

Attachment D

**City of Sydney Affordable Housing Program
Amendment 2024 –
as exhibited**

Draft City of Sydney Affordable Housing Program

Adopted **XX XXX XXXX**



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1. About the Program

The City of Sydney Affordable Housing Program (this Program) is to provide the background, requirements and operational detail for various affordable contribution provisions in local environmental plans (LEPs) that operate in the City of Sydney.

This Program was adopted by Council on [XX XX XXX](#) and came into effect on [XX XX XXX](#).

Public exhibition note - Implementation

The above dates can only be finalised if and when this Program is adopted by Council and changes to the Sydney Local Environmental Plan 2012, the Sydney Local Environmental Plan (Green Square Town Centre) 2013, and the Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 are made.

This Program has no effect until that time.

1.1 Program Objectives

The objectives of this Program are to:

- recognise affordable rental housing as critical infrastructure necessary to support; sustainable and diverse communities and long term economic growth in the City of Sydney local government area (city);
- ensure that, as the cost of housing increases in the city, affordable rental housing is provided for very low to moderate income households;
- ensure there are opportunities for very low to moderate income households, who have an historical connection with the city, to live in the city;
- ensure there are opportunities for very low to moderate income earners who work in the city to live in the community in which they are employed; and
- facilitate opportunities for government and community housing providers (CHP) to supply affordable housing within the city.

1.2 Relationship to other Programs

This Program, on the day it came into effect, repeals and replaces the City of Sydney Affordable Housing Program, adopted by Council [24 August 2020](#) [26 June 2023](#).

Any development applications determined prior to the commencement of this Program are not altered by the commencement of this Program.

1.3 Where does this Program apply?

This Program applies to land to which the *Sydney Local Environmental Plan 2012*, the *Sydney Local Environmental Plan (Green Square Town Centre) 2013* and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2)* [2013](#) applies.

This Program also applies to 'Planning Proposal land' where it is identified in the abovementioned local environmental plans (LEPs) or any other Environmental Planning Instrument (EPI).

The Program may not apply to:

- development to which the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, where the plan is still in effect; and
- other land in the City of Sydney, unless otherwise identified as applying in another EPI, where *Sydney Local Environmental Plan 2012*, *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* do not apply.

1.4 Legislative basis for affordable housing contributions

This Program applies in accordance with the requirements in the *Environmental Planning and Assessment Act 1979* (the Act).

The State Environmental Planning Policy (Housing) 2021 recognises that all local government areas within NSW are areas where there is a need for affordable housing.

Local environmental plans contain controls for the calculation, levying and management of affordable housing contributions in the City of Sydney.

1.5 Affordable Housing Principles

The City of Sydney affordable rental housing principles are [informed by the Housing SEPP](#). The affordable rental housing principles are:

- affordable rental housing is to 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 very low to moderate income households at no more than 30% 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 City, is consistent with other dwellings in the LGA.

The affordable housing principles are generally satisfied where:

- [an affordable housing contribution \(monetary or in-kind contribution\) is distributed in accordance with any distribution plan adopted by Council;](#)

- resulting affordable rental dwellings are subject to ongoing monitoring of compliance with the requirements of this Program;
- the continued use of resulting affordable rental dwellings, as affordable rental dwellings, is legally secured. This is generally by way of a restrictive covenant on the title of the property, though other approaches may be considered;
- resulting 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;
- any CHP that is to own and/or manage resulting affordable rental dwellings, must have a mix of very low, low and moderate income tenants across their portfolio;
- 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 in the LGA. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling; and
- resulting 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 of a similar design quality so as to not be externally differentiated as affordable housing compared with the design quality of other housing.

While the affordable housing principles apply to affordable housing contributions received pursuant to 7.32 of the Act, where the City has made a substantial contribution to other affordable housing, the affordable housing principles may still apply.

1.6 Amending this Program

Amendment to this Program will generally require amendment to LEPs, or other EPIs, that directly refer to this Program as dated.

Amendment and/or update to the information provided at the appendices may occur from time to time and does not require an amendment to LEPs or EPIs.

1.7 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

Under this Program, **Affordable rental housing** or **Affordable rental dwelling** is **affordable housing** that is owned and managed by government, a **Recommended Community Housing Provider**, or an **Eligible Community Housing Provider** and rented to **very low to moderate income households**.

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, as updated from time to time.

Council / City / city / consent authority

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 elected representatives and their delegates.

References to the **city** are references to the City of Sydney local government area.

References to the **consent authority** are references to the authority responsible for the approval of a development application.

Developer

References to the **developer** in this Program are references to the proponent of any development application that requires an affordable housing contribution.

Development application

References to **development applications** in this Program refer to both development applications and any application for the modification of a development consent.

Distribution Plan

Distribution Plan refers to any plan adopted by the City of Sydney Council for the distribution of affordable housing contributions ~~funds~~ arising from this Program.

Eligible Community Housing Provider

Eligible Community Housing Providers are community housing providers that are classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

Environmental Planning Instrument (EPI)

An Environmental Planning Instrument (EPI) is a reference to a state or regional environmental planning policy or a local environmental plan.

Local Environmental Plan (LEP)

Reference to various **LEPs** in this Program apply to any LEP that replaces it, so long as the affordable housing provisions remain substantially unamended.

Planning Proposal Land

Planning Proposal land refers to land that is defined in Schedule 6C of *Sydney Local Environmental Plan 2012*.

Recommended CHPs

Recommended CHPs are those providers identified in a [Distribution Plan](#) as Recommended CHPs.

Housing SEPP

References to the **Housing SEPP** are references to State Environmental Planning Policy (Housing) 2021, or any replacement of that policy.

Very low to moderate income households

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 Greater Sydney—Greater Capital City Statistical Area or the Rest of NSW—Greater Capital City Statistical Area 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 Affordable housing contributions

This Section describes how an affordable housing contribution may be satisfied, the equivalent monetary contribution amounts [for the rates in the LEPs](#), how the contribution will be applied in the development application process and how it will be managed for the provision of affordable housing.

2.1 Contribution ~~rates~~ requirement

Local environmental plans (LEPs), or another EPI¹, will establish the affordable housing contribution ~~rate requirements that apply to land in the LGA and the type of development to which a contribution requirement might apply. as it applies to the development. The rate varies across different areas and types of land.~~

Contribution requirements are generally set out in a local environmental plan, although may also be set out in another environmental planning instrument.

The contribution requirement must be satisfied in accordance with the requirements of the LEP or EPI.

¹ On land identified in an EPI (other than an LEP) where this Program is applied, where the method for calculation is not otherwise set out in the EPI or in a supplementary note / guideline, the contribution will be calculated in accordance with this Program, that is, in accordance with:

- the relevant equivalent monetary contribution amounts; and
- the method for calculating the contribution requirement in the different parts of the LGA.

~~(2.1.1) Green Square, Southern Employment Lands and Ultimo-Pyrmont~~

~~On land in Green Square, the Southern Employment Lands, Ultimo-Pyrmont the contribution rate is:~~

- ~~• 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.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

~~2.1.2 Central Sydney and residual lands~~

~~In Central Sydney and on residual land, on all development applications lodged after 1 July 2022, the contribution rate is:~~

- ~~• 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.~~

~~The contribution must may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

~~2.1.3 Other land identified in an EPI where this Program is applied~~

~~On land identified in an EPI, where this Program is applied, the relevant affordable housing contribution rate will be set out in the EPI.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

~~2.1.4 Planning Proposal lands~~

~~On Planning Proposal land the contribution requirement varies from site to site. The contribution rate, once determined through the planning proposal process, is specified in an LEP or other EPI.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program. The LEP, or other EPI, may specify how the contribution requirement must be satisfied.~~

~~The approach used to establish the appropriate contribution rate for Planning Proposal land is described at Appendix B.~~

~~2.1.5 Satisfying a contribution requirement by dedicating dwellings~~

~~An affordable housing contribution requirement may be satisfied by dedication, free of cost, of affordable housing dwellings. Affordable rental dwellings resulting from a contribution are to be provided in the development in accordance with the following requirements:~~

- ~~• affordable rental dwellings are to align with the Affordable Housing Principles at Section 4 of this Program~~
- ~~• affordable rental dwellings are owned by government or a nominated or Recommended and Eligible CHP or as otherwise provided for in any distribution plan adopted by Council~~
- ~~• affordable rental dwellings are provided in the city 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 in the development, at least 25 per cent of dwellings are to be allocated to very low income households and 25 per cent of dwellings to low income households*~~
- ~~• all rent received from the affordable rental dwellings after deduction of management and maintenance costs will only be used for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling~~
- ~~• affordable rental dwellings are designed and constructed to a standard which, in the opinion of the City, is generally consistent with other dwellings in the city, that is, they are not differentiated as affordable housing compared with the design of other housing~~
- ~~• each affordable rental dwelling is to have a total floor area of not less than 35 square metres, with any remainder being paid as a monetary contribution to the City, and~~
- ~~• where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guideline (or any subsequent Guideline that may apply from time to time) are to be generally achieved.~~

~~* This tenure mix applies at first occupation of the dedicated dwellings. Recognising that the income of residents can vary over time, the tenure mix need only be reviewed at change-over of tenants to ensure the mix remains as close as possible to the required mix. In the interim, a CHPs portfolio can be managed to meet the required tenure mix of very low, and moderate income households across the City of Sydney LGA.~~

~~The location, size and quality of affordable housing dwellings are to be to the satisfaction of the City and the receiving CHP. If they are not to satisfaction of both parties, the City may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution.~~

~~Where part of a contribution is satisfied by dedicating dwellings, any remaining floor area must be paid as a monetary contribution.~~

~~All floor area to be dedicated for affordable housing is to be allocated as dwellings, that is, common circulation areas are not considered part of the contribution requirement. An exception to this is where all the affordable housing floor area is provided as a full floor of a development or as a stand-alone building.~~

~~Appendix C details the process for dedicating dwellings for affordable housing unless otherwise provided for in any distribution plan adopted by Council.~~

2.2 ~~(2.1.5)~~ Satisfying a contribution requirement by making an equivalent monetary contribution

The Section sets out how an affordable housing contribution can be satisfied by making an equivalent monetary contribution to Council.

~~An affordable housing contribution requirement may be satisfied by making an equivalent monetary contribution to the City. This requirement may be satisfied by the payment of money.~~

~~The equivalent monetary contribution amount for the period of 1 March 2023 to 28 February 2024 is \$10,611.53 per square metre.~~

The equivalent monetary contribution amount differs depending on the affordable housing contribution precinct the development is located in. The affordable housing contribution precincts are shown in Figure 1.

The equivalent monetary contribution amounts as at 1 March 2024 to 28 February 2025 are set out in Table 1. Adjustments are made to the equivalent monetary contribution amounts on an annual basis in accordance with this Program. ~~The City of Sydney's website lists the current monetary contribution amounts as indexed.~~ Monetary contribution amounts, as indexed, are published on the City of Sydney website.

Table 1: Equivalent monetary contribution amounts

Affordable housing contribution precinct*	To XX XX XXXX [Rate A]	From XX XX XXXX [Rate B] (50% implementation)	From XX XX XXXX [Rate C] (Full implementation)
South precinct	\$12,293.84	\$12,396.92	\$12,500.00
East precinct	\$12,293.84	\$16,146.92	\$20,000.00
West precinct	\$12,293.84	\$13,646.92	\$15,000.00
Central precinct	\$12,293.84	\$14,896.92	\$17,500.00

Notwithstanding the equivalent monetary contribution amounts set out in Table 1, for development in Central precinct, that is entirely for the purpose of build-to-rent housing (provided in accordance with the Housing SEPP) or co-living housing (as defined in the Standard Instrument – Principle Local Environmental Plan), the equivalent monetary contribution amount will remain at \$12,293.84 per square metre, as indexed, until the date of the full implementation of the rates as set out in Table 1. From that time the concession rate for these housing types will end.

Public exhibition note – Phasing-in new contribution requirements

Table 1 shows proposed changes to the current ‘one size fits all’ equivalent monetary contribution rate to allow for a bespoke rate for each precinct. The rates are to be phased in over a period of four years. from the adoption of this draft Program by Council. The dates in Table 1, denoted by ‘XX XX XXX’, are to be inserted at the time the LEPs are made. They will reflect the following:

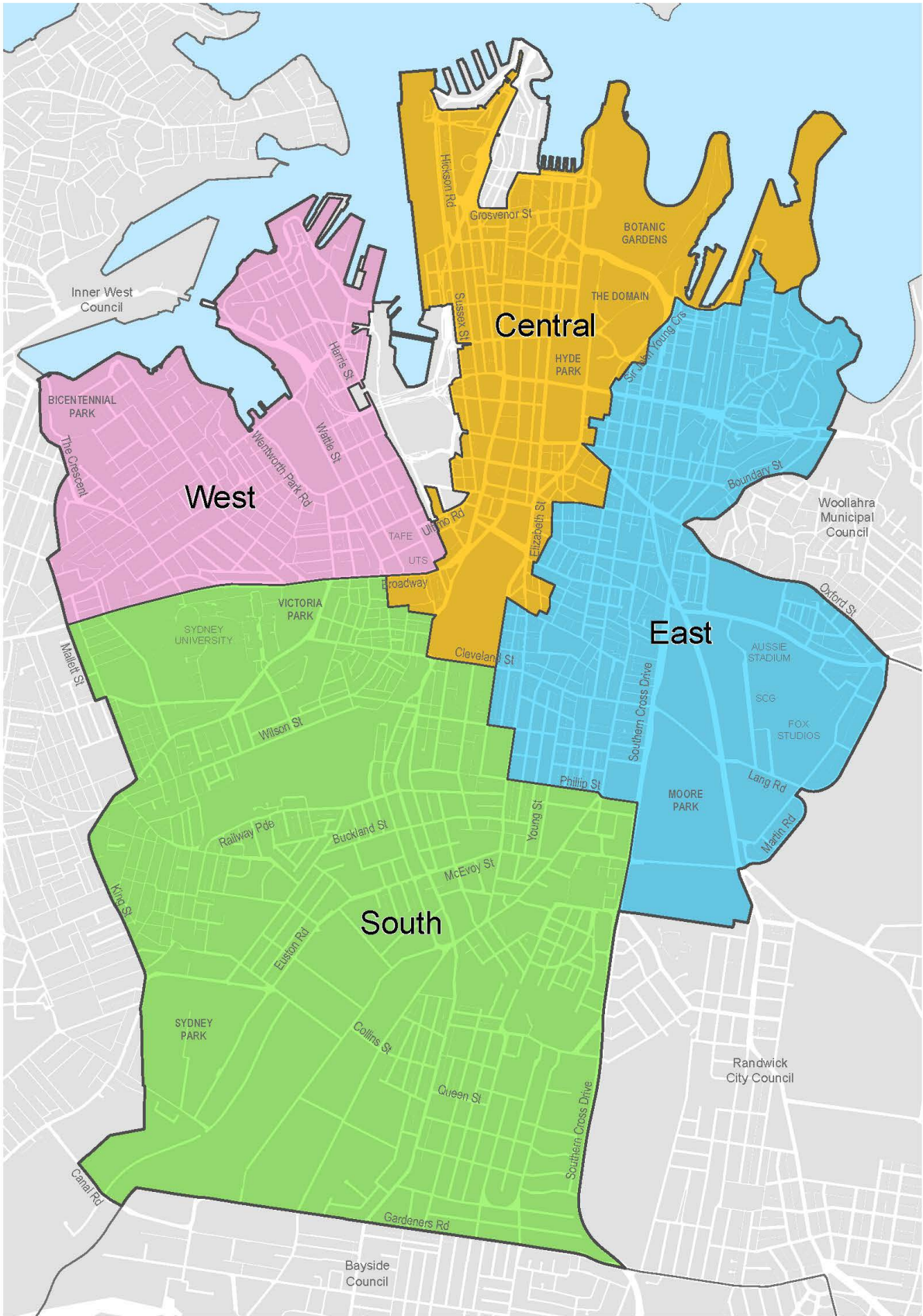
- * Rate A – to apply immediately after commencement and for 2 years from that date
- * Rate B – to apply from 2 years after commencement
- * Rate C – to apply from 4 years after commencement

Public exhibition note – TFA to GFA

It is noted the current (2024-25) rate in the Program of \$11,176.22 per square metre of ‘Total Floor Area’ is equivalent to the ‘To XX XX XXXX’ rate in the first column (Rate A), which is expressed as a per square metre of ‘Gross Floor Area’ rate.

Development applications lodged prior to the commencement of the LEPs that implement this draft Program will be subject to the current affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs. This means the contribution requirement will continue to be based on the amount of ‘Total Floor Area’ in the development and the associated equivalent monetary contribution amount, as published on the City’s website.

Figure 1: Affordable housing contribution precincts



2.2.1 (2.1.5) Calculating the contribution in Ultimo-Pyrmont, Green Square, and the Southern Employment Lands and on Planning Proposal lands

In Ultimo/Pyrmont, Green Square (including the Green Square Town Centre), and the Southern Employment Lands and on planning proposal lands, the contribution requirement applies because the areas were rezoned. Over time, ~~it is envisaged that~~ all floor area in these ~~areas~~ locations will make a contribution to affordable housing, because all floor area has benefited from the rezoning.

The contribution is therefore calculated on all of the ~~total gross~~ floor area in the building to which the development application applies.

Example

A development application in Green Square (south precinct) for a new 10,000sqm development, comprises 1,000 square metres of non-residential ~~total gross~~ floor area and 9,000sqm of residential ~~total gross~~ floor area. The affordable housing contribution is calculated as:

$$(1\% \times 1,000\text{sqm}) + (3\% \times 9,000\text{sqm}) = 280\text{sqm of dedicated floor area}$$

or

$$(1\% \times 1,000\text{sqm} \times \$10,611 \$12,293.84) + (3\% \times 9,000\text{sqm} \times \$10,611 \$12,293.84) = \$2,971,080 \$3,442,275 \text{ equivalent monetary contribution}$$

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

Example

A development application for a warehouse conversion in the Southern Employment Lands (south precinct) includes a new mezzanine level comprising 1000sqm of non-residential ~~total gross~~ floor area. The existing ~~total gross~~ floor area in the warehouse is 2000sqm. The affordable housing contribution is calculated as:

$$(1\% \times 3,000\text{sqm} \times \$10,611 \$12,293.84) = \$318,330 \$368,815 \text{ equivalent monetary contribution}$$

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

Note: In-kind contribution will not be suitable in a non-residential development.

Example

A development application in Blackwattle Bay, Pyrmont (west precinct) for a new 20,000sqm development is lodged. The affordable housing contribution is calculated as:

$(7.5\% \times 20,000\text{sqm} \times \$12,293.84) = \$18.4\text{m}$ equivalent monetary contribution

Note: This is a simplified example based on the contribution requirement set out at Clause 6.70 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

Example

A development application on Planning Proposal land in Waterloo (south precinct) for a new residential development is lodged (there is no non-residential floor area proposed).

The site was previously rezoned to increase the development capacity from 10,000sqm to 15,500sqm, an increase of 5,500sqm. When the site was rezoned, an additional affordable housing contribution requirement for the “new” floor space was put into effect. The clause required:

- a 3% contribution requirement on the residential floor space that was available before the rezoning (65% of the development capacity); and
- a 20% contribution requirement on the “new” residential floor space (35% of the development capacity).

The affordable housing contribution is calculated as:

$((3\% \times (65\% \times 15,500\text{sqm})) + ((20\% \times (35\% \times 15,500\text{sqm})))) \times \$12,293.84 = \$17.1\text{m}$ equivalent monetary contribution

Note: This is a simplified example based on a fictional contribution requirement set out at Clause 7.13B and Schedule 6C of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

See Appendix B for more information about how a Planning Proposal land contribution requirement may be established.

2.2.2 ~~(2.1.6)~~ Calculating the contribution in Central Sydney and on residual land

In Central Sydney and on residual land (where it is not identified as Planning Proposal land), the contribution requirement applies to new or more intensely used floor area only, because the areas were not rezoned at the time when the contribution was introduced.

The contribution is therefore calculated only on the floor area space to which the development application directly relates.

For the purposes of this Program:

- demolition and replacement of the same floor area is considered to be new floor area;
- the extent of improvement works to a building as a whole will be considered to determine whether the nature of works proposed will result in an essentially new building; and
- more intensely used floor area is required to make an affordable housing contribution due to the overall gentrifying effect that is observed as sites change use over time. More intensely used floor area is therefore considered to be triggered with a change from industrial floor area to commercial floor area and from commercial floor area to residential floor area.

Example

A development application on residual land in Newtown (west precinct) for the demolition of an existing building and a new building comprising a ~~total gross~~ floor area of 10,000sqm of residential gross floor area will be calculated as:

~~3% x 10,000sqm = 300sqm of dedicated floor area~~

or

3% x 10,000sqm x ~~\$10,611~~ \$12,293.84 = ~~\$3,183,300~~ \$3,688,152 equivalent monetary contribution

Note: Existing gross floor area that is demolished and replaced is not 'credited' against the contribution requirement.

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

Example

A development application in Darlinghurst (east precinct) for a new mezzanine level comprising 200sqm of non-residential ~~total gross~~ floor area, is made for an existing commercial building. The existing ~~total gross~~ floor area in the warehouse is 2,000sqm. The affordable housing contribution is calculated as:

(1% x 200sqm x ~~\$10,611~~ \$12,293.84) = ~~\$21,222~~ \$24,588

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.

~~Note: In-kind contribution will not be suitable in a non-residential development.~~

Example

A development application for ~~two~~ **one** new residential storeys on top of an existing building is made in Central Sydney (**Central precinct**). The new development comprises a **total gross** floor area of 800sqm. The affordable housing contribution is calculated as:

3% x 800sqm x ~~\$10,611~~ **\$12,293.84** = ~~\$254,664~~ **\$295,052** equivalent monetary contribution

Note: This is a simplified example **based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012**. No exemptions have been applied. **The starting monetary contribution rate, Rate A, has been assumed for the purpose of this example.**

~~Note: An in-kind contribution will not be suitable in this situation because the contribution requirement is for less than 35sqm of floor area.~~

~~(2.1.7) Calculating the contribution on Planning Proposal land~~

~~On Planning Proposal land, the method for calculating the amount is set out in the relevant LEP, or other EPI.~~

~~(2.1.8) Calculating the contribution on land identified in an EPI where this Program is applied~~

~~On other land identified in an EPI where this Program is applied, the method for calculating the amount is set out in the EPI or, where it is not set out in the EPI, then will be set out in a supplementary note / guideline to this Program, adopted by the Minister for Planning or their delegate.~~

2.2.3 Conditions of consent for making monetary contributions

A contribution requirement will be set out in a condition of development consent. Evidence the condition of consent has been satisfied is required prior to the issue of a construction certificate.

In circumstances where no construction certificate is required, evidence the condition of consent has been met will be required before commencement of use / occupation.

2.2.4 How to make a payment

Payment will be by unendorsed bank cheque or other approved means to the City of Sydney Council prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is provided in the condition of consent.

If a development requires multiple construction certificates, the City will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.

2.3 Satisfying a contribution requirement by dedicating built dwellings

This Section sets out where an affordable housing contribution must be, or is proposed to be satisfied, in part or in full, by the dedication of built dwellings.

2.3.1 Where a dedication of built dwellings may be required by the consent authority

This Section sets out the criteria to determine where an affordable housing contribution will be required by the consent authority to be satisfied by dedicating built dwellings (only where an LEP, or other EPI, empowers the consent authority to make such a requirement).

An affordable housing contribution will be required by the consent authority to be satisfied by dedicating built dwellings where:

- the development is predominantly for a residential purpose;
- the development will (or in the case of a Stage 1 development application, may) result in a contribution requirement for more than 600 square metres of gross floor area that can be provided as eight or more dwellings;
- the development is located in Category A or B area of the Sydney LEP 2012 Land Use and Transport Integration Map (if the development is subject to the Sydney LEP 2012);
- in the opinion of the consent authority, affordable housing dwellings may reasonably be provided where they could avoid participation in a future strata scheme, if the quarterly costs of the scheme would likely be high* and render the management of the property for affordable housing as unsustainable**. This could reasonably be achieved where the dwellings to be dedicated could be provided:
 - in a separate stratum in a building in the development, preferably with its own entry; or
 - in a separate building in the development; and
- in the opinion of the consent authority, the standards for dedicated affordable housing dwellings, provided at Appendix C, can be reasonably satisfied.

* Where the development incorporates amenities that are likely to result in high management costs, for example, a significant number of lifts, pool(s), gym(s), concierge facilities etc.

** Affordable housing may be 'unsustainable' where rents will not meet the costs of strata and other cyclical management costs of the dwelling over a 40-year ownership period.

In determining if it will require the dedication of built dwellings, the consent authority must consult with the Recommended CHP, identified in any distribution plan adopted by Council as being the recipient of dedicated dwellings.

The consent authority may not require the dedication of built dwellings where the Recommended CHP, identified in any distribution plan adopted by Council as being the recipient of dedicated dwellings, provides evidence that the proposed dwellings are unsuitable for use as affordable housing.

The City of Sydney Executive Director City Planning, responsible for development applications, must provide written advice confirming the suitability of dwellings proposed for

dedication prior to a condition of consent for dedication being applied to a development consent.

The development application process for development that may be required to dedicate built dwellings is provided at Appendix D.

Where the above criteria cannot be met, the consent authority will require the affordable housing contribution be satisfied by making a monetary contribution in accordance with Section 2.2 of this Program.

2.3.2 Conditions of consent for dedicating dwellings

An affordable housing contribution requirement for the dedication of dwellings will be set out in a condition of development consent. Evidence that a condition of consent has been satisfied is required prior to the issue of any occupation certificate in the development.

2.3.3 Floor area to be dedicated for affordable housing dwellings

The floor area to be dedicated to Council is to include:

- dedicated dwellings (including any associated private spaces, such as balconies and courtyards); and
- any required horizontal circulation spaces that form part of a stratum that allow access to the dwelling/s.

2.3.4 How dedicated dwellings are to be used

Affordable rental housing resulting from a dedication requirement is to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.

2.4 ~~(2.2)~~ Development that may be exempt from making a contribution, or may have a reduced contribution requirement

The following development is exempt from making an affordable housing contribution:

- any building on land in Zone E4 General Industrial, or
- any floor area used to provide affordable housing or public housing (for the avoidance of doubt, development to which Chapter 2, Part 2, Division 1 or Chapter 3, Part 4 of the Housing SEPP applies is not development excluded from the need to make a contribution), or
- City of Sydney development – development undertaken by or on behalf of the City of Sydney. This include development being undertaken for a public purpose, but excludes development being undertaken for a sole commercial purpose.

Where affordable housing provided under Chapter 2, Part 2, Division 1 of the Housing SEPP is provided in perpetuity and rented to very low to moderate income households at no more

than 30% of gross household income in accordance with the Affordable Housing Principles of this Program, the consent authority may consider a case for exempting that development from the requirement for an affordable housing contribution.

Where a building is predominantly affordable housing (with a small proportion of floor area dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor area in that building.

The consent authority may consider a case for exempting development from the requirement for an affordable housing contribution if the development application is for one or more of the following (and no other development):

- where the cost of construction is less than \$100,000; or
- where the change of use is from:
 - a commercial use or light industrial use to a general industrial use or heavy industrial use; or
 - a general or heavy industrial use to another general industrial use or heavy industrial use.

Where the development would result in the ~~equivalent monetary contribution affordable housing contribution monetary rate~~ 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.

~~Where social/affordable housing floor space is being provided, in accordance with the Principles of this Program, a contribution requirement will not be applied to that floor space.~~

~~Where a building is predominantly affordable housing (with a small proportion of floorspace dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor space in that building.~~

The following are some examples of when the LEP clause may or may not apply to specific types of development.

For example

The City receives a development application for a new 50sqm mezzanine in an office building in Central Sydney. The application will not give rise to an affordable housing contribution because the ~~LEP clause contribution requirement~~ does not apply to development that only results in the creation of less than 60sqm of non-residential gross floor area, and no other development.

For example

The City receives a development application in the Southern Employment Lands for a new 50sqm (non-residential) mezzanine and a change of use for the 100sqm of existing **gross** floor area from a warehouse (general industrial) to a retail use, and no other development.

The contribution requirement will apply because more than 60sqm of existing **gross** floor area is changing use.

For example

The City receives a development application in the residual lands for a change of use of 5,000sqm of existing commercial **gross** floor area to serviced apartments, and no other development.

The contribution requirement will apply because **on residual land (and in Central Sydney) (and on residual land)** the contribution requirement applies where there is a change of use of existing **gross** floor area from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose, and serviced apartments are 'tourist and visitor accommodation'.

For example

The City receives a development application in Green Square for a change of use of 2,000sqm of existing retail **gross** floor area to office **gross** floor area, and no other development.

The contribution requirement will apply to the entire development because in Green Square, any change of use will trigger the requirement for a contribution.

For example

The City receives a development application in Central Sydney for a change of use of 200sqm of existing retail **gross** floor area to office **gross** floor area, and no other development.

A contribution requirement will not apply because in Central Sydney, only where there is a change of use from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose, will a contribution be applied.

For example

The City receives a development application in the residual lands which proposes a full internal remodel of an existing 7,500sqm commercial building. The external walls of the building will be retained, although will need reinforcing and some sections may require re-building. The building will continue to be used for commercial purposes.

A contribution requirement will apply to the entire 7,500sqm because the extent of the building works in their entirety are considered to represent a new development and the requirement for a contribution applies to new floor area in the residual lands.

For example

The City receives a development application for the redevelopment of a large site in Green Square. The development will involve:

- the construction of seven 8-storey mixed use buildings for market housing and various non-residential uses; and
- one 6-storey mixed use building to be provided for affordable housing, with ground level retail.

A contribution requirement will not be applied to floor **area space** in the entirety of the building to be provided for affordable housing, including the ground floor retail component. The contribution requirement will apply to the floor **area space** in the remainder of the development.

2.5 ~~(2.3)~~ Where a contribution has been previously paid

If an affordable housing contribution has already been made on existing **total gross** floor area, then a subsequent contribution is generally not required unless:

- it is being demolished and being replaced with floor **area space** of the same or a different use. In this case, a contribution will be applied to all of the **total gross** floor area, including the replacement floor area;
- for existing floor **area space**, the previous contribution was for a non-residential purpose and the new **total gross** floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

2.6 ~~(2.4)~~ Refunds

2.6.1 ~~(2.4.1)~~ For demolition or changes of use

Local environmental plans require that the consent authority must not refund an affordable housing contribution to the applicant where there is a change in use or demolition of **gross** floor area.

The same applies where affordable housing dwellings are provided on site, in that the dwellings (as replaced) are to remain the property of a CHP.

2.6.2 ~~(2.4.2)~~ Surrendered consents

~~The City Council~~ is not obligated under legislation to refund an affordable housing contribution payment.

Nevertheless, ~~the City Council~~ may consider refunding a development contribution payment to the original payee where:

- ~~the development has not commenced and~~ the consent has lapsed; or
- the development has not commenced and the consent will not proceed, as directed in writing by the payee. In this case ~~of former~~, the applicant will need to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

~~The City Council~~ will only consider refunding the contribution when ~~it the City~~ holds adequate contribution funds i.e., funds that have not yet been transferred to a Recommended CHP.

The applicant must apply for the refund in writing to ~~the City Council~~.

Other than in exceptional circumstances, requests for refunds must be made within 12 months of paying the contribution for which the refund is sought.

~~(2.5) Conditions of consent~~

~~A contribution requirement forms part of a development consent. In all instances the City 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 the City before commencement of use/occupation.~~

~~(2.6) How to make a payment~~

~~Payment will be by unendorsed bank cheque to the City of Sydney Council prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is provided in the condition of consent.~~

~~If a development requires multiple construction certificates, Council will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.~~

2.7 Adjustment of equivalent monetary contribution amounts

Monetary contribution amounts are adjusted on an annual basis, being the first day of March, with reference to movements in the median strata dwelling price in the City of Sydney LGA as detailed in NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

The Rent and Sales Report is available on the NSW Government, Department of Communities and Justice website.

The formula for adjustment of the equivalent monetary contribution amounts is:

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

Where:

- **MDP1** is the median strata dwelling price used to establish the current contribution rate
- **MDP2** is the median strata dwelling price for the CURRENT period, being established by averaging the four most recently published Rent and Sales Report.

The City of Sydney's website contains the current monetary contribution amounts.

2.8 Adjustment of a monetary contribution amount on a development consent

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 2021 and the applicant does not wish to pay the contribution and develop the site until August 2024, the contribution amount will need to be adjusted to the period in which it is paid, being 1 March 2024 to 28 February 2025.

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:

$$\text{Monetary Contribution} = \text{Base Contribution Amount} \times (\text{R2}/\text{R1})$$

Where:

- **R1** is the contribution rate that applied at the time of consent.
- **R2** is the contribution rate that applies at the time of payment.

The Base Contribution Amount is the amount obtained from the Notice of Determination of the development application.

2.9 ~~Use of contributions~~ How monetary contributions are to be used

~~(2.9.2) How in-kind contributions are to be used~~

~~In-kind contributions of affordable housing dwellings are to be given/dedicated, free of cost, to a Recommended CHP, or as otherwise provided for in any distribution plan adopted by Council.~~

~~Where dedication is in accordance with this Program, in the circumstances that no Recommended CHP is willing to accept the in-kind contribution, then it may instead be given/dedicated by the developer to another Eligible CHP according to the terms of any planning agreement.~~

~~In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed in accordance with this Program.~~

~~(2.9.2) How monetary contributions are to be used~~

~~Monetary contributions are to be given to Recommended CHPs in accordance with an adopted Distribution Plan.~~

~~Monetary contributions paid to Council are to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.~~

~~Affordable housing resulting from an affordable housing contribution requirement must be owned and managed in accordance with the affordable housing principles set out in this Program.~~

3 Affordable housing on suitable employment land

In the eCity of Sydney, the proximity of some lands generally zoned for employment to amenities and services may make them suitable for affordable housing, provided that the development does not undermine the broader employment focused objectives of the zone. Sydney LEP 2012 identifies these areas in which affordable housing is permitted.

3.1 Requirements for affordable housing on suitable employment land

~~Monetary contributions are to be used for the sole purpose of providing and managing affordable housing in accordance with this Program.~~

Affordable rental housing developed on suitable employment land is to be provided in accordance with the affordable 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 CHP~~
- ~~• 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~~
- ~~• up to 70 per cent of dwellings are to be allocated to income eligible employed 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. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling~~
- ~~• affordable rental dwellings are 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.~~

3.2 Development applications

The Sydney LEP 2012 requires that any development for affordable housing is compatible with the existing ~~uses~~ and approved uses of land in the vicinity.

Proponents should seek pre-development application advice from the City on any proposal to develop affordable housing on employment land.

Appendix A - Background information and affordable housing needs analysis

1. Introduction

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social issue in Sydney, particularly within the city where housing prices are amongst the highest in Australia.

For a global city, a sustainable and diverse housing supply is fundamental to the cultural and social vitality, economic growth, and liveability of the city. For a city to maintain its global status it needs to maintain the delivery of essential social and physical infrastructure. Housing is a critical piece of that infrastructure; where it is located, its proximity to employment, its diversity in price and type and its quality, are things that require careful management.

A range of factors are placing upward pressure on housing costs, making it increasingly difficult for very low to moderate income households to afford to rent or buy in the local area.

It is expected that without intervention the market will continue to produce housing aimed at households on relatively high incomes. Lower income households will need to move out of the inner-city, away from their communities and their employment in the inner-city.

Housing affordability may affect a city's ability to attract and retain global businesses and a highly skilled workforce. Where relatively low paid key workers, who underpin and enable growth in high value sectors, and contribute to the efficient functioning of a city, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These low paid key workers are employed across a range of sectors and include, amongst others, our health care technicians, cleaners, bus drivers, childcare workers, administrators, hospitality staff, tour guides, musicians and artists.

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.

This Program provides the framework for affordable housing to be provided in conjunction with the development that creates the demand for it.

2. What is affordable housing?

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* (Act) 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 the City of Sydney, the private housing market is unlikely to deliver housing, for purchase or for rental, which does not put a very low to moderate incomes household in housing stress or crisis, which is, they are spending more than 30 per cent of their gross income on rental or mortgage costs. 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 registered CHP and rented specifically to target income households.

3. NSW Government and City of Sydney affordable housing objectives and targets

3.1 NSW Government

The NSW Government has long recognised the importance of providing affordable housing through the planning framework.

The ~~Greater Cities Commission's~~ [NSW Government's](#) Region and District Plans include targets and actions for the provision of affordable housing through the planning framework. The plan requires councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

3.2 City of Sydney Council

The City of Sydney has a target that 7.5 per cent of private housing will be social housing and 7.5 per cent of private housing will be affordable housing.

4. Affordable housing need analysis

4.1 Why do we need affordable housing?

Socio-economic impacts

Rising housing prices, driven by a range of factors including increased demand for inner-city living, population growth, foreign investment, federal and state government fiscal and taxation policies, and constrained land supply, all result in declining housing affordability across Australia, particularly in major cities.

In the city, climbing housing costs are expected to have an increasingly detrimental impact on its socio-economic diversity as low income households are pushed from the LGA because they cannot access affordable housing. The majority of households on low to moderate incomes who remain in the private housing market are increasingly in housing stress or crisis and will eventually be forced to move out as housing costs continue to escalate ahead of wage growth.

The loss of low income households is contrary to the aims of the District Plan and the *Sustainable Sydney 2030-2050*, both of which promote the diverse and liveable socio-economic communities.

The relative inequality among those who can and cannot afford housing in the city has widened. There is a growing disconnect between affluent households able to afford private market housing and socio-economically disadvantaged households living in inner city social housing estates. This 'hollowing out of the middle' impacts on community sustainability.

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

Economic impacts

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

The ongoing loss of very low to moderate income households from inner Sydney, as they are forced to the outer suburbs of Sydney, makes it increasingly difficult for essential employment sectors to fill employment vacancies and staff shifts. On the city scale, this hampers business productivity and by extension the wider economic growth of Sydney.

4.2 Satisfying the requirements of the Act

This Program has been prepared in accordance with the requirements of the *Environmental Planning and Assessment Act 1979* (the Act), that is, those matters that are required by the Act to be considered when applying a condition of consent, have been considered. Where a condition of consent is applied in accordance with this Program, it is consistent with the Act.

Section 7.32 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 provide².

The City of Sydney is identified in a state environmental planning policy (SEPP) as an area where there is a need for affordable housing.

Provided below is the rational and justification for applying a contribution requirement in various land in the city.

Central Sydney

Central Sydney is identified on the Locality and site identification map and zoned SP5 Metropolitan Centre (formerly B8) in the City's planning controls. All development in Central Sydney, that is not minor development, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

All new development in Central Sydney will reduce the availability of affordable housing within the area.

As jobs growth occurs in Central Sydney, a proportion of the new working population will form part of a very low to moderate income household. As competition for affordable housing options increases, the overall availability of affordable housing will decrease. Given the substantial shortfall of affordable housing options within the City, any decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

All new development in Central Sydney will create a need for affordable housing within the area.

Ensuring the long term sustainable growth of Central Sydney is essential for a strong NSW and national economy. Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic and social impacts which represent a risk to this growth.

As demonstrated above, 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 in Australian cities, in particular Sydney. This trend is coupled with inadequate new supply of social and affordable housing in the inner city, both

² Development must only satisfy one of these conditions for Council to be able to require a contribution.

of which are necessary to mitigate market affordability impacts in maintaining accessibility of inner city housing to socio-economically diverse communities.

In the City, 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. Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. The purchase and rental housing 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 are increasingly priced out of the market.

There are also substantial economic impacts where affordable housing cannot be accessed close to employment.

As residential growth occurs in Central Sydney, demand for services in which low income workers are employed will increase. These services include childcare, medical services, retail, cleaning, and hospitality and so on. There is a need to ensure some affordable housing is available to accommodate people on low incomes working in these services.

Evidence suggests the loss of low to middle income households from inner Sydney will result in essential sectors in the Australian economy finding it increasingly difficult to fill employment vacancies and staff shifts, hampering business productivity and economic growth.

As the relative economic importance of Central Sydney to the national economy continues to increase, cumulatively all new development will continue to create an economic and social need for affordable housing.

Ultimo-Pyrmont

To promote a socially diverse and sustainable community, it is crucial that affordable rental housing be provided so that very low to moderate income households can live in the area.

All development in Ultimo-Pyrmont is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Ultimo-Pyrmont will reduce the availability of affordable housing within the area.

The City West region of inner Sydney, comprising the suburbs of Pyrmont and Ultimo, was formally an industrial and port precinct that traditionally provided low-cost accommodation for people working in an around the area.

However, significant gentrification has occurred due to the urban renewal of the area, an accompanying investment in public infrastructure and a wider cultural shift towards inner-city living. As higher income households are attracted to the area, housing prices and rental costs are driven upwards, resulting in the reduction of rental stock availability for very low to moderate income households.

Development in Ultimo-Pyrmont will create a need for affordable housing

The planning controls in Ultimo-Pyrmont permit a range of commercial development to provide a variety of employment opportunities, including for lower paid occupations. The affordable housing provisions in Ultimo-Pyrmont reflect an expectation that people should be able to live and work within the same area.

New residents and workers in the area also generate a demand for services typically staffed by lower income earners, increasing the need for key workers such as cleaners, retail assistants, childcare workers and hospitality staff.

If affordable housing options are not provided in the area, the housing market will serve an increasingly smaller proportion of the population, narrowing the socio-economic diversity of Ultimo-Pyrmont and necessitating unsustainable travel behaviours for lower income workers.

Development in Ultimo-Pyrmont is allowed only because the land was rezoned

In the early 1990's a process of intense urban renewal was instigated with the rezoning of the area for high density residential development. The need to retain a proportion of affordable housing in the area was recognised at this time to ensure a socially diverse and sustainable community representative of all income groups.

The new planning provisions substantially affected and increased the development potential and land value of Ultimo-Pyrmont. This has been further impacted by the significant investment in infrastructure by the New South Wales and Commonwealth Governments to revitalise and redevelop the area. All landowners have and will continue to benefit from this increase in land value.

The increased land value has an impact on the affordability of housing in Ultimo-Pyrmont, particularly for the traditional low and moderate income residents of the inner city, as higher value uses are found for the land.

Green Square

The Green Square urban renewal area will provide housing for around 63,000 residents to 2036. The District plan and *A Metropolis of Three Cities – the Greater Sydney Region Plan* highlight the importance of creating communities that are mixed and cohesive, where there is a greater mix of social and private housing.

To promote a socially diverse and sustainable community, it is crucial that affordable rental housing be provided so that very low to moderate income households can live in the area.

All development in Green Square is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Green Square will reduce the availability of affordable housing within the area.

Green Square and its immediate surrounds have historically provided relatively cheap housing for inner-city residents.

However, the urban renewal of the area, the investment in public infrastructure and the wider cultural shift towards a preference for inner-city has resulted in the gentrification of Green

Square. This has placed, and will continue to place, pressure on housing prices and rental costs as high income households are attracted to the area, pushing up house values and reducing the rental stock available for very low to moderate income households.

The jobs growth associated with the urban renewal of Green Square is also reducing the availability of affordable housing in the area. While there has been a significant change in the nature of employment in the area since it's rezoning in 1999, with a general trend towards higher value jobs, a number of lower paid jobs still locate in the area.

It is desirable that people employed in the area are able to find housing close to their place of employment. This will increase competition for the affordable housing options, decreasing the overall availability of affordable housing and increasing the cost of renting in these areas.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

Development in Green Square will create a need for affordable housing

More specifically for Green Square, the ongoing urban renewal of the area, and its wider gentrification, will continue to produce upward pressures on property values and place further pressure on purchase and private rental accommodation costs beyond the means of low to moderate income groups.

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. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in Green Square close to new employment opportunities.

The employment generated by the urban renewal of Green Square will also create a need for affordable housing. On completion, some of which will be for very low to moderate income earners who will seek affordable housing in the area.

Moreover, new residents and workers in the area will generate demand for services typically staffed by lower income earners, increasing the need for key workers such as cleaners, retail assistants, childcare workers and hospitality staff.

Development in Green Square is allowed only because the land was rezoned

In 1999 the majority of the Green Square urban renewal area was rezoned from industrial to mixed use. Substantial value was created on land at the time it was rezoned.

The affordable housing contribution requirement in Green Square was introduced when the land was rezoned. Therefore, any negative impact the contribution requirement might have had on the value of the land was more than mitigated by the increase in land value arising from the rezoning.

Over time land values have continued to increase in Green Square as the area has gentrified and has benefited from substantial investment in public infrastructure. This will continue to place upward pressure on the cost of housing and increase demand for affordable housing.

Southern Employment Lands

The Southern Employment Lands will undergo substantial change over the next 20 years as it transitions from an area characterised by traditional manufacturing industries and low density employment to more diverse employment. The changes will result in an increase in the number of workers in the area, placing an increase in the demand for affordable housing.

All development in the Southern Employment Lands is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in the Southern Employment Lands will reduce the availability of affordable housing within the area

The Southern Employment Lands are Sydney's oldest industrial areas. The 2015 rezoning of the area will result in more jobs that are typically higher in value than those that have traditionally located in the area.

This will place pressure on housing prices and rental costs in adjoining area as high income households are attracted to the area to live near where they work, pushing up underlying land values and reducing the rental stock available for very low to moderate income households.

It is desirable that people employed in the area are able to find affordable housing close to their place of employment. This will increase competition for the affordable housing in the area, decreasing the overall availability of affordable housing and increasing the cost of rents.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

Development in the Southern Employment Lands will create a need for affordable housing within the area

Redevelopment in and around the Southern Employment Lands will continue to place upward pressure on property values and on purchase and private rental accommodation costs in the area beyond the means of very low and moderate income households.

Without the provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing products in the area, so that housing will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in close to new employment opportunities.

Development in the Southern Employment Lands is allowed only because the land was rezoned

In 2015, much of the land in the Southern Employment Lands was rezoned. Previously the Southern Employment Lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the new zones enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on.

The affordable housing contribution requirement in the Southern Employment Lands was introduced when the land was rezoned. Any negative impact the contribution requirement might have had on the value of the land was therefore mitigated by the increase in land value arising from the rezoning.

Over time land values will continue to increase in the Southern Employment Lands, placing upward pressure on the cost of housing and increasing demand for affordable housing in the surrounding area.

Residual land

As the popularity of inner city living continues grow and with increasing employment opportunities across the city, the cost of housing will continue to climb, making it increasingly difficult for low income households to live in these areas.

On residual land, development for new floor area, or for a more intense use of existing floor area, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in the residual lands will reduce the availability of affordable housing within the area

Investment in public infrastructure, increased amenity and the wider cultural shift towards a preference for inner-city has resulted in the gentrification in the LGA. This has placed, and will continue to place, pressure on housing prices and rents. Likewise, the increase in the number of jobs in the LGA, many offering relatively high salaries, increases the demand for housing and pushes up housing costs.

As the desirability of living and working in the local area increases, the demand for an ever-shrinking supply of lower cost housing increases, in-turn decreasing the overall availability of lower cost housing and pushing lower income households out to more affordable areas.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

Development in the residual lands will create a need for affordable housing within the area

The projected housing growth in the residual lands is shown at Figure 6. As at 2017, it was anticipated that approximately 35% of projected dwellings growth in the city will be in the residual lands.

Employment is also projected to grow in the LGA. The draft district plan projects 817,000 additional jobs across Greater Sydney, a large portion of which will be in the City's strategic

centres of the CBD and Green Square and Mascot where a respective 235,000 and 25,500 jobs are projected to 2036.

Job growth in the LGA and new development in the city's residual areas will continue to place upward pressure on housing prices and rents beyond the means of very low and 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 it will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in the LGA close to new employment opportunities.

Planning Proposal land

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. Planning Proposal land is identified in LEPs.

On Planning Proposal land, all new residential floor area is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

Development in Planning Proposal land will reduce the availability of affordable housing within the area

The cost of land and fragmentation of ownership patterns are key impediments to development and renewal in existing urban areas. Current buildings that are functional and provide good economic utility can in many cases be too valuable to consolidate for redevelopment. Therefore, developers tend to target buildings that are aging and nearing the end of their economic lifecycle. As such, planning proposals in the City, that generally seek increased height or floor area, are associated with former industrial or commercial sites and older, lower quality houses that are then replaced by higher density residential uses.

Where redevelopment of a site replaces older residential stock with a new residential flat building, there is typically a direct loss of lower cost housing that is more likely to be within the means of lower income households.

Where renewal of a site replaces non-residential buildings at the end of their economic life, amenity increases, attracting more investment and higher income households to move into the area. This pushes up house values, placing further demand for rental properties and reduces the available stock of low cost housing.

Planning proposals seeking increased height or floor area associated with the renewal of commercial sites in Central Sydney are underpinned by a post-Covid demand for high-quality, high-amenity, contemporary office space. They attract investment and contribute to urban renewal in the LGA, placing continued upward pressure on housing prices and rents beyond the means of very low, low and moderate income households.

Development on Planning Proposal land will create a need for affordable housing within the area

Changes to planning controls which permit higher order land uses and increased densities will place further pressure on purchase and private rental accommodation costs beyond the means of very low to moderate income households. Without provision of more affordable housing in the area housing will only be affordable to households on relatively high incomes. This will force existing low income households to move out of the area.

Furthermore, the overall growth in jobs generally across the LGA, coupled with ~~the~~ increased employment opportunities created by planning proposals – ~~both as a result of commercial (re)development in Central Sydney and that include~~ mixed use development ~~throughout the LGA that includes with~~ retail tenancies on the street level; – will increase the demand for unskilled and semi-skilled workers ~~employed in essential services of retail, hospitality and cleaning and who are difficult to recruit due to increasing pressure on housing costs in the area.~~

Development is allowed only because the land was rezoned

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. The contribution requirement will only be applied to the new development capacity that would not have been allowed without the changes to the planning controls.

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

The affordable housing contribution requirement will be introduced when the land is identified as Planning Proposal land in LEPs. Therefore, any negative impact the contribution requirement might have on the value of the land will be mitigated by the increase development potential brought about by the change to the planning controls.

5. Outcomes

~~The City's planning controls are estimated to deliver up to 1,950 additional affordable dwellings between 2016 to 2036. However, this estimate~~ As at June 2024, the City's affordable housing contribution requirements have delivered 873 affordable dwellings. The projected outcomes of this Program are estimated to exceed 2,000 further affordable dwellings to 2036 (from June 2024). Notwithstanding this estimate, the outcomes of this Program will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market i.e. the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the ability of community housing providers to ~~successfully~~ leverage contribution funds and existing property portfolios;
- state 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).

Appendix B – Contribution where land is rezoned

Where land is the subject of a planning proposal to increase its development capacity, an additional contribution for affordable housing will be applied to the new floor area.

This appendix is to provide guidance on how the affordable housing contribution requirement is established and applied.

1. How is the additional contribution requirement secured?

The additional affordable housing contribution requirement will be secured in the process of rezoning the land. The requirement may be set out in:

- an LEP, for example, the land may be identified as “planning proposal land” on Schedule 6C of the Sydney LEP, with the additional contribution requirement being set out in the schedule; or
- a voluntary planning agreement, for example, the landowner may offer to enter into a voluntary planning agreement with the City to build and dedicate affordable housing; or
- some other environmental planning instrument.

2. How is the additional contribution requirement to be satisfied?

Where the proposed development meets the criteria set out at Section 2.3.1 of this Program, Council will generally require the additional contribution be satisfied by the dedication of built dwellings.

Where the development does not meet the criteria set out at Section 2.3.1 of this Program, Council will require the additional contribution be satisfied by making a monetary contribution in accordance with Section 2 of this Program.

3. Contribution requirement

Where land is rezoned to increase its development capacity, an affordable housing contribution requirement will be payable on the new gross floor area, as shown below:

Table A1: Additional contribution requirement on new floor area

Affordable housing contributions precinct	Contribution requirement
Central precinct	20% residential gross floor area 2% non-residential gross floor area
West precinct	20% residential gross floor area
South precinct	20% residential gross floor area
East precinct	20% residential gross floor area

Note: Affordable housing contribution precincts are shown at Figure 1 of this Program.

The contribution requirement shown at Table A1 is inclusive of any other affordable housing contribution requirement that applies to the land. For example, the 20 per cent rate that applies to all new residential floor area includes 17 per cent for new residential floor area on planning proposal land, plus 3 per cent that applies under Clause 7.13 of Sydney LEP 2012. Where no other contribution requirement applies, the full 20 percent is applied.

In the west, south and east precincts, the contribution requirement applies to new floor area that has the potential to be used for a residential purpose, that is, the residential contribution requirement will be applied to any additional floor area achieved on land where residential uses are permitted, unless the whole of that site is restricted in a planning instrument to a non-residential purpose only.

In Central precinct, the contribution requirement will be applied using a proportional approach. That is, where there is a requirement in a planning instrument that restricts a proportion of the floor area to a non-residential purpose, then the non-residential contribution requirement will be applied to that same proportion of any new development capacity, and the residential contribution requirement to the remainder. For example, where a site is required by a planning instrument to provide 50% of the floor area in the building as non-residential development, then the non-residential contribution requirement of 2% would apply to 50% of the new floor area and residential contribution requirement of 20% would apply to the other 50% of new floor area.

Example

A site in Central precinct is currently subject to planning controls that allow 70,000sqm of non-residential floor area. This is subject to the requirements of Clause 7.13 of the Sydney LEP that requires an affordable housing contribution of 1% of non-residential GFA.

A rezoning of the site facilitates an additional 40,000sqm of non-residential floor area. No residential development is permitted on the site. The additional affordable housing contribution requirement is established in the Sydney LEP.

Assuming the site is developed utilising the whole of the available gross floor area, the following affordable housing contribution is required:

$(1\% \times 70,000\text{sqm}) + (2\% \times 40,000\text{sqm}) = 1,500\text{sqm} \times \$12,293.84 = \$18.4\text{m}$ equivalent monetary contribution.

The contribution requirement must be satisfied by making a monetary contribution because the site is a commercial site.

Note: for the purpose of this example, the starting monetary contribution rate, Rate A, has been assumed for the purpose of this example

Example

A site in Central precinct is currently subject to planning controls that allow 25,000sqm residential gross floor area and 25,000sqm non-residential gross floor area. This is subject to the requirements of Clause 7.13 of the Sydney LEP that requires an affordable housing contribution of 1% of non-residential GFA and 3% of residential GFA.

A rezoning of the site facilitates an additional 30,000sqm gross floor area. The additional affordable housing contribution requirement is established in the Sydney LEP, that also maintains a requirement that no more than 50% of the GFA on the site can be used for a residential purpose.

Assuming the site is developed utilising the whole of the available gross floor area and that 50% is residential and 50% is non-residential, the following affordable housing contribution is required:

$(1\% \times 25,000\text{sqm}) + (3\% \times 25,000\text{sqm}) + (2\% \times 15,000\text{sqm}) + (20\% \times 15,000\text{sqm}) = 4,300\text{sqm}$ of dedicated affordable housing provided on site (or \$52.9m equivalent monetary contribution).

Note: for the purpose of this example, the starting monetary contribution rate, Rate A, has been assumed for the purpose of this example

4. Where other public benefits are offered

The additional contribution requirement may be waived or reduced by Council's sole discretion, where a developer has made an offer to enter into a planning agreement to provide other agreed public benefits of a commensurate scale.

5. How contributions are to be used

Monetary contributions and dedicated dwellings are to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.

Appendix B – Planning Proposal land

Where land is the subject of a planning proposal to change the planning controls that apply to the site, it may be identified on a schedule in an LEP, or another EPI, as being required to make an additional contribution for affordable housing.

This appendix is to provide guidance on how the contribution rate is established.

6. Where a planning proposal has increased Floor Space Ratio

Where there is a planning proposal to increase the Floor Space Ratio (FSR) of a site or sites, an affordable housing contribution requirement will be payable on the new floor area.

The affordable housing contribution rate that applies to the land will be identified on a schedule in an LEP or other EPI.

The 'listing' of Planning Proposal land on the LEP schedule, or in another EPI, occurs at the same time that the changes to the planning controls are 'made', that is, the LEP schedule / EPI will be amended when the amendment to the LEP / EPI to increase the FSR comes into effect.

On Planning Proposal land the contribution rate applied to new floor area achieved in the planning proposal to increase FSR is:

Precinct ^a	Contribution rate ^{a,b}
Central Sydney precinct	13% subject to site specific viability testing
West precinct	12% ***
South precinct	12% ***
East precinct	21% ***

* Note: The West, South and East precincts align with those shown in the City's development contribution plan 2015. The Central Sydney precinct aligns with those shown in Central Sydney Development Contributions Plan 2020. A map of precinct boundaries is available on the City's website

** The contribution applies to new floor area that may be used for a residential purpose, that is, the contribution requirement will be applied to any additional floor area achieved on land zoned residential purposes, unless the whole of that site is restricted to a non-residential purpose.

*** Rates incorporate any requirement in an LEP 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 percent. Where no other contribution requirement applies, the full 12 percent may be applied.

~~The above rates will be reviewed on an as needs basis and any changes will be published on the City's website.~~

~~The equivalent monetary contribution amount is provided in Section 2 of this Program.~~

Explanatory note

Planning Proposal land contribution rates

~~Planning Proposal land contribution rates have been tested by appropriately qualified land economics experts to ensure development viability is not negatively impacted. Testing takes into consideration all of the contribution requirements that already apply to the land, including Section 7.11 contributions, Community Infrastructure floor area, and affordable housing contributions payable under LEPs.~~

~~Contribution rates to be applied to new floor area on Planning Proposal land will be reviewed and updated as needed~~

~~While the contribution rates apply to proposals for new residential floor area, this does not preclude the City from working with proponents to identify an appropriate contribution rate that may be applied where a planning proposal results in an increase in non-residential floor area.~~

7. Where other public benefits are offered

~~Where it is a superior outcome, and where a developer has made an offer to enter into a planning agreement to provide affordable housing or other public benefit, a Planning Proposal land contribution may not be applied.~~

Appendix C - Standards for dedicated affordable housing dwellings

Where an affordable housing contribution requirement is to be satisfied by the dedication of built dwellings, the dwellings must be suitable to be used for affordable housing in the long term.

This Appendix sets out guiding standards for dedicated dwellings.

Long-term management requirements

Required affordable rental dwellings are to be owned and managed in accordance with the Affordable Housing Principles of this Program.

Strata requirements

Where the strata or management costs of development would likely be high and render the management of the property for affordable housing unsustainable, the affordable housing dwellings to be dedicated are to be subject to alternate cost arrangements to assist in the management of strata or management costs to the receiving CHP.

Where possible, provide a separate entrance to a separate stratum of affordable housing dwellings.

Dwelling mix requirements

The mix of the proposed affordable housing dwellings (i.e. the number of bedrooms) is to be appropriate to the needs of the receiving CHP.

Parking and servicing

Parking and general servicing requirements are to be appropriate for the needs of the receiving CHP.

External design

The external design of the proposed affordable housing dwellings is to be equivalent in design quality to other dwellings in the development. It must include external elements, such as balconies or courtyards, that are generally consistent with those provided for other dwellings on the site.

Design for reduced living costs

Proposed affordable housing dwellings are to:

- where possible, maximise passive ventilation and cooling methods to avoid air-conditioning costs;
- where possible, incorporate solar energy connections and rainwater tanks;
- be excluded from embedded power networks, if the embedded network does not allow tenants to freely choose the service provider;
- include ceiling fans and window blinds for thermal comfort; and

- include appliances with high efficiency standards.

Design for reduced cyclical management costs

Construction design and material choices are to be agreed at the design stage to address the longer-term management and maintenance costs of the proposed affordable housing dwellings, including:

- inclusion of robust, durable internal and external finishes; and
- use of low maintenance and easily replaceable materials.

Note: While it is noted the above guiding standards have been prepared to inform the standards of dedicated affordable housing dwellings required by the City under Section 7.32 of the Act, the standards may also be relevant in the delivery of affordable housing achieved under different mechanisms.

Appendix C — Process for dedicating dwellings

This appendix provides guidance on the process for satisfying an affordable housing contribution requirement by dedicating affordable housing dwellings.

Section 2 of this Program provides that where the dedication of affordable housing dwellings is proposed, then the location, size and quality of dwellings must be to the satisfaction of the City and the receiving CHP.

1. Consult with Recommended and Eligible providers

Where a developer intends to provide an in-kind affordable housing contribution by dedicating finished dwellings to a Recommended CHP, the developer must first consult with the provider to establish if they are willing to receive the dedicated dwellings.

In circumstances where no Recommended CHP agrees to accept the dedication, and confirmation of that position is provided in writing, the developer may consult with other eligible providers (Tier 1 or Tier 2) to establish an agreement for a community housing provider to accept the dedication of finished affordable housing dwellings.

The purpose of the consultation is to canvass potential issues and reach in-principle agreement about how the affordable housing dwelling/s are to be provided by the developer to the CHP. Key issues for discussion include, but are not limited to:

- the requirements of the community housing provider in regard to the finished dwelling, for example fit out requirements, preferred layouts, location of the dwelling in the development, and so on;
- the community housing provider is to have a full understanding of the likely strata requirements that will be in place once the development is complete;
- contractual arrangements with regards to the dedication of the dwellings, including discussion about what might be cause for terminating the agreement.

2. Development application

The development application to the City must:

- state the amount (the quantum of total floor area) of affordable housing to be dedicated, and any residual amount for which a monetary contribution is required to be paid;
- clearly identify on the plans the affordable rental dwellings proposed to be dedicated, noting the City must be satisfied that dwellings receive adequate amenity relative to the rest of the development i.e. it is not acceptable that all of the affordable housing in the development have the lowest amenity;
- demonstrate the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program;
- provide details of the agreement that has been reached between the developer and the community housing provider about the dedication of the dwellings or alternative arrangements in a relevant planning agreement.
- if it is not a Recommended CHP that will receive the contribution, evidence that all Recommended CHPs have declined to accept the dedication of the dwellings is required; and
- evidence that the receiving CHP has agreed to accept the dwellings, the terms of the agreement, and the requirements of the Program are understood, including the requirement for in perpetuity management of the dwellings for affordable housing to be rented to very low to moderate income households for no more than 30% of their income.

3. Assessment

The City will:

- undertake assessment of the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program and any comment provided by the Recommended CHP, and
- if necessary, where the proposed dwellings are not appropriate for the purpose of affordable housing, discuss with the developer amendments to improve the dwellings, or identify preferable dwellings, or instead require a monetary contribution.

4. Securing the dwellings

Where the dwellings proposed for dedication are supported, a condition of consent requiring dedication of the affordable housing dwelling(s) will be imposed by the consent authority.

Prior to transferring the affordable housing dwelling(s) to a Recommended CHP, the City will register on the title a covenant ensuring the affordable housing dwellings are:

- owned and managed by a CHP in accordance with the Program, and
- rented to very low to moderate income earners for no more than 30% of gross household income.

Appendix D – Simplified development application process

