affordable housing dwellings are required to be delivered in the LGA by 2030 to achieve this target.
5. Three affordable housing 'schemes' currently operate in the LGA, including at:
 - (a) Ultimo/Pymont, introduced in 1996, which requires that 0.8 per cent of residential floor area and 1.1 per cent of commercial floor area be provided as affordable housing;
 - (b) Green Square, introduced in 1999, which requires that three per cent of residential floor area and one per cent of commercial floor area be provided as affordable housing; and
 - (c) Southern Employment Lands, introduced in 2015, which requires that three per cent of residential floor area and one per cent of commercial floor area be provided as affordable housing.
6. A fourth affordable housing scheme is proposed in Central Sydney as part of the Central Sydney Planning Review and was approved by Council in June 2016. The Central Sydney Planning Review planning proposal has been lodged with the NSW Government to request a gateway determination for public exhibition.
7. The affordable housing contribution required under these schemes can be satisfied either by in-kind dedication of finished affordable housing dwellings or by making an equivalent monetary contribution, the amounts for which are set out in the respective affordable housing programs of each scheme.
8. In August 2016, a total of 835 affordable housing dwellings were located in the LGA with an additional 465 in the development pipeline or announced.

9. The majority of existing affordable housing dwellings in the LGA have been built and are managed by City West Housing, which is currently the beneficiary of monetary contributions made under the Green Square and Ultimo/Pymont schemes. In the Southern Employment Lands, where the contribution requirement is relatively new and has not as yet resulted in any affordable housing, contributions are to be shared amongst multiple community housing providers.
10. The City also uses other approaches to increase the amount of affordable housing where opportunities arise. Some examples include:
 - (a) in 2009, the City entered into a planning agreement for the dedication of land for affordable housing at Harold Park. The land was purchased by City West Housing, partly using funds raised from the Ultimo/Pymont contribution scheme, and is currently being developed for 78 affordable housing dwellings;
 - (b) in 2010, the City sought expressions of interest for the sale of land for affordable housing at Portman Street, Zetland. The land was purchased by City West Housing, partly using funds raised from the Green Square contribution scheme, and developed for 104 affordable housing dwellings;
 - (c) in 2013, the City entered into a planning agreement for affordable housing to be provided in conjunction with the redevelopment of 87 Bay Street, Glebe. The approved development application is for 207 residential apartments, including 19 affordable housing units;
 - (d) in the review of planning controls in the City's Southern Employment Lands, a preferential LEP clause was applied to land rezoned from IN1 or IN2 Industrial to B7 Business Park to permit affordable housing, but not market housing. The approach creates a commercial advantage for community housing providers to purchase land in the zone, given there they do not compete for the same land with other residential developers;
 - (e) in July 2015, Council approved a masterplan for the development of Council owned sites in the B7 Business Park zone along the Green Square to Ashmore connector road, formerly known as the Green Square east-west relief route. Sites are to be sold to the community housing sector for the development of an estimated 300 affordable housing dwellings; and
 - (f) in 2015, Council adopted the *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas* (Guideline). The Guideline provides a framework for sharing the residual land value increase resulting from changes to planning controls, with 50 per cent of the increase being returned to the area with the provision of infrastructure, in particular affordable housing. The first planning proposal under the Guideline was reported to Council in February 2017, together with essential terms for a draft planning agreement for the provision of affordable housing in accordance with the Guideline.
11. Achieving the City's affordable housing targets requires a multi-pronged approach. However, the planning mechanisms and policies used by the City to facilitate affordable housing have been developed over 20 years and have led to varying administrative processes and procedures. This Planning Proposal will support the improvement of these processes and procedures.

Objectives and aims of the Planning Proposal

12. *Planning proposal: Affordable housing review* (Planning Proposal), shown at Attachment A, follows the release of the draft district plan and a review of affordable housing needs and supply in the LGA. It makes changes to the current affordable housing provisions in the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012). It affects most of the land in the LGA, though in different ways.
13. The Planning Proposal applies to land in the LGA where Council is the consent authority and is shown at Figure 1.
14. The purpose of the Planning Proposal is to provide a comprehensive and transparent framework for the application of affordable housing contributions when land is being developed.
15. A key objective of the Planning Proposal is to increase the amount of affordable housing to achieve the City's *Sustainable Sydney 2030* affordable housing targets.
16. The Planning Proposal is to amend Sydney LEP 2012 to:
 - (a) expand the operation of current affordable housing contribution schemes to where it does not currently apply (excluding Central Sydney). This is referred to as residual land;
 - (b) provide a framework to identify sites that will benefit from increased development capacity and land value through a planning proposal to change the planning controls, and require a supplementary affordable housing contribution. These sites are called Schedule 7 land;
 - (c) clarify what development is excluded from a requirement to make an affordable housing contribution; and
 - (d) clarify how land in the B7 Business Park zone that is also identified at Schedule 1 (1AA) of the Sydney LEP 2012 can develop.
17. The Planning Proposal is supported by the City of Sydney affordable housing program (Program), shown at Appendix A to Attachment A. The operational details for the collection and distribution of affordable housing contributions are contained within the Program.
18. The Program replaces the Green Square and Southern Employment Lands affordable housing programs currently in operation. It will also supplement the current City West (Ultimo/Pymont) program, but will not replace it. The operational details in the current program that applies to Ultimo/Pymont under Clause 7.13 of the Sydney LEP 2012 will continue to apply. However, Schedule 7 land that is identified in Ultimo/Pymont will also be subject to the requirements proposed in the Program.
19. The Program does not contain requirements for land in Central Sydney. A separate draft affordable housing program for Central Sydney was approved by Council in June 2016 and is currently under consideration as part of the Central Sydney Planning Review. This may be rolled into the Program at a later time.

Figure 1: Land to which the Planning Proposal applies



20. The requirements contained in the Program are, in some cases, an extension of current requirements or practices under current affordable housing programs, and in others, are new requirements. The key changes and additions proposed in the Program include:
- (a) establishing the equivalent monetary contribution amount per square metre for affordable housing contribution rates contained within the Sydney LEP 2012;
 - (b) an effective increase in the equivalent monetary contribution amount as it applies to Green Square to bring it in line with the amount in the employment lands, which will remain at present rates;
 - (c) contributions collected in Green Square will be able to be spent anywhere in the LGA, where currently they must be spent within the Green Square urban renewal area (Green Square);
 - (d) establishing an approach to determine the appropriate contribution rate to apply to Schedule 7 land; and
 - (e) affordable housing contributions collected in the residual lands and the Schedule 7 lands are to be passed onto City West Housing to provide affordable housing.
21. A detailed description of the proposed amendments and additions being made to Sydney LEP 2012 and to be effected by the Program are provided below.
22. This report recommends Council approval of *Planning Proposal: Affordable Housing Review* for submission to the Greater Sydney Commission with a request for a gateway determination to allow public exhibition. Further, it recommends approval of the Program for public exhibition together with the Planning Proposal.

Changes to Sydney LEP 2012

Expansion of affordable housing schemes to residual land

23. It is proposed to amend the Sydney LEP 2012 to expand the operation of current affordable housing contribution schemes to all other land in the LGA where Council is the consent authority. The land that is affected by the new contribution requirement is to be referred to as residual land and is shown at Figure 1.
24. The proposed contribution rate requirement on residual land is shown at Table 1 below.

Table 1: Proposed contribution rates on residual land

Date of determination of development application	Total floor area intended for non-residential floor area	Total floor area intended for residential floor area
To 31 May 2019	0%	0%
1 June 2019 – 31 May 2021	0.5%	1.5%
1 June 2021 onwards	1%	3%

25. The contribution requirement is to be introduced over a period of four years to allow for a period of market adjustment to the contribution requirement.
26. The affordable housing contribution requirement can be satisfied by making:
 - (a) an in-kind dedication to Council of finished affordable rental housing dwellings in the development; or
 - (b) an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing.
27. The equivalent monetary contribution amounts are provided in the Program, discussed later in this report.
28. The contribution requirement is calculated in the development application assessment and will be applied under Section 94F of the *Environmental Planning and Assessment Act 1979* (Act) as a condition of consent. This is the same way the contribution requirement is currently applied in Green Square, Southern Employment Lands and in Ultimo/Pymont.
29. A new contribution requirement on residual land is only to apply to development that is for the creation of new floor area or to change the use of existing floor area from non-residential to residential purpose. It is noted this is different to how the contribution requirement applies to land in Green Square, the Southern Employment Lands and Ultimo/Pymont, which also applies a contribution requirement where floor area is changing from one non-residential use to another. This is because residual land has not benefited from a rezoning that has increased the value of all land in the area.
30. Section 94F of the Act provides the circumstances under which a local authority may apply an affordable housing contribution. The affordable housing contribution requirement proposed on residual land can be applied where Council is satisfied that development 'will or is likely to reduce the availability of affordable housing within the area', or it 'will create a need for affordable housing within the area'.
31. To inform the preparation of the Planning Proposal, the City undertook an affordable housing needs study. The needs study identifies that, as a result of development and gentrification, the availability of affordable housing is diminishing in Sydney, particularly in high value areas such as the inner-city. The study shows a clear and critical need to provide more affordable housing for low to moderate income households.
32. The needs analysis is provided at Appendix A of the Program, and is discussed in more detail later in this report.
33. A critical consideration in introducing new contribution requirements in the Sydney LEP 2012 is impact on development viability. Where development viability cannot be maintained, development will slow down, having a detrimental impact on the wider economy.

34. To understand the economic impacts of the proposed affordable housing contribution on residual land, the City sought independent economic advice to test identified housing sub-markets in the LGA. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the LGA and how they may be mitigated. The testing was necessarily generalised and does not reflect the individual circumstances of every site within the LGA, however, it reflects the economic circumstances of most land.
35. It finds that in the short term the immediate introduction of a contribution requirement would likely impact on development viability, but that there is scope to introduce a levy in the medium term where sufficient advance warning is given to the market.
36. Affordable housing contributions are only viable where the prices paid for development sites reflect the planning controls and applicable contributions liability. It is therefore imperative for any affordable housing contributions to be clearly defined so that prospective purchasers are informed at the outset and able to make informed decisions at the time of site acquisition.
37. The Planning Proposal therefore proposes a moratorium on contribution rates on residual land for a specified period recommended by the economic testing. This will not impact the development of sites already acquired and will allow market expectations to adjust prior to the contribution coming into effect.

A framework for Schedule 7 land

38. It is proposed the Sydney LEP 2012 be amended to provide a framework to identify sites that will benefit from increased development capacity through a site-specific planning proposal process, and require a supplementary affordable housing contribution on that land. This will give effect to the intent of the draft district plan to provide affordable housing where there is an increase in development capacity.
39. To achieve this, the Sydney LEP 2012 is to be amended to include a new Schedule 7 for the identification of Schedule 7 land where additional affordable housing contributions are required following an increase in development capacity. Schedule 7 land is also to be identified on the Locality and Site Identification Map in the LEP.
40. The contribution requirement will be commensurate with the increased development capacity achieved under the planning proposal, that is, the greater the increase in development capacity under the planning proposal, the greater the affordable housing contribution that will be required when the land is subsequently the subject of a development consent.
41. The Program outlines how an appropriate contribution requirement is to be identified for Schedule 7 land. This, together with an analysis of the impacts of any contribution, are discussed later in this report.
42. The contribution requirement will only apply to the new development capacity that is facilitated by the site-specific planning proposal. It does not apply to any existing development capacity and therefore does not replace any current affordable housing contribution requirement that may already apply to the land under Clause 7.13 of the Sydney LEP 2012. This means that on Schedule 7 land where there is a current affordable housing contribution requirement that both the contribution under Clause 7.13, as well as the Schedule 7 contribution requirement will apply.

43. The Schedule may also specify how the affordable housing contribution is to be satisfied, being by either:
 - (a) an in-kind dedication to Council of finished affordable rental housing dwellings in the development; or
 - (b) an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing.
44. The equivalent monetary contribution amounts are provided in the Program, at Appendix A of Attachment A, discussed later in this report.
45. Once the land is identified on the Schedule, the contribution requirement is calculated at the development application stage and will be applied under Section 94F of the Act as a condition of consent. This is the same way the contribution requirement is currently applied in Green Square, Southern Employment Lands and Ultimo/Pymont.
46. The Act requires a local government area to be identified on a planning instrument as having need for affordable housing before it can impose an affordable housing contribution requirement under Section 94F. The City of Sydney, together with Leichhardt and Willoughby council areas, is identified as having need for affordable housing on *State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes)* (SEPP 70).
47. The Act further provides the circumstances under which a local authority may apply an affordable housing contribution requirement under Section 94F. The contribution requirement can be applied where Council is satisfied that development: 'will or is likely to reduce the availability of affordable housing within the area'; or it 'will create a need for affordable housing within the area'; or 'is allowed only because of the initial zoning of a site, or the rezoning of a site'.
48. An affordable housing needs analysis, provided as part of the Program at Appendix A to the Planning Proposal, identifies that as a result of development and gentrification, the availability of affordable housing is diminishing in Sydney, particularly in high value areas such as the inner-city. The study shows a clear and critical need to provide more affordable housing for low to moderate income households. In addition, the additional development capacity on the land is only possible because the land has been the subject of a planning proposal.
49. The benefits of the proposed approach are:
 - (a) it will facilitate implementation of the targets set out in the draft district plan in the local planning framework;
 - (b) contribution rates have been established with reference to the various housing sub-markets to ensure they reflect particular market characteristics and that development viability is not adversely affected. This removes the need to undertake costly and time consuming site-by-site analysis. This approach is consistent with the draft district plan, which requires development feasibility be tested at a precinct scale;

- (c) the contribution requirement will be established at the point of changing the planning controls. This will allow the contribution requirement to be factored into the cost of development, improving certainty for the landowner;
 - (d) a thorough assessment of the merits of a planning proposal establishes the appropriate building envelopes and infrastructure needs. The contribution is factored in at that time. This provides certainty to the community and does not rely on inappropriate 'bonus' development capacity to achieve infrastructure delivery, and
 - (e) it will provide a clear and consistent approach to securing contributions to affordable housing where there is an increase in development capacity. This increases certainty for landowners and developers and ensures equity in the application of contribution requirements.
50. A further benefit of the framework is in its administrative simplicity and reduced planning proposal assessment timeframes. One of the biggest challenges to securing affordable housing through a site-specific planning proposal is the resources and knowledge required to negotiate a 'viable' outcome where changes are being made to planning controls. This is further complicated by the need to prepare what is often a complex planning agreement. The Planning Proposal provides a framework to establish a consistent approach to setting appropriate affordable housing contribution requirements.
51. By detailing the contribution requirement in the Sydney LEP 2012, the need for a planning agreement relating to affordable housing at the planning proposal stage is removed, with the requirements for affordable housing being detailed in the affordable housing program.

Improving the interpretation and application of Clause 7.13 in the Sydney LEP 2012

52. It is proposed to amend the Sydney LEP 2012 to clarify what development is excluded from a requirement to make an affordable housing contribution.
53. Clause 7.13 currently excludes development where it will result in the creation of less than 200 square metres and 60 square metres of residential and commercial floor area respectively. The intent of this exclusion is to enable minor additions to a development without attracting an affordable housing contribution.
54. However, as currently worded, the clause also excludes development where a substantial change of use is being achieved, for example, where a warehouse building is being reused for residential development, but no new floor area is being created.
55. This is unintentionally contrary to the rationale for applying an affordable housing contribution in areas that have benefited from an earlier rezoning, being Green Square, Ultimo/Pymont and the Southern Employment Lands. In these areas, all development, including development to change the use of the existing floor area, has benefited from the rezoning and should be required to make a contribution.

56. It is also notable the *State Environmental Planning Policy (Exempt and Complying Development Codes) 2008* includes provisions that allow the change of use of floor area without development consent. These provisions inhibit the ability of Council to apply an affordable housing contribution requirement as intended by the contribution schemes when introduced.
57. Therefore, it is proposed Clause 7.13 explicitly require an affordable housing contribution on development that is for substantial alterations or additions to existing floor area in Green Square, Ultimo/Pymont and Southern Employment Land. 'Substantial alterations or additions' are proposed to be defined as those where the cost of works is more than \$50,000. This will enable an affordable housing contribution requirement to be applied to substantial changes of use where development consent is not required. Note this does not apply to residual land where only a change of use from commercial to residential is required to make a contribution.
58. Drafting instructions for the amendment of Clause 7.13 and suggested wording is provided at Appendix B of the Planning Proposal.

Minimum size of dedicated affordable housing dwellings

59. It is proposed the minimum size of any affordable housing dwelling to be dedicated to Council be reduced to 35 square metres and a maximum dwelling size of 90 square metres be introduced. Currently, Clause 7.13 requires any dedicated dwelling be no less than 50 square metres, but does not specify a maximum.
60. The intent of the amendment is to reflect minimum studio dwelling size under the Apartment Design Guideline. The maximum is proposed to ensure the affordable housing floor area resulting from the contribution scheme can accommodate families, but is also used efficiently and to the benefit of as many people as possible.

Affordable Housing in the B7 Business Park zone

61. It is proposed to amend the Sydney LEP 2012 to clarify that the requirement in the B7 Business Park zone that all residential development must be affordable housing does not apply to land where shop-top housing was a permissible use prior to the rezoning of the southern employment lands.
62. The clarification is to ensure that land identified at Schedule 1 (1AA) of the Sydney LEP 2012 can develop for shop-top housing and/or seniors housing, despite any requirement under Clause 7.13A for only affordable housing to be provided on the site.
63. This amendment arises from confusion about the interaction of Clause 7.13A and Schedule 1 (1AA). Clause 7.13A permits affordable housing as the only form of residential development permitted in the B7 Business Park zone. Schedule 1 (1AA) provides that on some land in the B7 Business Park zone, generally along Botany Road in the Southern Employment Lands as identified on the Locality and Site Identification Map, that shop-top housing and seniors housing is permitted.
64. Clause 7.13A was introduced in the Sydney LEP 2012 in 2015. Its intent is to facilitate affordable housing in the B7 Business Park zone. It is not intended to restrict other additional permissible uses facilitated by Schedule 1 (1AA).

65. To address this issue, an additional sub-clause is proposed to clarify the interaction of the seemingly inconsistent provisions.

Draft City of Sydney affordable housing program

66. The operational details for the collection and distribution of affordable housing contributions are contained within the Program, provided at Appendix A to the Planning Proposal.
67. The Program replaces the current Green Square and Employment Lands programs and supplements the current Ultimo/Pymont program.
68. The Program does not replace the Ultimo/Pymont program, which is close to completion. The operational detail in the current program that applies to Ultimo/Pymont under Clause 7.13 of the Sydney LEP 2012 will continue to apply. However Schedule 7 land that is identified in Ultimo/Pymont will also be subject to the requirements proposed in the Program, that is, the Program will apply to land that is subject to a planning proposal to increase development capacity.
69. While applying to land in Central Sydney, the Program does not contain active requirements for Central Sydney. A separate draft affordable housing program pertaining to Central Sydney was approved by Council in June 2016 and is currently under consideration as part of the Central Sydney Planning Review. This may be 'rolled into' the proposed Sydney LEP clause and Program at a later time.
70. The key elements of the Program are described below. It is noted that in some cases they are an extension of requirements or practices under current affordable housing programs, and in others they are new requirements.

Determining the appropriate contribution rate for Schedule 7 land

71. Earlier in this report the proposed framework to identify Schedule 7 land was described. The Program provides in its appendices a standardised approach to establishing the contribution rate that will be applied to Schedule 7 land where there is an increase in development capacity on the land.
72. The proposed contribution rate from 1 January 2017 to 31 December 2017 is shown at Table 2 below.

Table 2: Proposed contribution rates on Schedule 7 land, where there is an increase in floor space ratio

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

Note: Precinct boundaries are the same as defined in the City of Sydney Section 94 Plan.

73. The contribution rate will be applied only to the additional floor area facilitated by a planning proposal. The contribution requirement will not apply to floor area provided under the current Sydney LEP 2012 planning controls.
74. The above contribution rates are applicable only where the site-specific planning proposal is for floor space ratio increase on land. They are not applicable where other changes to planning controls are being made, for example, where land is being rezoned or where there is significant increase in height. Where this is the case, a site-specific analysis will be required to determine an appropriate contribution rate.
75. The above rates do not apply to the Southern Employment Lands investigation areas where land is rezoned from employment to residential uses. The approach adopted by Council in 2015 in its *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas* will continue to inform the consideration of planning proposals in those areas.
76. It is noted the Program provides only guidance on how a contribution rate should be established. The described approach is not binding on Council who may apply a different rate depending on the particulars of the planning proposal under consideration. For example, where it is a superior outcome, and where a landowner/developer has made an offer to enter into a planning agreement to provide affordable housing or other public benefit, the site may not be listed as Schedule 7 land, for example, where the landowner offers to dedicate land for an affordable housing purpose, rather than make a contribution under the Sydney LEP 2012.
77. To establish the appropriate contribution rates, and to understand the economic impacts of the proposed contributions on Schedule 7 land, the City sought independent economic advice. The proposed contribution rates are underpinned by the City's longstanding practice of capturing a proportion of residual land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing.
78. Residual land value is the maximum price a developer would be prepared to pay for a site in exchange for the opportunity to develop, whilst achieving the developers required rate of return. This approach involves assessing the value of the completed product, making a deduction for development costs and a further deduction for profit and risk whilst ensuring the development achieves the target project margin and return.
79. A commonly accepted benchmark is 50 per cent of any residual land value gain being directed towards the public benefit. This is known as the '**value added method**'
80. The methodology for establishing the contribution rates includes feasibility testing to examine the quantum of value uplift that could result from a change in floor space ratio and the potential for a proportion of the value uplift to be put to affordable housing outcomes. While highly variable across sub-markets, it found that 50 per cent of residual land value gain is achieved where the rates in the above table are applied.
81. Contribution rates are proposed to be reviewed annually to ensure they continue to align with market conditions.

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

Affordable housing dwelling requirements

83. The Program provides the requirements for any affordable rental housing dwellings that are to be dedicated to Council. Some changes and additions are proposed that apply under the current affordable housing programs.
84. The requirements are to ensure the dwellings are appropriate for purpose and that they align with the affordable housing principles in the Program and in SEPP 70. The requirements are:
- (a) affordable rental dwellings are to be owned by government or a recommended or eligible community housing provider;
 - (b) affordable rental dwellings are provided in the LGA in perpetuity;
 - (c) affordable rental dwellings are to be rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income;
 - (d) where more than 10 affordable rental dwellings are being provided, 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;
 - (e) all rent received from the affordable rental dwellings, after deduction of management and maintenance costs, is to be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling;
 - (f) affordable rental dwellings are to be designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are not differentiated as affordable housing compared with the design of other housing;
 - (g) each affordable rental dwelling is to have a total floor area of not less than 35 square metres or not more than 90 square metres, with any remainder being paid as a monetary contribution; and
 - (h) where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guide are to be generally achieved. For example, 70% of the affordable housing dwellings should achieve adequate solar access. This is to ensure the least amenable units in any development are not all selected as the affordable rental dwellings to be dedicated to Council.
85. The location, size and quality of affordable housing dwellings are to be to the satisfaction of Council and the receiving community housing provider. If not, Council may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution.

Equivalent monetary contribution amounts

86. The Sydney LEP allows developers to make an equivalent monetary contribution instead of dedicating floor area. The Program provides the equivalent monetary contribution amount payable to Council, expressed as a dollar amount per square metre of total floor area.
87. In practice, the affordable contribution requirements under current affordable housing programs in Green Square and Ultimo/Pymont are satisfied by making monetary contribution instead of dedication of floor area for affordable housing. Funds are then passed to a community housing provider to build and manage affordable housing.
88. The Program proposes the equivalent monetary contribution amount for the period of 1 January 2017 to 30 June 2017 is \$9,788.00 per square metre. This is expressed differently to how it is expressed in the current Green Square and the Southern Employment Lands programs, but does not affect the total amount the landowner or developer would be required to contribute. This is explained later in this report.
89. In Green Square, the Southern Employment Lands and on residual land, the equivalent monetary contribution amount is calculated on the 'total floor area' to which the development application directly applies. The calculation of total floor area is defined by the Sydney LEP 2012. This is consistent with current practice.
90. On Schedule 7 land, the equivalent monetary contribution amount is to be calculated on the additional development capacity facilitated by a site-specific planning proposal.

Increasing contribution rates in Green Square

91. In Green Square, the Program proposes an increase to the equivalent monetary contribution amount so that it aligns with the Southern Employment Lands and the proposed Central Sydney programs which more accurately reflect the full cost of delivering a square metre of affordable housing.
92. The amount is based on the median strata dwelling price in the LGA and assumes that if a community housing provider is unable to purchase land in the LGA to develop affordable housing that a suitable dwelling could be purchased on the private housing market.
93. The effective increase for the period from 1 March 2016 to 28 February 2017 shown at Table 3 below.

Table 3: Proposed increase of equivalent monetary contribution amount

	Current Green Square Program	Program
Equivalent contribution amount for 3% of residential total floor area	\$206.06	\$293.65
Equivalent contribution amount for 1% of non-residential total floor area	\$68.66	\$97.88

94. As discussed above, this amount is expressed differently in the Program to allow for a different calculation approach.
95. Economic testing of the impact of increasing the equivalent monetary contribution in Green Square indicates the market could tolerate the increase without having any negative impact on development viability.
96. The testing recognises the affordable housing levy in Green Square was established in 1999 and does not reflect full development costs today. Inherent in the levy is the assumption that land will be available. This means it costs developers less to contribute cash rather than in-kind in dwellings. The contribution rates in the current Southern Employment Lands program and proposed Central Sydney program are premised on the Sydney median unit price and therefore reflect a realistic cost to purchase.

Calculating the equivalent monetary contribution payable

97. The equivalent monetary contribution amount in the Program is expressed differently than in current programs. However, this does not change the resulting contribution amount.
98. Under current schemes, the monetary contribution amount is expressed as a dollar amount per square metre of all the total floor area built on site. The Program calculates the contribution as a dollar amount per square metre of applicable floor area.
99. For example, a contribution for a new 5,000 square metres commercial development would be calculated as shown in Table 4 below.

Table 4: Calculating a contribution under the Program - commercial

	As calculated under current schemes	As calculated under the Program
Total monetary amount	5,000 * \$97.88 = \$489,400	1% * 5,000 * \$9,788 = \$489,400

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

Table 5: Calculating a contribution under the Program - residential

	As calculated under existing schemes	As calculated under this Program
Total monetary amount	5,000 * \$293.88 = \$1,469,400	3% * 5,000 * \$9,788 = \$1,468,200

101. The change in approach is because:

- (a) under current affordable housing programs, the equivalent monetary contribution amounts specified are for three per cent and one per cent contribution rate in the Sydney LEP 2012. The new approach in the Program allows for a total monetary amount to be calculated irrespective of the contribution rate in the Sydney LEP 2012; and
- (b) the proposed approach in the Program will substantially simplify calculation of contribution requirements where a landowner opts to satisfy a contribution partly as dwellings and partly as monetary contribution. For example, under the current Green Square program, if the landowner was required to dedicate three per cent of a 10,000 square metre residential development for affordable housing (being 300 square metres), but the amount of floor space identified as affordable housing on the plan amounts to only 260 square metres, then establishing the monetary contribution required is mathematically complex and potentially confusing for applicants and assessing planners.

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

- 102. The Program includes requirements for how affordable housing contributions collected are to be allocated to a community housing provider and used.
- 103. Currently, contributions collected in the Southern Employment Lands are paid to the City and passed to the NSW Department of Family and Community Services who are responsible for distributing funds to Tier 1 and Tier 2 community housing providers to build and manage affordable housing in the LGA. This approach is to be retained in the Program for money collected in the Southern Employment Lands.
- 104. Currently, contributions collected in Green Square are paid to the Department of Planning and Environment and passed to the only recommended community housing provider listed in Schedule A of the Green Square program, being City West Housing.
- 105. This approach is broadly retained in the Program, though it is proposed the process for payment be simplified by allowing landowners to make payment directly to the City who will then pass the funds to the community housing provider. This aligns with how other contribution payments are made, for example, Section 94 payments.
- 106. Further discussions with the Department of Planning and Environment to amend current processes will be required.
- 107. For residual land and Schedule 7 land, the Program proposes funds be paid to the City and passed to any recommended provider identified on the Program, currently proposed as City West Housing only.

How are dedicated affordable housing dwellings to be allocated?

- 108. The Sydney LEP 2012 requires that where the landowner or developer opts to dedicate affordable housing dwellings that they be dedicated to Council free of charge. Council may then transfer the dwellings to a community housing provider to be owned and managed in perpetuity as affordable rental housing for very low to moderate income households.

109. The Program proposes that where the landowner or developer opts to dedicate affordable housing dwellings that Council will transfer them to a recommended community housing provider identified on Schedule A, for nominal cost. Where any recommended community housing provider opts not to receive the dwellings, they will be transferred to another registered Tier 1 or Tier 2 community housing provider.
110. This changes the approach currently taken under the employment lands program where dwellings are required to be dedicated free of charge to a community housing provider nominated by the NSW Department of Family and Community Services. The change aligns the Program with the requirement of the Act that the affordable housing first come to Council before being transferred to a community housing provider.

Development that may not be required to make a contribution

111. The Sydney LEP 2012 stipulates what development may be subject to an affordable housing contribution.
112. The Program provides that Council may consider exempting development from an affordable housing contribution:
- (a) if it is development that results in an affordable housing contribution amounting to more than 10 per cent of the agreed cost of construction; or
 - (b) where the change of use is from:
 - (i) a commercial use or light industrial use to a general industrial use or heavy industrial use; or
 - (ii) a general or heavy industrial use to another general industrial use or heavy industrial use.
113. The intent of allowing for these exemptions is to:
- (a) ensure the contribution requirement does not unreasonably impact on the cost of development; and
 - (b) ensure industrial uses, that have not benefited from the increased land values, are not subject to a contribution requirement.

Indexing contributions

114. The Program requires adjustments are made to the equivalent monetary contribution amount twice a year in accordance with movements in the median house price in the LGA, as provided by the NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata. The City of Sydney's website will contain the current monetary contribution amounts, as indexed.
115. While consistent with the current approach in the employment lands, the Program amends the approach for Green Square where contribution rates are indexed with reference to the Australian Bureau of Statistics Established Housing Price Index.
116. The purpose of the change in Green Square is that movements in median housing prices more accurately reflect movements in local area housing costs. The Housing Price Index provides movements Sydney-wide.

When is a contribution to be paid?

117. The Program requires that payment of any monetary contribution amount required by a condition of consent be made prior to issue of any construction certificate.
118. While consistent with the current approach in the employment lands, the Program amends the approach in Green Square where landowners or developers are currently able to provide a bank guarantee prior to construction certificate with cash payment required before occupational certificate.
119. Approximately one third of affordable housing contribution payments have been satisfied by bank guarantee since 2012. The system is complex to administer, requiring indexing of contribution payments prior to occupation certificate.
120. The purpose of this change is to:
 - (a) provide equity and align the payment requirements with all other payments that are required, such as Section 94 contributions and payments required under Clause 6.14 – Community Infrastructure floorspace at Green Square;
 - (b) remove any incentive to make monetary contribution in favour of in-kind contribution; and
 - (c) streamline and simplify the operation and administration of affordable housing contribution requirements in the LGA.

Where a previous contribution to affordable housing has been paid

121. The Program removes the current provision in the Green Square and Southern Employment Lands programs that where a previous contribution already has been made for development then no further contribution is required for the same floor area.
122. The purpose of removing this provision is:
 - (a) it does not reflect the displacement of more affordable housing as floor area is redeveloped for higher value accommodation;
 - (b) it does not reflect the need for affordable housing generated by development; and
 - (c) the administration of the provision over a long period of time is impractical.

Adding a recommended community housing provider

123. The Program identifies in an attached Schedule the 'recommended' community housing providers who receive affordable housing contributions collected in Green Square, residual land and on Schedule 7 land. Currently, only City West Housing is identified on the Schedule.
124. This carries over from the existing Green Square program that identifies only City West Housing as the recipient of funds under that scheme.

125. The Program provides the matters for consideration where an application is made by a community housing provider, which is registered under the National Regulatory Code as Tier 1 or Tier 2 provider, to be added to the Schedule. Considerations include:
- (a) any potential impacts of adding a community housing provider on the outcomes of the schemes, for example, whether adding a provider would likely increase or decrease the number of affordable housing units resulting from the scheme;
 - (b) consultation with the NSW Department of Family and Community Services; and
 - (c) the impact on the programming and business planning of community housing providers already listed on the Schedule.
126. Before adding a community housing provider to the Schedule, the City will be required to develop a strategy for how funds are to be divided amongst multiple providers.

Affordable housing principles

127. The Program includes 'affordable housing principles' that provide overarching guidance to the operation of the contribution scheme. While generally remaining unchanged, the principles in the Program make some amendment to those under the current Green Square and Employment Lands programs. These changes are largely to align the wording.
128. The most significant proposed change to the principles is it will allow all affordable housing contributions to be anywhere in the LGA. This specifically affects Green Square where, currently, expenditure of funds collected in Green Square is to be spent in the Green Square renewal area.
129. This change in approach is made at the request of City West Housing, who is the only community housing provider listed in the Green Square program to receive affordable housing contributions collected in Green Square. The request is provided at Appendix C of the Planning Proposal. The reason given by City West Housing for the request is that it is increasingly difficult to secure land within the LGA and that the limitations placed on where the contributions can be spent only makes it more difficult.
130. This report recommends the request be supported. Allowing funds to be spent elsewhere in the LGA will not impact on the broader objectives of the Green Square scheme.

KEY IMPLICATIONS

Strategic Alignment

Sustainable Sydney 2030 Vision

131. *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. The Planning Proposal, by facilitating the increase of affordable rental housing in the LGA, aligns with the following *Sustainable Sydney 2030* strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City – the Planning Proposal will facilitate low cost accommodation options for the key workers who are essential to the efficient functioning of the city.
 - (b) Direction 6 - Vibrant Local Communities and Economies - the Planning Proposal will facilitate improved housing diversity, providing low cost accommodation options to ensure a mix of people can live in the inner-city, not only the very wealthy.
 - (c) Direction 8 - Housing for a Diverse Population - the Planning Proposal will promote housing diversity and contribute to the City's affordable housing targets.

Draft Central District Plan

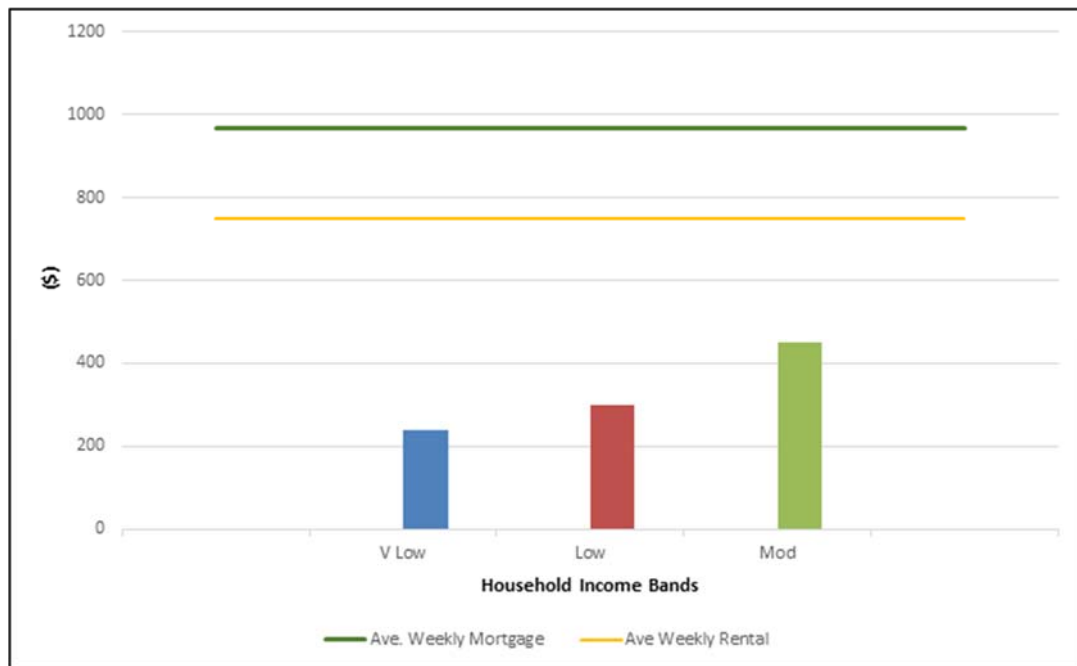
132. The draft district plan released by the Greater Sydney Commission in November 2016 includes targets and actions for the provision of affordable housing through the planning framework. The plan encourages councils to develop local housing strategies to address the range of housing needs in their LGAs, including affordable housing.
133. The draft district plan includes a target that, on sites that are rezoned for urban renewal or greenfield development, or on sites where there is identified need, five to 10 per cent of new floor area is to be affordable housing. These targets are regarded as a minimum.
134. *Action L6 – Support councils to achieve additional affordable housing* in the draft district plan notes that this target should not prejudice efforts to secure affordable housing in locations where the target has not been applied, that is, the target does not limit the City's ability to secure a greater proportion of affordable housing where it can be demonstrated it does not impact on development viability.
135. Economic testing demonstrates that on sites where planning controls have been changed to increase development capacity substantially more floor area may be put towards an affordable housing outcome than the five to 10 per cent on new floor area benchmark proposed under the draft district plan.
136. The proportion is likely to increase significantly where land is rezoned from employment to residential uses. This is because the draft district plan approach only captures value increase arising from the increase of floor space ratios and does not consider any value increase arising from rezoning land, which can be substantial.

137. The City's approach is a 'value added method' based on what is a reasonable and fair proportion of residual land value increase resulting from changes to planning controls to be directed towards the public benefit. A commonly accepted benchmark is 50 per cent.
138. The City's approach is more equitable than the percentage of added floor area method provided in the draft district plan and ensures that contribution requirements applied to Schedule 7 lands are commensurate with the actual monetary benefit to the landowner.
139. An example of this approach in practice is in the Southern Employment Lands where Council has adopted the *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas* (the Guideline). The Guideline provides a framework for sharing the planning gain resulting from changes to planning controls. This includes rates to calculate the residual land value increase resulting from changes to the planning controls.
140. In February 2017, Council approved a planning proposal for 102-106 Dunning Avenue, Rosebery to be sent to the Greater Sydney Commission for Gateway determination. The planning proposal was prepared at the request of the landowner in conjunction with a public benefit offer to provide affordable housing in accordance with the Guideline. It is estimated that, by taking the approach provided by the Guideline, the amount of affordable housing is four times that which might have resulted from an approach similar to that proposed in the draft district plan.

Affordable housing need

141. Sydney housing costs are now at a considerable premium compared to other parts of Australia. The proportion of housing that is affordable for purchase for very low, low and moderate income households is non-existent. A very low to moderate income household's capacity to pay current rents or mortgage repayments, without being in housing stress, is shown at Figure 2.
142. A moderate income household, for example on \$1,500 per week, can afford to pay \$450 per week in mortgage or rental repayments without being in housing stress.
143. The LGA median strata dwelling price is now at a high of \$832,000. By comparison, the Greater Sydney median strata dwelling prices are \$696,000. Figure 2 illustrates the average weekly mortgage payment of \$968 based on a 10 per cent deposit, standard stamp duty charges built into the mortgage and five per cent interest rate.
144. Rental costs are equally concerning. The LGA's median weekly rent in September 2016 for a two-bedroom unit is \$750 compared with the Greater Sydney and NSW median weekly rents of \$530. This represents a 23 per cent increase from the \$610 median weekly rents in September 2010.
145. Figure 2 shows a 53% reduction in the median strata dwelling price or a 40% reduction in average strata rents is required for housing to be considered affordable for moderate income households.

Figure 2: Relationship between income and average weekly mortgage and rent



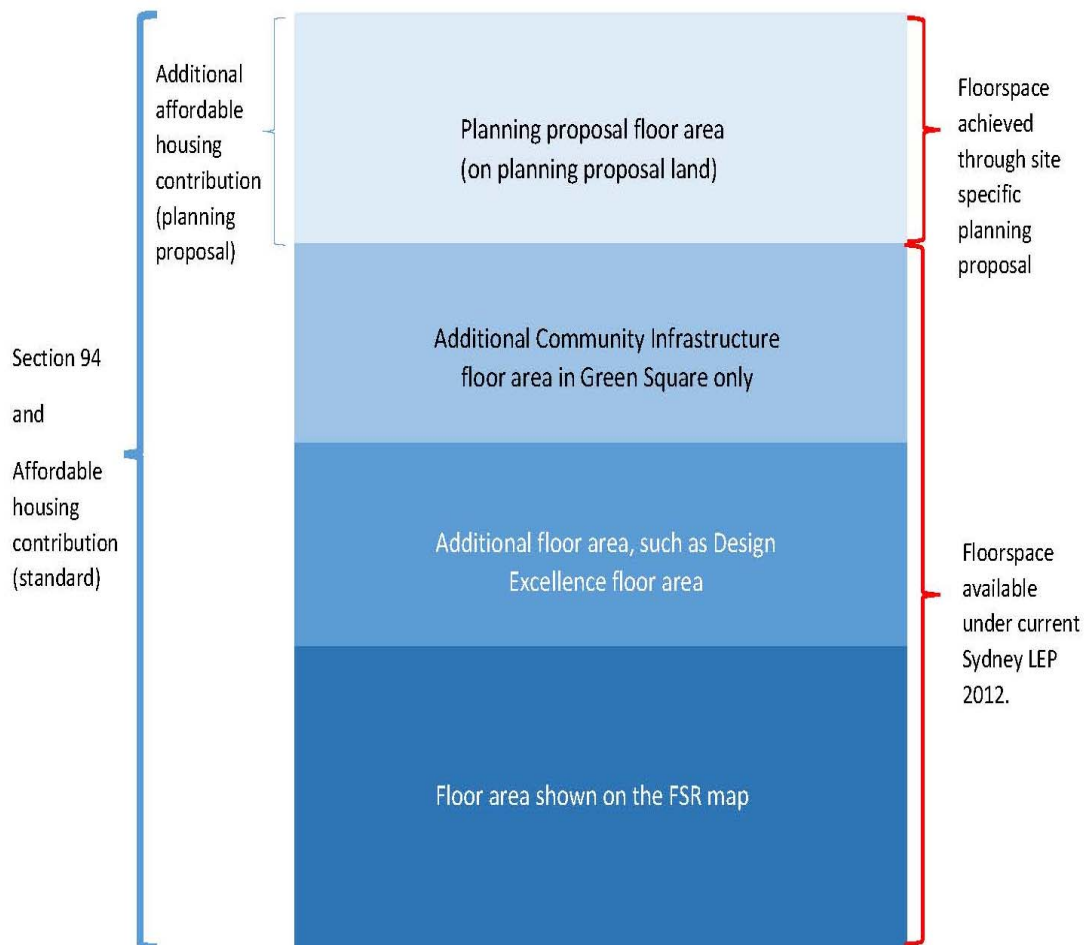
Source: Greater Sydney Commission, Draft Central District Plan 2016 and NSW Rent and Sales report data 1998 – 2016

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

Economic impacts

147. Extensive economic testing informed the preparation of the Planning Proposal. The testing demonstrates the proposed contribution rates on residual land and on Schedule 7 land, and the increase in the Green Square equivalent monetary contribution amount does not impact development viability.
148. Development in the LGA is typically made up of various floor area allowances prescribed by the Sydney LEP 2012. Figure 3 shows contributions will generally apply to development.

Figure 3: Contributions associated with various floor area



149. As shown, while the affordable housing contribution required under Clause 7.13 is proposed to be expanded to apply to all land, the Schedule 7 land affordable housing contribution will apply only to new floor area resulting from a site-specific planning proposal.

Affordable housing outcomes

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

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

151. As discussed earlier in this report, the City also uses a range of other approaches to facilitate affordable housing in the LGA.

152. There are 1,300 affordable rental housing dwellings in the LGA that are built, in the development pipeline or announced. The estimated affordable housing dwellings anticipated to be provided to 2030 is shown at Table 6. Estimates for some areas are difficult to establish.

Table 6: Projected affordable housing dwellings

Affordable housing source	Number of dwellings
Built as at 12 August 2016	835
Development pipeline as at 30 June 2016	395
Announced developments as at 30 June 2016	70
SUBTOTAL to 2019	1,300
Green Square to Ashmore connector road	300
Dunning Ave, Rosebery (Southern Employment Land investigation areas)	8
Green Square scheme	650
Southern Employment Lands scheme	130
Ultimo / Pyrmont scheme	35
Sites in Southern Employment Land investigation areas (under the Guideline)	unknown
Sites in B7 Business Park zone (preferential LEP clause)	unknown
Residual lands scheme (proposed)	590
Central Sydney scheme (proposed)	520
Schedule 7 land (proposed)	unknown
TOTAL to 2030 (includes 2019 subtotal)	3,533

153. Table 6 shows the expansion of the City's current affordable housing schemes to residual land will result in approximately 590 affordable rental housing dwellings in addition to the 1,335 estimated under current schemes in Green Square, Ultimo/Pyrmont, the Southern Employment Lands, and the proposed Central Sydney scheme. An increase of over 40 percent.
154. To achieve the City's target for 7.5 percent of all dwellings to be affordable rental dwellings in 2030, approximately 11,000 affordable housing dwellings, out of a total projected 148,000, dwellings are required in the LGA. Table 6 shows that if the affordable housing contribution requirements proposed in Central Sydney and in the residual lands are supported by the State Government, approximately 7,470 additional dwellings are needed to achieve the City's targets. More if they are not supported.
155. The estimates in Table 6 do not take into account the additional affordable housing outcomes that may be achieved as community housing providers leverage properties and ongoing rental streams to provide more affordable housing.

156. Also not counted in the Table 6 total is affordable housing that may result from planning mechanisms put in place in the southern employment lands when they were rezoned in 2015. These include the preferential zoning approach for affordable housing in the B7 Business Park zone, as well as the *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas*.
157. Table 6 estimates also exclude affordable housing that may result from the proposed introduction of the framework for Schedule 7 lands.
158. Many planning proposals considered by Council are initiated at the request of landowners who seek rezoning or changes to height and/or floor space ratio controls. Planning proposal requests are considered on their site-specific planning merit.
159. It is not possible to provide projections of floor area that may result from changes to planning controls in the future. However, an indication of the potential of the proposed Schedule 7 framework can be inferred from past planning proposals that have increased floor space ratios since the commencement of Sydney LEP 2012. It is estimated that approximately 90 dwellings may have been facilitated through the LEP if a 12 per cent contribution was applied to new floor area. It is noted this is a simple extrapolation and does not consider any other public benefits that formed part of these planning proposals.
160. Only in conjunction with the planning proposal for 87 Bay Street, Glebe has the City entered into a planning agreement for affordable housing since 2012. The City's ability to facilitate affordable housing through the planning framework is impeded by lack of State Government policy direction on how it can be achieved. While other public benefits have arisen from planning proposals, there would likely have been additional affordable housing outcomes achieved had there been a streamlined, State Government endorsed approach available to facilitate it. It is envisaged the Schedule 7 land framework proposed by the Planning Proposal the subject of this report will facilitate this.
161. The City's targets cannot be achieved through local planning mechanisms alone. While the additional affordable housing likely to result from the Planning Proposal is a step in the right direction, it is limited in its ability to address the substantial need for affordable housing in the LGA. The active intervention of other levels of government is required.
162. The City will continue to innovate new planning approaches and advocate to the Federal and State governments for more affordable housing to be provided in the LGA.

RELEVANT LEGISLATION

163. *Environmental Planning and Assessment Act 1979* (the Act) and *Environmental Planning and Assessment Regulation 2000*.
164. *State Environmental Planning Policy No 70 - Affordable Housing (Revised Schemes)* (SEPP 70).

CRITICAL DATES / TIME FRAMES

165. Should Council and the Central Sydney Planning Committee approve the Planning Proposal for exhibition, it will be forwarded to the Greater Sydney Commission. The Greater Sydney Commission will then provide a Gateway Determination to either proceed, with or without variation, to consultation, or to resubmit the Planning Proposal.
166. The typical timeframes, once a Gateway Determination has been issued, are 21 days for public authority consultation and 28 days for public exhibition. The Gateway Determination will also specify a date by which the LEP amendment is to be finalised.
167. Following public authority consultation and public exhibition of the Planning Proposal and draft DCP amendment, the outcomes will be reported back to Council and the Central Sydney Planning Committee.
168. In October 2012, the then Minister for Planning and Infrastructure delegated his plan-making functions to councils to improve the local plan-making process. In December 2012, Council resolved to accept the delegation. Following the making of the *Greater Sydney Commission Act 2015* in January 2016, the Minister's delegation is now taken to mean the Greater Sydney Commission's delegation.
169. Council needs to receive an authorisation on a case-by-case basis to exercise the delegation. The authorisation is given through the Gateway process and means a faster plan-making process with less involvement of the Department of Planning and Environment. This report recommends that Council seeks this delegation.

PUBLIC CONSULTATION

170. If approved, the public exhibition process and requirements will be informed by the Gateway Determination. Subject to the Gateway Determination, it is proposed to publicly exhibit the planning proposal and Program concurrently for a minimum period of 28 days with notification:
 - (a) on the City of Sydney website, and
 - (b) in newspapers that circulate widely in the area.
171. A full package of exhibition material will be made available for viewing on the City of Sydney website, at the One Stop Shop at Town Hall House and at the Green Square Neighbourhood Service Centre.

GRAHAM JAHN, AM

Director City Planning, Development and Transport

(Tamara Bruckshaw, Senior Specialist Planner)