

Attachment A

**Planning Proposal – City of Sydney
Affordable Housing Program Update**

Planning Proposal: Affordable Housing Program Update 2022



Contents

1. Background	4
2. Existing planning controls	9
3. Objectives and intended outcomes	11
4. Explanation of provisions	12
5. Justification of merit	13
6. Mapping	28
7. Community consultation	29
8. Project timeline	30

1. Background

1.1. Introduction

This Planning Proposal: Affordable Housing Program Update 2022 (this planning proposal) is to amend the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs).

Generally, the intended outcome of this planning proposal is to increase the amount of affordable housing in the City of Sydney local government area. Specifically, the intended outcomes of this planning proposal are to:

- increase the affordable housing contribution requirement in Ultimo-Pyrmont in the Sydney LEP 2012 in accordance with the NSW Government's Pyrmont Peninsula Place Strategy; and
- make reference to an updated City of Sydney Affordable Housing Program in Sydney LEP 2012 and the Green Square LEPs so that:
 - the City of Sydney Affordable Housing Program (Program) applies to Ultimo-Pyrmont and increases the affordable housing contribution requirement. This would bring affordable housing contribution requirements in Ultimo-Pyrmont in alignment with other areas in the City;
 - contribution funds are allocated to community housing providers (CHPs) in accordance with any distribution plan adopted by Council;
 - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where that Plan is repealed;
 - the contribution funds arising from development in the Southern Employment Lands are allocated in accordance with any distribution plan adopted by Council; and
 - the Program is streamlined, with unnecessary information removed, and some minor house-keeping amendments made to clarify content.

A draft City of Sydney Affordable Housing Program (draft Program) is appended to this planning proposal. The draft Program is to replace the current Program, adopted by the Council on 24 August 2020.

A draft City of Sydney Interim Affordable Housing Funds Distribution Plan (draft Interim Distribution Plan) is appended to this planning proposal. The draft Interim Distribution Plan generally maintains the status quo with regards to how affordable housing contribution funds are currently allocated until such time as a final Distribution Plan is adopted by Council.

This planning proposal has been prepared in accordance with the *Local Environmental Plan Making Guideline*, published by the Department of Planning and Environment in December 2021.

1.2. Affordable housing in the City of Sydney

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050. This continues the vision of Sustainable Sydney 2030. The City's Local Housing Strategy: Housing for All, maintains the target in draft Sustainable Sydney 2030 - 2050 that 7.5 percent of all private dwellings be affordable housing. Based on a private dwelling target of about 160,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

To date the City has collected about \$343 million in levies and provided about \$18 million in discounted land and about \$10 million in grants. As at July 2021, the City has 1,328 built affordable housing units in the local area, 386 dwellings in the development pipeline and a further 532 that are expected to be built in the future (but not yet in the development pipeline). Noting the dwellings quoted below may be counted under more than one category, there are:

- 994 dwellings (built, pipeline and expected) that come from the City's affordable housing contribution schemes;
- 454 dwellings (built, pipeline and expected) that have been assisted by subsidised land sales from the City to CHPs; and
- 439 dwellings (built, pipeline and expected) that have been assisted by the City's Affordable and Diverse Housing Fund;
- a further 359 dwellings (built, pipeline and expected) that have not been assisted by any of the above.

The City's levies are estimated to deliver up to 1,950 additional affordable dwellings to 2036 (some already accounted for in the above figures). However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market, that is, the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the way land develops, for example if more land is developed for commercial premises, rather than housing, there will be less contribution funds;
- the ability of CHPs to successfully leverage contribution funds and existing property portfolios;
- state NSW Government policy directions; and
- Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

The built, pipeline, expected and projected affordable housing dwellings equal around 4,200 affordable rental dwellings and affordable diverse dwellings to 2036. This is about a quarter of the 12,000 affordable housing dwellings needed to achieve the City's target for 7.5% of all housing in be affordable housing.

In addition, the City continues to seek innovative ways to use our planning controls to increase the amount of affordable housing, for example, the preferential zoning scheme that applies in the B7 - Business Park zone.

1.3. Affordable housing contribution schemes

The City's affordable housing contribution schemes, commonly referred to as inclusionary zoning schemes or affordable housing levy schemes, are set out in Sydney Local Environmental Plan 2012 (Sydney LEP 2012), Sydney Local Environmental Plan (Green Square Town Centre) 2013, and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 (the Green

Square Town Centre LEPs).

The provisions in the various LEPs:

- set out the different contribution areas (geographies) in the local government area (LGA);
- set out the proportion of any floor space in a development that is to be required to be dedicated for affordable housing (depending on what contribution area the land is located in); and
- allow for an equivalent monetary contribution to be made in accordance with an affordable housing program.

The purpose of an affordable housing program is to provide the operational and management requirements for the administration of the scheme, including:

- the principles by which affordable rental housing is to be provided and managed;
- an equivalent monetary contribution rate a developer may contribute, in lieu of dedicating floor space;
- examples of how a monetary contribution is to be calculated in different contribution areas;
- the approach to indexing the equivalent monetary contribution rate and a contribution requirement over time; and
- who receives contribution funds and how they must be used.

The City of Sydney Affordable Housing Program (the Program), adopted by Council on 24 August 2020, currently contains the requirements for four contribution areas:

- Green Square;
- Southern Employment Lands (now known as the Southern Enterprise Areas);
- Central Sydney; and
- Residual lands (being generally all other areas but land in Ultimo-Pyrmont and land under NSW Government Planning Instruments such as the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006).

The Revised City West Affordable Housing Program (Ultimo-Pyrmont Program), published by the Department in June 2010, sets out the affordable housing contribution requirements for land in Ultimo-Pyrmont.

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 sets out the affordable housing contribution requirements for any State Significant Development in the Redfern Waterloo Authority operational area.

While there is variability in the way the above affordable housing programs apply, generally the affordable housing contribution requirement is shown in Table 1.

Table 1: Contributions rates

Affordable housing program	Affordable housing contribution requirement	Equivalent monetary contribution	Receipt of funds
City of Sydney Affordable Housing Program	<p>In Green Square and the Southern Employment Lands:</p> <ul style="list-style-type: none"> 1% of non-residential floor space; and 3% of residential floor space. <p>In Central Sydney and on residual land:</p> <ul style="list-style-type: none"> 0.5% of non-residential floor space until 1 July 2022 and 1% thereafter; and 1.5% of residential floor space until 1 July 2022 and 3% thereafter. 	The equivalent monetary contribution rate is \$11,599.74/sqm at 1 March 2022	<p>Funds from Green Square, Central Sydney and residual land is remitted to City West Housing</p> <p>Funds from the southern employment lands are remitted to the Department of Communities and Justice</p>
Revised City West Affordable Housing Program (Ultimo-Pymont)	<p>1.1% of non-residential floor space; and;</p> <p>0.8% of residential floor space</p>	The equivalent monetary contribution rate is expressed differently than the City's Program, but when adjusted is \$4,916	Remitted to City West Housing
Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 (applies to State Significant Development in the Redfern Waterloo Authority operational area)	A contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of the total gross floor area of the development.	The monetary contribution rate is established at the point of development application based on current property data	Remitted to Infrastructure NSW

1.4. Planning proposal process

This planning proposal is to amend the affordable housing provisions in the Sydney LEP 2012 and the Green Square LEPs in the manner set out in Section 4 of this planning proposal.

This planning proposal will be publicly exhibited together with:

- the draft Program, appended to this planning proposal, that is proposed to replace the current Program; and
- the draft Interim Distribution Plan, appended to this planning proposal, that explains the interim plan for the distribution of affordable housing contribution funds. It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council.

The reason and the justification for the proposed amendments and the new draft Interim Distribution Plan is set out in Part 5 of this planning proposal.

Following public exhibition, submissions received from the public, and from government or government authorities, will be considered by the Council and the Central Sydney Planning Committee. Further changes to Sydney LEP 2012, the Green Square Town Centre LEPs, the draft Program and the draft Interim Distribution Plan may be made because of matters raised in submissions.

2. Existing planning controls

2.1. Contribution requirements

The Sydney Local Environmental Plan 2012, *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs) contain provisions for affordable housing. They generally require:

- an affordable housing contribution on all floor land at Green Square and in the Southern Employment Lands that is:
 - 3% of the total floor area of the development that is intended to be used for residential purposes, and
 - 1% of the total floor area of the development that is not intended to be used for residential purposes.
- an affordable housing contribution on all land in Ultimo-Pyrmont that is:
 - 0.8% of the total floor area of the development that is intended to be used for residential purposes, and
 - 1.1% of the total floor area of the development that is not intended to be used for residential purposes.
- an affordable housing contribution on all floor land in Central Sydney and on residual land that is:
 - for development applications lodged before 1 July 2022:
 - 1.5% of the total floor area of the development that is intended to be used for residential purposes, and
 - 0.5% of the total floor area of the development that is not intended to be used for residential purposes,
 - for development applications lodged on or after 1 July 2022—
 - 3% of the total floor area of the development that is intended to be used for residential purposes, and
 - 1% of the total floor area of the development that is not intended to be used for residential purposes.

The provisions allow for an affordable housing contribution requirement to be satisfied by making an equivalent monetary contribution in accordance with:

- in Green Square, in the Southern Employment Lands, in Central Sydney and on residual land, the City of Sydney Affordable Housing Program, adopted by Council on 24 August 2020; and
- in Ultimo-Pyrmont, the Revised City West Affordable Housing Program published by the Department in June 2010.

2.2. Affordable Housing Programs

City of Sydney Affordable Housing Program

Council adopted the current City of Sydney Affordable Housing Program (the Program) on 24 August 2020, which came into effect on 1 July 2021. It applies to most of the local area, excluding:

- those areas where the City is not the consent authority;
- those areas where the Sydney LEP 2012 or the Green Square Town Centre LEP's do not apply;
- the Redfern Waterloo Authority operational area, where the Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 applies; and
- the Ultimo-Pyrmont areas, where the Revised City West Affordable Housing Program applies.

Proposed changes to the Program are discussed in section 5.2 of this planning proposal.

Revised City West Affordable Housing Program

The Revised City West Affordable Housing Program (the Ultimo-Pyrmont Program) was published by the Department of Planning and Environment in June 2010 and applies to land in Ultimo-Pyrmont as identified in the Sydney LEP 2012.

Redfern Waterloo Authority Affordable Housing Contributions Plan 2006

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 applies to State Significant Development in the Redfern Waterloo Authority operational area.

3. Objectives and intended outcomes

3.1. Objectives

To amend the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs) to update provisions relating to affordable housing to increase the amount of affordable housing in the City of Sydney local government area, while maintaining development viability.

3.2. Intended outcomes

The intended outcomes are to:

- increase the affordable housing contribution requirement in Ultimo-Pyrmont to align with other areas in the City of Sydney and implement an aspect of the NSW Government's Pyrmont Peninsula Place Strategy; and
- make reference to an updated City of Sydney Affordable Housing Program in Sydney LEP 2012 and the Green Square LEPs so that:
 - the City of Sydney Affordable Housing Program (Program) applies to Ultimo-Pyrmont and increases the affordable housing contribution requirement. This would bring affordable housing contribution requirements in Ultimo-Pyrmont in alignment with other areas in the City;
 - contribution funds are allocated in accordance with any distribution plan adopted by Council;
 - the Program applies to land where the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, but only in the circumstance where that Plan is repealed;
 - contribution funds arising from development in the Southern Employment Lands are allocated in accordance with any distribution plan adopted by Council; and
 - the Program is streamlined, with unnecessary information removed, and some minor house-keeping amendments made to clarify content.

4. Explanation of provisions

4.1. Proposed amendment to Sydney LEP 2012 and Green Square Town Centre LEPs

This planning proposal is to amend the Sydney Local Environmental Plan 2012 (Sydney LEP 2012), the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs).

4.1.1. Drafting instructions

To achieve the intended outcomes, this planning proposal is to amend the Sydney LEP 2012 and Green Square Town Centre LEPs as follows:

1. In the Sydney LEP 2012 and Green Square Town Centre LEPs, change all references to the “City of Sydney Affordable Housing Program adopted by the Council on 24 August 2020”, to “City of Sydney Affordable Housing Program adopted by the Council on XX XX XX” <date of adoption of Program to be inserted>.

The purpose of this change is to refer to an updated version of the City of Sydney Affordable Housing Program.

2. In the Sydney LEP 2012, amend Clause 7.13(2A) to say “The affordable housing levy contribution for development on land at Green Square or on southern employment land **or on land at Ultimo-Pyrmont** is –”.

The purpose of this change is to increase the contribution requirement on land at Ultimo-Pyrmont in line with contribution rates that apply in Green Square and on southern employment land.

3. In the Sydney LEP 2012, repeal Clause 7.13(2B).

The purpose of this change is to increase the contribution requirement on land at Ultimo-Pyrmont in line with contribution rates that apply in Green Square and on southern employment land.

4. In the Sydney LEP 2012, repeal Clause 7.13(4)(a).

The purpose of this change is to remove reference to the “*Revised City West Affordable Housing Program* published by the Department in June 2010” so that the City of Sydney Affordable Housing Program, as updated, may apply.

5. In the Sydney LEP 2012, amend Clause 7.13(4)(b) to say “for development on land at Green Square or Central Sydney or **Ultimo-Pyrmont**, or on southern employment land or residual land—the City of Sydney Affordable Housing Program adopted by the Council on XX XX XX” <date of adoption of Program to be inserted>.

The purpose of this is to apply the City of Sydney Affordable Housing Program, as updated, to Ultimo-Pyrmont.

5. Justification of merit

5.1. Proposed amendment to LEPs

This section includes justification for the proposed amendments to the Sydney LEP 2012 and the Green Square Town Centre LEPs.

Update references to an updated City of Sydney Affordable Housing Program

This planning proposal will amend references in the Sydney LEP 2012 and Green Square Town Centre LEPs to the “City of Sydney Affordable Housing Program adopted by the Council on 24 August 2020”, to “City of Sydney Affordable Housing Program adopted by the Council on XX XX XX”, with the date of adoption of Program to be inserted when known.

The amendment to the Sydney LEP 2012 will ensure contributions will be paid in accordance with the City’s Program, as opposed to the current requirement in the Sydney LEP 2012 that contributions be paid in accordance with the Revised City West Affordable Housing Program. However, should the amendments to the Sydney LEP 2012 and Program proposed in this planning proposal be put into effect, the City will write to the Department and ask them to repeal the Revised City West Affordable Housing Program.

Proposed amendments to the City of Sydney Affordable Housing Program (Program) are discussed in section 5.2 of this planning proposal.

Increase the affordable housing contribution requirement in Ultimo-Pyrmont

The Sydney LEP 2012 currently requires that development in Ultimo-Pyrmont makes an affordable housing levy contribution of:

- 0.8% of the residential total floor; and
- 1.1% of the non-residential total floor area.

The contribution can be satisfied by making an in-kind contribution of affordable housing dwellings, or by making an equivalent monetary contribution, as set out in the “Revised City West Affordable Housing Program” (the Ultimo-Pyrmont Program).

It is proposed to amend the Sydney LEP 2012 to:

- amend the affordable housing levy contribution requirement in Ultimo-Pyrmont to:
 - 3% of the residential total floor; and
 - 1% of the non-residential total floor area; and
- remove reference to the “Revised City West Affordable Housing Program, published by the Department in June 2010”, and instead refer to the “City of Sydney Affordable Housing Program adopted by the Council on XX XX XX”, with the date of adoption of Program to be inserted when known.

The purpose of the proposed amendment is to align the affordable housing levy contribution requirement in Ultimo-Pyrmont with other areas in the LGA, including urban renewal areas such as Green Square, and to incorporate the operation and management of affordable housing contributions in Ultimo-Pyrmont Program into the Program.

The amendment to the Sydney LEP 2012 will ensure contributions will be paid in accordance with the City’s Program, as opposed to the current requirement in the Sydney LEP 2012 that contributions be paid in accordance with the Revised City West Affordable Housing Program. However, for clarity, should the amendments to the Sydney LEP and Program proposed be put into

effect, the City will write to the Department and ask them to repeal the Revised City West Affordable Housing Program.

The proposed amendment aligns with the NSW Government's Pyrmont Peninsula Place Strategy, which was finalised in December 2020. Under Direction 9: Great homes that can suit the needs of more people, the Strategy commits to 'Reconcile the revised City West Affordable Housing Program with the City of Sydney's affordable housing approach as part of work to unify the planning framework' and 'review and update the existing affordable housing contribution rates.' Ministerial Direction 1.15 requires a planning proposal in Pyrmont to be consistent with the Strategy, including the 10 Directions.

In November 2021, the NSW Government publicly exhibited the 'Pyrmont Peninsula Place Strategy Implementation: Exhibition discussion paper and incorporated Explanation of Intended Effects'. The Explanation of Intended Effects included a statement of intent that Council will amend the Sydney LEP 2012 so that the City of Sydney Affordable Housing Program would apply to the Pyrmont Peninsula.

The Affordable Housing Study report exhibited as part of the Explanation of Intended Effects assessed the ability for future development within the Peninsula to pay the increased affordable housing contribution. It found that the increased rate would not impact on development viability.

The Affordable Housing Study also concluded that sites achieving additional residential floor area under site-specific planning proposals would be able to contribute up to 12 per cent of the additional floor space for affordable housing. This already aligns with current rates in the Program for 'Planning Proposal land' and no amendment is needed to facilitate it.

5.2. Proposed amendment to the Program

This section includes justification for the proposed amendments to the Program.

A draft City of Sydney Affordable Housing Program (draft Program) is appended to this planning proposal. The draft Program is proposed for adoption by the Council and will replace the City of Sydney Affordable Housing Program, adopted by the Council on 16 August 2020.

Incorporating Ultimo-Pyrmont into the City of Sydney Affordable Housing Program

The Program currently does not apply to Ultimo-Pyrmont to the extent that the *Revised City West Affordable Housing Program* applies (relating to the requirement for contribution to affordable housing).

It is proposed to amend the Program so that:

- it applies to Ultimo-Pyrmont; and
- it reflects proposed changes to the contribution rates described in Section 5.1 of this planning proposal.

The change to the Program is necessary to reflect proposed amendments to contribution rates, and to incorporate the Ultimo-Pyrmont area into the City's wider Program. The justification for these changes is provided in Section 5.1 of this planning proposal.

Applying the Program to land where other affordable housing contribution schemes, that currently apply to the land, are repealed, and to land where the Sydney LEP 2012 is made to apply in future

Section 1.3 of the Program currently describes where the Program applies and also includes a map showing the land to which it applies. The description and map generally says the Program does not apply to:

- those areas where the Sydney LEP 2012 or the Green Square Town Centre LEP's do not apply;

- the Redfern Waterloo Authority operational area, where the Redfern Waterloo Authority Affordable Housing Contributions Plan applies; and
- the Ultimo-Pyrmont areas, where the Revised City West Affordable Housing Program applies.

It is proposed to amend the Program to allow it to apply where land is subject to Sydney LEP 2012 or the Green Square Town Centre LEPs.

The change to the Program is necessary to allow for flexibility so that over time the Program can apply should those sites in the local government area, that are currently not subject to the Sydney LEP 2012 or the Green Square Town Centre LEPs, but may be incorporated in future (and identified as residual land at that time).

Allocation of contribution funds

The Program currently lists 'Recommended CHPs', being the CHPs that can receive affordable housing contributions for the purpose of providing affordable housing in the City of Sydney. The only Recommended CHP currently listed on the Program is City West Housing.

It is proposed to amend the Program to:

- delete the Recommended CHP list from the Program, and instead require monetary affordable housing contributions to be remitted in accordance with any distribution plan adopted by Council;
- delete information about how a CHP may be identified as a Recommended CHP, noting funds are instead proposed to be distributed in accordance with any distribution plan adopted by Council;
- require monetary affordable housing contributions resulting from development in the Southern Employment Lands, that are currently remitted to the Department of Communities and Justice, to be remitted in accordance with any distribution plan adopted by Council; and
- require any in-kind contribution of affordable housing dwellings to be given, free of cost, to a Recommended CHP, but allow that where a Recommended CHP does not want to receive the in-kind contribution, it may be given to another Tier 1 or Tier 2 CHP.

The proposed changes to the Program will effectively move information about the administration of monetary contributions funds and distribution of funds into a new 'distribution plan'. A draft Interim Distribution Plan (appended) is recommended to be publicly exhibited together with the planning proposal and draft Program and is described in more detail below. It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council.

Request from Bridge Housing to be added to the list of recommended CHPs

Bridge Housing, a Tier 1 CHP operating in the City of Sydney, made a formal request in June 2021 to be added to the list of 'Recommended CHPs' so that they could receive affordable housing contribution funds to provide affordable housing in the local area.

The Program currently outlines the process to add a CHP as a Recommended CHP and provides the matters that must be considered, including:

- the potential impacts on the outcomes of the Program;
- the potential impacts on other Recommended CHPs;
- consultation with the Department of Communities and Justice; and
- how funds are to be distributed to multiple CHPs.

In accordance with the Program, the City wrote to City West Housing, currently the only Recommended CHP, seeking advice about the impacts of identifying another Recommended CHP.

A submission was received by City West Housing in November 2021.

The City also wrote to Department of Communities and Justice who wrote back to the City in December 2021 declining to comment.

The City engaged Atlas Urban Economics to undertake an analysis of the request by Bridge Housing and the submission from City West Housing, and to consider those matters outlined in the Program. They were also asked to advise on an approach to distributing funds amongst multiple CHPs.

In considering the application from Bridge Housing, and the submission from City West Housing, the City's consultant noted:

- Bridge Housing is a Tier 1 CHP which owns / manages 3,587 dwellings for low to moderate income households in 20 local government areas. A small proportion of the dwellings are owned and operated as affordable housing (approximately 15 per cent) with the remainder managed for other organisations as social housing (mostly) and affordable housing;
- Bridge Housing proactively increases the properties under its management for low to moderate income households through:
 - tenders to manage properties on behalf of property owners (including councils, Land and Housing Corporation);
 - securing the transfer of properties through Property Transfer Programs;
 - purchase of properties to operate as social or affordable housing; and
 - purchase of development sites and development of new dwelling stock;
- Bridge Housing have a development division which is responsible for the securing of development opportunities and delivery of new dwellings. Bridge Housing maintains a corporate debt facility through a loan with the National Housing Finance and Investment Corporation (NHFIC) which provides long term debt at low rates;
- City West Housing has to date used contribution funds collected through the City's affordable housing programs to build over 859 affordable housing dwellings in the City of Sydney, with a further 135 in the development pipeline and more expected (not yet in the development pipeline);
- In December 2020, City West Housing was removed from the provisions of the Government Sector Finance Act, enabling it to now leverage its significant unencumbered asset base to borrow to fund its development pipeline. This represents a valuable opportunity for City West Housing to scale its dwelling stock more rapidly than it has in the past; and
- City West Housing expects to build over 713 dwellings over the next 10 years (current committed projects), noting some of these may be provided outside of the City of Sydney using equity funding (not levy funds). There is a strong reliance on the affordable housing contributions to deliver this pipeline, though the ability to now borrow funds will also assist in this.

The impact on City West Housing of adding another provider

In accordance with the Program, the City's consultant considered how identifying another Recommended CHP may impact on City West Housing. They noted that until recently, City West Housing has been largely reliant on funding to grow its equity base, being unable to take on debt, which is evidenced by its current funding structure. Approximately 66 per cent of City West Housing funding is received from local government (in large part contributions received from the City), 23 per cent from rental income and 10 per cent from Commonwealth and state governments.

It was concluded that while steps will need to be taken by City West Housing to review its funding structure and framework to leverage its significant unencumbered asset base, it is important to

ensure City West Housing's business model is able to transition in a manner that minimises delivery risk to its development program and does not inadvertently result in pipeline disruption for City West Housing (and by extension the delivery of affordable housing in the City of Sydney) .

The impact on outcomes of the Program of adding another provider

In accordance with the Program, the City's consultant considered how identifying another Recommended CHP might impact on outcomes of the Program. They concluded that subject to the considered transitioning of funding to avoid disruption to City West Housing's development pipeline, the inclusion of other CHP will enable greater opportunity for debt funding leverage and increase of affordable housing stock because:

- procuring development sites in the City of Sydney is expensive and challenging. Enabling CHPs with the capability for site acquisition and development will diversify the risk and lead to greater affordable housing outcomes; and
- the recent broadening of the Program across the local government area provides the City with a unique and valuable opportunity to enable / build resources and capability in the CHP sector. Additional Recommended CHPs will build on this opportunity.

Matters for consideration in developing a distribution plan

In accordance with the Program, the City's consultant provided advice about what matters should be considered in the development of a distribution plan, should another other Recommended CHPs be identified. They noted that it is important any distribution plan extend as much certainty as possible to CHPs about the allocation of funding, so that they may manage risks and operate in the market with sufficient confidence. Key considerations include:

- implementation of the Program (which applies inclusionary zoning across the local government area and site-specific requirements for planning proposals) would likely result in larger volumes of contributions over time. The collection of contributions is directly dependent on economic and market conditions, and can therefore be challenging to predict with certainty;
- notwithstanding the above, the setting of fixed allocation of funds (subject to contribution receipts) would provide some degree of certainty for CHPs. This would necessarily require a fixed time frame (where certainty can be provided about receipt of funds for the period) and more generally, limitations of the number of CHPs who may be identified as Recommended CHPs;
- where funds are to be shared between multiple providers, it is important for the City to maintain support to City West Housing in a critical time of transition, though it is conceivable that contributions receipts would facilitate providing support to City West Housing and other CHPs. Priority funding could be provided to City West Housing where the first \$20 million each year is allocated to City West Housing in the short term (five years). This would represent the 'smoothed' historical funding that has occurred under the contribution schemes;
- while the 'opening up' of funding availability to more CHPs will diversify delivery and market risk and provide the opportunity for greater affordable housing outcomes, it is necessary to acknowledge a potential perverse outcome where CHPs (funded by the Program) inadvertently compete and 'bid up' the price of development opportunities. Information sharing and collaboration between CHPs recipients would be important to avoid this; and
- any plan for the distribution of contribution funds amongst Recommended CHPs should be periodically reviewed every four to five years to analyse the patterns of contribution receipts, review effective use of the funds by incumbent CHPs, review continued eligibility to receive funding and consider applications from applicant CHPs (if any).

Expression of Interest Process

Although the Program enables the consideration of applications to be a Recommended CHP, it is

recommended that, in the interests of fairness, an Expression of Interest process be undertaken to explore interest from other eligible community housing providers who may also seek access to contribution funds.

The Expression of Interest is to be prepared in accordance with the requirements of the Distribution Plan (described below), if it is adopted by Council following public exhibition.

Draft Interim Distribution Plan

The draft Interim Distribution Plan identifies City West Housing, St George Community Housing and Bridge Housing as Recommended CHP's. It says that affordable housing distribution funds arising from the City's levies be distributed equally amongst the three community housing providers.

It is intended that following consultation with the community housing sector and with other experts, that a final distribution plan will be publicly exhibited and adopted by Council.

Redirection of funds arising from the Southern Employment Lands

The Program currently says that affordable housing contribution funds arising from the Southern Employment Lands are to be remitted to the Department of Communities and Justice who will allocate funds to a community housing provider to be used to build and manage affordable housing in accordance with the affordable housing principles in the Program.

It is proposed to amend the Program so that affordable housing contribution funds arising from the Southern Employment Lands be remitted in accordance with any distribution plan adopted by Council.

These funds were originally directed to the Department of Communities and Justice so that community housing providers other than City West Housing might benefit from the City's affordable housing contribution schemes. However, with a broader distribution plan being considered other this is no longer considered necessary.

In-kind contributions

The Program currently provides high level guidance about the how in-kind contributions of affordable housing dwellings are to be dedicated to community housing providers and used as affordable housing.

It is proposed to amend the Program to more clearly articulate this process to ensure that:

- in-kind contribution of affordable housing dwellings is to be given, free of cost, to a Recommended CHP; or
- if a Recommended CHP does not want to receive the in-kind contribution, it may be passed to another Tier 1 or Tier 2 community housing provider.

In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed in accordance with the affordable housing principles set out in the Program. This is secured by covenant on the title of the land.

It is also proposed to amend the Program to include more information at Appendix C, which provides the process for how in-kind affordable housing dwellings are to be dedicated to a community housing provider. The new information includes a description of what early consultation with a community housing provider should include, and clearer information about how any in-kind affordable housing dwellings will be legally secured in accordance with the Program.

It is noted there is no known occurrence during the life of the Program (and those programs proceeding it) where a developer has opted to make an in-kind contribution, instead always preferring to make an equivalent monetary contribution. Notwithstanding this, it is possible under the provisions in the Sydney LEP 2102 and the Green Square Town Centre LEPs and it is important to include adequate guidance in the Program on how this might occur.

Planning proposal land contribution requirements

The Program sets out requirements for 'Planning Proposal land', where a higher affordable housing contribution requirement would apply to residential floor space that has been achieved as the result of a planning proposal.

The Program establishes 'soft' contribution rates that might apply to the new floor space, that is, the rate is not established in a local environmental plan and can be varied depending on other public infrastructure that is also being required of the development. For example, where there is a planning proposal to increase the amount of Gross Floor Area on a site, the higher contribution rate in the Program would be applied to 'new' floor space, however, if that site is also required to dedicate land, for example, for a park, then the contribution rate might be adjusted down in recognition of the additional cost to the developer.

The rates for the west, south and east precinct were first established in the Program as adopted by Council and the Central Sydney Planning Committee in August 2020. The rates are based on independent feasibility analysis to determine the tolerance of development to make the contribution in the different sub-markets across the local government area.

The rates require periodical review to ensure they continue to align with current market realities. In the most recent review, the adjustments to the east precinct shown in Table 3 have been recommended by the City's consultant and are reflected in the proposed amendment to the Program.

The rates incorporate the LEPs requirement for a 3 per cent contribution. For example, the 12 per cent rate includes 9 per cent for new residential floor area on planning proposal land, plus 3 per cent.

Consistent with other parts of the local government area, it is also proposed to include a soft contribution requirement in Central Sydney for new residential floor area, as shown in Table 3. The contribution rate is based on the 10 per cent affordable housing target in the Region Plan and is subject to site specific viability testing.

It is noted the proposed contribution rate for Central Sydney is subject to site specific viability testing.

Table 3: Adjustments to contribution rates for Planning Proposal land

Precinct*	Contribution rate
Central Sydney	13% applied to new residential floor area, subject to site specific viability testing
West precinct	12% applied to new residential floor area
South precinct	12% applied to new residential floor area
Eastern precinct	21% applied to new residential floor area (decreased from 24%)

* Note: Precincts align with those shown in the City's development contribution plan 2015.

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

The Program currently sets out the circumstances where development may be exempt from making a contribution. It says that where development would result in the affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, it may be exempt from making a contribution.

It is proposed to amend the Program to say that where the development would result in the

affordable housing contribution amounting to more than 15 per cent of the agreed cost of construction, then the affordable housing contribution requirement will not exceed 15 per cent of the agreed cost of construction.

This is to ensure that development still continues to make an affordable housing contribution, but that the contribution is not unreasonable.

Update to background information (Appendix A)

Appendix A of the Program currently contains detailed background information and affordable housing needs analysis.

It is proposed to amend the Program to remove information in Appendix A that is:

- information pertaining to point-in-time data, but is not critical information;
- not critical information; or
- is information that is now documented and regularly updated in the Housing for All: Local Housing Strategy Technical Paper.

The purpose for the proposed amendment is to:

- streamline Appendix A so it contains only relevant information;
- remove non-critical information that quickly becomes out of date; and
- remove information that is now documented elsewhere.

Housekeeping amendments

It is proposed to make a number of minor housekeeping amendments to the Program to:

- clarify information where there has been confusion;
- improve readability and remove any repetitiveness from the document;
- reflect changes to processes, that do not have a substantive impact on the operation of the Program;
- correct any minor spelling or grammar errors in the Program; and
- remove superfluous information to streamline the Program.

5.3. Matters for consideration

This section provides a response to the 'matters for consideration' described in Table 3 of the Local Environmental Plan Making Guideline, published by the Department in December 2021, that are to be taken into account when describing, evaluating and justifying a planning proposal.

Section A- Need for the planning proposal

Q1. Is the planning proposal a result of an endorsed LSPS, strategic study or report?

Yes. Amendments relating to the increase in affordable housing contribution rates in Ultimo-Pymont result from the Pymont Review. This is discussed in detail in section 5.1.

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

A planning proposal is the only way to amend the affordable housing provisions in the Sydney LEP 2012.

Section B - Relationship to the strategic planning framework

Q3. Will the planning proposal give effect to the objectives and actions of the applicable 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 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 requires 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 per cent, 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 a council LSPS that has been endorsed by the Planning Secretary or GSC, or another endorsed local strategy or strategic plan?

Sustainable Sydney 2030

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050. This continues the vision of Sustainable Sydney 2030.

Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress.

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 housing. To achieve the City's target approximately 12,000 affordable housing dwellings, out of a total projected 148,000 dwellings, are required in the LGA.

The planning proposal, the Program (as amended) and the draft Interim Distribution Plan will contribute to the City's affordable housing targets. They align with the following strategic directions and objectives:

- Direction 6 - Resilient and inclusive local communities - the planning proposal, proposed amendment to the Program and the draft Interim Distribution Plan, will continue to support the provision of affordable housing in the local area, which is essential for a resilient and inclusive local community.
- Direction 8 - Housing for a Diverse Population - the planning proposal, proposed amendment to the Program and the draft Interim Distribution Plan will promote the delivery of affordable housing in the City of Sydney.

City Plan 2036 - Local Strategic Planning Statement

The City of Sydney Local Strategic Planning Statement (planning statement), adopted by Council in February 2020, sets out the land use planning context, 20-year vision and planning priorities to positively guide change towards the City's vision for a green, global and connected city. The planning statement explains how the planning system will manage that change to achieve the desired outcomes and guides future changes to controls.

In giving effect to the planning statement, the planning proposal, the Program (as amended) and the draft Interim Distribution Plan delivers on the following priorities and actions by:

- contributing to housing supply, choice and affordability in the City of Sydney;
- providing housing that is close to employment and services, contributing to the aspiration for a '30-minute city'; and
- enabling vibrant and diverse communities and economies.

Housing for All – City of Sydney Local Housing Strategy

The City of Sydney Local Housing Strategy: Housing for All provides the City's objectives and actions for the delivery of diverse housing in the local government area.

In giving effect to Housing for All, the planning proposal, the Program (as amended) and the draft Interim Distribution Plan delivers on the following priorities and actions by:

- contributing to the City's housing targets, in particular the delivery of affordable housing; and
- increasing diversity and choice in housing in the City of Sydney, providing more affordable housing for people on very low to moderate incomes.

Q5. Is the planning proposal consistent with any other applicable State and regional studies or strategies?

This planning proposal is consistent with the Pyrmont Peninsula Place Strategy (Implementation) and incorporated Explanation of Intended Effects (EIE) in November 2021. The EIE included a statement of intent that the contribution rates set out in the City of Sydney Affordable Housing Program would be applied to the Pyrmont Peninsular.

Q6. Is the planning proposal consistent with the applicable State Environmental Planning Policies?

This planning proposal is consistent with all applicable State Environmental Planning Policies (SEPPs) and Regional Environmental Plans (REPs), as summarised in Table 4.

Table 4: Consistency with State Environmental Planning Policies (SEPPs)

State Environmental Planning Policy	Comment
SEPP (Biodiversity and Conservation) 2021	Consistent
SEPP (Building Sustainability Index: BASIX) 2004	Consistent
SEPP (Exempt and Complying Development Codes) 2008	Consistent
SEPP (Housing) 2021	Consistent. This planning proposal is consistent with Chapter 2, Part 1 of the SEPP.
SEPP (Industry and Employment) 2021	Consistent
SEPP (Planning Systems) 2021	Consistent

SEPP (Precincts–Central River City) 2021	Consistent
SEPP (Precincts–Eastern Harbour City) 2021	Consistent. This planning proposal does not impact on Redfern Waterloo Authority sites that remain excluded from the Sydney LEP 2012.
SEPP (Precincts–Regional) 2021	Consistent
SEPP (Precincts–Western Parkland City) 2021	Consistent
SEPP (Primary Production) 2021	Consistent
SEPP (Resilience and Hazards) 2021	Consistent
SEPP (Resources and Energy) 2021	Consistent
SEPP No 65 - Design Quality of Residential Flat Development	Consistent
SEPP (Transport and Infrastructure) 2021	Consistent

Q7. Is the planning proposal consistent with applicable Section 9.1 Ministerial Directions?

This planning proposal is consistent with all Ministerial Directions issued under section 9.1 of the Environmental Planning and Assessment Act 1979, as summarised in Table 5.

Table 5: Consistency with Ministerial Directions

Ministerial Direction	Comment
Focus area 1: Planning Systems	
1.1 Implementation of Regional Plans	Consistent
1.2 Development of Aboriginal Land Council land	Not applicable
1.3 Approval and Referral Requirements	Consistent
1.4 Site Specific Provisions	Consistent
Focus area 1: Planning Systems – Place-based	
1.5 Parramatta Road Corridor Urban Transformation Strategy	Not applicable
1.6 Implementation of North West Priority Growth Area Land Use and Infrastructure Implementation Plan	Not applicable
1.7 Implementation of Greater Parramatta Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable
1.8 Implementation of Wilton Priority Growth Area Interim Land Use and Infrastructure Implementation Plan	Not applicable

Ministerial Direction	Comment
1.9 Implementation of Glenfield to Macarthur Urban Renewal Corridor	Not applicable
1.10 Implementation of the Western Sydney Aerotropolis Plan	Not applicable
1.11 Implementation of Bayside West Precincts 2036 Plan	Not applicable
1.12 Implementation of Planning Principles for the Cooks Cove Precinct	Not applicable
1.13 Implementation of St Leonards and Crows Nest 2036 Plan	Not applicable
1.14 Implementation of Greater Macarthur 2040	Not applicable
1.15 Implementation of the Pyrmont Peninsula Place Strategy	<p>Consistent. This Direction says a planning proposal authority must ensure that a planning proposal is consistent with the Pyrmont Peninsula Place Strategy.</p> <p>The Strategy commits to 'Reconcile the revised City West Affordable Housing Program with the City of Sydney's affordable housing approach as part of work to unify the planning framework' and 'review and update the existing affordable housing contribution rates.'</p>
1.16 North West Rail Link Corridor Strategy	Not applicable
1.17 Implementation of the Bays West Place Strategy	Not applicable
Focus area 2: Design and Place	Not applicable
Focus area 3: Biodiversity and Conservation	
3.1 Conservation Zones	Consistent
3.2 Heritage Conservation	Consistent
3.3 Sydney Drinking Water Catchments	Not applicable
3.4 Application of C2 and C3 Zones and Environmental Overlays in Far North Coast LEPs	Not applicable
3.5 Recreation Vehicle Areas	Not applicable
Focus area 4: Resilience and Hazards	
4.1 Flooding	Consistent
4.2 Coastal Management	Not applicable

Ministerial Direction	Comment
4.3 Planning for Bushfire Protection	Not applicable
4.4 Remediation of Contaminated Land	Consistent
4.5 Acid Sulfate Soils	Consistent
4.6 Mine Subsidence and Unstable Land	Not applicable
Focus area 5: Transport and Infrastructure	
5.1 Integrating Land Use and Transport	Not applicable
5.2 Reserving Land for Public Purposes	Consistent
5.3 Development Near Regulated Airports and Defence Airfields	Not applicable
5.4 Shooting Ranges	Not applicable
Focus area 6: Housing	
6.1 Residential Zones	<p>Consistent. This planning proposal will:</p> <ul style="list-style-type: none"> • broaden the choice of housing by facilitating more affordable housing; • increase the amount of affordable housing in the City of Sydney, that is well serviced by public infrastructure and services; • ensure resulting affordable housing is of a similar standard as all other forms of housing.
6.2 Caravan Parks and Manufactured Home Estates	Not applicable
Focus area 7: Industry and Employment	
7.1 Business and Industrial Zones	Consistent
7.2 Reduction in non-hosted short-term rental accommodation period	Not applicable
7.3 Commercial and Retail Development along the Pacific Highway, North Coast	Not applicable
Focus area 8: Resources and Energy	
8.1 Mining, Petroleum Production and Extractive Industries	Not applicable
Focus area 9: Primary Production	
9.1 Rural Zones	Not applicable
9.2 Rural Lands	Not applicable

Ministerial Direction	Comment
9.3 Oyster Aquaculture	Not applicable
9.4 Farmland of State and Regional Significance on the NSW Far North Coast	Not applicable

Section C - Environmental, social and economic impact

Q8. Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected because of the proposal?

No.

Q9. Are there any other likely environmental effects of the planning proposal and how are they proposed to be managed?

No.

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

An important outcome of this planning proposal is to increase the amount of affordable housing in the local area. The social benefits of providing affordable housing are well documented, and generally understood by government and the community to be overwhelmingly positive.

The economic impacts of this planning proposal have been discussed in Part 5.

Section D - Infrastructure (Local, State and Commonwealth)

Q11. Is there adequate public infrastructure for the planning proposal?

This Planning Proposal does not propose an increase in density and is not expected to result in any additional burden on existing public infrastructure.

Q12. What are the views of state and federal public authorities and government agencies consulted in order to inform the Gateway determination?

No consultation has been undertaken with federal public authorities and government agencies prior to preparing this planning proposal.

6. Mapping

There are no proposed changes to maps in the Sydney LEP 2012 or the Green Square Town Centre LEPs.

7. Community consultation

This planning proposal is to be exhibited in accordance with the gateway determination once issued by the Department of Planning, Industry and Environment.

It is anticipated the gateway determination will require public exhibition for a period of not less than 28 days.

The public consultation will be undertaken in accordance with the City's Community Participation Plan and the principles in the City's Community Engagement Strategy.

Notification of the public exhibition will be via the City of Sydney website.

Exhibition material will be made available on the City of Sydney website and at Town Hall House at 456 Kent Street, Sydney.

Consultation with relevant NSW agencies, authorities and other relevant organisations will be undertaken in accordance with the gateway determination.

8. Project timeline

The anticipated timeline for completion of this planning proposal is as shown in Table 6.

Table 6: Timeline

Stage	Timeframe
Consideration by council	June 2022
Council / CSPC decision	June 2022
Gateway determination	July 2022
Pre-exhibition	July 2022
Commencement and completion of public exhibition period	August – September 2022
Consideration of submissions	September – October 2022
Post-exhibition review	December 2022
Submission to the Department for finalisation (where applicable)	December 2022
Gazettal of LEP amendment	January 2023

