

Employment Lands Affordable Housing Program

30 March 2015



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1 About the Program

1.1 Purpose of this Program

The Employment Lands Affordable Housing Program (this Program) applies to the southern employment lands. Section 3 of this Program also applies to the Parramatta Road employment lands. The employment lands are shown at Figure 1.

The Program provides the background, requirements and operational detail for:

- the southern employment lands affordable rental housing scheme;
- developing affordable rental housing in the City of Sydney B7 Business Park zone; and
- preparing a site specific planning proposal in ‘investigation areas’ within the B7 Business Park zone where it results in affordable rental housing.

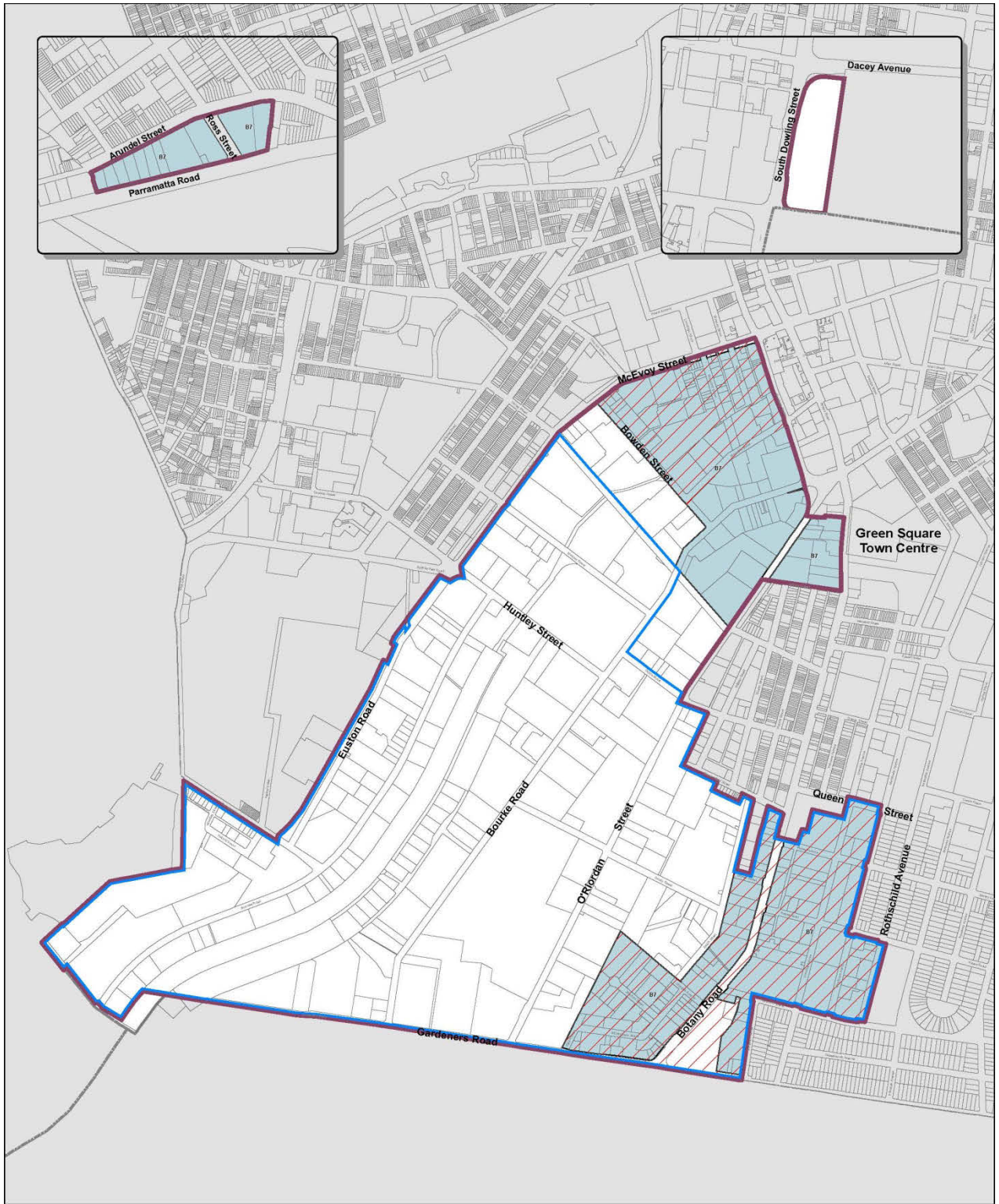
1.2 The Employment Lands Affordable Housing Program

The intent of this Program is to ensure that as new jobs are created in and around the southern employment lands, some affordable rental housing is provided for essential and low income earners.

The *City of Sydney Employment Lands Strategy 2014* (the Strategy) provides for a new approach to zoning in the employment lands to facilitate a more intense use of the land over time. As a result of rezoning, the southern employment lands will undergo substantial change in the next 20 years as they transition from an area characterised by traditional manufacturing industries and low density employment to more diverse employment comprising both low and higher density uses.

The rezoning will result in an increase in the number of workers, including lower paid workers in the area and an increase in demand for affordable housing. Indirectly, new businesses and workers will generate demand for services generally staffed by lower income earners, such as childcare, retail (including food and drink premises) and cleaning services.

Research shows that as a result of rezoning the value of land in the southern employment lands will generally increase. As land prices for housing around the southern employment lands increase, the affordability of housing will decrease, particularly for very low to moderate income earners within the City. Based on current trends, the renewal of the area will continue to produce upward pressures on property values beyond the means of very low to moderate income groups to purchase or rent in the area.



- KEY**
- SOUTHERN EMPLOYMENT LANDS CONTRIBUTION AREA
 - B7 BUSINESS PARK
 - INVESTIGATION AREA
 - EMPLOYMENT LANDS



0 250 500m

SEPTEMBER 2014

Figure 1: City of Sydney Employment Lands

Without provision of more affordable forms of housing, the market can be expected to continue to produce housing in the area aimed at households on relatively high incomes. Lower income households would need to move out of the area or may be prevented from finding housing in the area close to new employment opportunities.

There are three mechanisms recognised in the Strategy to encourage affordable rental housing in and around the southern employment lands, including:

- the southern employment lands affordable housing scheme (Section 2);
- permitting affordable housing in the B7 Business Park zone, which also includes the Parramatta Road employment lands (Section 3); and
- site specific planning proposals in investigation areas (Section 4).

This Program provides the operational detail for each mechanism.

1.3 Objectives of the Program

- Recognise affordable rental housing as critical social infrastructure necessary to support sustainable employment growth and efficient business in the City of Sydney Local Government Area (LGA).
- Ensure there are opportunities for very low to moderate income earners who work in the southern employment lands to live within the vicinity of employment areas.
- Ensure that as higher value uses are admitted in in the southern employment lands as a result of rezoning, that affordable rental housing is provided to mitigate the impact on housing affordability for very low to moderate income households.
- Facilitate opportunities for government and community housing providers to supply affordable housing within the employment lands in appropriate locations.
- Provide principles to guide site specific planning proposals in the identified investigation areas of the southern employment areas where the proposal incorporates a significant proportion of affordable rental housing.

1.4 Employment Lands Affordable Rental Housing Principles

The employment lands affordable rental housing principles are:

- affordable rental housing should be provided and managed in the City of Sydney LGA so that a socially diverse residential population representative of all income groups is maintained;
- affordable rental housing that is provided is to be made available to a mix of households on very low to moderate incomes;
- affordable rental housing that is provided is to be rented to eligible households at an appropriate rate of gross household income;
- dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable rental housing; and
- affordable rental housing is to consist of dwellings constructed to a standard which, in the opinion of the Council, is consistent with other dwellings in the City of Sydney LGA.

1.5 Amending this Program

This Program was adopted by the Council of the City of Sydney on 30 March 2015.

In amending this Program, the City is to consult with the Department of Planning and Environment and the Community, Homes and Place Program (CHPP).

Amendment to the Program will generally require amendment to the *Sydney Local Environmental Plan 2012*, which directly refers to this Program as dated.

1.6 Terms used in this Program

Affordable housing

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* as:

“housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument”.

Affordable rental housing

Affordable rental housing or **Affordable rental dwelling** is **affordable housing** that is managed by an **eligible community housing provider** and rented to **very low to moderate income households**.

Community, Homes and Place Program

The **Community, Homes and Place Program** (CHPP) forms part of the NSW Department of Families and Community Services. The CHPP is responsible for the day to day administration of the southern employment lands affordable housing scheme.

City of Sydney Local Government Area

The **City of Sydney Local Government Area (LGA)** refers to the area within the “LGA Boundary” shown in the *Sydney Local Environmental Plan 2012* Land Application Map, as published in the NSW Government Gazette on 14 December 2012.

Council / City

References to **City** are references to the City of Sydney organisation. References to the **Council** are references to the Council of the City of Sydney, that is, the City’s elected representatives.

Affordable Housing Covenant

The affordable housing covenant ensures the benefits of affordable housing are secured in accordance with this Program in the long term.

The affordable housing covenant will be required to be registered, before the date of the issue of the occupation certificate, against the title of the property, in accordance with section 88E of the *Conveyancing Act 1919*. The covenant will:

- require affordable rental housing to be retained as affordable rental housing in perpetuity;
- require affordable rental housing to be managed in accordance with the Employment Lands Affordable Rental Housing Principles;
- allow at the sole discretion of Council for the removal of the covenant to facilitate the sale of affordable rental housing where Council is satisfied equivalent or better replacement stock is to be provided within the LGA; and

- allow for the lifting of the covenant at the sole discretion of Council in the circumstance that the eligible community housing provider becomes insolvent and another eligible community housing provider, or the Council, is unable or unwilling to take over the interest in the asset.
-

Eligible Community Housing Providers

Eligible Community Housing Providers that may receive funds resulting from Section 2 of this Program include those that are:

- registered as Class 1 or Class 2 providers on the Register of Community Housing Providers which is managed and maintained by the Registrar of Community Housing; or
- classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

Class 1 or 2 or Tier 1 or 2 community housing providers are the most sophisticated providers with asset procurement and development functions and the ability to grow social and affordable housing supply through debt funding, construction, purchase and acquisition and/or complex tenancy and property management functions.

A panel of preferred eligible CHPs may be established by tender.

In-kind and in-lieu contribution

In-kind contribution refers to the contribution of actual affordable housing dwellings while **in-lieu contribution** refers to monetary contribution towards the provision of affordable housing dwellings.

Program Steering Committee

The **Program Steering Committee** comprises representatives from the CHPP and the City. Broadly, the role of the Committee is to oversee the allocation of funding resulting from the southern employment lands affordable housing scheme.

The Terms of Reference for the Program Steering Committee are at Appendix B.

Total Floor Area

As defined by Clause 7.13(6) of *Sydney Local Environmental Plan 2012* (Sydney LEP 2012):

total floor area means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following:

- a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,
- b) any area of a balcony that is more than the minimum area required by the consent authority in respect of the balcony,
- c) the maximum ancillary car parking permitted by the consent authority and any associated internal vehicular and pedestrian access to that car parking,
- d) space for the loading and unloading of goods.

Clarifications:

- the minimum-sized balconies required to be provided under the planning controls for residential buildings are included in the calculation of total floor area;
 - any extra balcony area (above what is required by the planning controls) is not included as total floor area so as not to penalise applicants for providing more generous balconies; and
 - balconies provided on any non-residential building will not be included in the calculation of total floor area, unless they are enclosed by an outer wall.
-

Very low to moderate income households

Derived from *State Environmental Planning Policy No 70—Affordable Housing (Revised Schemes)* (SEPP 70):

Very low to moderate income households are those households whose gross incomes fall within the following ranges of percentages of the median household income for the time being for the Sydney Statistical Division according to the Australian Bureau of Statistics:

- Very low income household - less than 50%
 - Low income household - 50 or more but less than 80%
 - Moderate income household – 80 to 120%
-

2 Southern Employment Lands Affordable Housing Scheme

2.1 About the Scheme

The Southern Employment Lands Affordable Housing Scheme (the Scheme) applies to development within the southern employment lands contributions area as shown in Figure 1.

2.1.1 Aim of the Scheme

The aim of the Scheme is to maximise the amount of affordable housing resulting from contributions in the employment lands. This will contribute towards achieving the 7,959 affordable rental dwellings estimated to be required within the City of Sydney by 2030¹.

To achieve this aim, contributions must be collected for every square metre of new development in the contribution area².

2.1.2 Legislative basis for the Scheme

Section 94F of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

- (a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
- (b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
- (c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
- (d) the regulations so provide.³

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

Sydney LEP 2012 contains controls for the calculation, levying and management of affordable housing contributions in the southern employment lands, the Green Square Urban Renewal Area (Green Square) and Ultimo-Pyrmont. The LEP also identifies development that is excluded from making a contribution

¹ *City of Sydney Affordable Rental Housing Program 2009-2014*.

² New development includes adaptive reuse of existing floorspace and new floorspace.

³ Development must only satisfy one of these conditions for Council to be able to require a contribution.

under the schemes. The LEP requires that affordable housing resulting from the levy must be provided in accordance with this Program (refer to section 2.1.5 of this Program).

The Scheme operates on the premise that all land in the southern employment lands increases in value as a result of its rezoning and public investment in infrastructure. The Scheme seeks to utilise some of this increase in land value for the provision of affordable housing by requiring new development on the land to make a contribution to achieving the City's affordable housing target.

All development in the southern employment lands that is not explicitly excluded from the provisions under Sydney LEP 2012 is subject to the collection of contributions for affordable housing under Section 94F of the Act because:

- renewal and redevelopment will reduce the availability of affordable housing by increasing demand for affordable housing while also increasing the cost of housing in the local government area;
- SEPP 70 establishes a need for affordable housing in the LGA. Demand for affordable housing will only be increased by renewal and redevelopment. Appendix A provides additional analysis of the need for affordable housing in the LGA; and
- most non-industrial development would not have been permissible prior to large areas of the employment lands being rezoned to permit a much broader range of higher value uses.

Where there is an inconsistency between this Scheme and any environmental planning instrument applying to the same land, the provisions of the environmental planning instrument shall prevail.

2.1.3 Affordable housing contributions

All development within the southern employment lands contribution area, other than development expressly excluded by Sydney LEP 2012, is required to make a contribution towards affordable housing. The rate of contribution required is established by Sydney LEP 2012 as:

- 1 per cent of the total floor area that is to be used for non-residential uses; and
- 3 per cent of the total floor area that is to be used for residential uses.

A contribution is to be calculated based on the total floor area of the whole development on the site. There are no 'savings' or 'credit' for floor space that already exists on the site, even if the building is being adapted and reused.

There are two possible ways to make the contribution:

- in-kind contribution – build and dedicate free of charge the required affordable rental housing dwelling/s; or
- in-lieu contribution – a monetary contribution that is equivalent to the required 'in-kind' affordable rental housing.

While it is generally preferred that affordable rental dwellings be incorporated within the proposed development, or alternatively delivered elsewhere within the LGA, much of the southern employment lands are not zoned for residential development. Where it is not possible or practical for affordable rental housing to be provided in-kind, an equivalent monetary contribution is the alternative.

If the contribution requirement is less than 50 square metres, then it must be made by way of monetary contribution.

A contribution may comprise a combination of in-kind and monetary contribution.

The requirement for contribution will be a condition of development consent. In all instances the Council will require evidence that the condition of development consent relating to affordable housing has been satisfied prior to the granting of any construction certificate.

In circumstances where no construction certificate is required, evidence that the condition of development consent relating to affordable housing will be or has been met will be required by Council before commencement of use.

2.1.4 Management of affordable rental housing

Affordable rental dwellings resulting from in-kind or monetary contributions are to be provided in accordance with the Employment Lands Affordable Rental Housing Principles set out in this Program. The Principles are satisfied where all the following conditions are met:

- affordable rental dwellings are owned by government or an eligible community housing provider;
- affordable rental dwellings are provided in the LGA in perpetuity;
- affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income;
- where more than 10 affordable rental dwellings are being provided, at least 15 per cent of dwellings are to be allocated to very low income households and 15 per cent of dwellings to low income households;
- all rent received after deduction of management and maintenance costs will be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing; and
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are not differentiated as affordable housing compared with the design of other housing.

2.1.5 What development is not required to make an affordable housing contribution?

2.1.5.1 Excluded development

Sydney LEP 2012 excludes the following development from a requirement to make an affordable housing contribution:

- development for the purposes of accommodation that will result in the creation of a residential total floor area of less than 200 square metres or 60 square metres of non-residential total floor area . To clarify, where additional floor space is in conjunction with a change of use of existing floor space, existing floor space is not excluded and the contribution is calculated on the entirety of floor space in the development (existing and new floor space);
- development for the purposes of residential accommodation that is used to provide affordable housing or public housing;
- development for the purposes of community facilities, public roads or public utility undertakings; and
- development on the land located in the IN1 General Industrial zone.

Because all land in the southern employment lands has benefited from the area’s renewal, an affordable housing contribution is required for all development that is not specifically excluded from the provisions under Sydney LEP 2012.

For example:

A development of a 1,000 square metre building involves the conversion from a warehouse to an office and includes a 50 square metre addition to the building. The result is a development with a total floor area of 1,050 square metres.

Even though the development application is for less than 60 square metres of new floor space, the development is not exempt, because it is in conjunction with a change of use. The contribution will be calculated on the entirety of floor space in the development, being 1,050 square metres.

2.1.5.2 Minor development

The consent authority may consider a case for exempting minor development from the requirement for an affordable housing contribution. Generally, ‘minor works’ are considered to be:

- development that relates to less than 15 square metres or 15 per cent of the existing floor area, whichever is less (including refurbishment or a change of use); or
- minor refurbishment or repair works with a construction value of less than \$15,000; or
- works where the applicable affordable housing contribution amounts to more than 30 per cent of the agreed cost of construction.

2.2 In-kind contribution

2.2.1 Making an in-kind contribution

Complete affordable rental dwellings are to be dedicated free of cost in favour of the Program Steering Committee's nominee.

The development application to Council must identify the affordable rental dwellings to be dedicated. The application will be referred to the Program Steering Committee to:

- assess the suitability of the proposed in-kind contribution with reference to the Employment Lands Affordable Housing Principles set out in this Program; and
- nominate and seek the agreement of an eligible CHP to receive the dwelling(s).

Where the proposed dwellings are not appropriate for the purpose of affordable housing, the Program Steering Committee may recommend changes or alternatively may require monetary contribution.

Where the proposed dwellings are approved by the Program Steering Committee a condition of consent requiring dedication of the affordable housing dwelling(s) will be imposed by the consent authority.

2.2.2 Conditions of consent for in kind contribution

Where an in-kind contribution is being made the condition of consent is to contain the following information:

- the total floor area of the dwellings to be dedicated;
- the dwellings must be shown on the approved plans, and referenced in the affordable housing condition;
- the total floor area of the residential component of the development and the total floor area of the non-residential component of the development that was used to calculate the contribution;
- the contribution period at the time of determination (i.e. for a consent dated July 2015, the contribution period is 1 June 2015 – 31 August 2015);
- a requirement that an affordable housing covenant be placed on the title of the land; and
- a requirement that prior to the granting of a construction certificate, evidence be provided of an agreement to transfer title of the affordable rental dwelling(s) to the Program Steering Committee's nominee.

2.3 In-lieu (monetary) contribution

2.3.1 Making a monetary contribution

For the period of 1 September 2014 to 30 November 2014, the monetary contribution rates in-lieu of providing dwellings on site are:

- \$247.06 per square metre of total floor area used for residential uses; and
- \$82.35 per square metre of total floor area used for non-residential uses.

Contribution rates are adjusted on a quarterly basis in accordance with Section 2.3.3. The City of Sydney's website will contain the current rates for the Scheme.

Payment will be by unendorsed bank cheque to the City of Sydney prior to issue of construction certificate.

Instructions on how to make payment are available on the City's website.

2.3.2 Conditions of consent for in-lieu monetary contribution

Where a monetary contribution is being made, the condition of consent is to contain the following information:

- the monetary contribution required;
- the total floor area of the residential component of the development and the total floor area of the non-residential component of the development that was used to calculate the contribution;
- the contribution rates which are current at the date of determination;
- the contribution period at the time of determination (i.e. for a consent dated July 2015, the contribution period is 1 June 2015 – 31 August 2015);
- the method of adjustment to contribution rates; and
- a requirement that the condition be satisfied to Council's satisfaction prior to the issue of a construction certificate. Where a construction certificate is not required, the condition must be satisfied prior to the commencement of construction.

2.3.3 Adjustment of monetary contribution rates

Contribution rates are adjusted on a quarterly basis, being the first days of March, June, September and December, to ensure that the contributions reflect the cost associated with the provision of affordable housing.

Rates are adjusted with reference to movements in the median price for strata dwellings in the City of Sydney LGA. The median strata dwelling price is published quarterly in the NSW Government Rent and

Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata. The Rent and Sales Report is available on the NSW Government, Family and Community Services website.

The formula for adjustment of the contribution rates is:

$$\text{Next Quarters Contribution Rate} = \text{Current Contribution Rate} \times (\text{MDP2}/\text{MDP1})$$

Where:

MDP1 is the median dwelling price for the PREVIOUS period

MDP2 is the median dwelling price for the CURRENT period

The City of Sydney's website will contain the current rates for the Scheme.

2.3.4 Adjustment of a monetary contribution amount

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2015 and the applicant does not wish to pay the contribution and develop the site until August 2018, the contribution amount will need to be adjusted to the period in which it is paid.

Monetary contributions are adjusted by the City and confirmed with the applicant prior to payment being made.

The formula for adjusting a contribution amount in a condition if consent is:

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{MDP2}/\text{MDP1})$$

The Base Contribution Amount is the amount obtained from the Notice of Determination and based on the contribution rates at the time of determination of the development application.

MDP1 is the median dwelling price that applied at the time of consent.

MDP2 is the median dwelling price that applies at the time of payment.

2.3.5 Where a previous affordable housing contribution has been paid

If an affordable housing contribution has already been paid in accordance with the Scheme, then a contribution is not required on subsequent development on land if:

- the total floor area is the same, or because of redevelopment of the site, will replace an equivalent area; or
- the same percentage of the total floor area has already been provided for use for affordable housing.

Where a development is for a larger total floor area than a previous development on the site for which an affordable housing contribution was made, then the consent authority must require a contribution for the difference in total floor area. It does not matter whether the floor area for which the contribution was previously paid is demolished or re-used as part of the new development.

For example:

A contribution was previously paid for a mixed business development with a total floor area of 1,000 square metres.

A subsequent consent is sought to demolish the building and construct a new mixed business development with a total floor area of 3,000 square metres.

The applicant must pay a contribution which is calculated using the difference in total floor area, being 2,000 square metres:

Contribution = 2000 x non-residential contribution rate*

* using the rates which are current at the time of the determination of the development application for the new development

Where a contribution has been collected for a non-residential development under the Scheme and a subsequent development is for the same area but for residential uses (which attract a higher rate of contribution) the consent authority must require a contribution for the difference between the two rates. It does not matter whether the floor area for which the contribution was previously paid is demolished or re-used as part of the new development.

For example:

A contribution was previously paid for an office with a total floor area of 500 square metres.

A subsequent consent is sought to refit the office for dwellings with the same total floor area of 500 square metres.

The applicant must pay a contribution which is calculated as follows:

Contribution = (500 x residential contribution rate*) - (500 x non-residential contribution rate*)

* using the rates which are current at the time of the determination of the development application for the new development

2.3.6 Refunds for demolition or changes in use

Sydney LEP 2012 requires that the consent authority must not refund the applicant where there is a change in use from residential uses to non-residential uses, and the monetary contribution required for the subsequent development is less.

The same applies where affordable housing dwellings are provided on site, in that the dwellings are to remain the property of the community housing provider.

2.4 How are contributions used?

Contributions are to be managed and allocated by the Centre. As sufficient funding becomes available through the Scheme, the CHPP will seek proposals from eligible community housing providers for projects for the development of affordable housing within the LGA. The Program Steering Committee is to provide advice about the terms of tenders or requests for expressions of interest.

Tenders or requests for expressions of interest may be issued for:

- immediate use of contribution funds for development in the LGA;
- allocation of funding for eligible community housing providers to seek development opportunities in the LGA; or
- land and funding packages, where land is made available by supplementary sources for the purpose of developing affordable housing.

Terms will include, amongst other things, that proposals demonstrate how the resulting affordable rental housing will be consistent with the Employment Lands Affordable Rental Housing Principles set out in this Program and comply with the requirements of this Program. Proposals will also be required to demonstrate how funding will be leveraged to maximise the quantum of affordable rental housing dwellings. Priority will be given to eligible community housing providers who have appropriate experience.

Proposals are evaluated by a tender assessment panel, convened by the CHPP and comprising equal representation from the City and the CHPP.

2.5 Management of funds in waiting

Contributions are to be pooled and managed by the CHPP until such time as there is sufficient funding available to issue a tender or request for expressions of interest.

Any financial return resulting from the management of funds in waiting is to be used for the purpose of developing affordable housing in accordance with this Scheme.

2.6 Monitoring and review of the Scheme

The Scheme will be reviewed by the Program Steering Committee on an annual basis. Key performance indicators will be made available on the City of Sydney's website on an annual basis, including:

- amount of funds in waiting;
- allocation of funding in that year; and
- number of delivered affordable housing dwellings.

3 Affordable Housing in the B7 Business Park Zone

3.1 Overview

The proximity of lands zoned B7 Business Park to amenities and services makes them suitable for residential development where they do not undermine the broader employment focused objectives of the B7 zone. The lands zoned B7 are shown at Figure 1.

In Green Square and the southern employment lands, the lands zoned B7 are serviced by good levels of public transport, including the Green Square train station in the north and high frequency bus services along Botany Road to the south. They are also located close to the amenities and social infrastructure being provided in Green Square Town Centre. The lands zoned B7 along Parramatta Road are also well serviced by transport along Parramatta Road and the services and amenities of Glebe and Sydney CBD.

3.2 Requirements for affordable housing in the B7 Business Park Zone

Affordable rental housing developed pursuant to Clause 7.13A of Sydney LEP 2012 is to be managed in accordance with the Employment Lands Affordable Rental Housing Principles set out in this Program. The Principles are satisfied where all the following conditions are met:

- affordable rental dwellings are owned and/or managed by an eligible community housing provider;
- an affordable housing covenant is registered on the title of the land;
- affordable rental dwellings are rented to very low, low and moderate income households at 25 to 30 per cent of gross household income;
- all rent received after deduction of management and maintenance costs will be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing; and
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are not differentiated as affordable housing compared with the design of other housing.

3.3 Development applications

Clause 7.13A of the Sydney LEP 2012 permits affordable housing to be developed in the B7 Business Park zone on appropriate sites. Development applications that comprise affordable housing dwellings are subject to the land use and planning controls under Sydney LEP 2012 and Sydney DCP 2012.

The City may require a Stage 1 development application to assess the suitability of a site for affordable housing prior to the preparation of a detailed Stage 2 development application. Development applications may be referred to the Program Steering Committee for comment.

Proponents should seek pre-development application advice from the City.

3.4 Conditions of consent

Where a development consent is issued for affordable rental housing pursuant to Clause 7.13A of Sydney LEP 2012, the condition must contain the following information:

- the affordable rental housing dwellings must be shown on the approved plans and referenced in the affordable housing condition;
- the total floor area of the affordable housing;
- where the landowner is not an eligible community housing provider, a requirement that:
 - a management agreement with an eligible community housing provider be provided to Council prior to the granting of an occupation certificate;
 - Council be notified at the expiry or cessation of the management agreement and provided a copy of a replacement management agreement; and
- a requirement that an affordable housing covenant is registered on the title of the land.

4 Site specific planning proposals in investigation areas

4.1 Overview

The Employment Lands Strategy invites site specific planning proposals in the investigation areas within the B7 Business Park zone. Investigation areas are identified in Figure 1.

The Strategy provides that planning proposals will be considered by the City, but only where there is a public benefit. Planning proposals may be for rezoning of a site to allow for market housing as well as for increases in height and/or floor space ratios.

This Section provides general information about site specific planning proposals in investigation areas. More detailed information about the approach is provided in *A Guideline to Preparing Site Specific Planning Proposal Requests in Investigation Areas*, available on the City of Sydney's website.

4.2 Initiating a site specific planning proposal

The initial stages of a site specific planning proposal can be described as a discussion between the community (represented by Council) and the proponent and/or landowner about proposed changes to land use and planning controls.

The aim of the discussion is to establish if the proposed changes have strategic planning merit, including:

- Are the proposed controls consistent with the strategic objectives of the NSW Government and the City?;
- Are the proposed uses appropriate in the location?;
- Is the proposed built form suitable for the site and surrounds?;
- Will changes to planning controls result in real public benefit?.

The Strategy includes public benefit principles to guide a consistent approach to what may be considered a positive public outcome on a site. A key public benefit to result from site specific planning proposals in the investigation areas within the B7 Business Park Zone is affordable rental housing.

4.3 Management of affordable rental housing

Affordable rental housing resulting from a site specific planning proposal is to be managed in accordance with the Employment Lands Affordable Rental Housing Principles provided in Section 1. The Principles are satisfied where all the following conditions are met:

- affordable rental dwellings are owned and/or managed by an eligible community housing provider;
- an affordable housing covenant is registered on the title of the land;
- affordable rental dwellings are rented to very low, low and moderate income households at 25 to 30 per cent of gross household income;
- all rent received after deduction of management and maintenance costs will be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing; and
- affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is they are not differentiated as affordable housing compared with the design of other housing.

Appendix A - Background Information

Introduction

This Section establishes the need for affordable housing resulting from the rezoning and urban renewal of the southern employment lands.

The *City of Sydney Employment Lands Strategy 2014* (the Strategy) introduced a new approach to zoning in the southern employment lands. Where before much of the southern employment lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the Strategy enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on. As a result, significant redevelopment is anticipated as a result of the rezoning of the southern employment lands as the area transitions from predominantly traditional manufacturing industries to more modern employment.

While the type of jobs that are likely to locate in the area will potentially attract higher paid workers that may be able to afford to live in close proximity without being in rental stress, a proportion of new jobs are likely to be for very low to moderate income earners. Moreover, these new workers will generate demand for services generally staffed by lower income earners, such as childcare workers and shop assistants.

The increase in land value and gentrification in and around the southern employment lands will have an impact on the affordability of housing, particularly for very low to moderate income earners within the City.

Redevelopment in and around the southern employment lands will continue to produce upward pressures on property values and on purchase and private rental accommodation costs, beyond the means of very low to moderate income households.

Without provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing in the area, so that housing will only be affordable to households on relatively high incomes. Lower income households would need to move out of the area or may be prevented from finding housing in the area close to new employment opportunities.

For landowners, the result of this rezoning is more valuable land because it can be utilised for higher value development such as retail and offices. The higher land values emerge from the rezoning rather than from any value added by the landowner. This land value increase creates opportunities to implement affordable housing mechanisms without reducing the value of the land prior to its rezoning.

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

What is affordable housing?

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* as “housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument.”

In 2011 ABS Census data found that the median income in Sydney is \$1,444 per week (\$75,088 per annum), therefore:

- very low income households are those earning less than \$722 per week;
- low income households are those earning between \$723 and \$1155 per week;
- moderate income households are those earning between \$1156 and \$1732 per week;

Very low to moderate income households often comprise key workers, such as cleaners and childcare workers, who are critical to the efficient functioning of a city.

In the City of Sydney the private housing market is unlikely to deliver housing, for purchase or for rental, which is within the reasonable means of very low to moderate income households. Where low cost housing can be found, the demand for it is so high that it is not necessarily target income groups who absorb it. Therefore, in the context of the City, the term ‘affordable housing’ is taken to mean ‘affordable rental housing’ that is managed by a CHP and rented specifically to target income households.

Why is affordable housing important?

Socio-economic impacts

Rising land and property prices, driven by a range of factors including population growth, constrained land supply and Commonwealth fiscal policy, have resulted in declining housing affordability across the City. This is expected to have increasingly detrimental impacts on its socio-economic diversity.

Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. In these areas, the market is becoming virtually inaccessible to those on very low to moderate incomes. This issue also has a dimension of generational inequality, as younger people (typically first home buyers) are increasingly priced out of the market.

This trend is coupled with inadequate new supply of social and affordable housing in the inner city, both of which are necessary to mitigate market affordability impacts in maintaining accessibility of inner city housing to socio-economically diverse communities. 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 housing stress or crisis in the private market – spending more than 30 per cent, to 50 per cent, of their gross income on rental costs.

Economic impacts on the City and NSW

Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic and social impacts.

The City is concerned that the growing loss of very low to middle income households from inner Sydney may result in essential employment sectors finding it increasingly difficult to fill employment vacancies and staff shifts, hampering business productivity and economic growth.

An estimated 47,000 key workers across the public and private sectors currently work in the City.

Public sector key workers are estimated at 24,000, comprising 6.2 per cent of the City's total workforce. This includes teachers, nurses, police, community services workers and ambulance and public transport drivers⁴. In terms of residents, the proportion of the City's residential workforce-aged population engaged in these key public sector occupations fell from 8.6 per cent in 2006 to 8.4 per cent in 2011.

This higher proportion of local resident workforce (8.4 per cent) in the sector over the local employment (6.2 per cent) reflects the current and traditional diversity of population in the City. But notably this differential has declined in just five years. This finding is aligned with anecdotal evidence that suggests that lower paid key workers are increasingly being forced out of the City, relocating to outer suburbs and commuting further distances to employment.

In terms of private sector key workers, City employers in the tourism and hospitality industries have expressed concern at the increased difficulty of attracting and retaining low income workers in hospitality occupations, particularly skilled casual workers. Other businesses more generally have identified similar problems with attracting and retaining low-income cleaning and maintenance staff or contractors. Census data indicates that the City's employment includes approximately 23,000 in these occupations (about 5.9 per cent of the City's total workforce). This figure does not include retail sales assistants nor telecommunications support. Whilst lowly-paid, these occupational employees play a critical or key role in ensuring the overall profitability and success of City businesses.

Additionally, the City is concerned with the impacts of declining housing affordability on the lower income workers who are not traditionally classified as 'key workers' but who are essential to the social and economic diversity and cultural vitality of the city. This includes the artists and musicians who play a vital role in the success of Sydney's cultural and community life.

These issues represent a significant risk to Sydney's economic productivity and success as a global City. Further, given Sydney's role as Australia's economic capital, this situation poses broader risks to the economic development of the state and nation. The impacts of housing affordability on international students seeking to live near Sydney's key universities, for example, represents an implicit risk to the success of Australia's \$6 billion international education export industry.

⁴ These figures have been collated from the 2011 Australian Bureau of Statistics Census as part of the City's current investigations into affordable housing, utilising a definition of "key worker" comparable to that applied by the UK Government for its 2011 Key Worker initiative. UK studies suggest a similar key worker proportion result in London.

Affordable housing in the City of Sydney

Demand for affordable housing

Over the last decade the City has experienced significant population growth, making it the fastest growing local government area, not only in the Sydney metropolitan area, but also in NSW. Between 2001 and 2012, the City's residential population increased by almost 58,000 people, both the largest and fastest (44.7 per cent) increase amongst local government areas in the entire state⁵. Strong demand for social, public and affordable housing in the City, and in inner Sydney more broadly, is expected to continue to grow.

This is a result of a combination of demand factors adversely impacting the affordability of private market housing, including:

- strong population growth – of both residents and workforce – resulting in increasing competition for private housing, pushing up prices and rents beyond the means of growing numbers of very low to moderate income earners;
- continuing strong economic and associated employment growth in the Sydney CBD, making it a desirable location to live, and exacerbating competition for private rental housing;
- increasing demand from domestic investors for inner Sydney properties, encouraged by rising residential property prices and subsequently higher rental costs; and
- increasing demand for inner Sydney properties from overseas investors.

Effect on lower income households

The above demand factors have driven significant house price increases – a situation which is effectively excluding very low and many moderate income households from purchasing property in the inner city. According to RP Data information, Sydney recorded the strongest yearly growth across capital cities, with an annual rate of 14.5 per cent in 2013. The recent upturn in the Sydney market is being led by inner Sydney, which outperformed Sydney's overall median growth.⁶ Since September 2012, median inner Sydney dwelling prices grew by \$156,000.

The inner Sydney median dwelling price is now at a high of \$831,000. By comparison, the Greater Sydney median dwelling price is \$605,000.⁷ The inner and middle ring of Sydney is now at a considerable premium compared to other parts of NSW. Assuming repayment of a \$500,000 mortgage at a 5 per cent interest rate, weekly repayments on such a mortgage would be \$674.

Those who choose to stay in the City and rent are now facing significant rent rises. The inner Sydney median weekly rent for all dwellings is \$585 compared; the Greater Sydney median weekly rent is \$480.⁸

⁵ ABS Regional Population Growth, Australia, 2012 - Catalogue No. 3218.0

⁶ NSW Parliamentary Research Service, 2014, *House prices, ownership and affordability: trends in NSW. Briefing Paper No 1/2014*

⁷ NSW Rent and Sales Report, 2014, June and March Quarter 2014.

⁸ NSW Rent and Sales Report, 2014, June and March Quarter 2014.

Within the City, the median weekly rent for a two bedroom dwelling is \$700. This represents a 25 per cent over increase from the weekly rent for a two bedroom dwelling of \$560 at December 2009, a 5.5 per cent average annual increase.

In terms of a very low to moderate income household's capacity to pay current rents or mortgage repayments, the maximum that could be paid before a household is in housing stress, that is paying more than 30 per cent of gross income in housing costs, is:

- \$216 per week, for a very low income household;
- \$346 per week, for a low income households; and
- \$519 per week, for a moderate income household.

The disparity between housing costs in inner Sydney and ability of very low to low income households to pay is clear.

Demand for affordable housing resulting from rezoning

The *City of Sydney Employment Lands Study 2012* undertaken by SGS Economics found that of the 11 land use categories that were assessed, freight and logistics occupies the highest proportion of floor space in the southern employment lands (28 per cent), followed by office uses (17 per cent). Manufacturing was the largest industry in terms of the number of employed workers, followed by transport and storage, and wholesale trade. These are also industries in which the southern employment lands have a high level of specialisation. Wholesaling, retailing, transport and printing were the largest subcategories of employment, each accounting for more than 5 per cent of total employment.

The SGS study established that employment across the southern employment lands is projected to grow mostly in the wholesale trade and professional services sectors, with the highest decline in employment expected in the manufacturing industry. By 2036, given current trends, the sectors employing the most workers in the southern employment lands will be wholesale trade, transport, postal and warehousing, and professional services.

The SGS study informed a subsequent study by Hill PDA commissioned by the City, the *City of Sydney Employment Lands Economic Analysis and Opportunities Study 2013*. The Hill PDA study provides more nuanced guidance for the type of development and jobs that are likely in the southern employment lands. Based on a market appraisal of the southern employment lands and the wider Green Square Urban Renewal Area, the study found that there is:

- a shrinking role of traditional manufacturing and exodus of many businesses to industrial areas in Western Sydney where land prices and operations are cheaper;
- limited demand for traditional commercial space;
- increasing demand for adaptively reused warehouse space by 'creative uses' for light industry and commercial users;

- increasing land values due to scarcity/availability which puts upward pressure on rents and prices;
- strengthening demand for retail goods (including bulky goods) and services, which originates from local residents as well as from wider catchment areas; and
- continuing demand for residential uses.

The projected jobs growth in the southern employment lands resulting from the Strategy is shown at Table 1.

Proposed zone	FSR Range	Current job density / ha	Current jobs	Projected job density / ha	Projected jobs
B7 Business Park (North)	1.5 - 4:1	93	2,357	160	4,059
B7 Business Park (South)	1.5	86	3,013	140	4,893
B6 Enterprise Corridor	1.5	76	9,528	120	14,962
IN1 General Industrial	1.5	60	3,847	60	3,853
TOTAL			18,745		27,766

Table 1: Southern employment lands job projections⁹

As above, the Strategy implementation will result in over 9,000 new jobs to 2031, creating demand for new infrastructure and services. A proportion of these jobs will be held by very low to moderate income earners, for example administrators, delivery drivers and shop assistants.

Currently, about 60 per cent of workers in the southern employment lands area fall within the very low to moderate income bracket¹⁰. If we assume that the proportion of workers who live in the area, being 16 per cent, remains constant¹¹, and that the proportion of very low to moderate income workers falls to 50 per cent as higher value jobs move to the area, an additional 720 affordable housing dwellings will be in demand. The number is higher if the aim is to encourage more people who work in the area to live in the area.

In addition to the demand for affordable housing dwellings directly generated by jobs growth, it is also noted that additional workers will generate additional demand for services that employ lower income workers, such as childcare, retail and transport.

Projecting outcomes of the Scheme

The aim of the Southern Employment Lands Affordable Housing Scheme is to maximise the amount of affordable housing resulting from contributions in the area.

The number of affordable rental housing dwellings resulting from the Scheme will be largely the result of the amount of development that occurs in the area, that is, more development means more

⁹ City of Sydney Employment Lands Economic Analysis and Opportunities Study 2013 by Hill PDA

¹⁰ Data extracted and analysed from ABS 2011 Census

¹¹ Bureau of Transport and Statistics Journey to Work 2011

contributions are collected. Assuming a conservative estimate of the amount of development likely to occur in the Scheme area, the Scheme would result in approximately 130 dwellings if dollars collected were dollars spent on buying an affordable housing dwelling.

However, with a view to maximising the outcomes of the Scheme, the Scheme introduces a competitive approach to the allocation of funding to CHPs. The intent of this approach is to enable funding to be leveraged by CHPs who may bring their own assets to affordable housing projects resulting from the Scheme. All else being equal, funding will generally be allocated to CHPs who are able to produce the most affordable housing dwellings. It is expected the approach will result in significant improvements to the number of dwellings that may result if dollars collected were dollars spent on buying an affordable housing dwelling.

Appendix B- Program Steering Committee - Terms of Reference

PROGRAM STEERING COMMITTEE – TERMS OF REFERENCE

1. Purpose

The Program Steering Committee (Committee) comprises representatives from the City of Sydney (City) and the Community, Homes and Place Program (CHPP). The purpose of the Committee is to provide advice and recommendations to the CHPP about the administration of the Employment Lands Affordable Housing Program (Program), in particular the Southern Employment Lands Affordable Housing Scheme (Scheme), and its ongoing operations.

2. Terms of Reference

The Committee is to:

- provide advice and recommendations to the CHPP about when a tender or request for expression of interest is to be prepared;
- provide advice and recommendations to the CHPP to inform the preparation of tenders and requests for expressions of interest to utilise monetary contributions resulting from the Scheme;
- recommend City representative to the CHPP's tender assessment panels, who are responsible for preparing recommendations to the Minister for Families and Community Services about the allocation of funding following a tender or a request for expressions of interest process;
- where in-kind contribution is being provided under the Scheme, identify an eligible community housing provider to receive the dwelling(s)/land;
- share between the City and the CHPP administrative responsibility for the Program, in particular the Scheme; and
- provide advice as required in any review of the Program.

3. Members

The Committee is to include individuals who are experienced in affordable housing policy and/or property economics and/or the administration of affordable housing programs. The Panel shall generally comprise:

- the Chairperson, being appointed by the City each calendar year;
- two representatives from the City (including the Chairperson); and
- two representatives from the CHPP.

From time to time the Committee may seek additional independent expert advice.

4. Committee meetings

- The Committee shall meet as and when required, but a minimum of twice per calendar year.

- The City is responsible for scheduling meetings and preparing an agenda in consultation with the CHPP.
- The City is responsible for taking minutes of the meetings and distributing them to the Committee.

5. Administrative responsibilities

5.1 City of Sydney

The City is responsible for:

- calculating the applicable contribution amount and requiring it as a condition of development consent;
- when the applicant wishes to make payment of a monetary contribution, adjusting the contribution and notifying the applicant of the contribution amount. A register of contributions imposed, payments and notifications will be maintained;
- receiving payment of contributions and forwarding them to the CHPP for management and distribution;
- adjusting contribution rates on the first days of March, June, September and December on the City's website.

5.2 Community, Homes and Place Program

The CHPP is responsible for:

- the preparation of tenders or requests for expressions of interest with reference to the recommendations of the Program Steering Committee;
- convening tender assessment panels, comprising equal representation from the City and the CHPP, to assess proposals resulting from tenders or requests for expressions of interest;
- contract administration, including quarterly performance monitoring of contracts;
- collating data about the performance of the Scheme and making it available to the City for annual reporting; and
- investment of funds in waiting, with all returns to be used for the purpose of developing affordable housing in accordance with the Scheme.

6. Review

The terms of reference, and the need for the Committee, may be reviewed from time to time. A review of the terms of reference does not constitute amendment to the City of Sydney Employment Lands Affordable Housing Program and does not require amendment of the Sydney LEP 2012.