

Tuesday 7 October 2025

Attn: Department of Planning, Housing and Infrastructure
Locked Bag 5022
Parramatta NSW 2124

Dear Department of Planning, Housing and Infrastructure,

Subject: Shelter NSW Submission to the City of Sydney Affordable Housing Contributions Review

Shelter NSW appreciates the opportunity to make a submission on the City of Sydney Affordable Housing Contributions Review and would like to state our in-principle support for the changes currently on exhibition. Shelter NSW congratulates the City of Sydney for leading the way on affordable housing and setting an example for local governments across the country to follow.

Who are we?

Shelter NSW has been operating since 1975 as the State's peak housing policy and advocacy body. Our vision is to create a sustainable housing system that provides a secure home for all. We are especially concerned for low-income households who struggle to afford good quality and well-located housing. We provide systemic advocacy and advice on policy and legislation for the whole NSW housing system. We are a member-based organisation; representing organisations and individuals committed to housing justice, from community housing providers, specialist homelessness services and related peak bodies, to community groups, policy professionals, academics and social housing tenants.

1. Housing in the City of Sydney.

The need for housing – and specifically affordable housing – in the City of Sydney is well established and has underpinned the City's development of its affordable housing contribution scheme over the past three decades. Despite the City of Sydney's efforts – widely regarded as best practice in the provision of affordable housing – affordability across Greater Sydney, including within the City of Sydney LGA, has deteriorated significantly in recent years.

Last year, National Shelter and SGS Economics and Planning released the 10th annual Rental Affordability Index. The Index highlighted that rental prices had grown at almost double the rate of household incomes in the year through to June 2024, while over the course of the previous three

years, rental affordability in Sydney had decreased by 23%.¹ These figures served to reinforce 2023 research from the Committee for Sydney which labelled Greater Sydney as “chronically unaffordable”.²

Locally, 60% of City of Sydney residents are renters with almost 70% of households falling into the ‘highest’ or most expensive quartile for rental payments. Approximately a third of renter households are spending more than 30% of household income on rent.³

The *Planning Proposal: Affordable Housing Contributions Review 2024* (‘the Review’) notes that the City of Sydney’s own target for affordable housing as a proportion of private housing stock is 7.5%. To achieve this target council requires 12,000 affordable dwellings by 2036, however current projections – accounting for built, planned, expected and projected dwellings – has the City of Sydney reaching less than 50% of that target with only 5,338 affordable dwellings. As such, it is imperative that any changes to the City of Sydney’s Affordable Housing Scheme work to improve affordability outcomes in the city and increase local affordable housing stock. It is the view of Shelter NSW that the changes noted in this review will work towards achieving this outcome.

2. Proposed changes to LEP

2.1 Allow consent authority to require a monetary contribution where a site is subject to clause 7.13 of Sydney LEP 2012 or Clause 6.5 of the Green Square Town Centre LEPs

2.2 Allow consent authority to require the dedication of built dwellings where a site is subject to Clause 7.13B of Sydney LEP 2012

The proposed changes to how the consent authority can require the nominated affordable housing contribution be met are logical and should ensure that affordable housing contributions can most

¹ National Shelter and SGS Economics and Planning, *Rental Affordability Index – November 2024* (SGS Economics and Planning, November, 2024); National Shelter and SGS Economics and Planning, *Rental Affordability Index 2024 – NSW Metro* (Sydney: Shelter NSW, November 2024), <https://shelternsw.org.au/wp-content/uploads/2024/11/Shelter-RAI-2024-NSW-metro.pdf>

² Committee for Sydney, *Chronically Unaffordable Housing* (Sydney: Committee for Sydney, September 2023), <https://sydney.org.au/wp-content/uploads/2023/09/Committee-for-Sydney-Chronically-Unaffordable-Housing-September-2023.pdf>.

³ .id Community, *Housing Tenure – City of Sydney Community Profile*, accessed October 3, 2025, <https://profile.id.com.au/sydney/tenure>; .id Community, *Housing Rental Quartiles – City of Sydney Community Profile*, accessed October 3, 2025, <https://profile.id.com.au/sydney/housing-rental-quartiles>; .id Community, *Household Rental Stress – City of Sydney Social Atlas*, accessed October 3, 2025, <https://atlas.id.com.au/sydney/maps/rental-stress>

effectively deliver actual affordable housing. These proposed changes will allow the consent authority to require a monetary contribution in areas that are subject to the broad-based affordable housing contribute rate – 3% of residential floor space, 1% of non-residential floor space.

The smaller contribution rate of the broad-based scheme can mean that a singular dwelling is dedicated to a Community Housing Provider (CHP) in a development whereby the CHP has little influence on development outcomes. It is noted in the *Summary of Consultation with Community Housing Providers* that this is not the desired outcome for the recommended CHPs operating within the City of Sydney LGA. This is explored in some depth in the exhibited material, with CHP opposition resulting largely from cost inefficiencies, and design and construction requirements. Put simply, managing a singular or small number of dwellings delivered in-kind as part of a much larger project can prove costly and practically inefficient, constraining a CHP's ability to most efficiently deliver affordable housing.

Alternatively, Clause 7.13B of *Sydney LEP 2012* designates a revised 20% contribution rate on sites that have benefitted from a rezoning that creates additional development capacity. On sites that are subject to this clause, the consent authority will have the ability to require the dedication of built dwellings. This is preferable where the site aligns with the criteria of the City of Sydney's Affordable Housing Program, as the more significant contribution rate is likely to deliver a more significant number of dwellings on site that will allow for a nominated CHP to sustainably manage and provide affordable housing. This also allows CHPs to access housing stock without the need to compete in the Inner Sydney Housing market, which can provide significant constraints on the exact location and timeframe in which affordable housing is delivered. Furthermore, the City notes that these proposals are often supported by voluntary planning agreements and longer timeframes which allow for greater consideration of the affordable housing delivered on the site and its requirements.

In consultation with their recommended CHPs, the City of Sydney has highlighted the preferences of their providers for flexibility in the dedication of dwellings and input into design so as to create a product that is conducive to providing optimal outcomes for future tenants. These amendments to allow the consent authority to require that the affordable housing contribution is delivered either in-kind or via cash contribution align with the advice given to the City by CHPs on best practice for the delivery of affordable housing via an affordable housing contribution scheme. Shelter NSW commends the City of Sydney on this consultation, and on enabling the consent authority to require that affordable housing contributions be fulfilled in a manner that supports the most efficient delivery of affordable housing within the LGA.

2.3 Remove references to 'Total Floor Area' in favour of 'Gross Floor Area'

The amendment across the relevant LEPs to remove Total Floor Area in favour of Gross Floor Area is a practical decision that aligns the City of Sydney with existing planning instruments. This will allow for greater clarity on the part of development proponents, as floor measurements will be consistent with those used by other local governments and the NSW Government. This, in turn, should make the affordable housing contribution rates easier to understand and calculate, as noted by the City of Sydney in the justification for this change. Shelter NSW supports this amendment.

2.4 Remove the maximum floor area for dedicated dwellings (Clause 6.70 and 7.13B of Sydney LEP 2012)

This amendment seeks to remove the maximum floor area limit for dedicated dwellings of 90 square metres. This limit practically constrains the dedication of dwellings to be no larger than 3 bedrooms.⁴ Shelter NSW supports the City's removal of this cap, acknowledging a need for greater housing diversity to adequately accommodate Sydney's diverse population.

In 2021 and 2023 Shelter NSW commissioned research to investigate and better understand severe overcrowding. The research found that the City of Sydney LGA recorded the fourth-highest rate of severe overcrowding in New South Wales.⁵ While this research notes that those who are experiencing severe overcrowding are not a homogenous group, with some individuals able to express greater levels of control over their living situation than others, it is recommended that greater consideration is given to the provision of 4+ bedroom dwellings and that local governments implement evidence-based targets for the provision of 4+ bedroom dwellings within their LGAs.⁶ While the removal of the cap does not explicitly require the provision of larger dwellings, this removes a significant impediment to diversifying the affordable housing stock within the City of Sydney.

In addition to assisting those experiencing severe overcrowding, the removal of the 90 square metre cap will also assist in the provision of 'family-friendly' apartments. According to 2021 Census data more than three quarters of the residents of the City of Sydney live in a flat or apartment while 0–2-bedroom dwellings are significantly overrepresented at the expense of 3+ bedroom dwellings.⁷ As the demand for housing continues to grow across Greater Sydney, more families are opting for apartment

⁴ NSW Department of Planning and Environment, *Apartment Design Guide* (Sydney: NSW Department of Planning and Environment, 2015), 89, <https://www.planning.nsw.gov.au/sites/default/files/2023-03/apartment-design-guide.pdf>

⁵ Judith Stubbs & Associates, *Understanding Severe Overcrowding in South West Sydney: Stage 2 Report* (Sydney: Shelter NSW, January 2023), 33.

⁶ *Ibid*, 14-19.

⁷ Australian Bureau of Statistics, *2021 Census QuickStats: Sydney (CED142)*, accessed October 7, 2025, <https://www.abs.gov.au/census/find-census-data/quickstats/2021/CED142>

living as a more affordable alternative, however are facing a significant undersupply in higher density housing stock able to accommodate growing families.⁸ The removal of the 90 square metre cap will remove an important structural barrier in the provision of larger, family-friendly affordable housing within the LGA.

3. Proposed changes to the Affordable Housing Program

3.1 Updating the equivalent monetary contribution rate (dollar rate)

The update to the monetary contribution rate is appropriate as the City of Sydney seeks to ensure that the rate better reflects the cost of delivering a square metre of built housing in the LGA. This is a departure from the previous benchmark for the monetary contribution rate, which was based on the Sydney local area median strata unit price, which better reflected the purchase price of older housing stock not new residential units. The previous benchmark created a discrepancy between the funds allocated to the City of Sydney in lieu of in-kind contributions and the actual cost in delivering housing, particularly in the more expensive sub-markets of East and Central Sydney.

This proposal, supported by feasibility analysis from Atlas Urban Economics, removes the LGA-wide monetary contribution rate and divides the City into four distinct sub-markets – East, West, South and Central Sydney – reflective of the different market conditions and development opportunities that exist depending on the specific geographic location within the LGA.

The new monetary contribution rate, phased in over four years, acknowledges the differing costs associated in delivering built housing depending on local sub-markets, i.e. the cost of delivery in Potts Point is different to that of Waterloo, and as such amends the contribution rate according to the submarket in which development is taking place.

With the aim to better reflect the costs associated in delivering built housing depending on the submarket in which it is built, the City hopes to remove the disproportionate burden placed on developments in the West and South submarkets which are currently contributing greater proportions of revenue to affordable housing than those developments in the ‘higher value’ areas of Sydney. This, in turn, should allow for a monetary contribution rate that better reflects the actual cost of the delivery of built housing across the LGA and ensure that the cash contributions the City receives are aligned with the cost of delivering affordable housing.

⁸ “Families Priced Out of Homes and into Units Push for Bigger Apartments,” *Realestate.com.au* (News Corp Australia), updated June 24, 2025, first published May 6, 2018, <https://www.realestate.com.au/news/families-priced-out-of-homes-and-into-units-push-for-bigger-apartments/>.

It is the view of Shelter NSW that the monetary contribution rates should be as reflective of the cost to deliver affordable housing as possible so that neither cash or in-kind contributions prove to be a ‘cheaper’ option for a development proponent at the expense of local affordability outcomes. As this amendment seeks to rectify current discrepancies and amend the contribution rate to reflect housing delivery, supported by feasibility analysis, Shelter NSW supports this change.

3.2 Updating the contribution requirement on land where a rezoning has resulted in additional development capacity

The update of the contribution requirement on land where a rezoning has resulted in additional development capacity sees the City of Sydney implement a flat 20% affordable housing contribution rate on all residential floor space across the LGA. This is complemented by the introduction of a 2% affordable housing contribution rate on non-residential floor space within the Central Sydney precinct. This rate, tested by Atlas Urban Economics, aims to ensure that a significant and feasible proportion of the additional value created via rezoning is captured via an affordable housing contribution.

Shelter NSW supports the amendment to the rate on rezoned land and is supportive of the City of Sydney leveraging the highest contribution rate that is feasibly possible, including on non-residential floorspace. The non-residential floorspace requirement serves as an example of how local governments responsible for the management of business districts can balance the need for additional non-residential floorspace to accommodate business concerns with the provision of housing for the essential workforce that are engaged within that area. Shelter NSW also notes that this rate is a “soft requirement” that can be adapted depending on the specific circumstances under which a site is to be developed, allowing the City to exercise a level of flexibility where appropriate.

3.3 Delay increased monetary contribution rates for build-to-rent (BTR) and co-living housing in Central Sydney

Shelter NSW is supportive of the City of Sydney’s effort to encourage alternative housing typologies within the Central Sydney precinct.

4. Recommendations

4.1 Establish an evidence-based target for the provision of 3+ bedroom dwellings

While Shelter NSW supports the removal of the 90 square metre cap on dedicated affordable housing dwellings, we would encourage the City of Sydney to create an evidence-based target for the provision

of 3+ bedroom dwellings in the LGA. This target should be informed by consideration of cultural need, family suitability and severe overcrowding.

4.2 Advocate to NSW Government for changes to Affordable Housing rent-setting so that very-low- and low-income households never pay more than 30% of their household income on rent.

Shelter NSW believes that rent for affordable housing should not exceed 30% of household income for eligible households, particularly for the bottom two quintiles of income earning households. 80% discount-to-market rent, while having its place in the housing spectrum, should not be considered an “affordable housing” product, particularly in high value markets, like those of the Inner City. Shelter NSW recommends that the City of Sydney advocates to NSW Government to adjust the rent-setting framework, currently outlined in the *NSW Affordable Housing Ministerial Guidelines* so that eligible households are not forced into rental stress.

4.3 Consent authority to require monetary contributions for developers that access the Infill Affordable Housing density bonus scheme

Affordable housing within the City of Sydney should be managed by not-for-profit Community Housing Providers and in accordance with the City of Sydney’s existing Affordable Housing Principles. As the Infill Affordable Housing density bonus scheme continues to produce time-limited affordable housing, the consent authority should require that the affordable housing contribution is met via cash contribution as to ensure that affordable housing is delivered in line with the City of Sydney’s Affordable Housing Principles and in a manner that is sustainable for CHPs.

Thank you for your consideration

Shelter NSW commends the City of Sydney once again on its affordable housing contribution scheme. Shelter NSW thanks the Department of Planning, Housing and Infrastructure for its consideration. Should the Department wish to discuss this submission further, please contact Drew Beacom (drew@sheltersnsw.org.au or 0405 093 123).

Sincerely



John Engeler
Chief Executive Officer
Shelter NSW