Item 5.

Post Exhibition - Planning Proposal - Affordable Housing Contributions Review - Sydney Local Environmental Plan 2012, Sydney Local Environmental Plan (Green Square Town Centre) 2013, Sydney Local Environmental Plan (Green Square Town Centre - Stage 2) 2013 and Draft City of Sydney Affordable Housing Program 2024

File No: X099241

Summary

Sydney is Australia's second least affordable city after Perth although Sydney has the most expensive rents according to the Rental Affordability Index (RAI). The high cost of housing is an important economic and social risk, particularly within the City of Sydney local area where housing prices are amongst the highest in Australia.

Sustainable Sydney 2030-2050: Continuing the Vision maintains the target in the City's Local Housing Strategy: Housing for All, for 7.5% of all private dwellings to be affordable housing. Based on a private dwelling target of about 156,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

In the face of the current housing affordability crisis, increasing the supply of housing is a key focus of federal, state and local governments. However, more supply is unlikely to decrease the cost of housing in the City of Sydney area, nor will new private market housing be delivered at a cost/price that is affordable for large segments of the community.

Affordable housing contribution schemes are an important planning lever available to local government to ensure that as the supply of market housing is increased, a percentage of affordable housing for lower income households is also increased. This ensures diversity in the housing supply but also ensures the diverse community can have their housing needs met.

In the City of Sydney, local environmental plans and the City of Sydney Affordable Housing Program (Program) provide a framework for 2 separate affordable housing contribution requirements that may apply to development in the local area, including:

- the low-rate broad-based affordable housing contribution (LGA-wide contribution), which is applied to all qualifying development in the local area approvals typically through a Development Application (DA); and

- the rezoning affordable housing contribution (rezoning contribution), which is applied only to new floor space that is achieved where there is a change to the planning controls creating an 'uplift'. This contribution is either secured in a planning agreement at the planning proposal stage or alternatively may be set out in a local environmental plan (LEP) and applied where there is a development application.

Affordable housing contributions (and other contributions) must be carefully calibrated to ensure they do not cause the delivery of market housing to become unviable. As it is market housing that is levied for affordable housing contributions, where that housing becomes unviable, contributions cannot be collected and affordable housing will not be built.

Since 1996, the City's affordable housing contribution schemes have resulted in about $495 million being passed to not-for-profit community housing providers (CHPs) to deliver affordable housing in the local area. This has contributed to 1,525 affordable dwellings that have been built or are in the planning stages in the local area (as at June 2025). A high-level analysis projects the City’s affordable housing contribution schemes, which now cover all of the local government area, will in time deliver a further 1,950 affordable dwellings. However, delivery of affordable housing will be strongly influenced by market conditions, the availability of other funding and subsidies from the state and federal governments and by the extent to which CHPs are able to leverage affordable housing contributions.

Following comprehensive review of the City's affordable housing contributions framework, in December 2024 the Central Sydney Planning Committee (CSPC) and Council approved Planning Proposal: City of Sydney Affordable Housing Contributions Review (planning proposal) to be submitted to the Minister for Planning and Public Spaces with a request for gateway determination and to be placed on public exhibition. The draft City of Sydney Affordable Housing Program Amendment 2024 (draft Program) was also approved for public exhibition with the planning proposal.

The effect of the publicly exhibited planning proposal and draft Program is to:

- simplify and, in most areas of the city, increase the rezoning contribution requirement, and require the contribution be satisfied by the dedication of built dwellings (in appropriate circumstances), instead of monetary contributions;

- require the LGA-wide DA contribution requirement be satisfied by making an equivalent monetary contribution, instead of dedication of built dwellings; and

- increase the equivalent monetary contribution rates (dollar rates) in the Program to reflect the actual cost of delivering housing.

On 30 July 2025, the Department of Planning, Housing and Infrastructure issued a gateway determination for the planning proposal and it, and the draft Program, were publicly exhibited from 25 August 2025 to 7 October 2025.

A total of 24 submissions were made to the public exhibition. Key matters raised include:

- the proposed increase to the rezoning contribution, with submissions from developers and peak development groups raising concern not enough forward notice has been given to the market to allow for adjustment (to land prices);

- the proposed increase to dollar rates, with submissions in support of the increase, as well as submissions in objection to, citing concerns about impacts on development feasibility; and

- the proposed requirement that, in certain circumstances, the affordable housing contribution must be satisfied by dedicating built dwellings in mixed-tenure buildings. Submissions from CHPs and peak housing bodies cited concerns about the potential for dedication of inappropriate housing, reduced opportunity to deliver purpose built affordable housing in stand-alone buildings, the impacts of high and uncontrolled strata costs, and the impact of the requirement on the overall quantum of affordable housing that would be delivered through the Program. Submissions from developers and peak development groups are concerned about extra complexity, cost and delay in the development process.

This report recommends approval of the planning proposal and draft Program, with post-exhibition amendments made in response to submissions. Key post-exhibition changes include:

- postponing the introduction of increased equivalent monetary contribution rates (dollar rates) for a further year, noting sustained high inflation in building costs, challenging market conditions and the potential for further economic headwinds arising from the war in the Middle East;

- preserving the option for a developer to satisfy the rezoning contribution as a built contribution (where it is secured in a voluntary planning agreement), but removing the mandatory requirement that, in certain circumstances, the rezoning contribution must be satisfied by dedicating built dwellings in mixed-tenure buildings due to the implementation issues outlined in this report;

- providing a framework in the Program for the consideration of any public benefit offer from a developer to provide built affordable housing in a mixed-tenure development in conjunction with a planning proposal (not a development application); and

- making additions to the types of development that are excluded from making an affordable housing contribution, to improve the feasibility of certain housing types generally accessed by low-income people or people with support needs, and to reduce the impact of the contribution requirement on low-scale residential development types.

This report also responds to the matters raised in a Resolution of Council regarding prevention of discrimination against affordable housing tenants in new housing developments (February 2026). Following consideration of the matters raised, and subsequent research and engagement with key stakeholders, an addition to the publicly exhibited "Standards for Affordable Housing Dwellings" in the draft Program is recommended, to ensure that separate entries are only to be provided to facilitate practical access needs. If separate entrances are used, they should be indistinguishable from one another, with no recognisable reduction in quality or appearance.

If approved, the planning proposal will be referred to the Department to amend the Sydney LEP and the Green Square Town Centre LEPs. The amendments will come into effect when published on the NSW Legislation website with the changes to the Program coming into effect at the same time.

Recommendation

It is resolved that:

(A) the Central Sydney Planning Committee note the issues raised during the public exhibition of Planning Proposal - City of Sydney Affordable Housing Contributions Review as provided in the Summary of Submissions, shown at Attachment A to the subject report;

(B) the Central Sydney Planning Committee approve the Planning Proposal - City of Sydney Affordable Housing Contributions Review, as amended following public exhibition, shown at Attachment B to the subject report, to be sent to the Department of Planning, Housing and Infrastructure to be made as a local environmental plan under Section 3.36 of the Environmental Planning and Assessment Act 1979;

(C) the Central Sydney Planning Committee note the recommendation to Council's Equity and Housing Committee on 11 May 2026, that Council approve the City of Sydney Affordable Housing Program Amendment 2024, as amended following public exhibition, shown at Attachment C to the subject report;

(D) authority be delegated to the Chief Executive Officer to make minor amendments to the Planning Proposal - City of Sydney Affordable Housing Contributions Review and the City of Sydney Affordable Housing Program Amendment 2024 to correct any minor errors prior to finalisation by the Department of Planning, Housing and Infrastructure; and

(E) the Central Sydney Planning Committee note the response to matters raised in the Resolution of Council regarding prevention of discrimination against affordable housing tenants in new housing developments, shown at Attachment H to the subject report.

Attachments

Attachment A.	Summary of submissions
Attachment B.	Planning Proposal - City of Sydney Affordable Housing Contributions Review
Attachment C.	City of Sydney Affordable Housing Program Amendment 2024 - post exhibition changes
Attachment D.	City of Sydney Affordable Housing Program Amendment 2024 - as exhibited
Attachment E.	Resolutions of Council and the Central Sydney Planning Committee for Public Exhibition
Attachment F.	Gateway Determination - dated 30 July 2025
Attachment G.	Resolution of Council regarding the prevention of discrimination against low-income tenants in new housing developments
Attachment H.	Response to the matter raised in the Resolution of Council regarding the prevention of discrimination against low-income tenants in new housing developments

Background

1. In June 2023, Council resolved to review the City's affordable housing contribution rates and consider what changes could deliver more affordable housing in the local area such as changes to policies and planning controls.

2. In February 2024, Council further resolved that the Chief Executive Officer, as a priority, report back on the findings of the City's review and advise Council of options to give the City the ability to require that affordable housing contributions be delivered on site, in appropriate developments.

3. The resolutions initiated a comprehensive review of the City's affordable housing contribution framework and recommended changes to the Sydney Local Environmental Plan 2012 (Sydney LEP), Sydney Local Environmental Plan (Green Square Town Centre) 2013 and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 (Green Square Town Centre LEPs), and the City of Sydney Affordable Housing Program (Program). The review and the resulting pre-exhibition planning proposal to amend the LEPs and Program are detailed in this report: https://city.sydney/affordable-housing-pdf

4. On 12 December and 16 December 2024, the Central Sydney Planning Committee (CSPC) and Council respectively approved for exhibition Planning Proposal: City of Sydney Affordable Housing Contributions Review (planning proposal) to be submitted to the Minister for Planning and Public Spaces with a request for gateway determination and to be placed on public exhibition. The draft City of Sydney Affordable Housing Program Amendment 2024 (draft Program) was also approved for public exhibition in conjunction with the planning proposal. The Council and CSPC resolutions are provided at Attachment E.

5. On 30 July 2025, the Department of Planning, Housing and Infrastructure (Department) issued a gateway determination for the planning proposal, provided at Attachment F. It determined the City will not be the local plan-making authority and set a timeframe for the LEP amendment to be completed by 30 July 2026. It also required a number of minor clarifications to the planning proposal prior to public exhibition, including:

    (a) to make clear that the 'drafting instructions' in the planning proposal are only one example of how the proposed amendments could be worded, with final wording subject to drafting and agreement by Parliamentary Counsel;

    (b) to amend the 4-year phase-in period for the new dollar rates so that it begins from when the LEP is made rather than when the Program is approved by Council;

    (c) to explain in the planning proposal how the proposed introduction of precinct-based contributions in the draft Program would apply to land that may be identified in the future in Environmental Planning Instruments other than Sydney LEP or the Green Square Town Centre LEPs; and

    (d) explain why only the Affordable Housing Principles of the Program need apply to clause 6.60B and 7.13A of Sydney LEP and not any other requirement of the Program.

6. These requirements were incorporated into the planning proposal and it, and the draft Program, were then placed on public exhibition from 25 August 2025 to 7 October 2025.

7. A total of 24 submissions were made to the public exhibition. A detailed summary of submissions, and the City's response, is provided at Attachment A.

8. Following consideration of submissions, some changes are proposed to the exhibited planning proposal and draft Program, which are detailed later in this report.

9. This report recommends approval of the amended planning proposal and draft Program as amended, provided at Attachment B and Attachment C respectively.

Exhibited planning proposal and draft program

10. The Sydney LEP and the Green Square Town Centre LEPs, together with the Program, provide a framework for 2 separate affordable housing contribution requirements that may apply to development in the local area, including:

    (a) the low-rate broad-based affordable housing contribution (LGA-wide contribution), that is applied to all qualifying development in the local area approvals typically through a Development Application (DA); and

    (b) the rezoning affordable housing contribution (rezoning contribution) that is applied only to new floor space that is achieved where there is a change to the planning controls. This contribution is either secured in a planning agreement at the planning proposal stage or alternatively may be set out in a local environmental plan (LEP) and applied where there is a development application.

11. The publicly exhibited planning proposal and draft Program proposed 3 key changes to the City's affordable housing contribution requirements, including:

    (a) simplification of the rezoning contribution, and requiring the contribution be satisfied by the dedication of built dwellings (in appropriate circumstances), instead of monetary contributions;

    (b) requiring the LGA-wide DA contribution be satisfied by making an equivalent monetary contribution, instead of dedication of built dwellings; and

    (c) increase of the equivalent monetary contribution rates (dollar rates) in the Program to reflect the full cost of delivering housing.

Public exhibition

12. The planning proposal and draft Program were placed on public exhibition from 25 August 2025 to 7 October 2025. Public exhibition included

    (a) the Sydney Your Say webpage with a copy of the planning proposal and other key information about the consultation

(b) inclusion in the Sydney Your Say e-newsletters in August 2025 which was sent to 4,960 subscribers

(c) directly notifying 16 stakeholders, including 3 CHPs, 7 peak housing and development industry bodies, and 6 developers, by email

(d) notifying Homes NSW and the Department of Communities and Justice via the NSW planning portal and email

13. A detailed summary of submissions, and the City's response, is provided at Attachment A. A total of 24 submissions were received, including

(a) 6 from individuals

(b) 3 from community groups

(c) 3 from organisations

(d) 4 from peak housing bodies

(e) 2 from industry peak bodies

(f) 3 from community housing providers (CHPs)

(g) 2 from developers

(h) 1 from a government agency

Post-exhibition changes resulting from submissions

14. Following consideration of submissions, 3 key changes are recommended to the publicly exhibited planning proposal and draft Program.

Postponing the introduction of increased dollar rates

15. A post-exhibition change is recommended to the draft Program to postpone the implementation of the increased dollar rates.

16. The exhibited draft Program proposed a phase-in of increased dollar rates as follows:

(a) 50% implementation of new monetary contribution rate 2 years following commencement of the LEPs that implement the updated Program; and

(b) full implementation 4 years following commencement.

17. Assuming the amendment is finalised by the deadline of 30 July 2026, as stipulated in the Gateway Determination, 50% implementation of the increased dollar rates would be expected in mid-2028 and full implementation in mid-2030.

18. The recommended post-exhibition change is to further postpone the introduction of increased equivalent dollar rates for a further 12 months as follows:

    (a) 50% implementation of new dollar rates from 1 July 2029; and

    (b) full implementation from 1 July 2031.

19. The recommended post-exhibition change results from consideration of submissions from the Urban Taskforce, Property Council, Meriton and Urbis for GPT. The submissions question the basis of the "Review of Affordable Housing Contribution Rates" (economic review) that was prepared by Atlas Urban Economics in October 2024 and underpinned the proposed dollar rates in the exhibited planning proposal and draft Program. Submissions raised concern the increased dollar rates will impact on development feasibility, particularly at a time when residential feasibility is low. Key matters raised include:

    (a) the economic review relies on market growth during the phase-in of the dollar rate increases to ensure they can be tolerated, but there is no supporting evidence to indicate a market improvement in 4 years;

    (b) the development industry is concerned about the imposition of more costs when residential project feasibility is already low. Recent cost increases to materials and labour, increasing regulatory compliance obligations and higher infrastructure and public domain commitments squeeze margins too far to satisfy banks or investors. One submission highlights the downward trend in dwelling completions vs approvals;

    (c) even marginal increases cannot be tolerated, especially in the South and East precincts; and

    (d) a longer phase-in is required for projects already in-train, especially planning proposals and any subsequent development applications, so that feasibility is not impacted mid-project.

20. In considering these submissions, the City revisited the economic review that informed the dollar rates in the exhibited planning proposal and draft Program.

21. At the time the economic review was prepared (end of 2024), inflation and construction costs were trending downwards and there was an expectation there was pressure for a reduction of the cash rate. Analysis of long-run price movements indicated the following:

    (a) residential prices (strata) average 5.0% growth in Sydney LGA (2011-2021); and

    (b) construction cost increases average 3.2% in Greater Sydney (2011-2021)

22. This gave a net difference (positive) of 1.8% over the long term. The economic review assumed a +1% difference between revenue and cost, which was grounded in evidence.

23. However, it is acknowledged that inflation has returned since late 2025. Successive rate rises and a war in the Middle East has resulted in significant uncertainty, most likely to lead to further rate rises, flatter residential unit prices and increased construction costs. The +1% growth assumed in the economic review is less certain given these considerations.

24. As at June 2025 there were about 4,000 dwellings lodged and under development assessment and over 10,000 dwellings already approved in the City's development pipeline. These development applications would not be impacted by new dollar rates, noting that the dollar rate that applies is either the rate quoted in the condition of consent (if already approved) or the rate that was applicable in the version of the Program that was in force at the time of lodgement. There is therefore no risk of any impact from the proposed increase in dollar rates on the development pipeline.

25. Having regard to current market challenges and uncertainties, it is agreed there is a case for a delay to the implementation of the new dollar rates to allow longer notice for:

    (a) sites already purchased to be progressed and submitted in a development application; and

    (b) new sites to be negotiated and purchased and submitted in a development application within the National Housing Accord period (to June 2029).

Removing dedication requirements

26. The planning proposal and draft Program recommended by this report act to preserve the option for a developer to satisfy the rezoning contribution as a voluntary built contribution (where it is secured in a voluntary planning agreement) or as a monetary contribution (secured in the LEP and in the subsequent DA).

27. Currently, the Sydney LEP and the Green Square Town Centre LEPs allow for a developer to choose if they satisfy an affordable housing contribution by dedicating built affordable dwellings or by making an equivalent monetary contribution.

28. The exhibited planning proposal sought to:

    (a) amend Clause 7.13 of the Sydney LEP and Clause 6.5 of the Green Square Town Centre LEPs (the LGA-wide contribution) to require the contribution be satisfied by making a monetary contribution. Most land in the local government area is subject to these clauses;

    (b) amend Clause 7.13B of the Sydney LEP (the rezoning contribution) to require the mandatory contribution of dedicated built dwellings (in appropriate circumstances). The clause applies to land listed on Schedule 6C of the LEP where it has been the subject of a rezoning to increase development capacity and where the developer did not enter into a planning agreement to dedicate built affordable dwellings; and

    (c) retain Clause 6.70 of the Sydney LEP (land at Blackwattle Bay) as is to allow the developer to opt to satisfy the contribution by dedicating built affordable dwellings or by making an equivalent monetary contribution.

29. A post-exhibition change is recommended to the planning proposal and draft Program to remove the exhibited requirement in the LEP for mandatory dedication of built affordable dwellings in a development to satisfy the rezoning contribution.

30. The recommended post-exhibition change to the planning proposal is to:

    (a) amend Clause 7.13B of the Sydney LEP ("rezoning contribution") to require the contribution be satisfied by monetary contribution. This removes the proposed mandatory requirement to dedicate built affordable dwellings from the exhibited planning proposal; and

    (b) amend Clause 6.70 of the Sydney LEP (Blackwattle Bay), to require the contribution be satisfied by monetary contribution.

31. The recommended post-exhibition changes are consistent with the approach the exhibited planning proposal takes to the LGA-wide DA contribution requirement (at Clause 7.13 of the Sydney LEP), that will also allow monetary contributions only.

32. The effect of the post-exhibition change is that, going forward, where there is a DA, the contribution may only be satisfied by making a monetary contribution. For clarity, there will be no pathway set out in the Program to dedicate affordable housing in the DA process.

33. Notwithstanding the above, where a future planning proposal is lodged to rezone land to increase residential development capacity, the developer may opt to:

    (a) make a public benefit offer to enter into a planning agreement with Council to provide built affordable dwellings in accordance with the requirements set out in the Program, or

    (b) be listed on Schedule 6C of the Sydney LEP, that will require a monetary contribution on any future development consent.

34. In the case the developer opts to provide built affordable housing, the publicly exhibited draft Program is amended to:

    (a) clarify that only the rezoning contribution that is applied to the new floor space may be satisfied by providing built affordable dwellings, that is, any other contribution that is otherwise required by an LEP must be made as a monetary contribution. For example, where a future rezoning is proposed to increase residential floor space, if that site is already subject to a requirement under an LEP to make a 3% monetary contribution on that floor space, that requirement will remain, and the planning agreement may only relate to the agreed contribution on new residential floor space;

    (b) require that any public benefit offer to provide built affordable dwellings must:

        (i) be subject to a restrictive covenant requiring the affordable housing to remain affordable housing long term 'in perpetuity' and be rented for no more than 30% of household income;

        (ii) owned and/or managed by an Eligible CHP;

(iii) be rented to very low-, low- and moderate-income households, as defined by the Act; and

(iv) be subject to annual reporting.

(c) require a public benefit offer for affordable housing to outline:

(i) how the affordable housing will achieve the "standards for affordable housing dwellings" set out in the Program;

(ii) how CHPs will be consulted in the design and construction phase;

(iii) at what stage of the development the affordable housing will be provided.

(d) set out how Council will have regard to the public benefit offer, including consideration of:

(i) the nature and scale of the planning proposal;

(ii) the quantum of dwellings being offered;

(iii) the suitability of the dwellings being offered; and

(iv) any other public benefits offered in relation to the planning proposal.

35. The recommended post-exhibition changes to the planning proposal and draft Program follow consideration of submissions made during the public exhibition that stated a strong preference for monetary contributions, as opposed to dedication of built affordable dwellings, because monetary contributions:

(a) are a more efficient way of delivering affordable housing outcomes given the scale of this type of contribution;

(b) create certainty for longer-term opportunities and strategic land purchases to ensure a pipeline of development sites available for affordable housing;

(c) enable recipient CHPs to stack contributions and other sources of funding to deliver more housing than if dwellings were dedicated. When multiple funding sources are coupled with a number of tax concessions and exemptions (GST, land tax and rates) that CHPs receive, construction becomes cheaper and the funds collected go further still;

(d) enable the delivery of stand-alone self-managed affordable housing buildings, avoiding the complications, cost (known and unanticipated), and administrative challenges of managing a dwelling portfolio across multiple strata arrangements; and

(e) provide greater flexibility to build more appropriate housing – allowing for important differences in unit design, layout and materials compared with privately constructed dwellings – which has implications for long term rental ownership and operation.

36. Submissions from Community Housing Industry Association, City West Housing, Bridge Housing and Wayside Chapel raise concerns about a potential increase in dedicated affordable dwellings (versus monetary contributions), noting a number of policy, implementation and delivery issues, including:

    (a) housing that is delivered by developers, which typically seeks to minimise build cost to maximise returns and/or prioritise amenity for private owners and renters in the same development, is unlikely to provide the best outcomes for affordable housing residents. This also presents issues for long term rental ownership and management;

    (b) there have unfortunately been a number poorly constructed apartment buildings in Sydney in recent years. Managing initial defects with private developers is difficult when properties are transferred via council. Any ongoing issues with structural or other defects which appear after the typical time allowance for defect identification will make recouping costs very difficult/impossible and expensive to rectify;

    (c) dedication of built dwellings in a larger market strata scheme can lead to inefficiencies in management and operations, for example, receiving a small number of units in mixed tenure residential developments comes with associated high operating/management costs and multiple strata levies;

    (d) requiring built dwellings "where appropriate" (as proposed in the planning proposal) entertains too much uncertainty. More clarity is needed on how "appropriateness" will be determined and by whom. There needs to be certainty on type, location and possible quantum of dwellings;

    (e) even when strata costs are “reasonable”, ongoing costs cannot be controlled. Costs can escalate unexpectedly over time, especially when the CHP is not in control of the build quality. Assessment of the likely costs will be discretionary and/or subjective, which creates uncertainty;

    (f) time constraints for negotiation on design and legal terms will impact the suitability of dwellings being dedicated; and

    (g) there are currently obligations preventing CHPs from recycling properties should they become financially unstable or no longer meet tenant needs.

37. A submission from Meriton raises concerns with the requirement for dedication of built affordable dwellings in the planning proposal. They say the requirement for dedication will add significant time to the development process and strain development viability. They say the time added is inconsistent with the principles of the National Housing Accord to speed housing delivery.

38. Submissions from the Urban Taskforce, Property Council and Meriton say that how the contribution is satisfied (cash or dedicated built dwellings) should remain at the developer’s discretion so they may choose what works best for their development.

39. The City acknowledges the difficulties and risks that will be faced by CHPs receiving units that have been designed and constructed by third parties who have different target markets and commercial interests to them.

40. The City also acknowledges the concern raised by developers and industry peak bodies regarding the likely delays in the DA process where there is a requirement for dedication of built affordable dwellings within a development. The recommended post-exhibition changes to the planning proposal and draft Program, by requiring monetary contributions in the context of all development applications, will streamline application of conditions of consent for monetary contributions. This will ensure there are no delays in the development application process arising from the affordable housing contribution requirement and will allow timely decisions within the timeframes set out in the NSW Government's Statement of Expectations Order 2024.

41. The City further acknowledges the concern raised by developers and industry peak bodies regarding the potential impact on feasibility that could arise from any requirement for dedication of built affordable dwellings within the development. Where there is a planning proposal to increase residential capacity on land, the recommended post-exhibition changes to the planning proposal and Program will maintain a pathway for the transfer or dedication of built dwellings where the developer chooses but removes any planning requirement for dedication.

42. Support for the recommended post-exhibition changes is drawn from reconsideration of the matters raised about 'dedications' of built dwellings in initial consultation with CHPs and in the economic review by Atlas Urban Economics (both provided as attachments to the report to Council and CSPC in December 2024).

43. The recommended post-exhibition changes are also informed by internal consultation in relation to a development application lodged in 2020 on a site in Waterloo, conditions still to be satisfied, that involved one of the few examples of a developer opting to transfer or 'dedicate' built dwellings. The officers noted

    (a) risks associated with property transfer for individual parties and the misalignment of the property transfer process with planning processes

    (b) the additional cost and administrative burden on CHPs and proponents is substantial. They are generally required to engage specialist legal counsel to prepare non-standard contracts and manage lengthy negotiations for property transfer

    (c) there is a substantial administrative burden on the City that may impact on costs and resourcing if dedications were to increase

    (d) significant complexity is added to the assessment process, resulting in time delays in determination

44. It is also noted that since Council approved the planning proposal in December 2024 for public exhibition, the NSW Government announced the Housing Delivery Authority (HDA) and a new State Significant Development (SSD) pathway for residential development. The stated objective of the new HDA SSD pathway is to speed up development applications.

45. While there are over 5,400 dwellings currently in the HDA SSD pipeline in the local area (as at March 2026), none have yet been determined. It therefore remains uncertain how the requirements for affordable housing contributions in the City’s LEPs will be applied, noting there is no explicit commitment from the NSW Government to apply the City’s requirements to development approvals.

46. Given the above, introducing a provision in the Sydney LEP that requires additional steps and more complexity in the development approvals process makes it less likely the contribution requirement would be applied and would potentially incentivise more applications to proceed through an alternative pathway.

Additions to development that is excluded from making an affordable housing contribution

47. In addition to development that is already excluded from the requirement to make an affordable housing contribution, a post-exhibition change to the draft Program is recommended to also exclude floor area for the following development (as defined by Sydney LEP 2012) where it is provided by or on behalf of a charity or not-for-profit organisation:

    (a) hostels

    (b) boarding houses

    (c) group homes

    (d) residential care facilities

    (e) emergency services facility

    (f) places of public worship

48. In addition, it is proposed any floor area for the development of a dwelling house, attached dwelling or dual occupancy, or which relates to alterations and additions to an existing attached dwelling, dual occupancy or dwelling house, is also excluded from the requirement for an affordable housing contribution.

49. It is also recommended that the current exclusion in the Program for development where the cost of construction is less than $100,000 (unindexed) be amended to $150,000, noting substantial escalations in construction costs over the last 5 years and likely future increases. It is not proposed to index this threshold at this time.

50. The recommended post-exhibition change to the Program results from consideration of submissions received from:

    (a) Grace City Church, specifically seeking an exclusion for not-for-profit organisations from the need to make an affordable housing contribution; and

    (b) an individual undertaking renovations, who requested Council consider excluding non-developer, owner-occupier family homes from the need to make an affordable housing contribution.

51. In the interests of equity, and cognisant of Section 7.32(3)(c) of the Act that says a dedication or contribution must be “reasonable”, broader consideration of development that might be excluded was undertaken.

52. Some housing types that are recommended for exclusion, include low cost accommodation such as hostels and boarding houses; as well as group homes and residential care facilities, while not technically defined as "affordable housing" is housing that is generally accessed by people on lower incomes, people with support needs and/or people receiving income support. Development applications for these housing types are not common in the City of Sydney. Excluding them from the need to make an affordable housing contribution may assist in supporting the viability of these development types where opportunity arises.

53. Places of public worship provided by or on behalf of a charity or not-for-profit organisation are recommended for exclusion to align with the Central Sydney Development Contribution Plan 2020 and the City of Sydney Development Contributions Plan 2015.

54. Emergency services facilities are recommended for exclusion to support the delivery of critical infrastructure to support the residential population.

55. Dwelling houses (single homes) and dual occupancies are recommended for exclusion to minimise the impact of the contribution on small scale residential development. Development applications for these housing types are not common in the City of Sydney and excluding this development type is likely to have little impact on the quantum of contributions collected. The contribution requirement can add considerable and disproportionate cost to small residential projects, and impact on the feasibility of building or renovating a family home and it is considered reasonable to exclude this form of development from the contribution requirement.

Other minor post-exhibition amendments

56. In addition to the above, several minor post-exhibition changes are proposed to the planning proposal and draft Program to:

    (a) further improve readability;

    (b) update information that is no longer current; and

    (c) provide updated and additional worked examples to demonstrate how elements of the program work in practice.

57. An amendment to the Community Housing Providers (Adoption of National Law) Act 2012 was passed on 15 August 2025 to provide for the registration and management of affordable housing by both a newly created category of mostly for-profit affordable housing managers in addition to largely not-for-profit CHPs. A minor change to the existing definition of "Eligible CHPs" in the Program is proposed post-exhibition to clarify that the intended recipient of affordable housing contributions under the Program and the appropriate managers of affordable rental housing are to be not-for-profit CHPs.

58. Also the way the new rezoning contribution rates are quoted in the draft Program has been updated post-exhibition.

59. The exhibited draft Program quoted the new rezoning contribution rates as:

    (a) 20% of any new residential floor area achieved via a planning proposal regardless of location in the LGA; and

    (b) 2% of any new commercial floor area achieved via a planning proposal in Central precinct.

60. These rates included the statutory contribution requirement under Clause 7.13 of Sydney LEP which also applies to the land - being 3% of all residential floor area and 1% of all non-residential floor area - that is otherwise applied in a development application.

61. Post-exhibition, these rates are now presented exclusive of this statutory contribution requirement, as follows:

    (a) 17% of any new residential floor space achieved via a planning proposal; and

    (b) 1% of any new commercial floor area achieved via a planning proposal in Central precinct.

62. In practice, the change does not alter the total contribution requirement, but simply more clearly differentiates between the two contribution components. This allows for the separate contribution requirements to be treated differently.

Summary of submissions

63. Other notable matters raised in submissions, that have not resulted in any recommended change to the publicly exhibited planning proposal and draft Program, are summarised below.

General support for the planning proposal and draft Program

64. Submissions from responding individuals (5), community groups (3) and organisations (3) expressed support for the proposed changes, many noting the City's trailblazing approach to delivering long-lasting and structural change and the robust evidence base which underpins the work.

65. Submissions from all responding housing peak bodies (4) and CHPs (2) and a submission from Homes NSW also support the proposed changes, expressing that:

    (a) the clearer direction around the appropriateness of monetary vs. in-kind contributions is supported and important, reflecting market realities and practical considerations for affordable housing delivery;

    (b) the proposed increased precinct-based dollar rates recognise increasing costs of delivery and current market conditions, whilst promoting equity and precinct sensitivity; and

    (c) capturing appropriate contributions where planning uplift occurs, as proposed, is essential to equitable long-term outcomes.

66. Many of the submissions from both the general community and the affordable housing sector recognise the current and ongoing challenge in the affordable housing space and urge for further action from all levels of government.

Response

67. The City notes the support and thanks the submitters for taking time to respond to the public exhibition. The City will continue to use all levers available to it to increase the supply of affordable housing in the local government area and to advocate for greater state and federal investment in social housing and stronger tenancy protections, making clear that levies are only one part of the solution.

Setting the equivalent monetary contribution - a difference in perspective between the development industry and the community housing sector

68. Submissions from the Urban Taskforce, Property Council, Meriton and Urbis for GPT highlight that the increased dollar rates will impact on development feasibility, with even marginal increases to the equivalent monetary contribution rate not able to be tolerated, especially in the South and East precincts.

69. An alternate view is offered by submissions from the Community Housing Industry Association, City West Housing and Bridge Housing, that raise concerns the increase in dollar rates is modest and should be higher to more accurately reflect the cost of delivering affordable housing in the various precincts, pointing to strong sales prices growth in recent times.

70. Both perspectives encourage revisiting the equivalent monetary contribution rates.

Response

71. Sydney local government area did experience sales price growth for the first half of 2025. However, this was less so for apartments and in the last 3 months, sales prices growth has stalled. Further rate rises, muted market conditions and growing uncertainty are likely to mean sales price growth will remain flat in the short term.

72. The dollar rates as proposed in the economic review remain appropriate, still being reflective of the actual cost to develop in each precinct. Each contribution precinct has a number of suburbs and areas, with varying values. The lowest end of the viable rate range is adopted to mitigate impact on low value areas within each precinct. The recommended phase-in period ensures development remains viable accounting for the proposed dollar rates. See above in this report for a broader discussion on feasibility and phase-in of the proposed rates.

Precinct-based contributions

73. A submission from the Urban Taskforce questions the approach to differentiating dollar rates by precinct and requiring contributions in Central precinct for non-residential floor space uplift.

74. The submission states differentiating dollar rates by precinct is a flawed approach because contributions collected in one precinct are not earmarked for delivery of housing in the same precinct. The precincts nominated for the highest increases already pay higher land prices, stamp duty and other contributions so that construction and compliance costs faced in these areas are higher.

75. Further, the submission feels the justification to introduce a commercial uplift contribution in Central precinct is also flawed because commercial floor space does not create need for affordable housing. The submission states that framing urban renewal in the CBD around its negative impact on housing affordability ignores the positive impact of investment and income generation in the CBD, which is the CBD's key function.

Response

76. The dollar rates are set to be 'equivalent' to the value of the affordable housing requirement at that location. If the affordable housing obligation is one dwelling, the equivalent monetary contribution is the value of that one dwelling. It could be $1 million in the West precinct or $2 million in the East precinct.

77. Developers in high value areas pay higher prices for land. They could also potentially pay higher construction costs (e.g. due to site constraints and/ or delivery of more premium finishes). In high value areas however, higher prices are also achieved. The cost impost of affordable housing is therefore proportionate to the cost/revenue profile of the particular development.

78. The proposed dollar rates sit at the lower range of prices within each contribution precinct. This is to ensure 'low value areas' within a precinct are not disproportionately burdened and stall development in those low value areas.

79. It is also noted that the community housing sector support differentiation of contribution rates by precinct.

80. The City acknowledges that a rezoning contribution rate has not previously been applied to non-residential development. It also recognises the importance of the CBD for generating growth and creating value in Sydney's economy. Ensuring its long-term sustainable growth is essential.

81. However, declining socio-economic diversity in the inner city, associated with inadequate social and affordable housing supply, has significant economic and social impacts and represents a risk to this growth. 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.

82. A non-residential rezoning contribution is recommended in the Central precinct alone because of the substantial demand for housing for key workers created by increased employment floor space in Central Sydney.

83. The introduction of a rezoning contribution requirement for non-residential development remains consistent with the requirements set out in the Act relating to where a contribution requirement can be applied.

Flexibility in applying contribution requirements

84. Submissions from the development industry call for more flexibility around when and how contributions are required and satisfied. Key matters raised include:

    (a) the ability to reduce contributions on a case-by-case basis when viability is threatened;

(b) the ability to satisfy a contribution by providing affordable housing that can be held by the developer and offered as affordable housing for 15 years (the Housing SEPP model), with contributions beyond the base rate being incentive driven; and

(c) the developer retaining the choice whether to satisfy a condition via monetary or built affordable dwellings, preferring to be able to choose the more cost-effective option based on the individual circumstances of each development.

85. The submissions say that the development industry is facing a growing number of state and local contribution requirements and/or public benefit delivery requirements at a time when it is facing significant challenges to viability.

Response

86. The basis of the City's Affordable Housing scheme is a low, broad rate which applies to all eligible development in the local area.

87. Beyond the LGA-wide DA contribution, the City's policy also allows for contributions to be applied to new development capacity which is achieved via a planning proposal. The applicable rezoning contribution is negotiated on a case-by-case basis, using the approach outlined in the Program as a guide.

88. The City's Program is established in accordance with Section 7.32 of the Act. It delivers affordable housing long term 'in perpetuity', utilising a income based rental model, ensuring real affordability for tenants and a long-term supply of affordable housing in the local area. There are pathways available via the Housing SEPP for developers to deliver alternative affordable housing offerings under a discount-to-market rent, time-limited model, which also offer an incentive.

89. In the history of the City's affordable housing schemes, developers have overwhelmingly chosen to pay a monetary contribution to satisfy their requirement, with less than a handful of examples of dedicated built dwellings. This is because it is typically significantly cheaper for a developer to make a monetary contribution, rather than building and dedicating and forgoing any profit that dwelling may bring. This is confirmed in the Urban Taskforce submission that acknowledges that "[i]n most, but not all cases, a developer will choose to make a financial contribution to council rather than dedicate units, as it is a more cost-effective way of contributing".

90. If the proposed changes to the dollar rates result in a dedication offer becoming more financially attractive to developers in some circumstances, this can be facilitated through a newly introduced planning agreement pathway to support negotiations on this matter. This is discussed in further detail elsewhere in this report.

Timing of payments

91. Submissions from the Urban Taskforce, Meriton and Property Council say payment of the contribution at construction certificate can impact viability and request it be delayed to occupation stage. The submissions consider that moving payment to the occupation certificate stage would only see a short-term impact on the delivery of affordable housing.

Response

92. The City does not support payment of monetary contributions at the occupation certificate stage of a development. If development contributions were to be paid at the occupation certificate stage, then there would be a significant lag in the delivery of the affordable housing that is required to address the housing affordability crisis and would put CHPs behind the market in which they are competing.

93. In addition, the payment of contributions at occupation certificate stage would bring the small but real risk of delinquency by development entities and certifiers, as there is no strong incentive to ensure payment at the late stage. Even if measures were put in place to partially address risks in the City's experience with infrastructure contributions is that a small number of landowner development entities and private certifiers fail to properly attend to their obligations while others may go into administration, vanish or 'phoenix'. Councils, and ultimately their communities, would lose out if contributions are not paid and essential affordable housing is not delivered.

Other matters raised in submissions

94. Other matters raised in submissions, together with the City's response, are set out in detail at Attachment A. These include submissions about:

    (a) the relationship between affordable housing provided under the City's Program and affordable housing resulting from state government approval processes;

    (b) the ability to combine affordable housing with built-to-rent developments;

    (c) the indexation methodology;

    (d) the size of affordable housing dwellings;

    (e) applying the contribution to Total Floor Area versus Gross Floor Area; and

    (f) requests for administrative clarity on particular operational aspects of the Program.

Response to matters raised in the Resolution of Council regarding prevention of discrimination against low-income tenants in new housing developments

95. On 23 February 2026, Council resolved (Attachment G) that the Chief Executive Officer be requested to:

    (a) provide advice to Council about how Council's existing affordable housing program and policies protect against tenure-based, physical segregation, including 'poor doors' or restricted access to common areas and building services;

    (b) seek feedback and input from Council's Housing for All Advisory Panel;

    (c) include collated advice in the report-back to Council with the final recommendations from the Affordable Housing Contributions Review;

    (d) if needed, provide advice about possible amendments to the Sydney LEP 2012, Affordable Housing Program and relevant documents, to ensure future affordable housing developments, facilitated by the City, are 'tenure blind' and facilitate all residents to have equitable access to areas within residential buildings; and

    (e) refer this resolution, and any relevant later Council decisions, to Council's Design Advisory Panels and relevant Council staff who may be considering or assessing developments whose design proposes segregated entrances or services for lower income or affordable housing tenants.

96. A detailed response to the resolution, including a summary of feedback from key stakeholders, is provided at Attachment H.

97. Consultation with members of the Housing for All Advisory Panel found a range of views on the appropriateness of bans on separate entrances to access affordable housing dwellings in mixed tenure buildings. However, most members, including an experienced developer of residential and mixed-use projects, cited concerns about the potential stigma of separate differentiated entrances.

98. Research and consultation found that equality of access to services and facilities in mixed tenure buildings is not a key priority in affordable housing and would pose a significant risk to the financial viability of CHP management of this class of affordable housing, particularly in the context of income-based rents. Changes to the Program to require equal access to services and facilities are therefore not recommended.

99. To date, the City's Program has proven effective in delivering high quality, tenure-blind affordable housing through the distribution of monetary contributions. This has resulted in the delivery of purpose-built affordable housing in stand-alone buildings by CHPs. Where this occurs all tenants in the building have equal access to whatever services and facilities are available in the building.

100. It is noted this report recommends a reduced role for the dedication of built affordable dwellings than what was proposed in the exhibited planning proposal. This will reduce the extent of affordable housing in mixed-tenure buildings where the concerns raised in the Council resolution are most likely to arise.

101. Notwithstanding the above, it is recommended that a pathway for the provision of built affordable dwellings remains in the Program where there is a planning proposal to increase the residential capacity of the site and where the developer opts to make a public benefit offer to provide built affordable housing in the development. The Program sets out "Standards for Affordable Housing Dwellings" that the developer must address in making a public benefit offer.

102. Following consideration of the matters raised in the Council resolution, and subsequent research and engagement with key stakeholders, a post-exhibition addition to the publicly exhibited "Standards for Affordable Housing Dwellings" in the draft Program is recommended. The addition is to state separate entries are only to be provided to facilitate practical access needs. If separate entrances are used they should be indistinguishable from one another, with no recognisable reduction in quality or appearance.

103. In working with the developer to prepare a voluntary planning agreement, the City will look for early and meaningful consultation with a CHP in relation to strata levies and a satisfactory arrangement regarding the potential risk posed by strata levies to the viability of any affordable housing.

Strategic Alignment

Region and District Plans

104. The planning proposal and draft Program give effect to the infrastructure, liveability, productivity and sustainability priorities in the Greater Sydney Commission's Greater Sydney Region Plan and Eastern City District Plan.

Draft Sydney Plan

105. On 10 December 2025, the NSW Department of Planning Housing and Infrastructure (Department) published a “Draft Sydney Plan”. The draft Sydney Plan recognises the important role of local affordable housing contributions schemes to increase the amount of affordable housing in the region.

Sustainable Sydney 2030-2050 Continuing the Vision

106. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities’ vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress.

Risks

107. The planning proposal and draft Program was publicly exhibited in accordance with the Council and CSPC resolution and the Gateway Determination issued by the NSW Government.

108. The recommended post-exhibition changes to the exhibited planning proposal and draft Program have been made following consideration of submissions and in accordance with NSW Government guidelines.

109. The recommended post-exhibition changes to the planning proposal and Program will help minimise delays in the development application process and minimise risk for disruption to our regulatory functions, allowing timely decisions within the timeframes set out in the NSW Government's Statement of Expectations Order 2024.

110. Progressing the planning proposal and draft Program in their amended form, taking into account matters raised through the public consultation process, is within the City's risk tolerance and appetite.

Critical dates

111. The Gateway Determination requires the planning proposal be made by 30 July 2026.

112. If approved, the planning proposal will be referred to the Department to be made as a local environmental plan. The amendment to the Sydney Local Environmental Plan 2012 and Green Square Town Centre LEPs will come into effect when published on the NSW Legislation website. The Program will come into effect at the same time.

Relevant Legislation

113. Environmental Planning and Assessment Act 1979.

114. Environmental Planning and Assessment Regulation 2021.

GRAHAM JAHN AM

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