Item 14.10

Notices of Motion

Affordable Housing Being Blocked by the NSW Government

By Councillor Ellsmore

It is resolved that:

(A) Council note that:

(i) the City of Sydney has a long running affordable housing levy scheme, which collects levies from development and directs them towards the creation of permanent affordable housing

(ii) under the City of Sydney's scheme, affordable housing developer levies collected from development are generally passed to Community Housing Providers to buy or build affordable housing, with income-based rent capped at 30% of gross household income

(iii) the levies apply to development over a certain size and/or type

(iv) levies include a broad base contribution rate of 1% non-residential and 3% residential floor space, applied to all development, plus an "additional rezoning contribution" which is required where Council approves a rezoning which allows more development on a site. The additional rezoning is currently 9 to 21% of residential floor space depending on the area

(v) affordable housing levies can be satisfied through provision of housing, or an equivalent monetary contribution (based on a published $/sqm rate)

(vi) as of June 2025, 947 dwellings had been delivered with the support of Council levies and 814 additional dwellings were under development

(vii) with the cost of buying or renting homes beyond the reach of very low to moderate-income households, the City of Sydney's scheme helps ensure people living in low to moderate-income households can continue to live and work in the city

(B) Council further note that:

(i) in the face of the growing housing affordability crisis, over 2024 to 2026 the City of Sydney undertook a comprehensive review and consultation regarding its affordable housing levy scheme

(ii) following public exhibition and submissions from residents and industry, the City of Sydney approved an update to its affordable housing levy scheme in May 2026

(iii) the changes approved by Council to the affordable housing levy scheme increased the equivalent monetary contribution amount (phased in over a 4 year period) and also standardised the additional rezoning contribution so that a rate of 20% (inclusive of the 3% broad base contribution) would apply in all areas

(iv) the changes increase the amount that will be collected for affordable housing, and were supported by analysis that demonstrated that the changes would not impact development feasibility

(v) however, 6 months after Council's endorsement, the City of Sydney's affordable housing levy changes have still not come into effect

(vi) this is because the NSW Government's Gateway determination did not delegate responsibility to Council to make changes to the Sydney Local Environment Plan (LEP), making the Minister, or their delegate, the "plan making authority"

(vii) the timeframes in the NSW Government's guidelines for "plan making" indicated the plan should have come into effect in August 2026, but further information was requested by the Department before finalising the plan. This has now been issued but Council does not have any updates for when the changes to the Sydney LEP will be made

(C) Council further note that:

(i) the City of Sydney is committed to increasing density in the local government area. In 2026, the City of Sydney held a community consultation through the Housing for All Discussion Paper, to identify areas which are most suitable for additional rezoning to facilitate this

(ii) at the October 2026 Council meeting, Council approved the Housing for All Discussion Paper 'Interim Implementation Plan', which outlined how Council would move forward with several ideas to increase housing capacity in the area

(iii) at the October 2026 meeting, Council endorsed a Planning Proposal in Pyrmont-Ultimo to support a major new residential rezoning in Pyrmont-Ultimo. In November 2026 a further Planning Proposal for a significant residential rezoning at Parramatta Road is being considered

(iv) the NSW Government's Gateway determination required that the new scheme could not come into effect until changes are made to the Sydney LEP. With those Sydney LEP changes having still not been made by the NSW Government, Council has not been able to apply the new affordable housing levy rates, effectively locking in the current rate

(D) Council further note that, separately, the City of Sydney is subject to an increasing number of developments approved through fast tracked, exempt and complying, and state significant planning approval pathways, which could bypass some or all of Council's ability to collect affordable housing developer contributions at all

(E) Council further note that analysis indicates that the current NSW Labor Government's delays in making the Sydney LEP changes have effectively blocked the collection of more than $100M in affordable housing levies by the City of Sydney this year. This includes:

(i) for the proposed Parramatta Road Precinct Planning Proposal, the affordable housing outcomes that can be estimated for the additional rezoning (uplift) contribution is 63 dwellings (at 9% - current program), instead of 119 dwellings which would have been captured under the new scheme

(ii) for the recently approved draft Pyrmont-Ultimo Precinct Planning Proposal, the affordable housing outcomes that can be estimated for the additional rezoning (uplift) contribution is 101 dwellings (at 9% - current program), instead of 190 dwellings which would have been captured under the new scheme

(F) the Lord Mayor be requested to urgently write to the NSW Minister for Planning, NSW Premier and NSW Minister for Housing, highlighting the impact of the LEP delay decisions on the reduced delivery of affordable housing in the City of Sydney.

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