

# PLANNING PROPOSAL

City of Sydney Affordable Housing Review



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## Introduction

This Planning Proposal follows a review of affordable housing needs and supply in the City of Sydney local government area (LGA). It proposes a number of changes to the current affordable housing provisions in the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012). The land to which this Planning Proposal applies is shown at Figure 1.

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

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

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

## Planning for affordable housing

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

The 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 reflect additional 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 LGAs, including affordable housing.

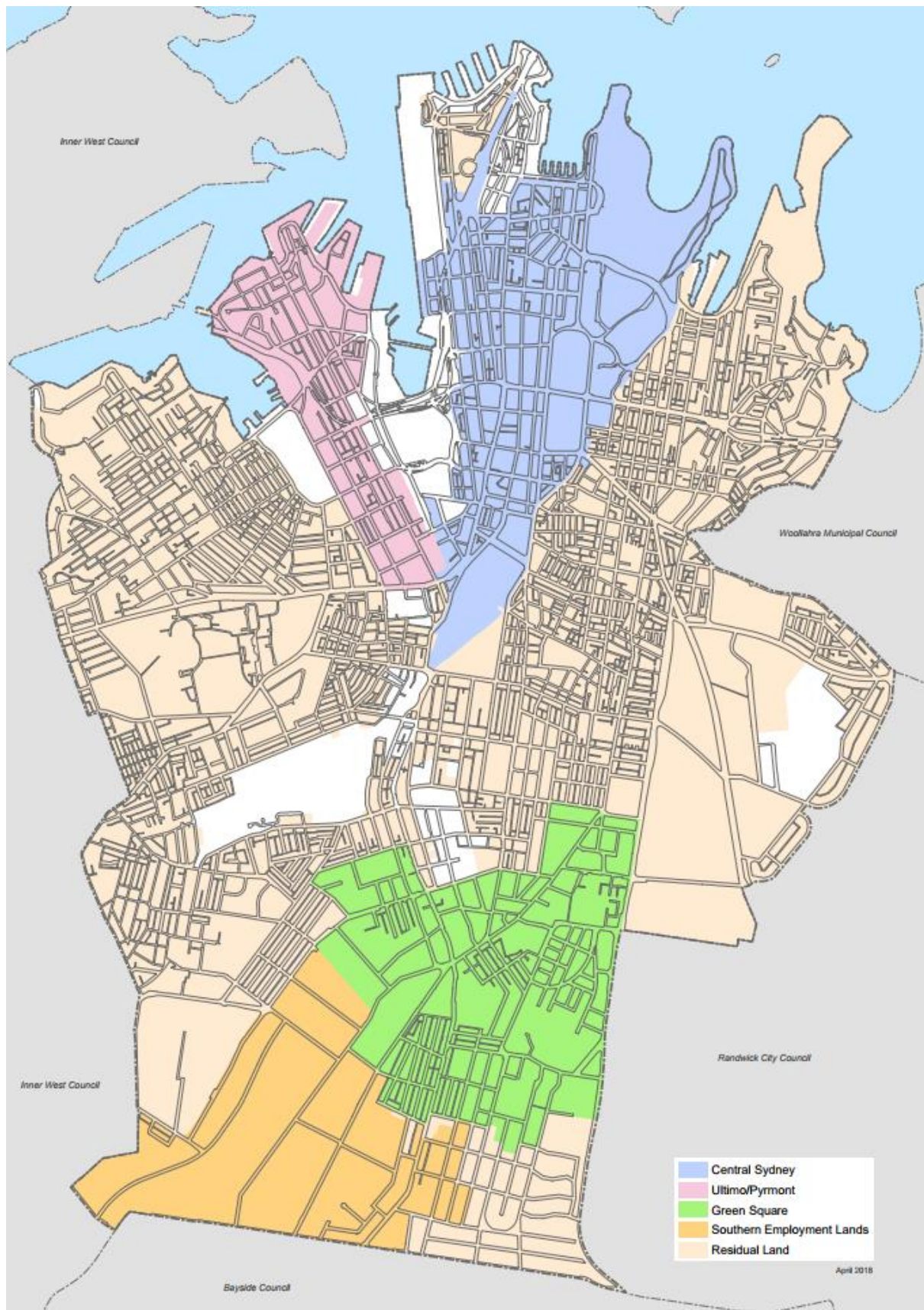
The district plan includes a target that on sites that are rezoned for urban renewal or greenfield development, or on sites where there is identified need, 5-10 percent of new floor area is to be affordable housing. Action L6 of the plan notes that this target should not prejudice efforts to secure affordable housing in locations where the target has not been applied, that is, the target in the district plan 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.

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

The City's *Affordable Rental Housing Strategy 2009-2014*, which supports the implementation of *Sustainable Sydney 2030*, identifies a range of strategies to increase the quantum of affordable housing in the LGA, including the extension of contribution schemes in the Sydney LEP 2012.



**Figure 1** Land to which this Planning Proposal applies



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

## Affordable housing in the City of Sydney

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

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

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

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

Together the schemes in operation have resulted in 739 affordable rental dwellings for very low to moderate income households in the LGA. A further 314 dwellings are in the development pipeline and expected to be built by 2019.

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

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

- in 2009 the City entered into a planning agreement for the dedication of land for affordable housing at Harold Park. The land was purchased by City West Housing, partly using funds raised from the Ultimo/Pymont contribution scheme, and is currently being developed for 78 affordable housing dwellings
- in 2010 the City sought expressions of interest for the sale of land for affordable housing at Portman Street, Zetland. The land was purchased by City West Housing, partly using funds raised from the Green Square contribution scheme, and developed for 104 affordable housing dwellings

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

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

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

## Planning Proposal aims

This Planning Proposal seeks amendment to Sydney LEP 2012 to:

- expand the operation of current affordable housing contribution schemes to 'Central Sydney' and 'residual land' as shown at Figure 1
- provide a framework to identify 'Schedule 7 land', being land that will benefit from increased development capacity through a site-specific planning proposal to change the planning controls, and require a supplementary affordable housing contribution
- improve the interpretation and application of Clause 7.13
- clarify that land identified at Schedule 1 (1AA) of the Sydney LEP 2012 can be developed for shop-top housing and/or seniors housing, despite any requirement under clause 7.13A that allow only affordable housing
- reduce the minimum size of any affordable housing dwelling to be dedicated to Council to 35 square metres in line with the Apartment Design Guideline dwelling size minimums. Also to introduce a maximum dwelling size of 90 square metres to ensure affordable housing floor area resulting from contribution schemes is used efficiently and to the benefit of as many people as possible, and

- refer to a new 'City of Sydney Affordable Housing Program', as dated.

### City of Sydney Affordable Housing Program

Clause 7.13 of the Sydney LEP 2012 allows for landowners and developers to satisfy an affordable housing contribution requirement by making:

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

The proposed operational detail for the collection and distribution of affordable housing contributions are contained within the City of Sydney affordable housing program (Program), provided at Appendix A. The Program replaces the current Green Square and Southern Employment Lands programs and supplements the current City West (Ultimo/Pymont) program. It extends the operation of the City's affordable housing levies into 'Central Sydney' and 'residual land', shown at Figure 1.

The Program does not replace the Ultimo/Pymont program. The operational detail in the current program that applies to contributions being made in 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.

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



## Part 1 Objectives

The objectives of this Planning Proposal are to:

- provide a transparent framework for development to make equitable affordable housing contributions
- give effect to the intent of the Eastern City District Plan (district plan) to provide affordable housing on land where there is an increase in floor area, where need for affordable housing is identified and where development viability can be maintained
- increase the amount of affordable housing in the LGA to achieve the City's affordable housing targets in Sustainable Sydney 2030
- ensure affordable housing contribution rates do not impact on development viability
- increase certainty for landowners and developers seeking to develop land in the LGA, and
- align, streamline and simplify exiting affordable housing schemes that operate in the LGA.

## Part 2 Explanation of Provisions

### 2.1 Sydney LEP 2012

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

#### 2.1.1 Add 'Central Sydney' to Clause 1.9 Application of SEPP

It is proposed to amend Clause 1.9 of Sydney LEP 2012 so that in addition to Green Square and the Southern Employment Lands, the State Environmental Planning Policy (Affordable Rental Housing) 2009 does not apply to land in 'Central Sydney', as identified on the Locality and Site Identification Map.

#### 2.1.2 Expansion of affordable housing contribution requirements to 'residual land' and 'Central Sydney'

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. This is to be referred to as 'residual land' and 'Central Sydney', shown at Figure 1, and is all land where:

- the Council is the consent authority, and
- it is not otherwise subject to current or proposed affordable housing contribution scheme.

The contribution requirement is to be satisfied in accordance with the Program, provided at Appendix A and discussed later in this Planning Proposal.

The proposed contribution requirement on 'residual land' and 'Central Sydney' is provided at Table 1 below.

**Table 1** Proposed contribution rates on residual land and in Central Sydney

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 2020	0%	0%
1 June 2020 – 31 May 2022	0.5%	1.5%
1 June 2022 onwards	1%	3%

A 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 current 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, in Central Sydney and Ultimo/Pymont, which is on all floorspace in the development, including substantial refurbishment.

The purpose of introducing the contribution requirement over time is to allow for the market to adjust. By phasing in the requirement, it can be considered ahead of time in land purchases and development projects.

To understand the economic impacts of the proposed affordable housing contributions, the City obtained independent economic advice to test identified housing sub-markets in the city. Area specific contribution rates were considered in developing the rates for the residual lands that form this planning proposal, however the economic advice concluded that values across the LGA are divergent, with suburbs in the Eastern precinct generally more highly priced compared to suburbs in the Southern and Western precincts. This results in a varying capacity to pay, i.e. the ability of development to contribute to affordable housing varies. However, there is no source of publicly available data that aggregates unit prices into site-specific contribution areas such as the City's Section 7.11 contribution areas (i.e. Western, Southern and Eastern precincts). This would require the City to commission a valuation of aggregate apartment floor space for each of the three areas, and with regular updates to ensure they continue to align with the market.

It is concluded that the application of a single, LGA-wide standard rate is beneficial in that it can be easily interpreted and applied by the market and is simple in its administration. Further the availability of a consistent source of data (being Family and Community Services' Sales and Rent Report) contributes to its transparency and predictability.

Importantly, development viability will not be detrimentally affected by the introduction of an affordable housing requirement on any 'residual land' or in 'Central Sydney'. The economic advice is further discussed at Part 3, Section C of this Planning Proposal.

### 2.1.3 A framework for 'Schedule 7 land'

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 where a supplementary affordable housing contribution on that land has been identified.

To achieve this, the Sydney LEP 2012 is to be amended to include a new Schedule for the identification of sites as 'Schedule 7 land'. 'Schedule 7 land' is also to be identified on the Locality and Site Identification Map in the LEP.

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

The contribution requirement will only apply to the new development capacity that is facilitated by the site specific planning proposal. It does not apply to any existing development capacity and therefore does not replace any current affordable housing contribution requirement that may already apply to the land under Clause 7.13 of the Sydney LEP 2012. This means that on Schedule 7 land where there is a current affordable housing contribution requirement both the contribution under Clause 7.13 as well as the Schedule 7 contribution requirement will apply.

The Schedule may specify how the affordable housing contribution is to be satisfied, being by either:

- an in-kind dedication to Council of finished affordable rental housing dwellings in the development, or
- an equivalent monetary contribution payment to be passed to a community housing provider to build, own and manage affordable rental housing.

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

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

The benefits of the proposed approach are:

- it will facilitate the practical implementation of the district plan local into the planning framework
- contribution rates have been tested with reference to the various housing sub-markets in the LGA to ensure that development viability is not adversely affected, thus removing the need to undertake costly and time consuming site-by-site analysis to establish development viability. This approach is consistent with the district plan which requires development feasibility be tested at a precinct scale
- the contribution requirement will be established at the point of changing the planning controls. This will allow the contribution requirement to be factored into the cost of development, improving certainty for the landowner and for the City
- a thorough assessment of the merits of a planning proposal establishes the appropriate building envelopes and infrastructure needs. The contribution is factored in at that time. This provides certainty to the community and does not rely on inappropriate 'bonus' development capacity, above what might otherwise be permitted under the Sydney LEP 2012, to achieve infrastructure delivery, and
- it will provide a clear and consistent approach to securing contributions to affordable housing where there is an increase in development capacity. This increases certainty for land owners and developers and ensures equity in the application of contribution requirements.

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

By detailing the contribution requirement in the Sydney LEP 2012, the need for a planning agreement at the planning proposal stage is removed and instead those requirements for affordable housing outcomes are detailed in the Program.

#### 2.1.4 Minimum size of dedicated affordable housing dwellings

It is proposed the minimum size of any affordable housing dwelling to be dedicated to Council be reduced to 35 square metres and a maximum dwelling size of 90 square metres be introduced. Currently Clause 7.13 requires any dedicated dwelling be no less than 50 square metres but does not specify a maximum.

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

### 2.1.5 Improving the interpretation and application of Clause 7.13

It is proposed to amend the Sydney LEP 2012 to clarify what development is excluded from a requirement to make an affordable housing contribution.

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.

However, as currently worded, the interpretation of Clause 7.13 is that it also excludes development where a substantial change of use is being achieved, for example where a warehouse building is being refurbished for residential development, but no new floor area is being created.

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 current floor area, has benefited from the rezoning and should be required to make a contribution.

Amending Clause 7.13 clarifies when an affordable housing contribution is required. An affordable housing contribution will have to be made depending on location, cost of works and if development involves a change of use, alterations and additions or a new build.

Drafting instructions and suggested wording is provided at Appendix B.

### 2.1.6 Affordable Housing in the B7 Business Park zone

It is proposed to amend the Sydney LEP 2012 to clarify that land identified at Schedule 1 (1AA) 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.

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, shop-top housing and seniors housing is permitted.

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).

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

## 2.2 City of Sydney Affordable Housing Program

The Sydney LEP 2012 allows for landowners and developers to satisfy an affordable housing contribution requirement by making:

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



The Program, provided at Appendix A, is for eventual adoption by Council, with the provisions of the Sydney LEP 2012 referring to it to provide the operational detail for the collection and distribution of affordable housing contributions. It is attached to this Planning Proposal and described in more detail below for contextual informational purposes only.

The Program replaces the current Green Square and Employment Lands programs and supplements the current Ultimo/Pymont program.

The Program does not replace the Ultimo/Pymont program. The operational detail in the current program that applies to contributions being made in 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.

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

### 2.2.1 Affordable housing principles

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

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

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

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

### 2.2.2 Determining the appropriate contribution rate for Schedule 7 land

Section 2.1.2 of this Planning Proposal describes the proposed framework to identify 'Schedule 7 land' on a new Schedule in the Sydney LEP 2012 and to require an affordable housing contribution on that land commensurate with any increase in development capacity.

The Program provides in its appendices a standardised approach to establishing the contribution rate that will be applied to Schedule 7 land in the Sydney LEP 2012 where there is an increase in development capacity on the land.

The contribution rate will apply only to the new floor area. Any other affordable housing contribution rate under Clause 7.13 of the Sydney LEP 2012 applies to the floor area that is in existence prior to the change to the planning controls.

The contribution rate will be applied only to the additional floor area facilitated by a planning proposal. It will not apply to floor area potential that already existed under the Sydney LEP 2012.

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%

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

The above contribution rates are applicable only where the site-specific planning proposal is for floor space ratio increase on land. They are not applicable where other changes to planning controls are being made, for example where land is being rezoned or where there is significant increase in height. The financial benefit associated with increased building heights is more difficult to quantify. Different sites have different ability to capture views and vistas, the value associated with increased height is highly sensitive to topography, position of the site and surrounding development. While generic rates could be set to capture some of the value created by additional height, owing to the different site drivers and circumstances, there could still be wide variances between sites. Where this is the case a site-specific analysis will be required to determine an appropriate contribution rate.

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.

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.

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

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

### 2.2.3 Affordable housing dwelling requirements

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

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

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

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

#### 2.2.4 Equivalent monetary contribution amounts

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

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

The Program states 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 a different way of expressing the contribution amount than current Programs. The change is explained later in this Planning Proposal.

In Green Square, the Southern Employment Lands, Central Sydney and on residual land, the equivalent monetary contribution amount is calculated on the 'total floor area' to which the development application directly applies. The calculation of total floor area is defined by the Sydney LEP 2012. This is consistent with current practice.

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.

### 2.2.5 Increasing contribution rates in Green Square

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

**Table 3** Proposed increase of equivalent monetary contribution amount

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

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

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

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

### 2.2.6 Calculating the equivalent monetary contribution payable

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

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

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

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

Monetary contribution	As calculated under current schemes	As calculated under this Program
Total monetary amount	$5,000 * \$97.88 =$ <b>\$489,400</b>	$1\% * 5,000 * \$9,788 =$ <b>\$489,400</b>

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

**Table 5** Calculating a contribution under the Program – residential

Monetary contribution	As calculated under current schemes	As calculated under this Program
Total monetary amount	$5,000 * \$293.88 =$ <b>\$1,469,400</b>	$3\% * 5,000 * \$9,788 =$ <b>\$1,468,200</b>

The change in approach is because:

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

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

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

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

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

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

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

For Central Sydney, 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.



### 2.2.8 How are dedicated affordable housing dwellings to be allocated?

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

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

This amends 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 Department of Families and Community Services.

### 2.2.9 Development that may not be required to make a contribution

The Sydney LEP 2012 stipulates what development may be subject to an affordable housing contribution.

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

- development that would result in the applicable affordable housing contribution amounting to more than 10 per cent of the agreed cost of construction
- where the change of use is from:
  - a commercial use or light industrial use to a general industrial use or heavy industrial use, or
  - a general or heavy industrial use to another general industrial use or heavy industrial use.

The intent of allowing for these exemptions is to:

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

### 2.2.10 Indexing contributions

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.

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

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

### 2.2.11 When is a contribution to be paid?

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

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

Approximately one third of affordable housing contribution payments have been satisfied by bank guarantee since 2012. The system is complex to administer, requiring indexing of contribution payments prior to occupation certificate.

The purpose of this change in approach is to:

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

### 2.2.12 Where a previous contribution to affordable housing has been paid

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.

The purpose of removing this provision is:

- it does not reflect the displacement of more affordable housing as floor area is redeveloped for higher value accommodation
- it does not reflect the need for affordable housing generated by development as an area progressively gentrifies, and
- the administration of the provision over a long period of time is impractical.

### 2.2.13 Adding a recommended community housing provider

The Program identifies in an attached Schedule the 'recommended' community housing providers who are the beneficiaries of affordable housing contributions collected in Green Square, Central Sydney, residual land and on Schedule 7 land. Currently only City West Housing is identified on the Schedule.

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

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

- any potential impacts of adding a community housing provider on the outcomes of the schemes, for example, whether adding a provider would likely increase or decrease the number of affordable housing units resulting from the scheme

- any consultation with the NSW Department of Families and Community Services, and
- the impact on the programming and business planning of community housing providers already listed on the Schedule.

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

## Part 3 Justification

### Section A – Need for The Planning Proposal

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

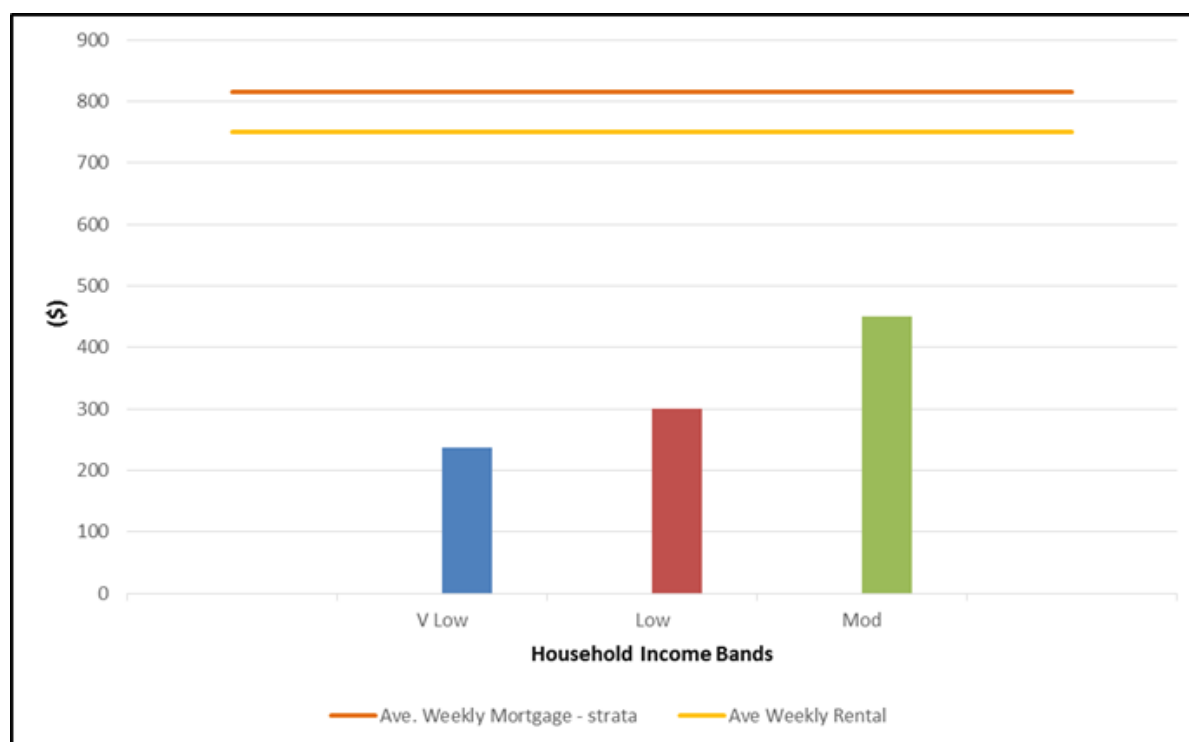
There is a clear and critical need to provide affordable housing for low to moderate income households in Sydney.

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

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

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

**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

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.

Rental costs are equally concerning. Figure 2 shows 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.

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.

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

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

This Planning Proposal is, in part, to facilitate new affordable housing contribution schemes within the city. It is also to clarify and streamline current schemes that are in operation under Sydney LEP 2012. This Planning Proposal is the only way to achieve this.

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

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

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

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

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

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



## Section B – Relationship to Strategic Planning Framework

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

*A Metropolis of Three Cities – the Greater Sydney Region Plan*

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

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

The plan aspires to deliver the following outcomes:

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

To achieve the vision, the plan proposes 10 directions, 40 objectives and associated strategies.

Objectives of particular relevance to this Planning Proposal include: 10 - Greater housing supply and 11 - Housing is more diverse and affordable.

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

*Eastern City District Plan*

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

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

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

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

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

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

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

The City's *Affordable Rental Housing Strategy 2009-2014*, which supports the implementation of *Sustainable Sydney 2030*, identifies a range of strategies to increase the quantum of affordable housing in the LGA, including the extension of contribution schemes in the Sydney LEP 2012.

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

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

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

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

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

**Table 6** Consistency with SEPPs and former REPs

SEPP	Comment
SEPP 1 - Development Standards	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 14 – Coastal Wetlands	Not applicable
SEPP 19 - Bushland in Urban Areas	Not applicable
SEPP 21 - Caravan Parks	Not applicable
SEPP 26 - Littoral Rainforests	Not applicable
SEPP 30 - Intensive Agriculture	Not applicable
SEPP 33 - Hazardous and Offensive Development	Not applicable
SEPP 36 - Manufactured Home Estates	Not applicable
SEPP 44 - Koala Habitat Protection	Not applicable
SEPP 47 - Moore Park Showground	Not applicable
SEPP 50 - Canal Estate Development	Not applicable

SEPP	Comment
SEPP 52 - Farm Dams and other works in Land and Water Management Plan Areas	Not applicable
SEPP 55 - Remediation of Land	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 62 - Sustainable Aquaculture	Not applicable
SEPP 64 - Advertising and Signage	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 65 - Design Quality of Residential Flat Development	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP 70 - Affordable Housing (Revised Schemes)	<p>Consistent. This identifies that there is a need for affordable housing in the City of Sydney.</p> <p>The <i>Environmental Planning and Assessment Act 1979</i> (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:</p> <ul style="list-style-type: none"> <li>the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or</li> <li>the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or</li> <li>the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or</li> <li>the regulations so provide.</li> </ul> <p>The Program provides the rationale and justification for the application of contributions in the city.</p>
SEPP 71 - Coastal Protection	Not applicable
<b>SEPP (Affordable Rental Housing) 2009</b>	<p>Consistent</p> <p>Currently, SEPP (Affordable Rental Housing) 2009 does not apply to land in Green Square, Ultimo/Pymont and the Southern Employment Lands. These exclusions will be retained.</p> <p>The Planning Proposal will amend Part 1, Clause 1.9 – Application of SEPP so that this SEPP does not apply to land in Central Sydney. Given the proposed affordable housing contribution scheme proposed for Central Sydney, it is proposed that the exemption be extended to this area.</p>
SEPP (Building Sustainability Index: BASIX) 2004	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.

SEPP	Comment
SEPP Exempt and Complying Development	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Housing for Seniors or People with a Disability) 2004	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Infrastructure) 2007	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Integration and Repeals) 2016	Not applicable
SEPP (Kosciuszko National Park-Alpine Resorts) 2007	Not applicable
SEPP (Kurnell Peninsula) 1989	Not applicable
SEPP (Mining, Petroleum Production and Extractive Industries) 2007	Not applicable
SEPP (Miscellaneous consent provisions) 2007	Not applicable
SEPP (Penrith Lakes Scheme) 1989	Not applicable
SEPP (Rural Lands) 2008	Not applicable
SEPP (State and Regional Development) 2011	Not applicable
SEPP (State Significant Precincts) 2005	Consistent – this Planning Proposal does not contain provisions that contradict or would hinder application of this SEPP.
SEPP (Sydney Drinking Water Catchment) 2011	Not applicable
SEPP (Sydney Region Growth Centres) 2006	Not applicable
SEPP (Three Ports) 2013	Not applicable
SEPP (Urban Renewal) 2010	Not applicable
SEPP (Western Sydney Employment Area) 2009	Not applicable
SEPP (Western Sydney Parklands) 2009	Not applicable
Sydney REP No 5 - (Chatswood Town Centre)	Not applicable
Sydney REP No 8 (Central Coast Plateau Areas)	Not applicable
Sydney REP No 9 - Extractive Industry (No 2—1995)	Not applicable
Sydney REP No 11 - Penrith Lakes Scheme	Not applicable
Sydney REP No 13 - Mulgoa Valley	Not applicable

SEPP	Comment
Sydney REP No 16 - Walsh Bay	Not applicable
Sydney REP No 17 - Kurnell Peninsula (1989)	Not applicable
Sydney REP No 20 - Hawkesbury-Nepean River (No 2 - 1997)	Not applicable
Sydney REP No 24 - Homebush Bay Area	Not applicable
Sydney REP No 25 - Orchard Hills	Not applicable
Sydney REP No 26 - City West	Not applicable
Sydney REP No 28 – Parramatta	Not applicable
Sydney REP No 29 - Rhodes Peninsula	Not applicable
Sydney REP No 30 - St Mary's	Not applicable
Sydney REP No 33 - Cooks Cove	Not applicable
Sydney REP (Sydney Harbour Catchment) 2005	Not applicable
Drinking Water Catchments REP No 1	Not applicable
Greater Metropolitan REP No 2 - Georges River Catchment	Not applicable

**Q6. Is the planning proposal consistent with applicable Ministerial Directions (s117 directions)?**

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

**Table 7** Consistency Section 117 Directions

Direction	Consistency
<b>1.1 Employment and Resources -</b> Business and industrial zones	Consistent
<b>1.2 Employment and Resources - Rural</b> Zones	Not applicable
<b>1.3 Employment and Resources -</b> Mining, Petroleum Production and Extractive Industries	Not applicable
<b>1.4 Employment and Resources -</b> Oyster Aquaculture	Not applicable



Direction	Consistency
<b>1.5 Employment and Resources - Rural Lands</b>	Not applicable
<b>2.1 Environment and Heritage - Environment Protection Zones</b>	Not applicable
<b>2.2 Environment and Heritage - Coastal Protection</b>	Not applicable
<b>2.3 Environment and Heritage - Heritage Conservation</b>	Consistent
<b>2.4 Environment and Heritage - Recreation Vehicle Areas</b>	Consistent
<b>2.5 Environment and Heritage - Application of E2 and E3 Zones and Environmental Overlays in Far North Coast LEPs</b>	Not applicable
<b>3.1 Housing, Infrastructure and Urban Development - Residential Zones</b>	Consistent
<b>3.2 Housing, Infrastructure and Urban Development - Caravan Parks and Manufactured Home Estates</b>	Consistent
<b>3.3 Housing, Infrastructure and Urban Development - Home Occupations</b>	Consistent
<b>3.4 Housing, Infrastructure and Urban Development - Integrating Land Use &amp; Transport</b>	Consistent
<b>3.5 Housing, Infrastructure and Urban Development - Development near Licensed Aerodromes</b>	Consistent
<b>3.6 Housing, Infrastructure and Urban Development - Shooting Ranges</b>	Not applicable
<b>4.1 Hazard and Risk - Acid Sulfate Soils</b>	Consistent
<b>4.2 Hazard and Risk - Mine Subsidence and Unstable Land</b>	Not applicable
<b>4.3 Hazard and Risk - Flood Prone Land</b>	Consistent

Direction	Consistency
<b>4.4 Hazard and Risk</b> - Planning for Bushfire Protection	Consistent
<b>5.1 Regional Planning</b> - Implementation of Regional Strategies	Not applicable
<b>5.2 Regional Planning</b> - Sydney Drinking Water Catchments	Not applicable
<b>5.3 Regional Planning</b> - Farmland of State and Regional Significance on the NSW Far North Coast	Not applicable
<b>5.4 Regional Planning</b> - Commercial and Retail Development along the Pacific Highway, North Coast	Not applicable
<b>5.8 Regional Planning</b> - Second Sydney Airport: Badgerys Creek	Not applicable
<b>5.9 Regional Planning</b> - North West Rail Link Corridor Strategy	Not applicable
<b>5.10 Regional Planning</b> - Implementation of Regional Plans	Consistent
<b>6.1 Local Plan Making</b> - Approval and Referral Requirements	Consistent
<b>6.2 Local Plan Making</b> - Reserving Land for Public Purposes	Consistent
<b>6.3 Local Plan Making</b> - Site Specific Provisions	Consistent
<b>7.1 Metropolitan Planning</b> - Implementation of <i>A Plan for Growing Sydney</i>	Consistent
<b>7. Metropolitan Planning</b> - Implementation of Greater Macarthur Land Release Investigation	Not applicable

## Section C – Environmental, Social and Economic Impact

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

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

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

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

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

*Economic impacts of proposed contributions on development viability*

A critical consideration in introducing new contribution requirements in the 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.

To understand the economic impacts of the proposed affordable housing contributions, the City obtained independent economic advice to test identified housing sub-markets in the city. The overarching objective of the economic testing was to appreciate the full impacts of implementing the additional affordable housing requirements, how the impacts vary over different parts of the city and how they may be mitigated.

Specifically, the economic testing was to:

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

*Economic impacts on residual land*

In regards to the residual land contribution requirement being proposed, the economic testing undertook generic feasibility testing to examine the likely financial impacts to development following the inclusion of additional affordable housing levy requirements. The testing was necessarily generalised and does not reflect the individual circumstances of every site within the city, however it reflects the economic circumstances of most land.

The testing found that in the short term the immediate introduction of a contribution requirement would likely impact on development viability in all areas of the city, but that there is scope to introduce a levy in the medium term where sufficient warning is given to the market.

Affordable housing contributions are only viable where the prices paid for development sites reflect the applicable planning controls and contributions liability. It is therefore imperative for any affordable housing contributions to be clearly defined so that the relevant parties are informed at the outset and able to make informed decisions at the time of site acquisition.

This Planning Proposal therefore facilitates a moratorium on contribution rates for a specified period. This will facilitate development progression of sites already acquired and allow market expectations to adjust prior to the contribution coming into effect.

### *Economic impacts on Green Square and Southern Employment Lands*

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

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

### *Economic impacts on Central Sydney*

In regard to the impact of increasing the equivalent monetary contribution amounts in Green Square to align with the Southern Employment Lands, economic testing, undertaken in the context of the Central Sydney Planning Review, has determined that, where there is sufficient warning provided to the market, the levy can be tolerated without having any negative impact on development viability.

This Planning Proposal therefore allows for the staged introduction of the levy in Central Sydney and on residual land.

### *Economic impacts on Schedule 7 land*

In regard to the contribution requirement that would apply to 'Schedule 7 land', the economic testing was underpinned by the City's longstanding practice of capturing a proportion of land value uplift for the purposes of public benefit, whether for public domain works, land dedication or affordable housing. A commonly accepted benchmark is 50 per cent of any residual land value gain being directed towards the public benefit. This approach has underpinned the long standing Community Infrastructure Floorspace scheme that operates in Green Square, has informed a number of planning agreement for public benefit, and is consistent with the City's *Guideline to Preparing Site Specific Planning Proposal Requests in the City of Sydney Employment Lands Investigation Areas*.

When 50 per cent of the residual land value gain has been determined, it is intended that this be directed towards the purpose of affordable rental housing. Where other public benefits are being delivered on the site, for example open space, those public benefits would be secured by a VPA with the landowner. In establishing the contribution rate for inclusion on Schedule 7 when the Sydney LEP 2012 is being amended, other public benefits being provided, or any State Infrastructure contribution requirement that applies to the site, will be considered in establishing an appropriate rate. It is noted that in areas where a Special Infrastructure Contribution levy is applicable, the rate may be lower than that detailed in the Program to ensure the cumulative contributions that leverage value uplift do not exceed the percentage capture amount (50%) or land value gain.

Any site that is detailed on Schedule 7 of the Sydney LEP 2012 will not be the subject of a VPA for affordable housing. All affordable housing requirements pertaining to the site will be detailed in the planning controls.

Current practice is that any other local contributions such as community infrastructure payments or Section 7.11 payments (formally known as Section 94 payments) are required on a site by site basis, in addition to any affordable housing contribution requirement. This same method will also be used for 'Schedule 7 land'. The economic advice states that development viability will not be affected as the affordable housing contribution will apply only to new floor area achieved in the change to planning controls.

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

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

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

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

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

To this end, the intention to apply a contribution to Schedule 7 land is clearly articulated in the Program at Appendix A. This will allow prospective landowners and developer to 'factor-in' expected contributions requirements into development decisions.

#### *Economic impacts of the affordability crisis*

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

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

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

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

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

#### *Social impacts of the affordability crisis*

In the city, climbing housing costs are expected to have an increasingly detrimental impact on its socio-economic diversity. Gentrification of inner city neighbourhoods has exacerbated relative

inequality among those who can and cannot afford housing. There is a growing disconnect between affluent households able to afford private market housing and highly socio-economically disadvantaged households living in inner city public housing estates.

The majority of households on very low to moderate incomes who are remaining in the City are increasingly now living in social housing or are in the private rental market and in housing stress or crisis.

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

### *Affordable housing outcomes*

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

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

The City uses a range of approaches to facilitate affordable housing in the LGA. There are around 1,400 affordable rental housing dwellings in the LGA that are built, in the development pipeline or announced. The estimated affordable housing dwellings anticipated to be provided to 2030 is shown at Table 8. Estimates for some areas are difficult to establish.

**Table 8:** Projected affordable housing dwellings

<b>AFFORDABLE HOUSING SOURCE</b>	<b>NUMBER OF DWELLINGS</b>
Built as at 30 June 2017	835
Development pipeline as at 30 June 2017	586
<b>SUBTOTAL to 2019</b>	<b>1,421</b>
Sites in Southern Employment Land investigation areas (under the Guideline)	Unknown
Sites in B7 Business Park zone (preferential LEP clause)	Unknown
Green Square to Ashmore connector road	300
Dunning Ave, Rosebery (Southern Employment Land investigation areas)	8
Southern Employment Lands scheme	130
Ultimo/Pymont scheme	35
Green Square scheme	650

AFFORDABLE HOUSING SOURCE	NUMBER OF DWELLINGS
Central Sydney scheme (proposed)	520
Residual lands scheme (proposed)	590
Schedule 7 land (proposed)	Unknown
<b>TOTAL to 2030 (includes 2019 subtotal)</b>	<b>3,654</b>

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

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

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

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

Table 8 estimates also exclude affordable housing that may result from the proposed introduction of the framework for 'schedule 7 lands'.

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

It is not possible to provide projections of floor area that may result from changes to planning controls in the future. However, an indication of the potential of the proposed 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.

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



streamlined, State Government endorsed approach available to facilitate it. It is envisaged the 'Schedule 7 land' framework proposed in this Planning Proposal will facilitate this.

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

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

## **Section D – State and Commonwealth Interests**

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

While this Planning Proposal will facilitate more affordable housing, it does not propose an increase in density above that which is currently permissible under Sydney LEP 2012. As such, it will not result in an increase in residential or worker population greater than that already anticipated and is not expected to result in any additional burden on existing public infrastructure.

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

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

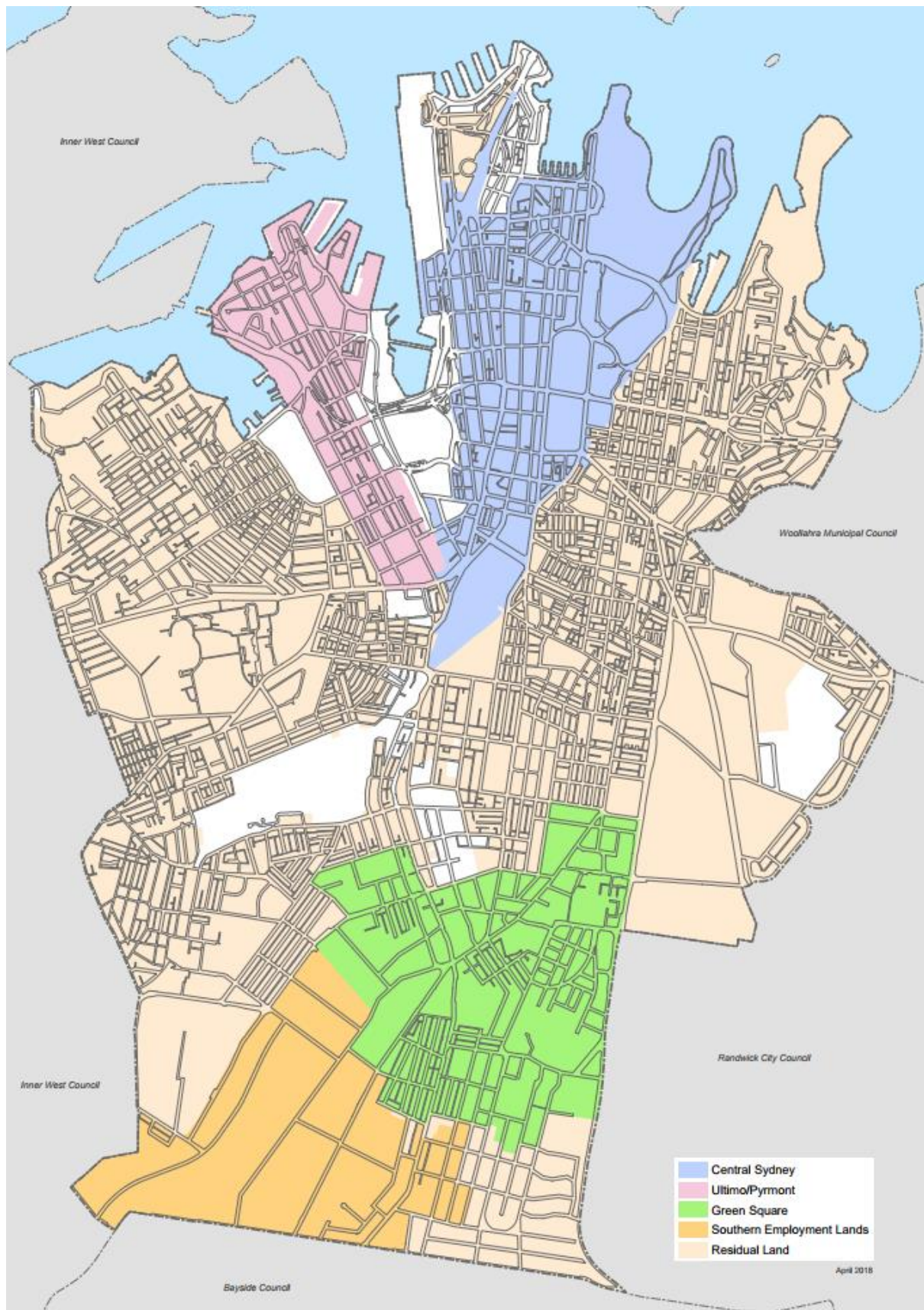
The Gateway determination will advise the full list of public authorities to be consulted as part of this Planning Proposal process and any views will be included in this Planning Proposal following consultation. It is requested that public authority consultation be undertaken concurrently with community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

## Part 4 Mapping

This Planning Proposal seeks to amend the Locality and Site Identification map to identify 'residual land' as shown at Figure 3. 'Residual land' is all land in the city where Council is the consent authority, but that is not in Central Sydney, Green Square, Ultimo-Pyrmont or on Southern Employment Lands, as currently identified on the Locality and Site Identification map. 'Central Sydney' is land identified in Central Sydney on the Locality and Site Identification map that is zoned B8 Metropolitan Centre.

Planning proposal land will be shown on the Locality and Site Identification map when it is listed in the Schedule in the Sydney LEP 2012.

**Figure 3** 'Central Sydney' and 'residual land' to be shown on the Locality and Site Identification map



## Part 5 Community Consultation

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

It is proposed that, at a minimum, this will involve the notification of the public exhibition of this Planning Proposal:

- on the City of Sydney website
- in newspapers that circulate widely in the City of Sydney LGA.

It is requested that this Planning Proposal be publicly exhibited for a period of not less than 28 days in accordance with section 5.5.2 of 'A guide to preparing local environmental plans'.

It is proposed that exhibition material will be made available on the City of Sydney Website and at the following Council locations:

- Town Hall House, 456 Kent Street, Sydney
- Green Square, 100 Joynton Avenue, Zetland
- Redfern, 158 Redfern St, Redfern

Consultation with relevant NSW agencies and authorities and other relevant organisations will be undertaken in accordance with the Gateway Determination.

## Part 6 Project timeline

The following project timeline will assist with tracking the progress of the planning proposal through its various stages of consultation and approval. It is estimated that this amendment to Sydney LEP 2012 will be completed by January 2019 as shown in Table 9.

**Table 9** Project timeline

Stage	Anticipated timeframe
Submit Planning Proposal to Department of Planning and Environment seeking a Gateway Determination	March 2017
Receive Gateway Determination	January 2018
Satisfy conditions in Gateway Determination and receive updated Gateway Determination	May/June 2018
Public exhibition and public authority consultation of Planning Proposal, and draft Affordable Housing Program	July 2018
Review of submissions received during public exhibition and public authority consultation	August/September 2018
Council and Central Sydney Planning Committee approval of Planning Proposal and draft Affordable Housing Program	November 2018
Drafting of instrument and finalisation of mapping	December 2018
Amendment to <i>Sydney Local Environmental Plan 2012</i> legally drafted and made	January 2019