

19 September 2017

Mr Jai Rowell MP  
Chair, Committee on Environment and Planning  
Legislative Assembly  
Parliament House  
Macquarie St  
Sydney NSW 2000

Dear Mr Rowell

### **Inquiry into Land Release and Housing Supply in New South Wales**

The Property Council of Australia welcomes the opportunity to make a submission to the inquiry into land release and housing supply in NSW. With housing affordability being a key issue of concern, especially across metropolitan Sydney, the Committee's focus on land supply, zoning and infrastructure provision is both timely and well-focused.

Property Council members include Australia's major investors, owners, managers, and developers of properties across all asset classes. Our members create landmark projects, environments, and communities where people live, work, shop and play. Shaping and building our cities and towns, our industry has a long-term interest in creating prosperous, affordable and sustainable places.

Earlier this year the Property Council provided detailed input into a review on housing affordability instigated by the NSW Premier Gladys Berejiklian and conducted by former Reserve Bank Governor Glenn Stevens. A copy of our submission "*Fixing housing affordability in NSW: A 5-point plan to improve housing affordability – and the recommendations that can make it happen*", is included as part of our submission. This paper highlights that poor housing affordability in Sydney is underpinned by:

- a lack of land for housing in the greater Sydney area; resulting in Sydney land prices being twice that of comparable land in Melbourne (for current developments \$1,200 sqm in Sydney as opposed to \$600 sqm in Melbourne).
- the NSW planning system being complex and time consuming to navigate; resulting in greenfield rezonings and apartment developments on average taking five years to deliver, double the timeframe achieved interstate.

Our paper identified a raft of solutions, focused on:

1. increasing housing supply through increased land supply and strategic and statutory planning reform;
2. reform of state property taxes, reduced fees and charges and less red tape;
3. better cooperation between all levels of government;
4. bridging the deposit gap and support for first home buyers; and,
5. supporting the rental market and fostering innovative, affordable rental product.

Many of our recommended solutions were adopted in the NSW Government's *Housing Affordability Package* released on 1 June 2017 in response to Mr Steven's final report.

The Property Council strongly welcomed the Government's acknowledgment in its subsequent *Housing Affordability Package* that Sydney's current affordability problems stem predominantly from a lack of housing supply. Likewise, we welcomed that most of the package focused on increasing housing supply through reforms to the NSW planning system to provide long term land use certainty (to provide land supply) and more efficient development assessment processes (to facilitate dwelling construction).

The table appended (Attachment A) identifies the policy changes announced in the NSW Government's *Housing Affordability Package*, and charts these against the solutions proposed in the Property Council's 5-point plan. A brief comment is provided in regard to progress made to date and/or next steps required.

Disappointingly, the Government's package also included changes to developer contributions for infrastructure including the closure of the Local Infrastructure Growth Scheme (LIGS), the removal of the per dwelling "caps" on Council Section 94 Contribution Plans, and introducing Special Infrastructure Contributions (SICs) to new areas. These changes were confirmed and the magnitude revealed in the NSW Budget delivered on 20 June, in which the Government forecast that the new SICs would raise \$545 million in revenue over four years. More commentary is provided on this aspect in response to the Committee's terms of reference below.

In regard to the Committee's specific terms of reference we are pleased to provide the following comments:

- a) The resources and support needed within the Department of Planning and Environment for:**
  - i. The delivery of a housing supply process**
  - ii. The coordination and funding or enabling infrastructure**

#### ***Delivery of a housing supply process***

*The Property Council has reviewed the resources that the NSW Government is investing to underpin the delivery of the planning system, in particular, resources targeted at increasing land for the supply of housing, and dwelling approval.*

The Property Council advocated that the Department of Planning, the Greater Sydney Commission and other key players such as Joint Regional Planning Panels (JRPPs) be adequately resourced to deliver roles assigned to them within designated timeframes. Since then, we would add the NSW Government mandated Independent Hearing and Assessment Panels (IHAPs) to the list of bodies requiring the devotion of adequate resources.

The NSW Government substantially increased funding to the Department of Planning and Environment cluster in the 2017/18 Budget, from \$2.6 billion in recurrent funding 2016/17 to \$3.8 billion in 2017/18 (an increase of 43%). Capital funding likewise increased, from \$226.5 million to \$373.4 million, a 65% increase. Of these funds, most have been allocated to enhance the State's planning system and facilitate housing, including:

- \$131.6 million in additional funds (42% increase on 2016/17) for regional planning; integrating land use and infrastructure and delivering zoned and serviced land for housing and employment. Including 74 new staff (167 to 241).
- \$39 million in additional funds (more than doubling 2016/17 figures) to improve the planning system; setting strategic plans, state-wide planning policies (complying development and

SEPPs) and improved coordination between infrastructure, zoning and assessments. Including 143 new staff (181 to 324).

- \$47 million in additional funds (15% increase on 2016/17) to administer environmental impact assessments and development applications (major projects, supporting JRPPs). Including 35 new staff (334 to 369).
- \$122.8 million in additional funds (581% increase on 2016/17) to fund the Greater Sydney Commission, with staffing set to more than double from 29 to 80.

The allocation of these additional funds, and the substantial increase in staff, is strongly supported.

Ongoing investment of this type will be required by the NSW Government in coming years to support the implementation and embedding of reforms such as the forthcoming revised metropolitan strategy and final District Plans, which will only become effective once recognised in councils' Local Environmental Plans (LEPs). In outward years, the NSW Government will likely need to increase resources or provide specialist expertise to local councils to update their LEPs and process an increased volume of development assessment applications flowing from an increase in land being made available and serviced, ready for development.

In the short term, IPART will need to have sufficient personnel to address an expected influx of section 94 plans following the removal of 'caps' and the newly established IHAPs may require resourcing support.

#### **Recommendation**

**The NSW Government provide appropriate funding to ensure the that reform to improve the performance of the NSW planning system is implemented and maintained, in particular investing in long term planning and land release activities.**

#### ***Coordination and funding of enabling infrastructure***

*The Property Council has focused on examining the policy intent, changes to and impacts of development levies imposed by state and local government to fund infrastructure to support the delivery of housing.*

The provision of enabling infrastructure, to make land ready for development, has been, and is likely to continue to be, the greatest challenge for government both in terms of funding and coordinating delivery.

The responsibility for the provision of infrastructure to support growth and development is divided between the NSW Government and councils, with the State providing health, education, and major transport or utility upgrades while councils provide community facilities, sporting grounds, parks, and local roads.

The use of developer levies dates to the post WWII growth period, but was not regulated until the late 1970s or systemic until the late 1980s. Since mid-2000s, the use of developer levies has been expanded, trimmed, focused, and refined, all the while incrementally increasing as a means for governments to fund urban growth and amenity. In the past decade, developers have faced a period of substantial change, with frequent reforms adding to or trimming the levies to be paid, making it difficult to plan and allocate capital for projects into the future.

### *State Infrastructure Contributions*

The NSW Government introduced Special Infrastructure Contribution (SICs) in 2006, with reforms to the *Environmental Planning and Assessment Act 1979* (EP&A Act) to enable the NSW Government to impose a development contribution in specified areas to help finance public amenities and services, affordable housing, transport and other infrastructure and environmental conservation. SICs were applied to greenfield areas.

A Special Contributions Areas Infrastructure Fund was established to receive and distribute the funds, with the pooling of funds enabling the Government to fund projects in a timely and effective manner. Initially developers were required to fund 100% of the infrastructure costs, this was reduced in 2007 to 75%, with the NSW Government to fund the remaining 25%. Other changes reduced the scope of infrastructure to be funded by SICs, to infrastructure directly attributable to development and not general population growth.

In 2008, reforms introduced temporary change, reducing the developer's share from 75% to 50% for all levies paid before 1 July 2011.

On 1 June 2017, the NSW Government announced as part of its Housing Affordability Package that SICs would be expanded to an additional 10 areas across Sydney to help fund infrastructure in communities with significant housing growth. The 2017/18 NSW Budget released 20 June 2017 forecast an increase in SIC revenue of \$545 million over four years to be raised from SICs applied to 15 areas, including 12 precincts across Sydney. To date, draft SICs have not been released for industry to comment, making it difficult to ascertain the impact of the levies. The scope, scale and application of these levies remains unclear.

The Property Council understands that the expansion of SICs from greenfield to infill locations is aimed at improving the transparency of developer contributions, replacing the ad hoc use of voluntary planning agreements. Providing industry with greater certainty of costs is welcome, however until the details of the SICs are released, industry is unable to assess whether quantum costs are being increased, or the mechanism for payment simply refined.

The Property Council is not opposed to reforms to improve the transparency and certainty of the application of state developer levies. We urge the Government, however, to implement reforms with a transition period provided to carve out potential impacts on projects which have commenced either the rezoning or development process under existing arrangements.

#### **Recommendation**

**Release draft SICs to enable public comment of proposed reforms before these mechanisms are finalised.**

**AND**

**Include transition arrangements to grandfather development projects already commenced the rezoning or development process to minimise potential adverse impacts.**

### *Council Infrastructure Contributions*

Development contributions were first legislated for in 1979 in the EP&A Act by the inclusion of section 94, requiring developers to contribute to the provision of infrastructure as a condition of subdivision approval. A raft of changes has been introduced subsequently:

**1989** - the Simpson Inquiry led to the requirement for councils to prepare and exhibit contribution plans to be able to levy section 94 charges.

**2000** - reforms to the EP&A Act provided legal validation for the imposition of an affordable housing levy.

**2005** - reforms included the introduction of voluntary planning agreements (VPAs) and Section 94A fixed levies, enabling councils to choose the method, or combination of methods.

**2006** - reforms were introduced to enable the Minister for Planning to direct a council to make, amend or repeal a contributions plan within a certain time period; changes were intended to improve the coordination of infrastructure provision between neighbouring councils, within councils (via pooling funds) and to coincide with development activity.

**2007** - non-statutory reforms were introduced clarifying the types of local infrastructure able to be funded from Section 94 and 94A levies; clarifying that only infrastructure directly related to a development site or precinct could be funded.

**April 2009** - non-statutory reforms capped infrastructure contributions at \$20,000 per residential lot, with any contributions exceeding the cap requiring approval from the Minister for Planning.

**June 2010** - exemptions from the cap were disallowed, and instead councils were required to apply for a special rate variation to meet costs arising from development, requiring the Independent Pricing and Regulatory Tribunal (IPART) to assess and approve variations.

**September 2010** - changes were introduced, retaining a \$20,000 per dwelling or per residential lot in existing areas and applying a \$30,000 per dwelling or per residential lot in greenfield areas. An 'essential works list' was introduced to apply where councils sought contributions above the cap, and a \$50 million *Priority Infrastructure Fund* was established to fund essential works above the cap, this funding program was later expanded to become the *Local Infrastructure Growth Scheme (LIGS)* to support housing development activity during the global financial crisis.

**June 2017** - the NSW Government announced as part of its Housing Affordability Package the closure of the Local Infrastructure Growth Scheme (LIGS). Until mid-2017, only two councils received LIGS funding (Blacktown and The Hills). As part of the staged closure of LIGS, Wollongong, Bayside, Camden and Liverpool councils have been granted access. The Government has allocated \$369 million over the next three years for the staged closure of LIGS, with the cap on contributions increased by \$5,000 on 1 January 2018 to \$35,000 in greenfield areas and \$5,000 to \$25,000 in infill areas, and from 1 July 2018, an annual \$5,000 increase to the caps each year for two years applied.

The caps will be removed entirely in these areas on 1 July 2020 (although councils will still need to have contribution plans vetted by IPART before the caps can be breached).

Following the closure of LIGS, developers face increased levy costs (with the State Government no longer funding any 'gap'). The Property Council has commissioned research to ascertain how many and which councils are likely to seek to impose contribution plans in excess of the 'caps'. Currently, no composite list of section 94 plans exists to enable policy makers to ascertain a comparison of what infrastructure charges councils are applying across NSW (or Sydney). While section 94 plans are publicly available (on council websites) this information is fragmented, making it difficult to truly ascertain the potential for infrastructure costs to rise or to compare what and how councils use developer levies to fund infrastructure.

The Property Council's research aims to increase transparency of section 94 developer levies to enable policy makers to examine both the macro as well as micro composition and impact of these charges.

The closure of LIGS will result in either increased house prices (born by home buyers) or less housing supply (because the feasibility of projects cannot be assessed due to the uncertainty of costs). Both outcomes harm rather than improve housing affordability in NSW.

Three key aspects need to be addressed to improve the operation of Section 94 levies:

1. industry needs certainty of costs to enable it to make investments. Developers are unable to assess the feasibility of projects if the cost of developer levies is unknown.
2. downward pressure should be maintained to minimise the cost of local infrastructure, some councils are more efficient in procuring or delivering infrastructure, their experience and knowledge should be shared across local government.
3. the NSW Government should be an ongoing partner in funding local infrastructure to support growth, representing a contribution from the broader community to invest in building future cities and communities.

Providing industry with certainty of costs is fundamental, business investments simply can not be made without this information. Infrastructure 'caps' provide a strong signal to the market (developers and land owners) of future costs. We urge that caps be reintroduced and indexed to factor in incremental rises commensurate with the increased cost of funding infrastructure. Developer contributions are an accepted component of development activity, but poorly designed levies undermine market activity through sheer uncertainty.

While the NSW Government has developed an 'Essential Works List' to clarify what infrastructure councils can include in contribution plans, this list is only applied if councils seek to breach 'caps' and the cost of infrastructure is assessed by IPART in terms of whether it is a 'reasonable estimate'. The Property Council believes more assistance and guidance should be provided to councils to put downward pressure on costs, including the release of best practice guidelines to guide councils and incentives offered (potentially access to finance) to encourage councils to explore regional infrastructure solutions with neighbouring councils to achieve economies of scale.

The Property Council also believes there is an ongoing role for the NSW Government to assist councils in funding local infrastructure that is required to support growth. The inevitability of future growth is accepted, with the NSW Government examining options to manage and support this growth by tasking the Greater Sydney Commission with revising the metropolitan plan for Sydney and developing District Plans. Growth will not be uniformly accommodated; some parts of Sydney will be asked to absorb more people and live with increased densities. These communities should not be expected to fund the infrastructure to support this growth. The entire community benefits

and the entire community should contribute. Those areas that accept significant growth (or even a greater level of growth than that identified in a District Plan) should be rewarded not penalised.

**Recommendation**

Local developer levies should be 'capped' and indexed annually, signalling to the market future costs.

AND

NSW Government should work with councils to put downward pressure on the cost of procuring local infrastructure and incentivise cooperation between councils to realise economies of scale.

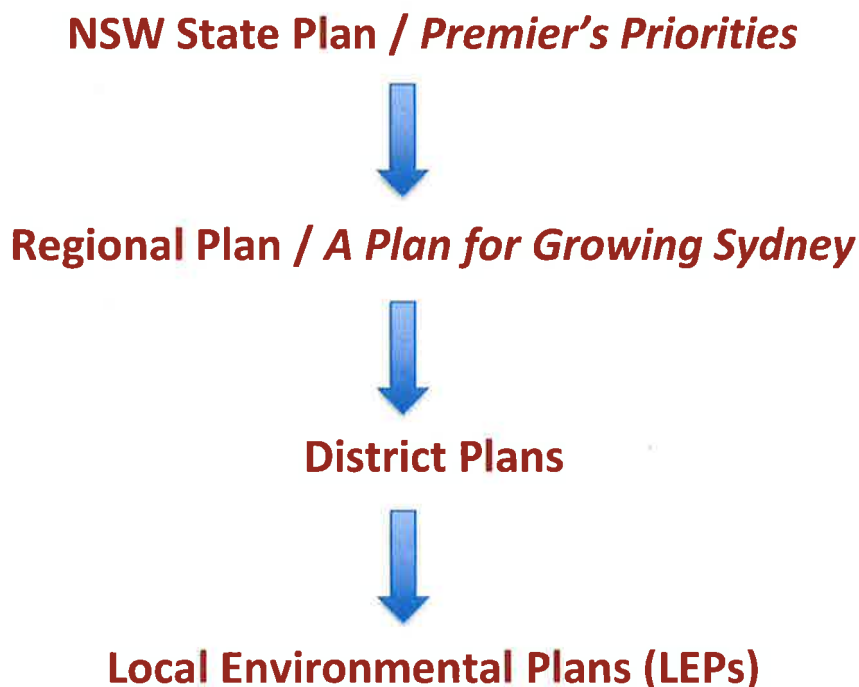
AND

The NSW Government should provide ongoing funding to support councils to provide local infrastructure to implement growth targets outlined in the District Plans.

**b) Delivery mechanisms following the rezoning of land through to construction**

*The Property Council has examined the high-level framework which guides the release of land for housing and the linkages between elements of this framework to assess its structural and operational effectiveness.*

Ideally, the **land supply framework** should reflect the following steps (in metropolitan Sydney) to rezone land for development (including housing):



Exploring each step in the process:

**Premier's Priorities** - Among the Premier's 12 Priorities is *Making housing more affordable with the goal of 61,000 dwelling completions state-wide on average per financial year to 2020-21*. This was added as part of the 1 June Housing Affordability Package. To support the Premier's commitment the Government is focusing on two targets:

1. 90% of housing approvals determined within 40 days by 2019
2. State-led rezoning for 10,000 additional dwellings on average per year in appropriate areas to 2021.

The Premier's Priorities were first announced in September 2015 in "*NSW: Making It Happen*", prior to which the NSW Government had a 10-year strategic plan "*NSW 2021*" released in September 2011.

**A Plan for Growing Sydney** - was released in December 2014, outlining the NSW Government's plan for the future of the Sydney Metropolitan Area over the next 20 years. The Plan outlines key directions and actions to guide Sydney's productivity, environmental management, and liveability – including the delivery of housing, employment, infrastructure and open space.

The Greater Sydney Commission is tasked with reviewing and updating A Plan for Growing Sydney, including reflecting new policy directions of the District Plans, once finalised. Towards Our Greater Sydney 2056 released in November 2016 is a draft update to A Plan for Growing Sydney. Significantly, it reconceptualises Greater Sydney as a metropolis of three cities. The Property Council broadly supports the draft amendment to a Plan for Growing Sydney, in particular the concept of the metropolis of three cities.

The Commission is tasked with reviewing A Plan for Growing Sydney at the end of every subsequent five-year period.

The Commission is expected to release a revised A Plan for Growing Sydney in late 2017. Pending release of this document, the Commission has released *Directions for a Greater Sydney* which identifies housing targets summarised as:

- a minimum of 36,250 new homes every year over the next decade (725,000 additional new dwellings over the next 20 years across Greater Sydney)
- greater housing choice will be needed including a range of housing types, tenures and price points together with rental accommodation for lower income households and social housing for the most vulnerable
- more housing will occur concurrently with the creation of liveable neighbourhoods close to employment opportunities, public transport, walking and cycling options for diverse, inclusive multi-generational and cohesive communities

**District Plans** - the Greater Sydney Commission is also tasked with creating District Plans to sit between, and link, the NSW Government's A Plan for Growing Sydney and councils' Local Environment Plans (LEPs). The Commission released six draft District Plans in November 2016 for public comment, with final District Plans to be released by end 2017 (and formally reviewed every five years thereafter).

The Property Council provided detailed feedback on all these draft plans supporting the:

- outline of new dwelling and employment targets to the District, Local Government, and Strategic Centre level (for employment targets).
- commitment to implement economic strategies at a city level to drive investment.
- commitment to incorporate the Plans into LEPs.
- commitment to provide more housing closer to jobs to achieve a 30-minute city and encourage diversity in housing through medium density code assessment approaches.
- identification and commitment to the strong roles of Strategic Centres and further development of District Centres.
- emphasis on the protection of employment and urban services land.
- encouraging hotel accommodation in developing tourism areas.
- the need to integrate land use and infrastructure investment, particularly in Priority Growth Areas.

Once District Plans are in place, councils are required to review their Local Environmental Plans (LEPs) and give effect to the relevant District Plan. This is a significant, and welcome, step in the elevation of strategic planning. With the commencement of the *Greater Sydney Commission Act 2015*, new provisions were inserted into the EP&A Act requiring LEPs be prepared “to give effect to” regional and district plans and more importantly, on the making of a district plan, each relevant council must review its LEP to give effect to the district plan. Previously, there was no statutory requirement for LEPs to be updated to align to higher order strategic plans.

The Commission will oversee, monitor and report on the implementation of District Plans in the Greater Sydney Region. Proposed targets in the draft District Plans include:

- 5-year housing targets for each LGA (2016-21)
- 20-year housing target at District level

**Local Environmental Plans (LEPs)** - are the mechanism through which State Government land use planning and objectives are implemented at the local level. An LEP is a legal instrument that zones land, imposes standards to control development, or implements a state or local policy outcome. LEPs are the main planning tool to shape the future of communities, giving legal effect to where and under what circumstances places should be developed or particular environmental controls imposed. An LEP generally comprises a written document and accompanying maps and can apply to an entire LGA or defined area.

While LEPs are generally initiated by councils, starting with a planning proposal, the NSW Planning Minister (or delegate) is the approval mechanism. The process establishing the preparation and assessment of LEPs is set out in the EP&A Act and is the same whether making a principal LEP or amending an existing LEP. Since 1 July 2009, the process has involved:

1. A planning proposal - the relevant authority prepares the planning proposal (typically a local council, however the Minister can appoint the Secretary of the Department of Planning and Environment, a joint regional planning panel or a Sydney planning panel to be the relevant planning authority).
2. Gateway - the Minister (or delegate) decides whether the planning proposal can proceed (with or without variation) and subject to other matters including further studies, public consultation, public hearings, agency consultation and time frames. A planning proposal does usually not proceed without conditions of this nature. The conditions are then complied with and if necessary, the proposal is changed. A decision on whether the relevant council is able to finalise particular types of LEPs is also determined at this stage.

3. Community consultation - the proposal is publicly exhibited as required by the Minister. A person making a submission may also request a public hearing be held.
4. Assessment - the relevant planning authority reviews public submissions. Parliamentary Counsel then prepares a draft LEP.
5. The making of the LEP - with the Minister's (or delegate's) approval the local environmental plan is published on the NSW legislation website and becomes law.

Since 2006, all principal LEPs must be made in a standard form prescribed in the Standard Instrument (Local Environmental Plans) Order 2006, ensuring consistency in the appearance of LEPs to assist users interpreting planning controls across different LGAs.

LEPs remain in force until they are amended or repealed by an amending LEP. It is possible to specify that a LEP will have effect only for a specified period or in specified circumstances, however use of this is limited [EP&A Act s. 26(3A)].

LEPs do not contain targets per se (to measure their effectiveness), but they are required to outline the 'objectives and outcomes' to provide a basis for the drafting of the legal instrument. LEPs should reference housing and employment targets identified in the relevant District Plan. Further, LEPs should identify the land supply contingency required to enable targets to actually be achieved (cognisant of the 'leakage of land' that occurs during the land release process – this issue is discussed in detail below).

#### **Recommendation**

**LEPs should reference key housing and employment land targets outlined in District Plans, and identify a land supply contingency required to achieve these targets, and the effectiveness of LEPs should be assessed against the achievement of these targets.**

#### **c) The complementary roles of state authorities, local councils and utilities**

*The Property Council has examined the different stages of land release, including the role of government and industry, and analysed the effectiveness of the system in delivering land to meet dwelling targets.*

#### ***Making land 'development ready' – the Metropolitan Development Program***

Converting land, especially in greenfield locations where there may be no existing urban services, into house sites involves a number of stages and involves the Government, utility providers, councils and developers. Since 1981, this process was driven through the Metropolitan Development Program (MDP), the function of which was to monitor and forecast land supply in metropolitan Sydney and the Central Coast, including greenfield and infill areas.

Until recent years, the MDP had a major role in implementing the NSW Government's urban growth agenda by:

- Monitoring greenfield and infill stock, with the Department of Planning working with councils to identify dwelling potential in existing areas, especially from higher density and mixed-use locations
- Publicly releasing an annual audit of land stock (release, zoned, serviced, subdivided and for sale) at a Sydney metro, regional and LGA level, and assessing levels against set benchmarks
- Forecasting future land supply and dwelling production including production cycle, medium and term forecast, informed by Department of Planning consultations with the development industry.

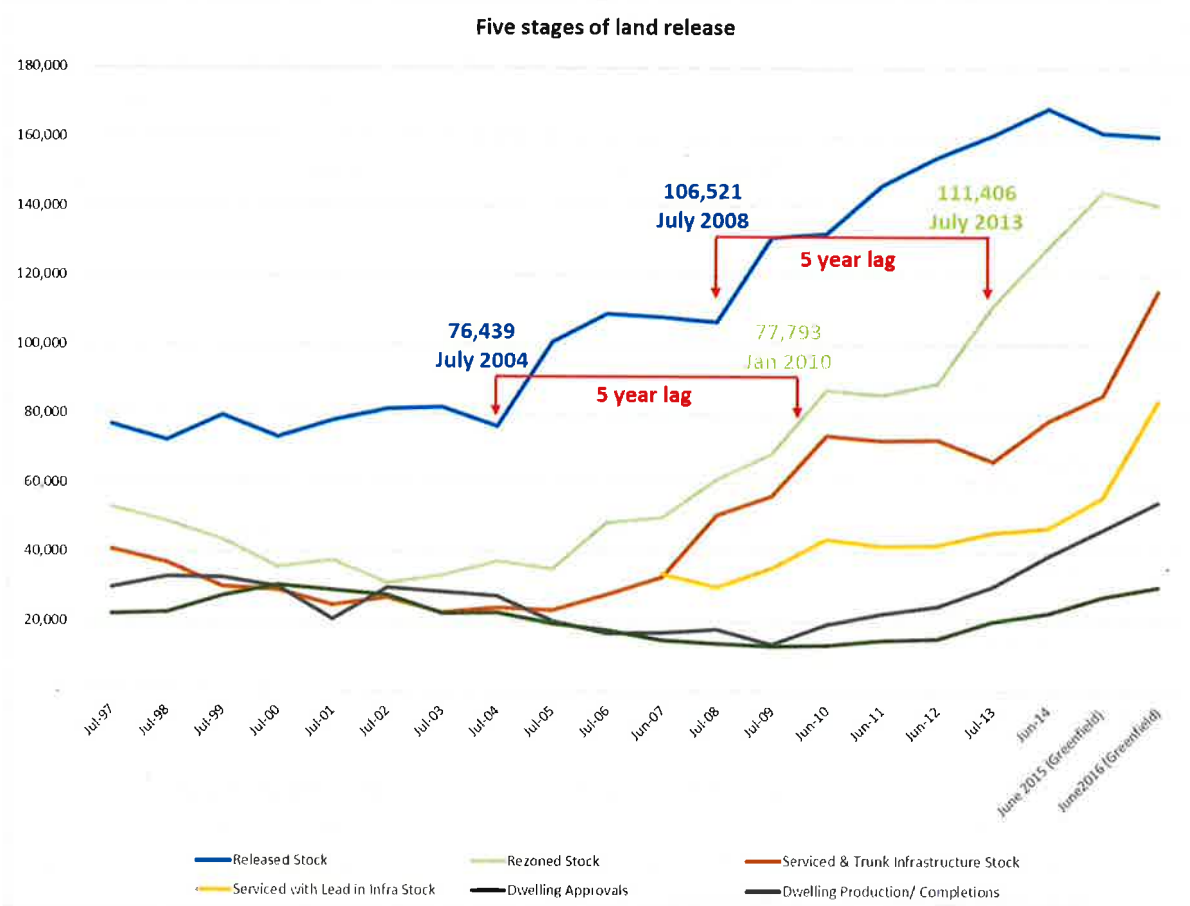
Significantly, the MDP was underpinned by a process of collaboration both within the NSW Government, between planning agencies and utilities, and the NSW Government, local councils and the development industry. The Metropolitan Development Program comprised the following steps:

Steps	Responsibility	Measure
<b>1. RELEASE</b> <ul style="list-style-type: none"> <li>– Agreement on housing requirements and growth strategy</li> </ul>	Cabinet	
<b>2. REZONING</b> <ul style="list-style-type: none"> <li>– Planning and land uses</li> <li>– Infrastructure contributions</li> </ul>	Department of Planning and Councils	Zoned Stocks
<b>3. SERVICING</b> <ul style="list-style-type: none"> <li>– Extension of trunk infrastructure</li> <li>– Construction of lead in infrastructure</li> </ul>	Water & Energy Authorities  Water Authorities and Developers	Zoned with trunk infrastructure  zoned with lead infrastructure
<b>4. SUBDIVISION</b> <ul style="list-style-type: none"> <li>– DA activity</li> <li>– Construction of works</li> <li>– Title registration</li> </ul>	IHAPs and Developers	DA Activity and Dwelling Completions
<b>5. SALE</b> <ul style="list-style-type: none"> <li>– Marketing of land to builders and home purchasers</li> </ul>	Developers	Vacant subdivided lots (indicative measure)

While the time required to perform each step varies depending on the scale and specifics of each site, it typically takes seven to 10 years. Significantly, the steps can only occur sequentially, hence

bottlenecks at any step will increase conversion timeframes and negatively impact the supply of land.

The chart below depicts the land supply levels in the Sydney Metropolitan region over the past two decades. The chart clearly shows the significant gap between land release and dwelling completions, with land supply levels falling as land progresses to become 'development ready'. For instance, for much of the past decade it has taken approximately five years between the release of land to when land is rezoned.



*Source: various DPE material; Metropolitan Development Program Reports, Greenfield Development Quarterly Reports and Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data)*

To monitor and manage the supply of land to achieve desired conversion rates, the NSW Government adopted benchmarks in 2006 to track the effectiveness of steps 1 to 3 in the land supply process. These benchmarks are:

- LAND RELEASE - 15 years supply = land potential for 112,500 dwellings
- REZONING – 8 years supply = land potential for 60,000 dwellings
- SERVICING – 7.3 years supply = land potential for 55,000 dwellings

The first two benchmarks in terms of equivalent years of supply have been used informally to manage land supply since the mid-1990s. NSW Treasury modelling informed the development of the third benchmark in the mid-2000s.

Disappointingly, the MDP was reduced in scale and scope from 2010/11 onwards, culminating in an abbreviated quarterly report last published in December 2015. In its place, the NSW Government released the Greenfield Development Quarterly Monitor, issued in March 2016, which does not monitor infill land supply or forecast future land supply capacity or demand. The focus of NSW Government reporting (and seemingly monitoring) seems to be concentrated on dwelling approvals and completion figures, ignoring the importance of rezoning, and in particular servicing, in terms of enabling land to be development ready.

### ***Performance of the Sydney land supply framework***

Ultimately, the success of the land supply framework is measured by whether enough dwellings are completed annually to meet projected demand.

An analysis of the NSW Government's dwelling completion target for Sydney (enunciated in previous and current metropolitan plans) compared to actual dwelling completions from 2004 to 2017, reveals a cumulative shortfall of over 106,000 dwellings.

The gap between target and actuals was most pronounced in 2009 and 2010, coinciding with the global financial crisis. Concerningly, the dwelling completion target has only been achieved once in this period, in 2004, thereafter it was almost a decade before a similar level of completions was achieved, in 2013, well below revised targets based on revised demand.

The data reveals that enough dwellings have not been completed in Sydney for well over a decade. The chart below illustrates this shortfall.



*Source: Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data), Draft District Plans and previous Metropolitan Plans*

To understand why land that is released for housing is not being converted to completed dwellings requires an analysis of each step of the land supply process; that is release; rezoning; servicing; subdivision and sale.

The MDP provides data for each of the land supply steps for the period 2007-2015 (thereafter data from the Greenfield Monitor), an analysis of which reveals that the largest drop in dwelling potential occurred in the step between land being rezoned and being made development ready (having trunk and lead in infrastructure). The figures outlined in the table below show that since 2007 on average:

- over half the land rezoned for new housing has not been serviced with infrastructure to make it 'development ready'
- 40% fewer dwellings received approval, than land was available to support
- over a third of land released for new housing was not rezoned

	<b>RELEASED</b>	<b>REZONED</b>	<b>SERVICED</b>	<b>APPROVED</b>	<b>COMPLETED</b>
<b>Jun-07</b>	108,180	50,063	33,899	16,820	14,715
<b>Jun-08</b>	106,521	61,224	30,167	17,732	13,862
<b>Jun-09</b>	131,057	68,636	35,578	13,636	13,041
<b>Jun-10</b>	132,134	86,949	43,845	19,310	13,293
<b>Jun-11</b>	146,166	85,511	41,986	22,440	14,722
<b>Jun-12</b>	154,167	89,012	42,195	24,460	15,104
<b>Jun-13</b>	160,741	111,406	45,882	30,375	20,339
<b>Jun-14</b>	168,361	128,311	47,211	39,090	22,750
<b>Jun-15</b>	161,358	144,359	56,199	46,766	27,348
<b>Jun-16</b>	160,597	140,701	83,991	54,723	30,191

*Source: various DPE material; Metropolitan Development Program Reports, Greenfield Development Quarterly Reports and Department of Planning Metropolitan Housing Monitor Sydney Region (drawing on ABS data)*

As a result of the 'leakage' of land at different stages of the land supply framework, while the NSW Government announced the release of land to provide over 160,500 dwellings, just 30,000 were actually completed in the year ending June 2016; over 80% fewer than land was earmarked to provide. To alleviate this situation, ideally all LEPs and MDP areas would include a 20-25% margin of land zoned for development to allow for actual delivery and provide a more elastic land supply market.

Converting land from 'release' into 'completed dwellings' is a complex and time-consuming process. Focus needs to be paid continuously to ensuring that every step in the process is achieved as

efficiently and effectively as possible to maximise the conversion of land released into completed dwellings.

The NSW Government should as a priority reinstitute the development and annual reporting of the MDP to monitor the performance of each step in the land supply process, to enable delays to be identified and addressed. The MDP should include infill as well as greenfield areas, and drive coordination between government agencies and developers to ensure that zoned land is serviced with infrastructure in a timely manner.

### **Recommendation**

**The Property Council strongly encourages the NSW Government to reinstitute the development and release of an annual, detailed MDP across metropolitan Sydney, the Central Coast, the Lower Hunter and the Illawarra, underpinned by a strong collaborative mechanism involving State, local Government and industry.**

### ***Developers are driving rezonings in metropolitan Sydney***

Industry concern regarding the land supply process in NSW, in particular Sydney, led the Property Council in 2016 to commission Ethos Urban to examine the effectiveness of the rezoning process.

Ethos Urban's research, *Zoned Out: an analysis of residential rezonings in metropolitan Sydney*, released November 2016 (copy appended), analysed the origin of rezonings across 16 Sydney councils between 2012 -2016; examining whether rezonings were led by councils, the NSW Government or private sector proponents. It found that while all councils across NSW updated their LEPs to standardise them, (to implement the Standard LEP), this process did not include a wider strategic planning review to update land uses.

Concerningly, the research found that it is the private sector that is primarily driving the provision of land for housing for Sydney's growing population. Despite setting targets and delivering plans, government is not acting to achieve these targets and alleviate Sydney's housing shortage. Key findings were:

- The NSW planning system is dependent on developer led rezonings:
  - 64% of residential led LEP amendments were led by developers, compared to 29% council led, and 7% State led
  - 81% of LEP amendments to create greater than 100 dwellings were developer led, compared to 15% council led, and 4% State led
- Councils are not revising their LEPs to deliver significant levels of new housing (in greenfield and infill areas)

The research focused on two Sydney regions:

- Central District – which had 137 LEP amendments in total from 2012-2016 of which:
  - 76 were council led (56%)
  - 55 were private led (40%)
  - 6 were State Government led
  - 62 were residential focused, of which 38 were led by private sector (61%)

- 46 involved greater than 100 dwellings, of which 37 were private sector led (81%)

While council-led rezoning comprised the largest share of all rezonings, private proponents were behind the vast majority of residential rezonings, and drove rezonings in the LGAs of Ashfield, Canada Bay and Marrickville.

- South West District – which had 132 LEP amendments in total from 2012-2016 of which:
  - 49 were council led (37%)
  - 74 were private led (56%)
  - 9 were State Government led
  - 75 were residential focused, of which 50 were led by private sector (67%)
  - 23 involved greater than 100 dwellings, of which 18 were private sector led (78%).

Private proponents led rezoning in this district, with an extreme imbalance in Wollondilly, with Fairfield council the only LGA which led rezonings.

Ultimately, it appears that much of Sydney's land supply for new housing, especially projects delivering high volumes of new housing, is being generated through ad hoc spot rezonings led by the private sector. While spot rezonings are an important part of the planning system, providing flexibility to consider land use variations outside of formal strategic review timeframes, they are inferior in terms of efficiency and effectiveness compared to strategic land use updates delivered through a revised LEP.

In theory, the State and local governments in NSW should drive land supply decisions and implementation. However, the reality in metropolitan Sydney appears to be that it is the private sector driving the provision of land for new housing. The private sector should not have to shoulder the uncertainty and risk associated with spot rezonings, nor should local communities face the uncertainty or incremental impact on neighbourhood amenity caused by an overreliance on spot rezonings. Spot rezonings are not an appropriate substitute for strategic land use planning delivered through LEPs.

With District Plans due to be finalised before the end of November 2017, it is timely to ensure that a renewal mechanism for LEPs is implemented and continuously monitored, reported, and updated. The next generation of LEPs will be required to give effect to dwelling targets outlined in the District Plans. The Planning Department should monitor and report on progress in updating LEPs, noting that the legislation requires this to occur on average every five years. A list of LEPs which have been updated should be reported annually as part of the MDP.

LEPs are intended to be updated every five years, in line with the review of the District Plans. However, there is no clearly established, or reported, mechanism for monitoring the review of LEPs. As a result, many LEPs in NSW have been in place for up to a decade without review. The NSW Department of Planning's *Local Environmental Plans; A guide to preparing local environmental plans* LEPs outlines benchmark timeframes that have been set for preparing different types of LEPs where they are consistent with the state's strategic planning framework:

- administrative changes and errors - 3 months
- minor spot rezoning - 6 months
- major land release and urban renewal - 12-18 months
- principal LEPs - 24 months

Based on these benchmarks, the timely provision of rezoned land through a revised LEP would take years and anything non-conforming in nature (not giving effect to District Plans) would likely take

significantly longer. Ideally, the onus should be placed on councils to update their LEPs every five years or have them suspended, with applications considered against District and Regional Plans instead.

The NSW Government's Housing Affordability Package included the provision of assistance by the Greater Sydney Commission to help councils in high growth areas to revise their LEPs within two years of the District Plans being completed. Other councils are being asked to nominate if similar assistance is required. Revising LEPs is a time-consuming and costly activity, and councils should receive ongoing support from the NSW Government to ensure LEPs are updated within prescribed periods.

#### **Recommendation**

**The Department of Planning should monitor and report on the status of LEPs following the release of the District Plans, with a list of LEPs provided annually in the MDP to report progress.**

**AND**

**LEPs which are not updated within five years should be suspended and development applications in affected areas considered against relevant District and Regional Plans.**

#### **d) Different characteristics of Greater Sydney and non-metropolitan NSW**

*The Property Council has offices in Newcastle and Wollongong, servicing the Hunter and Illawarra regions. While much of the analysis provided herein is based on information specific to the Greater Sydney area, we are concerned equally about deteriorating housing affordability in the Hunter and Illawarra regions.*

The Property Council's Hunter Chapter provided a submission direct to the committee, which we endorse and include as part of our broader submission.

We are pleased to provide the following comments in regard to the Illawarra region:

- The Illawarra area is experiencing the same lack of supply and affordability issues as Sydney.
- The Illawarra is currently experiencing an extreme low in land supply when compared to its average monthly take up rate. There is less than a month's land supply on the market.
- The Illawarra's proximity to Sydney means that buyers from Sydney are seeking more affordable properties in that region, impacting affordability by driving up demand. Values are being pushed up as a result but local incomes are not increasing at a comparable rate, resulting in an even greater unaffordability issue; residents in the Illawarra are facing Sydney prices but not necessarily receiving Sydney incomes.
- Wollongong has now been identified as Australia's third most expensive city for housing (Domain Group's Regional House Price Report Dec 2016).
- Local Councils across the Illawarra are aware of the affordability issue but are not responding to it by enabling new release areas to come on line. West Dapto is an excellent example. This area was identified over a decade ago and supported at both state and local government levels as the major growth area for Wollongong. It has been broken up into

specific release areas, some of which are already serviced and able to be developed, however Wollongong Council is delaying the rezoning of these release areas as a section 94 issue hasn't been resolved in other parts of West Dapto. Meanwhile there is little to no land on the market and prices continue to escalate.

- Councils in the regional ring around Sydney are all grappling with the same issue of rapidly increasing prices due to greater demand which can be in conflict with local community groups. It is creating inertia, with Councils finding it easier to reject, slow down, or not act upon rezoning and development applications.

**e) Other related matters**

*Attachment A provides a detailed analysis of the Property Council's 5-Point Plan to Fix Housing Affordability, recent NSW Government actions that address industry suggestions for improvements and a comment on progress and next steps.*

The Property Council's paper explores the entire housing life cycle (in addition to land supply), including the timeliness of planning approvals, provision of housing choice and initiatives to help first buyers bridge the deposit gap.

Thank you one again for the opportunity to make a submission to the inquiry. Please do not hesitate to contact me on 9033 1907 or [cthomas@propertycouncil.com.au](mailto:cthomas@propertycouncil.com.au), if you would like to discuss any aspect of this letter further.

Yours sincerely,



**Cheryl Thomas**  
**NSW Deputy Executive Director**  
**Property Council of Australia**

## 1. Increased housing supply

<b>Governance and oversight</b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Establish a Housing Affordability sub-committee of cabinet comprising the Premier, Treasurer, Minister for Finance and Property, Minister for Planning and Housing, Minister for Transport and Infrastructure, Minister for Western Sydney, Minister for Social Housing and the Minister for the Environment and Local Government to set public targets for increased land supply, complementary infrastructure provision, housing completions and red tape reduction with timelines for completion.	<p>The Minister for Planning will lead a Housing Affordability Taskforce established to drive implementation of this strategy.</p> <p>A new Statement of Priorities will be issued requiring Landcom to take an active role to support housing affordability.</p>	
Give the new Housing Delivery Unit in the Department of Premier and Cabinet a clear mandate to work with local councils and the Greater Sydney Commission to fast-track the rezoning of land, including height and FSR increases, in accordance with the dwelling targets in the District Plans to be completed by the end of 2018.	The Local Environment Plans (LEPs) of 10 priority councils in Greater Sydney will be updated to reflect the final District Plans within two years of the GSC finalising the plans.	– 2017/18 Budget allocated \$2.5M to GSC to assist to councils' fast track LEP updates.
Task the Greater Sydney Commission with considering worlds' best practice options for incentivising innovation in housing design and supply to provide advice to the Housing Affordability Sub-committee by the end of 2017.	Not addressed	

## ***Real targets and real deadlines***

<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Require the Housing Delivery Unit to immediately review all vacant or underutilised NSW Government held property assets to identify opportunities to rezone for residential or create additional affordable and social housing stock and set targets and deadlines for bringing those opportunities to market in a timely manner.	Property NSW will lead the identification of underutilised or surplus land across all government entities to contribute to increasing housing supply and the provision of social infrastructure.	
<p>Ensure the Greater Sydney Commission finalises the draft District Plans according to the current timetable and that clear, publicly available and enforceable arrangements are developed and implemented to meet the new minimum dwelling targets they contain.</p> <p>Create specific dwelling and, where appropriate, height and FSR targets for major urban renewal centres in the District Plans in a similar manner to those provided for strategic growth centres to deliver appropriate density in the most appropriate locations especially where the NSW Government is delivering game changing infrastructure.</p>	<p>The Greater Sydney Commission (GSC) will ensure the final District Plans contain housing supply targets for each local government area for periods of five and 10 years, sufficient to cater for expected population growth and address housing undersupply.</p> <p>Around 30,000 additional dwellings in existing Priority Precincts or new partial precincts will be delivered through accelerated rezoning.</p> <p>The Department of Planning and Environment will establish a specialist team to work with councils to accelerate rezoning applications and create an Office of Housing Coordinator to resolve impediments to housing supply.</p>	<ul style="list-style-type: none"> <li>– 2017/18 Budget performance measures is for GSC to finalise District Plans for Greater Sydney by 30 June 2018.</li> <li>– Draft Plans provided 5-year LGA housing supply targets, requirement for 10-year targets at LGA level welcome addition.</li> <li>– 2017/18 Budget provided funding for rezoning for Priority Precincts and Priority Growth areas to be accelerated as an interim step to deliver 30,000 additional dwellings.</li> </ul> <p>Increased density around existing and future infrastructure such as Parramatta light rail, Sydenham to Bankstown rail line including Campsie, Lakemba, Canterbury and Belmore, Anzac Parade, Parramatta Road redevelopment, Blacktown to Richmond line and health and education super precincts including the North Shore Hospital as well as new station precincts is a critical aspect of increasing housing supply.</p>
Make it compulsory for Councils to meet the dwelling approval targets within transparent timeframes and if they are not met, give the	The LEPs of all other councils in Greater Sydney will be updated with appropriate housing targets within three years of the release of final District Plans, with powers	Regulatory and statutory powers provided under the EP&A Act and other guidelines require local planning

Housing Delivery Unit the power to appoint the Greater Sydney Commission to make a Local Environmental Plan that meets the target.	for the Minister to intervene if necessary to ensure LEPs are updated.	authorities to give effect to the District Plans through their LEPs.
Establish a mechanism to 'reward' Districts, and the councils within them, that are able to demonstrate they have turbo-charged housing supply by either exceeding dwelling targets or by delivering those dwellings in a shorter timeframe than that required.	Up to \$2.5 million will be available to each priority council to assist them to update their LEP, with payments also available to up to five other councils that volunteer to accelerate updating their LEPs.	2017/18 Budget allocated \$2.5M to GSC to assist to councils' fast track LEP updates.
<b><u>Legal and regulatory changes</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Provide merit appeal rights to the Land and Environment Court for rezoning and LEP amendment determinations made by Planning Panels for proposals that are rejected or not approved within a prescribed timeframe.	Not addressed	
Take other meaningful steps to allow greater development in the areas identified in <i>A Plan for Growing Sydney</i> via the creation of a strategic compatibility certificate application process to the new Housing Delivery Unit, with a merit appeal right to the Land and Environment Court.	Not addressed	
Clarify the ability to lodge planning proposals within approved corridor strategies (potentially via a s117 ministerial direction) and provide a fast track process, with published timeframes, for when they are within the controls.	Not addressed	

Make large scale residential development State Significant Development in western and south-western Sydney local government areas to significantly reduce red tape in greenfield areas.	Not addressed	
Increase the role of Independent Hearing and Assessment Panels (IHAPs) (to be renamed Local Planning Panels in the draft Bill), Sydney Planning Panels (SPPs) and Joint Regional Planning Panels (JRPPs) and make them mandatory to depoliticise development and prioritise housing delivery. The threshold for SPPs and JRPPs should be retained at \$20 million.	Greater use of independent panels in local Development Applications (DAs) (other than smaller DAs delegated to council staff) in some local government areas.	— <i>Environmental Planning and Assessment and Electoral Legislation Amendment (Planning Panels and Enforcement) Bill 2017</i> assented 14 Aug 2017, introducing mandatory planning panels as consent authorities in metropolitan Sydney councils and Wollongong City Council for projects valued \$5M-\$30M.
Retain the modifying power of section 75W by creating a new provision within section 96 to enable legacy Part 3A housing developments to increase yield and diversity where it can be justified and is in line with infrastructure investment.	Not addressed	
Amend the rezoning review guidelines issued in 2016 so independent Planning Panels have discretion to recommend or modify a proposal rather than just accept or reject it to avoid the process needing to start again when a proposal is rejected.	Not addressed	
Change current lot mix controls that mandate 60 per cent are required to have lot frontages of greater than 11 metres and none are able to have less than 10 metres frontage in low density residential land. Implement instead	Not addressed	

maximum density, with a minimum number of larger lots, and extend code assessment to this type of development.		
Promote downsizing for empty-nesters by encouraging the supply of senior appropriate housing via special planning consideration in the relevant planning legislation and instruments.	Not addressed	
Ensure that the measures detailed herein, that require legislative reform, are included in the Bill to amend the <i>Environmental Planning and Assessment Act 1979</i> and that any measures within the current draft that will increase delay, or negatively impact supply are removed. The resulting Bill should be progressed during the 2017 Budget session of parliament.	Not addressed	A draft Bill to amend the <i>Environmental Planning and Assessment Act 1979</i> was released in January 2017 by the former Planning Minister Rob Stokes for public comment. The Government is yet to release a revised Bill or advise the status of the existing Bill.
<b><u>More code assessment</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Finalise and implement the medium density housing code ("missing middle") via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying.	A Medium Density Housing Code will allow well-designed dual occupancies, town houses, manor homes and terraces as complying development.	DPE finalising MDHC in conjunction with <i>Complying Development Expert Panel</i> comprising key stakeholders.
Examine how the missing middle code could be extended and amended to ensure broader application, including in growth centres	A Greenfield Housing Code will simplify development standards for one and two storey dwellings built in greenfield areas.	
Implement code assessable development for apartments, including high-rise and mixed-use	Not addressed	

developments, as available in other states and territories via a new SEPP and an associated state-government prepared development control plan (DCP) that would exclude local DCPs from applying (to the extent of any inconsistency).		
Reform state government concurrences and integrated approval arrangements via a State Environmental Planning Policy (SEPP) so a concurrence or integrated approval can be waived outright or waived if a development proponent commits to complying with pre-determined standards or requirements.	Not addressed	
Remove exemptions from the current SEPP 65, or 'workarounds' to ensure appropriate densities are being achieved, especially in locations benefiting from major state government infrastructure spends.	Not addressed	
Deregulate minimum apartment sizes currently allowed under SEPP 65 to bring Sydney into line with other global cities like New York, so singles and first home buyers have greater choice at lower price points.	The Minister for Planning will issue guidelines to facilitate smarter and compact apartments in well-designed buildings that complement their neighbourhood, with car parking not linked to apartment titles.	– Planning Circular (PS 17-001) issued 29 June 2017 <i>Using the Apartment Design Guide</i> – stipulating that ' <i>Apart from the non-discretionary development standards in SEPP 65, the ADG is not intended to be and should not be applied as a set of strict development standards.</i> '
Amend the current NSW housing code to override council LEPs that restrict subdivision by use of a minimum lot size map to facilitate complying dwellings down to 250 sqm with scope for further reduction over time.	Councils will be able to consider smaller minimum lot sizes when updating their LEPs in line with District Plans.	

Mandate a one-month approval timeframe, instead of the current Gateway process, for planning proposals in zone transition zones in growth centres and extend the zone transition to 200 metres rather than the current 100 metres.	Not addressed	
<b><u>Infrastructure delivery</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Allocate an additional \$500 million to the Housing Acceleration Fund to deliver much needed essential infrastructure including water, road and electricity networks to speed up the delivery of new homes and jobs.	\$2.145 billion will be allocated for state infrastructure to accelerate housing in priority areas. ( <i>Housing Affordability Package</i> )	<ul style="list-style-type: none"> <li>– 2017/18 Budget included: <ul style="list-style-type: none"> <li>○ increase revenue from Special Infrastructure Contributions (SICs) reflecting the expansion of SICs to 15 new areas including 12 Sydney metropolitan precincts.</li> <li>○ additional \$1.6 billion in funding from Restart NSW and the State Capital Program to HAF to deliver infrastructure aimed at unlocking new housing supply. This will form part of the <i>Housing Infrastructure Program</i> under the NSW Housing Affordability Package, which includes multiple infrastructure initiatives to address the challenge of housing affordability in Sydney and affected regional areas.</li> </ul> </li> <li>– Draft SICs yet to be released for public comment (unclear scope of works or distribution of costs).</li> </ul>
Permit developers (in transparent VPAs with the relevant planning authority) to deliver/forward fund State Government “needs” (e.g. roads, schools).	Not addressed	<p>In January 2017, the NSW Government sought feedback on:</p> <ul style="list-style-type: none"> <li>• A draft Ministerial direction for planning authorities on principles to be followed in negotiations on a VPAs;</li> </ul>

		<ul style="list-style-type: none"> <li>• A draft revised practice note on VPAs outlining fundamental principles and best practice in their use and administration;</li> <li>• A draft planning circular to provide advice on ensuring planning proposals consider infrastructure needs and options for funding.</li> </ul> <p>To improve the policy framework for voluntary planning agreements (VPAs).</p> <p>Government yet to finalise reform.</p>
Establish and publish a sequential timetable for compulsory acquisition of necessary infrastructure land (only) in key corridors to assist unlocking supply of remaining growth centre land and ensure the relevant agencies are appropriately funded to undertake detailed design work in advance.	Not addressed	
<b><i>Reduce red tape and ensure there are enough resources to do the job</i></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Review the planning proposal and development application process to clarify and trim excessive information requirements and enshrine and encourage the ability to lodge concurrent applications.	Not addressed	
Ensure Voluntary Planning Agreement (VPA) reform is directed towards increasing flexibility and transparency and does not inadvertently entrench the worst aspects of the current	Not addressed	<p>In January 2017, the NSW Government sought feedback on:</p> <ul style="list-style-type: none"> <li>• A draft Ministerial direction for planning authorities on principles to be followed in negotiations on a VPAs;</li> </ul>

<p>system that legitimise poor council practice and increase the hidden costs of delivering housing.</p>		<ul style="list-style-type: none"> <li>• A draft revised practice note on VPAs outlining fundamental principles and best practice in their use and administration;</li> <li>• A draft planning circular to provide advice on ensuring planning proposals consider infrastructure needs and options for funding.</li> </ul> <p>To improve the policy framework for voluntary planning agreements (VPAs). Government yet to finalise reform.</p>
<p>Ensure the Department of Planning, the Greater Sydney Commission and other key players within the system, such as the JRPPs, have adequate resources to undertake the roles assigned to them in accordance with the targets and timeframes set as part of the governmental response to the housing affordability crisis.</p>	<p>Addressed in Budget.</p>	<p>2017-18 NSW Budget provided \$3.8B (up from \$2.6B in 2016-17) in funding to the Planning and Environment cluster, including:</p> <ul style="list-style-type: none"> <li>• \$144M to fund the Greater Sydney Commission.</li> <li>• \$61M in funding for housing affordability: <ul style="list-style-type: none"> <li>○ \$30M (\$118M over four years) to deliver infrastructure, housing and employment initiatives, review land use and infrastructure strategies for priority growth areas and implement regional plans</li> <li>○ \$12.5M (\$71M over four years) of new spending to: <ul style="list-style-type: none"> <li>▪ accelerate major project assessments and improve assessment timeframes</li> <li>▪ support Joint Regional and Sydney Planning Panels operations across New South Wales – deliver high quality, timely assessments and post-approval activities for major projects</li> <li>▪ improve environmental impact assessment, post-approval processes and compliance outcomes</li> </ul> </li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>▪ support planning system mergers across local government</li> <li>▪ drive regional growth and improve environmental outcomes</li> <li>○ \$14M (\$40M over four years) of new spending to address housing affordability</li> </ul> <p>\$4.5M (\$19M over four years) to address housing affordability by expanding Priority Precincts and Priority Growth Areas to deliver around 30,000 additional dwellings and to support the reform of Infrastructure Contributions.</p>
<b><u>Regional initiatives</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Embed appropriately staged 20-year Infrastructure Delivery Schedules within Regional Plans (starting with the Hunter, the Illawarra and the Central Coast), handing responsibility for implementation to a specific government agency.	Not addressed	
Fast-track the commitment to investigate the establishment of a Hunter Commission.	Not addressed	<p>The 2017-18 NSW Budget provides \$110M in funding for the Hunter Development Corporation, for revitalisation of designated urban areas to support new residential and employment opportunities. Key initiatives include:</p> <ul style="list-style-type: none"> <li>• \$55M over four years for a range of community service obligations, including restoring seawalls, provision of public domain, road realignment, and provision of affordable housing for the Newcastle community</li> </ul>

		<ul style="list-style-type: none"> <li>• \$43M to remediate Newcastle BHP sites at Kooragang Island and Mayfield</li> <li>• continuing management of the \$17M Newcastle Mines Grouting Fund and the annual \$1M Newcastle Port Community Contribution Fund</li> <li>• implementing the Hunter Regional Plan</li> </ul>
Ensure the newly established Regional Infrastructure Coordinator has a mandate, clear targets and a plan to fund and deliver the infrastructure needed in regional NSW to unlock land to increase housing supply.	Not addressed	
<b>2. <u>Reform state property taxes and reduce fees, charges and red tape</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Institute a freeze on all existing state and local government taxes and charges (including SIC discounts) that impact on the cost of bringing a dwelling to market and commit to a moratorium on any new taxes, charges and levies to undertake a review and rationalisation with the aim of a 20 per cent reduction in these costs by 2018.	<p>Changes to developer contributions for infrastructure will be implemented, including phasing out the Local Infrastructure Growth Scheme (LIGS), and introducing Special Infrastructure Contributions to new areas. \$369 million will be allocated to councils for local infrastructure under the phase out of the LIGS.</p> <p>IPART will continue to determine efficient costs for essential works that are funded through local contribution schemes where the per dwelling contribution exceeds \$30,000 for greenfield areas or \$20,000 for urban renewal/infill areas, requiring a council to only adopt a contribution plan if it is consistent with IPART's recommendation.</p> <p>A 50 per cent discount on interest costs will be available for councils on up to \$500 million of commercial or additional T-Corp loans provided under</p>	<ul style="list-style-type: none"> <li>– Planning Circular (PS 17-002) issued 27 July 2017 <i>Changes to section 94 local infrastructure contributions</i> outlines details for: <ul style="list-style-type: none"> <li>○ the closure of LIGs, to be phased out from 1 Jan 2018 to 1 July 2020, and</li> <li>○ removal of infrastructure 'caps', and role of IPART in assessing contribution plans.</li> </ul> </li> <li>– Planning Circular (PS 17-002) issued 27 July 2017 <i>Changes to section 94 local infrastructure contributions</i> outlines details regarding the role of IPART in assessing contribution plans (in accordance with the Department's Development Contributions Practice Note (February 2014).</li> </ul>

	the 'Fit for Future' loan scheme for councils.	
Immediately remove the specific foreign investment surcharges (stamp duty and land tax) introduced in the 2016 budget from housing suppliers (including retirement living and student accommodation developers and investors), to ensure the 15 to 20 per cent of housing development undertaken by foreign companies is not put at risk.	The foreign investor surcharge will be increased from 4 per cent to 8 per cent on stamp duty and from 0.75 per cent to 2 per cent on land tax, with foreign developers to be exempt, from 1 July 2017.	Legislation carving out foreign developers was passed during the last session of Parliament; however, the Property Council is seeking amendments to provide an upfront exclusion rather than the refund mechanism which was adopted. Treasurer has committed to amend legislation to remedy.
Revise NSW stamp duty rates and thresholds to ensure that premium rates do not apply to 'standard' houses. For example, on the current seven-point scale, more than 50 per cent of properties in Sydney fall into the top two tax brackets.	Not addressed	
Work with the Commonwealth Government on a broader tax reform strategy to reduce the state's reliance on stamp duty receipts over the longer term with the goal of eliminating this inefficient tax altogether.	Not addressed	
Create a "housing supply impact assessment statement" requirement for any state government regulatory or financial changes so the new Housing Supply Unit can provide advice to government about the likely cost and red tape burden such changes would create.	Not addressed	

### 3. Better cooperation between all levels of government

Property Council Recommendation	Government Housing Affordability Package	Progress and Next Steps
Work with the Commonwealth Government to operationalise the Intergovernmental Agreement (IGA) on Competition and Productivity-Enhancing Reforms in relation to planning and zoning and construction approvals. The NSW Government signed the IGA in December 2016.	Not addressed	
Support the reintroduction of the National Housing Supply Council to measure market performance and provide independent advice to support competition policy payments.	Not addressed	
Work constructively with the Commonwealth Government to deliver a workable housing bond aggregator proposal to deliver more affordable housing by facilitating greater private sector investment into this housing type.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Ensure that housing supply measures are appropriately recognised in the new Western Sydney City Deal and any other city deals implemented in NSW.	Not addressed	
Finish implementing the <i>Fit for the Future</i> plan to strengthen local government across the state and ensure councils are equipped to efficiently and effectively operate local	Not addressed	In December 2015, the Government outlined plans for 35 mergers, reducing the state's 152 councils to 112.  In May 2016, 19 mergers proceeded, with the

planning systems and supply local infrastructure.		Government announcing in August 2017 that it would abandon any further mergers.  NSW now has 128 councils, including 35 in metropolitan Sydney.
Work with the Commonwealth Government to consider innovative options to further decentralise and support alternative population centres, for example, via progressing a fast train proposal between Sydney and Canberra or Sydney and Melbourne.	Not addressed	
Commit to working with the Commonwealth Government on long term measures to improve the pipeline of appropriately skilled workers into construction and related industries, and worker mobility, to better address the cost driver that skills shortages create.	Not addressed	
<b>4. <u>Bridge the deposit gap and support for first home buyers</u></b>		
<b>Property Council Recommendation</b>	<b>Government Housing Affordability Package</b>	<b>Progress and Next Steps</b>
Examine the successful WA Key Start scheme with a view to introducing a similar initiative in NSW. The Key Start scheme helps eligible people buy their own homes through low deposit loans and shared equity schemes.	Not addressed	
Increase the threshold for stamp duty concessions for first home buyers. Currently, those concessions are only available for purchasers of properties valued below	For both new and existing dwellings, first home buyers will be exempt from stamp duty for properties	Measures implemented in the 2017-18 NSW Budget.

Exempt any affordable housing, as defined by the National Rental Affordability Scheme, developed as a consequence of the District Plans from any additional local government contributions.	Not addressed	
Establish a taskforce to work with the property industry and community housing providers to develop a model to support institutional investment into the long-term rental market to build scale and professionalism in the sector.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Consider a new category of zoning for multi-family residential development to support the commercial competitiveness of the asset class and make it more attractive to large scale investors.	Not addressed	NSW Treasurer announced the establishment of a working group comprising government and industry stakeholders to look at creating a 'build-to-rent' housing sector in NSW, first meeting held Sept 2017.
Examine options for providing and discounting appropriate government land parcels for mixed affordable housing/apartments for sale projects. UrbanGrowth NSW currently holds appropriate land parcels that could be re-purposed in this way.	Property NSW will lead the identification of underutilised or surplus land across all government entities to contribute to increasing housing supply and the provision of social infrastructure.	
Make a requirement of any sale of, or development application relating to, government owned land that can be redeveloped for residential purposes that a set percentage of any GFA or dwelling yield to be developed is to be used for social or affordable housing.	Not addressed	

<p>Amend the Affordable Rental Housing SEPP so:</p> <ul style="list-style-type: none"> <li>any application under Part 2 Division 1 is code assessable with the FSR bonus “as of right” and thus is above any LEP height or FSR restriction and unit areas are relaxed as set out above;</li> <li>for an application made under Division 5, it is clarified that residential development at density is not incompatible with low density residential or other low impact non-residential development.</li> </ul>	Not addressed	
<p>Consider how the burden of government contributions on social housing development could be reduced, including state infrastructure charges and section 94 contributions, without passing them on to other sectors.</p>	Not addressed	
<p>Fast-track the roll out of the <i>Communities Plus Program</i> to speed up the replacement and creation of appropriate social housing stock for the most vulnerable in the community and address the current waiting list.</p>	Not addressed	